

**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 THIRD AMENDED DISCLOSURE STATEMENT IN SUPPORT OF
CHAPTER 11 PLAN OF LIQUIDATION**

TABLE OF CONTENTS

I. INTRODUCTION..... 1

 SOLICITATION 3

 CLASSIFICATION 4

 VOTING REQUIREMENTS 4

 IMPAIRED ACCEPTING CLASS AND CRAMDOWN 4

 SOLICITATION REQUIREMENTS 5

 APPROVAL OF THIS DISCLOSURE STATEMENT 5

 REQUIREMENTS FOR CONFIRMATION 6

II. DISCLAIMERS..... 7

III. THE DEBTOR’S BUSINESS 8

 A. ORGANIZATIONAL STRUCTURE 8

 B. Formation and Operation 8

 C. Background and Pre-Petition Litigation..... 9

 D. Financial..... 10

IV. THE CHAPTER 11 CASE..... ~~1244~~

 A. Commencement of the Case 12

 B. Appointment of the Examiner..... 12

 C. The Debtor’s Schedules, Claims Bar Dates and Exclusivity 12

 1. GBG MINERALS, LTD. 13

 2. BENAVIDES FAMILY MINERALS, LTD. 13

 3. GBGIC. . 13

 D. Post-Petition Operations and Sales 13

 Hill Ranch..... 13

 Corazon Ranch 16

 Oilton Ranch 17

 E. Filings..... 18

 F. Cash Collateral Authorization 21

 G. Retention of Professionals 22

V. SUMMARY OF THE PLAN..... ~~2322~~

 A. GENERALLY 23

 B. GBG RANCH TRUST..... 25

 1. General 25

 2. The Wind Revenue Beneficiaries 27

 3. The Surface Estate Beneficiaries 28

 4. Failure of Trust..... 28

 5. Rejection of a Trust Asset..... 29

 6. Actual Trust Document Controls..... 29

 7. Proposed Trust by Quita Wind, Memo and/or Will 29

VI. ANALYSIS OF INTERCOMPANY CLAIMS..... 29

 A. DEBTOR’S ANALYSIS..... 29

B. <u>EXAMINER’S ANALYSIS</u>	31
VII. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS	32
A. <u>GENERAL PROVISIONS AND CLASSIFICATIONS</u>	32
B. <u>MULTIPLE CLAIMS AND INTERESTS</u>	32
C. <u>CLASSIFICATION</u>	32
D. <u>IMPAIRED CLASSES OF CLAIMS AND EQUITY INTERESTS</u>	33
E. <u>DISALLOWANCE OF CLAIMS SUBJECT TO AVOIDANCE ACTIONS</u>	33
VIII. PROVISIONS FOR TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN	33
A. <u>ADMINISTRATIVE CLAIMS:</u>	34
1. <u>GENERAL:</u>	34
2. <u>PAYMENT OF STATUTORY FEES:</u>	34
B. <u>BAR DATE FOR ADMINISTRATIVE CLAIMS:</u>	34
1. <u>GENERAL PROVISIONS:</u>	34
2. <u>PROFESSIONALS</u>	34
3. <u>TAX CLAIMS</u>	35
4. <u>ORDINARY COURSE LIABILITIES</u>	35
C. <u>CLASSIFICATION OF CLAIMS</u>	35
<i>Class 1: Priority and/or secured claims of Taxing Authorities:</i>	35
<i>Class 2: Allowed General Unsecured Claims of Third Parties</i>	36
<i>Class 3: General Unsecured Claims of Affiliated Entities</i>	36
<i>Class 4: Subordinated Claims of Affiliated Entities</i>	37
<i>Class 5: Prepetition Equity Interests</i>	38
IX. ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES OF IMPAIRED CLAIMS.....	39
A. <u>CLASSES ENTITLED TO VOTE</u>	39
B. <u>PRESUMED ACCEPTANCE/REJECTION OF PLAN</u>	39
X. TREATMENT OF EXECUTORY CONTRACTS AND LEASES	39
A. <u>GENERALLY</u>	39
B. <u>WIND LEASE</u>	40
C. <u>TORRECILLAS WIND LEASE</u>	40
D. <u>RULE 11 AGREEMENTS</u>	40
E. <u>MASTER LEASE</u>	42
F. <u>POST-PETITION LEASES</u>	42
G. <u>BAR DATE FOR FILING PROOFS OF CLAIM FOR REJECTION DAMAGES</u>	43
XI. PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN AND TREATMENT OF DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS	4443
A. <u>METHOD OF DISTRIBUTIONS UNDER THE PLAN</u>	44
1. <u>DISTRIBUTIONS</u>	44
2. <u>TIMING OF DISTRIBUTIONS</u>	44
3. <u>MINIMUM DISTRIBUTIONS</u>	44

4. <u>Unclaimed Distributions</u>	44
B. <u>DISPUTED CLAIMS</u>	44
C. <u>OBJECTIONS TO AND RESOLUTION OF DISPUTED ADMINISTRATIVE CLAIMS AND DISPUTED CLAIMS</u>	45
D. <u>CANCELLATION AND SURRENDER OF EXISTING SECURITIES AND AGREEMENTS</u>	45
XII. <u>IMPLEMENTATION OF THE PLAN</u>	46
A. <u>CONDITIONS PRECEDENT TO CONFIRMATION</u>	46
B. <u>CONDITIONS PRECEDENT TO EFFECTIVE DATE</u>	46
C. <u>NOTICE OF THE EFFECTIVE DATE</u>	47
XIII. <u>CONFIRMATION PROCEDURE</u>	47
A. <u>SOLICITATION OF VOTES</u>	47
B. <u>CONFIRMATION HEARING</u>	47
C. <u>FAIR AND EQUITABLE TEST/ CRAMDOWN</u>	48
1. <u>SECURED CREDITORS</u>	48
2. <u>UNSECURED CREDITORS</u>	48
D. <u>FEASIBILITY</u>	48
E. <u>OBJECTIONS TO CONFIRMATION AND/OR FINAL APPROVAL OF DISCLOSURE STATEMENT</u>	49
XIV. <u>CAUSES OF ACTION AND THE LITIGATION TRUST</u>	50
<u>PREFERENCES</u> 50	
<u>FRAUDULENT CONVEYANCES/INSIDER TRANSFERS</u>	51
<u>THE REMOVED LITIGATION</u>	51
<u>DISCLAIMER AND RESERVATION OF RIGHTS</u>	54
XV. <u>FINANCIAL INFORMATION</u>	55
EXHIBIT A LIMITED PARTNERSHIP AGREEMENT OF GBG RANCH, LTD.	55
EXHIBIT B HOWLAND ENGINEERING HILL RANCH SURVEY	55
EXHIBIT B-1 HOWLAND ENGINEERING REMAINING HILL TRACTS METES AND BOUNDS SURVEY ...	55
EXHIBIT C HUD 1 CLOSING STATEMENT - HILL TRACTS 1, 2, 8 AND 9	55
EXHIBIT D HUD 1 CLOSING STATEMENT - HILL TRACTS 3 AND 4	55
EXHIBIT E VALBRIDGE PROPERTY ADVISORS DUGGER, CANADAY, GRAFE, INC. DECEMBER 4, 2014 APPRAISAL OF HILL TRACTS 6 AND 7.	55
EXHIBIT F OILTON SURVEY	55
EXHIBIT G-1 CORAZON SURVEY	55
EXHIBIT G-2 VALBRIDGE PROPERTY ADVISORS DUGGER, CANADAY, GRAFE, INC. DECEMBER 4, 2014 APPRAISAL OF THE ENTIRE CORAZON RANCH	55
EXHIBIT G-3 VALBRIDGE PROPERTY ADVISORS DUGGER, CANADAY, GRAFE, INC. JULY 17, 2015 APPRAISAL OF THE CORAZON NORTH	55
EXHIBIT G-4 VALBRIDGE PROPERTY ADVISORS DUGGER, CANADAY, GRAFE, INC. JULY 15, 2015 APPRAISAL OF THE CORCOBADA PASTURE	55
EXHIBIT H MONTHLY OPERATING REPORTS	55
EXHIBIT I HISTORICAL CASH FLOW FROM DEBTOR'S OPERATIONS JULY 8, 2014 THROUGH JUNE 30, 2015	55
EXHIBIT J 2012 THROUGH 2014 FINANCIAL STATEMENTS, U.S. FORM 1065 TAX RETURNS AND CAPITAL ACCOUNT BALANCES AS OF JUNE 30, 2015.	55
EXHIBIT K THE PLAN	55
EXHIBIT L DOCKET NO. 171 WIND STIPULATION	55

EXHIBIT M	DOCKET NO. 172 AGREED ORDER REGARDING MOTION TO DISMISS AND PLAN TERMS	55
EXHIBIT N	THE GBG RANCH TRUST	55
EXHIBIT O	THE ALTERNATIVE TRUST	55
EXHIBIT P	AMENDED ORDER APPOINTING EXAMINER	55
EXHIBIT Q-1	THIRD PARTY CLAIMS CHART	55
EXHIBIT Q-2	RELATED PARTY CLAIMS CHART (AGAINST THE DEBTOR)	55
EXHIBIT Q-3	RELATED PARTY CLAIMS CHART (BY THE DEBTOR)	56
EXHIBIT R	LEASE SCHEDULE	56
EXHIBIT S	ALLEGED CLAIMS AGAINST MANUEL A. BENAVIDES	56
EXHIBIT T	COMPANY AGREEMENT OF GBG CATTLE & HUNTING, LLC	56
EXHIBIT U	NON-RECURRING INCOME JULY 8, 2014 – JULY 31, 2015	56
XVI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN.....		56
1.	LIQUIDATION	56
2.	ALTERNATIVE PLANS OF LIQUIDATION.....	56
3.	LIQUIDATION UNDER CHAPTER 7	56 57
XVII. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN.....		58
1.	TAX EFFECTS.....	58
a.	<i>Tax effects for the Debtor</i>	58
b.	<i>Tax Consequences to Creditors</i>	59
XVIII. <u>CONCLUSION AND RECOMMENDATION</u>		59

THE PROPOSED SECOND AMENDED 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 SECOND AMENDED DISCLOSURE STATEMENT ARE NOT INTENDED AND SHOULD NOT IN ANY WAY BE CONSTRUED AS A SOLICITATION OF VOTES ON THE AMENDED PLAN, NOR SHOULD THE INFORMATION CONTAINED HEREIN BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED AMENDED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.

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**DEBTOR’S THIRD AMENDED DISCLOSURE STATEMENT IN SUPPORT OF
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COMES NOW G.B.G. Ranch, Ltd., (“Debtor”), and pursuant to §1121(a), Title 11, United States Code (the “Bankruptcy Code”), proposes the following Third Amended Disclosure Statement in support of its Third Amended Plan of Liquidation for the Debtor.

I.
INTRODUCTION

The Debtor has formulated its Third Amended Plan (hereinafter 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 and equity interest owners, but to transfer the remaining real estate assets of the Debtor, to the greatest extent possible, consistent with the Wind Stipulation, *infra.* and, thereafter, to wind down the operation of the Debtor in accordance with applicable Texas law. The Debtor believes that the Plan provides for the payment in full of all allowed claims and, thereafter causes the distribution of the remaining assets of the Estate to the equity interest holders of the Debtor in

compliance with the express terms and conditions of the Bankruptcy Code and the Agreement of Limited Partnership for GBG Ranch, Ltd.

This Third Amended 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 and Equity Interest Owners. 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 address your questions.

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

The Third Amended Disclosure Statement is prepared to reflect all relevant information known to management of the Debtor and its professionals as of the date of this Third Amended 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 further modify this Third Amended Disclosure Statement and, as necessary, the Plan. To the extent that the allowed Claims do not exceed the cash on hand of the Debtor as of the Confirmation Date, an integral component to the Plan is the GBG Ranch Trust. The final form of the GBG Ranch Trust has not been approved by either settlor – GBG Ranch, Ltd. or Quita Wind Energy Company, LLC – nor has it been accepted by any Prospective Trustee, *infra*. The final form of the GBG Ranch Trust will not be approved, if at all, until confirmation of the Plan.

Certain positions taken by Guillermo Benavides Z. (“Memo”), Guillermo R. Benavides (“Will”), individually and purportedly on behalf of Quita Wind Energy Company, LLC (“Quita Wind”), The Residuary Trust under the Last Will and Testament of Guillermo Benavides Garza (the “Residuary Trust”), Guillermo Benavides Garza Investment Company (“GBGIC”); Benavides Family Minerals, Ltd. (“BFM”), GBG Minerals, Ltd. (“Minerals”), GBG Cattle & Hunting, LLC (“C&H”), and GBG Ranch, Ltd. (“Ranch” or the “Debtor”) are reflected in this Third Amended Disclosure Statement pursuant to the request of Memo and Will made through their counsel of record. The Debtor disputes that either Memo or Will have the requisite authority to act on behalf of any of the following:

1. Ranch,
2. Quita Wind,
3. GBGIC,
4. the Residuary Trust,

5. BFM,
6. Minerals, or
7. C&H.

At the request of Memo and, as applicable, Will, the Debtor will, hereafter, refer to the positions of the "Creditor Respondents" and the "Equity Respondents". When referring to the Creditor Respondents, such moniker denotes the positions of Memo and Will individually and as alleged on behalf of GBGIC, C&H, Minerals, BFM, Quita Wind, Anam, Ltd., Anam Management, LLC. When referring to the Equity Respondents, such moniker denotes the position of Memo asserted individually and allegedly on behalf of the Residuary Trust.

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

Solicitation

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 prior to solicitation of acceptances of that plan. This Third Amended Disclosure Statement is being provided to the holders of all known claims against, or equity interests in, the Debtor to satisfy the requirements of section 1125 of the Bankruptcy Code. If any creditor of a debtor is unimpaired under the proposed plan, then such creditor is 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 claim, all of the creditors of the Debtor are unimpaired; accordingly, acceptance of the plan will not be solicited from the Creditors. Though the Bankruptcy Code does not permit equity interest holders to vote on a plan, the Debtor, nonetheless, contends that the Equity Interest Holders of the Debtor are unimpaired because each Equity Interest Holder will receive on account of their interest in the Debtor the distributive share of the remaining assets of the Estate, either in cash or in kind (through the transfer of the Surface Beneficial Interest, *infra.*) as directed under the terms of the Limited Partnership Agreement of GBG Ranch, Ltd. Notwithstanding the treatment of the Equity Interests, the Equity Respondents assert that the Equity Interest holders are impaired.

Classification

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.

Voting Requirements

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).

Impaired Accepting Class and Cramdown

The Debtor contends that under the Plan, there are no impaired classes. Notwithstanding this and in the unlikely event that impairment is determined to exist, the Debtor offers the following explanation of the “cramdown” process. 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.” The Equity Respondents assert that the equity interest holders are impaired.

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.

Solicitation Requirements

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 a disclosure statement, the disclosure statement, the proposed plan and a ballot are sent to the holders of claims. Impaired creditors would then have the opportunity to vote on the plan. The disclosure statement would be considered in connection with such vote.

Approval of this Disclosure Statement

On the 7th day of August, 2015, the Bankruptcy Court conditionally approved this Third Amended 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.

The approval of this Third Amended Disclosure Statement by the Bankruptcy Court does not constitute an endorsement of the Plan, this Third Amended Disclosure Statement, or any of the information contained in either the Third Amended Disclosure Statement or the Plan. Likewise, although the Debtor and its counsel have utilized information believed to be accurate in preparing this Third Amended Disclosure Statement, neither the Debtor nor any of its counsel warrant the accuracy of the

information contained in or relied upon in preparing this Third Amended Disclosure Statement. This Third Amended 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. The Debtor will ask the Court to grant tentative approval of this Third Amended Disclosure Statement and grant final approval concurrently with confirmation of the Plan.

Requirements for Confirmation

At the hearing scheduled by the Court for consideration of the Plan for confirmation, the Court will determine whether the Plan 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 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 Plan 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. 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.

All terms in this Third Amended 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 THIRD AMENDED 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 SECOND AMENDED 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 THIRD AMENDED DISCLOSURE STATEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR.

UNLESS ANOTHER TIME IS SPECIFIED, THE STATEMENTS CONTAINED IN THIS THIRD AMENDED DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF. NEITHER DELIVERY OF THE THIRD AMENDED DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE THIRD AMENDED 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 SECOND AMENDED DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THE THIRD AMENDED DISCLOSURE STATEMENT WERE COMPILED.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS THIRD AMENDED 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 Memo and trusts for the benefit of his children totaling 39%, trusts for the benefit of the children of Manuel A. Benavides ("Guero") totaling 39%, and the Residuary Trust representing 20%. The General Partner of the Debtor is GBGIC. GBGIC is a Texas corporation. GBGIC has two shareholders each owning 50% of the issued and outstanding common stock. The shareholders of GBGIC are (1) the Residuary Trust, and (2) 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. A true and correct copy of the Limited Partnership Agreement of GBG Ranch, Ltd. is attached hereto as **Exhibit A**.

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. As of the Petition Date, the Debtor owned 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"). As of the Petition Date, the Ranches consisted of the following acreage:

- a. Hill Ranch: 5,297.32 acres identified in 9 discreet parcels;
- b. Corazon Ranch: 8,551.76 acres; and
- c. Oilton Ranch: 6,709.81 acres.

Both the Hill and the Corazon contain mineral classified lands, 1,654.9 acres, more or less, on the Hill and approximately 2,460.0 acres, more or less, 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 B**. The Debtor owned the surface only

of Tracts 1, 2, 3, 4, 6, 7, 8, and 9¹ of the Hill Ranch. 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 (the "G&A Assessment"). The amount of the assessment was determined on a prepetition bases by the board of directors of GBGIC. The G&A Assessment does not include capital expenses or litigation expenses. The payment of the G&A Assessment was approved by the Bankruptcy Court by Order entered on the 9th day of December, 2014 as Docket No. 161. Because of the disproportionate amount of time that is required of the employees of GBGIC, GBGIC revisited the assessment percentage allocated to GBG Ranch. The G&A Assessments paid by the Debtor through July 2015 were based upon the 2009 allocation of actual costs and do not adequately reflect the actual consumption of services and resources of GBGIC by the Debtor. The G&A Assessment has been recalculated by the Board of Directors of GBGIC. The recalculation has resulted in an increase of the assessment to the Debtor. The Debtor has filed a request seeking authorization to pay both the future assessment and to reimburse GBGIC for the shortfall at the general partner level due to the deficiency in the assessment to the Debtor. That motion was filed as Docket No. 352.

C. Background and Pre-Petition Litigation

The Benavides family², 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 lawsuits³ The Ranch Litigation together with two related party lawsuits⁴, were consolidated into a single lawsuit under Cause No. 2011 CVF 000194-D1 (hereinafter the "Litigation"). The parties to

1 Since the Petition Date, the Debtor has sought and obtained approval for two sales out of the Hill via a live auction process. Both auctions resulted in Hill Cuchilla, LLC being the high bidder. The sales are discussed fully at Art. IV, Sec. D.

2 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.

3 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.

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

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 Debtor⁵ 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 to the Bankruptcy Court on July 9, 2014. The Litigation is pending 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 the Corazon mineral classified lands either before or after the formation of the Debtor. 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 the 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 and has averaged \$29,131.48 per month post-petition.

The Debtor has historically been entitled to receive annual revenue from 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. The term of the Master Lease was extended by the agreement of GBG Ranch and C&H through January 1, 2010. No further extensions were approved by GBG Ranch and C&H remained a holdover tenant under the Master Lease. 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 lease payments. C&H, from and after January 1, 2010 continued to lease the Ranches for grazing and hunting and collected the fees associated therewith. Since the Petition Date, the Debtor

5 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.

has notified C&H of the continuing payment default under the Master Lease and demanded payment of the past due payments. C&H had insufficient funds and assets to pay the total amounts due to the Debtor. Effective April 2, 2015, the Debtor terminated the occupancy rights of C&H under the terms of the Master Lease. The Debtor remains aware that C&H has insufficient assets to pay the full amount of the owing to the Debtor, but believes that the debt owing by C&H may be substantially satisfied through the cash on hand with C&H and the transfer of the personal property owned by C&H. There are no personal guarantees by any members or managers of C&H in connection with the debt due to the Debtor under the Master Lease. The Debtor has proposed the resolution of the payable by C&H on the terms discussed in Related Party Claims Resolution Section set forth Article VI, Section A. The Debtor intends to collect this affiliated entity debt prior to confirmation.

As a result of the termination of the occupancy rights of C&H under the Master Lease, the Debtor has begun the process of negotiating hunting leases and grazing leases for the Oilton, the Corazon and Remaining Hill Tracts. The Debtor will present each new lease for approval by the Bankruptcy Court after the terms are fully negotiated. Attached as **Exhibit R** is a Schedule of Leases by lessee, ranch and type of lease. The Debtor has continued to honor the arrangements in place between the identified lessee and C&H. A new lease will be executed with each identified lessee on the earlier of settlement of the GBG Ranch Trust or the entry of an order allowing the Debtor to enter into a new lease with the identified lessee.

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. Since the Petition Date, the Debtor has received \$674,544.83 in non-recurring income as more fully detailed on **Exhibit U** attached hereto and consisting of:

- a. \$630,472.83 in revenue from Laredo Energy for right of way payments;
- b. \$23,000.00 in land damages;
- c. \$7,880.00 in caliche sales; and
- d. \$13,192.00 in water sales.

The financial statements and tax returns for the Debtor for the two (2) years immediately preceding the Petition Date (2012 and 2013), the tax return for 2014 and the capital account balances of each of the partners of the Debtor are attached hereto as **Exhibit J**.

IV.
THE CHAPTER 11 CASE

A. Commencement of the Case

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 a debtor-in-possession pursuant to §§1107 and 1108 of the Bankruptcy Code.

B. Appointment of the Examiner

On the 17th day of October, 2014, this Court, with the agreement of the Debtor, Memo and Quita Wind, appointed Ronald Hornberger as the Chapter 11 Examiner under 11 U.S.C. §1106 [Docket No. 96]. By order dated November 13, 2014, this Court entered an Amended Order Appointing Examiner [Docket No. 131] detailing the scope of the mandate of the Examiner and identifying the specific powers of the Examiner (collectively Docket No. 96 and Docket No. 131 are referred to as the "Examiner Order"). The Amended Order Appointing Examiner is attached hereto as **Exhibit P**. The Examiner's report and claims recommendation was filed under seal on July 22, 2015.

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

The Debtor filed its Schedule of Assets and Liabilities with the Bankruptcy Court and amended these filings two (2) times⁶. In the aggregate, the pre-petition unsecured claims against the Debtor 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. Memo and Will contend that they will timely file proofs of claim, which claims are due by August 22, 2015. The Debtor does not believe that the claims of Memo and Will in Anam Litigation are valid or enforceable. The determination of the amount, if any, of these liabilities will likely be concluded on a post-confirmation basis by the Litigation Trustee through the adversary process. The determination of the validity of the insider claims will not impact the distribution to non-insider creditors holding allowed claims. The Creditor Respondents and the Equity Respondents dispute the claims scheduled by the Debtor.

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 was December 6, 2014. By agreement, the bar date for the filing of proofs of claim for the affiliated entities

⁶ The Debtor reserves the right to further amend its Schedules to reflect any changes in the identity and/or amount of the claims scheduled.

and individuals⁷ is August 28, 2015. The Claims Report of the Examiner was filed July 22, 2015. The Debtor has set forth the amount of the related claims both by and against the Debtor in Article VI, Section A. The Debtor believes that the analysis regarding the amount payable by the Debtor to BFM as calculated by the Examiner is accurate. The Debtor will amend Proof of Claim No. 3 accordingly. The Debtor reserves the right to review any claims filed by the Creditor Respondents and the Equity Respondents and to object to those claims as well as other claims asserted by any related or third parties that are inconsistent with the Debtor's analysis and/or not otherwise supported by commercially reasonable documentation. The Debtor also reserves the right to object to the authority of Memo and/or Will to file any claims or objections on behalf of GBGIC, C&H, Minerals, BFM, Quita Wind and/or the Residuary Trust.

The Debtor has filed proofs of claim for the affiliated entities of the Debtor that are controlled by the Debtor's general partner – GBGIC. The Debtor has filed proofs of claim on behalf of:

1. GBG Minerals, Ltd.: Claim No. 4 in the amount of \$240,000.00,
2. Benavides Family Minerals, Ltd.: Claim No. 3 in the amount of \$657,597.34⁸; and
3. GBGIC: Claim No. 2 in the amount of \$8,500.00.

The Debtor does not intend to file proofs of claim on behalf of any entities controlled by Memo and/or Will (Anam, Ltd. and Anam Management, LC) or on behalf of the individual litigants asserting claims against the Debtor, to wit: Memo, Will. Memo, Will and Quita Wind claim that they will timely file proofs of claim.

The Debtor's exclusive period to obtain confirmation of a plan has been extended until sixty (60) days after the filing of the Examiner's Claims Report, subject to further order of the Court.

D. Post-Petition Operations and Sales

The Debtor has continued to operate its business and manage its property since the filing of the Petition by taking the following described actions.

Hill Ranch

Post-petition the Debtor has been able to market the Hill Ranch through the efforts of Lou Pellegrin, the Debtor's exclusive broker. The Debtor has successfully conducted

⁷ GBGIC, GBG Ranch, C&H, Minerals, BFM, Quita Wind, Anam Ltd.; Anam Management, L.C., Will, and Memo

⁸ Claim No. 3 will be amended to reflect a claim in the amount of \$597,570.19

two (2) auction sales of tracts on the Hill Ranch.

The first offer by Rancho Loma Linda was obtained by Lou Pellegrin, the exclusive broker for the Debtor, for the purchase of the Hill Tracts 1, 2, 8 and 9. The stalking horse bid was \$3,520,000.00 which represented 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 was in the amount of \$3,979,542.40, approximately 113% of the appraised value of those tracts. As a result of the competing bid, an auction sale of Hill Tracts 1, 2, 8 and 9 was conducted on December 19, 2014 at 9:30 a.m. in the U. S. Bankruptcy Court for the Southern District of Texas, Laredo Division. The final purchase price for Hill Tracts 1, 2, 8 and 9 was \$4,079,542.40 which was paid by Hill Cuchilla, LLC as assignee of Memo (the "First Sale Proceeds"). The sale closed on January 15, 2015. In accordance with the Order Approving Sale [Docket No. 174] and the Wind Stipulation [Docket No. 171], \$1,056,000.00 was distributed out of the First Sale to the membership of Quita Wind. The net proceeds to the Debtor out of the sale of Hill Tracts 1, 2, 8 & 9 was \$2,949,551.81, exclusive of the Broker's commission payable to LHP Holdings, LLC dba LP Properties Realty which was paid pursuant to Docket No. 308 in the amount of \$167,204.49 which was paid contemporaneously with the payment of the commission on the sale of Hill Tracts 3 and 4. A true and correct copy of the HUD 1 closing statement for the Hill Tracts 1, 2, 8 and 9 Sale is attached hereto as **Exhibit C**.

The second offer by Rancho Loma Linda was for the purchase of Hill Tracts 3 and 4. After entertaining competitive offers from Memo Benavides and Rancho Loma Linda for the Hill Tracts 3 and 4, the Debtor accepted the offer of Rancho Loma Linda as the stalking horse bid in the amount of \$4,375,000.00. The Rancho Loma Linda bid exceeded the appraised value of these tracts⁹. On February 20, 2015, the Debtor was presented with a competing bid for Tracts 3 and 4 by Hill Cuchilla, LLC. The competing bid by Hill Cuchilla, LLC was in the amount of \$4,425,000.00. As a result of the competing bid, an auction sale of Hill Tracts 3 and 4 was conducted on February 27, 2014 at 9:30 a.m. in the U. S. Bankruptcy Court for the Southern District of Texas, Laredo Division. The final bid price for Hill Tracts 3 and 4 was \$5,475,000.00 by Hill Cuchilla, LLC. The sale of Hill Tracts 3 and 4 closed on April 10, 2015. In accordance with the Order Approving Sale [Docket No. 233], \$1,287,000.00 will be distributed to Quita Wind to be held in the IOLTA account of Clemens & Spencer, P.C. pending further order of the Bankruptcy Court. The net proceeds to the Debtor out of the sale of Hill Tracts 3 & 4 was \$4,111,201.04, exclusive of the Broker's commission payable to LP Properties, LLC which was paid pursuant to Docket No. 308 in the amount of \$167,204.49

⁹ As evidenced by the April 9, 2014 Market Value Appraisal of the Hill prepared by Southwest Appraisal Group
Case No. 14-50155
Third Amended Disclosure Statement

contemporaneously with the payment of the commission on the sale of Hill Tracts 1, 2, 8 and 9. A true and correct copy of the HUD 1 closing statement for the Hill Tracts 3 and 4 Sale is attached hereto as **Exhibit D**.

As of the filing of this Third Amended Disclosure Statement, the Hill Ranch consists of 3 tracts – Tract 5, Tract 6 and Tract 7. Tract 5 is mineral classified land consisting of approximately 1655 acres. Tracts 6 and 7 are surface estate only and consist of 16.58 and 14.11 acres, respectively. The Debtor continues to evaluate the viability of the sale of either or both of the Tracts 6 and 7. The Debtor has obtained appraisals on Hill Tracts 6 and 7 from Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. (“Valbridge”). Valbridge has appraised Tract 6 at \$174,000.00 and Tract 7 at \$134,000.00. A true and correct copy of the Valbridge appraisal of Hill Tracts 6 and 7 are attached hereto as **Exhibit E**. Hill Tract 5 has not been formally appraised as of the filing of this Third Amended Disclosure Statement. The Debtor has requested that Valbridge conduct an appraisal of Hill Tract 5. The Debtor will supplement this Disclosure Statement prior to confirmation to include the appraisal of Hill Tract 5¹⁰.

Because of the termination of the occupancy rights of C&H under the terms of the Master Lease, the Debtor has begun the process of negotiating one or more new grazing leases for remainder the Hill Ranch and continues to explore the opportunity for a long term hunting lease on the remainder of the Hill Ranch – Tracts 5, 6 and 7. All negotiations are proceeding in tandem with presentations to the prospective trustee¹¹ for the GBG Ranch Trust.

In the event that the GBG Ranch Trust fails due to the existence of an absolute priority rule violation¹², for want of a consenting trustee for the GBG Ranch Trust, or because a consenting trustee for the GBG Ranch Trust declines to accept the Hill Tracts 5, 6 and 7, GBG Ranch will market and sell these remaining tracts in the Hill Ranch. In

¹⁰ The Debtor has estimated the value of the Hill Tract 5 at \$4,389,800.00 inclusive of the mineral classified interests using the standard 36 month revenue analysis for production and \$2,000.00 per acre for the surface value. The Debtor reserves the right to adjust the value based upon the Valbridge appraisal.

¹¹ As more fully discussed at Section V. B (1) effective July 15, 2015, the Frost Bank withdrew as a prospective trustee of the GBG Ranch Trust. On July 15, 2015, upon the filing of the Witness and Exhibit List by Quita Wind, Memo and Will in connection with the hearings scheduled for July 17, 2015, the Debtor became aware of three entities with interest in serving as the trustee of the GBG Ranch Trust, to wit: American Bank, Wells Fargo and The Trust Company. The Debtor has met with the representatives of American Bank and The Trust Company. Wells Fargo’s representative, Julia Hammond, declined to schedule a meeting with the Debtor. The Debtor continues to be optimistic that an acceptable trust instrument can be crafted and an accepting trustee can be secured.

¹² A violation of the “absolute priority rule” may occur if the total amount of the claims asserted by creditors exceed the value of the cash and assets of the Debtor excluding the real estate interests (Hill Tracts 5, 6 and 7, the Corazon Ranch and the Oilton Ranch) to be conveyed to the GBG Ranch Trust.

such event, as to Tracts 6 and 7, the Debtor will, in accordance with the provisions of the Wind Stipulation [Docket No. 171] pay to the Quita Wind Membership an amount equal to 30% of the appraised value of Tracts 6 and 7. As to Tract 5, the value of any claim asserted by Quita Wind arising out of or in connection with the Wind Lease on Hill Tract 5 shall be determined and, to the extent allowed, paid in cash and in full on the earlier of the Effective Date or the entry of a final non-appealable order establishing the allowed amount of the Quita Wind claim arising out of or in connection with the Wind Lease on the Hill Tract 5. In the event that the GBG Ranch Trust fails and the Oilton Ranch is required to be sold, then any such sale of the Oilton Ranch would be subject to the terms and conditions of the Torrecillas Wind Lease.

Corazon Ranch

Subsequent to the filing of the Petition, the Debtor commissioned a Market Value Appraisal for the entirety of the Corazon Ranch by Valbridge. The appraisal was performed by John "Tooter" Robertson, an MAI appraiser with Valbridge. The appraisal reflects a market value for the entirety of the Corazon in the amount of \$13,470,000.00 or \$1,525.00 per acre. A true and correct copy of the Appraisal of the entirety of the Corazon Ranch is attached hereto as **Exhibit G-2**. The Corazon is bisected by State Highway 59 creating effectively two tracts within the designation of the Corazon Ranch; the Corazon North, being the 6,800 acres, more or less, located north of Highway 59, and the Corcobada Pasture, being the 1,969 acres, more or less, located south of Highway 59. Because the Debtor has received numerous indications of interest on the Corazon North and the Corcobada pasture as discreet tracts, the Debtor had Valbridge separately value the Corazon North and the Corcobada pasture. The Corazon North has been valued at \$1,500 per acre for a total value of \$10,254,000.00. A true and correct copy of the Valbridge Appraisal of the Corazon North is attached hereto as **Exhibit G-3**. The Corcobada Pasture has been valued at \$1,900 per acre for a total value of \$3,741,366.00. A true and correct copy of the Valbridge Appraisal of the Corcobada Pasture is attached hereto as **Exhibit G-4**. The Debtor received an offer of \$2,000.00 per acre for the Corcobada pasture from Rancho Loma Linda. The Debtor filed its Motion for Authorization to Sell on May 20 [Docket No. 286] (the "Corcobada Sale Motion"). The Corcobada Sale Motion was opposed by Memo and Will, individually and allegedly on behalf of Quita Wind.¹³ Rancho Loma Linda withdrew the purchase offer on July 17, 2015.

In accordance with the Wind Stipulation, the Debtor intends to convey the Corazon

¹³ 56% of the membership interests of Quita Wind support the sale to Rancho Loma Linda because, among other reasons, the proposed 30% distribution to the Quita Wind membership out of the Rancho Loma Linda sale substantially exceeds the net present value of the revenue to be generated on the 13 tower proposal from Torrecillas Wind Energy Company, LLC on the entire Corazon Ranch.

into the GBG Ranch Trust, *infra*¹⁴.

The Debtor continues to investigate alternatives for the surface of the Corazon Ranch, including one or more long term hunting leases and long term grazing leases. The Debtor received a solar energy proposal from Bordas Wind Energy, LLC, for the development of solar energy on the Corazon North. The proposal was investigated by Special Energy Counsel in conjunction with the Debtor's management. Bordas Wind Energy, LLC was unwilling to accommodate the requirements of the Debtor's management regarding the placement of the proposed solar array. Accordingly, as of the filing of this Third Amended Disclosure Statement, the Bordas Wind Energy, LLC solar proposal has been rejected by the management of the Debtor. Any utilization of the surface of the Corazon – whether for lease or sale – will be presented to the bankruptcy court for approval. All negotiations are proceeding in tandem with presentations to prospective trustees for the GBG Ranch Trust.

In the event that the GBG Ranch Trust fails due to the existence of an absolute priority rule violation¹⁵, for want of a consenting trustee for the GBG Ranch Trust, or because a consenting trustee for the GBG Ranch Trust declines to accept a the Corazon Ranch, GBG Ranch will market and sell the Corazon Ranch. In such event, the value of any claim asserted by Quita Wind arising out of or in connection with the Wind Lease on Corazon Ranch shall be determined and, to the extent allowed, paid in cash and in full on the earlier of the Effective Date or the entry of a final non-appealable order establishing the allowed amount of the Quita Wind claim arising out of or in connection with the Wind Lease on the Corazon Ranch..

Oilton Ranch

On the 8th day of April, 2015, the Debtor, Quita Wind and Torrecillas Wind Energy Company, LLC filed a joint motion to assume the Torrecillas Wind Lease dated March 31, 2014 on the Oilton Ranch. The order approving the assumption was entered by the Bankruptcy Court on the 13th day of April, 2015 [Docket No. 247] (the "Assumption Order"). The Debtor received notification on April 30, 2015 that the Torrecillas Wind Project is on track for a 2016 construction start date as well as confirmation that the Delay Rental payable under the Wind Lease has been funded to the IOLTA account of Clemens & Spencer, P.C. in accordance with the terms of the Assumption Order. In the event that the GBG Ranch Trust fails and the Oilton Ranch is required to be sold, then any such sale of the Oilton Ranch would be subject to the terms and conditions of the Torrecillas

¹⁴ The Debtor reserves the right to avoid the Stipulation and its impact including the creation of the GBG Ranch Trust to the extent that it is determined, after the analysis and evaluation of the claims asserted by the Creditor Respondents and the Equity Respondents, that compliance with terms of the Wind Stipulation would result in a violation of the Absolute Priority Rule as discussed at Footnote 12 .

¹⁵ See footnote 12

Wind Lease.

The Debtor is currently negotiating one or more long term hunting leases and grazing leases. All leases will be presented to the bankruptcy court for approval on notice with opportunity for hearing. All negotiations are proceeding in tandem with presentations to prospective trustees for the GBG Ranch Trust.

Under the current state of Texas law, wind rights are not presently severable from surface rights. Accordingly, in the event that the GBG Ranch Trust fails due to the existence of an absolute priority rule violation¹⁶, for want of a consenting trustee for the GBG Ranch Trust, or because a consenting trustee for the GBG Ranch Trust declines to accept the Oilton, GBG Ranch will market and sell the Oilton. In such event, the value of any claim asserted by Quita Wind arising out of or in connection with the Wind Lease on Oilton Ranch shall be determined and, to the extent allowed, paid in cash and in full on the earlier of the Effective Date or the entry of a final non-appealable order establishing the allowed amount of the Quita Wind claim arising out of or in connection with the Wind Lease on the Oilton Ranch.

E. 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];

¹⁶ See footnote 12
Case No. 14-50155
Third Amended Disclosure Statement

- f. Application to Employ LHP Holdings, LLC dba LP Properties Realty 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].
- n. Amended Motion to Determine and Authorize Payments of Ordinary Operating Expenses and Management Fee Assessments [Dkt No. 137, Order Docket No. 161];
- o. Chapter 11 Fee Application of Carl M. Barto [Mtn Dkt No. 143, Order at Dkt No. 180];
- p. Luttrell + Villarreal Law Group's First Interim Application for Allowance of Compensation and Reimbursement of Expenses for the Period from July 8, 2014 through November 23, 2014 [Dkt No. 144, Order at 179];
- q. Upton, Mickits & Heymann, L.L.P.'s First Interim Application for Allowance of Compensation and Reimbursement of Expenses for the Period from September 16, 2014 through November 17, 2014 [Dkt No. 145; Order at Docket No. 185];
- r. Debtor's Disclosure Statement in Support of Chapter 11 Plan of Liquidation [Dkt No. 154];

- s. Debtor's Chapter 11 Plan of Reorganization [155];
- t. Emergency Motion to Authorize Execution of Right of Way Agreement [Mtn Dkt. 156, Order at Dkt. No. 170];
- u. First Application to Allow Accountant Fees [Dkt. 158] – still pending;
- v. First and Final Application for Allowance of Compensation and Reimbursement of Expenses to Charles Egner and Land Agent Services, LLC for the Period from November 1, 2014 through December 2, 2014 [Mtn Dkt. No. 168, Order at 190];
- w. Debtor's Motion Pursuant to Sections 105(a) and 331 of the Bankruptcy Code, Bankruptcy Rule 2016(a) for Authorization to Establish Procedures for Interim Monthly compensation and Reimbursement of Expenses of Professionals [Mtn Dkt. 184, Order at Dkt No. 200];
- x. Debtor's Motion to Approve Sale Procedures and Form of Notice for Sale of Hill Tracts 3 and 4 [Mtn Dkt. No. 187, Order at Dkt No. 201];
- y. Debtor's Motion for Authority to Sell Real Estate – Hill Tracts 3 and 4 – Free and Clear of Liens Under 11 U.S.C. § 363(f) [Mtn Dkt. No. 188, Order at Dkt. No. 233];
- z. Application for Authority to Employ Schoenbaum, Curphy, & Scanlan, P.C. as Special Trust Counsel for the Debtor Nunc Pro Tunc To December 3, 2014 [Mtn. Dkt No. 203, Order at Dkt No. 213];
- aa. GBG Ranch, Ltd.'s Motion to Authorize Rental Agreements [Mtn Dkt No. 244, Order – still pending];
- bb. Motion of GBG Ranch, Ltd. to Authorize Payment of Capital Expenses [Mtn Dkt. No. 245 - still pending];
- cc. Unopposed Joint Emergency Motion to Assume Torrecillas Wind Lease [Mtn Dkt. No. 246, Order at Dkt No. 247];
- dd. Second Interim Fee Application of Carl M. Barto, Bankruptcy Counsel for Debtor for Allowance of Fees and Expenses [Dkt No. 249] – still pending;
- ee. Luttrell + Villarreal Law Group's Second Interim Application for Allowance of Compensation and Reimbursement of Expenses for the Period from November 24, 2014 through March 31, 2015 [Dkt No. 250] – still pending;

- ff. Upton, Mickits & Heymann, LLP's Second Interim Application for Allowance of Compensation and Reimbursement of Expenses for the Period from November 18, 2014 through March 31, 2015 [Dkt No. 251] – still pending;
- gg. Schoenbaum, Curphy & Scanlan, P.C.'s First Interim Application for Allowance of Compensation and Reimbursement of Expenses for the Period from December 3, 2014 through March 31, 2015 [Docket No. 252] –still pending.
- hh. The first and second amended disclosure statements and plans [Docket Nos. 276, 277, 345];
- ii. Motion to Sell the Corazon Ranch and Motion to Establish Bid Procedures [Docket Nos. 285, 286]
- jj. Second Interim Fee Application of Gutierrez, Martinez & Co. for Allowance of Compensation and Reimbursement of Expenses for Period from November 25, 2014 through April 30, 2015 [Docket No. 349];
- kk. Debtor's Expedited Motion for Authority to Provide the Examiner's Report to Prospective Trustees [Docket No. 352]
- ll. Debtor's Expedited Motion for Authority to Pay Increased Administrative Expense to Debtor's General Partner the Guillermo Benavides Garza Investment Company (GBGIC) and Reimburse GBGIC for Administrative Fees [Docket No. 353]

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 Removed Litigation has been abated by the agreement of the parties until further order of the Court or agreement of the parties.

By Order entered December 19, 2014, as Docket No. 172, Memo withdrew his request for the appointment of a Chapter 11 Trustee in this case. Memo and the Debtor agreed that the Debtor would "file and pursue confirmation of a plan of reorganization which provides for the disposition of all assets of the Debtor, including but not limited to real and personal property". The Debtor believes that the Plan complies with the Wind Stipulation and Plan Stipulation.

F. 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.

G. 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];
- f. Schoenbaum, Curphy & Scanlan, P.C. as special trust counsel [Mtn. at Dkt. No. 203, Order at Dkt. No. 213].

V.
SUMMARY OF THE PLAN

A. Generally

It is intended that the Plan shall be a plan of liquidation and that 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, all revenue remaining shall be distributed to the equity interest owners of the Debtor in proportion to their ownership immediately preceding the Petition date.

In accordance with the Wind Stipulation, the Debtor proposes to dispose of all of its assets in the following manner:

a. 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 competitive bidding processes approved by the Bankruptcy Court on a sale-by-sale basis. (As of the date hereof, all but Hill Tracts 6 and 7 have been sold pursuant to final orders of this Court. (The Debtor reserves the right to include Hill Tract 6 and 7 with the conveyance of Remaining Hill Tracts into the GBG Ranch Trust.) *and*

b. Transfer the surface estate, including the mineral classified portion of the Corazon, the surface estate of the Oilton, and the mineral classified lands of the Hill (Tract 5¹⁷) into a Texas domestic trust (the "GBG Ranch Trust") which shall have two classes of beneficiaries:

- i. "Surface Estate Beneficiaries"; and
- ii. "Wind Revenue Beneficiaries"

and will receive from the Debtor cash in the amount of \$ 200,000.00, the Corazon Ranch, the Hill Tracts and the Oilton Ranch (collectively the "Ranch Trust Assets") and will receive from Quita Wind cash in the amount of \$200,000.00 and the rights of Quita Wind under the Wind Lease.

Because the Debtor is not currently apprised of the amount of the claims to be asserted by the Creditor Respondents and, as applicable, the Equity Respondents, the Debtor has contemplated three alternative Plan scenarios in which the settlement of the GBG Ranch Trust may be prohibited, to wit:

1. The event of an Absolute Priority Rule violation ("Alternative One");

¹⁷ The Debtor reserves the right to convey Hill Tracts 6 and 7 with Hill Tract 5 which are referred to herein as the Remaining Hill Tracts

2. The lack of an accepting trustee (“Alternative Two”);
3. The determination by an accepting trustee that one or more proposed trust assets will not be accepted (“Alternative Three”).

Alternative One: In the event that the total allowed amount of the claims against the Debtor exceed the value of the cash on hand, the recoverable cash and liquidatable assets of the Debtor, exclusive of the Ranch Trust Assets, all or part of the Ranch Trust Assets may be sold by the Debtor to enable the Plan to comply with the Absolute Priority Rule.

Alternative Two: In the event that the establishment of the GBG Ranch Trust fails because a qualified trustee declines to accept the trusteeship, the Debtor will cause the Corazon, the Oilton and the Remaining Hill Tracts to be sold post confirmation under the supervision of the Bankruptcy Court and utilizing a competitive bidding process established on a sale-by-sale basis. The Creditor Respondents and the Equity Respondents believe that a qualified trustee will be found who will accept all of the real estate assets of GBG Ranch, including the Corazon Ranch.

Alternative Three: In the event that a qualified trustee *is* identified for the GBG Ranch Trust but declines to accept the Corazon, the Oilton or the Hill Tracts (one or more a “Rejected Plan Asset”), the Debtor will cause the Rejected Plan Asset to be sold under the supervision of the Bankruptcy Court and utilizing a competitive bidding process established on a sale-by-sale basis.

In addition, the Debtor will sell all of the personal property of the Debtor, collect all intercompany accounts receivable, and collect all third party accounts receivable.

The Debtor and Quita Wind entered into the Wind Stipulation settling the issues pending between the parties regarding the Corrected Quita Wind Lease and Easement Agreement (“Wind Lease”) relative to the Hill Fee Lands [Docket No. 171]. In accordance with the terms of the Wind Stipulation, the Debtor has sold all but two tracts of the Hill Fee Lands free and clear of the Wind Lease. In consideration of the release of the Wind Lease on each tract sold¹⁸, 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, has been paid to the membership of Quita Wind directly or to the IOLTA Trust Account of Clemens & Spencer P.C. for the benefit of the membership of Quita Wind (the “Wind Allocation”). The Wind Allocation out of the sale of Hill Tracts 1, 2, 8 and 9 was made directly to each member of Quita Wind. The Wind Allocation out of the sale of Hill Tracts 3 and 4 was made for the benefit of Quita Wind and placed into the IOLTA account of Clemens &

¹⁸ Which shall be limited to Hill Tracts 1, 2, 3, 4, 6, 7, 8 and 9

Spencer, P.C. The Wind Allocation in the possession of Clemens & Spencer, P.C. is subject to distribution upon entry of further order of the Bankruptcy Court.¹⁹ The Debtor estimates that the net proceeds from the sale of the Hill Fee Lands is sufficient to pay all of the taxes, administrative expenses, and allowed claims in this case, however this estimation may prove erroneous after the filing and adjudication of the Creditor Respondents and Equity Respondents claims. For this reason the Debtor has proposed the Alternative One plan treatment.

B. GBG Ranch Trust

1. General

The GBG Ranch Trust, upon settlement, shall be a Texas domestic Trust. The Debtor has proposed that the duration of the Trust not exceed forty (40) years. Memo and Will, ostensibly on behalf of Quita Wind, propose that the Trust have a life span of at least 45 years. The Debtor further proposes that the trustee of the GBG Ranch Trust shall be a Qualified Corporation as defined in the GBG Ranch Trust. The Debtor, Quita Wind, Memo and Will ~~have had, as of August 7, 2015,~~ reached an agreement regarding the administrative provisions of the GBG Ranch Trust which are identified at Articles 1, 2, 4, 5, 6 and 7 of the GBG Ranch Trust. Quita Wind, Memo and Will, on August 14, 2015, proposed additional changes to these provisions which have not been fully vetted by the Debtor. Accordingly, there remain two competing versions of the Trust. The Debtor, Memo and Will do not agree as to the provisions of Article 3 of the GBG Ranch Trust which controls the duties and obligations of the trustee regarding the development and disposition of Trust Assets. A copy of the GBG Ranch Trust, including the Debtor's Article 3 language is attached hereto as **Exhibit N**²⁰. The designation of the trustee and that institution's acceptance of the role as trustee shall be subject to the approval of the Bankruptcy Court. The Ranch Trust Assets will be conveyed into the GBG Ranch Trust, subject to the acceptance of those assets by the GBG Ranch Trustee. Upon the confirmation of the Plan, settlement of the GBG Ranch Trust, payment of all allowed claims and distribution of the remaining assets, if any, to the equity interest owners, and

¹⁹ Memo and Will Benavides, as minority interest owners in Quita Wind, have continued to utilize Quita Wind as the mechanism to object to the proposals of GBG Ranch regarding the treatment of the Corazon Ranch, Oilton Ranch and the remainder of the Hill Ranch. GBG Ranch does not believe that the actions of Memo Benavides and Will Benavides are sanctioned by the appropriate ownership percentages required under the operating documents of Quita Wind as the management of GBG Ranch, Guero Benavides, owns or controls 56% of the membership interests of Quita Wind. Any position taken by Quita Wind on a matter that involves more than \$100,000.00 requires the approval 67% of the membership of Quita Wind.

²⁰ As of the date hereof there is not a qualified accepting trustee for the GBG Ranch Trust. The GBG Ranch Trust Agreement attached hereto as Exhibit N is being presented to American Bank, Wells Fargo and The Trust Company for consideration. Pending acceptance, it is subject to further change and/or revision.

in accordance with the requirements of Docket No. 172, GBG Ranch, Ltd. will be terminated.

The Wind Lease shall be terminated as to the real estate Ranch Trust Assets transferred into the GBG Ranch Trust. 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 Remaining Hill Tracts (hereinafter the "Trust Real Estate Assets"), as applicable, in the proportion of the membership interest held in Quita Wind immediately prior to the termination and cancelation of the Wind Lease, if any. Due to the speculative nature of an actual occurrence of wind energy development on any or all of Trust Real Estate Assets and the current inability of wind interests to be severed from the surface estate, the Debtor proposes, but the Creditor Respondents and the Equity Respondents oppose, that upon a sale of any Trust Real Estate Asset for which wind energy development has not occurred, a distribution equal to 30% of the net sales proceeds²¹ of the surface, excluding any amount for the mineral value attributable to the mineral classified acreage, be paid to the Wind Revenue Beneficiaries on account of the beneficial interest of the Wind Revenue Beneficiaries in the real estate sold.

In addition to the standard trust provisions, the GBG Ranch Trust shall further provide:

- a. The development of the wind energy shall be governed by the following:
 - i. **The Oilton Ranch:** In the event that the Oilton Ranch is accepted as a Trust Asset, the Torrecillas Wind Lease on the Oilton Ranch, as ratified by that certain Order Approving Ratification and Assumption of Wind Sublease Agreement entered as Docket No. 247, shall be assumed by the Trustee of the GBG Ranch Trust. In the event that the Development Term, as defined under the Torrecillas Wind Lease, expires without the occurrence of the Commercial Operation Date, as defined in the Torrecillas Wind Lease, the Torrecillas Wind Lease shall terminate as to the Oilton Ranch and the Trustee shall be released of any further obligation to develop wind energy on the Oilton Ranch; notwithstanding, the Trustee, in its absolute discretion, may continue attempts to develop wind energy on the Oilton Ranch. In the event that the GBG Ranch Trustee determines that the Oilton Ranch should be sold, then any such sale of the Oilton Ranch would be subject to the terms and conditions of the Torrecillas Wind Lease to the extent that the Torrecillas Wind Lease has not terminated in accordance with its own terms.

²¹ After payment of all applicable closing costs and all Trustee's fees and expenses associated with the sale.

- ii. **The Corazon Ranch:** In the event that the Corazon Ranch is accepted as a Trust Asset, the GBG Ranch Trustee may, in its sole and absolute discretion develop or not develop wind and/or solar energy on the Corazon.
 - iii. **The Hill Ranch Tracts:** The GBG Ranch Trust trustee shall have no duty to develop wind energy on the Hill Ranch Tract.
- b. The GBG Ranch Trust trustee shall be authorized to sell the Corazon Ranch, the Oilton Ranch and the Hill Ranch Tracts upon terms and conditions determined reasonable in the sole discretion of the GBG Ranch Trust trustee. Upon the sale of all of the Trust Real Estate assets, the proceeds therefrom, together with the Reserve Account shall be distributed in accordance with the terms of the GBG Ranch Trust and the GBG Ranch Trust shall terminate.

2. The Wind Revenue Beneficiaries

Upon Confirmation, in advance of the conveyance and in accordance with the Wind Stipulation, the Debtor and Quita Wind will cancel the Wind Lease, Quita Wind will cause the initial cash contribution in the amount of \$200,000.00 to be made to the GBG Ranch Trust, and Quita Wind will, thereafter, be terminated. In consideration for the cancellation of the Wind Lease, the members of Quita Wind will be designated as the Wind Revenue Beneficiaries under the GBG Ranch Trust. Wind Revenues shall be defined as all revenue generated from wind energy exploration and production, consisting of any payment for the erection and/or placement of meteorological towers or other wind measurement device, royalty payable under any wind generation contract, revenue from wind energy generation, storage, transportation and all revenues associated with wind energy operations generated from the Corazon Ranch, the Oilton Ranch and, as applicable, the Remaining Hill Tracts, and income attributable to 50% of the Reserve to be established upon the settlement of the GBG Ranch Trust. Wind Revenue shall also include all damages payable for the placement of any infrastructure for the production of wind, including wind turbines, power lines, power stations, and roads on the Corazon Ranch, the Oilton Ranch, and the Hill Ranch Tract pursuant to an executed wind lease agreement, including the Torrecillas Wind Lease (the "Wind Surface Damages").

The Wind Revenue Beneficiaries shall receive the Wind Revenue net of the costs of administration of the GBG Ranch Trust. 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 GBG Ranch 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 (1) the prior payment of 30% of the appraised value of the Hill Tracts 1, 2, 8 and 9 paid pursuant to the HUD 1 attached hereto as **Exhibit C**, and (2) the allocation prior payment of 30% of the appraised value of each of the Hill Fee Tracts 3 and 4 paid pursuant to the HUD 1 attached hereto as **Exhibit D**, 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 as a result of the settlement of the GBG Ranch Trust.

3. The Surface Estate Beneficiaries

The Surface Estate Beneficiaries shall receive the Surface Revenue. Surface Revenue shall be defined as all other revenue generated by the GBG Ranch Trust, including but not limited to revenue generated from the Oilton Ranch, the Corazon Ranch, and the Hill Ranch Tract other than Wind Revenue. Surface Revenue shall include, but not be limited to: habitation destruction or consumption, surface destruction (excluding the Wind Surface Damages), proceeds from the sale of the Corazon Ranch, the Oilton Ranch, and/or the Hill Ranch Tract²², caliche sales, fill dirt sales, top soil sales, oyster shell sales, water sales, grazing lease revenue, hunting lease revenue, all revenue from oil, gas and other subsurface minerals related revenue, surface damages (excluding the Wind Surface Damages), royalty revenue from all subsurface hydrocarbon revenue from the mineral classified land, not expressly reserved to the Wind Revenue Beneficiaries, and income attributable to 50% of the Reserve.²³

4. Failure of Trust

In the event that the establishment of the GBG Ranch Trust fails for want of a qualified trustee, the Debtor will cause the Trust Real Estate Assets to be sold post confirmation under the supervision of the Bankruptcy Court and utilizing a competitive bidding process established on a sale-by-sale basis. The assets of the Debtor remaining as of the date of confirmation shall vest in the Liquidating Debtor²⁴ and the Liquidating Debtor shall, thereafter, market and sell the assets for the benefit of the equity interest owners of the Debtor and, as applicable, the membership of Quita Wind. The claims of Quita Wind arising out of or in connection with the Wind Lease on Trust Real Estate Assets shall be determined and, to the extent allowed, paid in cash and in full on the

²² To the extent that the membership of Quita Wind accept the proposed sale proceeds split detailed in Paragraph 1 of Section B, then the Surface Revenue from Ranch Sales would be limited to 70% of the surface value.

²³ In determining income for trust accounting purposes, no reserves shall be set up for depletion, and all revenue from oil, gas and other minerals, caliche sales, and any other depletable asset shall be considered Surface Revenue.

²⁴ The post confirmation GBG Ranch, Ltd.

earlier of the Effective Date or the entry of a final non-appealable order establishing the allowed amount of the Quita Wind claim arising out of or in connection with the Wind Lease on the subject Trust Real Estate Asset or assets sold. The balance of the sale proceeds from the Trust Real Estate Assets remaining after satisfaction of the allowed Quita Wind claim will be distributed to the equity interest owners of the Debtor.

5. Rejection of a Trust Asset

In the event that a qualified trustee is identified for the GBG Ranch Trust, but the trustee declines to accept Rejected Plan Asset, the Debtor will cause any Rejected Plan Asset to be sold post confirmation under the supervision of the Bankruptcy Court and utilizing a competitive bidding process established on a sale-by-sale basis. Payment of the net proceeds of sale will be as provided in the case of a failure of the GBG Ranch Trust. See V.B.4.

6. Actual Trust Document Controls

Notwithstanding the foregoing general description, the terms and conditions of the GBG Ranch Trust as accepted by the GBG Ranch Trustee and approved by the Bankruptcy Court shall control over any inconsistencies contained in this Disclosure Statement.

7. Proposed Trust by Quita Wind, Memo and/or Will

As noted above, Quita Wind, Memo and Will promote a form of Article 3 of the GBG Ranch trust that is different from that proposed by the Debtor. A copy of the form of trust instrument proposed by Quita Wind, Memo and/or Will is identified as the "Alternative Trust" and attached hereto as **Exhibit O**.

VI. ANALYSIS OF INTERCOMPANY CLAIMS

A. Debtor's Analysis

The Debtor has undertaken an analysis of the claims both asserted against the Estate and those by the Estate against both related parties and third parties. The Debtor's analysis is divided into two primary categories: (a) Third Party Claims and (b) Related Party Claims. The Third Party Claims are further divided into (i) undisputed and (ii) disputed. The Related Party Claims are further divided into claims (i) Against the Debtor and (ii) By the Debtor with the further delineation of disputed and undisputed. Because the general partner of the Debtor – GBGIC – is the general partner of two of the related party claimants – GBG Minerals, Ltd. and Benavides Family Minerals, Ltd. and a creditor of the Debtor, the determination of the board of directors of GBGIC regarding the status

and validity of the disclosed claim is reflected in this section. The identification of the claimants is set forth below. A schedule reflecting the estimated claims, whether the claims have been paid, are subject to offset and, as applicable the general basis for the objection is detailed in the charts attached hereto as **Exhibit Q-1** (third party claims), **Q-2** (related party claims against the Debtor) and **Q-3** (related party claims by the Debtor).

(a) Third Party Claims:

(i) Undisputed

- a. Webb County
- b. Webb County ISD
- c. United ISD
- d. City of Laredo
- e. Dan Hanke
- f. Golden West Oil Co.
- g. Rafael Morales

(ii) Disputed

- a. Carl J. Kolb, P.C.

(b) Related Party Claims:

(i) Against the Debtor

a. Undisputed

- i. GBG Minerals, Ltd.
- ii. Benavides Family Minerals, Ltd.
- iii. GBGIC

b. Disputed

- i. Anam, Ltd./Anam Management, LLC
- ii. Guillermo Benavides Z.
- iii. Guillermo R. Benavides

(ii) By the Debtor

a. Undisputed

- i. Benavides Family Minerals, Ltd.
- ii. GBG Cattle & Hunting, LLC

b. Disputed

- i. Anam, Ltd.
- ii. Guillermo Benavides Z.
- iii. Guillermo R. Benavides
- iv. Mario M. Benavides
- v. Quita Wind Energy Company, LLC

(iii) Resolved Related Party Claims:

- a. GBG Cattle & Hunting, LLC
- b. Quita Wind Energy Company, LLC
- c. Benavides Family Minerals, Ltd.

Notwithstanding the forgoing, the Creditor Respondents and the Equity Respondents contend that GBG Ranch has unliquidated claims against Guero. The claims alleged by the Creditor Respondents and the Equity Respondents to exist against Guero are detailed on **Exhibit S** attached hereto. The Debtor and its management dispute each of the claims alleged by Creditor Respondents and the Equity Respondents as detailed on **Exhibit S** and further dispute the authority of Memo or Will to act on behalf of GBGIC, BFM, Ranch, Minerals, C&H, Quita Wind or the Residuary Trust in asserting any such claims. Each of the pre-petition payments complained of are governed by the July 29, 2013 Rule 11 Agreement and were approved in accordance with that agreement by the Hon. Raul Vasquez. The Debtor and its management further dispute the mischaracterization of the prepetition transaction with Robert P. "Beto" Gutierrez which facts remain part of the live pleadings in the Adversary²⁵. The Debtor and its management further dispute the allegations by Memo, Will and/or Quita Wind regarding the treatment of the Master Lease.

The Equity Respondents also contend that a claim exists against Leslie M. Luttrell and her law firm arising out of the pre-petition representation of GBG Ranch, Ltd. in connection with the proposed sale of the Corazon Ranch to Beto Gutierrez. Prior to the commencement of the case, Kenny Valls and Memo caused a notice letter to be issued to Ms. Luttrell and her firm in connection with the negotiation of an unconsummated contract for the sale of the Corazon Ranch to Mr. Gutierrez for \$13,500,000.00. Memo and his lawyers, in connection with the commencement of third party litigation against Mr. Gutierrez²⁶, contended that the proposed sale of the Corazon Ranch violated the January Rule 11 Agreement, *infra*. The Debtor and Ms. Luttrell dispute the allegations and contend that the assertion of the claim is or was nothing more than the customary litigation tactics of Memo and his lawyers. The contract to which the LV Notice letter relates was rejected by the Debtor as evidenced by Docket No. 43.

The Creditor Respondents and the Equity Respondents contest the statement by the Debtor at Article VI.A.(b)(iii) that any of the claims with Quita Wind, C&H and/or BFM have been resolved.

B. Examiner's Analysis

The Examiner's Report was filed on July 22, 2015. It was filed under seal as Docket No. 348.

²⁵ Robert P. "Beto" Gutierrez was made a third party defendant by Memo (represented by the Trevino, Valls & Haynes and Davis & Santos law firms). The claims pending by Memo against Beto Gutierrez remain live pleadings in the Adversary.

²⁶ Id.

VII.
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 THIS DISCLOSURE STATEMENT AND THE 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 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: Subordinated Claims of Affiliated Entities**
- Class 5: Equity Interests**

D. Impaired Classes of Claims and Equity Interests

The Debtor contends that there are no Classes of Claims that are impaired under the Plan. The Creditor Respondents and the Equity Respondents contend that they are impaired under the Plan.

E. 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.

VIII.
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. As of the date hereof, the administrative ad valorem tax claims of Webb County and the associated governmental taxing entities have been paid the 2014 tax assessments upon the closing of the sale of the Hill Tracts 1, 2, 8 and 9 and Hill Tracts 3 and 4. The Debtor has also paid its pro rata share of the 2015 ad valorem taxes attributable to the Hill Tracts 1, 2, 8 and 9 and Hill Tracts 3 and 4 upon the sale of those tracts. The unpaid balance of the 2015 ad valorem taxes on the Corazon Ranch, the Hill Tracts 5, 6 and 7 and the Oilton Ranch will be paid in cash and in full on the Effective Date.

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 as and when due. The Debtor anticipates continuing jurisdiction over the Debtor and its assets and, correspondingly, continuing Statutory Fees, upon the event of failure of the GBG Ranch Trust for want of a qualified accepting trustee or partial failure due to rejection of a proposed Trust Asset.

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 estimated at the Petition Date to be \$18,548.01.

B. Webb County Independent School District (WCISD)

The WCISD claim is a priority and/or secured claim for ad valorem taxes estimated at the Petition Date of be \$4,185.93.

C. Webb County

The Webb County claim is a priority and/or secured claim for ad valorem taxes estimated at the Petition Date to be \$8,680.86.

Treatment: The claims for ad valorem taxes outstanding and unpaid as of confirmation 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.

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 or affiliated with the Debtor.

Total of Claims: The estimated total of the Class 2 claims was estimated at the Petition Date to be \$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 the General Unsecured Claims of Affiliated Entities related to the Debtor. Of these claims, \$809,570.19²⁷ in amount are undisputed. The Class 3 includes the quantification of the adequate protection payment to Quita Wind in the event of the sale of all or part of the Trust Real Estate Assets and the intercompany claims against the Debtor that are not the subject of the Removed Litigation. The Creditor Respondents disagree with the Debtor's statement regarding the Class 3 claims. The Creditor Respondents contend that they will timely file claims for such entities as they believe hold Class 3 claims.

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 XI, Section B of this Disclosure Statement. Each holder of an Allowed General Unsecured Claim shall be paid in full on the later of the Effective Date or within thirty (30) business days following the day on which such Claim becomes an Allowed Claim pursuant to a Final Order.

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: Subordinated Claims of Affiliated Entities

This Class shall consist of the claims asserted by the Creditor Respondents against the Debtor in the Removed Litigation which the Debtor contends are suitable subordination pursuant to 11 U.S.C. §510(c).

Treatment: The Class 4 Claims against the Debtor are disputed, contingent and unliquidated and are deemed disallowed until such time as Proofs of Claim are filed with sufficiently supporting documentation to permit an analysis of the claims for allowance.

27 The Debtor believes that these claims consist of the debt owing to GBG Minerals in the amount of \$240,000.00, the debt to BFM in the amount of \$561,070.19 and the debt to GBGIC in the amount of \$8,500.00. The Debtor contends that the BFM claim is subject to an offset against the \$1,270,000.00 claim of the Debtor against BFM. The Debtor has filed proofs of claim for GBG Minerals, Ltd., Benavides Family Minerals, Ltd. and GBGIC.

Funding: The Class 4 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 XI, Section B of this Disclosure Statement. Each holder of an Allowed Class 4 Claim shall be paid in full on the later of the Effective Date or within thirty (30) business days following the day on which such Claim becomes and an Allowed Claim pursuant to a Final Order.

Impairment and Voting: Class 4 is unimpaired. Acceptance of this Plan from the holders of Class 4 claims will not be solicited. The Creditor Respondents assert that the Class 4 Claims are impaired.

Class 5: 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: Pursuant to the Plan Treatment Order, the Debtor is to be terminated following the confirmation of the Plan. In accordance with the provisions of Section 6 of the Limited Partnership Agreement of GBG Ranch, Ltd. (the "Partnership Agreement"), the Class 5 Claimants, as Interest Holders shall receive the distribution of the remaining assets of GBG Ranch, Ltd. In accordance with Paragraph 6.05 of the Partnership Agreement after the payment of all allowed administrative expenses (including attorneys' fees and U.S. Trustee's fees), and all allowed Class 2 and Class 3 claims. The Prepetition Equity Interests shall, in the event of the formation and settlement of the GBG Ranch Trust, receive an in kind distribution pursuant to Paragraph 6.06 of the Partnership Agreement in the form of a beneficial interest as a Surface Beneficiary in the GBG Ranch Trust in an amount equal to the ownership interest in GBG Ranch, Ltd. as of the Effective Date.

Impairment and Voting: Class 5 is unimpaired. Acceptance of this Plan from the holders of Class 5 claims will not be solicited. The Equity Respondents assert that equity interests are impaired and disagree with this treatment of prepetition equity claims.

IX.

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. The Creditor Respondents and the Equity Respondents assert that their interests are impaired and that equity interest holders may vote if impaired. The Debtor disputes that Memo is authorized to assert any position on behalf of the Residuary Trust as an equity interest holders of the Debtor.

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. Notwithstanding the absence of impairment, each creditor and equity interest holder retains the ability to object to the confirmation of the Plan under 11 U.S.C. §1129.

X.

TREATMENT OF EXECUTORY CONTRACTS AND LEASES

A. 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.

Memo and Will on behalf of Quita Wind assert that the Quita Wind Lease cannot be rejected or terminated and it must be assigned to the GBG Ranch Trust. The Debtor contends that this position violates the Wind Stipulation and 11 U.S.C. §363(f), as applicable.

B. Wind Lease

As discussed in V.A. above, the Ranches were, as of the Petition Date, each allegedly encumbered by the Wind Lease. In accordance with the Wind Stipulation, the Wind Lease is to be released as to the Hill Fee Tracts upon the sale of such tracts and terminated as to the Corazon Ranch, the Oilton Ranch and Tracts 5, 6 and 7 of the Hill Ranch, as applicable, contemporaneously with the conveyance of those properties to the GBG Ranch Trust in consideration for the grant of a beneficial interest in the GBG Ranch Trust identified as a Wind Revenue Beneficiary and more particularly described in V.B.2. Alternatively, in the event that the GBG Ranch Trust fails and the Trust Real Estate Assets are sold, the interest of Quita Wind in the Trust Real Estate Assets shall be quantified for purposes of “adequate protection” and paid as an allowed Class 3 Claim. The grant of the beneficial interests to the Quita Wind membership as Wind Revenue Beneficiaries is, as evidenced by the Wind Stipulation, 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.

The Creditor Respondents assert that the Quita Wind Lease cannot be rejected or terminated and it must be assigned to the GBG Ranch Trust. The Debtor contends that this position violates the Wind Stipulation and, as applicable, is inconsistent with the harmonizing of 11 U.S.C. §§363 and 365.

C. Torrecillas Wind Lease

The Torrecillas Wind Lease on the Oilton Ranch was assumed by the Debtor and such assumption was ratified by Quita Wind and evidenced by the Order Granting Motion To Assume Torrecillas Wind Lease [Docket No. 246] which was entered as Docket No. 247 in the Bankruptcy Proceeding. Upon the settlement of the GBG Ranch Trust, the Torrecillas Wind Lease will be modified to reflect the Trustee of the GBG Ranch Trust as the Lessor under that lease.

D. 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. The Debtor believes that the January Rule 11 represents both 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 and constitutes a violation of the Wind Stipulation. The Debtor filed its Second Motion to Reject Executory Contracts: Rule 11 Agreements [Docket No. 60], seeking to reject the January Rule 11 Agreement.

The Creditor Respondents and the Equity Respondents assert that the January Rule 11 is not 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.

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 requiring that such determinations be vested with the Mediator and not the Court. The July Rule 11 Agreement effectively governed the relationship of the parties, including the Debtor on a pre-petition basis and continues to govern the relationship of the non-debtor parties post-petition. Because the July Rule 11 Agreement subjects the determination of the propriety of the payment of the ordinary post-petition expenses and professional fees to the determination of the state court mediator, it is not appropriate. Under the processes in place and consistent with the requirements of this Court, all payments by the Debtor are and continue to be subject to prior authorization by this Court. Because the Debtor will cease to exist following contemporaneously with the cessation of this Court's jurisdiction, there is no further need for the Debtor or the post confirmation Debtor to be subject to the July Rule 11 Agreement. During the pendency of the case the operations of the Debtor and payment of expenses, including professional fees, are subject to review by all creditors, parties in interest, the Office of the US Trustee and the Court. The Debtor has filed its Second Motion to Reject Executory Contracts: Rule 11 Agreements [Docket No. 60]. If not rejected prior thereto, the Debtor intends to reject each of the July Rule 11 Agreement and the January Rule 11 Agreement effective upon confirmation of the Plan. Though the Debtor may remain a litigant in the Removed Litigation, the payment of attorneys' fees (July Rule 11 Agreement) will remain the province of this Court.

The Creditor Respondents and the Equity Respondents assert that the July Rule 11 should govern the payment of professional fees and operating expenses by the Debtor.

E. 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, in payment default under the Master Lease in the amount of \$494,386.60. Effective November 1, 2014, additional sums became due and payable to the Debtor by C&H by virtue of the Master Lease. Effective April 2, 2015, the Debtor terminated the Master Lease. As of the date hereof, C&H is indebted to the Debtor in the total amount of \$646,586.60 reflecting pre-petition lease arrearages in the amount of \$494,386.60 and post-petition lease arrearages in the amount of \$152,200.00. 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 Creditor Respondents and the Equity Respondents disagree and assert that C&H does have the ability to pay all sums due and owing the Debtor after application of all credits, offsets, adjustments and allowances. The Debtor disputes that the Creditor Respondents or the Equity Respondents have the authority to challenge the claims resolution between the Debtor and C&H.

F. Post-Petition Leases

As a result of the termination of the Master Lease the rights and privileges of leasing the surface estate of the Oilton, the Corazon and the Remaining Hill Tracts for grazing and hunting are owned by the Debtor and will be conveyed into the GBG Ranch Trust together with all of the income generated therefrom. The Debtor is currently the lessor on the following Hunting Leases:

1. Oilton: Marcel Frey (2014 – 2015 Hunting Season)
2. Corazon: James Trautmann (2014 – 2015 Hunting Season)
3. Remaining Hill Tracts: None

The Debtor is currently the lessor on the following Grazing Leases:

1. Oilton: Robert Cadena dba 3C Cattle Co
2. Corazon: Robert Cadena dba 3C Cattle Co.
3. Remaining Hill Tracts: Robert Cadena dba 3C Cattle Co (north of Camino

Columbia) and Huisache Cattle Co. (south of Camino Columbia)

The hunting leases on the Oilton and Corazon expire on September 14, 2015 and October 9, 2015 respectively. New hunting leases and new grazing leases will be negotiated and either presented to the Court for approval or submitted to the trustee of the GBG Ranch Trust for execution upon the acceptance of the GBG Ranch trusteeship by a Qualified Institutional Trustee and settlement of that trust.

Memo, Will and Quita Wind disagree that Debtor owns hunting and grazing lease rights. Memo, Will and Quita Wind allege that the termination of the Master Lease was improper because C&H is able to pay Debtor all sums due and owing after application of all credits, offsets, adjustments and allowances. The Debtor disagrees with this contention and further disputes the standing of Will and/or Quita Wind to take any position regarding the claims disputes between the Debtor and C&H.

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

The Debtor does not anticipate any Claims arising out of the rejection of the Rule 11 Agreements. To the extent that any Claims arise in connection with the Wind Lease is a function of the settlement of the GBG Ranch Trust; specifically the identification and acceptance by the Debtor and Quita Wind of a qualified accepting institutional trustee. To the extent that there are any claims for rejection damages, such Claims shall be filed with the Bankruptcy Court as follows:

- a. By Quita Wind - no later than thirty (30) days after the date of entry of an order authorizing the sale of a Trust Real Estate Asset;
- b. By all other Rejection Claimants - 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 Post-Confirmation Debtor or the Post Confirmation Debtor's property. 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. The Creditor Respondents contend that the Quita Wind Lease cannot be rejected or terminated. Though the Plan does not contemplate the automatic rejection of the Wind Lease, Quita Wind objects to any automatic rejection or termination proposed under the Plan. Quita reserves all rights to seek damages should its lease be affected.

XI.

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

A. Method of Distributions Under the Plan

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

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.

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. The Debtor does not currently anticipate that there will be any objections to administrative claims covered by this provision. To the extent that the Debtor elects not to prosecute a disputed Administrative Claim or a Disputed Claim, the Litigation Trustee shall be authorized to, in his or her sole discretion, prosecute such claims.

The Creditor Respondents and the Equity Respondents object to the treatment of disputed administrative and disputed claims and assert that any creditor or equity interest holder should be allowed to object to any claim or administrative expense.

D. Cancellation and Surrender of Existing Securities and Agreements

Upon confirmation of the Plan and the creation and settlement of the GBG Ranch Trust, each partnership interest in the Debtor and each membership interest in Quita Wind shall be deemed terminated and of no further force or effect as provided in the Partnership Agreement, the Wind Stipulation and Docket No. 172. After receipt of the cash distribution pursuant to Class 5 and 6.05.C. of the Partnership Agreement, the ownership interest of each equity interest owner in the Debtor shall be exchanged for a Surface Estate Beneficiary interest as an in kind distribution pursuant to 6.06 of the Partnership Agreement and Docket No. 172. The ownership interest of each equity interest owner in Quita Wind shall be exchanged for a Wind Estate Beneficiary interest as contemplated under the Wind Stipulation.

In the event that the GBG Ranch Trust fails, in whole or in part, each equity interest owner in the Debtor shall receive, in exchange for the surrender of their partnership interest, in accordance with 6.05 of the Partnership Agreement and in furtherance of the Wind Stipulation and Docket No. 172, their pro rata distribution of the net sales proceeds of the assets of the Estate *after* payment of all Allowed Claims, allowed Administrative Claims, costs of liquidation by the Liquidating Agent, including professional fees, and the Class 3 Claims, if any, of Quita Wind.

The Equity Respondents dispute that the equity interest owners of the Debtor are required to exchange their ownership interests for distributions upon confirmation of the Plan.

XII. **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.

**XIII.
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. As noted above, notwithstanding the lack of impairment, each Creditor and each Equity Interest holder retain the right to object to confirmation of the Plan under Section 1129 of the Bankruptcy Code. The Creditor Respondents and the Equity Respondents contend that they are impaired under the plan and are, therefore, entitled to vote.

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 9:00_a..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

As solicitations will not be sought, the Debtor does not anticipate that the Fair and Equitable test for purposes of Cramdown will be implemented. However, in the spirit of full disclosure and compliance with prevailing Fifth Circuit case law regarding the adequacy of a disclosure statement, the Debtor makes the following disclosures regarding the “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. As noted above, the Debtor has no secured creditors.

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. As noted above, the Plan proposes to pay all allowed unsecured claims in cash and in full upon the later of the Effective Date or 30 days following the entry of a final non-appealable order allowing the claim.

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.

The Creditor Respondents and the Equity Respondents contend that they are impaired under the plan and are, therefore, entitled to vote to reject 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 Hill Fee Tracts, the liquidation of claims of the Debtor against insiders and third parties, and, as applicable, the sale of the Trust Real Estate to pay all of the allowed claims in full, determine allowed claims distribute the remaining proceeds and, as applicable, Surface Beneficiary Interests in the GBG Ranch Trust to the Equity Interest Holders, in accordance with Article 6 of the Partnership Agreement and consistent with the priority scheme set forth in the Bankruptcy Code.

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

Upon the dissemination of this Disclosure Statement the Court will have 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 2nd DAY OF OCTOBER, 2015:**

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XIV.
CAUSES OF ACTION AND THE LITIGATION TRUST

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 and other alleged claims identified by the Creditor Respondents and Equity Respondents. 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. The Debtor will, contemporaneously with the confirmation of the Plan, establish a Litigation Trust and identify a Litigation Trustee that will be charged with the evaluation and, as applicable, commencement proceedings to collect on those claims for the benefit of the Creditors and Equity Interest holders of the Debtor. The Debtor will convey to the Litigation Trust the following described categories of claims and causes of action. The Debtor shall fund the Litigation Trust with \$_____ to enable the Litigation Trustee to evaluate the claims and, as necessary, fund the out of pocket expenses associated with the prosecution of the litigation. For all litigation determined by the Litigation Trustee to be a bona fide claim, the Litigation Trustee shall be compensated on a contingency fee basis equal to 40% of the amount actually recovered by the Litigation Trustee. Article VI of the Disclosure Statement provides a summary of the intercompany/related party claims owned by the Debtor and the claims suggested by the Creditor Respondents and the Equity Respondents to exist. The Litigation Trustee shall be provided with the Examiner's Report and the Examiner and his professionals shall provide the Litigation Trustee with complete access to the financial data assimilated by the Examiner and his professionals in connection with the preparation of the Examiner's Report. The Debtor reserves the right to convey to the Litigation Trust all of the Debtor's claims in the Removed Litigation.

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 account of 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. 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. Because the Debtor was not balance sheet insolvent at any time preceding the Petition Date, the Debtor does not believe that there were any preferential transfers made by the Debtor. Notwithstanding this position, the preference claims, if any, available under 11 U.S.C. 547 shall be conveyed to the Litigation Trust.

The Creditor Respondents and the Equity Respondents disagree with the Debtor's position on preference litigation and demand that they be authorized to pursue preference litigation should the Debtor elect not to do so. The Debtor continues to dispute the efforts of the Creditor Respondents and the Equity Respondents to litigate matters just for the sake of litigation. The Debtor contends that the litigation for litigation's sake is never in the best interest of the estate, the creditors, or the equity interest holders.

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. The Debtor does not believe that there were any fraudulent transfers made by the Debtor. Notwithstanding this position, the fraudulent transfer claims, if any, available under 11 U.S.C. 548 shall be conveyed to the Litigation Trust.

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. The Debtor does not believe that there were any transfers made by the Debtor in violation of 11 U.S.C. §549. Notwithstanding this position, the claims, if any, available under 11 U.S.C. 549 shall be conveyed to the Litigation Trust.

The Creditor Respondents and the Equity Respondents disagree with the Debtor's position on the Chapter 5 claims and demand that they be authorized to pursue that litigation should the Debtor elect not to do so. The Debtor contends that the litigation for litigation's sake is never in the best interest of the estate, the creditors, or the equity interest holders.

The Removed Litigation

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, counterclaims and third party against each other. The various claims asserted in the Removed Litigation will be litigated in the bankruptcy court. The Creditor Respondents and the Equity Respondents disagree with the general litigation analysis of the Debtor set forth hereafter but have agreed to the jurisdiction of the Bankruptcy Court to liquidate these competing claims.

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. Memo and Will, individually and on behalf of Anam, Ltd. and Anam Management, LC contend, and the Debtor disputes, that the Cook Note was never transferred to the Debtor. Memo and, Will, individually and on behalf of Anam, Ltd. and Anam Management, LC contend, and the Debtor disputes, that not all just and lawful offsets have been provided, including offsets for alleged oral agreements to pay development fees and costs to Memo and Will.

b. Though guarantees were not executed, the Debtor has asserted claims against Memo and Will for violations of duties owing to Anam, Ltd., including denuding that entity of all funds thus preventing Anam, Ltd. from paying its just debts to GBG Ranch, enriching Memo and Will jointly and severally, to the express detriment of the Debtor with the result of rendering Memo and Will, jointly and severally liable on the Anam, Ltd indebtedness to GBG Ranch. Memo and Will, individually and on behalf of Anam, Ltd. and Anam Management, LC contend, and the Debtor disputes, that all payments by Anam Ltd. were lawful and that the majority of payments complained of were agreed to by the Debtor through the execution of Rule 11 Agreements.

c. Counterclaim against BFM for a \$1,270,000.00 unauthorized transfer from the Debtor accomplished at the direction of Memo and Will. The Debtor believes that the mutuality of the obligations owing between BFM and the Debtor renders the debts appropriate for offset and has identified this as a Resolved Claim in Article VI. The Creditor Respondents and the Equity Respondents contend, and the Debtor disputes, that the payment by the Debtor to BFM was proper and that no offset is required because the original transfer was proper.

d. Claim for rental income against C&H for unpaid lease payments in the

amount of \$494,386.60 as of the Petition Date²⁸. Because the Master Lease expired under its own terms in advance of the Petition Date and the occupancy rights of C&H were terminated effective April 2, 2015, C&H has no continuing stream of revenue and no ability to pay this debt in full. The Debtor has presented a compromise to the management of C&H. A formal meeting of the C&H managers has not been held, but two of the three managers – Guero and Norma – approve of the proposed settlement. Memo, the third manager of C&H opposes the settlement. As evidenced by the Company Agreement of C&H attached hereto as **Exhibit T**, because of the nature of the settlement, the membership of C&H must approve the settlement. Of the 1,000 units of C&H outstanding, 605 units support the settlement or 60.5%. The Debtor presumes that Memo opposes the resolution. Memo owns 125 membership units and controls another 135 units through the Ana Claudia Benavides 1991 M Trust. The remaining 135 units are owned by Norma A Hunt, individually and through her trust. The Position of Ms. Hunt with regard to the settlement is not yet confirmed. The Debtor believes the settlement is in the best interest of all parties. The Debtor remains optimistic that this matter may be resolved without the need for litigation and has identified this as a Resolved Claim in Article VI.

The Creditor Respondents and Equity Respondents contend, and the Debtor disputes, that the claim has not been resolved and that Debtor has a claim against Guero with respect to the exploitation of an alleged conflict of interest caused by alleged mismanagement of both GBG Ranch and C&H. The allegations center on the alleged payment by C&H of the personal expenses of Guero and the Debtor. The Creditor Respondents and the Equity Respondents contend that such claims must be taken into account in resolving the intercompany transfers and contracts between these two companies. The Debtor contends that any payments made by C&H that inured to the benefit of the Debtor were made pursuant to resolutions of the board of directors of GBGIC and the Managers of C&H and/or were approved pursuant to the July Rule 11 Agreement.

e. Claim against Memo in the approximate amount of \$135,000.00 representing the unauthorized use of the Debtor's funds to satisfy a personal obligation. The Creditor Respondents and the Equity Respondents contend, and the Debtor disputes, that the use of the funds were authorized and proper.

f. Claim against Memo, Will, Anam, Ltd. and Anam Management, LC for the unauthorized use of the assets of GBG Ranch as collateral for debt incurred by Anam, Ltd. for the benefit of Memo and Will.

²⁸ The annual lease payments by C&H was due on November 1, 2014. The lease payment due to GBG Ranch by C&H for 2014 – 2015 has been reduced to \$152,220.00 to account for the sales of tracts out of the Hill Ranch.

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. The Creditor Respondents and the Equity Respondents likewise agree that all claims, counterclaims and third party claims asserted in the Removed Litigation should be adjudicated and resolved as adversary proceedings within the removed action 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. 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 Claims Report and will be left to the determination of the Litigation Trustee.

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 Litigation Trustee.

The Debtor may hold other potential claims or causes of actions against third parties that the Debtor has not disclosed herein. You should not rely on the omission of the disclosure of a claim to assume that the Debtor or the Post Confirmation 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 or, as applicable, the Litigation Trust. 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 Litigation Trust and, if the Litigation Trustee deems advisable, fully pursued post confirmation.

XV.
FINANCIAL INFORMATION

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

- Exhibit A Limited Partnership Agreement of GBG Ranch, Ltd.
- Exhibit B Howland Engineering Hill Ranch Survey
- Exhibit B-1 Howland Engineering Remaining Hill Tracts Metes and Bounds Survey
- Exhibit C HUD 1 Closing Statement - Hill Tracts 1, 2, 8 and 9
- Exhibit D HUD 1 Closing Statement - Hill Tracts 3 and 4
- Exhibit E Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. December 4, 2014 Appraisal of Hill Tracts 6 and 7.
- Exhibit F Oilton Survey
- Exhibit G-1 Corazon Survey
- Exhibit G-2 Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. December 4, 2014 Appraisal of the entire Corazon Ranch
- Exhibit G-3 Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. July 17, 2015 Appraisal of the Corazon North
- Exhibit G-4 Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. July 15, 2015 Appraisal of the Corcobada Pasture
- Exhibit H Monthly Operating Reports
- Exhibit I Historical Cash Flow From Debtor's Operations July 8, 2014 through June 30, 2015
- Exhibit J 2012 through 2014 Financial Statements, U.S. Form 1065 Tax Returns and capital account balances as of June 30, 2015.
- Exhibit K The Plan
- Exhibit L Docket No. 171 Wind Stipulation
- Exhibit M Docket No. 172 Agreed Order Regarding Motion To Dismiss and Plan Terms
- Exhibit N The GBG Ranch Trust
- Exhibit O The Alternative Trust
- Exhibit P Amended Order Appointing Examiner
- Exhibit Q-1 Third Party Claims Chart
- Exhibit Q-2 Related Party Claims Chart (against the Debtor)

Exhibit Q-3	Related Party Claims Chart (by the Debtor)
Exhibit R	Lease Schedule
Exhibit S	Alleged Claims Against Manuel A. Benavides
Exhibit T	Company Agreement of GBG Cattle & Hunting, LLC
Exhibit U	Non-Recurring Income July 8, 2014 – July 31, 2015

The Creditor Respondents and the Equity Respondents contend that because the cancelled check copies attached to the bank statements included in **Exhibit H** are not each clearly legible, that this Disclosure Statement fails to provide adequate information and should, therefore, be denied. The Creditor Respondents and the Equity Respondents contend that all banking information for GBG Ranch for the 24 months preceding the Petition Date should be included in this Disclosure Statement. All of the banking information, the general ledger, the annual tax returns and annual financial statements of the Debtor are in the actual possession of the Creditor Respondents and the Equity Respondents. Notwithstanding, the Debtor has attached as **Exhibit J** the annual financial statements and tax returns for the Debtor for 2012 through 2014.

XVI.

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, enables Creditors to realize 100% of the allowed amount of their respective claims and provides for the distribution to the Equity Interest Holders consistent with the Partnership Agreement and the Bankruptcy Code.

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 to the Equity Interest Holders of the Debtor because of the additional administrative expenses involved in the appointment of a Chapter 7 trustee. A chapter 7 liquidation would eliminate the application of the Wind Stipulation and could diminish or eliminate the return to Quita Wind altogether depending upon the determination of the Court regarding the Wind Lease. Furthermore, the appointment of a Chapter 7 Trustee would likely result in the fire sale of the Ranches because 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 remaining Ranches are comprised of nearly 16,000 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 with the exception of the mineral classified lands; accordingly 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 and with the termination, of the occupancy rights of C&H, 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 Guero who performs these services without a 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 has negotiated 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. The knowledge of the Ranches possessed by Management has allowed it to effectively negotiate valuable land use rights that has inured to the benefit of the Debtor, its Creditors and Equity Interest holders. Neither a Chapter 7 Trustee nor a ranch manager hired by a Chapter 7 trustee would have such 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.

The 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 to the Equity Interest Holders would receive in a Chapter 7 Liquidation. As noted above, the opportunity for the Wind Revenue Beneficiaries (Quita Wind Membership) to receive a distribution or future revenue stream is highly speculative upon the event of a Chapter 7 liquidation. The Debtor's Chapter 11 Plan, therefore, satisfies 11 U.S.C. § 1129(a)(7).

XVII.

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

might be affected.

As of the date of this Disclosure Statement, the significant taxable events include the sale of the Hill Tracts 1, 2, 3, 4, 8, and 9. As a pass through entity, the taxes associated with the sale of the Hill Fee Tracts will be passed through to the partners. It is the goal of the Debtor to facilitate the confirmation and ultimate distribution to the Equity Interest Holders in advance of the tax filing deadlines for 2015 (April 15, 2016).

The Tax Code [section 1398(h)(8)] allows an estate to deduct administrative expenses during a bankruptcy case, the benefit of which deductions will, likewise, be passed through to the Equity Interest Holders.

Under section 1398(f)(2) of the Tax Code, transfers from a bankruptcy estate to the GBG Ranch Trust, if settled upon the termination of the estate, should not be treated as a disposition giving rise to recognition of gain or loss. In such event, the GBG Ranch Trust would succeed 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.

XVIII.

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: August 7, 2015.

Respectfully Submitted,

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

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CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of August, 2015 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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