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**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA**

In re:

SIERRA NEGRA RANCH, LLC,

Debtor.

BK-S-12-19649-LBR
Chapter 11

Date: April 9, 2013
Time: 1:30 p.m.

**FIRST AMENDED DISCLOSURE STATEMENT TO ACCOMPANY
DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION**

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I. INTRODUCTION 1

II. GENERAL OVERVIEW 2

 A. Debtor’s Goals when the Chapter 11 Case Was Initiated..... 2

III. INFORMATION REGARDING THE PLAN AND THIS DISCLOSURE STATEMENT 3

IV. SUMMARY OF THE PLAN TREATMENT OF CREDITORS..... 12

 A. Non-Classified Claims..... 13

 B. Classified Claims..... 14

 1. Class 1 – Global Secured Claim..... 15

 2. Class 2 - Other Secured Claims..... 17

 3. Class 3 - Priority Unsecured Claims..... 17

 4. Class 4 - General Unsecured Claims..... 18

 5. Class 5 - Equity Securities..... 18

V. GENERAL INFORMATION ABOUT DEBTOR’S BUSINESS, RESTRUCTURING EFFORTS, AND THE FILING OF THE CHAPTER 11 CASE..... 18

 A. Debtor’s as Landowner and Manager: \$30 Million Investment in Arizona..... 18

 1. Debtor’s Initial Capitalization..... 19

 2. Debtor’s Subsequent Shareholders’ Rights Offering..... 19

 3. The Extension of the Offering..... 20

 4. Effect of the Offering on Existing Equity..... 21

 B. Debtor’s Acquisition of the Real Property..... 21

 C. Debtor’s Leasehold Interests..... 24

 1. The O&E Farm Lease..... 24

 2. Option to Acquire Rights in Arizona Land Leases..... 24

 3. Sierra Negra Farms Leases..... 25

 D. The Arbitration Award and Events Leading to the Commencement of the Chapter 11 Case..... 25

 E. ACC Filings Call into Question the Validity and Enforceability of the Infrastructure Agreement..... 27

 1. The ACC’s Generic Investigation into Global Activities..... 27

 2. AWC Alleges that GWR’s ICFA’s Violate Arizona Law..... 27

 3. New World Properties, Inc. Petitions the ACC for Declaratory Relief..... 28

 4. City of Maricopa Files Request for Leave to Intervene..... 28

 5. Debtor’s Files Request for Leave to Intervene..... 29

 F. Significant Events During the Chapter 11 Case..... 30

VI. ADDITIONAL PLAN PROVISIONS 32

1 A. Means for Implementation of the Plan..... 32

2 1. Revesting of assets..... 32

3 2. Obligations Due Under the Plan..... 33

4 3. Articles of organization, by-laws, operating agreement..... 33

5 4. Effectuation of transactions..... 33

6 5. Notice of effectiveness..... 34

7 6. No governance action required..... 34

8 7. Filing with the Nevada Secretary of State..... 34

9 8. Proposed post-Effective Date management of Reorganized Debtor..... 34

10 B. Executory Contracts And Unexpired Leases..... 35

11 1. Executory contracts..... 35

12 2. Approval of assumption or rejection..... 35

13 3. Cure of defaults..... 36

14 4. Objection to cure amounts..... 36

15 5. Confirmation order..... 37

16 6. Infrastructure Agreement..... 37

17 7. Post-Petition date contacts and leases..... 37

18 8. Bar date..... 37

19 C. Manner Of Distribution Of Property Under The Plan..... 37

20 D. Conditions To Confirmation Of The Plan..... 38

21 1. Conditions to confirmation..... 38

22 2. Conditions to effectiveness..... 38

23 3. Waiver of conditions..... 38

24 VII. LIMITATIONS AND RISK FACTORS 39

25 A. Debtor Has No Duty to Update..... 39

26 B. Projections and Other Forward-Looking Statements Are Not Assured and
Actual Results Will Vary..... 39

27 C. No Admissions Made..... 39

28 D. No Waiver of Right to Object or Right to Recover Transfers and Estate
Assets..... 39

E. Bankruptcy Law Risks and Considerations..... 40

1. Confirmation of the Plan is Not Assured..... 40

2. The Projected Value of Estate Assets In the Event of Liquidation
Might Not be Realized..... 40

3. Changes to Applicable Tax Laws Could Have a Material Adverse
Effect on Debtor’s Financial Condition..... 40

F. Risks Related to Debtor’s Business Operations..... 41

1. Effect of the Chapter 11 Case..... 41

2. The volatility and disruption of the capital and credit markets and
adverse changes in the global economy have negatively affected
Debtor..... 41

3. Changes to applicable property tax laws could have a material
adverse effect on Debtor’s financial condition..... 42

1 VIII. POST-EFFECTIVE DATE OPERATIONS 42

2 A. Vesting of Assets. 42

3 B. Preservation of Avoidance Actions and Litigation Claims..... 42

4 C. Discharge. 43

5 D. Injunction. 44

6 E. Exculpation. 44

7 F. Post-Confirmation Reporting And Quarterly Fees To The UST. 45

8 IX. CERTAIN FEDERAL INCOME TAX CONSEQUENCES 45

9 X. CONFIRMATION OF THE PLAN..... 46

10 A. Confirmation of the Plan..... 46

11 B. Objections to Confirmation of the Plan. 46

12 C. The Best Interest Test and Feasibility of the Plan. 47

13 1. Best Interest of Creditors. 47

14 2. Feasibility..... 50

15 3. Confirmation of the Plan Without Acceptance by All Impaired

16 Classes: the “Cramdown” Alternative. 51

17 4. Accepting Impaired Class. 52

18 5. Voting Procedures..... 52

19 XI. ALTERNATIVES TO THE PLAN..... 53

20 A. Alternative Plans of Reorganization. 53

21 XIII. RECOMMENDATION AND CONCLUSION..... 55

22

23

24

25

26

27

28

1
2
3
4
5
6
7
8
9
10
11
12
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APPENDIX

EXHIBIT "1": PLAN OF REORGANIZATION

EXHIBIT "2": INFRASTRUCTURE AGREEMENT

EXHIBIT "3": MARICOPA INTERVENTION

EXHIBIT "4": SNR INTERVENTION

EXHIBIT "5": LIQUIDATION ANALYSIS

EXHIBIT "6": FINANCIAL PROJECTIONS

I.
INTRODUCTION

1
2
3 On August 21, 2012 (the "Petition Date"), Sierra Negra Ranch LLC, a Nevada limited
4 liability company, debtor and debtor-in-possession ("Debtor"), filed a petition for relief (the
5 "Petition") under Title 11, Chapter 11 of the United States Code (the "Bankruptcy Code") with
6 the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court")
7 commencing the above-captioned Chapter 11 case (the "Chapter 11 Case").

8 Debtor has prepared this *First Amended Disclosure Statement* (the "Disclosure
9 Statement") in connection with the solicitation of votes on *Debtor's First Amended Plan of*
10 *Reorganization* (the "Plan") filed on April 5, 2013, proposed by Debtor to treat the Claims of
11 Creditors in the Chapter 11 Case. All capitalized, undefined terms shall have the meanings
12 ascribed to them in the Plan.

13 The Exhibits to this Disclosure Statement included in the Appendix are incorporated into,
14 and are a part of, this Disclosure Statement. The Plan is attached hereto as **Exhibit "1."** Any
15 interested party desiring further information should contact:

16 Gordon Silver
17 Attn: Candace C. Clark, Esq.
18 3960 Howard Hughes Parkway, 9th Floor
19 Las Vegas, Nevada 89169
20 Telephone: (702) 796-5555
21 Email: cclark@gordonsilver.com

22 Interested parties may also obtain further information from the Bankruptcy Court at the
23 following website: <http://www.nvb.uscourts.gov>. Each Holder of a Claim entitled to vote on the
24 Plan should read this Disclosure Statement, the Exhibits hereto including the Plan, and the
25 instructions accompanying the Ballots in their entirety before voting on the Plan. These
26 documents contain important information concerning the classification of Claims and Equity
27 Interests for voting purposes and the tabulation of votes.

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II.
GENERAL OVERVIEW

A. Debtor's Goals when the Chapter 11 Case Was Initiated.

Debtor is a limited liability company organized in November 2004 to purchase an aggregate of approximately 2,757.5 acres of undeveloped land in the Tonopah area of incorporated Maricopa County, west of Phoenix, Arizona (the "Real Property"). Debtor raised \$29,900,000 from its investors/members and closed escrow on the purchase of the Real Property during the first quarter of 2005 for a cash price of approximately \$21,700,000 paid from the proceeds contributed by Debtor's investors/members.

As a condition precedent to the entitlement approval process for a multi-use development, Maricopa County required that Debtor complete and have approved an integrated sewer and water plan for the Real Property (known as a "MAG 208 Plan"). To satisfy this county condition and development process necessity, Debtor entered into an agreement (the "Infrastructure Agreement") with Global Water Resources, Inc., as successor-in-interest to Global Water Resources, LLC ("Global"), which provided for the development and facilitation of the MAG 208 Plan to assure that all portions of the Real Property had sufficient access to sewer and water utility services.

Since the time of the acquisition of the Real Property, Debtor has proceeded with pre-development activities, invested approximately \$9,000,000 in additional funds in the Real Property, Debtor, among other activities, has procured the entitlements related to the Real Property and, pursuant to the Infrastructure Agreement, Global had received, as of the Petition Date, from Debtor in excess of \$5,000,000, as well as a conveyance of 26 acres of the Real Property.

Due to various disputes between Debtor and Global with respect to the Infrastructure Agreement, the parties engaged in protracted Arbitration Proceedings, which resulted in the entry of the Arbitration Award in favor of Global in April 2012. The Arbitration Award was subsequently confirmed by the entry of the Judgment, which was later recorded to secure the Lien on the Real Property. The Debtor did not appeal the Judgment and does not contest it,

1 except to the extent it is entitled to a setoffs as provided for in the Arbitration Award and
2 Judgment.

3 Debtor was unable to satisfy the Judgment immediately after its entry, and Global noticed
4 an execution sale under the Judgment. Thus, notwithstanding Debtor's cash flowing operations
5 and its ability to fund its operating expenses, Debtor sought Chapter 11 protection in order to
6 preserve the value of the Real Property, which has an appraised value of \$20,950,000 as of
7 February 7, 2013, for all of Debtor's creditors and equity. With this in mind, when Debtor filed
8 Chapter 11 in August 2012, it had the following goals:

- 9 i. To protect its existing investment in the Real Property by continuing the pre-
10 development activities and maintaining the current entitlements on the Real
11 Property; and
12 ii. To maximize the return to its Creditors through a restructuring of its debts and the
13 solicitation of capital infusions to permit Debtor to proceed with its pre-
14 development activities to optimize the value of the Real Property for its eventual
15 sale/development.

16 At the outset, Debtor had anticipated the fulfillment of such goals through negotiations
17 with Global and a consensual restructuring of the Judgment. However, to date, a resolution of
18 this Chapter 11 Case through consensual arrangements has not been achieved.

19 As such, Debtor filed its Plan, which contemplates, as more fully set forth herein, full
20 payment of all Allowed Claims, including the Global Secured Claim, over a period of time from
21 the revenue generated by the farming leases on the Real Property combined with a potential sale
22 of a portion of the Real Property, along with capital raised through the Offering, all as more fully
23 discussed herein.

24 **III.**
25 **INFORMATION REGARDING THE PLAN AND THIS DISCLOSURE STATEMENT**

26 ***1. What is Chapter 11?***

27 Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code.
28 Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its
creditors, and equity interest holders. The commencement of a Chapter 11 case creates an estate
that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The

1 Bankruptcy Code provides that the debtor may continue to operate its business and remain in
2 possession of its property as a “debtor-in-possession.”

3 **2. What is the objective of a Chapter 11 bankruptcy case?**

4 The objective of a Chapter 11 bankruptcy case is the confirmation (i.e. approval by the
5 bankruptcy court) of a plan of reorganization.

6 **3. What is a plan of reorganization?**

7 A plan describes in detail (and in language appropriate for a legal contract) the means for
8 satisfying claims against, and equity interests in, a debtor.

9 **4. What happens after a plan is filed?**

10 After a plan has been filed, the holders of such claims and equity interests that are
11 impaired (as defined in Section 1124 of the Bankruptcy Code) and receiving some cash and/or
12 property on account of such claims or equity interests are permitted to vote to accept or reject the
13 plan.

14 **5. What is a disclosure statement and its purpose?**

15 Before a debtor or other plan proponent can solicit acceptances of a plan, Section 1125 of
16 the Bankruptcy Code requires the debtor or other plan proponent to prepare a disclosure
17 statement containing adequate information of a kind, and in sufficient detail, to enable those
18 parties entitled to vote on the plan to make an informed voting decision about whether to accept
19 or reject the plan.

20 The purpose of this Disclosure Statement is to provide sufficient information about
21 Debtor and the Plan to enable Holders of Impaired Claims to make an informed voting decision
22 about whether to accept or reject the Plan. Holders of other Claims will be deemed to have
23 accepted or rejected the Plan, as the case may be, without the need for them to vote.

24 **6. What will happen after the Bankruptcy Court approves this Disclosure
25 Statement?**

26 This Disclosure Statement will be used to solicit acceptances of the Plan only after the
27 Bankruptcy Court has found that this Disclosure Statement provides adequate information in
28 accordance with Section 1125 of the Bankruptcy Code and has entered an order approving this

1 Disclosure Statement. Approval by the Bankruptcy Court is not an opinion or ruling on the
2 merits of the Plan or final approval of this Disclosure Statement and it does not mean that the
3 Plan has been or will be approved by the Bankruptcy Court.

4 **7. Who may vote to accept or reject a plan?**

5 Generally, holders of allowed claims or equity interests that are “impaired” under a plan
6 of reorganization and who are receiving some cash or property on account of such claims or
7 equity interests are permitted to vote on the plan. A claim is defined by the Bankruptcy Code
8 and the Plan to include a right to payment from a debtor. An equity security is defined by the
9 Bankruptcy Code and the Plan to include an ownership interest in the debtor. In order to vote, a
10 creditor or an equity security holder must have an Allowed Claim or an Allowed Equity Security.
11 The solicitation of votes on the Plan will be sought only from Holders of Allowed Claims and
12 Allowed Equity Securities whose Claims or Equity Securities are Impaired and who will receive
13 property or rights under the Plan. As explained further below, to be entitled to vote, a Person
14 must be a Holder of a Claim that is both an “Allowed Claim” and “Impaired.”

15 **8. Do I have an Allowed Claim?**

16 You have an Allowed Claim if: (i) you or your representative timely files a proof of
17 Claim and no objection has been filed to your Claim within the time period set for the filing of
18 such objections; (ii) you or your representative timely files a proof of Claim and an objection is
19 filed to your Claim upon which the Bankruptcy Court has ruled and allowed your Claim; (iii)
20 your Claim is listed by Debtor in its Schedules or any amendments thereto (which are on file
21 with the Bankruptcy Court as a public record) as liquidated in amount and undisputed and no
22 objection has been filed to your Claim; or (iv) your Claim is listed by Debtor in its Schedules as
23 liquidated in amount and undisputed and an objection was filed to your Claim upon which the
24 Bankruptcy Court has ruled to allow your Claim. Under the Plan, the deadline for filing
25 objections to Claims is 90 days following the Effective Date. If your Claim is not an Allowed
26 Claim, it is a Disputed Claim and you will not be entitled to vote on the Plan unless the
27 Bankruptcy Court temporarily or provisionally allows your Claim for voting purposes pursuant
28 to Bankruptcy Rule 3018. If you are uncertain as to the status of your Claim or if you have a

1 dispute with Debtor, you should check the Bankruptcy Court record carefully, including the
2 Schedules of Debtor, and seek appropriate legal advice. Neither Debtor nor its professionals can
3 advise you about such matters.

4 **9. *Is my Claim or Equity Security Impaired?***

5 Impaired Claims and Equity Securities include those whose legal, equitable, or
6 contractual rights are altered by the Plan, even if the alteration is beneficial to the Creditor or
7 Equity Security Holder, or if the full amount of the Allowed Claims will not be paid under the
8 Plan. Holders of Claims and Equity Securities which are not Impaired under the Plan will be
9 deemed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code, and
10 Debtor need not solicit acceptance of the Plan by Holders of such Unimpaired Claims and Equity
11 Securities. Holders of Claims and Equity Securities which are to receive nothing under the Plan
12 will be deemed to have voted to reject the Plan. Consequently, only Impaired Holders of Claims
13 in Classes 1 and 4 are entitled to vote on the Plan.

14 **10. *How generally is a plan approved?***

15 In order for a plan to be confirmed, it must be accepted by at least one impaired class of
16 claims, excluding the votes of any Insiders within that class. A class of claims is deemed to have
17 accepted the plan if and when allowed votes representing at least two-thirds in amount and a
18 majority in number of the claims of the class actually voting cast votes in favor of the plan.

19 **11. *What is the general construct of Debtor's Plan?***

20 The primary objective of the reorganization and restructuring under the Plan is to
21 maximize returns to those Creditors entitled to recoveries from the estate. Debtor desires to
22 achieve this objective through a restructuring of the Arbitration Award and the infusion of
23 working capital funds, which will result in full repayment of all Allowed Administrative Claims,
24 Allowed Secured Claims, Allowed Priority Claims, and Allowed General Unsecured Claims,
25 with present equity retaining their interest in Debtor. With specific regard to the Infrastructure
26 Agreement, Debtor elects to leave such agreement untreated under the terms of the Plan to
27 permit the contract to "ride through" this Chapter 11 Case unaffected. The Arbitration Award
28

1 arising from the Infrastructure Agreement shall be paid in full pursuant to Section 4.1 of the Plan
2 addressing the treatment of the Global Secured Claim.

3 **12. What is the “ride through” concept and how does it affect the Infrastructure**
4 **Agreement?**

5 Pursuant to the long standing “ride-through” doctrine, executory contracts that are neither
6 affirmatively assumed nor rejected by the debtor pass through bankruptcy proceedings
7 unaffected. See In re Hernandez, 287 B.R. 795, 799-800 (Bankr. D. Ariz. 2002). At its
8 discretion, a Chapter 11 debtor may elect to not treat an executory contract under a plan of
9 reorganization, and thereby effectuate a ride-through of that contract. See id. at 800. As a
10 contract that “rides through” does so without invoking Section 365 of the Bankruptcy Code, such
11 contract is not entitled to the benefits afforded by Section 365 such as the right to cure arrearages
12 within a reasonable period of time. See id. at 800-01.

13 In the present case, Debtor has determined it to be in the best interests of its Creditors,
14 holders of its Equity Securities and the Estate to neither affirmatively assume nor reject the
15 Infrastructure Agreement, and thereby, permit the Infrastructure Agreement to pass through this
16 Chapter 11 Case unaffected. As more fully set forth below, questions have been raised before
17 the applicable regulatory authorities in Arizona concerning the validity and enforceability of
18 infrastructure agreements similar in nature and content to the Infrastructure Agreement.

19 Specifically, as set forth in more detail in Section V(E) herein, as far back as 2006, the
20 ACC (as defined herein) opened the Generic Docket (as defined herein), an investigatory docket
21 to evaluate the regulatory impacts from the use of non-traditional financing arrangements by
22 water utilities and their affiliates, which specifically targeted the activities of Global’s
23 predecessor. To date, the questions raised by the ACC in the Generic Docket regarding the
24 general validity and enforceability of ICFAs (as defined herein) generally have not been
25 resolved. Also in 2006, AWC (as defined herein) filed a formal complaint against Global’s
26 predecessor and its affiliates alleging violations of Arizona law arising out of conduct and
27 obligations required under ICFAs. Though certain of the parties’ disputes were resolved through
28

1 the course of those proceedings, the merits of any of the serious allegations raised by AWC
2 remain unaddressed.

3 More recently, on March 1, 2013, NWP (as defined herein) filed a petition for declaratory
4 relief requesting that the ACC issue a declaratory order addressing the legality of the certain
5 conduct and actions required under the ICFA governing its relationship with Global. Since that
6 filing, on March 29, 2013, the City of Maricopa, Arizona filed an application to intervene in the
7 NWP proceeding on the basis that the outcome of such proceeding could have a material effect
8 on the City of Maricopa and its residents.

9 Consequently, such uncertainty related to the validity and enforceability of ICFAs
10 generally, upon learning of the Maricopa Intervention following the NWP Petition, Debtor also
11 filed an application to intervene in the proceeding commenced by NWP. Due to the express
12 requirement under the terms of the Infrastructure Agreement, as set forth herein in more detail,
13 which would require Global to refund payments tendered by Debtor under the Infrastructure
14 Agreement, as well as release of the Lien on the Real Property, in the context of a voided
15 Infrastructure Agreement, Debtor similarly believes its interests could be dramatically affected
16 by an ACC declaratory order that determines ICFAs to be invalid and unenforceable.

17 Foremost, as set forth in the Infrastructure Agreement, to the extent that a decision by the
18 ACC “materially alters the substances of the transaction” between SNR and Global, and thereby
19 precludes Global from fulfilling its obligations or materially increases the costs to SNR under
20 this Agreement, the Infrastructure Agreement may be voided. See Infrastructure Agreement, at
21 pp. 15-16. As a result, pursuant to the terms and conditions therein, not only would Global be
22 required to refund payments made under the Infrastructure Agreement, Debtor would no longer
23 be liable to Global for the amounts set forth in the Arbitration Award. Moreover, Debtor would
24 be required to identify and contract with an alternate service provider as Global would not be
25 allowed to proceed under the Infrastructure Agreement.

26 Additionally, to the extent that the Infrastructure Agreement is voided or amended as a
27 result of an ACC determination, Global will be required at the request of SNR to “record any and
28 all release documents related to this Agreement and any lien related to this Agreement with the

1 Country Recorder . . . and [Global] shall waive any and all other claims against the Land or
2 [SNR] . . .” See id. at p. 16. As such, Global would be required to release the Lien against the
3 Real Property.

4 As such, Debtor shall not invoke the provisions of Section 365, and therefore, not be
5 required to cure any default under the Infrastructure Agreement. The pre-petition default under
6 the Infrastructure Agreement shall be addressed by virtue of Debtor’s proposed treatment of the
7 Global Secured Claim. Meanwhile, Debtor shall remain obligated under the terms of the
8 Infrastructure Agreement for the duration of the contract provided the Infrastructure Agreement
9 remains in force and effect.

10 ***13. Is this Court required to compel assumption or rejection of the Infrastructure***
11 ***Agreement?***

12 By virtue of the permissive authority vested in a bankruptcy court under Section
13 365(d)(2) of the Bankruptcy Code, the Court is not required to compel action by the Debtor. See
14 id. at 803-04. Rather, based on the equitable determination of a bankruptcy court, the court may
15 deny a Section 365(d)(2) request for relief and permit a debtor’s proposed inaction related to an
16 executory contract. See id. at 804-06 (citing Theatre Holding Corp. v. Mauro, 681 F.2d 102 (2d
17 Cir. 1982).

18 Accordingly, Debtor seeks to cause the Infrastructure Agreement to “ride through”
19 confirmation of the Plan.

20 ***14. Will Reorganized Debtor be able to meet the financial terms of the Plan?***

21 As set forth in Debtor’s Financial Projections, attached hereto as **Exhibit “3”** (the
22 “Projections”), and discussed in Section X.C below, Debtor believes that its projected revenues
23 are sufficient to satisfy all of its obligations under the Plan.

24 ***15. Which Creditors get to vote on the Plan?***

25 Impaired Classes of Claims in Class 1 (Allowed Global Secured Claim) and Class 4
26 (Allowed General Unsecured Claims) are entitled to vote. Debtor is soliciting votes from
27 Holders of these Claims.

1 Unimpaired Classes of Claims and Equity Securities in Class 2 (Other Secured Claims),
2 Class 3 (Priority Unsecured Claims), and Class 5 (Equity Securities) will *not* vote on the Plan.

3 **A VOTE FOR ACCEPTANCE OF THE PLAN BY HOLDERS OF CLAIMS WHO**
4 **ARE ENTITLED TO VOTE IS MOST IMPORTANT. DEBTOR BELIEVES THAT THE**
5 **TREATMENT OF HOLDERS OF IMPAIRED CLAIMS UNDER THE PLAN IS THE**
6 **BEST ALTERNATIVE FOR EACH OF THEM, AND DEBTOR RECOMMENDS THAT**
7 **THE HOLDERS OF THOSE ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.**

8 **EACH HOLDER OF AN IMPAIRED CLAIM WHO IS ENTITLED TO VOTE**
9 **SHOULD CAREFULLY REVIEW THE PLAN, THIS DISCLOSURE STATEMENT,**
10 **AND THE EXHIBITS TO BOTH DOCUMENTS IN THEIR ENTIRETY BEFORE**
11 **CASTING A BALLOT.**

12 ***16. What happens after the voting is completed?***

13 After the appropriate Persons have voted to accept or reject the Plan, there will be a
14 Confirmation Hearing to determine whether the Plan should be confirmed by the Bankruptcy
15 Court. At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan
16 satisfies the requirements of the Bankruptcy Code. The Bankruptcy Court will also receive and
17 consider a Ballot summary, which will present a tally of the votes cast by those Classes of
18 Creditors entitled to vote on the Plan.

19 ***17. What is the effect of plan confirmation?***

20 Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding
21 upon the debtor, any issuer of securities under the plan, any person acquiring property under the
22 plan, and any creditor of the debtor, regardless of whether such creditor: (i) is impaired under, or
23 has accepted, the plan; or (ii) receives or retains any property under the plan. Subject to certain
24 limited exceptions, and other than as provided in the plan itself or the confirmation order, the
25 confirmation order discharges the debtor from any debt that arose prior to the date of
26 confirmation of the plan and substitutes the obligations specified under the confirmed plan.

27 ***18. Has the Securities Exchange Commission reviewed and approved this***
28 ***Disclosure Statement?***

1 This Disclosure Statement has been prepared in accordance with Section 1125 of the
2 Bankruptcy Code and Bankruptcy Rule 3016(b) and not necessarily in accordance with federal
3 or state securities laws or other non-bankruptcy laws.

4 This Disclosure Statement has not been approved or disapproved by the United States
5 Securities and Exchange Commission (the “SEC”), nor has the SEC passed upon the accuracy or
6 adequacy of the statements contained herein. The Debtor is neither a public company nor does it
7 have publicly-registered debt.

8 ***19. Can I rely upon the statements and financial information contained in this***
9 ***Disclosure Statement?***

10 DEBTOR MAKES THE STATEMENTS AND PROVIDES THE FINANCIAL
11 INFORMATION CONTAINED HEREIN AS OF THE DATE HEREOF, UNLESS
12 OTHERWISE SPECIFIED. PERSONS REVIEWING THIS DISCLOSURE STATEMENT
13 SHOULD NOT INFER THAT THE FACTS SET FORTH HEREIN HAVE NOT CHANGED
14 SINCE THE DATE HEREOF.

15 THE MANAGEMENT OF DEBTOR HAS REVIEWED THE FINANCIAL
16 INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH
17 DEBTOR HAS ENDEAVORED TO ENSURE THE ACCURACY OF THIS FINANCIAL
18 INFORMATION, THE FINANCIAL INFORMATION CONTAINED IN, OR
19 INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT
20 BEEN AUDITED.

21 ***20. Can I rely upon the Disclosure Statement for other purposes?***

22 THE INFORMATION IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN
23 FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE
24 RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON
25 THE PLAN. THIS DISCLOSURE STATEMENT THEREFORE DOES NOT CONSTITUTE,
26 AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT OR LIABILITY, A
27 STIPULATION OR A WAIVER IN ANY PROCEEDING OTHER THAN THE
28 SOLICITATION OF ACCEPTANCES OF THE PLAN AND CONFIRMATION OF THE

1 PLAN. FOR ALL PURPOSES OTHER THAN THE SOLICITATION OF ACCEPTANCES
2 OF THE PLAN, THIS DISCLOSURE STATEMENT SHOULD BE CONSTRUED AS A
3 STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED
4 MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED
5 LITIGATION OR ACTIONS.

6 **21. *Should I consult with my own financial and legal advisors?***

7 This Disclosure Statement does not constitute legal, business, financial, or tax advice.
8 All Persons desiring such advice or any other advice should consult with their own advisors.

9 **22. *I have heard statements from the media regarding the Plan. Can I rely on these***
10 ***statements?***

11 Debtor has not authorized any representations about the Plan, itself, or the value of its
12 property other than those set forth in this Disclosure Statement. Holders of Claims proceed at
13 their own risk to the extent they rely on any information, representations, or inducements made
14 or given to obtain their approval of the Plan that differ from, or are inconsistent with, the
15 information contained herein and in the Plan.

16 **23. *What if there is an inconsistency between this Disclosure Statement and the***
17 ***Plan?***

18 This Disclosure Statement summarizes certain provisions of the Plan and certain other
19 documents and financial information that are incorporated by reference herein (collectively, the
20 “Incorporated Documents”). The summaries contained herein are qualified in their entirety by
21 reference to the incorporated documents. In the event of any inconsistency or discrepancy
22 between a description in this Disclosure Statement and the actual content of any of the
23 Incorporated Documents, the Incorporated Documents shall govern for all purposes.

24 **IV.**
SUMMARY OF THE PLAN TREATMENT OF CREDITORS¹

25 Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall classify
26 the claims of a debtor’s creditors and equity interest holders. In compliance therewith, the Plan

27 _____
28 ¹ The following summary of the Plan treatment of Creditors is qualified in its entirety by reference to the Plan itself.
For a more detailed description of the Plan, see Article VI hereof and the Plan.

1 divides Claims into various Classes and sets forth the treatment for each Class. Debtor is also
2 allowed under Section 1122 of the Bankruptcy Code to place more than one Claim into a
3 particular Class only if such Claim is substantially similar to other Claims in such Class. Debtor
4 believes that the Plan has classified all Claims in compliance with the provisions of Section 1122
5 of the Bankruptcy Code, but it is possible that a Holder of a Claim will challenge the Plan's
6 classifications and that the Bankruptcy Court will find that different classifications are required
7 in order for the Plan to be confirmed. In such event, Debtor reserves the right, to the extent
8 permitted by the Bankruptcy Code, to make reasonable modifications of the classifications under
9 the Plan to permit confirmation and to use the Plan acceptances received in this solicitation for
10 the purpose of obtaining the approval of the reconstituted Class or Classes of which the
11 accepting Holders are ultimately deemed members.

12 The following summary of the Plan is qualified in its entirety by reference to the detailed
13 explanations in this Disclosure Statement and the Plan itself.

14 **A. Non-Classified Claims.**

15 Pursuant to Section 1123(a)(1) of the Bankruptcy Code, Allowed Administrative Claims
16 and Priority Tax Claims are not designated as Classes under the Plan. In general, these Claims
17 consist of the fees and costs of professionals employed on behalf of the Estate. The Holders of
18 such unclassified Claims are not entitled to vote on the Plan.

19 Each Holder of an Allowed Administrative Claim shall be paid in full and final
20 satisfaction of such Claim by Reorganized Debtor (or otherwise satisfied in accordance with its
21 terms), upon the latest of: (i) the Effective Date of the Plan or as soon thereafter as practicable;
22 (ii) such date as may be fixed by the Bankruptcy Court; (iii) the first Business Day following the
23 fourteenth (14th) day after such Claim is Allowed or as soon thereafter as practicable; (iv) the
24 date such Claim becomes due by its terms; and (v) such date as is agreed to by the Holder of
25 such Claim and Debtor or Reorganized Debtor.

26 The amount of Administrative Claims incurred, but unpaid as of the Confirmation
27 Hearing is estimated to be \$126,569.50. This is comprised of: (i) estimated fees and costs of
28 approximately \$100,000 incurred by Debtor's bankruptcy counsel, the law firm of Gordon

1 Silver, less their retainer of \$33,430.50; (ii) estimated fees and costs of \$10,000 incurred by
 2 Debtor's interest rate expert; and (iii) estimated fees and costs of \$50,000 incurred by Debtor's
 3 other professionals duly retained in the course of this Chapter 11 Case.

4 Each Holder of an Allowed Priority Tax Claim, if any, will, in full and final satisfaction
 5 of such Claim, be paid in full (or be treated in compliance with Section 1129(a)(9)(C) of the
 6 Bankruptcy Code) by Reorganized Debtor on the later of: (i) the Effective Date of the Plan or as
 7 soon thereafter as practicable; (ii) such date as may be fixed by the Bankruptcy Court; (iii) the
 8 first Business Day following the fourteenth (14th) day after the date on which an order allowing
 9 such Claim becomes a Final Order; or (iv) such date as is agreed to by the Holder of such Claim
 10 and Debtor or Reorganized Debtor. Debtor does not anticipate any unpaid Priority Tax Claims.

11 **B. Classified Claims.**

12 The Distributions under the Plan to each Class are summarized in the following table:

Class	Description	Treatment	Estimated Claims Amount ²
Class 1:	Global Secured Claim	Impaired. Solicitation required.	\$4,621,128.38 ³
Class 2:	Other Secured Claims	Unimpaired. No solicitation required.	\$0.00
Class 3:	Priority Unsecured Claims	Unimpaired. No solicitation required.	\$0.00
Class 4:	General Unsecured Claims	Impaired. Solicitation required.	Est. \$210,000
Class 5:	Equity Securities	Unimpaired. No solicitation required.	N/A

24 ² These estimated amounts were compiled by combining the undisputed, liquidated, and noncontingent Claims
 25 included on Debtor's bankruptcy schedules, as amended, the proofs of Claim on file on or about, November 16,
 26 2012. As such, these estimates may change as additional Claims are allowed or Debtor obtains the disallowance of
 27 certain Claims.

28 ³ On October 31, 2012, Global filed its proof of claim against Debtor, claim number 2 in Debtor's claims register,
 asserting a secured claim in the amount of \$4,621,128.38. Debtor reserves its right to object to the amount of the
 asserted Global Secured Claim, and as such, this estimated amount is not an admission by the Debtor that is this the
 Allowed Claim amount of the Global Secured Claim.

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1. **Class 1 – Global Secured Claim.**

Class 1 consists of the Global Secured Claim, which is calculated as follows: The outstanding principal amount of \$2,802,156.00, plus attorneys' fees and costs in the amount of \$179,747.24 incurred prior to the Petition Date, and accrued and unpaid interest incurred prior to the Petition Date in accordance with the Arbitration Award and applicable law as determined by a Final Order of the Court, plus: (i) any accrued and unpaid interest from the Petition Date up to the Effective Date at the rate of 4.25%; and (ii) reasonable attorney's fees, costs, and expenses incurred by Global post-petition and prior to the Effective Date, solely to the extent that such fees, costs, and expenses are approved by entry of a Final Order of the Bankruptcy Court.

Additionally, on the Effective Date, the Arbitration Award shall remain in full force and effect, save and except that: (i) without any further action by Debtor, Reorganized Debtor, or Global, the Arbitration Award shall be deemed to have been amended as follows:

(a) **Principal Balance.** To the extent of the Allowed Global Secured Claim, the principal balance of the Arbitration Award, inclusive of attorneys' fees and costs and interest accrued pursuant to the Arbitration Award as of the Petition Date, less the Damages and Credit Setoff together with (i) interest at the Global Restated Interest Rate from the Petition Date through the Effective Date and (ii) fees and costs from the Petition Date allowed by the Bankruptcy Court pursuant to Section 506(a) of the Bankruptcy Code, shall be the Allowed Global Secured Claim.

(b) **Lien.** From and after the Confirmation Date, the Holder of the Allowed Global Secured Claim shall retain its Lien in the Real Property consistent with the Recorded Judgment until the Allowed Global Secured Claim is paid in full.

(c) **Post-Effective Date Interest.** Interest shall accrue on the Allowed Global Secured Claim at the Global Restated Interest Rate.

(d) **Monthly Payments.**

(i) Beginning on the fourteenth (14th) Business Day of the first full calendar month following the Effective Date, and on the fourteenth (14th) Business Day of each subsequent month up to and including the twenty-fourth (24th) full month after the Effective Date, Reorganized Debtor shall distribute to Global interest-only payments on the Allowed Global Secured Claim at the Global Restated Interest Rate.

(ii) Beginning on the fourteenth (14th) Business Day of the twenty-fifth (25th) month following the Effective Date and on the fourteenth (14th) Business Day of each subsequent month up to and through the Payoff Date Reorganized Debtor shall distribute to Global

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monthly principal and interest payments on the outstanding balance of the Allowed Global Secured Claim amortized over a period of thirty (30) years at the Global Restated Interest Rate.

(e) Payoff Date. Debtor shall pay the unpaid balance of the Allowed Global Secured Claim, being the principal balance less the gross amount of all payments on the Allowed Global Secured Claim, on the fifth (5th) anniversary of the Effective Date unless sooner paid, or such later date as agreed to in writing by Debtor or Reorganized Debtor, as applicable, and Global.

(f) Setoff. In the event that Reorganized Debtor obtains an arbitration award or judgment against Global for damages arising under the Infrastructure Agreement prior to the payoff in full of the Allowed Global Secured Claim, in addition to, and without prejudice to, all other rights, including that of recovery by Reorganized Debtor against Global for such damages, Reorganized Debtor shall be entitled to set off the award or judgment against the balance due on the Allowed Global Secured Claim.

(g) Refinancing. Prior to the Payoff Date, Reorganized Debtor shall have the absolute right to refinance the Allowed Global Secured Claim; provided, however, that the proceeds of such refinancing loan are sufficient to pay, and are utilized to pay, all sums then due and owing under the Allowed Global Secured Claim at the time of closing of such refinancing, unless Global otherwise agrees.

(h) Sale of the Real Property.

(i) Single Sale. Prior to the Payoff Date, Reorganized Debtor shall have the absolute right to sell the Real Property in one sale transaction free and clear of Global's Lien; provided, however, that the proceeds of such sale are sufficient at the time of closing of such sale to pay, and are utilized to pay, all sums then due and owing under the Allowed Global Secured Claim, unless Global otherwise agrees.

(ii) Parcel Sales and Releases. Prior to the Payoff Date, Reorganized Debtor shall have the absolute right to obtain a release of one or more Parcels free and clear of the Lien of the Recorded Judgment subject to the following conditions:

(A) Global shall have received from Reorganized Debtor written notice of the request of the release at least thirty (30) days before the close of the transaction relating to such sale.

(B) Reorganized Debtor shall pay the Release Price to Global in cash or immediately available funds on or before the closing of the release transaction.

(iii) EDU Credit. Subject to the terms and conditions herein, on the closing of a sale transaction, Debtor shall receive EDU Credit, which amount is to be offset by the Release Price or otherwise applied to the Allowed Global Secured Claim, in the sole discretion of Reorganized Debtor.

1 (iv) Cooperation. Subject to the terms and conditions herein, the
2 Reorganized Debtor and Global shall use their commercially reasonable
3 best efforts to cooperate and to consummate each such proposed Parcel
4 sale, including any reasonable requests for information or execution of
5 applicable documents, including releases and reconveyances from the Lien
6 of the Recorded Judgment that are needed to effectuate such a Parcel sale.

7 (i) Court Jurisdiction. In the event of a dispute regarding the
8 operation or satisfaction of any terms regarding a Parcel sale, the parties shall be required
9 to meet and confer in a good faith attempt to resolve any such disputes; if the parties are
10 unable to resolve such disputes, the Bankruptcy Court shall retain jurisdiction to
11 determine the satisfaction of the conditions in this subsection governing Parcel sales and
12 each of the Reorganized Debtor and Global hereby consents to an order shortening time
13 for the adjudication such issues.

14 The Creditor in Class 1 is Impaired under the Plan, and thus the Holder of the Class 1
15 Claim is entitled to vote on the Plan.

16 **2. Class 2 - Other Secured Claims.**

17 Each Allowed Other Secured Claim,⁴ if any, shall, in full and final satisfaction of such
18 Claim, be paid in full in Cash or otherwise left Unimpaired by Debtor or Reorganized Debtor, as
19 the case may be, upon the latest of: (i) the Effective Date or as soon thereafter as practicable; (ii)
20 such date as may be fixed by the Bankruptcy Court; (iii) the fourteenth Business Day after such
21 Claim is Allowed; and (iv) such date as agreed upon by the Holder of such Claim and Debtor,
22 and after the Effective Date, Reorganized Debtor.

23 Creditors in Class 2 are Unimpaired under the Plan, and therefore, the Holders of Claims
24 in Class 2 are not entitled to vote on the Plan.

25 **3. Class 3 - Priority Unsecured Claims.**

26 Priority Unsecured Claims,⁵ if any, shall, in full and final satisfaction of such Claims, be
27 paid in full in Cash on the latest of: (i) the Effective Date, or as soon thereafter as is practical; (ii)
28 such date as may be fixed by the Bankruptcy Court, or as soon thereafter as is practicable; (iii)

⁴ "Other Secured Claim" is defined in the Plan as "[a]ny Secured Claim, other than the Global Secured Claim."

⁵ "Priority Unsecured Claims" is defined in the Plan as "[a]ny and all Claims accorded priority in right of payment under Section 507(c) of the Bankruptcy Code."

1 the fourteenth Business Day after such Claim is Allowed, or as soon thereafter as is practicable;
2 or (iv) such date as the Holder of such Claim and Reorganized Debtor has agreed or shall agree.

3 Creditors in Class 3 are Unimpaired under the Plan, and therefore, the Holders of Class 3
4 Claims are not entitled to vote on the Plan.

5 **4. Class 4 - General Unsecured Claims.**

6 A General Unsecured Claim is a Claim, including a Claim arising under Section 502(g)
7 of the Bankruptcy Code that is not secured by a charge against or interest in property in which
8 the Estate has an interest and is not an unclassified Claim, Administrative Claim, or Priority
9 Unsecured Claim.

10 Except to the extent that a Creditor with an Allowed General Unsecured Claim agrees to
11 less favorable treatment, each Creditor with an Allowed General Unsecured Claim, shall, in full
12 and final satisfaction of such Claim, be paid in full in Cash, plus post-Effective Date interest at
13 the Unsecured Interest Rate, on the latest of: (i) the ninetieth Business Day after the Effective
14 Date, as soon thereafter as is practical; (ii) such date as may be fixed by the Bankruptcy Court, or
15 as soon thereafter as is practicable; (iii) the fourteenth Business Day after such Claim is Allowed,
16 or as soon thereafter as is practicable; or (iv) such date as the Holder of such Claim and
17 Reorganized Debtor have agreed or shall agree.

18 Class 4 is Impaired under the Plan. The Holders of Class 4 Claims are entitled to vote on
19 the Plan.

20 **5. Class 5 - Equity Securities.**

21 On the Effective Date, the Holders of Equity Securities of Debtor shall retain all of their
22 legal interests. The Holders of the Class 5 Equity Securities are Unimpaired, and are therefore
23 deemed to have accepted the Plan and are not entitled to vote on the Plan.

24 **V.**

25 **GENERAL INFORMATION ABOUT DEBTOR'S BUSINESS, RESTRUCTURING
EFFORTS, AND THE FILING OF THE CHAPTER 11 CASE**

26 **A. Debtor's as Landowner and Manager: \$30 Million Investment in Arizona.**

27 Debtor is a limited liability company organized in November 2004 to purchase an
28 aggregate of approximately 2,757.5 acres of undeveloped land (26 acres of which were

1 subsequently conveyed) in the Tonopah area of incorporated Maricopa County, west of Phoenix,
2 Arizona. Debtor's membership interests are held by SNR Management, which also serves as
3 Debtor's manager, holding a 40% interest and various other accredited investors who
4 collectively hold the remaining 60% interest.⁶

5 **1. Debtor's Initial Capitalization.**

6 At its inception, Debtor's capitalization was comprised of: (i) 299 shares of a class of
7 equity securities titled "Preferred Shares," in respect of which capital contribution were made to
8 Debtor at a price of \$100,000 per Preferred Share, for an aggregate of \$29,900,000; and (ii) 199-
9 1/3 shares of another class of equity securities entitled "Common Shares," all of which were
10 issued to SNR Management.

11 As shall be set forth below in more detail, the initial capital raised by Debtor was used to
12 acquire the Real Property, and to pay for Debtor's pre-development activities, a substantial
13 portion of which was remitted directly to Global pursuant to the Infrastructure Agreement.

14 **2. Debtor's Subsequent Shareholders' Rights Offering.**

15 Pursuant to the Amended and Restated Private Placement Memorandum dated June 1,
16 2012 ("Placement Memo"), Debtor initiated a Shareholders' Rights Offering (the "Offering") of
17 \$5,807,500 of Series A Preferred Shares of Limited-Liability Company Interest (the "Series A
18 Preferred Shares") principally: (i) for the purpose of payment of the Arbitration Award granted
19 to Global; (ii) to make payments to extend the date by which the conditions to the Real
20 Property's development entitlements must be satisfied; and (iii) with the balance to be used by
21 Debtor for working capital purposes and reserves.

22 The Offering was being made directly by Debtor for up to 101 Series A Preferred Shares
23 at a price of \$57,500 per Share, or an aggregate of \$5,807,500. Through the date of the
24 Placement Memo, an aggregate of 9.34 Series A Preferred Shares had been issued by Debtor for
25 an aggregate of \$537,262.63 of gross proceeds of the Offering. As of the Petition Date, an
26 aggregate of \$1,170,584.57 of gross proceeds of the Offering had been tendered subject to the

27 _____
28 ⁶ For a complete list of equity security holders in Debtor, see Debtor's *List of Equity Security Holders*, as amended [ECF Nos. 12 & 18].

1 successful conclusion of the Offering, which Debtor had intended to maintain open until
2 December 31, 2012.

3 Other than with respect to the 9.34 Series A Preferred Shares subscribed for and issued
4 prior to the Placement Memo, Debtor could not accept subscriptions for Series A Preferred
5 Shares until it had sufficient available proceeds from the Offering, together with all other sources
6 of capital, to fully pay the Arbitration Award (the "Disbursement Condition"). At that time,
7 Debtor had the right to, at any time and from time to time, accept subscriptions for Series A
8 Preferred Shares, on one or more occasions, and need not thereafter receive subscriptions for all
9 of the Preferred Shares offered thereby. Until the Disbursement Condition had been satisfied,
10 subscription funds for Series A Preferred Shares (other than in respect of the already issued
11 Series A Preferred Shares) were held in trust segregated into a separate account. Such funds
12 remain in trust by Debtor.

13 **3. The Extension of the Offering.**

14 As set forth herein, the terms of Debtor's Plan contemplate payment in full of all Claims
15 against the Estate over a period of time from the revenue generated by the farming leases on the
16 Real Property, as discussed more fully herein, combined with a potential sale of a portion of the
17 Real Property, along with capital raised through the Offering. Debtor has determined it most
18 appropriate, in advance of any confirmation proceedings, to issue an extension of the date of the
19 Offering to accelerate its effort to raise additional capital, and in connection therewith, Debtor
20 has drafted the proposed Extension of Offering of Securities (the "Extension"), which extends
21 the Offering's previous expiration of December 31, 2012 to December 31, 2013. In connection
22 therewith, Debtor has filed a motion seeking an order of this Court that authorizes the form of
23 solicitation of the Offering and its Extension, which motion is scheduled for hearing on April 3,
24 2013. See ECF No. 224.

25 Among other disclosures related to Debtor's status as a debtor-in-possession, as well as
26 the status of this Chapter 11 Case, and the purpose for the Extension of the Offering, the
27 Extension also expressly states that the Offering may only be consummated through and as a part
28 of Debtor's duly confirmed Plan. Pursuant to the terms of the Offering, the subscription funds

1 tendered to Debtor, as a result of the Extension, shall be held in trust segregated into a separate
2 account subject to terms and conditions of the Offering and the Extension.

3 **4. Effect of the Offering on Existing Equity.**

4 Pursuant to the Offering, the currently outstanding Preferred Shares will be reclassified
5 and title "Series B Preferred Shares" and Debtor will issue up to an additional 101 share of a new
6 series of preferred equity securities of Debtor to be titled "Series B Preferred Shares" in respect
7 of capital contributions of \$57,500 per Series A Preferred Share, for an aggregate of \$5,807,500.
8 Giving effect to the issuance of all of the Series B Preferred Shares offered under the Offering,
9 Debtor will have outstanding an aggregate of up to 666-2/3 Shares, 101 of which will be the
10 Series A Preferred Shares, 299 of which are the previously-outstanding Series B Preferred
11 Shares, which were simply titled Preferred Shares prior to the Offering, and 266-2/3 of which
12 will be Common Shares. Pursuant to the terms of the Offering, to the extent that distributions
13 were to be available, holders of Series A Preferred Shares generally shall be entitled on a priority
14 basis to receive distributions ahead of those holders of Series B Preferred Shares.

15 **B. Debtor's Acquisition of the Real Property.**

16 Debtor closed escrow on the purchase of the Real Property during the first quarter of
17 2005 for approximately \$21,717,000. Currently, the Real Property has an appraised value of
18 \$20,950,000 as of February 7, 2013.⁷ Since the time of its acquisition of the Real Property,
19 Debtor has invested approximately \$9,000,000 in additional funds in the Real Property, which
20 monies were required for Debtor to proceed with its pre-development activities, including, but
21 not limited to, approximately \$6,000,000 to Global to provide the water and sewer utility that
22 eventually will serve the Real Property and additional funds for procurement of the entitlements
23 related to the Real Property.

24 Pursuant to Debtor's strategic plan to add value to the Real Property for its eventual sale
25 and/or development by a third-party developer, Debtor has secured approval of two separate
26 Development Master Plans (jointly, the Property's "DMP") on the Property: (1) Silver Springs

27 ⁷ Peter J. Martori of Martori & Company, LLC, Debtor's retained appraiser has provided Debtor with an appraisal,
28 which estimates the value of the Real Property as of February 7, 2013 at \$20,950,000.

1 Ranch, which is planned to be a 2,203-acre mixed active adult and conventional single family
 2 residence golf course community, with 3.0 dwelling units approved per acre and approximately
 3 115.5 acres to be used for commercial purpose, and (2) Silver Water Ranch, which is planned to
 4 be a 528.5-acre single family residence community with 3.1 dwelling units approved per acre
 5 and approximately 47.9 acres to be used for commercial purposes.

6 As a condition precedent to the DMP approval process, Maricopa County required that
 7 Debtor complete and have approved an integrated sewer and water plan for the Real Property
 8 (known as a “MAG 208 Plan”). To satisfy this county condition and development process
 9 necessity, Debtor entered into the Infrastructure Agreement with Global, which provided for the
 10 development and facilitation of the MAG 208 Plan to assure that all portions of the Real Property
 11 had sufficient access to sewer and water utility services.

12 Specifically, pursuant to the terms of the Infrastructure Agreement, a copy of which is
 13 attached hereto as **Exhibit “2,”** Global agreed to perform the following tasks:

14 Coordinator^[8] shall facilitate, arrange and/or coordinate with WUGT^[9] and HUC^[10]
 15 to provide Utility Services to Landowner, . . . [.] In return for the payments by
 16 Landowner^[11] herein, and subject to the terms herein, Coordinator, through WUGT
 17 and HUC, shall construct any and all water, reclaimed water, and wastewater
 18 treatment plant, delivery facilities and lines required by the development plan . . .
 19 Coordinator shall achieve substantial completion of the WTP and WRF^[12] within 18
 20 months of the issuance of the Start Work Notice (“SWN”) described in subsection 4.1
 21 below including any and all Off-Site Facilities.^[13] Coordinator shall and hereby does
 22 financially guarantee to Landowner that WUGT and HUC shall have sufficient
 23 financial resources to construct the appropriate water, reclaimed water, and

20 ⁸ The term Coordinator, as used in the Infrastructure Agreement, refers to Global.

21 ⁹ As defined in the Infrastructure Agreement, WUGT refers to Water Utility of Greater Tonopah. Pursuant
 22 Paragraph B of the Recitals of the Infrastructure Agreement, Global represented that it was “in the process of
 23 acquiring West Maricopa Combine, Inc. “WMC” . . . the holding company for five regulated water utilities
 24 including [WUGT].” See Infrastructure Agreement, Ex. 4 at p. 1.

23 ¹⁰ As defined in the Infrastructure Agreement, HUC refers to Hassayampa Utility Company, Inc., a wastewater
 24 utility formed by Global to serve Debtor’s Property and other properties in the area. See id. at p. 2.

24 ¹¹ The terms Landowner, as used in the Infrastructure Agreement, refers to Debtor and its successors or assigns. See
 25 id. at p. 1.

26 ¹² As defined in the Infrastructure Agreement, WTP and WRF refer, respectively, to the Water Treatment Plant and
 27 Water Reclamation Facility. See id. at p. 5.

27 ¹³ As defined in the Infrastructure Agreement, the term Off-Site Facilities refer to any and all water, wastewater, and
 28 reclaimed water plant, production, treatment, storage, pumping, and delivery facilities constructed on Coordinator’s,
 WUGT’s , and HUC’s properties. See id. at p. 3.

1 wastewater facilities to provide water, reclaimed water and wastewater services to
2 the Land for approximately 8,622 EDUs^[14].

3 See Infrastructure Agreement § 1, Ex. 4.

4 In exchange for the provision of the services contemplated under the Infrastructure
5 Agreement, Global is entitled to receive the following consideration:

6 Landowner, or its assigns in title and/or successors in title, shall pay Coordinator
7 as an acquisition, interest and financing fee as full and final compensation to the
8 Coordinator in consideration for its services and performance of its covenants and
9 agreements contained in this Agreement, at the times specified in this Agreement
10 the total sum of \$5,500.00 per EDU in the developments . . .

11 See id. With an anticipated 8,266 EDUs within Silver Springs Ranch and Silver Water Ranch,
12 Global is positioned to earn approximately \$47,421,000 in fees under the Infrastructure
13 Agreement for the construction of off-site water and wastewater facilities to serve Silver Springs
14 Ranch and Silver Water Ranch.

15 The terms of the Infrastructure Agreement contemplate that Global will receive partial
16 payments of the foregoing total amount over a course of years based on the fulfillment of certain
17 conditions precedent. See id. § 4.1. Consequently, as of the Petition Date, Debtor had tendered
18 to Global an estimated \$5,819,850. The remaining amount, exclusive of the principal amount set
19 forth in the Arbitration Award, shall be earned by Global over a period of potentially decades
20 upon the fulfillment of further conditions precedent by the ultimate builders/developers of the
21 Real Property, who will assume the obligations of Debtor under the Infrastructure Agreement
22 upon a sale of the Real Property.¹⁵

23 In addition to the foregoing monetary obligations of Debtor under the Infrastructure
24 Agreement, Sections 3.5 and 3.6 of the Infrastructure Agreement further obligated Debtor to
25 deed, free and clear of all liens and encumbrances a minimum of 23 acres of land for the WRF

26 ¹⁴ The terms EDU is intended to refer to Equivalent Dwelling Unit, which, in general terms, is the unit of measure
27 by which the charge for services is calculated and imposed upon improved property served by sewer and water
28 utility providers.

¹⁵ Section 4.1 of the Infrastructure Agreement, in pertinent part, reads: “Coordinator understands that Landowner
intends to sell the Land to other parties who will be the ultimate builders/developers of the Land. Coordinator
understands that the balance of the Landowner Payment [as defined therein] shall not be due until Landowner sells
the Land to another party . . .” See Infrastructure Agreement § 4.1.

1 and the WTP. See id. §§ 3.5-3.6. In total, pursuant to the terms of the Infrastructure Agreement,
2 Debtor conveyed 26 acres of land to Global.

3 **C. Debtor's Leasehold Interests.**

4 **1. The O&E Farm Lease**

5 Debtor and O&E Farms, an Arizona general partnership ("O&E"), entered into the Fee
6 Simple Farm Lease dated January 1, 2012 (the "O&E Farm Lease") for the lease of real property
7 more specifically described on Exhibit A to the O&E Farm Lease, except specifically excluding
8 any and all lands included in the sublease agreement attached as Exhibit B to the O&E Farm
9 Lease (the "O&E Leased Premises") for the purpose of grazing livestock, growing crops, and
10 farming and ranching activities related thereto. Pursuant to the O&E Farm Lease, O&E shall
11 make gross lease payments, before payment of consulting and brokerage fees or expenses of the
12 Property, of \$449,680 in 2012 and \$205,744 per annum for each of 2013 through and including
13 2017.

14 **2. Option to Acquire Rights in Arizona Land Leases**

15 Diamond A Products, Inc., an Arizona corporation ("Optionor"), as the successor by
16 merger to Colorado River Farms, Inc., an Arizona corporation, through that certain Purchase and
17 Sale Agreement dated April 7, 2003, as amended by First Amendment dated May 5, 2003 and
18 Second Amendment to Agreement dated December 16, 2003 (collectively, the "CRF Purchase
19 Agreement"), granted Debtor's predecessor, Phoenix I-10, LLC, a Missouri limited liability
20 company ("Phoenix I-10"), the option to purchase (the "Option") all of Optionor's right, title and
21 interest in and to State of Arizona Agricultural Lease Nos. 01-490-00 and 01-490-01 (the
22 "Arizona Land Leases"), which provide a leasehold interest in approximately 900 acres of land
23 (the "Adjacent State Leasehold Property") owned by the State of Arizona and located adjacent to
24 part of the unleased portion of the Real Property.

25 Pursuant to that certain Purchase and Sale Agreement dated May 27, 2004 between
26 Phoenix I-10 and Debtor, as amended from time to time (as amended, the "SNR Purchase
27 Agreement"), as well as that certain Assignment of Option in State Lease dated January 7, 2005
28 between Phoenix I-10 and Debtor (the "Option Assignment"), and the Assignment of

1 Memorandum of Option to Acquire Rights in State Land Agricultural Lease between Phoenix I-
2 10 and Debtor, recorded January 2, 2004 at Document Number 04-0002346 in the Official
3 Records for Maricopa County, Arizona (the "Assignment of Memorandum of Option"), Debtor
4 acquired Phoenix I-10's right, title and interest in the Option. Prior to the Petition Date, Debtor
5 had initiated the process of exercising the Option to acquire its right, title and interest in the
6 Arizona Land Leases, and currently awaits confirmation of the transaction.

7 **3. Sierra Negra Farms Leases**

8 Having commenced the process to acquire the rights in the Arizona Land Leases, Debtor
9 entered into that certain Lease Agreement dated July 1, 2012 ("Sierra Negra Lease") with Sierra
10 Negra Farms, an Arizona general partnership("Sierra Negra Farms"), and that certain Sublease
11 Agreement dated January 1, 2013 (the "Sierra Negra Sublease," and collectively with the O&E
12 Farm Lease and the Sierra Negra Lease, the "Farm Leases") also with Sierra Negra Farms,
13 thereby, subject to the successful acquisition of the rights in the Arizona Land Leases, leasing
14 approximately 253 acres of its unleased Real Property, together with the Adjacent State
15 Leasehold Property, in connection with which: (i) during the initial five-year term, Sierra Negra
16 Farms will pay for the costs of the demised land, including all underlying rent due to the State of
17 Arizona in respect of the Adjacent State Leasehold Property; and (ii) during the following five-
18 year term, Debtor shall receive rent for the demised land giving rise to approximately \$132,000
19 per annum of net revenues to Debtor, after payment of all expenses (including payment of rent to
20 the State of Arizona and of all consulting fees and commissions relating to this transaction).

21 **D. The Arbitration Award and Events Leading to the Commencement of the Chapter**
22 **11 Case.**

23 Disputes between Global and Debtor with respect to the Infrastructure Agreement
24 required the parties to engage in arbitration proceedings (the "Arbitration Proceedings"), wherein
25 Debtor alleged several breaches of the Infrastructure Agreement by Global, and Global sought
26 payment by Debtor of certain sums required to be paid under the Infrastructure Agreement.

27 At the conclusion of the Arbitration Proceedings, Debtor was ordered to pay pursuant to
28 the Arbitration Award dated April 20, 2012 certain sums required to be paid under the

1 Infrastructure Agreement and attorneys' fees and costs incurred in connection with the
2 Arbitration Proceedings, with interest thereon at the rate of 15% per annum, which sum was
3 approximately \$4,619,784.48 as of the Petition Date.

4 Additionally, pursuant to the Arbitration Award, Global was found to have breached the
5 Infrastructure Agreement in violating the Most Favored Nations Clause. Thus, in addition to an
6 award of credit in the amount of \$460,000, in respect of the 26-acre parcel of land deeded from
7 Debtor to Global, Debtor also possesses a claim for damages against Global for the competitive
8 disadvantage SNR has suffered as a result of Global's unfair and inequitable business dealings.

9 Specifically, the Arbitration Award states that "[a]ny claims of SNR . . . for prospective
10 competitive disadvantage in the future arising from the breach, or for inequitable pricing are not
11 yet 'ripe' for consideration and such claims can be made, if and when, SNR . . . do[es] suffer
12 competitive disadvantage due to 339th Ave. having more favorable timing or proven damages on
13 the EDU pricing." Based on calculations which account for the disadvantage experienced by
14 Debtor, Debtor estimates that its damages that result from Global's violation of the Most
15 Favored Nation Clause *exceed \$7,000,000*.

16 On or about June 25, 2012, the Superior Court of Arizona in and for Maricopa County
17 (the "AZ Superior Court") entered its *Order Confirming Arbitration Award and Judgment*
18 *Against Respondent Sierra Negra Ranch, LLC* (the "Judgment"), thereby confirming the
19 Arbitration Award and entering judgment against Debtor in the amount set forth in the
20 Arbitration Award, as noted above. Subsequently, the Judgment was recorded on July 11, 2012
21 by the County Recorder of Maricopa County, as book entry 2012-0606668 and now exists as a
22 lien (the "Lien") on the Property. Further, on or about July 18, 2012, the AZ Superior Court
23 entered its *Writ of General Execution* (the "Writ of Execution"), thereby commanding the
24 Maricopa County Sheriff to seize and sell the Property to satisfy the Judgment. Accordingly, on
25 or about July 26, 2012, the Maricopa County Sheriff issued its *Notice of Sale of Real Estate on*
26 *Execution* (the "Sale Notice"), thereby noticing Debtor of the sale of the Property scheduled for
27 August 23, 2012 (the "Property Sale").

28

1 **E. ACC Filings Call into Question the Validity and Enforceability of the Infrastructure Agreement.**¹⁶

2 **1. The ACC's Generic Investigation into Global Activities.**

3 As set forth at length in *Debtor's Pre-Confirmation Brief* [ECF No. 231] (the "Debtor's
4 Pre-Confirmation Brief") filed on March 5, 2013, based on the unresolved issues presented in
5 the generic investigation into Global Activities by the Staff of the Utilities Division of the
6 Arizona Corporation Commission (the "ACC"),¹⁷ which opened an investigatory docket entitled
7 *In the Matter of the Commission's Generic Evaluation of the Regulatory Impacts from the Use of*
8 *Non-Traditional Financing Arrangements by Water Utilities and their Affiliates* as Docket W-
9 00000C-06-0149 (the "Generic Docket"), Debtor has reasonable cause for concern as to the
10 validity and enforceability of the Infrastructure Agreement and both the obligation and
11 authorization of Global to perform thereunder as well as its financial wherewithal and stability.

12 Participants in the Generic Docket have filed written comments and attended workshops
13 organized and conducted by ACC Utilities Division Staff. Yet, to date there has been no action
14 by the ACC in the Generic Docket to address the critical questions regarding the general validity
15 and enforceability of Infrastructure, Coordination, Finance, and Option Agreements (generally,
16 the "ICFAs"). See generally ACC Docket W-00000C-06-0149.

17 **2. AWC Alleges that GWR's ICFAs Violate Arizona Law.**

18 As also set forth in the Debtor's Pre-Confirmation Brief, on March 29, 2006, Arizona
19 Water Company ("AWC")¹⁸ filed a formal complaint (the "AWC Complaint"),¹⁹ against Global
20

21 ¹⁶ The information provided herein regarding the ACC filings, which call in question the validity and enforceability
22 of the Infrastructure Agreement has been summarized. More detailed information may be located in Debtor's Pre-
Confirmation Brief (as defined herein).

23 ¹⁷ The Arizona Corporation Commission is a constitutionally created agency with authority to promulgate orders,
24 rules, and regulations regarding the methodology of establishing the rates charged by public service corporations
pursuant to Article XV of the Arizona Constitution and A.R.S. Title 40.

25 ¹⁸ AWC is an Arizona public service corporation engaged in providing water service to customers in eight counties
26 in Arizona. According to AWC's Annual Report for the year ending December 31, 2011, AWC provides water
utility service to over 84,700 customers in Arizona through 22 water systems. Based on information and belief,
27 AWC has a good reputation as a water provider in Arizona and the company has been providing potable water
service to customers in Arizona for more than 50 years.

28 ¹⁹ ACC Docket Nos. W-01445A-06-0200; SW-20445A-06-0200; W-20446A-06-0200; SW-03576A-06-0200; and
SW-03575A-06-0200 (consolidated).

1 Water Resources, LLC (“GWR LLC”), GWR Inc., Global Water Management, LLC (“GWM”),
2 and various water and wastewater affiliates of Global, alleging violations of Arizona law arising
3 out of conduct and obligations required under ICFAs.

4 Though certain of the parties’ disputes were resolved through the course of the
5 proceedings, the merits of any of the serious allegations raised in the AWC Complaint were not
6 addressed. Thus, to date, the ACC has issued no decision which evaluates or adjudicates the
7 validity or the enforceability of the ICFAs.

8 **3. New World Properties, Inc. Petitions the ACC for Declaratory Relief.**

9 As further set forth in Debtor’s Pre-Confirmation Brief, on March 1, 2013, New World
10 Properties, Inc. (“NWP”), on behalf of Trust No. 8559, filed with the ACC the *Petition for*
11 *Declaratory Relief* (the “NWP Petition”), thereby requesting that the ACC issue a declaratory
12 order addressing the legality of the certain conduct and actions required under the Infrastructure
13 Coordination, Finance and Option Agreement dated July 11, 2006 (the “Trust 8559 ICFA”)
14 between First American Title Insurance Company, a California corporation as trustee under
15 Trust No. 8559 (“Trust 8559”) and GWR Inc., as successor in interest to GWR LLC and GWR
16 Inc.’s wholly-owned affiliates Water Utility of Greater Tonopah, Inc. (“WUGT”) and
17 Hassayampa Utility Company, Inc. (“HUC”).

18 **4. City of Maricopa Files Request for Leave to Intervene.**

19 Since the filing of the NWP Petition, on March 29, 2013, the City of Maricopa, Arizona
20 filed its *Application for Leave to Intervene* (“Maricopa Intervention”) in the proceeding
21 commenced by NWP by way of the NWP Petition. As set forth in the Maricopa Intervention, a
22 copy of which is attached hereto as **Exhibit “3,”** the City of Maricopa seeks to intervene on the
23 basis that “the interests of the City of Maricopa and its residents could be directly and
24 substantially impacted by [an ACC] declaratory order addressing and answering the questions set
25 forth in the [NWP] Petition.” See Ex. 3, at p. 5. The City of Maricopa points to the fact that
26 “[q]uestions of a similar nature were raised several years ago for the [ACC]’s consideration in a
27 Complaint filed by [AWC] . . . [but] the [ACC] did not substantively address any of AWC’s
28 allegations at that time, nor resolve any of the issues raised thereby.” See id. Thus, the City of

1 Maricopa “believes [an intervention necessary as] there is no other person or entity who can
2 adequately or more appropriately represent the interests of the City of Maricopa and its residents
3 than the City of Maricopa itself.” See id., at p. 6.

4 **5. Debtor’s Files Request for Leave to Intervene.**

5 As a result of the uncertainty related to the validity and enforceability of ICFAs
6 generally, upon learning of the Maricopa Intervention following the NWP Petition, Debtor also
7 filed its *Application for Leave to Intervene* (“SNR Intervention”), a copy of which is attached
8 hereto as **Exhibit “4,”** in the NWP proceeding. Similar to the basis set forth in the Maricopa
9 Intervention, Debtor has intervened on the basis that its interests could be dramatically affected
10 by an ACC declaratory order that determines ICFAs to be invalid and unenforceable.

11 Foremost, as set forth in the Infrastructure Agreement, to the extent that a decision by the
12 ACC “materially alters the substances of the transaction” between SNR and Global, and thereby
13 precludes Global from fulfilling its obligations or materially increases the costs to SNR under
14 this Agreement, the Infrastructure Agreement may be voided. See Infrastructure Agreement, at
15 pp. 15-16. As a result, pursuant to the terms and conditions therein, not only would Global be
16 required to refund payments made under the Infrastructure Agreement, Debtor would no longer
17 be liable to Global for the amounts set forth in the Arbitration Award. Moreover, Debtor would
18 be required to identify and contract with an alternate service provider as Global would not be
19 allowed to proceed under the Infrastructure Agreement.

20 Additionally, to the extent that the Infrastructure Agreement is voided or amended as a
21 result of an ACC determination, Global will be required at the request of SNR to “record any and
22 all release documents related to this Agreement and any lien related to this Agreement with the
23 Country Recorder . . . and [Global] shall waive any and all other claims against the Land or
24 [SNR] . . .” See id. at p. 16. As such, Global would be required to release the Lien against the
25 Real Property.

26 Thus, as Debtor believes itself to be in the best position to represent its interests, Debtor
27 filed the SNR Intervention to protect the same.

28 . . .

1 **F. Significant Events During the Chapter 11 Case.**

2 On August 21, 2012, Debtor filed its Chapter 11 Case. On September 4, 2012, Debtor
3 filed its *Schedules and Statement of Financial Affairs* [ECF No. 12].²⁰

4 On September 13, 2012, Debtor filed its *Application for Order Authorizing Employment*
5 *of Gordon Silver as Attorneys for Debtor* [ECF No. 19] (“GS Employment Application”),²¹
6 which application was granted by entry of the order on October 23, 2012 [ECF No. 69].

7 Also on September 13, 2012, Debtor filed its *Application for Order Authorizing Debtor*
8 *to Pay Management Fee* [ECF No. 22] (the “Management Fees Motion”). On October 3, 2012,
9 Global Water Resources, Inc. (“Global”) filed its *Objection to Debtor’s Motion for Order*
10 *Authorizing Debtor to Pay Management Fee* [ECF No. 35] (the “Management Fees Objection”).
11 Subsequently, Debtor filed its *Reply to Objection to Debtor’s Motion for Order Authorizing*
12 *Debtor to Pay Management Fee* [ECF No. 50] (the “Management Fees Reply”).
13 Notwithstanding the Management Fees Objection, this Court granted the Management Fees
14 Motion by entry of the *Order Re: Motion for Order Authorizing Debtor to Pay Management Fee*
15 [ECF No. 67] (the “Management Fees Order”).

16 Since the Petition Date, Debtor has identified a number of other professionals whose
17 employment is necessary for the administration of this Chapter 11 Case. Accordingly, Debtor
18 has filed the following applications for the employment of professionals:

- 19 a. *Application to Employ Fair Anderson & Langerman as Accountants for Debtor*
20 *Pursuant to 11 U.S.C. §§ 327(a) and 328(a)* [ECF No. 38] (the “FAL
21 Employment Application”), which was approved in open court on November 7,
22 2012;
- 23 b. *Application to Employ Withey Morris PLC as Special Real Estate, Zoning, and*
24 *Land Use Counsel for Debtor Pursuant to 11 U.S.C. §§ 327 (e) and 328(a)* [ECF

25 ²⁰ On September 11, 2012, Debtor filed its *Amended List of Equity Holders* [ECF No. 18]. Additionally, on
26 September 20, 2012, Debtor filed its *Amended Schedule F* [ECF No. 27]. In addition, on October 4, 2012, Debtor
filed its further *Amended Schedule F* [ECF No. 36].

27 ²¹ On September 24, 2012, Debtor filed its *Errata to Application for Order Approving Employment of Gordon Silver*
28 *as Attorneys for Debtor* [ECF No. 30] (the “GS Employment Errata”) and the *Supplemental Declaration of Gerald*
M. Gordon in support of the GS Employment Application [ECF No. 31].

1 No. 40] (the “Withey Morris Employment Application”), which was approved in
2 open court on November 7, 2012;

3 c. *Application for Order Approving the Retention of Kenneth B. Funsten of FamCo*
4 *Advisory Services as Debtor’s Interest Rate and Feasibility Expert* [ECF No. 79
5 (“Funsten Employment Application”), which was approved in open court on
6 November 7, 2012;²²

7 d. *Application to Employ Sklar Williams PLLC as Special Securities Counsel* [ECF
8 No. 53] (the “Sklar Williams Employment Application”); and

9 e. *Motion for Order Authorizing Debtor to Employ and Compensate Certain*
10 *Professionals in the Ordinary Course of Business* [ECF No. 55] (the “Ordinary
11 Course Professionals Motion”). The Ordinary Course Professionals Motion and
12 the Sklar Williams Employment Application are scheduled for hearing on
13 November 19, 2012.

14 On October 9, 2012, Global filed its *Motion to Dismiss Bankruptcy Case* [ECF No. 45]
15 (the “Motion to Dismiss”).

16 Additionally, on November 15, 2012, Debtor filed its *Motion to Assume Option to*
17 *Purchase Leasehold Interests in Arizona Land Leases and Authority to Use Property of the*
18 *Estate Outside the Ordinary Course of Business* [ECF No. 89] (“Option Assumption Motion”),
19 thereby seeking authority to assume the Option and, in turn, permit Debtor to purchase the
20 leasehold interests in the Arizona Land Leases, which motion was granted by entry of this
21 Court’s order on December 26, 2012 [ECF No. 137].

22 On December 21, 2012, Global filed the *Motion to Set a Date by Which the Debtor Must*
23 *Either Reject, or Assume and Cure its Executory Contract with Global Water Resources, Inc.*
24 [ECF No. 134] (the “Motion to Compel Assumption”).

25 On November 19, Debtor filed its *Debtor’s Plan of Reorganization* [ECF No. __] and
26 *Disclosure Statement to Accompany Debtor’s Plan of Reorganization* [ECF No. 100] (the “Initial

27 _____
28 ²² Debtor anticipates the imminent entry of the orders approving the FAL Employment Application, the Withey
Morris Employment Application, and the Funsten Employment Application.

1 Disclosure Statement”), and in connection therewith, Debtor filed its *Motion for Order*
2 *Approving the (I) Adequacy of Disclosure Statement to Accompany Debtor’s Plan of*
3 *Reorganization, (II) Form, Scope, and Nature of Solicitation, Balloting, Tabulation, and Notices*
4 *with Respect to the Plan of Reorganization and (III) Related Confirmation Procedures,*
5 *Deadlines and Notices* [ECF No. 105] (the “Disclosure Statement Motion”) on November 20,
6 2012. The initial hearing on the Disclosure Statement Motion occurred on February 8, 2013, at
7 which time, this Court also heard the Motion to Compel Assumption and the Motion to Dismiss
8 for the first time.

9 Based on the determination of the Court at the time of the hearing on February 8, 2013,
10 the hearings of the Disclosure Statement Motion, the Motion to Compel Assumption and the
11 Motion to Dismiss have all been continued to April 9, 2013.

12 Finally, since the filing of its Petition, Debtor: (1) is current on all of its post-petition
13 operating expenses and taxation obligations; (2) has fulfilled its reporting duties by filings its
14 Monthly Operating Reports for the period of August 2012 through February 2013; and (3) is in
15 compliance with all of its reporting requirements under the Bankruptcy Code and Bankruptcy
16 Rules. See ECF Nos. 28, 66, 104, 125-28, 181, 219 & 240.

17 **VI.**
18 **ADDITIONAL PLAN PROVISIONS**

19 In addition to the terms of the Plan described in Section IV above, the Plan contains the
20 following provisions. The description contained herein is qualified in its entirety by reference to
21 the remainder of this Disclosure Statement and the Plan itself.

22 **A. Means for Implementation of the Plan.**

23 **1. Revesting of assets.**

24 On and after the Effective Date, all of Debtor’s assets shall vest in Reorganized Debtor
25 and Reorganized Debtor shall continue to exist as a separate entity in accordance with applicable
26 law. Debtor’s existing articles of organization, by-laws, and operating agreements (as amended,
27 supplemented, or modified) will continue in effect for Reorganized Debtor following the
28 Effective Date, except to the extent that such documents are amended in conformance with the

1 Plan or by proper corporate action after the Effective Date. As permitted by Section
2 1123(a)(5)(B), on the Effective Date, all of Debtor's Assets, including the Litigation Claims and
3 right, title, and interest being assumed by Reorganized Debtor in the assumed Executory
4 Contracts shall vest in Reorganized Debtor. Thereafter, Reorganized Debtor may operate its
5 business and may use, acquire, and dispose of such property free and clear of any restrictions of
6 the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. Except as specifically
7 provided in the Plan or the Confirmation Order, as of the Effective Date, all property of
8 Reorganized Debtor shall be free and clear of all Claims and Interests.

9 **2. Obligations Due Under the Plan.**

10 In order to satisfy the monetary obligations due under this Plan together with operational
11 and working capital needs of the Reorganized Debtor, Reorganized Debtor shall use Sale
12 Proceeds, proceeds from leases of the Real Property and the proceeds of the Offering. The
13 Reorganized Debtor shall conclude the Offering not later than December 31, 2013 for the
14 purpose of funding the Distributions contemplated to the Creditors herein and operational and
15 working capital needs of the Reorganized Debtor.

16 **3. Articles of organization, by-laws, operating agreement.**

17 The articles of organization, by-laws, and/or operating agreement, as applicable, of
18 Debtor shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy
19 Code and shall include, among other things, pursuant to Section 1123(a)(6), a provision
20 prohibiting the issuance of non-voting equity securities, but only to the extent required by
21 Section 1123(a)(6).

22 **4. Effectuation of transactions.**

23 On and after the Effective Date, the appropriate managers or members of Debtor are
24 authorized to issue, execute, deliver, and consummate the transactions contemplated by or
25 described in the Plan in the name of and on behalf of Debtor or Reorganized Debtor, as the case
26 may be, without further notice to or order of the Bankruptcy Court, act or action under applicable
27 law, regulation, order, rule, or any requirements of further action, vote, or other approval or
28 authorization by any Person.

1 **5. Notice of effectiveness.**

2 When all of the steps for effectiveness have been completed, Reorganized Debtor shall
3 file with the Bankruptcy Court and serve upon all Creditors and all potential Holders of
4 Administrative Claims known to Reorganized Debtor (whether or not disputed), a notice of the
5 Effective Date of the Plan. The notice of the Effective Date of the Plan shall include notice of
6 the Administrative Claim Bar Date.

7 **6. No governance action required.**

8 As of the Effective Date: (i) the adoption, execution, delivery, and implementation or
9 assignment of all contracts, leases, instruments, releases, and other agreements related to or
10 contemplated by the Plan; and (ii) the other matters provided for under or in furtherance of the
11 Plan involving corporate action to be taken by or required of Debtor shall be deemed to have
12 occurred and be effective as provided herein, and shall be authorized and approved in all respects
13 without further order of the Bankruptcy Court or any requirement of further action by the
14 members or managers of Debtor.

15 **7. Filing with the Nevada Secretary of State.**

16 To the extent applicable, in accordance with NRS 78.622, on or as soon as practical after
17 the Effective Date, a certified copy of the Plan and the Confirmation Order shall be filed with the
18 Nevada Secretary. Again, to the extent applicable, Debtor, from the Confirmation Date until the
19 Effective Date, is authorized and directed to take any action or carry out any proceeding
20 necessary to effectuate the Plan pursuant to NRS 78.622.

21 **8. Proposed post-Effective Date management of Reorganized Debtor.**

22 From and after the Effective Date, Reorganized Debtor will continue to be managed by
23 Debtor's pre-petition manager, SNR Management, which management may subsequently be
24 modified to the extent provided by Reorganized Debtor's articles of organization, by-laws, and
25 operating agreement (as amended, supplemented, or modified). On and after the Effective Date,
26 the appropriate managers or members of Reorganized Debtor are authorized to issue, execute,
27 deliver, and consummate the transactions contemplated by or described in the Plan in the name
28 of and on behalf of Reorganized Debtor without further notice to or order of the Bankruptcy

1 Court, act or action under applicable law, regulation, order, rule, or any requirements of further
2 action, vote, or other approval or authorization by any Person.

3 The continuation of management post-confirmation is consistent with the interests of
4 Creditors, Holders of Equity Securities, and public policy pursuant to Section 1129(a)(5) because
5 the principals of SNR Management are intimately knowledgeable about Debtor's Real Property,
6 and the Arizona real estate market and thus, are uniquely qualified to effectuate Debtor's Plan
7 and thereby maximize the value for all Creditors of the Estate.

8 **B. Executory Contracts And Unexpired Leases.**

9 **1. Executory contracts.**

10 Except for Executory Contracts and Unexpired Leases specifically addressed in the Plan
11 or set forth on the schedule of rejected Executed Contracts and Unexpired Leases attached as
12 Schedule 6.1 to the Plan (which may be supplemented and amended up to the date that the
13 Bankruptcy Court enters the Confirmation Order), all Executory Contracts and Unexpired Leases
14 that exist on the Confirmation Date shall be deemed assumed by Debtor on the Effective Date.
15 Debtor, up to the Effective Date, may modify the schedule of rejected executory contracts, with
16 notice to the non-debtor party to the contract affected by such modification. All executory
17 contracts and unexpired leases not identified on Schedule 6.1 shall be deemed assumed on the
18 Effective Date. On the Effective Date, all pre-Effective Date defaults under the Infrastructure
19 Agreement shall be deemed to have been cured and on the Effective Date.

20 **2. Approval of assumption or rejection.**

21 Entry of the Confirmation Order shall constitute as of the Effective Date: (i) approval,
22 pursuant to Section 365(a), of the assumption by Reorganized Debtor of each Executory Contract
23 and Unexpired Lease to which Debtor is a party that is not listed on Schedule 6.1, not otherwise
24 provided for in the Plan, and neither assigned, assumed and assigned, nor rejected by separate
25 order of the Bankruptcy Court prior to the Effective Date; and (ii) rejection by Debtor of each
26 Executory Contract and Unexpired Lease to which Debtor is a party that is listed on Schedule
27 6.1. Upon the Effective Date, each counter party to an assumed Executory Contract or
28 Unexpired Lease listed shall be deemed to have consented to an assumption contemplated by

1 Section 365(c)(1)(B), to the extent such consent is necessary for such assumption. To the extent
2 applicable, all Executory Contracts or Unexpired Leases of Reorganized Debtor assumed
3 pursuant to Article 6 shall be deemed modified such that the transactions contemplated by the
4 Plan shall not be a “change of control,” regardless of how such term may be defined in the
5 relevant Executory Contract or Unexpired Lease and any required consent under any such
6 Executory Contract or Unexpired Lease shall be deemed satisfied by confirmation of the Plan.

7 **3. Cure of defaults.**

8 Reorganized Debtor shall Cure any defaults respecting each Executory Contract or
9 Unexpired Lease assumed pursuant to Section 6.1 of the Plan upon the latest of: (i) the Effective
10 Date or as soon thereafter as practicable; (ii) such dates as may be fixed by the Bankruptcy Court
11 or agreed upon by Debtor, and after the Effective Date, Reorganized Debtor; or (iii) the
12 fourteenth Business Day after the entry of a Final Order resolving any dispute regarding: (a) a
13 Cure amount; (b) the ability of Reorganized Debtor to provide “adequate assurance of future
14 performance” under the Executory Contract or Unexpired Lease assumed pursuant to the Plan in
15 accordance with Section 365(b)(1); or (c) any matter pertaining to assumption, assignment, or
16 the Cure of a particular Executory Contract or an Unexpired Lease.

17 **4. Objection to cure amounts.**

18 Any party to an Executory Contract or Unexpired Lease who objects to the Cure amount
19 determined by Debtor to be due and owing must file and serve an objection on Debtor’s counsel
20 no later than 30 days after the Effective Date. Failure to file and serve a timely objection shall be
21 deemed consent to the Cure amounts paid by Debtor in accordance with Section 6.3 of the Plan.
22 If there is a dispute regarding: (i) the amount of any Cure payment; (ii) the ability of
23 Reorganized Debtor to provide “adequate assurance of future performance” under the Executory
24 Contract or Unexpired Lease to be assumed or assigned; or (iii) any other matter pertaining to
25 assumption, the Cure payments required by Section 365(b)(1) will be made following the entry
26 of a Final Order resolving the dispute and approving the assumption.

27 . . .

28 . . .

1 **5. Confirmation order.**

2 The Confirmation Order will constitute an order of the Bankruptcy Court approving the
3 assumptions described in this Article 6 pursuant to Section 365 as of the Effective Date.
4 Notwithstanding the forgoing, if, as of the date the Bankruptcy Court enters the Confirmation
5 Order, there is pending before the Bankruptcy Court a dispute concerning the cure amount or
6 adequate assurance for any particular Executory Contract or Unexpired Lease, the assumption of
7 such Executory Contract or Unexpired Lease shall be effective as of the date the Bankruptcy
8 Court enters an order resolving any such dispute and authorizing assumption by Debtor.

9 **6. Infrastructure Agreement.**

10 As provided for in Section 365(d)(2) of the Bankruptcy Code, Debtor neither intends to
11 assume nor reject the Infrastructure Agreement, but such Infrastructure Agreement shall be
12 deemed to “ride through” the Chapter 11 Case unaffected, with the Secured Global Claim being
13 treated pursuant to Section 4.1 of this Plan.

14 **7. Post-Petition date contacts and leases.**

15 Executory Contracts and Unexpired Leases entered into and other obligations incurred
16 after the Petition Date by Debtor shall be assumed by Debtor on the Effective Date. Each such
17 Executory Contract and Unexpired Lease shall be performed by Debtor or Reorganized Debtor,
18 as applicable, in the ordinary course of its business.

19 **8. Bar date.**

20 All proofs of Claims with respect to Claims arising from the rejection of any executory
21 contract or unexpired lease shall be filed no later than 30 days after the Effective Date. Any
22 Claim not filed within such time shall be forever barred.

23 **C. Manner Of Distribution Of Property Under The Plan.**

24 Reorganized Debtor shall be responsible for making the Distributions described in the
25 Plan. Except as otherwise provided in the Plan or the Confirmation Order, the Cash necessary
26 for Reorganized Debtor to make payments pursuant to the Plan may be obtained from existing
27 Cash balances and Debtor’s operations.

28

1 Reorganized Debtor shall maintain a record of the names and addresses of all Holders of
2 Allowed General Unsecured Claims as of the Effective Date and all Holders as of the Record
3 Date of Equity Securities of Debtor for purposes of mailing Distributions to them. Reorganized
4 Debtor may rely on the name and address set forth in Debtor's Schedules and/or proofs of Claim
5 and the ledger and records regarding Holders of Equity Securities as of the Record Date as being
6 true and correct unless and until notified in writing.

7 **D. Conditions To Confirmation Of The Plan.**

8 **1. Conditions to confirmation.**

9 The Confirmation Order shall have been entered and be in form and substance reasonably
10 acceptable to Debtor.

11 **2. Conditions to effectiveness.**

12 The following are conditions precedent to occurrence of the Effective Date:

13 (1) The Confirmation Order shall be a Final Order, except that Debtor reserves the
14 right to cause the Effective Date to occur notwithstanding the pendency of an appeal of the
15 Confirmation Order, under circumstances that would moot such appeal;

16 (2) No request for revocation of the Confirmation Order under Section 1144 of the
17 Bankruptcy Code shall have been made, or, if made, shall remain pending, including any appeal;
18 and

19 (3) All documents necessary to implement the transactions contemplated by the Plan
20 shall be in form and substance reasonably acceptable to Debtor.

21 **3. Waiver of conditions.**

22 Debtor, in its sole discretion, may waive any and all of the other conditions set forth in
23 the Plan and specifically Sections 8.1 and 8.2 of the Plan without leave of or order of the
24 Bankruptcy Court and without any formal action.

25 ...

26 ...

27 ...

28 ...

VII.
LIMITATIONS AND RISK FACTORS

In addition to risks discussed elsewhere in this Disclosure Statement, the Plan and the transactions contemplated by the Plan involve the following limitations and risks, which should be taken into consideration.

A. Debtor Has No Duty to Update.

The statements in this Disclosure Statement are made by Debtor as of the date hereof, unless otherwise specified herein. The delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. Debtor has no duty to update this Disclosure Statement unless ordered to do so by the Bankruptcy Court.

B. Projections and Other Forward-Looking Statements Are Not Assured and Actual Results Will Vary.

Certain information in this Disclosure Statement is forward-looking, and contains estimates and assumptions which might ultimately prove to be incorrect, and projections which may differ materially from actual future results. Debtor believes that the projections of future performance upon which the treatments under the Plan are based are reasonable and fairly represent the future performance of Debtor's business operations. However, there are uncertainties associated with all assumptions, projections, and estimates, and they should not be considered assurances or guarantees of the amount of funds that will be distributed, the amount of Claims in the various Classes that will be allowed, or the success or results of Reorganized Debtor's business operations.

C. No Admissions Made.

Nothing contained herein shall constitute an admission of any fact or liability by Debtor or any other party nor shall it be deemed evidence of the tax or other legal effects of the Plan on Debtor or on Holders of Claims.

D. No Waiver of Right to Object or Right to Recover Transfers and Estate Assets.

Unless specifically provided in the Plan, a Creditor's vote for or against the Plan does not constitute a waiver or release of any claims or rights of Debtor (or any other party in interest) to

1 object to that Creditor's Claim, or recover any preferential, fraudulent, or other voidable transfer
2 or Estate assets, regardless of whether any claims of Debtor or its Estate are specifically or
3 generally identified herein.

4 **E. Bankruptcy Law Risks and Considerations.**

5 **1. Confirmation of the Plan is Not Assured.**

6 Although Debtor believes the Plan will satisfy all requirements for Confirmation, the
7 Bankruptcy Court might not reach that conclusion. Confirmation requires, among other things, a
8 finding by the Bankruptcy Court that it is not likely there will be a need for further financial
9 reorganization and that the value of distributions to dissenting members of impaired classes of
10 creditors would not be less than the value of distributions such creditors would receive if Debtor
11 were liquidated under chapter 7 of the Bankruptcy Code.

12 Debtor believes that the future performance of the Real Property provides for the
13 payment in full of the obligations provided for under the Plan. Although Debtor believes that the
14 Plan will not be followed by a need for further financial reorganization and that dissenting
15 members of Impaired Classes of Creditors will receive distributions at least as great as they
16 would receive in a liquidation under Chapter 7, there can be no assurance that the Bankruptcy
17 Court will conclude that these tests have been met.

18 **2. The Projected Value of Estate Assets In the Event of Liquidation Might Not**
19 **be Realized.**

20 In the Best Interests Analysis discussed herein, Debtor has projected the value of the
21 Estate's assets that would be available for payment of expenses and Distributions to Holders of
22 Allowed Claims, as set forth in the Plan in the event of liquidation of the Assets. Debtor has
23 made certain assumptions in its Best Interests Analysis in arriving at a liquidation distribution,
24 which should be read carefully.

25 **3. Changes to Applicable Tax Laws Could Have a Material Adverse Effect on**
26 **Debtor's Financial Condition.**

27 From time to time, federal, state and local legislators and other government officials have
28 proposed and adopted changes in tax laws. With specific regard to federal tax laws, while
Debtor is a tax-reporting entity for federal tax purposes, it is not possible to determine the

1 likelihood of changes in tax laws or in the administration of those laws. If adopted, changes to
2 applicable tax laws could have a material adverse effect Debtor's business, financial condition,
3 and results of operations.

4 **F. Risks Related to Debtor's Business Operations.**

5 The following discussions of risks that relate to Debtor's business should be read as also
6 being applicable to the business of Reorganized Debtor on and after the Effective Date.

7 **1. Effect of the Chapter 11 Case.**

8 If the Chapter 11 Case continues for a prolonged period of time, the proceedings could
9 adversely affect Debtor's business and operations. The longer the Chapter 11 Case continues,
10 the more likely it is that Debtor's tenants and agents could lose confidence in Debtor's ability to
11 successfully reorganize its business and will seek to establish alternative commercial
12 relationships. Consequently, Debtor might lose valuable tenants and/or contracts in the course of
13 the Chapter 11 Case.

14 So long as the Chapter 11 Case continues, Debtor's management will be required to
15 spend a significant amount of time and effort dealing with Debtor's reorganization instead of
16 focusing exclusively on business operations. Furthermore, so long as the Chapter 11 Case
17 continues, Debtor will be required to incur substantial costs for professional fees and other
18 expenses associated with the proceedings.

19 **2. The volatility and disruption of the capital and credit markets and adverse**
20 **changes in the global economy have negatively affected Debtor.**

21 Beginning in 2007 to 2008, the United States economy, as well as virtually the entire
22 world economy, went into a severe recession. Arizona was no exception, with inordinately high
23 foreclosure and unemployment rates. The result has been reduced real estate values and a
24 surplus of undeveloped land, resulting in reduced land values throughout Arizona. While there
25 have been governmental responses to these economic hardships and Arizona is beginning to
26 recover from the recession, the extent and pace of its recovery is uncertain.

27 ...

28 ...

1 any such unknown Litigation Claim in the Disclosure Statement is not intended to limit the rights
2 of Debtor or Reorganized Debtor to pursue any unknown Litigation Claim to the extent the facts
3 underlying such unknown Litigation Claim become more fully known in the future.
4 Furthermore, any potential net proceeds from Litigation Claims identified in the Disclosure
5 Statement or any notice filed with the Bankruptcy Court, or which may subsequently arise or
6 otherwise be pursued, are speculative and uncertain.

7 Unless Litigation Claims against any individual or entity are expressly waived,
8 relinquished, released, compromised, or settled by the Plan or any Final Order, Debtor expressly
9 reserves for its benefit, and the benefit of Reorganized Debtor, all Litigation Claims, including,
10 without limitation, all unknown Litigation Claims for later adjudication and therefore no
11 preclusion doctrine (including, without limitation, the doctrines of res judicata, collateral
12 estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or
13 laches) shall apply to such Litigation Claims after the confirmation or consummation of the Plan.
14 In addition, Debtor expressly reserves for its benefit, and the benefit of Reorganized Debtor, the
15 right to pursue or adopt any claims alleged in any lawsuit in which Debtor is a defendant or an
16 interested party, against any individual or entity, including plaintiffs and co-defendants in such
17 lawsuits.

18 **C. Discharge.**

19 **On the Effective Date, unless otherwise expressly provided in the Plan or the**
20 **Confirmation Order, Debtor shall be discharged from any and all Claims to the fullest**
21 **extent provided in the Bankruptcy Code, including Sections 524 and 1141. All**
22 **consideration distributed under the Plan or the Confirmation Order shall be in exchange**
23 **for, and in complete satisfaction, settlement, discharge, and release of all Claims of any**
24 **kind or nature whatsoever against Debtor or any of its Assets or properties, and regardless**
25 **of whether any property shall have been distributed or retained pursuant to the Plan on**
26 **account of such Claims. Except as otherwise expressly provided by the Plan or the**
27 **Confirmation Order, upon the Effective Date, Debtor shall be deemed discharged and**
28 **released under and to the fullest extent provided under Section 1141(d)(1)(A) from any and**

1 all Claims of any kind or nature whatsoever, including, but not limited to, demands and
2 liabilities that arose before the Confirmation Date, and all debts of the kind specified in
3 section 502(g), 502(h), or 502(i).

4 **D. Injunction.**

5 From and after the Effective Date, and except as provided in the Plan and the
6 Confirmation Order, all entities that have held, currently hold, or may hold a Claim or an
7 Equity Security or other right of an Equity Security Holder that is terminated pursuant to
8 the terms of the Plan are permanently enjoined from taking any of the following actions on
9 account of any such Claims or terminated Equity Securities or rights: (i) commencing or
10 continuing in any manner any action or other proceeding against Reorganized Debtor or
11 its property; (ii) enforcing, attaching, collecting, or recovering in any manner any
12 judgment, award, decree, or order against Reorganized Debtor or its property; (iii)
13 creating, perfecting, or enforcing any Lien or encumbrance against Reorganized Debtor or
14 its property; (iv) asserting a setoff, right of subrogation, or recoupment of any kind against
15 any debt, liability, or obligation due to Reorganized Debtor or its property; and (v)
16 commencing or continuing any action, in any manner or any place, that does not comply
17 with or is inconsistent with the provisions of the Plan or the Bankruptcy Code.

18 **E. Exculpation.**

19 From and after the Effective Date, neither Debtor, Reorganized Debtor, the
20 professionals employed on behalf of the Estate, nor any of their respective present or
21 former members, directors, officers, managers, employees, advisors, attorneys, or agents,
22 shall have or incur any liability, including derivative claims, but excluding direct claims, to
23 any Holder of a Claim or Equity Security or any other party-in-interest, or any of their
24 respective agents, employees, representatives, financial advisors, attorneys, or Affiliates, or
25 any of their successors or assigns, for any act or omission in connection with, relating to, or
26 arising out of (from the Petition Date forward), the Chapter 11 Case, Reorganized Debtor,
27 the pursuit of confirmation of the Plan, or the consummation of the Plan, except for gross
28 negligence and willful misconduct, and in all respects shall be entitled to reasonably rely

1 upon the advice of counsel with respect to their duties and responsibilities under the Plan
2 or in the context of the Chapter 11 Case.

3 **F. Post-Confirmation Reporting And Quarterly Fees To The UST.**

4 Prior to the Effective Date, Debtor, and after the Effective Date, Reorganized Debtor,
5 shall pay all quarterly fees payable to the UST consistent with the sliding scale set forth in 28
6 U.S.C. § 1930(a)(6) and the applicable provisions of the Bankruptcy Code and Bankruptcy
7 Rules. These fees accrue throughout the pendency of the Chapter 11 Case, until entry of a final
8 decree. UST fees paid prior to confirmation of the Plan will be reported in operating reports
9 required by Sections 704(8), 1106(a)(1), and 1107(a), as well as the UST Guidelines. All UST
10 quarterly fees accrued prior to confirmation of the Plan will be paid on or before the Effective
11 Date pursuant to Section 1129(a)(12). All UST fees accrued post-confirmation will be timely
12 paid on a calendar quarterly basis and reported on post-confirmation operating reports. Final
13 fees will be paid on or before the entry of a final decree in the Chapter 11 Case.

14 **IX.**
15 **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

16 THE FOLLOWING SUMMARY DOES NOT CONSTITUTE EITHER A TAX
17 OPINION OR TAX ADVICE TO ANY PERSON. NO REPRESENTATIONS REGARDING
18 THE EFFECT OF IMPLEMENTATION OF THE PLAN ON INDIVIDUAL CREDITORS
19 ARE MADE HEREIN OR OTHERWISE. RATHER, THE TAX DISCLOSURE IS
20 PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL CREDITORS ARE URGED
21 TO CONSULT THEIR RESPECTIVE TAX ADVISORS REGARDING THE TAX
22 CONSEQUENCES OF THE PLAN.

23 Creditors, Equity Security Holders, and any Person affiliated with the foregoing are
24 strongly urged to consult their respective tax advisors regarding the federal, state, local, and
25 foreign tax consequences which may result from the confirmation and consummation of the Plan.
26 This Disclosure Statement shall not in any way be construed as making any representations
27 regarding the particular tax consequences of the confirmation and consummation of the Plan to
28 any Person. This Disclosure Statement is general in nature and is merely a summary discussion

1 of potential tax consequences and is based upon the Internal Revenue Code of 1986, as amended
2 (the “IRC”), and pertinent regulations, rulings, court decisions, and treasury decisions, all of
3 which are potentially subject to material and/or retroactive changes. Under the IRC, there may
4 be federal income tax consequences to Debtor, its Creditors, its Equity Security Holders, and/or
5 any Person affiliated therewith as a result of confirmation and consummation of the Plan.

6 Upon the confirmation and consummation of the Plan, the federal income tax
7 consequences to Creditors and their affiliates arising from the Plan will vary depending upon,
8 among other things, the type of consideration received by the Creditor in exchange for its Claim,
9 whether the Creditor reports income using the cash or accrual method of accounting, whether the
10 Creditor has taken a “bad debt” deduction with respect to its Claim, whether the Creditor
11 received consideration in more than one tax year, and whether the Creditor is a resident of the
12 United States. If a Creditor’s Claim is characterized as a loss resulting from a debt, then the
13 extent of the deduction will depend on whether the debt is deemed wholly worthless or partially
14 worthless, and whether the debt is construed to be a business or nonbusiness debt as determined
15 under the 26 U.S.C. § 166, and/or other applicable provisions of the Internal Revenue Code.

16 CREDITORS SHOULD CONSULT THEIR TAX ADVISOR REGARDING THE TAX
17 TREATMENT (INCLUDING FEDERAL, STATE, LOCAL, AND FOREIGN TAX
18 CONSEQUENCES) OF THEIR RESPECTIVE ALLOWED CLAIMS. THIS DISCLOSURE IS
19 NOT A SUBSTITUTE FOR TAX PLANNING AND SPECIFIC ADVICE FOR PERSONS
20 AFFECTED BY THE PLAN.

21 **X.**
22 **CONFIRMATION OF THE PLAN**

23 **A. Confirmation of the Plan.**

24 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will hold a
25 hearing regarding confirmation of the Plan at the United States Bankruptcy Court for the District
26 of Nevada, Southern Division, 300 Las Vegas Boulevard South, Las Vegas, NV 89101,
27 commencing on _____, 2013, commencing at _____.m. (Pacific).

28 **B. Objections to Confirmation of the Plan.**

1 Section 1128(b) provides that any party-in-interest may object to confirmation of a plan.
2 Any objections to confirmation of the Plan must be in writing, must state with specificity the
3 grounds for any such objections, and must be timely filed with the Bankruptcy Court and served
4 upon counsel for Debtor at the following address:

5 GORDON SILVER
6 Attn: Candace C. Clark, Esq.
7 3960 Howard Hughes Parkway, 9th Floor
8 Las Vegas, Nevada 89169
9 (702) 796-5555 Telephone
10 (702) 369-2666 Facsimile
11 Email: cclark@gordonsilver.com

12 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section
13 1129. In this regard, the Plan must satisfy, among other things, the following requirements.

14 **C. The Best Interest Test and Feasibility of the Plan.**

15 For the Plan to be confirmed, it must satisfy the requirements discussed below.

16 **1. Best Interest of Creditors.**

17 Pursuant to Section 1129(a)(7), for the Plan to be confirmed, it must provide that
18 Creditors and Holders of Equity Securities will receive at least as much under the Plan as they
19 would receive in a liquidation of Debtor under Chapter 7 of the Bankruptcy Code (the "Best
20 Interest Test"). The Best Interest Test with respect to each impaired Class requires that each
21 Holder of an Allowed Claim or Equity Security of such Class either: (i) accepts the Plan; or (ii)
22 receives or retains under the Plan property of a value, as of the Effective Date, that is not less
23 than the value such Holder would receive or retain if Debtor was liquidated under Chapter 7 of
24 the Bankruptcy Code. The Bankruptcy Court will determine whether the value received under
25 the Plan by the Holders of Allowed Claims in each Class of Creditors or Equity Securities equals
26 or exceeds the value that would be allocated to such Holders in a liquidation under Chapter 7 of
27 the Bankruptcy Code. Debtor believes that the Plan meets the Best Interest Test and provides
28 value which is not less than that which would be recovered by each such holder in a Chapter 7
bankruptcy proceeding.

1 Generally, to determine what Holders of Allowed Claims and Equity Securities in each
2 impaired Class would receive if Debtor were liquidated, the Bankruptcy Court must determine
3 what funds would be generated from the liquidation of Debtor's Assets and properties in the
4 context of a Chapter 7 liquidation case, which for unsecured creditors would consist of the
5 proceeds resulting from the disposition of the Assets of Debtor, including the unencumbered
6 Cash held by Debtor at the time of the commencement of the liquidation case. Such Cash
7 amounts would be reduced by the costs and expenses of the liquidation and by such additional
8 Administrative Claims and Priority Claims as may result from the termination of Debtor's
9 businesses and the use of Chapter 7 for the purpose of liquidation.

10 In a Chapter 7 liquidation, Holders of Allowed Claims would receive distributions based
11 on the liquidation of the non-exempt assets of Debtor. Such assets would include the same assets
12 being collected and liquidated under the Plan. However, the net proceeds from the collection of
13 property of the Estate available for distribution to Creditors would be reduced by any
14 commission payable to the Chapter 7 trustee and the trustee's attorney's and accounting fees, as
15 well as the administrative costs of the Chapter 11 estate (such as the compensation for Chapter
16 11 professionals). The Estate has already absorbed much of the cost of realizing upon Debtor's
17 Assets. In a Chapter 7 case, the Chapter 7 trustee would be entitled to seek a sliding scale
18 commission based upon the funds distributed by such trustee to creditors, even though Debtor
19 has already incurred some of the expenses associated with generating those funds. Accordingly,
20 there is a reasonable likelihood that Creditors would "pay again" for the funds accumulated by
21 Debtor because the Chapter 7 trustee would be entitled to receive a commission in some amount
22 for all funds distributed from the Estate.

23 It is further anticipated that a Chapter 7 liquidation would result in significant delay in the
24 payment, if any, to Creditors. Among other things, a Chapter 7 case could trigger a new bar date
25 for filing Claims that would be more than 90 days following conversion of the Chapter 11 Case
26 to Chapter 7. Hence, a Chapter 7 liquidation would not only delay distribution, but raises the
27 prospect of additional claims that were not asserted in the Chapter 11 Case. Moreover, Claims
28 that may arise in the Chapter 7 case or result from the Chapter 11 Case would be paid in full

1 from the Assets before the balance of the Assets would be made available to pay pre-Chapter 11
2 Allowed Priority Claims, Allowed General Unsecured Claims, and Equity Securities.

3 The distributions from the Assets would be paid Pro Rata according to the amount of the
4 aggregate Claims held by each Creditor. Debtor believes that the most likely outcome under
5 Chapter 7 would be the application of the “absolute priority rule.” Under that rule, no junior
6 Creditor may receive any distribution until all senior Creditors are paid in full, with interest, and
7 no Equity Security holder may receive any distribution until all Creditors are paid in full.

8 As set forth in the Liquidation Analysis²³ and accompanying notes annexed hereto as
9 **Exhibit “5,”** Debtor has determined that confirmation of the Plan will provide each Holder of a
10 Claim in an Impaired Class²⁴ with no less of a recovery than he/she/it would receive if Debtor
11 were liquidated under Chapter 7.

12 In a Chapter 7 case, the Chapter 7 trustee must liquidate the Debtor’s Assets and
13 distribute the proceeds thereof to Holders of Allowed Claims. However, the change in
14 management would hinder the Chapter 7 trustee’s ability to maximize the sales price for the Real
15 Property by endangering and derailing the efforts to entitle the Real Property. If the Chapter 7
16 Trustee were to sell the Real Property it would have to be at a price no less than the Allowed
17 Global Secured Claim. If a sale could not be quickly effectuated at a price greater than the
18 Allowed Global Secured Claim, Global would presumably seek relief from the automatic stay to
19 foreclose on the Real Property or the Chapter 7 trustee would abandon the collateral, which
20 would likely be followed by a foreclosure sale. Despite the fact that Global is significantly
21 oversecured, in the event that Global were to foreclose on its collateral, Global would either
22 receive its collateral at the foreclosure sale or the Allowed Global Secured Claim from a third
23 party purchaser. As such, Global would likely receive full repayment of its Allowed Global
24 Secured Claim, which is equivalent to what Global will receive through effectuation of the Plan.

25
26 _____
27 ²³ The Liquidation Analysis sets forth Debtor’s best estimates as to value and recoveries in the event that the Chapter
11 Case is converted to a case under Chapter 7 of the Bankruptcy Code and Debtor’s Assets are liquidated.

28 ²⁴ The Impaired Classes are Class 1 (Global Secured Claim) and Class 4 (General Unsecured Claims).

1 In addition, under the Plan, the Infrastructure Agreement is assumed by the Reorganized
2 Debtor. In the event of a Chapter 7, it is almost certain that the Chapter 7 Trustee would reject
3 the Infrastructure Agreement, in which case Global would have an unsecured claim for rejection
4 damages. There is no certainty that Global would recover its rejection damages because a
5 predicate to such a recovery is the sale of the Real Property by the Chapter 7 trustee for an
6 amount sufficient to cover sales costs, the Allowed Global Secured Claim and other costs of the
7 Chapter 7 case and Administrative Claims of the Chapter 11 Case.

8 Thus, as evidenced by the Liquidation Analysis and the accompanying notes annexed
9 hereto as **Exhibit “5,”** the value provided under the Plan to the Holders of Claims in the
10 Impaired Classes is equal to or better than what they would receive under a Chapter 7
11 liquidation. *Specifically, as has been explained herein, if the Plan is confirmed, all Claims in*
12 *Classes 1 through 4 will be paid in full and the Holders of Class 5 Equity Securities will retain*
13 *all of their rights thereunder. Thus, Debtor strongly encourages all Impaired Classes to vote*
14 *in favor of confirmation of the Plan.*

15 **2. Feasibility.**

16 The Bankruptcy Code requires that in order to confirm the Plan, the Bankruptcy Court
17 must find that Confirmation of the Plan is not likely to be followed by liquidation or the need for
18 further financial reorganization of Debtor (the “Feasibility Test”). For the Plan to meet the
19 Feasibility Test, the Bankruptcy Court must find by a preponderance of the evidence that Debtor
20 will possess the resources and working capital necessary to meet its obligations under the Plan.

21 As demonstrated by the previous discussion of Debtor’s financial condition, the Equity
22 Contribution combined with Debtor’s operations provide sufficient cash flow for Debtor to meet
23 its payment obligations under the Plan. Further, the value of Debtor’s Assets significantly
24 exceeds the Global Secured Claim,²⁵ thereby enabling Debtor to sell the Real Property or to
25 obtain refinancing prior to the Payoff Date to repay in full the Class 1 Allowed Global Secured
26 Claim consistent with the provisions of the Plan. Furthermore, as demonstrated by the

27 _____
28 ²⁵ The Real Property is estimated to have a value of no less than \$20,950,000 as of February 7, 2013.

1 Projections attached hereto as **Exhibit “6,”** Debtor will be able to satisfy its obligations under
2 the Plan through the Payoff Date. Provided the foregoing, Debtor is confident that it can
3 establish, and the Bankruptcy Court will find, that the Plan is feasible within the meaning of
4 Section 1129(a)(11).

5 **3. Confirmation of the Plan Without Acceptance by All Impaired Classes: the**
6 **“Cramdown” Alternative.**

7 Section 1129(b) of the Bankruptcy Code provides that a plan of reorganization may be
8 confirmed even if it has not been accepted by all impaired classes, as long as at least one
9 impaired class of claims has accepted it. Consequently, the Bankruptcy Court may confirm the
10 Plan at Debtor’s request notwithstanding the Plan’s rejection by Impaired Classes, as long as at
11 least one Impaired Class has accepted the Plan and the Plan “does not discriminate unfairly” and
12 is “fair and equitable” as to each Impaired Class that has not accepted it.

13 A plan will be deemed fair and equitable as to a class of secured claims that rejects the
14 plan if the plan provides: (i)(a) that the holders of claims in the rejecting class retain the lien
15 securing those claims, whether the property subject to those liens is retained by the debtor or
16 transferred to another entity, to the extent of the allowed amount of such claims, and (b) that
17 each holder of a claim in such class receives on account of that claim deferred cash payments
18 totaling at least the allowed amount of that claim of a value, as of the effective date of the plan,
19 at least equal to the value of the holder’s interest in the estate’s interest in such property; (ii) for
20 the sale, subject to Section 363(k) of the Bankruptcy Code, of any property that is subject to the
21 liens securing the claims included in the rejecting class, free and clear of the liens, with the liens
22 to attach to the proceeds of the sale, and the treatment of the liens on such proceeds as described
23 under clause (i) or (ii) of this paragraph; or (iii) for the realization by such holders of the
24 indubitable equivalent of such claims.

25 A plan is fair and equitable as to a class of unsecured claims that rejects the plan if the
26 plan provides: (i) for each holder of a claim included in the rejecting class to receive or retain on
27 account of such claim property that has a value, as of the effective date of the plan, equal to the
28 allowed amount of such claim; or (ii) that the holder of any claim or interest that is junior to the

1 claims of such rejecting class will not receive or retain on account of such junior claim or interest
2 any property at all.

3 **4. Accepting Impaired Class.**

4 Since at least one Class of Claims is Impaired under the Plan, in order for the Plan to be
5 confirmed, the Plan must be accepted by at least one Impaired Class of Claims (not including the
6 votes of Insiders of Debtor). For an Impaired Class of Claims to accept the Plan, those
7 representing at least two-thirds in amount and a majority in number of the Allowed Claims voted
8 in that Class must be cast for acceptance of the Plan.

9 **5. Voting Procedures.**

10 a. Submission of Ballots.

11 All Creditors entitled to vote will be sent a ballot, together with instructions for voting,
12 and a copy of this approved Disclosure Statement which includes a copy of the Plan. You should
13 read the ballot carefully and follow the instructions contained therein. Please use only the ballot
14 that was sent with this Disclosure Statement.

15 You should complete your ballot and return it to Debtor's Counsel as follows:

16 Gordon Silver
17 Attn: Candace C. Clark, Esq.
3960 Howard Hughes Parkway, 9th Floor
18 Las Vegas, NV 89169
Fax: (702) 369-2666
19 E-mail: cclark@gordonsilver.com

20 **TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS**
21 **LISTED ABOVE BY 5:00 P.M., PREVAILING PACIFIC TIME, ON _____, 2013.**

22 b. Incomplete Ballots.

23 Unless otherwise ordered by the Bankruptcy Court, ballots which are signed, dated and
24 timely received, but on which a vote to accept or reject the Plan has not been indicated, will be
25 counted as a vote for the Plan.

26 c. Withdrawal of Ballots.

27 You may not withdraw or change your ballot after it is cast unless the Bankruptcy Court
28 permits you to do so after notice and a hearing to determine whether sufficient cause exists to

1 permit the withdrawal or change.

2 d. Questions and Lost or Damaged Ballots.

3 If you have questions concerning these voting procedures, if your ballot is damaged or
4 lost, or if you believe you should have received a ballot but did not receive one, you may contact
5 Debtor's counsel as listed above regarding submission of ballots.

6 **XI.**
7 **ALTERNATIVES TO THE PLAN**

8 Debtor believes that the Plan provides Creditors the best and most complete form of
9 recovery available. As a result, Debtor believes that the Plan serves the best interests of all
10 Creditors and parties-in-interest in the Chapter 11 Case.

11 In formulating and developing the Plan, Debtor explored numerous alternatives. Debtor
12 believes not only that the Plan fairly adjusts the rights of various Classes of Creditors and
13 enables the Creditors to realize the greatest sum possible under the circumstances, but also that
14 rejection of the Plan in favor of some theoretical alternative method of reconciling the Claims of
15 the various Classes would require, at the very least, an extensive and time-consuming negotiation
16 process and would not result in a better recovery for any Class.

17 **A. Alternative Plans of Reorganization.**

18 Under the Bankruptcy Code, a debtor has an exclusive period of 120 days and an
19 additional vote solicitation period of 60 days from the entry of the order for relief during which
20 time, assuming that no trustee has been appointed by the Bankruptcy Court, only a debtor may
21 propose a plan of reorganization. After the expiration of the initial 180-day period and any
22 extensions thereof, the debtor or any other party-in-interest may propose a different plan, unless
23 the Bankruptcy Court has extended the exclusivity periods. Debtor timely filed its Plan within
24 the 120-day exclusivity period. To the extent necessary, Debtor will seek an extension of the
25 plan acceptance exclusivity period to provide sufficient time for Debtor to obtain acceptance of
26 its Plan.

27 If a plan of reorganization cannot be confirmed, a Chapter 11 case may be converted to a
28 Chapter 7 case, in which a trustee would be elected or appointed to liquidate the assets of the

1 debtor for distribution to creditors in accordance with the priorities established by the
2 Bankruptcy Code. For a discussion of the effect that a Chapter 7 liquidation in the Chapter 11
3 Case would have on recovery by Creditors, see Section X.C and the Liquidation Analysis at
4 **Exhibit “5.”**

5 As previously stated, Debtor believes that liquidation under Chapter 7 would result in no
6 better recovery by Debtor’s creditors because of: (i) the risk that Debtor may cease or lose
7 business; (ii) additional administrative expenses involved in the appointment of a trustee for
8 Debtor and attorneys and other professionals to assist such trustee; and (iii) additional expenses
9 and Claims, some of which would be entitled to priority, which would be generated during the
10 liquidation and from the rejection of leases and other executory contracts in connection with a
11 cessation of Debtor’s operations. Accordingly, Debtor believes that Holders of Claims will not
12 receive a better distribution in a Chapter 7 liquidation than they will receive under the Plan.

13 **XII.**
14 **PREFERENCE AND OTHER AVOIDANCE ACTIONS**

15 A bankruptcy trustee (or the debtor as a debtor-in-possession) may avoid as a preference
16 a transfer of property made by a debtor to a creditor on account of an antecedent debt while a
17 debtor was insolvent, where that creditor receives more than it would have received in a
18 liquidation of the entity under Chapter 7 had the payment not been made, if: (i) the payment was
19 made within 90 days before the date the bankruptcy case was commenced; or (ii) the creditor is
20 found to have been an “insider,” as defined in the Bankruptcy Code, within one year before the
21 commencement of the bankruptcy case. A debtor is presumed to have been insolvent during the
22 90 days preceding the commencement of the case.

23 A bankruptcy trustee (or the debtor as a debtor-in-possession) may avoid as a fraudulent
24 transfer a transfer of property made by a debtor within two years (and under applicable Nevada
25 law, four years) before the date the bankruptcy case was commenced if the debtor: (i) received
26 less than reasonably equivalent value in exchange for such transfer; and (ii) was insolvent on the
27 date of such transfer or became insolvent as a result of such transfer, such transfer left the debtor
28

1 with an unreasonably small capital, or the debtor intended to incur debts that would be beyond
2 the debtor's ability to pay as such debts matured.

3 Although Debtor has not fully analyzed various potential preference or other avoidance
4 actions, it is possible that some pre-Petition transactions may be avoidable. Debtor thus hereby
5 expressly reserves its right to commence any appropriate actions pursuant to Chapter 5 of the
6 Bankruptcy Code.

7 **XIII.**
8 **RECOMMENDATION AND CONCLUSION**

9 The Plan provides the best possible recovery for all parties-in-interest. Accordingly,
10 Debtor strongly recommends that all Creditors who are entitled to vote on the Plan should vote to
11 accept the Plan.

12 DATED this 5th day of April 2013.

13 SIERRA NEGRA RANCH LLC
14 A Nevada limited liability company,

15 /s/ Barry W. Becker
16 By: SNR Management, LLC
17 By: Becker SNR, LLC
18 By: Barry W. Becker
19 Its: Manager

20 **PREPARED AND SUBMITTED BY:**

21 By: /s/ Candace C. Clark
22 GERALD M. GORDON, ESQ.
23 CANDACE C. CLARK, ESQ.
24 3960 Howard Hughes Pkwy., 9th Floor
25 Las Vegas, Nevada 89109
26 Attorneys for Debtor
27
28