

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF COLORADO

IN RE:	)	
	)	
THE SRKO FAMILY LIMITED	)	Bankruptcy Case No. 10-13186-SBB
PARTNERSHIP	)	
EIN 20-0334422	)	Chapter 11
	)	
Debtor.	)	

**DISCLOSURE STATEMENT TO ACCOMPANY  
SECOND AMENDED PLAN OF REORGANIZATION PROPOSED BY  
INFORMAL MECHANICS LIENHOLDER COMMITTEE**

(G.E. Johnson Construction Company, Inc., Stresscon Corp., Mech-One, Inc., Olson Plumbing and Heating Company, Rial Heating and Air Conditioning, Inc., E Light Electric Services, Inc., and Bible Electric, Inc.)

Dated August 28, 2014

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## **I. INTRODUCTION**

### **A. Reorganization and Disclosure**

This Disclosure Statement ("**Disclosure Statement**") has been prepared by the Informal Mechanics Lienholder Committee (the "**Committee**"), consisting of G.E. Johnson Construction Company, Inc., Stresscon Corp., Mech-One, Inc., Olson Plumbing and Heating Company, Rial Heating and Air Conditioning, Inc., E Light Electric Services, Inc., and Bible Electric, Inc., to accompany its Second Amended Plan of Reorganization, as amended, dated August 28, 2014 (the "**Plan**") which has been filed by the Committee in the Chapter 11 bankruptcy case of The SRKO Family Limited partnership (the "**Debtor**" or "**SRKO**").

The purpose of this Disclosure Statement is to provide the holders of Claims against and equity interests in SRKO adequate information about the bankruptcy estate and the Plan to make an informed judgment about the merits of the Plan in connection with voting on the Plan. The Plan is the definitive, legally-binding document. *YOU ARE ENCOURAGED TO READ THE PLAN AND TO CONSULT WITH YOUR COUNSEL ABOUT IT.* This Disclosure Statement is meant to be helpful to you, but you should not rely on it alone. To the extent there is a conflict, the terms of the Plan control over any statement contained in this Disclosure Statement. Certain capitalized terms used in this document are defined in the Plan. Other capitalized terms may be defined in the Bankruptcy Code.

This Disclosure Statement has neither been approved nor disapproved by either the Securities and Exchange Commission ("**SEC**") or the United States Trustee ("**US Trustee**"), and neither the SEC nor the US Trustee has passed upon the accuracy or adequacy of any statements contained in this document. In addition, approval of this Disclosure Statement by the Bankruptcy Court does not constitute or imply approval by the Court of the Plan.

### **B. Summary of the Plan**

SRKO was formed in 2003 and was in the business of real estate development. It filed bankruptcy in 2010 as a result of the economic downturn, when it lost funding to move forward with

its real estate development projects, most notably the Colorado Crossing project in Colorado Springs. Since filing bankruptcy, substantially all of the other assets of SRKO have been liquidated, leaving only Colorado Crossing.

The Plan calls for the vesting of the Colorado Crossing project (or the unsold portions of Colorado Crossing), together with related contracts and leases, permits, licenses, and development rights, and any other assets, in SRKO, which will be reorganized and reconstituted as provided for in the Plan (“**REORGANIZED SRKO**”). The existing limited and general partnership interests in SRKO will be canceled; and REORGANIZED SRKO will be owned by certain classes of creditors of SRKO and the Jannie Richardson bankruptcy estate. The Plan leaves open the prospect that all or any portion of Colorado Crossing may be sold prior to the Plan Effective Date. If so, REORGANIZED SRKO will distribute the sale proceeds pursuant to the Plan terms.

If all of Colorado Crossing remains unsold as of the Plan Effective Date, REORGANIZED SRKO will sell Filing 1 pursuant to the Star Mesa Contract, discussed in Section III.K. below; or, if that sale fails to close, will sell Filing 1 as expeditiously as possible in the exercise of its reasonable business judgment. REORGANIZED SRKO will proceed with the development of the Vacant Land. Net proceeds from the development will be distributed to the creditors. REORGANIZED SRKO will be capitalized with an Exit Loan in the amount of \$4 million, and Preferred Equity of an additional \$5 million. Certain creditors will be given the opportunity to subscribe to additional Preferred Equity in REORGANIZED SRKO. The Exit Loan and Preferred Equity must be repaid in full, before any funds will be available for distribution to the general unsecured creditors.

#### Summary of Classification and Treatment of Claims

<b>Class</b>	<b>Description</b>	<b>Treatment</b>	<b>Entitled to Vote</b>	<b>Estimated Recovery</b>
None	Administrative Expense Claims	Cash in an amount equal to such Allowed Administrative Expense on or as soon as reasonably practicable after the latest of (a) the Plan Effective Date or as soon as reasonably practicable after the date on which the Bankruptcy Court allows such Claim pursuant to a Final Order, (b) the date such Administrative Claim becomes payable pursuant to	No	100%

<b>Class</b>	<b>Description</b>	<b>Treatment</b>	<b>Entitled to Vote</b>	<b>Estimated Recovery</b>
		applicable statute or contract governing the terms of payment of such Administrative Claim; or (c) upon such other terms as may be mutually agreed to by the parties.		
None	Priority Claims	Cash in an amount equal to such Allowed Priority Claim on or as soon as reasonably practicable after the later of (i) the Distribution Date and (ii) the date on which such Claim becomes Allowed; or as otherwise agreed by the parties	No	100%
None	Professional Fee Claims	Cash in an amount equal to such Allowed Professional Fee on or as soon as reasonably practicable after the later of (i) the Plan Effective Date and (ii) the date on which such Professional Fee becomes Allowed; or as otherwise agreed by the parties	No	100%
None	U.S. Trustee Fees	Outstanding U.S. Trustee Fees incurred by the Estate prior to the Effective Date shall be paid by REORGANIZED SRKO on the Plan Effective Date in accordance with the applicable schedule for payment of such fees. Until the Case is closed by entry of a final decree by the Court, REORGANIZED SRKO shall pay all U.S. Trustee Fees on account of distributions made pursuant to the Plan in accordance with applicable schedules.	No	100%
1A	Secured Claims of the Priority Filing 1 Lienholders	These Claims will receive the net proceeds from the sale of Filing 1, after satisfaction of the Filing 1 Tax Claims and the Surcharge Claim. To the extent the net proceeds from Filing 1 are sufficient to satisfy the principal amount of the Allowed Claims in Class 1A in full, interest will accrue on the Class 1A Allowed Claims from the Petition Date forward at the Interest Rate, and such	Yes	0% as Secured Claim; only distribution through participation in Common Equity as a Class 5 creditor

<b>Class</b>	<b>Description</b>	<b>Treatment</b>	<b>Entitled to Vote</b>	<b>Estimated Recovery</b>
		accrued interest will also be paid from the proceeds of Filing 1 to the extent of available funds. To the extent the net proceeds from Filing 1 are insufficient to satisfy the principal amount of the Allowed Claims in Class 1A in full, the deficiency held by the Class 1A Claimants will become Allowed Class 5 General Unsecured Claims, and shall include no post-petition interest accrual. As of the Plan Effective Date, the Liens of the Priority Filing 1 Lienholders shall be deemed discharged, released and extinguished and shall no longer burden Colorado Crossing. The Class 1A Claims will be Allowed in the amount set forth in the Mechanics Lien Judgment.		
1B	Secured Claims of the Non-Priority Filing 1 Lienholders	These Claims will receive the net proceeds from the sale of Filing 1, after satisfaction of the Filing 1 Tax Claims, the Surcharge Claim, and the Allowed Claims in Class 1A (including post-petition interest thereon at the Interest Rate). The deficiency held by the Class 1B Claimants will become Allowed Class 5 General Unsecured Claims. The Liens of the Non-Priority Filing 1 Lienholders shall be deemed discharged, released and extinguished and shall no longer burden Colorado Crossing. The Claims of the Third Tier Filing 1 Judgment Lienholders will be Allowed in the amount set forth in the Mechanics Lien Judgment.	Yes	0% as Secured Claim; only distribution through participation in Common Equity as a Class 5 creditor
2	Vacant Lienholder Secured Claims	These Claims, at the election of REORGANIZED SRKO, will be (i) paid in cash in the Allowed amount of such Claim on the Distribution Date, (ii) paid in the Allowed amount of such Claim	Yes	100% or as agreed

<b>Class</b>	<b>Description</b>	<b>Treatment</b>	<b>Entitled to Vote</b>	<b>Estimated Recovery</b>
		<p>from the first net proceeds available for Distribution following the Sale of any of the Vacant Land, or (iii) paid in the Allowed amount of such Claim upon a schedule agreed to by the Holder of the Claim. The Liens of Class 2 Claimants shall be deemed discharged, released and extinguished and shall no longer burden Colorado Crossing. Interest shall accrue on the Allowed Claims in this Class at the Interest Rate from the Petition Date until paid in full.</p> <p>To the extent the Class 2 Claims are not paid on the Distribution Date, as and when all or any portion of the Vacant Land is sold, the Class 2 Claimants shall be paid 75% of the net proceeds from each such sale, after payment of any release price due under the Exit Loan; until such time as the Allowed Class 2 Secured Claims have been paid in full, together with the interest accrued thereon.</p>		
3	Secured Tax Claims	Cash in an amount equal to such Allowed Secured Tax Claim on or as soon as reasonably practicable after the later of (i) the Distribution Date and (ii) the date on which such Claim becomes Allowed, with interest at the non-default rate provided by applicable law.	No	100%
4	Secured Claims against SRKO not otherwise classified	If there are any Allowed Secured Claims not otherwise classified in the Plan, they shall first be subject to valuation under § 506 of the Bankruptcy Code. Assuming that the Claims are Secured and not Unsecured, these Claims, at the election of REORGANIZED SRKO, will be (i) paid in cash in the Allowed amount of such Claim on the Distribution Date,	Yes	100%

<b>Class</b>	<b>Description</b>	<b>Treatment</b>	<b>Entitled to Vote</b>	<b>Estimated Recovery</b>
		(ii) paid in the Allowed amount of such Claim from the first Net Proceeds available for Distribution following the Sale of any collateral securing such claims (sharing Pro Rata with any other class of creditors holding a lien of equal priority on such collateral), (iii) paid in the Allowed amount of such Claim upon a schedule agreed to by the Holder of the Claim, (iv) the property securing the Allowed Secured Claim may be abandoned to the Holder, or (v) the Secured rights of the Holder may be left unimpaired. Interest shall accrue on the Allowed Claims in this Class at the Interest Rate from the Petition Date until paid in full.		
5	General Unsecured Claims	These Claims to the extent Allowed will (together with any deficiency held by the creditors holding the Class 1A and 1B Allowed Claims) receive 65% of the Common Equity in REORGANIZED SRKO and will receive Distributions from the net proceeds of development of the Vacant Land. The Common Equity will be issued, and all Distributions to them will be made, Pro Rata.	Yes	48.75% to 53.3% (at 6% discount rate); 40.4% to 44% (at 12% discount rate); assuming development of Vacant Land by REORGANIZED SRKO
6	Jannie Richardson Estate	The Jannie Richardson Estate will receive 35% of the Common Equity in REORGANIZED SRKO, in accordance with the terms of the Richardson/SRKO Settlement Agreement and will receive Distributions from the net proceeds of the Vacant Land.	Yes	N/A
7	Equity Interests	Cancelled by the Plan; Holders of Equity Interests will receive no Distribution	No	\$0

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
		under the Plan.		

### C. Voting on the Plan

The Plan may be implemented only if it is confirmed by the Bankruptcy Court. Classes 1A, 1B, 2, 4, 5, and 6 are impaired and are entitled to vote on the Plan. When confirmed, the Plan is binding on SRKO, its creditors, and interest holders, whether or not they voted in favor of the Plan. A Class is deemed to have accepted the Plan if the holders of two-thirds in dollar amount and more than one-half in number of the Claims in that Class who are entitled to vote, and who actually do vote, vote to accept the Plan. The Plan must be accepted by at least one Class of creditors for it to be confirmed.

The Court has scheduled a hearing on Confirmation of the Plan for October 16, 2014, at 9:00 a.m., at the United States Bankruptcy Court for the District of Colorado, 710 19<sup>th</sup> Street, Denver, CO 80202, Courtroom E, Denver, Colorado. At that time, the Court will, among other things, determine whether the Plan meets the standards for Confirmation set forth in the Bankruptcy Code. The Bankruptcy Court has fixed October 1, 2014 as the deadline for submission of ballots in connection with the Plan, and for filing objections to confirmation of the Plan. Detailed instructions regarding voting on the Plan are in Section X.I. of this Disclosure Statement.

### D. Recommendation

As discussed more fully below, the Committee firmly believes that the Plan represents the best alternative for providing the maximum value for creditors. **The Committee strongly believes that confirmation of the Plan is in the best interest of creditors and recommends that all creditors entitled to vote on the Plan vote to accept the Plan.**

## II. BACKGROUND AND EVENTS LEADING TO CHAPTER 11 FILING

### A. SRKO

SRKO, a Colorado limited partnership, was formed on October 27, 2003. The following parties assert ownership interests in SRKO<sup>1</sup>:

- (a) Duk, LLC, a Colorado limited liability company, is SRKO's general partner, and holds a one percent (1%) interest in SRKO. Duk, LLC was formed on October 23, 2007. Jannie Richardson ("**Richardson**") is the sole member and manager of Duk, LLC.<sup>2</sup>
- (b) The Allen Richardson Dynasty Trust dated October 27, 2003 holds a thirty-three and one-third percent (33.33%) limited partnership interest in SRKO;
- (c) The Jessica Stinson Dynasty Trust dated October 27, 2003 holds a thirty-three and one-third percent (33.33%) limited partnership interest in SRKO; and
- (d) The Jeffrey Stinson Dynasty Trust dated October 27, 2003 holds a thirty-three and one-third percent (33.33%) limited partnership interest in SRKO.<sup>3</sup>

SRKO's principal business has included commercial real estate development and investments. The following are some of the real estate transactions in which SRKO was involved:

1. Stratmoor Heights Development, Colorado Springs, Colorado – The Stratmoor Heights project is a residential development that offered single family residential homes in south Colorado Springs. This raw land was purchased, developed into pad sites, and sold to home building contractors. This project was completed and all developed lots sold prior to the Petition Date.
2. Candlewood Suites, Colorado Springs, Colorado – The Candlewood Suites is a 122 room extended stay hotel located in Colorado Springs. Richardson, through

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<sup>1</sup> The Richardson Trustee, defined below, has commenced litigation seeking to invalidate the three Dynasty Trusts as shams, to avoid the Dynasty Trusts' limited partnership interests in SRKO; and to determine that the Richardson Estate is the true sole limited partner of SRKO. That litigation has not yet been resolved.

<sup>2</sup> After SRKO's bankruptcy filing, the partners removed Duk, LLC as the general partner and appointed Moon, LLC as the new general partner of SRKO. The Richardson Trustee objected to those actions. Pursuant to an order of the Bankruptcy Court entered March 1, 2011, the Richardson Trustee was granted authority to act as the manager of Moon, LLC, and, from that date forward, has been in control of SRKO.

<sup>3</sup> Allen Richardson, Jessica Stinson and Jeffrey Stinson are the adult children of Richardson.

Noah, LLC, built the hotel in 2000 and subsequently gifted approximately twenty-three percent (23%) of her shares in Noah, LLC to SRKO in 2003. Noah, LLC filed for protection under Chapter 11 of the Bankruptcy Code in February 2010 and the hotel was sold during its bankruptcy case. SRKO received a distribution of approximately \$305,000, representing its proportionate share of the sale proceeds.

3. Comfort Inn & Suites, Overland Park, Kansas – The Comfort Inn & Suites is an 81 room hotel located in Overland Park, Kansas. This hotel was purchased by SRKO in 2005, which was subsequently contributed by SRKO to JRKO, LLC. SRKO is the 100% owner of JRKO, LLC. JRKO, LLC lost this property in foreclosure.

4. Pine Creek Village, Colorado Springs, Colorado – The Pine Creek Village is a mixed use shopping center located in Colorado Springs, Colorado. There is approximately 100,000 square feet of Class A office space which is primarily occupied by medical use tenants. This shopping center also incorporates approximately 30,000 square feet of ground level retail space. This center was built between 2004 and 2005 by SRKO, after acquiring it from a previous developer that went out of business. SRKO subsequently contributed its ownership of this project to Jessica, LLC, of which SRKO was the 100% owner. This property was ultimately lost in foreclosure.

5. Pine Creek Medical Office Condos, Colorado Springs, Colorado – The Pine Creek Medical Office Condos is a 28,000 square foot Class A building. This property was built by SRKO without traditional construction financing in 2007 and was converted to commercial condominiums in 2008. SRKO also contributed this property to Jessica, LLC, in exchange for 100% of the membership interests in Jessica, LLC. In April of 2007, Jessica, LLC borrowed a total of \$3 million against the project. The project was sold as commercial condominiums in two separate transactions in 2008, resulting in repayment of the loans, and additional net proceeds in excess of \$2 million which were distributed to SRKO.

6. Colorado Crossing, Colorado Springs, Colorado. This development, which will be completed pursuant to the terms of the Plan of Reorganization, is discussed in greater detail in Section B below.

## **B. Colorado Crossing Development**

On June 1, 2006, SRKO received title to 153 acres of raw land in El Paso County. SRKO states that the purchase price was approximately \$18,500,000, or \$2.75 per square foot. The purchase was made, in part, pursuant to an Internal Revenue Service 1031 tax deferred exchange. Immediately after taking title to the 153 acres, SRKO deeded approximately 18.11 acres to Richardson.

As conceived by SRKO and Richardson, it was intended that Colorado Crossing would be a mixed-use development that would ultimately contain 1,600,000 square feet of retail and office space and 1,600 multi-family residential units.

SRKO subdivided a small part of this property into Lot 1, Colorado Crossing Filing No. 1, consisting of approximately 17.5 acres (“**Filing 1**”). In 2006, SRKO proposed a further subdivision, Colorado Crossing Filing No. 2, which consists of five parcels totaling approximately 23 acres in the center of the property, which was also approved by the City of Colorado Springs (though not recognized by the County Assessor because the plat was inconsistent with the recorded ownership). The balance of the property, which is known as Fairlane Technology Park 1, was not subdivided. The Filing No. 2 subdivision and the balance of Fairlane Technology Park 1 are referred to as the “**Vacant Land.**” In 2007, SRKO proceeded with development of buildings on a portion of Filing 1. The Colorado Crossing project was designed to be Colorado Springs’ first mixed-use urban town center that incorporated retail, commercial, residential, and an entertainment district.

The first phase of this project was intended to include a 14-screen all-digital movie theatre, 140,000 square feet of Class A office and retail, and a parking garage. The project currently consists of the following components:

- a. 109,497 square foot office and retail building (60% complete);
- b. 14,379 square foot office and retail building (60% complete);
- c. 13,522 square foot office and retail building (60% complete);
- d. 52,000 square foot movie theater (90% complete);
- e. Three story parking structure containing 1,059 spaces (90% complete); and
- f. Access roads, underground utilities, landscaping, and related infrastructure.

Attached hereto as **Exhibit A** are aerial photos showing the location of Colorado Crossing and the partially constructed buildings on Filing 1. In addition, SRKO formed three metropolitan districts to use as vehicles to fund further infrastructure development in the project. As of the bankruptcy filings, these metropolitan districts had issued no bonds and received limited tax revenues.

Consistent with the historic business operations of SRKO and of Richardson, SRKO did not secure traditional construction financing; rather, construction was financed through proceeds from the sales of other assets and funds provided by various affiliated entities. SRKO and Richardson contend that over \$60 million was invested in the acquisition, subdivision, and construction of the

project, and that these funds were raised through the sale and refinance of various real estate assets owned by SRKO, Richardson, and other affiliated entities. SRKO retained its affiliated company, Sunshine Home Development, Inc. (“**Sunshine Development**”), to serve as the developer of Colorado Crossing. Sunshine Development contracted with the contractors and suppliers who provided the goods and services to SRKO. Richardson personally guaranteed some of those obligations.

By deed dated November 19, 2009, and recorded November 20, 2009, 125 days prior to her personal bankruptcy filing on March 25, 2010, Richardson conveyed the 18.11 acres she received in the 2006 deed back to SRKO. By deed dated December 29, 2009, and recorded December 31, 2009, 50 days prior to SRKO’s bankruptcy filing, SRKO conveyed slightly less than 35 acres in Colorado Crossing to Richardson. These conveyances both involve property within the Vacant Land. SRKO and Richardson contend that these conveyances were made in order to have their respective ownership interests in the Colorado Crossing project coincide with the intended replat of the property proposed by SRKO, but never approved by the City of Colorado Springs. They also contend that these parcels were of roughly equivalent value.

### **C. Transactions with Affiliates**

Various business entities affiliated with Richardson assisted SRKO in the development of the Colorado Crossing project. These companies generally consisted of Sunshine Development, a Colorado corporation, Ho, LLC, a Colorado limited liability company, Orchid, LLC, a Colorado limited liability company, Spring Water Lofts, LLC, a Colorado limited liability company, Sunshine Home Management, LLC, and Spring Water Development, LLC, a Colorado limited liability company. Over the years, Richardson raised enough cash for SRKO to enter into numerous transactions and used these funds for the benefit of SRKO without having to borrow money through traditional construction financing. Because SRKO was treated by Richardson as a family-owned business, it never operated under the supervision of a formal board of directors, nor did it maintain traditional corporate formalities, including accounting for the transfer of properties and funds among the various affiliated family entities. Numerous members of Richardson’s family were employed by SRKO and the affiliated entities.

Richardson contends that she personally loaned funds totaling \$23 million to SRKO, most of which was used to finance the Colorado Crossing project, and that, by the bankruptcy filings, with accrued interest she was due over \$30 million. SRKO did not schedule Richardson as a creditor in its bankruptcy case, however; nor did Richardson schedule the loans she claims she made to SRKO as assets in her personal case. SRKO contends that it raised an additional \$44 million from the sale and refinance of its properties, most of which it claims were invested in the Colorado Crossing project. In addition, Richardson personally guaranteed some of the obligations of Sunshine Development, the affiliated company which served as the developer for Colorado Crossing, to some contractors and issued personal promissory notes to some contractors on the Colorado Crossing project.

**D. Events Leading to Chapter 11 Filing**

SRKO's largest project and the principal cause for the Chapter 11 filing has been the project known as Colorado Crossing located in Colorado Springs, Colorado. The property was acquired in June 2006 and SRKO began its development and construction of Colorado Crossing in approximately September 2007.

In 2008, SRKO ran into financial difficulties. SRKO could not pay its contractors, material providers, and subcontractors. While SRKO and Richardson attempted to secure independent financing to move forward with the development, they were unsuccessful in doing so, and construction halted. Their financial problems were exacerbated by the impact of the economic downturn on other properties owned by Richardson, SRKO, and the affiliated companies. Retail and commercial tenants in several projects operated by Richardson suffered in the economic downturn, and several went out of business or stopped paying rents. As a result, these properties were unable to service the loans against them, and a variety of lenders proceeded with foreclosure on their collateral, or secured a return of their collateral through deeds in lieu of foreclosure.

The G.E. Johnson Construction Company, Inc. ("GEJCC"), as the general contractor for certain of the buildings to be constructed on Filing 1, had entered into a contract with Sunshine Development, as the developer, for labor and materials related to those buildings. In August 2008,

GEJCC accelerated amounts owing under the contract and Sunshine Development failed to pay the amounts due. GEJCC ceased construction on Colorado Crossing in August of 2008.

GEJCC filed its Statement of Lien on September 29, 2008. On November 4, 2008, GEJCC filed a Complaint for Monetary Judgment and Mechanic's Lien Foreclosure (the "**Mechanics' Lien Litigation**") against Sunshine Development, SRKO, as the owner of the property, and several subcontractors who had previously filed Statements of Lien against the Colorado Crossing Project. Sunshine Development and SRKO asserted several counterclaims.

On March 18, 2013, the judge in the Mechanics' Lien Litigation issued a Judgment ("**Mechanics Lien Judgment**"), attached hereto as **Exhibit B**. The Mechanics Lien Judgment quantifies the amount and priority of the claims asserted by all contractors and suppliers who were parties to the Mechanics' Lien Litigation. Most of the lien claims set forth in the Mechanics Lien Judgment attach to Filing 1, but one creditor, Rio Grande, Co., obtained a judgment lien on the Vacant Parcel. Certain creditors who provided supplies and services outside the scope of the general contractor agreement between Sunshine Development and GEJCC filed mechanic's liens against Filing 1 that were not addressed in the Mechanics' Lien Litigation. Other creditors who provided supplies and services in connection with development of the Vacant Land filed mechanic's liens against the Vacant Land that also were not addressed in the Mechanics' Lien Litigation. These lien claims remain outstanding for resolution.

SRKO was unable to resolve the pending mechanics lien actions or to obtain adequate construction financing to complete the Colorado Crossing project. SRKO filed for protection under Chapter 11 of the Bankruptcy Code on February 19, 2010 ("**Petition Date**"). Likewise, Richardson, the individual in control of SRKO, and a guarantor of many of the construction-related obligations, filed for protection under Chapter 11 of the Bankruptcy Code on March 25, 2010 (the "**Richardson Bankruptcy**").

### III. KEY EVENTS DURING CHAPTER 11 CASE<sup>4</sup>

#### A. Richardson Trustee's Control over Debtor

C. Randel Lewis was appointed as the Chapter 11 Trustee of the Richardson Estate (the “**Richardson Trustee**”) on January 28, 2011. By Order entered March 1, 2011, the Bankruptcy Court approved a stipulation by which the Richardson Trustee was designated as the manager of the general partner which controls SRKO, with the sole power to make all management decisions with respect to the general partner’s business operations. Since that date, the Richardson Trustee has been in control of the business operations of SRKO.

#### B. Appointment of Examiner

Prior to the appointment of the Richardson Trustee, GEJCC and Stresscon Corp. (“**Stresscon**”) filed a motion to appoint a trustee in SRKO’s case. SRKO opposed that motion and filed a competing motion for the appointment of an Examiner to investigate certain key allegations contained in the motion to appoint a trustee – notably, the numerous transactions among SRKO, Richardson and affiliated entities. The Court held an evidentiary hearing on the competing motions. At the conclusion of the hearing, the Court denied the Motion to Appoint a Trustee and granted SRKO’s motion for appointment an Examiner. Edward B. Cordes was appointed as the Examiner in this case effective as of December 28, 2010. The Examiner was tasked with investigating the following matters:

- i. Determining whether SRKO’s capitalization and funding for the Colorado Crossing project was properly accounted for in SRKO’s books and records;
- ii. Accounting for transfers of assets between SRKO and third parties, including insiders and affiliates; and
- iii. Identifying any transactions which might be subject to avoidance under the Bankruptcy Code or state law.

The Examiner’s preliminary report, issued as of February 25, 2011, is attached hereto as **Exhibit C**. The key findings of the Examiner include:

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<sup>4</sup> The events summarized in this Section are not listed in chronological order.

- ✓ Richardson ran SRKO and the various other affiliated entities as one organization, with numerous cash transactions back and forth among them, which have not been accounted for in a uniform manner.
- ✓ While SRKO and Richardson raised some \$67.7 million from the sales and refinance of a variety of properties from 2006 through 2009, a substantial portion of those proceeds were used to satisfy other debts, acquire other properties, and pay related costs of ownership and improvement, including real property taxes, of other properties. It appears that at least \$30 million of these proceeds were invested in the Colorado Crossing project. In addition, the Examiner believes that cash disbursements in excess of \$40 million were likely related to the development of Colorado Crossing.

After the Richardson Trustee assumed control of SRKO's operations, the parties agreed that it was unnecessary for the Examiner to complete his investigation and analysis, and he was discharged.

### **C. Mechanics Lien Litigation**

Several creditors, including GEJCC, Stresscon, Bible Electric, and Transit Mix Concrete, Inc., filed motions for relief from the automatic stay to permit them to proceed to liquidate their claims against SRKO in the pending state court Mechanics Lien Litigation. A Stipulation was approved by the Court permitting the parties to liquidate their claims, but not to exercise their lien rights. In order to grant relief to all affected lien claimants, SRKO then filed a Motion to Provide Mechanics Lien Claimants Relief from the Automatic Stay, for the benefit of all mechanics lien claimants who had previously asserted mechanics liens on the Colorado Crossing project, to the extent necessary to allow all parties to the Mechanics Lien Litigation to determine the validity and priority of their claims against the Colorado Crossing project.. The Court granted the motion as well. As discussed in Section II.D. above, the Mechanics Lien Judgment has been signed in the Mechanics Lien Litigation, a copy of which is attached to this Disclosure Statement as **Exhibit B**, liquidating the amount, and determining the validity and priority, of the claims of all parties to that lawsuit.

Concrete Management Corporation (“**CMC**”) and Rio Grande Company (“**Rio Grande**”) provided goods and services to the Colorado Crossing project and were parties to the Mechanics Lien Litigation. CMC filed a lawsuit in the Bankruptcy Court against SRKO, Richardson, and Sunshine Development, seeking to liquidate and confirm the priority of its

mechanics' lien claims, and asserting that its claims against SRKO and Richardson were not dischargeable. In conjunction with the resolution of the issues raised in the Mechanics Lien Litigation, the Richardson Trustee and SRKO negotiated a settlement of all claims of CMC and Rio Grande in the respective bankruptcy cases. Pursuant to the terms of that settlement, which has been approved by the Bankruptcy Court, CMC was awarded a mechanics' lien against Filing 1 in the amount of \$1,307,088.35 and CMC was allowed a general unsecured claim in SRKO's bankruptcy case in the amount of \$575,000. Rio Grande asserted mechanics' liens against both Filing 1 and the Vacant Property. Pursuant to the terms of the settlement, Rio Grande was allowed a mechanics' lien claim against the Vacant Property in the amount of \$78,398.08; and was allowed a mechanics' lien against Filing 1 in the amount of \$877,486.98. CMC has since assigned interests in its allowed claims to Rio Grande and First-Citizens Bank and Trust.

In the Richardson case, the Richardson Trustee and Stresscon entered into a stipulation whereby the Richardson Estate conveyed property known as the Austin Bluffs property to Stresscon in partial satisfaction of its claims against Richardson and against SRKO as set forth in the Mechanics Lien Judgment. As a result of the settlement, Stresscon's claim against SRKO has been reduced to \$2,012,606.04 from the amount set forth in the Mechanics Lien Judgment.

**D. Motions for Relief from Stay**

1. Pinnacle Business Finance and Univest

Pinnacle Business Finance filed a motion for relief from stay to pursue actions against certain financed equipment. SRKO and Pinnacle entered into a stipulation resolving the motion whereby SRKO agreed to pay monthly payments to Pinnacle in exchange for use of the equipment. The stipulation was approved by the Court. SRKO defaulted under the stipulation, and in February, 2012, Pinnacle received court authorization to repossess the leased equipment. All the equipment has been returned to Pinnacle.

In August of 2011, Univest filed a motion for relief from stay as to certain additional leased equipment. That motion was granted, and all leased equipment has been returned to Univest.

2. Pueblo Bank and Trust

Pueblo Bank and Trust filed a Motion for Relief from Stay to foreclose on certain real property as follows:

- a. 70 West 6th Avenue, #206 and #207, Denver, Colorado 80203
- b. Vacant Land A-G, Westfield Trade Center & I-L1, Dawson Ridge Subdivision, Castle Rock, Colorado 80104

SRKO filed an objection to the motion. The Court granted the bank relief from stay to pursue foreclosure of the real property. SRKO ultimately sold the 70 West 6th Avenue condominium units, with the consent and cooperation of the bank, and SRKO retained the proceeds. The bank proceeded with foreclosure on the vacant land. The foreclosure sale was completed and Pueblo Bank and Trust asserts a deficiency claim of \$2,327,015.08 for the balance due on the loan after the sale of the condominium units and completion of the foreclosure on the vacant land.

**E. Post-Petition Borrowing**

SRKO filed a Motion for approval of post-petition financing in an amount up to \$150,000 pursuant to a proposed loan agreement between SRKO and N.A. Rieger (the “**Rieger DIP Loan**”). A variety of parties objected. After an evidentiary hearing, the Court approved the request. SRKO borrowed a total of \$110,000 from Mr. Rieger. The loan accrues interest at the rate of 12% per year. As of October 31, 2014, the total indebtedness due Mr. Rieger will be approximately \$167,000.00.

SRKO filed a second motion to approve borrowing in December of 2011 to provide additional funding for the administrative expenses and operations of SRKO’s estate. GEJCC and Jim Sorensen, the chairman of the board of Stresscon, formed an entity known as JSGE, LLC, (“**JSGE**”) to provide up to \$750,000 in financing to SRKO’s estate. In addition, SRKO sought authority to borrow up to \$1 million in funds from the Richardson Estate. The initial draw on the loan was used to pay for the security and winterization costs of Colorado Crossing, pursuant to a contract between SRKO and GEJCC and budget submitted with the financing motion. The loan is secured by a junior deed of trust lien on the Colorado Crossing project, held pari passu by JSGE and the Richardson Estate. In July of 2013, the Richardson Estate took assignment of JSGE’s interests in

the loan agreement by paying the then-outstanding indebtedness to JSGE on account of the advances it made, in full.

The total principal amount of the sums borrowed from JSGE and the Richardson Estate is \$704,915.41 (the “**Richardson Estate DIP Loan**”). Interest accrues on the Richardson Estate DIP Loan at the rate of 14%. The outstanding balance due on the Richardson Estate DIP Loan as of October 31, 2014 will be approximately \$895,500. As discussed in Section III.F.3. below, pursuant to the terms of the Richardson/SRKO Settlement Agreement between the Richardson Trustee and SRKO, the Richardson Trustee is authorized to waive the Richardson Estate’s right to require full payment of the Richardson Estate DIP Loan on the Effective Date of the Plan.

In May of 2014, JSGE agreed to make additional advances under the DIP Loan in order to provide funding to SRKO to satisfy on-going administrative expenses, pending confirmation of the Plan, in an amount up to \$250,000. As of the filing of this Disclosure Statement, JSGE has actually advanced \$125,000 (the “**JSGE DIP Loan**.”). Assuming no additional advances under the JSGE DIP Loan prior to Confirmation Hearing, as of October 31, 2014, the balance due on the JSGE DIP Loan, with accrued interest at 14%, will be approximately \$133,000.

#### **F. Settlement of Insider Claims**

Prior to assumption of control of SRKO by the Richardson Trustee, SRKO filed a series of motions to approve settlements with various insiders and affiliates, including Ho, LLC, Springwater Development, and the Jannie Richardson Estate. All those motions were pending when the Richardson Trustee was appointed, and were subsequently withdrawn.

After the appointment of the Richardson Trustee and his assumption of control of SRKO, SRKO negotiated the resolution of a variety of disputes with insiders of SRKO and Richardson.

1. Ho, LLC. In November of 2009, SRKO issued three promissory notes in favor of Ho, LLC, one for \$1,300,000, one for \$913,000, and one in the amount of \$1,200,000, all purportedly secured by the Vacant Property and 66 acres of land owned by SRKO in Castle Rock. Ho, LLC subsequently confirmed that these notes duplicate each other, and that only the \$1,300,000 note was outstanding. Ho, LLC agreed to assign the two notes and two deeds of trust which it held on the real property back to SRKO. Under the initial settlement with Ho, LLC, it was permitted to file an unsecured claim in SRKO’s

bankruptcy case. Ho filed a proof of claim in the amount of \$2,832,435 (Claim No. 63). That claim is still subject to objection.

2. Spring Water Lofts, LLC. Spring Water Lofts, LLC claimed to have purchased 6.8 acres of property within Colorado Crossing in November of 2009, for \$2 million, payable solely by a \$2 million note secured by the parcel. In settlement of SRKO's claims that such a transaction was a fraudulent transfer, it agreed to reconvey the 6.8 acre parcel, and its deed of trust, to SRKO.

3. Richardson Estate. In March of 2014, the Court approved a Settlement Agreement and Mutual Release between the Richardson Estate and SRKO (the "**Richardson/SRKO Settlement Agreement**"). Under the terms of that settlement, the Richardson Estate agreed to convey to SRKO all of its interest in Colorado Crossing, including the 35 acres in Colorado Crossing it claims to own. In addition, the Richardson Trustee was authorized to release any liens securing the Richardson Estate DIP Loan, and to defer payment of the Richardson Estate DIP Loan beyond the Effective Date of the Plan, provided that the proposed terms of deferred repayment are satisfactory to the Richardson Trustee. In exchange, SRKO agreed to pay the Richardson Estate 35% of any proceeds otherwise distributable to unsecured creditors under this Plan. In addition, the Richardson Estate and SRKO's estate shall each pay one-half, of the Richardson Trustee's fees, and one-half of the fees of Lindquist & Vennum, counsel to the Richardson Trustee, incurred through the period of the Plan Effective Date. The Richardson Estate releases any and all claims it has against SRKO's estate, other than the Richardson Estate DIP Loan, and the Richardson Estate's interest in proofs of claim filed in each of the estates by Noah, LLC. SRKO released all claims against the Richardson Estate and Richardson Trustee.

4. Sunshine Home Development, Inc. SRKO filed suit to avoid a deed of trust and statement of lien filed by Sunshine Development against Colorado Crossing, and to disallow all claims held by Sunshine Development against SRKO, including a claim it had filed in an amount in excess of \$31 million. Sunshine Development defaulted in this litigation, and in April of 2012, a default judgment was entered against it granting the requested relief.

5. N. A. Rieger. SRKO commenced an adversary proceeding to avoid a post-petition conveyance of property of SRKO (Parcel H, the sale of which is discussed in Section III.H. below) to Mr. Rieger, in purported satisfaction of pre-petition loans made by Mr. Rieger to SRKO which were secured by Parcel H. In settlement of that adversary proceeding, and to resolve Mr. Rieger's objections to pending sale motions, SRKO and Mr. Rieger entered into a court-approved settlement. Under that agreement, Mr. Rieger agreed to re-convey Parcel H to SRKO, subject to his \$1.5 million deed of trust against it; Mr. Rieger agreed to allow SRKO to sell Parcel H, and Mr. Rieger was paid the net proceeds of the sale in the approximate amount of \$141,000.

**G. Metro District Issues**

In December of 2006, in connection with development of Colorado Crossing, three metropolitan districts, Colorado Crossing Metropolitan District No. 1, Colorado Crossing Metropolitan District No. 2, and Colorado Crossing Metropolitan District No. 3 (together, the “**Districts**”), were formed. The primary purpose of the Districts is to receive title to, and reimburse the developer for the construction of, public improvements such as sewer, water, electrical services, roads and parking facilities within Colorado Crossing. Normally, the public improvements are initially paid for by the developer, who is reimbursed by the Districts after the public improvements are complete and have been conveyed to the Districts. The Districts raise funds through the issuance of bonds that are paid by real property tax mill levies to reimburse the developer. Public improvements with a total estimated cost of \$7 million to \$9 million have been or will be completed and paid for by SRKO and/or Richardson in connection with the development of Colorado Crossing.

Richardson and four other family members entered into contracts with SRKO to purchase properties within Colorado Crossing, in order to be eligible to elect directors for the Districts. Richardson and two other family members claimed to be qualified directors of each District.

The Districts had been largely dormant since the Petition Date. In early 2013, SRKO learned that, as of November 8, 2012, Richardson had caused District No. 1 to enter into an Infrastructure Acquisition Agreement to acquire public improvements within Colorado Crossing from an entity, Sunshine Development Corporation (“**SDC**”), which was not legally in existence, in reimbursement of public improvements purportedly installed by SDC, even though the public improvements were owned by SRKO’s estate. SRKO filed a motion for an accounting of all disbursements by the Districts, to reject the purchase contracts by which the Richardson family members claimed entitlement to serve on the Districts’ boards, and for contempt. SRKO sought disallowance of the claims of all the family members; enforcement of the automatic stay and entry of civil contempt orders against the family members; and avoidance of the Infrastructure Acquisition Agreement entered into by District 1.

The matters raised in SRKO's motion were resolved by a stipulated order entered on June 14, 2013 (the "**Injunction Order**"), a copy of which is attached hereto as **Exhibit N**. In the Injunction Order, Richardson and her son, Jeffrey Stinson, agreed to cooperate with the Richardson Trustee and SRKO in naming new persons to the District boards, and to resign from the boards themselves. The Court further enjoined Richardson and her agents, from purporting to take any actions on behalf of SRKO and from interfering with the SRKO bankruptcy estate. The purchase contracts and the Infrastructure Acquisition Agreement were terminated. SRKO agreed to drop its claims of civil contempt. In December, 2013, C. Randel Lewis, who serves as the Richardson Trustee, was elected as the sole member of all three District boards.

#### **H. Property Sales**

In late 2012, SRKO was authorized to retain NRC Realty & Capital Advisors, LLC ("**NRC**") as exclusive real estate agent to auction all of the real property of the estate other than Colorado Crossing. NRC ran an auction process, resulting in the following sales:

1. 70 W. 6<sup>th</sup> Avenue, Unit 206, Denver, CO was sold to Justin Ersch for \$135,000.
2. 70 W. 6<sup>th</sup> Avenue, Unit 207, Denver, CO was sold to Nadine Lange for \$130,000.
3. Parcel H – consisting of approximately 14 acres of vacant land in Douglas County, near Castle Rock Colorado – was sold to SDM Family Corporation for \$150,000.
4. Parcel K – consisting of approximately 61.5 acres of vacant land in Douglas County, near Castle Rock Colorado – was sold to Maheshwaran Rajendran for \$150,000.

The net proceeds of the sale of Parcel H were distributed to N.A. Rieger pursuant to a court-approved stipulation, as discussed in Section III.F.5. above. The net proceeds of the other sales, after payment of outstanding real property taxes, were made available to SRKO to fund on-going expenses of administration of the estate.

#### **I. Littleton Capital Partners/Project One Integrated Services Analysis**

In the spring of 2011, SRKO was permitted to hire Littleton Capital Partners ("**LCP**") as a real estate development consultant. LCP was originally retained to complete a 60-day study of the Colorado Crossing project and to make recommendations for the requirements for proceeding with

further development of the project. LCP was paid \$40,000 for this work. Project One Integrated Services (“**Project One**”) was retained to complete a construction inspection and to assess the costs of completion of the Colorado Crossing development, including preparing a master budget and development schedule. Project One was paid \$36,900 for these services. Attached hereto as **Exhibit D** is the Executive Summary from the Project Site and Completion Analysis prepared by LCP and Project One. As noted in that Analysis, the development plans for Filing 1 and the Vacant Land have now expired. SRKO allowed them to expire, having concluded that any future developer in control of the Colorado Crossing project would likely want to prepare its own development plans, and that those plans would inevitably vary, potentially significantly, from SRKO’s plans.

After completion of the Analysis, in October of 2011, SRKO retained LCP to provide property management services, including maintaining existing landscaping, developing a security plan, evaluating risk management, reviewing real estate taxes, continuing discussions with the potential tenant of the on-site movie theater; resolving storm water and grading issues; and waterproofing the site. In addition, LCP created financial projections for the potential completion and sale of Colorado Crossing, including updating the market analysis of rents and sales prices, and establishing pricing guidelines for rent, tenant improvements, commissions and concessions. LCP was paid \$20,000 per month for the first two months of this contract, and \$10,000 per month thereafter. The agreement with LCP was terminated as of January 31, 2014.

**J. Other Plans of Reorganization.**

Over the more than four years that this bankruptcy case has been pending, SRKO, GEJCC, and Da Nam Ko have all filed plans of reorganization. Each of those plans has been withdrawn or stricken. On July 14, 2014, Jannie Richardson and Webelieveintomorrow, LLC proposed their Plan of Reorganization for the Debtor.

**K. Star Mesa Contract**

In the spring of 2014, SRKO entered into negotiations with Star Mesa Properties, LLC (“**Star Mesa**”) for the sale of a portion of Filing 1, consisting of all structures on Filing 1 other than the Parking Garage, and an additional approximately one-acre parcel known as Lot C. SRKO and the

Committee agreed that there was value in contracting with a reputable developer to sell the existing structures to a buyer with the funding, capability, and intent of completing the buildings on Filing 1 promptly.

At the time of these discussions, SRKO was contemplating filing its own reorganization plan, which would call for the sale of a portion of Filing 1 to Star Mesa, the sale or further development of the balance of Filing 1, and the development and sale of the Vacant Land. SRKO had solicited funding proposals from a variety of sources, and had determined that a proposal by ITG Taxable Fund LLLP (“**ITG**”) presented the best alternative for SRKO to secure exit financing necessary to perform under its proposed plan.<sup>5</sup>

When SRKO advised the Committee of the terms of the various financing proposals that SRKO had secured, the Committee advised SRKO that it was capable of securing exit financing on terms that were significantly less expensive through funding to be provided by existing mechanics’ lien creditors. Shortly thereafter, certain lien creditors, including GEJCC and Stresscon, formed United Contractors Capital, LLC (“**UCC**”) to serve as the vehicle to provide exit financing. After UCC submitted a proposed term sheet to SRKO for such exit financing, the parties agreed that the Committee would move forward with its own reorganization plan, supported with the UCC exit financing, and SRKO would not file its own reorganization plan. Consistent with that approach, the parties also agreed that the Committee would continue the discussions with Star Mesa for the possible sale of all or a portion of Filing 1 to Star Mesa, for incorporation into the Committee’s Plan.

The Committee encouraged Star Mesa to bid on Filing 1 at the Auction, as a method of assuring Star Mesa that it would be the successful purchaser. Star Mesa advised the Committee that it did not intend to bid at the Auction, at least in part because the terms and conditions which it

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<sup>5</sup> ITG’s financing proposal contemplated a \$ 5 million development loan, together with a standby letter of credit of an additional \$1 million, to be secured by a senior lien on the Colorado Crossing project, which would accrue interest at the rate of 12%, a default rate of 24%, together with commitment and closing fees that totaled approximately \$400,000. The ITG Loan had an initial maturity date of 36 months, which could be extended by up to an additional 2 years, and which included prepayment penalties if the loan were retired in its first year. In addition, ITG would acquire \$3 million in equity in the reorganized debtor, with a 5% preferred return, and entitling ITG to 20% of the profits of the reorganized debtor. *See* Debtor’s Motion to Approve Plan Support Agreements, Use of Property Pursuant to Section 363 and Break-up Fee (the “**ITG Motion**”).

wished to include in any proposed purchase contract went beyond standard, all-cash terms that were required as a part of the bid procedures.

After extensive discussions, the Committee, UCC and Star Mesa have entered into a contract for the sale of Filing 1 to Star Mesa, conditioned on confirmation of the Committee's Plan; and completion of diligence by Star Mesa. A copy of the contract with Star Mesa is attached hereto as **Exhibit M** (the "**Star Mesa Contract**"). Under the terms of the Star Mesa Contract:

1. Star Mesa will purchase all of Filing 1, on or before 30 days after entry of the order confirming the Plan;
2. Star Mesa will pay \$2 million to REORGANIZED SRKO at closing. In addition, at closing, Star Mesa will subscribe to \$2 million of Preferred Equity in REORGANIZED SRKO. Finally, Star Mesa will escrow \$3 million for completion of dry-in improvements to the buildings constructed on Filing 1.
3. Star Mesa will commence construction of the dry-in improvements to the Buildings on Filing 1 within six months of closing, and has covenanted that it has all the funds necessary to complete those improvements.
4. REORGANIZED SRKO will complete construction of the Parking Garage, at a construction cost currently estimated to be approximately \$2 million.
5. Star Mesa will be granted three seats on the five-member board of Colorado Crossing Metropolitan District No. 3, or any successor district created for Filing 1 (the "**Commercial District**"), which provides services to the commercial properties within the Colorado Crossing development; and two seats on the five-member board of Colorado Crossing Metropolitan District No. 1, which exercises control over the other districts.
6. REORGANIZED SRKO will be reimbursed its actual costs of completing the Parking Garage, up to the sum of \$2 million, by the Commercial District, or any successor metropolitan district, upon conveyance of the Parking Garage to such district and its issuance of bonds.
7. The obligations of Star Mesa are conditioned upon completion of diligence, confirmation of the Plan, and finalization of documents governing the completion of the building improvements and the Parking Garage.
8. The Committee and REORGANIZED SRKO retain the option of terminating the contract with Star Mesa, and selling all or any portion of Filing 1 to a third party, or proceeding with development of Filing 1 by REORGANIZED SRKO. If either

the Committee or REORGANIZED SRKO elects to terminate the Star Mesa Contract, or if the Plan is not confirmed by December 31, 2014 (and Star Mesa has not terminated the contract itself as a result of its diligence contingency), UCC must reimburse Star Mesa's actual third-party out-of-pocket expenses incurred in negotiating the Star Mesa Contract and conducting due diligence, up to a maximum of \$100,000. In addition, should Filing 1 be sold to a third party, UCC has agreed to pay an alternative transaction fee to Star Mesa in the amount of \$200,000.

The Star Mesa Contract effectively values Filing 1 at approximately \$2 million<sup>6</sup>. The Committee believes that REORGANIZED SRKO will spend approximately \$2 million in completing the Parking Garage, and the initial cash proceeds from the sale to Star Mesa offset that expense. Thus, REORGANIZED SRKO will realize cash proceeds that may be distributed to creditors from the Star Mesa sale only upon collection of the metro district reimbursement. The timing of that reimbursement is unknown at this time.

After much deliberation, the Committee and UCC concluded that the Star Mesa Contract presents the best alternative for disposition of Filing 1. The Committee's own analysis indicated that completion of Filing 1 by REORGANIZED SRKO would dilute the return to creditors that otherwise might be realized from the development of the Vacant Land. That analysis was confirmed by discussions with another potential purchaser who, after conducting diligence, advised the Committee that it could not determine how to profitably develop Filing 1, given the projected costs to complete construction, the anticipated rents that may be collected from potential tenants, and the anticipated

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<sup>6</sup> This valuation is determined as follows: \$2 million cash, plus \$2 million Preferred Equity, less \$2 million cost to complete Parking Garage, less \$2 million redemption of Preferred Equity, plus Metro District Reimbursement of cost to complete Parking Garage, up to \$2 million. In fact, the actual valuation of the Star Mesa contract should be discounted further because of the delayed receipt of the Metro District reimbursement, by the same discount rate that would apply to the deferred payments to be made to creditors under the Plan. The \$3 million in escrow is dedicated to completion of buildings on Filing 1 after acquisition by Star Mesa, and thus does not represent proceeds available to REORGANIZED SRKO.

time-frame for lease-up of the completed buildings. That conclusion is further supported by the results of the Auction. No offers were received for Filing 1 alone.

Star Mesa is perhaps uniquely suited to acquire Filing 1 because (a) it intends to hold the completed project as a long-term investment, and thus has not approached its acquisition of Filing 1 seeking a short-term return on its investment; and (b) the principals of Star Mesa have contacts within the theater industry which make it much more likely that Star Mesa can successfully lease the Theater Building when completed. Other potential purchasers have expressed significant reservations about their ability to lease the Theater Building. The Committee believes that the total consideration offered by Star Mesa fairly reflects the value of Filing 1 in its current condition.

**L. Results of Auction**

In early 2014, SRKO filed its motion to retain NRC to auction Colorado Crossing to the highest bidder (the “**Auction**”). At the time SRKO filed the motion, the Committee was in discussions with SRKO regarding terms of a plan of reorganization to provide for the development and sale over time of Colorado Crossing. Despite the pending plan discussions, the parties agreed that it was prudent for SRKO to proceed with the Auction of Colorado Crossing for several reasons. First, the highest and best bid(s) received for Colorado Crossing, which were auctioned in bulk and the Vacant Land and Filing 1 separately, would establish the value of those properties, for purposes of the “best interests of creditors” test which must be satisfied in order for any plan of reorganization to be confirmed. Second, should all of Colorado Crossing be sold pursuant to bids received at the Auction, the Plan would provide a mechanism for distributing those proceeds to creditors without further delay. Finally, should no plan of reorganization be confirmed by the Court within a reasonable period of time, the Committee and SRKO agreed that it was nevertheless time for this

case to be concluded, and the sale of the last remaining significant asset at Auction was a logical procedure to begin bringing this bankruptcy case to closure.

Pursuant to the Court-approved Auction, bids were scheduled to be received by NRC by 5 p.m. on Tuesday, August 12, 2014. As of that date and time, three bids were submitted to NRC:

1. Springsbon, LLC.

Springsbon, LLC submitted an offer for \$6 million for all of Colorado Crossing. That price was rejected by the Debtor, after consultation with interested parties, as being inadequate.

2. Webelieveintomorrow, LLC

Webelieveintomorrow, LLC submitted an offer for \$17,010,000, for all of Colorado Crossing. Jeff Stinson, Richardson's son, is the point of contact for the purchaser. The offer was supported by the purported combined personal financial statements of the unidentified members of the purchaser, which suggested a total net worth of the members of some \$10.5 million, and liquid assets of less than \$5 million. The offer was not supported by loan commitments or any other proof of the purchaser's ability to fund the proposed cash purchase price. This offer was rejected by the Debtor, after consultation with interested parties.

3. Colorado Crossing Holdings, LLC

Colorado Crossing Holdings, LLC submitted a Letter of Intent offering to pay \$16 million for Colorado Crossing, subject to a 120 day due diligence period; or offering to pay \$12 million for Colorado Crossing together with the grant of a 20% equity interest in the purchaser in favor of the creditors of the Debtor, subject to a 60-day due diligence period. This offer was rejected by the Debtor, after consultation with interested parties, by failing to comply with the auction requirements, which required no contingencies other than court approval.

**IV. DESCRIPTION OF ASSETS AND LIABILITIES**

**A. Assets**

As of this time, the only significant asset of SRKO's estate is the Colorado Crossing project, discussed in Section II.B. above. The Committee has not secured an appraisal of the Colorado Crossing property.

SRKO has attempted to market Colorado Crossing for sale since its bankruptcy filing. Since the appointment of the Richardson Trustee and his assumption of management of SRKO, the highest and best offer that SRKO had received for Colorado Crossing was for \$13,750,000 cash. After discussions with the lien creditors, SRKO rejected that offer as being inadequate, in favor of a plan of reorganization which would realize value for the creditors from the future development of Colorado Crossing. As noted in Section III.L. above, SRKO conducted an Auction of the Colorado Crossing property, including the property in bulk, and Filing 1 and the Vacant Land separately. The only qualifying, all-cash bid submitted at the auction was \$6 million, which was promptly rejected by SRKO. For purposes of the Plan and this Disclosure Statement, the Committee has assumed that, in liquidation, the Colorado Crossing project could still be sold for \$13,750,000 cash.

SRKO owns 100% of the membership interests in Jessica, LLC, JR Movie, LLC and JRKO, LLC. To the knowledge of the Committee, each of these entities has no remaining assets and is dormant. The Committee ascribes no value to these membership interests. SRKO also owned a 23.47% membership interest in Noah, LLC. SRKO has received a cash distribution from the proceeds of the sale of the assets of Noah, LLC. In addition, Noah, LLC holds an allowed unsecured claim against SRKO and Richardson in the amount of \$4.297 million.

SRKO holds potential causes of action against insiders and affiliates. To the extent those causes of action are to avoid preferential or fraudulent transfers under the Bankruptcy Code, the statute of limitations to pursue such claims has expired. In addition, to the extent such claims are against Richardson, they must be addressed in her personal bankruptcy case. As of this time, SRKO has not filed a proof of claim in the Richardson case, and SRKO was not scheduled as a creditor in her bankruptcy. All such causes of action will be assigned to REORGANIZED SRKO. The Committee has assigned no value to any such claims, for purposes of the Plan and determining the possible return to creditors thereunder.

SRKO holds a refund claim against Cinemark for deposits paid to Cinemark in connection with its potential lease of the Theater Building which has been settled for \$325,000. That settlement was recently approved by the Court.

As of May 31, 2014, SRKO had cash on hand of \$122,132.48. As noted in Section III.E. above, in 2014, JSGE agreed to advance up to an additional \$250,000, to the extent SRKO requires additional cash to fund administrative and operating expenses prior to the Plan Effective Date. As of May 31, 2014, JSGE has advanced \$125,000 of that amount.

**B. Liabilities**

1. Administrative Claims

Administrative Claims are those Claims for payment of an administrative expense of a kind specified in §503(b) or §1114(e)(2) of the Bankruptcy Code and entitled to priority pursuant to §507(a)(2) of the Bankruptcy Code. Administrative Claims include, but are not limited to: (a) the actual, necessary costs and expenses, incurred after the Petition Date, of preserving the estate and operating the business of SRKO, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Case; (b) Professional Fee Claims; (c) all fees and charges assessed against the estate under 28 U.S.C. §1930; and (d) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under §546(c)(2)(A) of the Bankruptcy Code.

a. Professional Fee Claims

The Administrative Claims for the professional fees incurred during the case are as follows:

(1) Bankruptcy Counsel

SRKO retained Kutner Miller Brinen, P.C., n/k/a Kutner Brinen Garber, P.C. (“**KBG**”) as its bankruptcy counsel. KBG has filed four applications for interim compensation, totaling \$307,136.00 in fees, and \$26,249.22 in expenses, for the period of time from the Petition Date through July 31, 2014. KBG estimates that it will incur modest additional fees and costs through the Plan Effective Date.

SRKO provided KBG with a retainer in the amount of \$42,113.90 for post-petition services. In addition, SRKO has paid KBG additional amounts totaling \$33,383.32. Thus, the Committee and KBG estimate that the balance that will be due KBG as of the Plan Effective Date is \$255,000.

(2) Special Lien Counsel

SRKO retained Sweetbaum, Levin and Sands, P.C. (“**Sweetbaum**”) as special counsel to represent SRKO in certain mechanics lien litigation related to the Colorado Crossing Project. Sweetbaum has filed six applications for interim compensation, totaling \$111,873.00 in fees, and \$1,816.47 in expenses, for the period of time from the Petition Date through July 31, 2013. The Court has approved each of these applications. The Committee and Sweetbaum estimate that Sweetbaum has incurred, and will not incur any additional fees or costs through the Plan Effective Date.

SRKO provided Sweetbaum with a retainer in the amount of \$15,000.00 for post-petition services. In addition, SRKO has paid Sweetbaum additional amounts totaling \$14,410.66. Thus, the Committee and Sweetbaum estimate that the balance that will be due Sweetbaum as of the Plan Effective Date is \$84,278.81.

(3) Special District Counsel

SRKO retained Dee Wisor (“**Wisor**”) of Sherman & Howard, L.L.C. (“**S&H**”) as special counsel to advise SRKO regarding the three metropolitan district formed in connection with the Colorado Crossing Project. Wisor left S&H on January 24, 2014 and joined the firm of Butler Snow LLP (“**Butler Snow**”) on January 27, 2014. No fee applications for compensation have been filed for Mr. Wisor’s fees at either firm as of the date of this Disclosure Statement. The Committee and Wisor estimate Wisor has incurred, and will incur, fees and costs at S&H and Butler Snow through the Plan Effective Date of approximately \$8,000. Neither S&H nor Butler Snow received any retainers and neither has been paid any of its fees or costs to date.

(4) Richardson Trustee and Trustee Counsel

Since the Richardson Trustee assumed control of SRKO, the Richardson Trustee and his counsel in the Richardson bankruptcy case, Lindquist & Vennum LLP (“**L&V**”), have provided services that were of benefit both to the Richardson Estate and SRKO’s estate. Under the terms of the Richardson/SRKO Settlement Agreement between the two estates approved by the Court in the

spring of 2014, SRKO's estate is responsible for 50% of the Trustee's fees and 50% of the fees of L&V incurred through the Plan Effective Date.

The Trustee is compensated based on a percentage of distributions made by the Trustee during the administration of the estate, which averages out to be slightly in excess of 3% of the total distributions made.

The Trustee anticipates filing an application prior to confirmation seeking approval of fees in the two estates of between \$600,000 and \$750,000, which would be the result of applying the statutory limits on anticipated distributions in the two estates of between \$20 million to \$25 million. The Trustee has filed no applications for compensation, and has received no payments, as of the filing of this Disclosure Statement. SRKO's estate will be responsible for paying 50% of the fees and expenses awarded the Trustee.

L&V has filed four interim applications for compensation in the Richardson Bankruptcy Case, for the period from January 19, 2011 through June 30, 2014, totaling, \$1,879,648.00 in fees, and \$50,945.52 in expenses. L&V will incur additional fees and costs through the Effective Date of the Plan. L&V has received a payment of approximately \$35,000 for services provided to the Richardson Trustee in conjunction with the affiliated GeoSun estate at the time that estate was closed; otherwise, L&V has received no payments on account of its services. L&V projects that it will incur fees and costs totaling approximately \$2 million through the Plan Effective Date. SRKO's estate will be responsible for paying 50% of the fees and expenses awarded to L&V.

(5) Accountants

SRKO retained Nelson & Company, P.C. ("**Accountant**") to provide professional accounting services which includes the preparation of Federal and State tax returns for the year ended December 31, 2009. Accountant has been paid \$10,500.00 for those services. Accountant provided no additional services and is not owed any further amounts by SRKO.

(6) Examiner

As discussed in Section III.B. above, the Court appointed Edward B. Cordes as an Examiner to investigate and report on SRKO's capitalization and funding for the Colorado Crossing

project and whether that funding was properly accounted for in SRKO's books and records; SRKO's transactions with affiliates; and any transactions which might be subject to avoidance under the Bankruptcy Code or state law. The Examiner submitted a preliminary report as of February 25, 2011. After the submission of that report, the Examiner was discharged from further responsibility for completing his analysis and report. The Examiner has been awarded fees and costs totaling \$48,462.00, none of which have been paid by SRKO.

(7) Project One

As discussed in Section III.I. above, SRKO retained LCP and Project One to provide certain consulting and project management services to SRKO. While LCP has been paid in full for its services, Project One is still owed \$5,264.00 for its services. This amount is currently in dispute.

(8) Fairfield and Woods, P.C.

Fairfield and Woods, P.C. has served as counsel for the Committee in connection with proposing the Plan and securing its confirmation. To the extent a creditor, or group of creditors, makes a substantial contribution to a bankruptcy case, the Bankruptcy Code contemplates that the legal fees and costs incurred by the creditors(s) may be paid as administrative expenses of the estate. Fairfield and Woods, P.C. and the Committee intend to seek allowance and payment of the Committee's legal fees and costs for having made a substantial contribution to the case. The Committee estimates that those fees and costs, as of the Plan Effective Date, will be approximately \$250,000.

b. DIP Loans

(1) Rieger Loan

N.A. Rieger loaned SRKO the sum of \$150,000, secured by a junior lien on SRKO's assets. Interest accrued on the Rieger Loan at the rate of 12% per year. The Committee projects that as of the Plan Effective Date (assumed to be October 31, 2014), Mr. Rieger will be owed a total of approximately \$167,000.

(2) Richardson Estate DIP Loan

The Richardson Estate has advanced a total of \$390,000 to SRKO's estate, and paid off the DIP loan to SRKO from JSGE in an amount of \$314,915.41, for total advances of \$704,915.41. Interest accrues on the Richard Estate DIP Loan at the rate of 14% per year. The Committee projects that, as of the assumed Plan Effective Date of October 31, 2014, the Richardson Estate will be owed a total of approximately \$895,500.

(3) JSGE DIP Loan

JSGE has agreed to advance up to \$250,000 to fund administrative expenses of the SRKO estate incurred prior to the Plan Effective Date. As of the filing of this Disclosure Statement, JSGE has actually advanced \$125,000 of the committed funds. Interest accrued on funds advanced by JSGE at the rate of 14% per year. Assuming no additional funds are advanced by JSGE, it will be owed approximately \$133,000 as of the assumed Plan Effective Date of October 31, 2014.

c. Post-Petition Real Property Taxes

SRKO has had insufficient funds to pay the accrued real property taxes on Colorado Crossing during this bankruptcy case. As of the filing of this Disclosure Statement, property taxes for tax years 2011 through 2013 have accrued and are currently due and owing on the Colorado Crossing project. The outstanding taxes against the separate parcels comprising Filing 1 and Vacant Land are set forth on **Exhibit F** attached hereto together with interest accrued as of October 31, 2014. **Exhibit F** also reflects the taxes which accrued prior to the bankruptcy filing, which are discussed in Section IV.B.5 below. Approximately \$750,000 of the total pre-petition and post-petition taxes due by SRKO are owed to the Districts and may be available for reimbursement of infrastructure expenses.

d. Auctioneer Fees and Costs; Breakup Fee to Potential Purchaser

As discussed in Section III.H. above, NRC has been retained as an auctioneer to auction the Colorado Crossing project. The proposed marketing budget with NRC is \$98,910.00, of which one-half, \$49,455, is to be paid when SRKO executes the agreement with NRC, and the other half is to be paid within 15 days of the bid deadline for the Auction, which is set in accordance with the

agreement. It is contemplated that the entire marketing budget will be paid to NRC from available cash on hand, and no additional marketing expenses will be due on the Plan Effective Date. To the extent any bid submitted at the Auction is determined have been a qualifying bid, NRC will be due a fee of \$100,000 on the Plan Effective Date.

Other than the foregoing amounts, with one exception, SRKO is current on all of its operating expenses, and SRKO and the Committee expect that no other Administrative Expenses will be due and owing as of the Plan Effective Date. The one exception is a disputed obligation claimed by Colorado Springs Utilities (“CSU”). CSU originally claimed to be owed \$43,732.00 on account of a temporary water tap secured by Richardson or SRKO and for water used by SRKO to preserve the landscaping at Colorado Crossing. SRKO disputes this claim as not being entitled to administrative priority. It appears that CSU has taken offsets against this claim using funds that are not SRKO or Richardson bankruptcy estate funds that have reduced CSU’s claim to approximately \$10,000. If this dispute remains unresolved, it will be submitted to the Bankruptcy Court for determination. To the extent this dispute is resolved in favor of CSU, the allowed obligation will be an Administrative Expense due and payable on the Plan Effective Date.

e. US Trustee Fees

SRKO is obligated to pay quarterly fees to the Office of the United States Trustee, calculated on the amount of disbursements made by SRKO in each quarter. SRKO is current on its US Trustee fees. The Committee estimates that a final fee of \$20,000.00 will be due on account of the quarter in which the Plan Effective Date occurs. The Committee intends to seek to close the bankruptcy case promptly after the Plan Effective Date, to minimize any further quarterly fees that may be due.

f. Surcharge Claim

The Bankruptcy Code permits a debtor to recover funds expended in preserving the collateral of a particular creditor or group of creditors, from the proceeds of the sale of that collateral. As discussed above, SRKO has spent approximately \$1.13 million in preserving Filing 1 for the benefit of the creditors with Liens on Filing 1. Attached hereto as **Exhibit E** is a summary of the calculation of the Surcharge Claim. SRKO used proceeds from other asset sales, and from DIP Loans, to pay

these expenses. But for the payment of these Filing 1 preservation expenses, the proceeds from other asset sales could have been used to pay administrative expenses of the estate, reducing the need for the DIP Loans. The Plan calls for the reimbursement of these expenses from the proceeds of Filing 1, prior to the distribution of any proceeds to the Class 1A and Class 1B Lienholders. The proceeds of this reimbursement will be used to pay other Administrative and Priority Claims, and as working capital by REORGANIZED SRKO.

## 2. Priority Claims

Priority Claims are defined in the Plan as any pre-petition Claim entitled to a priority payment under 11 U.S.C. § 507(a) of the Bankruptcy Code, including Priority Tax Claims, but excluding any Administrative Claim or Secured Tax Claim. The Committee is unaware of any Priority Claims.

## 3. Secured Claims

Secured Claims are Claims which are secured by properly perfected liens or security interests in property of SRKO's bankruptcy estate.

### a. El Paso County Treasurer.

The El Paso County Treasurer filed a proof of claim in the total amount of \$740,590.83, for unpaid pre-petition taxes on the Colorado Crossing property. That claim was slightly modified by a supplemental proof of claim which corrected the previous estimated taxes for the 2010 tax year and added post-petition accrued interest. The pre-petition taxes are summarized on **Exhibit F** hereto, together with interest calculated through October 31, 2014. Pursuant to Colorado statute, interest accrues on the unpaid taxes at the rate of 12% per year. Interest will continue to accrue on the taxes until paid on the Plan Distribution Date.

### b. Secured Claims of Priority Filing 1 Lienholders

Pursuant to the Mechanics Lien Judgment, the following creditors are Priority Filing 1 Lienholders, with a senior lien on Filing 1, junior only to outstanding real property taxes and the Surcharge Claim, holding Allowed Claims in the stated amounts:

Lienholder	Principal Amount	Interest Rate through Petition Date, per Judgment	Lien Date	Accrued Interest as of Petition Date	Total Allowed Claim as of Petition Date
Transit Mix Concrete Co.	\$1,254,384.86	12%	09/14/2009	\$65,159.24	\$1,319,544.10
Harding Nursery, Inc. <sup>7</sup>	\$43,845.19	18%	01/08/2010	\$908.14	\$44,753.33
Kwal Howells, Inc.	\$151,163.81	18%	03/01/2010	0	\$151,163.81

c. Secured Claims of Non-Priority Filing 1 Mechanic's Lienholders

Attached hereto as **Exhibit G-1** is a summary of the Non-Priority Filing 1 Mechanic's Lienholder Claims which have been resolved in the Mechanics Lien Litigation (the "**Third Tier Filing 1 Judgment Lienholder Claims**"). Pursuant to the terms of the Mechanics Lien Judgment, interest accrues on these claims at the rate set forth on attached **Exhibit G-1** from the stated Lien Date for each Claim, forward. Because, however, the amount of these Claims exceeds the value of Filing 1, after deducting the Filing 1 Tax Claims, Surcharge Claim, and Secured Claims of Priority Filing 1 Lienholders, interest accrual on these claims will cease as of the Petition Date. The Allowed amount of these Claims, including the total accrued interest on each Claim through the Petition Date, is also set forth on **Exhibit G-1**.

Certain lien creditors filed statements of liens and other similar pleadings in the real property records, but were not parties to the Mechanics Lien Litigation, and have taken no effort to foreclose on or otherwise liquidate their claims. Attached hereto as **Exhibit G-2** is a summary of the additional liens filed against Filing 1 (the "**Unliquidated Filing 1 Lienholder Claims**"). Under

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<sup>7</sup> Claim assigned to ITG CX Harding, LLC in May, 2014.

Colorado law, a mechanics lien creditor must commence an action to foreclose its lien within six months of filing its Statement of Lien, or its lien is lost. While the bankruptcy filing by SRKO stayed all foreclosure actions, as noted on **Exhibit G-2**, many of the liens expired prior to SRKO's Petition Date, and those lien rights were lost.

Finally, SRKO scheduled additional creditors as Secured Creditors in its Schedules (the "**Scheduled Filing 1 Lienholder Claims**"), even though those creditors filed no statements of lien or other claims in the real property records. Attached hereto as **Exhibit G-3** is a list of the Scheduled Filing 1 Lienholder Claims. Because these creditors filed no liens in the real property records, they do not hold valid secured claims.

The Committee and REORGANIZED SRKO reserve the right to dispute the amount of all Unliquidated Filing 1 Lienholder Claims and Scheduled Filing 1 Lienholder Claims, and to dispute whether these Claims are Secured Claims against Filing 1.

d. Vacant Land Secured Claims

Several creditors assert mechanic's lien claims against the Vacant Land which, other than the claim of Rio Grande, were not resolved or determined in the Mechanics Lien Litigation. These creditors have filed pre-petition Statements of Lien against the Vacant Land, but have taken no steps to enforce their lien rights, or liquidate their Claims, in SRKO's bankruptcy case.

Those claims are summarized as follows:

Lien Claimant	Claim Amount	Interest Rate	Lien Date	Notes
Rio Grande	\$78,398.08	12%	1/6/2009	Finally determined per the Mechanics Lien Judgment
LSC Transportation Consultants, Inc.	\$14,246.45	12%	10/27/2009	No proof of claim filed; listed on Debtor's Schedule D in stated amount
Schumann Communications,	\$70,722.44	18%	9/14/2009	Filed Claim 15; Duplicates Allowed Non-Priority Filing 1

LLC				Mechanic's Lienholder Claim
Rockwell Consulting, Inc.	\$40,350.00	18%	10/13/2009	Filed Claim 40
Entech Engineering, Inc.	\$9,338.25	18%	10/13/2009	Filed Claim 39
NES, Inc.	\$53,405.03	18%	2/1/2010	Filed Claim 38

The Committee and REORGANIZED SRKO reserve the right to dispute the amount of the claims of each of the foregoing creditors other than Rio Grande, and whether these claims are properly secured by Liens on the Vacant Land. The foregoing claims were filed within six months prior to the Petition Date, and thus the right of these creditors to foreclose their mechanics' liens had not lapsed prior to the Petition Date, and any foreclosure proceeding was stayed by SRKO's bankruptcy filing.

In addition to the six Vacant Lienholder Claims summarized above, two additional creditors assert Liens against the Vacant Land:

Simplex Grinnell	\$201,645.98	12%	11/24/2008	Duplicates Allowed Non-Priority Filing 1 Mechanic's Lienholder Claim; Filed Claim 19 in amount of \$11,630.90 as general unsecured claim
Consolidated Electric	\$26,356.00		3/28/2009	Listed on Schedule D; Filed Notice of Lis Pendens only; no underlying Statement of Lien

These creditors' Liens expired by operation of Colorado law prior to the Petition Date. The Committee and REORGANIZED SRKO reserve the right to dispute the amount of the claims of each of the foregoing creditors, and whether these claims are properly secured by Liens on the Vacant Land.

4. General Unsecured Claims

General Unsecured Claims are obligations of SRKO that are not Administrative, Priority, or Secured Claims, other than any Claims of the Richardson Estate. Attached hereto as **Exhibit H** is a list of all of the General Unsecured Claims asserted against SRKO's estate, based on filed proofs of claims, or SRKO's bankruptcy Schedules. The Committee reserves the right to dispute all such Claims, except to the extent the Claims have previously been Allowed by a Final Order of the Bankruptcy Court.

5. Jannie Richardson Estate

Under the terms of the Richardson/SRKO Settlement Agreement, in full satisfaction of the claims between the estates (other than the Richardson DIP Loan and the Noah, LLC claims in which the Richardson Estate and SRKO's estate both hold interests); the Richardson Estate has conveyed all real property titled in its name to SRKO; and will receive 35% of future proceeds from the development of the Colorado Crossing project that are available for distribution to creditors holding Allowed General Unsecured Claims.

**V. DESCRIPTION OF THE PLAN**

**A. Summary of Plan Provisions.**

The Committee filed its First Amended Plan of Reorganization on June 30, 2014. The Plan may be amended prior to confirmation. The Plan contemplates two alternative outcomes for the Colorado Crossing development – liquidation and development.

1. REORGANIZED SRKO

Under either alternative, on the Plan Effective Date, all remaining assets of SRKO will be vested in REORGANIZED SRKO, which will be restructured as a Colorado corporation. The existing general and limited partnership interests in SRKO will be cancelled. REORGANIZED SRKO will adopt the New Governance Documents and will appoint the New Management. Except to the extent that they agree to other treatment, all Administrative Claims will be paid on the Plan

Effective Date, and Priority Claims and Secured Tax Claims will be paid in full on the Plan Distribution Date, or as soon thereafter as the claims are Allowed by the Bankruptcy Court by Final Order. The deficiency Claims held by Creditors in Classes 1A (Priority Filing 1 Lienholders); 1B (Non-Priority Filing 1 Lienholders); together with the Allowed Claims in Class 5 (General Unsecured Creditors) will be converted into 65% of the Common Equity of REORGANIZED SRKO. The Claims of the Richardson Estate under the Richardson/SRKO Settlement Agreement will be converted into the remaining 35% of the Common Equity in REORGANIZED SRKO. All Liens asserted by the Priority Filing 1 Lienholders, the Non-Priority Filing 1 Lienholders, and the Vacant Lienholders will be discharged, and title to Colorado Crossing (or the proceeds thereof) will vest in REORGANIZED SRKO free and clear of those Liens.

## 2. Liquidation Alternative.

While the Auction did not result in any offers for Colorado Crossing that were accepted, it remains possible that an offer is received prior to the confirmation of the Plan which would be accepted by the Debtor and the parties and approved by the Court. Should that occur, the Plan becomes a simple liquidating Plan, and serves as the vehicle for the distribution of the proceeds from the sale of Colorado Crossing to the creditors. To the extent the sales have closed prior to the Plan Effective Date, the net proceeds of sale after satisfaction of costs of sale and the Secured Tax Claims will be vested in REORGANIZED SRKO, free and clear of all Liens. To the extent the sales have not closed as of the Effective Date, the sales contracts will be assigned to REORGANIZED SRKO, which will consummate the sales substantially contemporaneously with the Plan Effective Date. REORGANIZED SRKO will not borrow the Exit Loan, and will not issue any Preferred Equity. Rather, the expenses of REORGANIZED SRKO will be funded from the sale proceeds, with the balance distributed to Classes of Claims and to the Common Equity as provided for in the Plan.

Claims of the Priority Filing 1 Lienholders will be paid from the net proceeds of the sale of Filing 1, after payment of the Filing 1 Tax Claims, the Surcharge Claim, and any Post-Effective Date Surcharge Claim. The balance of the proceeds from the sale of Filing 1, if any, after the distributions to the Class 1A Priority Filing 1 Lienholders will be distributed to the Class 1B Non-Priority Filing 1 Lienholders. The Vacant Lienholders' Claims will be paid from the proceeds of the sale of the

Vacant Land. The Administrative and Priority Claims will be paid in full from cash on hand, the proceeds of the Surcharge Claim, and the excess proceeds from the sale of the Vacant Land, as will the administrative and operating costs incurred by REORGANIZED SRKO. The remaining Vacant Land proceeds will be distributed to the holders of the Common Equity in REORGANIZED SRKO. Thus, thirty-five percent (35%) of the remaining sales proceeds will be distributed to the Richardson Trustee for distribution to the creditors of the Richardson Estate; and sixty-five percent (65%) will be distributed Pro Rata to the holders of the Class 5 Allowed Claims (including the deficiency Claims held by the Class 1A and 1B creditors).

### 3. Reorganization Alternative

If any portion of Colorado Crossing remains unsold as of the Plan Effective Date, the Plan calls for the re-vesting of title to the Colorado Crossing project (or that portion which remains unsold), and all other assets of SRKO, in REORGANIZED SRKO, free and clear of all Liens, claims, interests, and encumbrances, except to the extent provided for in the Plan. The Plan calls for the payment of the Administrative, Priority, and Secured Tax Claims as of the Plan Effective Date, for the sale of Filing 1, and for the development of the Vacant Land by REORGANIZED SRKO into developed lots which will then be sold to developers for vertical development.

By the Plan Effective Date, REORGANIZED SRKO will be capitalized by the proceeds from the Exit Loan, in the amount of \$4 million; from the Exit Interest Purchase Agreement, in the amount of \$5 million; and from the proceeds of any Exit Interest Subscription Agreements. The proceeds of these funding sources will be used to satisfy the Allowed Claims to be paid on or as reasonably practicable after the Plan Effective Date, and to provide working capital for REORGANIZED SRKO. REORGANIZED SRKO will sell Filing 1 promptly after the Plan Effective Date. The net proceeds from such sale will be used to satisfy the Filing 1 Tax Claims and the Surcharge Claim, with any excess proceeds distributed to the Class 1A Priority Filing 1 Lienholders, and then to the Class 1B Non-Priority Filing 1 Lienholders. To the extent REORGANIZED SRKO must expend funds to preserve Filing 1 pending consummation of its sale, including expenses such as taxes, insurance, and security (the “**Post-Effective Date Surcharge Claim**”), those funds will be repaid to REORGANIZED SRKO from the proceeds of sale, prior to any distribution to the Class 1A and

Class 1B Creditors. Based on the purchase price of the Star Mesa Contract, there will be no proceeds from the sale of Filing 1 to distribute to either Class 1A or Class 1B creditors, and their sole distribution will be their proportionate share of the Common Equity in REORGANIZED SRKO.

Upon closing under the Star Mesa Contract, Star Mesa will acquire additional Preferred Equity in REORGANIZED SRKO, which will be used by REORGANIZED SRKO to perform its obligations under the Star Mesa Contract. As REORGANIZED SRKO proceeds with the development of the Vacant Land, the net proceeds from the development will be used (i) to satisfy the Exit Loan, the Allowed Claims of the Vacant Lienholders, and any Assumed Liabilities, and (ii) to redeem the Preferred Equity issued pursuant to the Exit Interest Purchase Agreements and any Exit Interest Subscription Agreements. All remaining proceeds will be distributed to the Holders of the Common Equity in REORGANIZED SRKO.

REORGANIZED SRKO shall have the right to take possession of all books and records of SRKO, and will control the attorney-client privilege of SRKO. Management of REORGANIZED SRKO will work cooperatively with counsel for SRKO to identify those books and records which are necessary for REORGANIZED SRKO's business operations, which will be delivered to REORGANIZED SRKO upon its request. Management of REORGANIZED SRKO will be authorized to direct counsel to SRKO to destroy any other books and records no longer necessary for future operations or for performance of the Plan.

For a more detailed discussion of the formation, structure, capitalization, and management of REORGANIZED SRKO and the anticipated development of the Vacant Land, see Section V.D. below.

#### **B. Classification and Treatment of Allowed Claims and Interests**

The Plan provides for the specification and treatment of all creditors and Interest holders of SRKO. The Plan identifies whether each Class is impaired or unimpaired. A Class is unimpaired only if the Plan leaves unaltered the legal, equitable or contractual obligations between SRKO and the unimpaired claimants or interest holders. The following is a brief summary of the classification

and treatment of all Claims against and Interests in SRKO. The actual text of the Plan should be reviewed for more specific detail.

1. Unclassified Administrative and Priority Claims

As provided in Section 1123(a)(1) of the Code, Administrative Claims, Priority Claims, and Priority Tax Claims are not classified in the Plan. The holders of such Allowed Claims are not entitled to vote on the Plan.

a. Administrative Claims

Administrative Claims will be paid in cash on the latest of (a) the Plan Effective Date or as soon as reasonably practicable after the date on which the Bankruptcy Court allows such Claim pursuant to a Final Order, (b) the date such Administrative Claim becomes payable pursuant to applicable statute or contract governing the terms of payment of such Administrative Claim; or (c) upon such other terms as may be mutually agreed between the Holder of such Administrative Claim and REORGANIZED SRKO. The Committee expects that the following creditors will hold claims against the SRKO estate which constitute unpaid cost and expense of administration claims as of the Effective Date of the Plan estimated as of October 31, 2014.

Claimant	Description	Amount	Notes
Kutner Brinen Garber, P.C.	Legal Fees – Counsel to Debtor	\$255,000	
Sweetbaum, Levin and Sands, P.C.	Legal Fees – Special Lien Counsel	\$85,000	
Sherman & Howard, LLC and Butler Snow LLP.	Legal Fees - Special District Counsel	\$8,000	
Richardson Trustee	Trustee Compensation	\$250,000 to	

		\$375,000	
Lindquist & Vennum, LLP	Legal Fees – Trustee Counsel	\$1 million	
Fairfield and Woods, P.C.	Legal Fees – Committee Counsel	\$250,000	
Nelson & Company, P.C.	Accountants to SRKO	\$0	
Edward B. Cordes	Examiner	\$48,462	
Project One	Debtor Consultant	\$5,264	
N.A. Rieger	DIP Loan	\$167,000	
Richardson Estate	DIP Loan	\$895,500	
JSGE, LLC	DIP Loan	\$133,000	
El Paso County Treasurer	Post-Petition Real Property Taxes	\$850,000	
NRC	Auctioneer Breakup Fee	\$100,000	Due only if at least one bid submitted at Auction is deemed to be qualifying bid

Highest Auction Bidder	Breakup Fee	\$10,000 to \$20,000	Due to bidder submitting highest and best qualifying bid at Auction if bid is rejected
Colorado Springs Utilities	Utilities	\$10,289.85	Disputed

To the extent not previously Allowed by Final Order, all Professional Fee Claims are subject to Court approval on notice to creditors with an opportunity for a hearing. Certain professional fees may be paid pursuant to interim fee applications and upon Court allowance. The fees set forth above are the total unpaid fees expected in the case as of the estimated Effective Date of the Plan.

The Committee may reach agreement with the holders of certain Administrative Claims for the terms by which payment of their Allowed Administrative claims may be deferred and paid by REORGANIZED SRKO from the proceeds of future development of Colorado Crossing, each, an “**Assumed Liability**.” A summary of the terms of each such Assumed Liability agreement will be set forth on **Exhibit I**.

Except as noted above, SRKO has paid all other administrative expenses in the ordinary course of business during the course of the bankruptcy case, and therefore does not believe that any other material administrative claims exist against the estate.

b. United States Trustee Fees

SRKO will make all payments required to be paid to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) until the Effective Date of the Plan. REORGANIZED SRKO will pay any fees due the U.S. Trustee thereafter until the Bankruptcy Case is closed. REORGANIZED SRKO’s obligation to file post confirmation quarterly reports pursuant to 11 U.S.C. § 1930(a)(7) and to pay fees to the U.S. Trustee continues until the Chapter 11 case is dismissed, converted or closed. Since it is expected the case will be closed and a Final Decree entered shortly after the Effective Date, it is not expected that the fees will be a material post-petition obligation. The fee due for the quarter in which the Plan

Effective Date occurs could be as much as \$20,000.00. Thereafter, the Committee anticipates the fees to be nominal.

c. Priority Tax Claims

The Allowed Claims of a type specified in Section 507(a)(8) of the Code, Tax Claims of governmental taxing authorities, other than Secured Tax Claims, shall be paid on the Distribution Date. The Committee is unaware of any Priority Tax Claims.

d. Other Priority Claims

Any other Allowed Priority Claims shall be paid on the later of the Distribution Date or the date such Claims are Allowed by Final Order. The Committee does not anticipate any other Priority Claims.

2. Class 1A, Allowed Secured Claims of the Priority Filing 1 Mechanic's Lienholders

The Class 1A Secured Claims are impaired by the Plan, and creditors holding these claims are entitled to vote on the Plan. Under the Plan, these Claims are Allowed in the amount set forth in the Mechanics Lien Judgment, including interest accrued on the principal amount of the Claims through the Petition Date as set forth in the Mechanics Lien Judgment. These Claims will receive the net proceeds from the sale of Filing 1, after satisfaction of the Filing 1 Tax Claims, the Surcharge Claim, and the Post-Effective Date Surcharge Claim. To the extent the Allowed Class 1A Secured Claims are not paid in full from the proceeds of Filing 1, they will hold deficiency claims which will be Allowed Claims in Class 5 of the Plan. To the extent the proceeds of Filing 1 are sufficient to satisfy the principal amount of the Allowed Claims in Class 1A, interest will accrue on the Allowed Claims at the Interest Rate, from the Petition Date until paid, until all accrued interest is also paid. The Plan modifies the interest rate accruing on the Class 1A Claims from the Petition Date forward to the Interest Rate of 3.25%, which fairly reflects the current market interest rates for senior liens on real property. All Liens asserted by the Class 1A creditors against Colorado Crossing will be discharged and extinguished, and title to Colorado Crossing will vest in REORGANIZED SRKO free and clear of all such Liens.

Based on the terms of the Star Mesa Contract, there is insufficient value in Filing 1 to satisfy the Surcharge Claim in full, and thus there will be no distribution to the Class 1A Creditors on account of their secured claims. Rather, the Allowed Claims of the Class 1A Creditors will become Class 5 General Unsecured Claims. Should the Star Mesa Contract fail to close, REORGANIZED SRKO will continue to market Filing 1 for sale, and, upon closing of the sale, will distribute the net proceeds thereof, if any, to the Class 1A Creditors after payment in full of the Filing 1 Tax Claims, the Surcharge Claim, and any Post-Effective Date Surcharge Claim, up to the amount of the Allowed Claims in Class 1A, including interest through the Petition Date at the rate set forth in the Mechanics Lien Judgment, and interest thereafter at the Interest Rate of 3.25%.<sup>8</sup>

In addition, as discussed in Section V.D.2. below, if REORGANIZED SRKO proceeds with development of the Vacant Land, Holders of Allowed Claims in this Class, and their Creditor Affiliates, will be given the opportunity to submit Exit Interest Subscription Agreements to purchase Preferred Equity in REORGANIZED SRKO.

Finally, the Plan contemplates that the Class 1A creditors may assert a right to credit bid their secured claims and take title to Filing 1. In order to exercise this right, the Class 1A creditors must file with the Court and deliver their written credit bid to the Plan Proponents by the Voting Deadline, together with proof of their ability to perform. The credit bid must require closing to occur within 10 days of the Plan Effective Date. All disputes over any credit bid submitted pursuant to the Plan, including whether the creditor asserting the credit bid has a right to do so, whether the bid submitted qualifies as a credit bid, whether the Court should disallow or limit any credit bid for cause, and whether the credit bid is in the best interests of the estate and the Reorganized Debtor, shall be determined by the Bankruptcy Court at the Confirmation Hearing. Transit Mix and ITG have indicated to the Plan Proponents that they are investigating whether to assert a credit bid.

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<sup>8</sup> Note that the Liquidation Analysis attached hereto as Exhibit L uses the value of Filing 1 as determined by Star Mesa Contract as the liquidation value for Filing 1. As a result, the sales proceeds for Filing 1 in liquidation do not generate sufficient cash proceeds to pay the Surcharge Claim in full. Should the Star Mesa contract be terminated, and should Filing 1 be sold to an alternative purchaser for a higher purchase price, the full Surcharge Claim up to the total amount of \$1,130,214.98 will be recouped from such higher purchaser price, together with any Post-Effective Date Surcharge Claim, prior to any distribution to the Class 1A creditors.

3. Class 1B, Allowed Secured Claims of the Non-Priority Filing 1 Mechanic's Lienholders

The Class 1B Secured Claims are impaired by the Plan, and creditors holding these claims are entitled to vote on the Plan. Under the Plan, those Class 1B Claims that were liquidated in the Mechanics Lien Judgment will be Allowed in the amount set forth in the Mechanics Lien Judgment, including interest accrued on the principal amount of the Claims through the Petition Date as set forth in the Mechanics Lien Judgment. These Claims will receive the net proceeds from the sale of Filing 1, after satisfaction of the Filing 1 Tax Claims, the Surcharge Claim, any Post-Effective Date Surcharge Claim, and the Allowed Claims in Class 1A of the Plan (including the post-petition interest accrued thereon at the Interest Rate). To the extent the Allowed Class 1B Secured Claims are not paid in full from the proceeds of Filing 1, they will hold deficiency claims which will be Allowed Claims in Class 5 of the Plan. All Liens asserted by the Class 1B creditors against Colorado Crossing will be discharged and extinguished, and title to Colorado Crossing will vest in REORGANIZED SRKO free and clear of all such Liens.

As discussed above, the Committee does not believe that Filing 1 has sufficient value to satisfy the Filing 1 Tax Claims and the Surcharge Claim, and thus the Committee does not believe the Class 1B Creditors will receive any distribution on account of their Class 1B Secured Claims. Rather, the Committee believes that the Allowed Claims of the Class 1B Creditors will become Class 5 General Unsecured Claims. While the Class 1B Creditors have the legal right to assert credit bids of their secured claims, the Plan Proponents do not believe any Class 1B Creditors intend to assert such a right.

In addition, as discussed in Section V.D.2. below, if REORGANIZED SRKO proceeds with development of the Vacant Land, Holders of Allowed Claims in this Class who held Claims against the Debtor as of the Petition Date, and their Creditor Affiliates, will be given the opportunity to submit Exit Interest Subscription Agreements to purchase Preferred Equity in REORGANIZED SRKO.

4. Class 2, Allowed Secured Claims of the Vacant Mechanic's Lienholders

The Class 2 Allowed Secured Claims are impaired by the Plan, and creditors holding these claims are entitled to vote on the Plan. The Plan provides that, at the election of SRKO or REORGANIZED SRKO, these Claims will (a) be paid in full on the Distribution Date; (b) be assumed by REORGANIZED SRKO and paid from the first proceeds available from the sale from the proceeds of all or any portion of the Vacant Land; or (c) be paid in accordance with agreements reached with any creditor holding an Allowed Claim in Class 2. Interest will accrue on the Allowed Claims in Class 2 at the Interest Rate from the Petition Date until paid. All Liens asserted by the Class 2 creditors against Colorado Crossing will be discharged and extinguished, and title to Colorado Crossing will vest in REORGANIZED SRKO free and clear of all such Liens.

These Claims will receive the net proceeds from the sale of the Vacant Land. If REORGANIZED SRKO proceeds with the reorganization alternative, as all or any portion of the Vacant Land is sold, the Class 2 creditors will be paid 75% of the net proceeds of each such sale, after the payment of any release price due under the Exit Loan, if any, until such time as the Allowed Class 2 Claims have been paid in full. REORGANIZED SRKO may retain the remaining 25% of net proceeds as working capital or to retire other obligations of REORGANIZED SRKO. The Committee believes there is sufficient value in the Vacant Land to pay the Class 2 Claims in full, under either the reorganization or liquidation alternatives.

In addition, as discussed in Section V.D.2. below, if REORGANIZED SRKO proceeds with development of the Vacant Land, Holders of Allowed Claims in this Class, and their Creditor Affiliates, will be given the opportunity to submit Exit Interest Subscription Agreements to purchase Preferred Equity in REORGANIZED SRKO.

5. Class 3, Secured Tax Claims

The Class 3 Secured Tax Claims are unimpaired by the Plan. At the election of REORGANIZED SRKO, each Secured Tax Claim (a) will be paid in cash on the Distribution Date; or (b) will be paid on such alternate terms as REORGANIZED SRKO and the Holder of each such

Claim shall agree. All Liens asserted by the Class 3 creditors against Colorado Crossing will be discharged and extinguished, and title to Colorado Crossing will vest in REORGANIZED SRKO free and clear of all such Liens.

6. Class 4 – Other Secured Claims.

The Committee is unaware of any Allowed Claims in Class 4 of the Plan. To the extent any exist, any other Allowed Secured Claims are impaired by the Plan. To the extent any such Claims are asserted, the collateral securing such claims will be valued in accordance with § 506 of the Bankruptcy Code. To the extent such valuation confirms that the claims are Secured, and not Unsecured, these Claims will, at the election of REORGANIZED SRKO, (a) be paid in full on the Distribution Date; (b) be assumed by REORGANIZED SRKO and paid from the first proceeds available from the sale of the collateral securing such Claim; (c) be paid in accordance with agreements reached with any creditor holding an Allowed Claim in Class 4; (d) the property securing such Claim may be abandoned to all creditors holding Allowed Claims against it; or (e) the rights of the creditors in this class may be left unimpaired. Interest will accrue on the Allowed Claims in Class 4 at the Interest Rate from the Petition Date until paid. Liens asserted by the Class 4 Creditors will remain intact, and title to such assets will vest in REORGANIZED SRKO subject to such Liens.

7. Class 5 – General Unsecured Claims

The Class 5 General Unsecured Claims are impaired by the Plan, and creditors holding these claims are entitled to vote on the Plan. The Allowed Class 5 General Unsecured Claims (together with the Creditors holding Allowed Claims in Classes 1A and 1B) will receive 65% of the Common Equity in REORGANIZED SRKO. The Common Equity will be distributed to the Holders of these Claims Pro Rata.

In addition, as discussed in Section V.D.2. below, if REORGANIZED SRKO proceeds with development of the Vacant Land, Holders of Allowed Claims in this Class, and their Creditor Affiliates, will be given the opportunity to submit Exit Interest Subscription Agreements to purchase Preferred Equity in REORGANIZED SRKO.

8. Class 6 – Richardson Estate

The Class 6 Claim is impaired by the Plan, and the Richardson Trustee is entitled to vote on the Plan. The Richardson Estate will receive 35% of the Common Equity in REORGANIZED SRKO.

9. Class 7 - Interests Held by Pre-Confirmation Partners

Class 7 includes the Interests in SRKO held by the pre-confirmation partners. All existing Interests in SRKO will be canceled on the Plan Effective Date; and the Holders of those Interests will receive no Distribution under the Plan. Class 7 is impaired and is deemed to reject the Plan, and thus Holders of Interests will not be entitled to vote on the Plan.

10. Treatment of Arguably Non-Recourse Claims

Many of the contractors and suppliers to the Debtor entered into contracts with Sunshine Development, the developer of Colorado Crossing, rather than the Debtor. Absent any other legal theory making the Debtor liable for their claims, under Colorado state law, their recourse may be limited to their Liens on Filing 1 (which the Committee believes have no economic value) and claims against Sunshine Development. The Committee believes that all of the contractors and suppliers have a legal basis for asserting claims against the Debtor on a variety of legal theories, including *quantum meruit*, unjust enrichment, fraud or misrepresentation, alter ego, and piercing the corporate veil. Litigating any issues related to whether these creditors have a basis for asserting claims against the Debtor would be both expensive and time-consuming. Thus, the Plan proposes to settle any issues related to whether contractors or suppliers who provided goods or services to the Colorado Crossing project have recourse claims by acknowledging the Debtor's personal liability for such claims, and treating all such claims as recourse.

11. Application of Section 1111(b) of the Bankruptcy Code

Section 1111(b) of the Bankruptcy Code permits creditors with liens on assets that are to be retained pursuant to a plan of reorganization, whose claims are not treated as being fully secured by

the collateral securing them, to make an election to have their claims be treated as if they are fully secured, which election must be made prior to approval of a disclosure statement for the plan. Such an election must be made collectively by the class of creditors whose claims hold equal priority in the underlying collateral, and requires a vote of creditors holding 2/3 in dollar amount, and a majority in number, of the allowed claims in each class.

Such an election may not be made, however, if either (a) the “interest on account of such claims of the holders of such claims in such property is of inconsequential value”; or (b) the property securing the collateral is proposed to be sold pursuant to the Plan. The Plan proposes to sell Filing 1 pursuant to the Star Mesa Contract, or, if that contract fails to close, to another purchaser. In addition, the value of Filing 1, as determined by the terms of the Star Mesa Contract and the fact that no bids were made on Filing 1 at the Auction, establishes that the interest of the Class 1A and Class 1B creditors in Filing 1 is of inconsequential value. Thus, a Section 1111(b) election is not available to either Class 1A or Class 1B creditors.

**C. Leases and Executory Contracts**

As provided in the Plan, on the Effective Date of the Plan, all executory contracts and unexpired leases of the Debtor, other than Confidentiality Agreements, will be rejected, except to the extent any such lease or contract has been assumed by prior Final Order, or a motion to assume such a lease or contract is pending as of the Confirmation Hearing. The Committee is not aware of any pre-petition leases or contracts which have been assumed by prior Final Order, or which will be the subject of a motion to assume.

To the extent any party to a rejected lease or executory contract rejected under the Plan wishes to assert a Claim for damages arising out of such rejection, such party must file a proof of claim and serve such proof of claim on REORGANIZED SRKO within thirty (30) days after the filing and mailing of notice of the occurrence of the Effective Date. Any such Claim that is not timely filed will receive no Distribution under the Plan on account of such Claim.

**D. Means For Execution Of The Plan**

**1. Vesting of Title in REORGANIZED SRKO**

On the Plan Effective Date, except as otherwise provided in the Plan, title to all unsold portions of Colorado Crossing, all proceeds of the sale of any portion of Colorado Crossing consummated prior to the Plan Effective Date, all contracts for the sale of all or any portion of Colorado Crossing approved by Final Order which have not been consummated as of the Plan Effective Date, and any other residual assets of SRKO will vest in REORGANIZED SRKO, free and clear of all Liens except for 2014 real property taxes due and payable in 2015.

2. Capitalization of REORGANIZED SRKO – Reorganization Option Only

a. Exit Loan. On the Plan Effective Date, REORGANIZED SRKO will have the ability to draw on funds available through the Exit Loan, in the amount of up to \$4 million. The Exit Loan Documents have been submitted to the Court in the Plan Supplement. The Exit Loan will be provided by GEJCC, a Colorado corporation and a member of the Committee. GEJCC has secured a loan from Wells Fargo Bank (the “**Bank Loan**”), which Bank Loan is secured by certain of GEJCC’s assets. Attached hereto as **Exhibit P** is a confirmation letter from Wells Fargo Bank, confirming the basic terms of the loan it has made to GEJCC. GEJCC will advance the proceeds of the Bank Loan to REORGANIZED SRKO. The economic terms and conditions of the Exit Loan will be substantially identical to the Bank Loan, except that the interest rate to be paid by REORGANIZED SRKO to GEJCC will be 5% higher than the interest rate paid by GEJCC on the Bank Loan (the “**Bank Rate**”). The Bank Rate is the Wells Fargo Prime Rate less .75%. As of the date of this Disclosure Statement, the Wells Fargo Prime Rate is 3.25%; thus the Bank Rate would be 2.5%, and the interest rate to be paid by REORGANIZED SRKO would be 7.5%. The following is a summary of the primary terms and conditions of the Exit Loan:

- Exit Lender: GEJCC

- Principal Amount: \$4,000,000; advances will be made pursuant to draw requests; no draw requests may be submitted after September 30, 2015
- Collateral: Deed of Trust Lien on the Vacant Land junior only to 2014 real property taxes
- Non-Default Interest Rate – 5% over the Bank Rate
- Default Interest Rate – 5% over the Bank Default Rate
- Fees and Costs – a pass-through of the fees and costs for the Bank Loan, which include the Bank’s legal fees, and other similar costs; together with GEJCC’s legal fees and costs
- Payment terms – Interest payable monthly; principal payments pursuant to the Release Schedule, with minimum principal payments of \$500,000 due as of August 1, 2015, May 1, 2016, and November 1, 2016, and May 1, 2017.
- Maturity Date – May 1, 2017.

Please review the Exit Loan Documents included in the Plan Supplement for all the terms and conditions of the Exit Loan.

The Committee worked with GEJCC and UCC to develop terms for the Exit Loan and the Preferred Equity that reflect the current economic market for such financing while providing REORGANIZED SRKO with the greatest chance at success. SRKO had solicited proposals from several lenders specializing in distressed projects, each of which offered to provide exit financing and/or equity investments at higher interest rates, with increased fees, and/or for shorter terms, than the terms proposed by GEJCC and UCC.

b. Exit Interest Purchase Agreement

UCC has agreed to enter into the Exit Interest Purchase Agreement, which has been submitted to the Court as a part of the Plan Supplement. Pursuant to the Exit Interest Purchase Agreement, UCC has agreed to acquire Preferred Equity in REORGANIZED SRKO for a purchase price of \$5,000,000. The Preferred Equity will receive a preferred return of 12% from REORGANIZED SRKO, before any Distribution is made to the Common Equity. The preferred

return will be paid as funds are available within REORGANIZED SRKO, but no preferred return shall be paid until the Exit Loan, the Claims of the Vacant Lienholders, and any Assumed Liabilities have been paid in full. REORGANIZED SRKO may redeem the Preferred Equity, in full or in part, at any time after the senior obligations have been paid; so long as the preferred return then outstanding is paid in full at the same time.

c. Exit Interest Subscription Agreement

Each holder of an Allowed Claim in Classes 1A, 1B, 2, and 5, and their Creditor Affiliates, shall be given the opportunity to subscribe to Preferred Equity in REORGANIZED SRKO, for a total subscription amount equal to the total amount of such holder's Allowed Claim. Each party interested in purchasing Preferred Equity in REORGANIZED SRKO may request a Subscription Package from the Committee and may complete an Exit Interest Subscription Agreement and submit it to the Committee in connection with the submission of its Ballot on the Plan. All Subscription Agreements must be received by the Voting Deadline. Funding of the subscription shall be due no later than the Plan Effective Date. Any Subscription Agreement not fully funded by the Plan Effective Date will be canceled. To the extent REORGANIZED SRKO receives total subscriptions for Preferred Equity, pursuant to the Exit Interest Purchase Agreement and Exit Interest Subscriptions, for a total amount that exceeds REORGANIZED SRKO's anticipated development needs, in the exercise of its reasonable business judgment, REORGANIZED SRKO is free to reject any such subscriptions, in full or in part, and shall provide notice of such rejection to all affected subscribers prior to the Plan Effective Date. The Preferred Equity issued pursuant to any Exit Interest Subscription Agreements shall have the same rights, and shall receive the same preferred return, as the Preferred Equity to be issued to the Exit Lender; provided, however, that the Preferred Equity issued to all other holders shall be redeemed by REORGANIZED SRKO before the Preferred Equity issued to the UCC is redeemed; and further provided that, upon closing of the Star Mesa Contract and its subscription to \$2 million of Preferred Equity in REORGANIZED SRKO, its Preferred Equity will be redeemed *pari passu* with the Preferred Equity of UCC.

3. Governance of REORGANIZED SRKO

The New Governance Documents for REORGANIZED SRKO have been filed with the Court in the Plan Supplement. The following is a summary of the key provisions of the Governance Documents:

- REORGANIZED SRKO shall be a Colorado corporation.
- REORGANIZED SRKO shall have a 5-person board of directors.
- So long as any Preferred Equity is outstanding, the holders of Preferred Equity shall be entitled to elect three members to the board of directors; and the holders of Common Equity shall elect two members. Upon full redemption of all Preferred Equity, the Common Equity shall elect all board members.
- REORGANIZED SRKO will issue Class A Common Stock to the holders of Allowed Claims in Classes 1A, 1B, 5, and 6 pursuant to the terms of the Plan.
- The board of directors shall have the authority to make all management decisions for REORGANIZED SRKO without a vote of the equity holders, except the following:
  - Sale or liquidation of substantially all of the remaining assets of REORGANIZED SRKO, other than the final sale of developed lots by REORGANIZED SRKO in the ordinary course of business
- Each member of the board of directors will be paid compensation in the amount of \$1,000 per board meeting; the board will meet every two months.
- The board of directors shall elect the officers of REORGANIZED SRKO. The initial officers shall be James E. Sorensen, Chief Executive Officer; and Peter Speiser, President. The resumes of Mr. Sorensen and Mr. Speiser are attached hereto as **Exhibit J**. Mr. Sorensen and Mr. Speiser have agreed to serve in these capacities without compensation. Should different officers be elected by the board in the future, the board may determine appropriate compensation for such officers. Mr. Sorensen and Mr. Speiser are executives in construction companies that provide services to real estate developers; neither has direct experience in real estate development. Mr. Sorensen and Mr. Speiser have served as the lead representatives of mechanics' lien creditors whose claims are classified in Class 1B of the Plan throughout this bankruptcy case. The authority of the officers and board members of REORGANIZED SRKO are subject to the limitations on their authority set forth in the New Governance Documents.

- REORGANIZED SRKO will limit the liability of its officers and directors, and indemnify its officers, director, and employees, to the fullest extent permitted by applicable law in Colorado.
- REORGANIZED SRKO may retain such professionals as it elects to represent it in connection with the fulfillment of its obligations under the Plan, and in proceeding with completion of the development of Colorado Crossing and sales of developed lots.
- The Articles of Incorporation for REORGANIZED SRKO provide that, if a shareholder wishes to transfer its stock to a third party, it must submit a notice to the Board of Directors of REORGANIZED SRKO identifying the shares to be sold, the price and terms of sale, the name of the proposed purchaser, and the date of closing. REORGANIZED SRKO shall have the right to purchase the stock on the same terms within 30 days of delivery of the notice. If REORGANIZED SRKO chooses not to purchase the stock, then the remaining shareholders have an additional 30-day period to purchase the stock on the same terms. If neither REORGANIZED SRKO nor any other shareholder exercises these rights of first refusal, then the shareholder is free to convey the stock to the proposed purchaser.
- The Articles of Incorporation further provide that if Class A Common Stock is transferred to a party which did not hold a Claim against the Debtor as of the Petition Date, February 19, 2010, that subsequently becomes an Allowed Claim in the Bankruptcy Case, or is not a Creditor Affiliate of such a holder of a Claim, then, upon closing of the conveyance, the stock will be automatically converted to Class B Common Stock, which is non-voting stock. The Committee has imposed these limitations on conveyance of stock because the Committee believes that the creditors who will be issued Class A common stock pursuant to the Plan have a commonality of interest in the successful development of Colorado Crossing and the maximization of the return to creditors as a result of the successful completion of that development. The Committee believes that conversion of the stock to non-voting stock upon conveyance of stock to a party who was not a creditor of the Debtor when it filed bankruptcy preserves that commonality of interest. The Committee believes the conversion to non-voting stock upon conveyance to a non-creditor is permitted by the Bankruptcy Code, which prohibits issuance of non-voting stock pursuant to a plan, but does not prohibit the subsequent conversion of voting stock to non-voting stock upon the occurrence of subsequent events.

#### 4. Use of Funds

REORGANIZED SRKO will have access to at least \$9 million, including the proceeds of the \$4 million Exit Loan and the \$5 million of Preferred Equity to be issued to UCC. REORGANIZED

SRKO contemplates an initial distribution to Administrative and Priority Creditors, the Secured Tax Claims against the Vacant Land, and the Filing 1 Tax Claims, totaling \$5,725,000. Thus, REORGANIZED SRKO will have immediate access to funds totaling \$3,275,000 as working capital for the development of the Vacant Land, and to pay any holding costs related to ownership of Filing 1 until it is sold. REORGANIZED SRKO does not contemplate ever fully drawing on the available funds. Upon closing of the Star Mesa Contract, Star Mesa will subscribe to additional Preferred Equity of \$2 million, which will be used by REORGANIZED SRKO to satisfy its obligation to complete the Parking Garage, as required by the Star Mesa Contract.

5. Project Manager

The Committee issued Requests for Proposal to developers and project managers in the area which were considered by the Committee to have the requisite expertise to effectively supervise the development of Colorado Crossing. Two parties submitted formal RFP's to the Committee for consideration, and the Committee had conversations with several others. From that process, the Committee has selected Scott Smith to serve as the initial project manager for REORGANIZED SRKO. Mr. Smith will be a salaried employee of REORGANIZED SRKO, and will be provided appropriate incentive compensation as approved by the directors of REORGANIZED SRKO. Mr. Smith's resume is attached hereto as **Exhibit J-1**. Mr. Smith was retained by SRKO, after the appointment of the Richardson Trustee, to provide certain project management services to SRKO, and has been paid \$6,000 per month for those services.

6. Anticipated Development of Colorado Crossing

Assuming the reorganization option is pursued, REORGANIZED SRKO will proceed with the development of the Vacant Land in the exercise of its reasonable business judgment. REORGANIZED SRKO anticipates selling Filing 1 promptly after the Plan Effective Date, without significant further development activity. REORGANIZED SRKO will proceed with the development and sale of the Vacant Land. It is anticipated that the development of the Vacant Land and the sale of all developed lots will be completed within five years after the Plan Effective Date.

Attached hereto as **Exhibit K** are financial projections prepared by the Committee regarding the potential development and sale of the Vacant Land (the “**Financial Projections**”). The Financial Projections set out the key assumptions for future development of the Vacant Land, the projected costs of development, the anticipated timing and pricing of developed lot sales, and the projected timing of and return to the Preferred Equity and Common Equity.

The Committee’s Financial Projections include the following key assumptions:

- ✓ REORGANIZED SRKO will have immediate access, from the Exit Loan and subscriptions to Preferred Equity, of no less than \$9 million;
- ✓ Within 30 days after the Plan Effective Date, REORGANIZED SRKO will close on the sale of Filing 1 to Star Mesa, eliminating any further carrying costs for that property, but imposing on REORGANIZED SRKO the obligation of completing the Parking Garage;
- ✓ The Vacant Land, consisting of approximately 106.25 developable acres, will be subdivided and developed into finished lots and sold to developers over a period of five years, with the earliest closing to occur in November of 2015, the final lots closing in December of 2019.
- ✓ The lots will be sold at prices ranging from \$5.31/sf to \$22.52, depending on size, location, purpose, and timing of sale, with the average lot price being \$9.27/sf.

The Financial Projections are based on a 2012 analysis prepared by LCP, the consultant retained by SRKO and Richardson Trustee, of the potential development of Colorado Crossing. A copy of LCP’s original sales projections are attached hereto as **Exhibit O**. LCP prepared a detailed development plan that included a budget for the completion of the development of Filing 1 and the sale of finished buildings, and for the completion and sale of developed lots on the Vacant Land. LCP’s plan included the proposed uses of individual lots, the anticipated prices per square foot of each developed lot, the anticipated cost of development, and the timing of each lot sale, within the Vacant Land, together with projected recoveries of costs of common area development from the

metro districts. In the Financial Projections, the Committee has adopted all of LCP's assumptions, subject to the following modifications:

- Updates the timing of potential Vacant Land lot sales by delaying the sale of each developed lot by approximately 18 months from the sale date projected by LCP, to account for the delay in proceeding with a development plan from the completion of that report until now;
- Eliminates the budget for potential completion of the development of Filing 1, and the projected proceeds from the sale of completed buildings on Filing 1, given REORGANIZED SRKO's intent to sell Filing 1 in its current condition, without further development, and assumes the closing of the sale of Filing 1 will occur substantially contemporaneously with the Plan Effective Date
- Includes a budget for the administrative, overhead, and holding costs of REORGANIZED SRKO, including such items as salaries and insurance, which were not factored into the LCP analysis.
- Increases the marketing expenses from 5% to 8% of gross sales.

The Committee recognizes that LCP's projected development costs are two years old. LCP's assumptions as to lot prices are also two years old. The Financial Projections assume that REORGANIZED SRKO will, prior to proceeding with development of the Vacant Land, conduct a further market study and will modify the proposed configuration and use of lots to be developed on the Vacant Land as appropriate based on the result of that market study. The Committee believes that, to the extent the cost of development has increased in the past two years, that increase is offset by corresponding increases in land values. In addition, the Financial Projections assume that the Cinemark receivable will be collected and fully expended by SRKO prior to the Plan Effective Date, and that no cash on hand will be delivered to REORGANIZED SRKO on the Plan Effective Date. To the extent cash on hand is delivered to REORGANIZED SRKO, it would reduce the need to borrow funds for working capital, improving the return to creditors.

Representatives of the Committee recently met with a leading commercial real estate broker in Colorado Springs to review the key pricing assumptions underlying the Financial Projections. That broker confirmed that, in his opinion, the pricing set forth in the Financial Projections for the proposed developed lots within Colorado Crossing is reflective of pricing that is reasonably likely to be realized for the sale of comparable developed lots in the Colorado Crossing area. The broker also

confirmed that there is current development activity in the area near the Colorado Crossing project which, he believes, enhances the potential for significant interest in the developed lots in Colorado Crossing, when ready and available for sale.

Representatives of the Committee also discussed the Financial Projections with Scott Smith, the proposed Project Manager to be retained by REORGANIZED SRKO after confirmation of the Plan. Mr. Smith had been previously retained by SRKO to provide certain consulting services, and had prepared financial projections using a more conservative development model than that reflected in the LCP projections.

As a result of these discussions, the Committee has prepared a more conservative set of Financial Projections, attached hereto as **Exhibit K-1** (the “**Modified Financial Projections**”). The key differences between the Financial Projections and the Modified Financial Projections are that the Modified Financial Projections are premised on the following different or additional assumptions:

- Increased the projected cost of infrastructure development, offset, in part, by increased reimbursement from metro districts;
- Assumed developed lots will be sold over 10 years, rather than 5, with no further adjustment in sales prices;
- Assumed the conduct of a second market study approximately five years into performance under the plan to re-evaluate the best markets and pricing strategies for any unsold property; and
- Increased planning costs and the contingency reserve.

There is no assurance that either the Financial Projections or the Modified Financial Projections (jointly, the “**Projections**”) may be achieved, and the actual performance of REORGANIZED SRKO may vary, potentially substantially, from these projections.

Premised on the Financial Projections, it is currently anticipated that

- i. the Exit Loan will be fully repaid by November of 2015,

- ii. all Preferred Equity will be fully redeemed by January of 2017;
- iii. that the Class 5 creditors (including the Class 1A and 1B Creditors) may receive distributions in the total amount of approximately \$19.65 million, representing a range of 59% to 64.5% of their Allowed Claims, depending on the ultimate Allowed amounts of all Claims in Class 5, with those distributions occurring from 2017 to 2019; and
- iv. the Jannie Richardson Estate is projected to receive approximately \$10.5 million on account of its Common Equity.

Premised on the Modified Financial Projections, it is currently anticipated that

- i. the Exit Loan will still be fully repaid by November of 2015,
- ii. all Preferred Equity will be fully redeemed by July of 2017;
- iii. that the Class 5 creditors (including the Class 1A and 1B Creditors) may receive distributions in the total amount of approximately \$17.79 million, representing a range of 53.45% to 58.42% of their Allowed Claims, depending on the ultimate Allowed amounts of all Claims in Class 5, with those distributions beginning in 2017 and continuing through 2024; and
- iv. the Jannie Richardson Estate is projected to receive approximately \$9.6 million on account of its Common Equity.

As a condition to confirmation of a plan of reorganization, the Bankruptcy Code requires, among other things, that the Bankruptcy Court find that confirmation is not likely to be followed by either a liquidation or the need to further reorganize SRKO. The Committee has analyzed whether REORGANIZED SRKO will have sufficient liquidity and capital resources to fulfill its obligations under the Plan while continuing to operate its business. Accordingly, the Committee, in reliance on the detailed analysis conducted by LCP, has developed and prepared the Projections, which were prepared in good faith, based upon estimates and assumptions that were reasonable in light of current

circumstances at the time they were prepared. The Projections were further reviewed to analyze REORGANIZED SRKO's ability to meet its liquidity and debt service obligations under the Plan.

Both sets of Projections have been prepared based on the assumption that the Effective Date will be October 31, 2014. Although the Committee is seeking to cause the Effective Date to occur as soon as practicable, there can be no assurance as to when or if the Effective Date will actually occur.

*Note Regarding Projections*

THE PROJECTIONS ARE FORWARD-LOOKING STATEMENTS THAT ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT THE PROJECTIONS WILL BE ACHIEVED. THE PROJECTIONS SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES AND RISKS DESCRIBED IN THIS DISCLOSURE STATEMENT.

FURTHER, READERS ARE CAUTIONED THAT THE PROJECTIONS ARE BASED ON ASSUMPTIONS THAT ARE BELIEVED TO BE REASONABLE BUT ARE SUBJECT TO A WIDE RANGE OF RISKS SUCH AS THE TYPE DESCRIBED IN SECTION VI. DUE TO THESE UNCERTAINTIES, READERS CANNOT BE ASSURED THAT ANY PROJECTIONS WILL PROVE TO BE CORRECT. NEITHER THE COMMITTEE NOR REORGANIZED SRKO IS UNDER ANY OBLIGATION TO (AND EXPRESSLY DISCLAIMS ANY OBLIGATION TO) UPDATE OR ALTER ANY PROJECTIONS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE, UNLESS INSTRUCTED TO DO SO BY THE BANKRUPTCY COURT.

THE COMMITTEE DID NOT PREPARE THE PROJECTIONS TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE SEC. NO OUTSIDE ACCOUNTANTS HAVE COMPILED OR EXAMINED THE PROJECTIONS TO DETERMINE THEIR REASONABLENESS, NOR HAVE THEY EXPRESSED AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS.

**E. Impact on Claims of Creditors with Claims against Richardson Estate**

Some creditors of SRKO also assert claims against the Richardson Estate. Some of those creditors received personal guaranties from Richardson, or entered into contracts with Richardson. Others asserted claims against Richardson based on fraud or other legal theories. The terms of this Plan have no impact on any Claims which creditors of SRKO hold against the Richardson Estate, except that such creditors are entitled to only one satisfaction of their Claims, and will not be entitled to payments from both estates in amount that exceeds the amount of their Allowed Claims.

**F. Claims Objections.**

On and after the Plan Effective Date, only the Committee and REORGANIZED SRKO shall have the authority to object to any Claims. Any objections to Claims must be filed by the Claims Objections Deadline. Once a Claim has been disputed by a timely-filed objection, no Distributions will be made to the creditor holding such Claim until such Claim becomes an Allowed Claim. Once a Claim is an Allowed Claim, REORGANIZED SRKO shall, within thirty (30) days from the date that such Claim becomes an Allowed Claim, make all Distributions to which the Holder of such Allowed Claim would have been entitled, had such Claim been Allowed as of the Plan Effective Date.

**G. Releases, Injunctions, and Related Matters**

The Plan contains comprehensive release, exculpation, and injunction provisions which provide:

a. for the release of all claims of SRKO against the Released Parties (defined to include (i) the Debtor; (ii) REORGANIZED SRKO; (iii) the Richardson Trustee, (iv) the members of the Committee, (v) GEJCC; and (vi) UCC; and with respect to each of the entities in clauses (i) through (vi), such entities' subsidiaries, advisors, employees, officers, directors, managers, general partner, or manager of the general partner, and the representatives, financial advisors, attorneys, accountants, investment bankers, consultants, agents, other representatives and Professionals of any of the afore-named, in each case, in their capacity as such) incurred through the Plan Effective Date;

b. for the exculpation of the Released Parties for any liability they may have to any entity on account of their post-petition actions in the bankruptcy case, and in consummation of the Plan, except for willful misconduct;

c. for an injunction prohibiting any creditors holding claims against the estate incurred prior to the Plan Effective Date from seeking to collect their claims, except as expressly permitted in the Plan; and

d. consistent with the Injunction Order, a permanent injunction precluding the Richardson Parties (defined to include any Insiders or Affiliates of the Debtor, including, but not limited to, Jannie Richardson, Duk, LLC, Moon, LLC, The Allen Richardson Dynasty Trust; Allen Richardson; The Jessica Stinson Dynasty Trust; Jessica Stinson; The Jeffrey Stinson Dynasty Trust; Jeffrey Stinson; Da Nam Ko; Sunshine Home Development, Inc.; Sunshine Home Management, LLC;

Sunshine Development, LLC; Sunshine Development; JRKO, LLC; Geosun, LLC; Jannie Richardson, LLC; Spring Water Loft, LLC; Ho, LLC; Jessica, LLC; JR Movie, LLC; and any individuals or entities who are Affiliates or Insiders of the foregoing; and any entities that may be formed in the future which are Affiliates or Insiders of the foregoing, but excluding the Richardson Trustee) from interfering with REORGANIZED SRKO.

The Plan provisions are set forth in the subsequent paragraphs. Richardson objects to the breadth of the release and exculpation provisions, and for inclusion of the injunction against the Richardson Parties. It may be that the Bankruptcy Court will require, as a condition of confirmation of the Plan, that these provisions be narrowed or eliminated entirely.

In addition, and consistent with the provisions of Colorado law, the New Governance Documents for REORGANIZED SRKO limit the liability of officers and directors of REORGANIZED SRKO to REORGANIZED SRKO, its shareholders and creditors, to the extent permitted by applicable law. Consistent with Colorado law, this limitation of liability does not eliminate or limit the personal liability of a director to REORGANIZED SRKO or its shareholders for damages for (a) breach of the director's duty of loyalty; (b) acts or omissions not in good faith, or which involve intentional misconduct or a knowing violation of law; (c) voting for or assenting to a distribution to shareholders which violates the provisions of Colorado law; or (d) any transaction from which the director directly or indirectly derived an improper personal benefit. In addition, the New Governance Documents provide that REORGANIZED SRKO will indemnify its officers and directors to the fullest extent permitted by Colorado law.

1. Release of SRKO Claims.

**PURSUANT TO SECTION 1123(b)(3) OF THE BANKRUPTCY CODE, EFFECTIVE AS OF THE EFFECTIVE DATE, THE DEBTOR, IN ITS INDIVIDUAL CAPACITY AND AS A DEBTOR IN POSSESSION FOR AND ON BEHALF OF ITSELF AND ITS ESTATE, SHALL RELEASE AND DISCHARGE AND BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER RELEASED AND DISCHARGED ALL RELEASED PARTIES FOR AND FROM ANY AND ALL CLAIMS OR CAUSES OF ACTION EXISTING AS OF THE EFFECTIVE DATE IN ANY MANNER ARISING FROM, BASED ON, OR RELATING TO, IN WHOLE OR IN PART, THE DEBTOR, ANY POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR RELATED TO OR ARISING OUT OF THE CHAPTER 11**

CASES, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTOR AND ANY RELEASED PARTY, THE RESTRUCTURING OF CLAIMS AND INTERESTS PRIOR TO OR IN THE CHAPTER 11 CASES, OR ANY ACT, OMISSION, OCCURRENCE, OR EVENT IN ANY MANNER RELATED TO ANY SUCH CLAIMS, INTERESTS, RESTRUCTURING, OR THE CHAPTER 11 CASES, INCLUDING, BUT NOT LIMITED TO, ANY CLAIM RELATING TO, OR ARISING OUT OF THE CHAPTER 11 CASES, THE ADMINISTRATION OF THE CASES AND ALL DOCUMENTS OR PLEADINGS FILED HEREIN, THE NEGOTIATION AND FILING OF THE PLAN, THE FILING OF THE CHAPTER 11 CASES, THE FORMULATION, PREPARATION, NEGOTIATION, DISSEMINATION, FILING, IMPLEMENTATION, ADMINISTRATION, CONFIRMATION, OR CONSUMMATION OF THE PLAN, THE DISCLOSURE STATEMENT, EXHIBITS, THE PLAN SUPPLEMENT DOCUMENTS, ANY EMPLOYEE BENEFIT PLAN, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED, MODIFIED, AMENDED OR ENTERED INTO IN CONNECTION WITH THE PLAN. THE REORGANIZED DEBTOR AND ANY NEWLY-FORMED ENTITIES THAT WILL BE CONTINUING THE DEBTOR'S BUSINESS AFTER THE EFFECTIVE DATE SHALL BE BOUND, TO THE SAME EXTENT THE DEBTOR IS BOUND, BY THE RELEASES AND DISCHARGES SET FORTH ABOVE.

2. Exculpation

EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE RELEASED PARTIES SHALL NEITHER HAVE, NOR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY ACT TAKEN OR OMITTED TO BE TAKEN FROM THE PETITION DATE THROUGH THE PLAN EFFECTIVE DATE IN CONNECTION WITH, OR RELATED TO, OR ARISING OUT OF THE CHAPTER 11 CASE OR THE FORMULATION, PREPARATION, NEGOTIATION, DISSEMINATION, FILING, CONFIRMATION, AND CONSUMMATION OF THE PLAN, THE DISCLOSURE STATEMENT, THE EXHIBITS, THE PLAN SUPPLEMENT DOCUMENTS, AND ANY INSTRUMENT, RELEASE OR OTHER AGREEMENT OR DOCUMENT CREATED, MODIFIED, AMENDED OR ENTERED INTO IN CONNECTION WITH THE PLAN, EXCEPT FOR THEIR WILLFUL MISCONDUCT.

3. Injunctive Relief Relating to Claims and Releases.

ALL HOLDERS OF CLAIMS AND INTEREST IN SRKO ARE ENJOINED FROM COMMENCING OR CONTINUING ANY ACTION, DIRECTLY OR INDIRECTLY, AGAINST ANY RELEASED PARTY IN CONNECTION WITH THEIR CLAIMS AND INTERESTS. THE HOLDERS OF CLAIMS AND INTERESTS IN SRKO ARE BOUND BY THE PROVISIONS OF THE PLAN, WHETHER THEY VOTED IN FAVOR OF THE PLAN

**OR NOT; AND THEIR RIGHTS AND REMEDIES ARE LIMITED TO THOSE SET FORTH IN THE PLAN AND THE PLAN SUPPLEMENT. NOTHING IN THE PLAN SHALL BE DEEMED TO PROHIBIT ANY PARTY FROM ASSERTING OR ENFORCING ANY DIRECT CONTRACTUAL OBLIGATION AGAINST ANY THIRD PARTY, INCLUDING ANY PERSONAL GUARANTY OF AN OBLIGATION OF SRKO TO SUCH PARTY.**

4. Injunction Against Interference by Richardson Parties.

**THE RICHARDSON PARTIES ARE PERMANENTLY ENJOINED FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER, DIRECTLY OR INDIRECTLY, ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY RELEASED PARTY OR ANY PROPERTY OF ANY RELEASED PARTY; (B) HOLDING THEMSELVES OUT OR PURPORTING TO ACT AS AUTHORIZED AGENT OF THE DEBTOR, REORGANIZED SRKO, OR COLORADO CROSSING; AND (C) INTERFERING WITH THE CONDUCT OR ACTIVITIES OF REORGANIZED SRKO OR THE COLORADO CROSSING DEVELOPMENT. THE TERMS OF THIS INJUNCTION SHALL BE ENFORCEABLE BY THE COMMITTEE, REORGANIZED SRKO, AND ANY PURCHASER OF ANY PROPERTY WITHIN COLORADO CROSSING. ACTIONS TO ENFORCE THIS PERMANENT INJUNCTION MAY BE BROUGHT IN ANY COURT OF COMPETENT JURISDICTION.**

**H. Amendment, Modification or Withdrawal of the Plan**

Prior to entry of the Confirmation Order, the Committee may amend the Plan at any time. Notice of any amendments or modifications will be given to interested parties to the extent required by the Bankruptcy Rules or order of the Bankruptcy Court. After entry of the Confirmation Order, but prior to substantial consummation, the Committee may amend the Plan to remedy any defect or omission or to reconcile any inconsistencies in the Plan, with the consent of REORGANIZED SRKO, so long as those amendments or modifications do not adversely affect the treatment of Holders of Claims under the Plan, subject to such notice to parties in interest as may be required by the Bankruptcy Rules or order of the Bankruptcy Court. The Committee may withdraw the Plan at any time prior to entry of the Confirmation Order.

**I. Final Decree**

At any time after substantial consummation of the Plan, either the Committee or REORGANIZED SRKO may file a motion for entry of a final decree to close SRKO's bankruptcy

case to further administration. Such a motion shall be filed no later than 30 days after all proceedings regarding Disputed Claims, and any other administrative proceedings, other than adversary proceedings, have been resolved.

**J. Retention of Jurisdiction**

The Bankruptcy Court shall retain exclusive jurisdiction, after entry of the Confirmation Order, over all matters arising out of, and related to, the Chapter 11 Case and the Plan to the fullest extent permitted by law, as set forth in greater detail in the Plan.

**VI. RISK FACTORS**

The Holders of Claims against SRKO should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith), before deciding whether to vote to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks associated with the Plan and its implementation.

**A. Inherent Uncertainty of Projections**

The Financial Projections cover the operations of REORGANIZED SRKO through 2019; the Modified Financial Projections cover operations through 2024. The fundamental premise of the reorganization alternative in the Plan is the implementation and realization of REORGANIZED SRKO's business plan. The Projections are premised on numerous assumptions concerning the anticipated performance of REORGANIZED SRKO, some of which may not materialize. Such assumptions include, among other items, assumptions concerning (i) the general economy; (ii) industry performance; (iii) the availability and cost of financing or other capital to proceed with development of the Vacant Land; (iv) the cost of completion of development; (v) the timing and anticipated prices at which lots may be sold; (v) retention of key management and other key employees; (vi) the absence of material contingent or unliquidated litigation, indemnity or other claims; and (vii) other matters, many of which will be beyond the control of REORGANIZED SRKO. The Committee believes that the assumptions underlying the Projections are reasonable.

However, unanticipated events and circumstances occurring after preparation of the Projections may affect REORGANIZED SRKO's ability to maximize the intended benefits of the Plan and undermine the financial results of REORGANIZED SRKO. Therefore, the actual results achieved throughout the periods covered by the Projections necessarily will vary from the projected results, and those variations may be material and adverse. In light of the foregoing, readers are cautioned not to place undue reliance on the Projections.

**B. Business Risks**

REORGANIZED SRKO faces a number of risks with respect to its continuing business operations, including but not limited to the following: (i) the confirmation and consummation of the Plan; (ii) future financial results and liquidity, including the ability to finance operations in the normal course; (iii) its ability to fund and finance capital expenditures in the future; (iv) the ability to retain key personnel; (v) changes in the economy and the credit markets; and (vi) each of the other risks identified in this Disclosure Statement.

**C. Potential Conflict of Interest**

Peter Speiser, Executive Director with GEJCC, will serve as President of REORGANIZED SRKO and an initial board member, until REORGANIZED SRKO organizes an initial meeting of its shareholders and an election of the board. Given GEJCC's membership in UCC and status as a creditor of the Debtor, it is likely that Mr. Speiser will be elected by the shareholders to continue to serve in such capacities for the completion of the Colorado Crossing development and the performance of the Plan. GEJCC has also agreed to provide the Exit Loan, and it is likely that Mr. Speiser will be the point of contact for GEJCC in the administration of the Exit Loan. These roles create the potential for a conflict of interest on the part of Mr. Speiser, particularly if REORGANIZED SRKO should ever be in a position of default under the Exit Loan. It is anticipated that Mr. Speiser will recognize the potential for conflicts of interest, and he, and any other representative of GEJCC who may serve in the capacity as an officer or director of REORGANIZED SRKO, will act appropriately, and will recuse himself from considering any issues in which he holds a conflict of interest. Nevertheless, as a significant equity interest holder in REORGANIZED

SRKO, GEJCC and its representatives may be in a position to influence any decisions by the board of directors and management of REORGANIZED SRKO in a manner that is beneficial to GEJCC.

## **VII. COMPARISON WITH CHAPTER 7 LIQUIDATION**

Under the “best interests” test set forth in section 1129(a)(7) of the Bankruptcy Code, a court may not confirm a plan of reorganization unless the plan provides each holder of a claim or interest who is impaired by the plan and who does not vote in favor of the plan with property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if SRKO were liquidated under chapter 7 of the Bankruptcy Code. If the liquidation alternative is pursued, the best interests test is necessarily satisfied, because creditors will receive the proceeds from the liquidation of all assets of SRKO.

To demonstrate that the Plan satisfies the “best interests” test if the reorganization alternative is pursued, the Committee has prepared the hypothetical liquidation analysis attached hereto as **Exhibit L** (the “**Liquidation Analysis**”), which is premised upon the sale of the Colorado Crossing property based on the highest offer received by SRKO for Colorado Crossing during the bankruptcy case.

Under the Plan, only Claims in Classes 1A, 1B, 2, 4, 5, and 6 are impaired. As to these Classes, the “best interests” test will apply only to those holders of Claims, if any, who vote to reject the Plan.

In preparing the Liquidation Analysis, the Committee estimated Allowed Claims based upon a review of the Claims that were scheduled by SRKO in the Schedules, and the proofs of claim filed in SRKO’s case. In addition, the Liquidation Analysis includes estimates for Claims that would not be asserted in the Company’s chapter 11 case, but which could be asserted and allowed in a chapter 7 liquidation, including certain Administrative Expense Claims, wind-down costs, trustee fees, tax liabilities and other similar Claims.

As set forth in the Liquidation Analysis, the Committee believes that, if the only remaining asset of any value in SRKO's estate, Colorado Crossing, were sold for the highest offer received by SRKO during its bankruptcy case, Creditors holding Allowed Secured Claims in Class 2 would be paid in full; Creditors holding Allowed Secured Claims in Classes 1A and 1B would receive no distribution on account of their Secured Claims; and Creditors holding Allowed Unsecured Claims in Class 5 (including the Claims of the Class 1A and 1B creditors), would receive a distribution of \$4.7 million to \$5.1 million, representing 14% to 17% of their Allowed Claims. The Richardson Estate would receive a recovery in the range of \$2.525 million to \$2.76 million.

In contrast, under the Plan, and premised on achievement of the Financial Projections, the Committee believes that Creditors holding Allowed Unsecured Claims in Class 5 will receive distributions totaling approximately \$19.65 million, representing a range of 59% to 64.5% of their Allowed Claims, depending on the ultimate Allowed amounts of all Claims in Class 5, over the duration of the Plan, with the bulk of those distributions being made in years 2017 through 2019. Premised on achievement of the Modified Financial Projections, the Committee believes that Creditors holding Allowed Unsecured Claims in Class 5 will receive distributions totaling approximately \$17,790,000 million, representing a range of 53.45% to 58.42% of their Allowed Claims, depending on the ultimate Allowed amounts of all Claims in Class 5, over the duration of the Plan, with those distributions beginning in 2017 and continuing through 2024. Those distributions must be discounted to their present value, to be compared to the cash distributions creditors would receive from a complete liquidation.

The Committee believes the appropriate discount rate to consider in valuing the distributions to be received by the Class 5 creditors under the Plan is 6% to 9%, given the historic low interest rates, the current economy, the sufficiency of the capitalization of REORGANIZED SRKO, and the status of real estate development activity in the Colorado Springs area. SRKO believes the discount rate is more appropriately closer to 12%, given the troubled nature and history of the Colorado Crossing development and the fact that it cannot be considered a typical commercial real estate development, with traditional financing terms. ITG and Transit Mix contend that a higher discount rate of 15% should apply to value the returns to be realized by creditors under the Plan.

The following chart sets out the projected returns to the creditors holding Allowed Claims in Class 5 of the Plan, depending on whether the Financial Projections set forth in **Exhibit K** are achieved, or the more conservative Financial Projections set forth in **Exhibit K-1** are achieved, depending on the discount rate applied to the proposed returns, and depending on the total Allowed Claims in Class 5.

Projected Total Cash Return	6% Discount Rate	9% Discount Rate	12% Discount Rate	15 % Discount Rate
	% Recovery	% Recovery	% Recovery	% Recovery
\$19,650,000  (Exhibit K)	\$16,230,000  48.75% to 53.3%	\$14,770,000  44.3% to 48.5 %	\$13,450,000  40.4% to 44%	\$12,250,000  36.8% to 40.2%
\$17,790,000  (Exhibit K-1)	\$13,920,000  41.8% to 45.7%	\$12,376,000  37.2% to 40.6%	\$11,040,000  33.2% to 36.25%	\$9,872,000  29.7% to 32.4%

## **VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION**

If the Plan is not confirmed and consummated, the alternatives to the Plan include (a) liquidation of the Company under chapter 7 of the Bankruptcy Code (b) an alternative plan of reorganization, and (c) dismissal of the bankruptcy case.

### **A. Liquidation Under Chapter 7**

If the Plan cannot be confirmed, it is most likely that SRKO would accept the highest offer received for Colorado Crossing during the bankruptcy case, consummate that sale, and then convert the bankruptcy case to a case under chapter 7 of the Bankruptcy Code. A Chapter 7 trustee (who would likely not be the Richardson Trustee) would be appointed to liquidate any remaining assets of SRKO for distribution to the creditors in accordance with the priorities established by the Bankruptcy Code. The trustee would retain professionals at the expense of SRKO's Estate, object to Claims as appropriate, and, if necessary, investigate and pursue causes of action on SRKO's behalf. A discussion of the effect a chapter 7 liquidation would have on the recoveries of holders of Claims and the Committee's liquidation analysis is set forth in Section VII. above. As discussed above, the

highest cash offer supported with proof of funding received at the Auction was \$6 million. Prior to the Auction, SRKO had received an offer for \$13.75 million. Thus, the Committee believes, and has assumed for purposes of its liquidation analysis, that any Chapter 7 Trustee would be able to sell Colorado Crossing for \$13.75 million.

**B. Alternative Plan(s) of Reorganization**

If the Plan is not confirmed, SRKO or other creditors could attempt to formulate a different plan. Such a plan might involve either a reorganization and continuation of the Company's businesses, a sale of the Company's operations as a going concern, or an orderly liquidation of assets, or some combination thereof. A variety of other plans of reorganization have been proposed for SRKO's estate; each has been stricken or withdrawn. SRKO's bankruptcy case has been pending for over four years. If this Plan is not confirmed, the Committee does not believe that pursuit of confirmation of yet another plan of reorganization, with the attendant delays and costs, is a viable alternative. While Jannie Richardson and Webelieveintomorrow, LLC have proposed a plan of reorganization, the Committee does not believe that plan is feasible or that it will be confirmed by the Bankruptcy Court.

**C. Dismissal of the Bankruptcy Case**

An alternative to conversion of the case to a Chapter 7 liquidation could be the dismissal of the bankruptcy case. A dismissal of the bankruptcy case results in a termination of the automatic stay. Those creditors holding Mechanics' Liens on Colorado Crossing could commence foreclosure proceedings on the real property. Those creditors would be required to immediately advance funds to bring all unpaid real property taxes current, to avoid the imminent loss of title as a result of the tax sale, and to fund on-going costs to preserve the condition of the project. Those creditors would then need to secure funding for completion of the Colorado Crossing project themselves, under whatever organizational structure the creditors could agree to given that numerous creditors hold claims in two classes of legal priority on Filing 1, and yet a third group holds claims against the Vacant Land. Otherwise, the creditors would immediately sell Colorado Crossing under their own sale procedure,

likely realizing no better outcome than a Chapter 7 liquidation, while incurring substantial expenses. Unsecured creditors would receive nothing.

#### **IX. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

The following discussion is a summary of certain U.S. federal income tax consequences of the implementation of the Plan to SRKO and holders of Allowed Claims. This summary is based on the Tax Code, Treasury regulations promulgated thereunder, published rulings of the U.S. Internal Revenue Service (the “**IRS**”) and judicial and administrative interpretations thereof, in each case as in effect and available as of the date of this Disclosure Statement and all of which are subject to change or differing interpretations (possibly with retroactive effect). The U.S. federal income tax consequences of the contemplated transactions are complex and are subject to significant uncertainties. The Committee has not requested a ruling from the IRS or any other tax authority, or an opinion of counsel, with respect to any of the tax aspects of the contemplated transactions, and the discussion below is not binding upon the IRS or any such other authorities. Thus no assurance can be given that the IRS or such other authorities would not assert, or that a court would not sustain, a different position from any discussed herein.

THIS DISCLOSURE STATEMENT DOES NOT ADDRESS THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES THAT MAY BE RELEVANT TO TAXPAYERS UNDER THE FEDERAL INCOME TAX LAWS, NOR DOES IT DISCUSS ANY ASPECT OF FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS THAT MAY BE APPLICABLE TO PARTICULAR TAXPAYERS. THE TAX CONSEQUENCES TO HOLDERS OF CLAIMS AND INTERESTS, INCLUDING THE AVAILABILITY OF WORTHLESS DEBT OR WORTHLESS STOCK DEDUCTIONS, IF ANY, MAY VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. EACH CREDITOR AND EQUITY HOLDER TREATED BY THE PLAN IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE PLAN.

#### **A. Consequences to Holders of Certain Allowed Claims who Receive Cash Distributions**

In general, to the extent that a creditor receives a Distribution in satisfaction of the principal amount of its Allowed Claim, such repayment of principal is not taxable to the creditor to the extent the creditor has a tax basis in the claim. To the extent a creditor receives a Distribution in satisfaction of interest that accrued during its holding period, such amount will be taxable to the holder as interest income if not previously included in the holder's gross income. Conversely, a holder generally recognizes a deductible loss to the extent that it does not receive payment of interest that has previously been included in its income. Holders of Claims are urged to consult with their tax advisors regarding the allocation of consideration and deductibility of unpaid interest.

**B. Consequences to Creditors Subscribing to Preferred Equity in REORGANIZED SRKO**

In general, to the extent that a creditor subscribes to Preferred Equity in REORGANIZED SRKO, the creditor will hold a basis in the Preferred Equity issued them in an amount equal to the purchase price paid for the Preferred Equity. The redemption of the Preferred Equity will not be taxable to the creditor to the extent of their tax basis in the Preferred Equity. Any excess will normally be taxed as capital gain. To the extent a creditor receives payment of a preferred return on account of such Preferred Equity, the preferred return amount will be taxable to the holder as either a return of capital or ordinary income depending on whether REORGANIZED SRKO has earnings and profits for tax purposes. Conversely, to the extent, if at all, REORGANIZED SRKO fails to redeem the Preferred Equity in full, such creditor generally recognizes a deductible loss to the extent of its unreturned basis in their Preferred Equity. Holders of Claims are urged to consult with its tax advisors regarding the allocation of consideration and deductibility of unpaid interest.

**C. Consequences to Creditors Issued Common Equity in REORGANIZED SRKO**

Creditors will hold a basis in the Common Equity issued them in REORGANIZED SRKO in an amount equal to the basis they held in their claims against SRKO. Dividend distributions to creditors will be taxable to them depending on their basis. It is contemplated that such distributions will be taxed at each creditor's capital gains rate, but such taxation cannot be assured. The

redemption of the Common Equity will not be taxable to the creditor to the extent of their tax basis in the Common Equity. Any excess will normally be taxed as capital gain.

**D. Information Reporting and Withholding**

All Distributions to Holders of Allowed Claims under the Plan, and any Distributions made on account of Preferred Equity or Common Equity in REORGANIZED SRKO, are subject to any applicable withholding tax requirements. Under federal income tax law, interest, dividends, and other reportable payments, may, under certain circumstances, be subject to "backup withholding," at a rate provided by the Internal Revenue Code. Backup withholding generally applies if the Holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons may be exempt from backup withholding, including, and in certain circumstances, corporations and financial institutions.

**E. Consequences to SRKO**

SRKO is a limited partnership. As a result, SRKO does not pay federal income taxes on taxable income of SRKO, nor does it realize the tax benefits of any operating losses. Rather, the Equity Interest Holders of SRKO are responsible for the tax liabilities of the Company, and receive the tax benefits of any operating losses.

**F. Consequences to Interest Holders of SRKO**

Because their equity interests are being canceled, the Interest Holders of SRKO will realize a loss on their equity interests to the extent of their basis in that equity. The cancellation of the creditor's debt in SRKO in exchange for equity in SRKO will result in cancellation of indebtedness income ("CODI") to SRKO which will pass through to the Interest Holders of SRKO to the extent the amount of the debt exceeds the fair market value of the equity interests in SRKO received by the creditors. The fair market value of the equity interests is normally deemed to be the liquidation value

of the interests. Any such CODI is allocated to the SRKO Interest Holders immediately before the cancellation of the debt. The debt-discharge exceptions in the tax code are then applied at the individual Interest Holder level.

**IRS Circular 230 Disclaimer: The discussion of tax consequences in this communication is not intended or written to be used, and it cannot be used by the recipient or any other taxpayer (i) for the purpose of avoiding tax penalties that may be imposed on the recipient or any other taxpayer, or (ii) in promoting, marketing or recommending to another party any transaction addressed herein.**

## **X. CONFIRMATION OF THE PLAN**

### **A. Confirmation**

Confirmation of the Plan means that the Court has approved the Plan. Upon Confirmation, the Plan becomes a contract binding upon the creditors and interest holders of the Company and on the Company itself.

### **B. Confirmation Hearing**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold the Confirmation Hearing. The Court has scheduled a hearing on confirmation of the Plan for October 16, 2014, at 9:00 a.m. The Bankruptcy Court may adjourn the Confirmation Hearing from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objecting party, the nature and amount of Claims or Interests held or asserted by the objecting party against SRKO's estate or property and the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, together with proof of service thereof, and served upon (1) counsel for SRKO; (2) Counsel for Committee; (3) Counsel for the Richardson Trustee and (4) such other parties as the Bankruptcy Court may order, so as to be received no later than 5:00 p.m on October 1, 2014.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

**C. Requirements for Confirmation of the Plan–Consensual Confirmation**

At the Confirmation Hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129(a) of the Bankruptcy Code have been satisfied:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Committee has complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection with the Plan and incident to the Chapter 11 Case, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
- The Committee has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of REORGANIZED SRKO; and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Committee has disclosed the identity of any insider that will be employed or retained by REORGANIZED SRKO, and the nature of any compensation for such insider.
- With respect to each class of Claims or Equity Interests, each holder of an impaired Claim or impaired Equity Interest either has accepted the Plan or will receive or retain under the Plan on account of such holder's Claim or Equity Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount such holder would receive or retain if SRKO was liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test" below.

- Except to the extent the Plan meets the “Non-Consensual Confirmation” standards discussed below, each class of Claims or Equity Interests has either accepted the Plan or is not impaired under the Plan.
- Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Expenses and Priority Claims other than Priority Tax Claims will be paid in full on the Effective Date and that Priority Tax Claims will receive on account of such Claims deferred cash payments, over a period not exceeding five (5) years after the date of the order for relief, of a value, as of the Effective Date, equal to the allowed amount of such Claims with interest from the Effective Date.
- At least one (1) class of impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such class.
- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of SRKO or REORGANIZED SRKO or any successor to REORGANIZED SRKO under the Plan, unless such liquidation or reorganization is proposed in the Plan. See discussion of “Feasibility” below.
- All fees payable under section 1930 of title 28 of the United States Code, as determined by the court at the hearing on confirmation of the Plan, have been paid or the Plan provides for the payment of all such fees on the Effective Date.

**D. Best Interests Test**

As described above, section 1129(a)(7) of the Bankruptcy Code requires that each holder of an impaired allowed claim or interest either (i) accepts the plan of reorganization or (ii) receives or retains under the Plan property of a value, as of the effective date, that is not less than the value such holder would receive or retain if the applicable debtor were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. This is referred to as the “**Best Interests Test**.”

To show that the Plan complies with this test, the Committee estimated a range of proceeds that would be generated from a chapter 7 liquidation of SRKO in the Liquidation Analysis. Notwithstanding the difficulties in quantifying recoveries to creditors with precision, the Committee believes that taking into account the Liquidation Analysis, the Plan meets the “best interests” test of Bankruptcy Code section 1129(a)(7). Please see Section VII for a comparison of the anticipated

recoveries creditors might receive in a chapter 7 liquidation with the anticipated recoveries creditors are projected to receive under the reorganization alternative of the Plan.

**E. Feasibility**

Section 1129(a)(11) of the Bankruptcy Code requires that the court find that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization, of SRKO, or any successor to SRKO (unless such liquidation or reorganization is proposed in the plan of reorganization). The liquidation alternative of the Plan is inevitably feasible.

To determine whether the reorganization alternative of the Plan meets this feasibility requirement, the Committee has analyzed the availability of funds necessary to pay those Claims that are to be paid in full on the Effective Date and the Distribution Date and the ability of REORGANIZED SRKO to meet its obligations under the Plan. As part of this analysis, the Committee has prepared the Projections. The Projections indicate that the, as of the Plan Effective Date, REORGANIZED SRKO will have sufficient funds on hand to satisfy the Administrative Claims on the Plan Effective Date, and the Priority and Secured Tax Claims on the Distribution Date, other than for those creditors who have agreed to accept payment on other terms, as set forth in **Exhibit I** to this Disclosure Statement. In addition, REORGANIZED SRKO will have sufficient initial working capital, and will have sufficient cash flow to pay and service its debt obligations and to fund its operations, to repay the Exit Loan, the Class 2 Secured Vacant Lienholder Claims, to repay the Preferred Equity in full, including the Preferred Return, and to make distributions of excess proceeds to the Class 5 Creditors (including the Creditors holding Allowed Claims in Classes 1A and 1B). Accordingly, the Committee believes that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code. To support its belief in the feasibility of the Plan, the Company has relied upon the Projections which are attached as **Exhibits K** and **K-1**.

**F. Confirmation Without Acceptance of All Impaired Classes: The “Cram Down” Alternative**

Notwithstanding rejection of the plan by an impaired class, the Bankruptcy Code permits confirmation of a plan of reorganization, so long as (a) the plan of reorganization otherwise satisfies the requirements for confirmation, (b) at least one impaired class of claims has accepted the plan of reorganization without taking into consideration the votes of any insiders in such class, and (c) the plan of reorganization is “fair and equitable” and does not “discriminate unfairly” as to any impaired class that has not accepted such plan. These so-called “cram down” provisions are set forth in section 1129(b) of the Bankruptcy Code.

1. Fair and Equitable

The Bankruptcy Code establishes different tests for determining whether a plan is “fair and equitable” to dissenting impaired classes of secured creditors, unsecured creditors, and interest holders as follows:

a. Secured Creditors

A plan of reorganization is fair and equitable as to an impaired class of secured claims that rejects the plan if the plan provides: (a) that each of the holders of the secured claims included in the rejecting class (i) retains the liens securing its claim to the extent of the allowed amount of such claim, to the extent of the allowed amount of such claims, whether the property subject to those liens is retained by SRKO or transferred to another entity, and (ii) receives on account of its secured claim deferred cash payments having a present value, as of the effective date of the plan of reorganization, at least equal to the value of such holder’s interest in the Estate’s interest in such property; (b) that each of the holders of the secured claims included in the rejecting class realizes the “indubitable equivalent” of its allowed secured claim; or (c) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of such liens, with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds in accordance with clause (a) or (b) of this paragraph.

The Plan satisfies each of these requirements as to the classes of Secured Claims because the Plan proposes either (i) to pay the Allowed Claims of each secured creditor in full on the Distribution

Date, or in accordance with the terms of the agreements reached with certain Secured Creditors; or (ii) to pay the Allowed Claims over time, while leaving the Secured Creditors' liens and security interests in place until their Allowed Claims have been paid in full.

**b. Unsecured Creditors**

A plan of reorganization is fair and equitable as to an impaired class of unsecured claims that rejects the plan if the plan provides that: (i) each holder of a claim included in the rejecting class receives or retains property of a value, as of the effective date of the plan, equal to the amount of its allowed claim; or (ii) the holders of claims and equity interests that are junior to the claims of the rejecting class will not receive or retain any property under the plan on account of such junior claims or interests. Because the Plan proposes to cancel the existing equity Interests in SRKO, and the Holders of those Interests will receive no Distribution under the Plan, the Plan satisfies the fair and equitable test as to the Class 5 General Unsecured Creditors.

**2. Unfair Discrimination**

A plan of reorganization does not "discriminate unfairly" if a dissenting class is treated substantially equally to other classes similarly situated and no such class receives more than it is legally entitled to receive for its claims or interests. The Committee does not believe that the Plan discriminates unfairly against any impaired Class of Claims or Equity Interests. The Committee believes that the Plan and the treatment of all Classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

**G. Effect of Confirmation**

The provisions of a confirmed Plan of Reorganization bind SRKO, creditors, and equity interest holders, whether the party's Claim or interest is impaired and whether the party voted for the Plan. The Plan constitutes a new contract between REORGANIZED SRKO and each of the parties in interest provided for in the Plan. Each old debt or Claim is replaced by a new one, as defined in the Plan.

**H. Further Information; Additional Copies**

If you have any questions or require further information about the voting procedures for voting your Claim or about the package of materials you received, or if you wish to obtain an additional copy of the Plan, this Disclosure Statement or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d) or order of the Bankruptcy Court), please contact counsel for the Committee at:

Caroline C. Fuller  
Fairfield and Woods, P.C.  
1801 California Street, Suite 2600  
Denver, CO 80202  
(303) 830-2400  
cfuller@fwlaw.com

#### **I. Voting**

Your vote on the Plan is important. The Plan can be confirmed if, among other things, it is accepted by the holders of two-thirds in amount and more than one-half in number of the Claims in each impaired Class who are entitled to, and who actually vote on the Plan. In the event the requisite acceptances are not obtained from impaired Classes, but at least one impaired Class does accept the Plan, the Court may nevertheless confirm the Plan if the Court finds that it is fair and equitable to the Class or Classes rejecting it. If the Plan is confirmed, you will be bound by its terms even if you vote to reject the Plan or fail to vote.

Creditors holding Claims in Classes 1A, 1B, 2, 4, 5, and 6 are impaired and entitled to vote. Only creditors whose Claims are Allowed, or are not Disputed, are entitled to vote on the Plan. Creditors holding Disputed Claims may vote only if they obtain temporary allowance of their Claims for voting purposes. Ballots are enclosed with the Plan and Disclosure Statement. To be counted, ballots must be returned to counsel for the Committee:

Caroline C. Fuller  
Fairfield and Woods, P.C.  
1801 California Street, Suite 2600  
Denver, CO 80202  
(303) 830-2400

by **5:00 p.m.**, Denver time, on **October 1, 2014** (the “**Voting Deadline**”). You must return your original ballot. Ballots sent by email or facsimile will not be counted.

You are not required to vote, but only those votes actually received on or before the Voting Deadline be counted, either for or against the Plan.

Ballots have been mailed with this Disclosure Statement to the members of all impaired Classes. Classes which are not impaired under the Plan are deemed to have accepted the Plan and are therefore not entitled to vote on the Plan. Classes which will receive nothing under the Plan are deemed to have rejected the Plan

## **XI. RECOMMENDATION**

The Committee believes that the Plan provides the best possible recovery for creditors under the circumstances. The Plan reflects the result of extensive negotiations between the Committee, SRKO, potential purchasers of SRKO’s assets, and numerous creditors, to achieve the best possible outcome for all creditors under the circumstances. The Committee strongly believes that the Plan presents a far preferable outcome for creditors, including the Class 1A Priority Filing 1 Lienholders, the Class 1B Non-Priority Filing 1 Lienholders and the Class 5 General Unsecured Creditors, than any alternative, including immediate sale of the Colorado Crossing at the unacceptably low liquidation prices realized as a result of the Auction. **Consequently, the Committee recommend that all creditors vote to accept the Plan.**

DATED: August 28, 2014.

### **INFORMAL MECHANICS LIENHOLDER COMMITTEE**

**By: G.E. Johnson Construction Company, Inc.**

By: Peter J. Speiser  
Peter J. Speiser, Executive Director

**By: Stresscon Corp.**

By: James E. Sorensen  
James E. Sorensen, President

Fairfield and Woods, P.C. ("**F&W**") has acted as legal counsel to the Informal Mechanics Lienholder Committee during the Chapter 11 case. F&W has prepared this Disclosure Statement with information provided primarily by SRKO, the Richardson Trustee, their counsel, and members of the Committee. The information contained herein has been approved by the Committee. F&W has not made any separate independent investigation as to the veracity or accuracy of the statements contained herein.

**Counsel to The Informal Mechanics Lienholder Committee**

FAIRFIELD AND WOODS, P.C.

By: Caroline C. Fuller  
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Denver, CO 80202  
(303) 830-2400  
cfuller@fwlaw.com

**Schedule of Exhibits**

<b>Exhibit A</b>	<b>Aerial Photos of Colorado Crossing Project</b>
<b>Exhibit B</b>	<b>Mechanics Lien Judgment</b>
<b>Exhibit C</b>	<b>Examiner's Preliminary Report</b>
<b>Exhibit D</b>	<b>LCP Executive Summary of Project Site and Completion Analysis</b>
<b>Exhibit E</b>	<b>Summary of Surcharge Calculation</b>
<b>Exhibit F</b>	<b>Summary of Pre-Petition and Post-Petition Real Property Taxes</b>
<b>Exhibit G-1</b>	<b>Summary of Non-Priority Filing 1 Mechanics' Lien Claims</b>
<b>Exhibit G-2</b>	<b>Summary of Unliquidated Filing 1 Lienholder Claims</b>
<b>Exhibit G-3</b>	<b>Summary of Scheduled Filing 1 Lienholder Claims</b>
<b>Exhibit H</b>	<b>Summary of General Unsecured Claims</b>
<b>Exhibit I</b>	<b>Summary of Terms of Assumed Liabilities</b>
<b>Exhibit J</b>	<b>Resumes of Peter Speiser and Jim Sorensen</b>
<b>Exhibit J-1</b>	<b>Resume of Scott Smith</b>
<b>Exhibit K</b>	<b>Financial Projections</b>
<b>Exhibit K-1</b>	<b>Modified Financial Projections</b>
<b>Exhibit L</b>	<b>Liquidation Analysis</b>
<b>Exhibit M</b>	<b>Star Mesa Contract</b>
<b>Exhibit N</b>	<b>Injunction Order</b>
<b>Exhibit O</b>	<b>Littleton Capital Partners Sales Projections</b>
<b>Exhibit P</b>	<b>Wells Fargo Confirmation Letter</b>