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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF IDAHO**

In re:

WALKER LAND & CATTLE, LLC,

Debtor.

Case No. 13-41437-JDP  
Chapter 11

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**DISCLOSURE STATEMENT FOR AMENDED CHAPTER 11 LIQUIDATION PLAN  
(WELLS FARGO)**

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On November 15, 2013, Walker Land & Cattle, LLC (hereinafter referred to as “Debtor”) filed its voluntary petition for reorganization pursuant to Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Idaho. Pursuant to Section 1125 of the Code, creditor Wells Fargo Bank, National Association (“Wells Fargo”) (the “Plan Proponent”) has obtained an order of the court approving this Disclosure Statement for submission to the holders of claims against the Debtor.

Wells Fargo has filed this Disclosure Statement and an Amended Chapter 11 Liquidation Plan (Wells Fargo) (the “Creditor’s Plan”). The Creditor’s Plan provides for the liquidation of the Debtor’s assets and the payment of Creditors by the later of one year after the Effective Date and December 31, 2015. The Plan Proponent has filed the Creditor’s Plan because it believes the Creditor’s Plan represents a better alternative for creditors than the Debtor’s Plan which presumptively will provide for payment to Creditors over an extended period of time (the “Debtor’s Plan”)<sup>1</sup>. The Creditor’s Plan provides not only for creditors to be paid sooner, but also

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<sup>1</sup> The Debtor originally filed a Chapter 11 Plan of Reorganization on June 2, 2014 (Dkt. No. 358). As of the filing of this Disclosure Statement, the Debtor has not filed an Amended Plan of Reorganization. It is assumed Debtor

for unsecured creditors to be paid interest on their claims and to be paid their attorney's fees and costs. The Debtor's plan will presumptively provide for unsecured creditors to be paid in annual installments over a number of years. The Debtor's Plan also depends upon multiple factors which are beyond the Debtor's control including the Debtor's ability to:

(a) Produce crops over the term of the Plan in the quantity and quality projected by the Debtor;

(b) Produce those crops at the cost projected by the Debtor;

(c) Sell the crops at the prices projected by the Debtor;

(d) Sell thousands of acres of land and lease them back on acceptable terms. For example, in its Supplement to Disclosure Statement filed July 23, 2014 (Dkt. No. 423), the Debtor's budget provided for the sale of the following real property:

- Sell 1,374 acres of land for \$6,058,899 in approximately February of 2015 and lease it back on acceptable terms for a rental payment of \$22,721 per month;<sup>2</sup>
- Sell 855 acres of land for \$3,770,991 in approximately March 2015 and lease it back on acceptable terms for a rental payment of \$14,141 per month;
- Sell 609 acres of land for \$2,834,895 in approximately February 2017 and lease it back on acceptable terms for a rental payment of \$10,631 per month;
- Sell 504 acres of land for \$2,717,638 in approximately February 2018 and lease it back on acceptable terms for a rental payment of \$10,191 per month;
- Sell 552 acres of land for \$2,975,819 in approximately February 2019 and lease it back on acceptable terms for a rental payment of \$11,159 per month;

(e) Pay the numerous balloon payments due secured creditors.

The foregoing must be done by Debtor in spite of Debtor's past performance which includes (by Debtor's admission) more than \$2.18 million in average operating losses per year over the past five years, its inability in the past to operate within its budget (which includes cost overruns and revenue shortfalls) and its lack of working capital.

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will file an Amended Plan of Reorganization which will contain changes to its original Plan, but those changes will not materially alter the treatment of Creditors, namely that the payments to Creditors will be made over an extended period of time.

<sup>2</sup> The rental payments are derived from Debtor's budget attached to its Supplement to Disclosure Statement (Dkt. No. 423), which includes a line item for "land rent" that lists no such rent until March 2015, and is then increased after each sale of real property. Presumably the rent for all of Debtor's other leased land is included elsewhere in the budget, although it is unclear where.

## INTRODUCTION

The purpose of this Disclosure Statement is to provide holders of Claims and other parties in interest who are entitled to vote on the Creditor's Plan with sufficient information to enable them to make an informed decision as to whether to vote to accept or reject the Creditor's Plan. The purpose of the Creditor's Plan is to effect a liquidation of the Debtor's assets in a manner that will maximize recoveries for Holders of Allowed Claims and Interests.

Consummating a plan is the principal objective of a chapter 11 case. Prior to soliciting acceptances of a proposed chapter 11 plan, section 1125 of the Bankruptcy Code requires a plan proponent to distribute a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical investor to make an informed judgment regarding acceptance of the chapter 11 plan. This Disclosure Statement is being submitted in accordance with the requirements of section 1125 of the Bankruptcy Code.

Under the Bankruptcy Code, not all holders of claims against and interests in a debtor are entitled to vote on a chapter 11 plan. Holders of Claims or Interests that are not impaired by a plan are deemed to accept the plan under section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote on the plan. In addition, a party's vote will be counted only if the party: (a) holds a Claim that is duly scheduled as undisputed, non-contingent, and liquidated; or (b) has filed with the Court a proof of claim and, in each case, the Claim has not been objected to, or if an objection to the proof of claim has been filed, the Claim has either been allowed by the Court or temporarily allowed in accordance with Rule 3018(a) of the Bankruptcy Rules.

## EXECUTIVE SUMMARY OF THE CREDITOR'S PLAN

Under the Creditor's Plan:

- Debtor's Assets will be liquidated by the later of one year after the Effective Date and December 31, 2015 and all of its creditors are to be paid with interest and attorneys' fees.
- A Plan Administrator will be appointed to liquidate Debtor's Assets and distribute the proceeds.
- Priority Claims, Administrative Claims and U.S. Trustee fees will be paid in full in cash according to the terms set forth in the Creditor's Plan.
- Secured creditors will be repaid from the proceeds (after the costs of sale) of the collateral securing their liens, according to priority.
- General unsecured creditors will be paid from the proceeds of unencumbered property and the proceeds remaining after the payment in full of all Allowed Claims having priority over general unsecured claims. The Creditor's Plan also provides for general unsecured creditors to be paid interest, costs and attorney's fees. Interest is at the Federal Judgment Rate from the Petition Date to the Effective Date, and at the

State Judgment Rate from and after the Effective Date until payment is made. The State Judgment Rate is 5.125% per annum. The Federal Judgment Rate was, as of the Petition Date, 0.11% per annum. Use of the Federal Judgment Rate between the Petition Date and the Effective Date is mandated by *In re Cardelucci*, 285 F.3d 1231 (9th Cir. 2002).

- Equity interests shall not be paid until creditors are paid in full.

Each of these components is discussed in greater detail elsewhere herein and in the Creditor's Plan.

Accompanying this Disclosure Statement are copies of the following documents:

APPENDIX A: [Intentionally deleted.] The Court's Order will be separately provided.

APPENDIX B: The Creditor's Plan has been filed separately and, due to its size, is incorporated herein by this reference.

APPENDIX C: [Intentionally deleted.] The ballot form for acceptance or rejection of the Creditor's Plan and the Debtor's Plan will be separately provided.

APPENDIX D: Debtor's list of secured and unsecured claims, including any disputed claims.

APPENDIX E: Debtor's Liquidation Analysis.

APPENDIX F: Debtor's Real Property Encumbrances Analysis.

APPENDIX G: Debtor's Claims Summary.

APPENDIX H: Debtor's 2013 Audit Report.

## DEFINITIONS

Unless the context otherwise requires, the following terms, when used in this Disclosure Statement shall have the same meanings set forth in Article 1.1 of the Creditor's Plan:

1.1.1 "*Administrative Claims*" means Claims for costs and expenses of administration under sections 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the businesses of the Debtor (such as wages, salaries or commissions for services and payments for goods and other services); (b) the DIP credit Facility Claim; and (c) the Insurance Financing Claim. Notwithstanding anything to the contrary herein, the filing of an Administrative Claim shall not be required in order to receive payment for any tax liability described in sections 503(b)(1)(B) and (C) in accordance with section 503(b)(1)(D) of the Bankruptcy Code.

1.1.2 “*Allowed*” means, with respect to any Claim against in the Debtor and except as otherwise provided herein: (a) a Claim that has been scheduled by the Debtor in its Schedules Filed in the Chapter 11 Case as undisputed, noncontingent and liquidated in amount and as to which the Plan Administrator or other parties-in-interest have not filed an objection by the Claims Objection Bar Date; (b) a Claim Filed in the Chapter 11 Case that either is not Disputed by the Claims Objection Bar Date or has been allowed by a Final Order; (c) a Claim Filed or asserted in the Chapter 11 Case that is allowed: (i) in a stipulation of amount and nature of Claim executed prior to the Effective Date and approved by the Bankruptcy Court; or (ii) in any stipulation or written agreement with the Plan Administrator of the amount and nature of the Claim executed on or after the Effective Date; (d) a Claim that is allowed pursuant to the terms of the Creditor’s Plan or (e) a Disputed Claim that the Plan Administrator ultimately determines will not be objected to (such Claim being deemed allowed at the time such determination is made). With respect to any Equity Interest in the Debtor, “*Allowed*” means the Holders of Equity Interests and the percentages thereof set forth in the Debtor’s List of Equity Security Holders – Amended (Dkt. No. 72).

1.1.3 “*Assets*” means all of the rights, title and interest of the Debtor, the Estate or Liquidating WLCC in, to and under any and all of its assets and property, whether tangible, intangible, real or personal, of any nature whatsoever, including all assets and property of the Estate under and pursuant to Section 541 of the Bankruptcy Code and all assets and property acquired by the Estate or the Debtor after the Petition Date or by Liquidating WLCC as of or after the Effective Date, including Cash, the Causes of Action, the Avoidance Actions, rights and interests in property and the Books and Records.

1.1.4 “*Avoidance Actions*” means any and all actions, causes of action, suits, and rights to payment existing or arising under Sections 544, 545, 547, 548, 550 and 553(b) of the Bankruptcy Code, including but not limited to state law remedies available pursuant to Section 544 of the Bankruptcy Code.

1.1.5 “*Bankruptcy Code*” means the Bankruptcy Reform Act of 1978, as codified in Title 11 of the United States Code, 11 U.S.C. §§101-1532, as now in effect or hereafter amended, and as applicable to Debtor’s Chapter 11 Case and applicable portions of Titles 18 and 28 of the United States Code.

1.1.6 “*Bankruptcy Court*” means the United States Bankruptcy Court for the District of Idaho.

1.1.7 “*Bankruptcy Rules*” means, collectively, the Federal Rules of Bankruptcy Procedure promulgated under section 2075 of title 28 of the United States Code and the Official Bankruptcy Forms, the Federal Rules of Civil Procedure, as applicable to the Debtor’s Chapter 11 Case or proceedings therein, and the Local Rules of the Bankruptcy Court, all as now in effect or hereafter amended, and as applicable to Debtor’s Chapter 11 Case.

1.1.8 “*Books and Records*” means all books and records of Debtor and the Estate, including, without limitation, all documents and communications of any kind, whether physical or electronic.

1.1.9 “*Business Day*” means any day, other than Saturdays, Sundays or “legal holidays” (as defined in Bankruptcy Rule 9006(a)).

1.1.10 “*Cash*” means legal tender of the United States of America or the equivalent thereof, including, but not limited to, bank deposits, checks and similar items.

1.1.11 “*Causes of Action*” means, individually or collectively, any and all actions, causes of action, choses in action, suits, accounts, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and Claims held by Debtor or the Estate as of the Effective Date, whether known or unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise, except that “*Causes of Action*” shall not include the Avoidance Actions.

1.1.12 “*Chapter 11 Case*” means the chapter 11 case commenced when the Debtor Filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code on the Petition Date and with case number: 13-41437-JDP.

1.1.13 “*Claim*” means a “claim” as such term is defined in section 101(5) of the Bankruptcy Code.

1.1.14 “*Claims Objection Bar Date*” means the bar date for objecting to proofs of Claim, which shall be the first Business Day that is ninety (90) days after the Effective Date; *provided, however*, that the Plan Administrator may seek extensions of this date from the Bankruptcy Court, upon notice and a hearing.

1.1.15 “*Class*” means a category of Holders of Claims or Equity Interests herein and pursuant to Section 1122(a) of the Bankruptcy Code.

1.1.16 “*Confirmation*” means entry by the Bankruptcy Court of the Confirmation Order in the Chapter 11 Case.

1.1.17 “*Confirmation Date*” means the date of entry of the Confirmation Order on the docket maintained by the Clerk of the Bankruptcy Court with respect to this Chapter 11 Case within the meaning of Bankruptcy Rule 5003 and 9021.

1.1.18 “*Confirmation Hearing*” means the hearing held by the Bankruptcy Court pursuant to section 1128(a) of the Bankruptcy Code, to consider confirmation of the Creditor’s Plan under section 1129 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

1.1.19 “*Confirmation Order*” means the order of the Bankruptcy Court confirming the Creditor’s Plan under section 1129 of the Bankruptcy Code in form and substance satisfactory to the Plan Proponent.

1.1.20 “*Creditor*” means a “creditor” as such term is defined in section 101(10) of the Bankruptcy Code.

1.1.21 “*Creditor’s Committee*” means the official committee of unsecured creditors appointed in this Chapter 11 Case pursuant to section 1102(a) of the Bankruptcy Code, as such committee may be reconstituted from time to time.

1.1.22 “*Debtor*” means Walker Land & Cattle, LLC, including in its capacity as debtor-in-possession under sections 1107 and 1108 of the Bankruptcy Code.

1.1.23 “*DIP Credit Facility*” means that certain Agricultural Loan Agreement by and among Debtor, the DIP Lender and others pursuant to which the DIP Lender will advance up to the principal amount of \$5,200,000.00 to Debtor for the purchase of fertilizer, chemicals and fuel from Valley Wide Cooperative and Valley Agronomics. The DIP Credit Facility was approved by that certain Order Granting Motion for Authority to Incur Secured Credit 11 USC § 364(c) and (d) (Dkt. No. 318).

1.1.24 “*DIP Credit Facility Claim*” means the Claim arising under or in connection with the DIP Credit Facility.

1.1.25 “*DIP Lender*” means CHS Capital, LLC, as the lender providing the DIP Credit Facility.

1.1.26 “*Disclosure Statement*” means this Disclosure Statement, prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules and any other applicable law, and approved by the Bankruptcy Court, as amended, modified, or supplemented from time to time.

1.1.27 “*Disputed*” means, with respect to any Claim: (a) listed on the Schedules as unliquidated, Disputed or contingent, unless a proof of Claim has been Filed in a liquidated, noncontingent amount; (b) subject to the terms of the Creditor’s Plan, as to which the Debtor, the Plan Administrator or any other party in interest, has interposed a timely objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules; or (c) as otherwise Disputed in accordance with applicable bankruptcy or insolvency law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order.

1.1.28 “*Disputed Claim*” means any Claim that is not yet Allowed.

1.1.29 “*Disputed Claims Reserve*” means the reserve established and maintained by the Plan Administrator in accordance with Section 6.4.2 of the Creditor’s Plan.

1.1.30 “*Distribution*” means the distribution of Cash or other Assets, as the case may be, made by Liquidating WLCC or the Plan Administrator, as the case may be, in accordance with the Creditor’s Plan.

1.1.31 “*Distribution Date*” means the date on which a Distribution is affected.

1.1.32 “*Effective Date*” means a Business Day selected by the Plan Proponent that is on or after the date by which the condition precedent set forth in Section 9.1 of the Creditor’s Plan has been either satisfied or waived as provided in Section 9.2 of the Creditor’s Plan. Within five (5) Business Days of the Effective Date, notice of the Effective Date shall be Filed in the Chapter 11 Case.

1.1.33 “*Entity*” shall have the meaning set forth in Section 101(15) of the Bankruptcy Code.

1.1.34 “*Equity Interest*” means any equity security in the Debtor as that term is defined in section 101(16) of the Bankruptcy Code.

1.1.35 “*Estate*” means the estate of the Debtor created on the Petition Date by Section 541 of the Bankruptcy Code.

1.1.36 “*Executory Contract*” means “executory contract” and “unexpired lease” as used in section 365 of the Bankruptcy Code.

1.1.37 “*Federal Judgment Rate*” means the federal judgment rate described in 28 U.S.C. § 1961 in effect on the Petition Date, which was 0.11% per annum.

1.1.38 “*File*” or “*Filed*” means any pleading, proof of claim, order or other paper that has been entered on the docket of this Chapter 11 Case and properly served in accordance with the Bankruptcy Rules.

1.1.39 “*Final Order*” means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction with respect to the subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to File an appeal, motion for reconsideration or rehearing or a request for a stay, or seek certiorari has expired and no appeal, motion for reconsideration or rehearing, request for a stay or petition for certiorari has been timely Filed; provided, that the possibility of a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, or any other rules, may be Filed relating to such order shall not prevent such order from being a Final Order.

1.1.40 “*General Unsecured Claim*” means a pre-petition unsecured Claim against Debtor that is not entitled to priority under section 507 of the Bankruptcy Code, including any Claim for money borrowed or guaranteed, rejection of executory contracts, unsecured deficiency Claims, and Claims for indemnification, if any.

1.1.41 “*Holder*” means the beneficial holder of a Claim or Equity Interest and, when used in conjunction with a Class, or type of Class of Claims or Equity Interests, the beneficial holder of a Claim or Equity Interest in such Class or of such type.



1.1.42 “*Impaired*” means, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests, “impaired” within the meaning of Sections 1123(a)(4) and 1124 of the Bankruptcy Code.

1.1.43 “*Insurance Financing Claim*” means the Claim arising under or in connection with the Insurance Financing Facility.

1.1.44 “*Insurance Financing Facility*” means that certain Commercial Insurance Premium Finance Agreement in the principal amount of \$166,437.60, entered into between Debtor and the Insurance Financing Lender which is attached to the Motion for Approval of Commercial Insurance Premium Finance and Security Agreement (Dkt. No. 302) and approved by that certain Order Approving Commercial Insurance Premium Finance and Security Agreement (Dkt. No. 336).

1.1.45 “*Insurance Financing Lender*” means Capital Premium Financing, Inc. as the lender providing the Insurance Financing Facility.

1.1.46 “*Lien*” shall mean any lien, mortgage, charge, security interest, pledge or other encumbrance against or interest in property to secure payment or performance of a Claim, debt or litigation.

1.1.47 “*Liquidating WLCC*” means Walker Land & Cattle, LLC on and after the Effective Date.

1.1.48 “*Person*” means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, trustee, United States Trustee, estate, unincorporated organization, government, governmental unit (as defined in the Bankruptcy Code), agency or political subdivision thereof or other entity.

1.1.49 “*Petition Date*” means November 15, 2013, the date on which Debtor Filed its petition commencing the Chapter 11 case.

1.1.50 “*Plan*” or “*Creditor’s Plan*” means this liquidation plan proposed by the Plan Proponent, including exhibits and supplements, either in its present form or as it may be altered, amended, modified or supplemented from time to time in accordance with the Bankruptcy Code or the Bankruptcy Rules, which shall be in form and substance acceptable to the Plan Proponent.

1.1.51 “*Plan Administrator*” shall mean the Entity designated as such by the Plan Proponent in this Disclosure Statement or in a pleading Filed in this Case prior to the entry of the order approving the Disclosure Statement.

1.1.52 “*Plan Proponent*” means Wells Fargo.

1.1.53 “*Plan Supplement*” means the compilation of documents or forms of documents specified in the Creditor’s Plan, including any exhibits to the Creditor’s Plan not

included herewith, that the Plan Proponent may File with the Bankruptcy Court on or before the date that is ten (10) days prior to the date of the final Confirmation Hearing and in form and substance acceptable to the Plan Proponent.

1.1.54 “*Priority Claims*” means, collectively, the Priority Non-Tax Claims and the Priority Tax Claims.

1.1.55 “*Priority Non-Tax Claims*” means any Claims other than an Administrative Claim or a Priority Tax Claim, entitled to priority payment under section 507(a) of the Bankruptcy Code.

1.1.56 “*Priority Tax Claims*” means Claims of Governmental Units of the kind specified in Section 507(a)(8) of the Bankruptcy Code.

1.1.57 “*Professional*” means an Entity: (a) retained in this Chapter 11 Case pursuant to a Final Order in accordance with sections 327 and 1103 of the Bankruptcy Code, and that is compensated for services rendered prior to the Effective Date pursuant to sections 327, 328, 329, 330 and 331 of the Bankruptcy Code; or (b) for which compensation and reimbursement has been allowed by Final Order of the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

1.1.58 “*Professional Fee Claim*” means an Allowed Administrative Claim for the compensation of a Professional, and the reimbursement of expenses incurred by such Professional, through and including the Effective Date.

1.1.59 “*Proof of Claim*” means a proof of Claim Filed against Debtor in this Chapter 11 Case.

1.1.60 “*Pro Rata*” means, at any time, the proportion that the face amount of an Allowed Claim or an Allowed Equity Interest in a particular Class bears to the aggregate face amount of all Claims or Equity Interests (including Disputed Claims, but excluding disallowed Claims) in that Class, unless the Creditor’s Plan provides otherwise.

1.1.61 “*Rabo*” means Rabo Agrifinance, Inc.

1.1.62 “*Representatives*” means, with respect to an Entity, such Entity’s officers, directors, employees, members (including *ex officio* members), managers, advisors, attorneys, professionals, accountants, investment bankers, financial advisors, consultants, agents and other representatives (including its respective officers, directors, employees, members and professionals).

1.1.63 “*Schedules*” means the schedules of assets and liabilities, schedules of executory contracts and statements of financial affairs Filed by the Debtor pursuant to section 521 of the Bankruptcy Code, as may be amended, modified or supplemented from time to time.

1.1.64 “*Secured Claim*” means a Claim, other than a Setoff Claim, that is secured by a Lien that is valid, perfected and enforceable, and not avoidable, on property in which Debtor or the Estate has an interest, or the proceeds of the sale of such property, to the extent of the value of such interest or Lien.

1.1.65 “*Setoff Claim*” means a Claim of a holder that has a valid right of setoff with respect to such Claim, which right is enforceable under section 553 of the Bankruptcy Code as determined by a Final Order or as otherwise agreed in writing by the Plan Administrator, to the extent of the amount subject to such right of setoff.

1.1.66 “*State Judgment Rate*” means the interest rate provide in Idaho Code § 28-22-104(2) for civil judgments entered by the Idaho state courts that is in effect on the Effective Date, which is 5.125% per annum. Once set, the State Judgment Rate will not change.

1.1.67 “*U.S. Trustee*” means the United States Trustee appointed under Article 591 of title 28 of the United States Code to serve in the District of Idaho.

1.1.68 “*U.S. Trustee Fees*” means the fees payable under 28 U.S.C. §1930.

1.1.69 “*Unsecured Creditors Fund*” means all Cash held by the Plan Administrator from the sale and liquidation of the Debtor’s Assets and the enforcement of the Causes of Action remaining after the payment of: (a) Priority Claims; (b) Administrative Claims; (c) the DIP Credit Facility Claim; (d) the Insurance Financing Claim; (e) Allowed Secured Claims; (f) the pre- and post-Confirmation U.S. Trustee Fees; and (g) Liquidating WLCC and the Plan Administrator’s costs and expenses, including the fees and costs of professionals retained by the Plan Administrator and the Wind Down Committee, if any; provided, however, notwithstanding anything herein to the contrary, the Unsecured Creditors Fund shall include the amounts set forth in the third to the last sentence of Section 3.2.21(c) of the Creditor’s Plan.

1.1.70 “*Wells Fargo*” means Wells Fargo Bank, National Association.

1.1.71 “*Wind Down*” means, as set forth in Section 5.9 of the Creditor’s Plan, the wind down and dissolution of Liquidating WLCC following the Effective Date.

1.1.72 “*Wind Down Budget*” means the budget of expenses prepared by the Plan Administrator and approved by the Wind Down Committee and the Plan Proponent which shall, on and after the Effective Date, govern the use of the Administrative Fund, as the same may be amended or modified from time to time with the consent of the Wind Down Committee and Wells Fargo.

1.1.73 “*Wind Down Committee*” means the committee described in Section 5.4 of the Creditor’s Plan.

## **SUMMARY OF PLAN AND MEANS FOR IMPLEMENTATION OF PLAN**

Under the Creditor's Plan, it is anticipated that all Allowed Claims (Secured and Unsecured) will be paid in full. Payment of each Allowed Claim will include interest and fees to the extent provided by law and/or contract.

Holders of Allowed Secured Claims will be paid according to priority upon the sale, or lease pending the sale, of the Assets securing their Liens, or such other time as they shall agree. Holders of Allowed General Unsecured Claims and Holders of Allowed Equity Interests will be paid as soon as practical, but as noted below, the Plan provides for all of Debtor's Assets to be sold by the later of one year after the Effective Date and December 31, 2015. Provided, however, that if at any time the Unsecured Creditors Fund contains \$500,000 or more the Plan Administrator shall, not more than 90 days after such Fund contains at least \$500,000, Distribute 50% of such Fund to the Holders of Allowed General Unsecured Claims.

The Creditor's Plan provides that Debtor will continue in existence and a Plan Administrator will be appointed to liquidate Debtor's assets. The Plan Administrator will be solely responsible for implementing the liquidation of Debtor's Assets, including monetizing or abandoning Debtor's Assets, pursuing, settling or abandoning Causes of Action, resolving all Claims and distributing Cash pursuant to the terms of the Creditor's Plan. The Creditor's Plan requires the Plan Administrator to sell or otherwise liquidate all of Debtor's Assets on or before the later of one year after the Effective Date and December 31, 2015. Expenses of administering and liquidating the Estate will be paid according to a Wind Down Budget that will be developed by the Plan Administrator and approved by the Wind Down Committee and the Plan Proponent.

The Plan Administrator will be monitored by, and subject to, a three-member Wind Down Committee. The members of the wind-down committee will be selected by Well Fargo, Rabo, and the Creditor's Committee, each of which will appoint one member of the Wind Down Committee.

The Plan Administrator under the Creditor's Plan will be Mr. Gary L. Rainsdon. As set forth more fully herein, Mr. Rainsdon is experienced and well-qualified to administer and monetize the Assets. Mr. Rainsdon will be compensated at an hourly rate of \$175.00 per hour with a bonus incentive of \$100,000 if all Creditors are paid in full by the later of one year after the Effective Date and December 31, 2015, and a \$50,000 bonus incentive if all Creditors are paid in full after the later of one year after the Effective Date and December 31, 2015, but by the later of fifteen months after the Effective Date and March 31, 2016.

## **GENERAL HISTORY OF THE DEBTOR**

Debtor is an Idaho limited liability company in the business of farming. The Debtor was formed in April 2004. Members of the Walker Family own Debtor.<sup>3</sup>

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<sup>3</sup> The membership interest holders are identified in detail elsewhere herein.

Debtor's farm operation consists of approximately 12,000 acres in Eastern Idaho. Debtor owns approximately 8,500 acres and leases approximately an additional 3,500 acres. The farm ground is located primarily in Hamer, Osgood, Ririe, Menan and Rigby, Idaho. Debtor grows potatoes, barley, wheat and hay.

Historically, a team of key personnel, led by the family patriarch, Von Walker, managed the farms. Von passed away in 2009. Von's sons, Roland, Blair, Lorin and Keith, along with a son-in-law, Blair Erickson, also participated in the farm operations from time to time. Blair Walker passed away in October 2011. Roland Walker is now the primary manager.

### **DEBTOR'S DESCENT INTO BANKRUPTCY**

Debtor has experienced cost overruns and shortfalls in budgeted revenue over the past number of years and has been operating without adequate working capital. Contrary to the assertions by Debtor, Debtor's financial deterioration and lack of adequate working capital was caused and exacerbated by Debtor's own deliberate decisions.

For example, in 2009 Debtor invested \$2.3 million in its wholly-owned subsidiary, R-Life Line Company, LLC ("R-Life Line") which in turn entered into an investment agreement with UMS Capital Group Limited, LLC ("UMS"). Debtor's investment in R-Life Line violated the terms of its credit agreement with Wells Fargo and was not disclosed to Wells Fargo at the time it was made. After Wells Fargo discovered the Debtor's breach of the Credit Agreement, Debtor granted Wells Fargo a security interest in its interest in R-Life Line. According to Debtor, this investment was made "based on the representation that the life insurance company would provide alternative financing for the Debtor." This is presumptively the origin of R Life-Line's name. The investment proved to be improvident and, after litigation, Debtor settled with certain individuals who had worked with UMS for \$650,000. The settlement is payable without interest in semi-annual installments of \$25,000 each, and could be as little as \$300,000 if paid prior to June 15, 2015. Wells Fargo has received one settlement payment of \$25,000. Certain parties have asserted attorney's liens on the settlement.

Debtor's lack of liquidity and inadequate working capital were also made worse by Debtor loaning or otherwise advancing in excess of \$1.5 million to various Walker family entities, including those controlled by Debtor's current manager Roland Walker.

These miscues demonstrate the inaccuracy of Debtor's suggestion that its operational woes resulted from Wells Fargo "controlling the purse strings" during the 2013 crop year. In fact, before the 2013 credit agreement was even executed in June 2013, Wells Fargo made several advances totaling approximately \$5.5 million for the 2013 crop year. These were made at Debtor's request and based on interim budgets prepared by Debtor. In addition, Wells Fargo allowed Debtor to use a portion of Wells Fargo's cash collateral during January and February 2013 to fund its operation.

Debtor also states that it was forced to make a \$3,000,000 “cash injection”<sup>4</sup> in the fall of 2013 to complete the harvest. That cash injection was not brought about by a refusal on Wells Fargo’s part to fund the amount necessary to complete the harvest. To the contrary, even after Debtor defaulted under its 2013 credit agreement, Wells Fargo agreed to an amendment and forbearance agreement under which it would continue to advance funds to Debtor while Debtor worked to consummate a refinancing of its farm ground with another lender. In late August of 2013, however, Debtor informed Wells Fargo that Debtor would not refinance its farm ground and therefore would not meet the terms of the forbearance agreement. Debtor further informed Wells Fargo that it would not require additional draws for the 2013 crop, that it was in negotiations with a new equity partner, and that its members would make a capital infusion to finish the 2013 crop and get it in storage. Under this new plan, Debtor claimed, Wells Fargo would be paid off in full within the next 120 days.

That didn’t happen. In accordance with Debtor’s proposed business plan, Wells Fargo temporarily withheld from exercising all of its remedies, and continued to work with the Debtor on its business plan, on the condition that Debtor would close an agreement with its newfound equity partner. Despite the \$3,000,000 loan Debtor obtained from Western Mortgage & Realty Company and the subsequent cash injection into Debtor to finish the 2013 crop and get it into storage, Debtor never closed an agreement with an equity partner, which would have ensured that Wells Fargo would be paid off. This, of course, did not happen.<sup>5</sup>

Throughout this period, Debtor also concealed or failed to disclose important facts to Wells Fargo. In the fall of 2013, Wells Fargo discovered that Debtor had falsely overstated its 2012 inventory in the Debtor’s Position Report Certificates dated prior to August 31, 2013. Wells Fargo was able to discover this only by comparing Debtor’s position report certificates across time and noticing a change in potato inventory that was not properly accounted for. After being questioned about this disparity, on or about October 24, 2013, Debtor acknowledged to Wells Fargo that, contrary to the disclosures in the Position Report Certificates, approximately 524,000 cwt (net of tare & shrink) in 2012 potato inventory had in fact been shipped to Walker Produce (an entity related to Debtor) prior to August 31, 2013, but not shown as sales or inventory movement in the Position Report Certificates. Debtor acknowledged that these shipments of potatoes to Walker Produce were credited against an advance made by Walker Produce to the Debtor, which was in violation of a subordination agreement previously executed by these parties and Wells Fargo.

The transfer from Debtor to Walker Produce had begun in October 2012 and continued through the month of July 2013, and was allegedly in payment of \$3.6 million in advances

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<sup>4</sup> Based on Proof of Claim No. 123 filed by Western Mortgage & Realty Company, it appears that the \$3,000,000 was actually a loan to the members, which apparently was guaranteed by Debtor and was payable upon the earlier to occur of a demand for payment or December 16, 2013.

<sup>5</sup> Debtor’s other attempts to deflect blame for its financial deterioration during this period likewise fall flat. For example, Debtor alleges that Wells Fargo imposed an “unprecedented requirement” that Debtor obtain flood insurance, but Debtor fails to disclose that Debtor was, for the first time, providing real estate as additional collateral. A portion of this real estate included improvements and was located in a flood zone. As Debtor knows, flood insurance is required by federal regulations for financing that is secured by real property located in a flood zone.

Walker Produce had made to Debtor beginning in October of 2012. Wells Fargo first learned about these transfers in late September 2013 when it received Debtor's CPA-reviewed 2012 financial statements. These 2012 advances by Walker Produce to Debtor were not disclosed as payables to Wells Fargo in the Debtor's 2013 monthly financial reports provided to Wells Fargo. They were recorded as negative receivables -- which made them undetectable to Wells Fargo -- and were never disclosed in Debtor's list of indebtedness as required by the credit agreement with Wells Fargo and the Debtor signed in June 2013. The Debtor disputes that it misreported its inventory.

Debtor's auditor, Galusha, Higgens & Galusha PC ("Galusha"), recently audited Debtor's 2013 financial statements. Galusha's audit report (the "Audit Report") sheds light on numerous problems, gaps, and inconsistencies in the Debtor's financial reports.

In the Audit Report, Galusha was unable to state what is typically found in an audit report, namely that, in its opinion, the Debtor's financial statements "present fairly, in all material respects, the financial position of [Debtor] as of December 31, 2013, and the results of operations in its cash flows for the year then ended in accordance with U.S. generally accepted accounting principals." Instead, Galusha issued a "Disclaimer of Opinion" in which it refused to provide an opinion on the Debtor's financial statements and stated that there was "material uncertainty that may raise substantial doubt about the entity's ability to continue as a going concern." Galusha also stated it was "not . . . able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion." Galusha was not able to obtain reliable audit evidence for two primary reasons: (1) Galusha could not confirm the Debtor's reported beginning crop inventories; and (2) "the volume of related party transactions during 2013 which included 93% of the potato sales or \$8,654,099 with a related party resulted in a lack of verifiable data in regards to potato sales." The lack of verifiable data is principally due to the Debtor's transactions with Walker Produce. Without audited combined financial statements of the Debtor and Walker Produce, Creditors will not have the needed transparency concerning the transactions between Walker Land and Walker Produce.

Even without the assurance that the Debtor's financial statements fairly represent its financial position and the results of its operations, the following matters were identified in the Audit Report:

- A. A negative \$91,129 in members equity on December 31, 2013, even after \$3,000,000 in contributions by members during the year (contributions that were borrowed by the members from a third party, guaranteed by Debtor and which will likely be paid by Debtor).
- B. A net loss of \$15,391,095 for the year ended December 31, 2013.
- C. Cash flows from investing activities include \$734,668 in advances to related parties during 2013.
- D. A \$412,100 allowance for doubtful accounts.

E. The Debtor listed its potato inventory on December 31, 2012, at 2,285,000 cwt, valued at \$14,767,989. Debtor realized only \$6,903,913 for 1,537,290 cwt of potatoes for its 2012 potato crop (47% of the projected revenue) – the remainder of the potatoes (747,710 cwt of potatoes, or 33% of its inventory) although not explained, was apparently wasted through spoilage and shrinkage. In other words, there are more than 74 million pounds of unaccounted for potatoes from the Debtor’s 2012 potato crop. See Audit Report, p. 13, Note C. This is an example of the Debtor’s mismanagement of its potato crop and potato sales, as well as its inaccurate projections.

F. Debtor’s financial statements include more than \$1.7 million of advances made to related parties without written notes, without collateral, and without repayment terms. Debtor’s amended Schedule B lists only \$1.4 million of related party notes receivable. The Audit Report notes that “Management does not believe any of the related party notes are collectible, but no allowance has been recorded. Management intends to address writing down these assets at the proper interval during their restructure process.” See Audit Report, p. 14, Note E. Notably, if Debtor had written down these advances in 2013, its 2013 loss would have been even larger.

G. According to the Audit Report notes, Debtor owed \$833,418 to Walker Produce and \$647,607 to other related parties as of December 31, 2013. See Audit Report, p. 15, Note I. Debtor’s Schedule F lists a \$2.2 million payable to Walker Produce as of the Petition Date, November 15, 2013.

H. Debtor made two adjustments in 2013 relating to prior years, which resulted in a net increase in equity of \$636,732. One was an adjustment of accounts receivable in the amount of \$217,208 for an “overstatement of receivables” and the other was a reduction of accounts payable by \$853,940 based on negotiations related to a share crop arrangement. See Audit Report, p. 21, Note P.

A copy of the Audit Report is attached to this Disclosure Statement as Appendix H.

### **MAJOR ASSET DISPOSITIONS DURING CHAPTER 11 CASE**

Debtor is a farm operation that sells its crop inventory throughout the year. Income received from these sales is reflected in the monthly reports filed by Debtor.

### **PENDING LEGAL PROCEEDINGS**

(State and Federal Court Actions including Bankruptcy Proceedings)

#### *Pre-petition Legal Proceedings*

As noted in Paragraph 4 of Debtor’s Statement of Financial Affairs there were four (4) prepetition state court actions:

(1) *MinnChem, Inc. et al. v. Agrium, Inc. et al.*, Case No. 1:08-CV-6910 MDL Docket No. 1996, North District of Illinois: This case is a class action anti-trust claim related to the purchase of potash with the Debtor constituting a member of the class;



(2) *Walker Land & Cattle, LLC v. United Potato Growers of Idaho, Inc.*, Case No. CV-2012-2500-OC, Bonneville County District Court: This is a dispute over membership, associated fees deducted from settlement checks allegedly without Debtor's consent. A Notice of Commencement of Bankruptcy was filed with the Court on December 20, 2013;

(3) *Chad Larsen v. Walker Land & Cattle, LLC, et. al (Estate of Roland Lavon Walker, and Dorothy M. Walker)*, Case No. CV-2012-48, Jefferson County District Court: This case was dismissed due to inactivity on September 28, 2012; and

(4) *Wells Fargo Bank, N.A. v. Walker Land and Cattle, et.al.*, Case No. CV-13-5849-OC, Bonneville County District Court: This action seeks collection of the unpaid balance in excess of \$20,000,000.00 owed to Wells Fargo Bank from Debtor, its members and related guarantors. The action sought appointment of a receiver for Debtor and/or a temporary restraining order (TRO). In response to the request for a TRO and/or receiver, Debtor filed its chapter 11 bankruptcy petition on November 15, 2013. This action has been stayed as to Debtor by the bankruptcy filing, but is proceeding as to the non-debtor parties.

#### *Post-petition Legal Proceedings*

To date, there has been one adversary proceeding filed in the bankruptcy case: *C & B Operations, LLC d/b/a Bonneville County Implement v. Walker Land & Cattle, LLC, Wells Fargo Bank, National Association and Commercial Credit Group, Inc.*, Adv. No. 14-08022 JDP, Bankr. D. Idaho. The Complaint was filed on April 3, 2014.

The facts of this dispute can be summarized as follows. Shortly before the bankruptcy was filed, Debtor, C&B Operations and John Deere Credit entered into a transaction whereby Debtor was to trade in eight (8) of its tractors in exchange for an equivalent number of new leased tractors. In furtherance of this transaction, C&B Operations claims to have paid off the John Deere liens on the eight (8) tractors— ostensibly without conducting a UCC lien search to see the liens held by Wells Fargo Bank and Commercial Credit Group. When Debtor requested delivery of the new leased tractors, C&B Operations failed and refused to deliver the eight (8) new tractors and demanded instead additional payments on unrelated leases and/or loans. C&B Operations maintains that its payment to John Deere on the eight (8) tractors divested Debtor of any equitable interest in the eight (8) tractors and that the bankruptcy estate only has legal title in the equipment. The action seeks a determination that (1) Debtor has only legal title subject to a duty to deliver the tractors to C&B Operations; (2) Debtor has a duty to deliver the tractors to C&B Operations; (3) Debtor has no right to use the tractors; (4) Wells Fargo has no security interest in the tractors; (5) Commercial Credit Group has no security interest in the tractors; (6) Debtor be required to deliver the tractors free and clear of any entity that may assert a security interest in the tractors; and (7) all costs and expenses of litigation.

C&B Operations and Commercial Credit Group have entered into a stipulation pursuant to which Commercial Credit Group released its interest in the tractors.

Wells Fargo disputes C&B Operations' position. Its position is set forth in the answer it filed on June 12, 2014. Summarized briefly, Wells Fargo asserts that although it currently lacks

information sufficient to respond to many of C&B Operations' allegations, Wells Fargo has a lien on the tractors and if C&B Operations has any interest in the tractors, that interest is subject to Wells Fargo's prior perfected lien.

Debtor also disputes C&B Operations' position, as set forth in Debtor's disclosure statement. It maintains that it has no obligation to deliver the eight (8) tractors; that the transaction is an executory contract subject to the Debtor's rights under 11 U.S.C. § 365; and that the amount claimed by C&B Operations is overstated by more than \$400,000. Debtor has filed a counterclaim against C&B Operations seeking to disallow in full certain claims filed by C&B Operations, and seeking money damages for C&B Operations' alleged failure to deliver the (8) new tractors to Debtor, plus attorneys' fees and costs. Debtor has also filed a third party complaint against Deere Credit, Inc. seeking to disallow in full certain claims filed by Deere Credit, Inc. and seeking money damages from Deere Credit, Inc.

#### *Anticipated Legal Proceedings*

As will presumptively be more fully described in Debtor's Disclosure Statement, Debtor may hold claims against Mike Telford and Heath Lewis, a General Partnership. Those claims relate to unpaid rent under a lease. Debtor's claims may include unlawful detainer, violation of the automatic stay, and claims for monetary damages. Under the Creditor's Plan, the Plan Administrator reserves the right to pursue these claims.

Debtor had a prepetition lease of farm ground to Heath Lewis and Jared Lewis (Double L, a general partnership) for which the 2013 rents in the amount of approximately \$68,000.00 are unpaid. Counsel for the tenant has responded disputing liability. Under the Creditor's Plan, the Plan Administrator reserves the right to pursue these claims for monetary damages.

The Debtor will have contribution and reimbursement claims against Roland N. (Rollie) Walker, Blair G. Erickson, Celia K. Erickson, Deborah C. Walker, Keith T. Walker, Allyson K. Walker, Lorin V. Walker, Vickie L. Walker, Sally C. Walker, Deborah C. Walker, Personal Representative of the Estate of Blair Michael Walker, R&S Farms Limited Partnership, Preston Roland Walker Trust, under Trust Agreement dated April 6, 2006, ShaLyse Walker Trust, under Trust Agreement dated April 6, 2006, Jenna Shae Walker Trust, under Trust Agreement dated April 6, 2006, Shelby Mac Walker Trust, under Trust Agreement dated November 3, 2009, and McNeil Joseph Walker Trust, under Trust Agreement dated November 3, 2009 to the extent it, as a guarantor, makes payments on Western Mortgage and Realty Company's Proof of Claim No. 123. Under the Creditor's Plan, the Plan Administrator reserves the right to pursue these claims. The Plan Administrator also has the right to pursue the collection of all amounts due the Debtor, both pre and post petition.

Additional claims that may be contested: Some claims may later be contested by Debtor, an interested party or by the Plan Administrator. The Plan Proponent does not have full access to Debtor's books and records at this time, and therefore must rely on Debtor's analysis. The Creditor's Plan reserves for the Plan Administrator the right to object to Claims as set forth in the

Creditor's Plan. Claims that may be contested include, by way of illustration and not limitation, the following:

| No.   | Creditor                     | Amount                  | Comments  |
|-------|------------------------------|-------------------------|---|
| 14    | Bonneville County Treasurer  | \$29,292.82             | This claim was paid post-petition pursuant to a cash collateral order. The claim should be disallowed.  |
| 20    | Bearing Sales                | \$5,133.81              | This claim conflicts with the amount scheduled by Debtor in the amount of \$3,075.49.   |
| 25    | Conrad & Bischoff            | \$439,067.62            | This claim conflicts with the amount scheduled by the Debtor in the amount of \$2,285.74.   |
| 33/72 | Electrical Wholesale Supply  | \$53,378.80/\$64,069.93 | Claim No. 72 appears to be duplicative and incorporate Claim No. 33 which is for the lesser amount of \$53,378.80. Further, claimant may no longer be the correct claim holder based on payment by third-party guarantor. |
| 39    | Interstate Billing Service   | 18,330.72               | Debtor believes this claim relates to a truck lease that has been assumed and default cured pursuant to Court Order (Dkt. No. 321). As such, this claim should be disallowed.   |
| 40    | Interstate Billing Service   | \$1,442.34              | Debtor believes this claim relates to a truck lease that has been assumed and default cured pursuant to Court Order (Dkt. No. 321). As such, this claim should be disallowed.   |
| 41    | Interstate Billing Service   | \$21,362.34             | Debtor believes this claim relates to a truck lease that has been assumed and default cured pursuant to Court Order (Dkt. No. 321). As such, this claim should be disallowed.   |
| 47/55 | Pacific Steel & Recycling    | \$6,486.09/\$6,401.38   | These claims appear to be duplicative. Debtor has this creditor scheduled as undisputed in the amount of \$6,403.01. Claim 47 should be disallowed.   |
| 48    | Fremont County Tax Collector | \$7,784.67              | This claim was paid post-petition pursuant to a cash collateral order. The claim should be disallowed.  |

| No.   | Creditor  | Amount         | Comments   |
|-------|---|----------------|--|
| 49    | Western States Equipment  | \$33,398.01    | This claim conflicts with the amount scheduled by Debtor in the amount of \$7,215.67.  |
| 50    | Les Schwab Tire Centers of Boise  | \$3,214.80     | This claim asserts a secured claim for \$1,691.20 and a priority, unsecured claim for \$1,523.60. No basis for priority is asserted. Priority claim should be disallowed. No documents evidencing a perfected security interest are attached to the proof of claim.                        |
| 54    | Crop Production Services Inc.   | \$1,645,659.71 | The Debtor scheduled this claim in the aggregate amount of \$1,325,233.10.   |
| 66    | Parkinson Seed Farm, Inc.   | \$161,541.09   | This claim conflicts with the amount scheduled by the Debtor in the amount of \$13,590.69.   |
| 69    | Maupin Welding/assigned to Core Opportunities Qualified Master Fund, LP (Dkt. No.434) | \$110,918.29   | This claim conflicts with the amount scheduled by the Debtor in the amount of \$2,060.13.  |
| 70    | Pioneer Equipment Co.   | \$15,374.48    | This claim conflicts with the amount scheduled by the Debtor in the amount of \$2,557.97.  |
| 73    | C&B Operations dba Bonneville County Implement  | \$72,130.87    | The Debtor scheduled this claim in the amount of \$59,320.86. The difference is unexplained and disputed.  |
| 74-81 | Deere Credit Inc.   | Various        | These claims are discussed under the "post-petition legal proceedings" section of this Disclosure Statement. It is anticipated that these claims will be withdrawn as part of the settlement of the adversary proceeding. To the extent they are not withdrawn, they should be disallowed. |

| No.   | Creditor  | Amount                          | Comments   |
|-------|---|---------------------------------|--|
| 83-86 | Deere Credit Inc.                                       | \$277,194.90 each               | These claims are discussed under the “Leasehold Interest/Executory Contracts” section of this Disclosure Statement. Pursuant to an order entered August 7, 2014 (Dkt. No. 444), Deere Credit has amended its Proof of Claim Nos. 83-86 to be in the unsecured amount of \$73,260 each.   |
| 87    | Deere Credit Inc.                                       | \$24,866.96                     | The Debtor is seeking to assume the lease upon which this claim is based (Dkt. No. 445).   |
| 114   | C&B Operations<br>dba Bonneville<br>County<br>Implement | \$1,129,030.00                  | This claim relates to executory contracts that are subject to litigation as described elsewhere herein. Given that the underlying tractors were never delivered, this claim should be reduced to the actual prepetition amount paid by this creditor to release the senior John Deere Credit lien(s) for the benefit of the this estate as an unsecured claim only. The Debtor states it has no knowledge of the actual amount paid by this creditor to John Deere Credit, but is informed and believes the actual amount paid was significantly less than the amount alleged. |
| 115   | C&B Operations<br>dba Bonneville<br>County<br>Implement | Unliquidated and<br>contingent. | This claim asserts liability based on “contribution and indemnity” based on claimant’s agreement and relationship with Deere Credit; however, claimant has not provided evidence or documentation demonstrating a right to relief on this basis against the Debtor. Claim should be disallowed in full on this basis as well as §502(e).   |

| No.                           | Creditor   | Amount           | Comments  |
|-------------------------------|--|------------------|---|
| 116-122<br>and 124<br>and 125 | Dorothy M. Walker<br>Dorothy M. Walker Family Limited Partnership<br>Lorin V. Walker and Vickie L. Walker<br>Roland N. (Rollie) Walker and Sally C. Walker<br>Dorothy M. Walker as Trustee of the Roland L. Walker and Dorothy M. Walker Family Trust<br>Blair Erickson and Celia Erickson<br>Debbie Walker<br>Estate of Blair M. Walker | No amount stated | These claims are for reimbursement, contribution and indemnification and should be disallowed in full pursuant to Section 502(e) and because no loss has yet been incurred by the various claimants. A number of these claims are also subject to offset due to amounts owed by the claimant to the Debtor, to the extent the claims are otherwise allowable. |
| 123                           | Western Mortgage & Realty  | 3,026,452.05     | This claim conflicts with the amount scheduled by the Debtor in the amount of \$26,452.05.  |
| 126                           | The Estate of Blair Walker   | \$53,626.58      | This claim asserts an equity interest in the property. Debtor believes legal title is in the name of the claimant; however, all equitable title belongs to this estate. This claim should be disallowed in full and legal titled transferred to Debtor.   |
| 127                           | Idaho Material Handling  | 184.39           | This claim was late filed, but matches the undisputed amount scheduled by Debtor.   |
| 128                           | Nature's Way, Inc.   | \$156,634.00     | This claim was late filed, but was scheduled by Debtor as undisputed in the amount of \$164,089.00. Debtor states it will not be objecting to the claim for the lesser amount.  |

| No.        | Creditor  | Amount              | Comments   |
|------------|---|---------------------|--|
| 129        | Airgas, Inc.  | \$8,206.94          | This claim was late filed, but matches the undisputed amount scheduled by Debtor.  |
| 130        | Kenworth Sales Company                                | \$1,365.97          | This claim was late filed and is not listed in Debtor's schedules.   |
| Schedule F | 03CO  | \$221,935.63        | The claimants are related entities to the Debtor and no documents have been provided to substantiate their claims. In addition, the amounts owed by many of these claimants to Debtor may be set off against the claims, to the extent the claims are otherwise allowable. |
|            | Dos Lagos LLC   | \$572.00            |  |
|            | Lorin Walker  | \$369.90            |  |
|            | McNeil Development                                    | Amended \$29,608.58 |  |
|            | New Compost   | \$187,780.15        |  |
|            | Roland & Dorothy Walker Fam. Segregated Spousal Trust | \$116,633.77        |  |
|            | Roland L. Walker & Dorothy M. Walker Family Trust     | \$308,265.46        |  |
|            | Spinners of Idaho and Utah                            | \$2,184.32          |  |
|            | Walker Produce Co. Inc.                               | \$2,220,438.04      |  |
|            | We Fly, LLC   | \$552.50            |  |
|            | Taylor Crossing Com., LLC                             | \$5,004.90          |  |

Additional Avoidance Actions: Debtor's Statement of Financial Affairs (Dkt. no. 75) discloses certain prepetition transfers. They are too numerous to list here. The Plan Proponent believes that Debtor was solvent during the period up to and including the Petition Date, and therefore, Avoidance Actions would not be worth pursuing. In its disclosure statement, Debtor likewise suggests that it does not intend to pursue any Avoidance Actions. Accordingly, the Plan Proponent does not ascribe any value to Avoidance Actions and the Creditor's Plan does not provide for the Plan Administrator to pursue Avoidance Actions.

Additional Causes of Action: Debtor's schedules list certain amounts that are due Debtor, including \$1,435,193 in accounts receivable due from Debtor's affiliates, \$871,419 in accounts receivable due from other parties, and over \$200,000 of notes receivable from Debtor's affiliates. The Plan Administrator reserves the right to seek these amounts, as well as all other Causes of Action, pursuant to the Creditor's Plan.

**LIMITED LIABILITY COMPANY ORGANIZATION**

The Debtor is an Idaho limited liability company in good standing. At the present time and as noted in the List of Equity Security Holders – Amended, filed as Dkt. No. 72 on December 13, 2013, there are nine (9) members. The Liquidation Plan contemplates no changes in the Debtor’s capital structure and equity ownership. However, the Creditor’s Plan provides that the Plan Administrator shall direct Liquidating WLCC’s affairs and sell or otherwise monetize all of its Assets. It further requires Liquidating WLCC’s members, managers and employees to cooperate with the Plan Administrator and prohibits them from taking any action inconsistent with the Plan Administrator’s rights and responsibilities under the Creditor’s Plan. Under the Creditor’s Plan, no equity distributions will be made until both secured and unsecured creditors have been paid in full, including interest, costs and attorney’s fees.

| <i>Member</i>                     | <i>Percentage</i> |
|-----------------------------------|-------------------|
| Allyson Walker                    | 10%               |
| Blair G. Erickson                 | 10%               |
| Celia Erickson                    | 10%               |
| Debbie Walker                     | 10%               |
| Estate of Blair Walker (deceased) | 10%               |
| Keith T. Walker                   | 10%               |
| Lorin V. Walker                   | 10%               |
| R&S Farms Limited Partnership     | 20%               |
| Vickie Walker                     | 10%               |

**LEASEHOLD INTERESTS/EXECUTORY CONTRACTS**

Except with respect to the Executory Contracts explicitly identified as assumed in the table below, the filing of the Creditor’s Plan shall constitute a motion to reject all of the Executory Contracts that remain with the Estate. The entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code and a finding that such rejections are in the best interest of the Debtor, its Estate and all parties in interest in this Chapter 11 Case.

| <b>PARTY</b>  | <b>PROPERTY</b>                | <b>ASSUME/REJECT/MODIFICATIONS</b>   |
|---|--------------------------------|--|
| Allan R. Shupe<br>2496 N. 2375 E.<br>Hamer, ID<br>83425 | Hamer Farmland Lease Agreement | This lease was assumed by Debtor pursuant to the terms and conditions of the Order (Dkt. No. 328) entered on April 29, 2014 that states in relevant part, “The Allan R. Shupe (Hamer) Lease, executed post-petition is assumed.” By its terms the lease expires on December 1, 2015. The Plan Administrator may assign this lease or |



| PARTY   | PROPERTY   | ASSUME/REJECT/MODIFICATIONS  |
|---|--|--|
|   |  | sublet the property after the Effective Date.  |
| Allan R. Shupe<br>2496 N. 2375 E.<br>Hamer, ID 83425  | Butikofer Farmland Lease Agreement                         | This lease was rejected by Debtor pursuant to the terms and conditions of the Order (Dkt. No. 328) entered on April 29, 2014 that states in relevant part, "The Allan R. Shupe (Butikofer) Lease, is REJECTED."  |
| Alvin Sharp<br>Alvin Sharp Estate<br>c/o Claudia<br>Pullman 3722 E.<br>400 N.<br>Rigby, ID<br>83442 | 18 acres located in Jefferson County, Idaho.               | This lease was assumed by Debtor pursuant to the terms and conditions of the Order (Dkt. No. 328) entered on April 29, 2014 that states in relevant part, "The Alvin Sharp Lease and Assignment is assumed." By its terms this lease expires on December 31, 2014.   |
| Kent Sperry<br>Hatchett Ranch<br>46 N. 4600 E.<br>Rigby, ID<br>83442-5840                           | 214.2 Acres located in Bonneville County, Idaho.           | This lease was assumed by Debtor pursuant to the terms and conditions of the Order (Dkt. No. 328) entered on April 29, 2014 that states in relevant part, "The Kent Sperry dba Hatchett Ranch Lease is Assumed." By its terms this lease expires on January 1, 2015.   |
| Kingston Properties<br>477 Shoup Ave.,<br>#207<br>Idaho Falls, ID<br>83402                          | Potato Storage Leases (2)<br>Located in Idaho Falls, Idaho | These leases were assumed by Debtor pursuant to the terms and conditions of the Order Granting Motion to Assume Potato Storage Leases (Dkt. No. 323) entered on April 28, 2014 that states in relevant part that "The two Commercial Agreements between the Debtor and the Kingston Properties, LLP, both dated July 16, 2013 for potato storage are assumed." |

| PARTY  | PROPERTY                                       | ASSUME/REJECT/MODIFICATIONS  |
|--|--|--|
| Heath Lewis<br>Mike Telford<br>548 North Lewis Lane<br>Rigby, ID 83442 | Feedlot Lease Agreement                        | This lease is subject to anticipated litigation. The tenant defaulted on the lease and all rights to pursue unpaid, pre-petition and post-petition rents are reserved.   |
| Lyle Shupe<br>2296 E. 1950 N.<br>Hamer, ID<br>83425                    | 100 Acres                                      | This lease was assumed by Debtor pursuant to the terms and conditions of the Order (Dkt. No. 328) entered on April 29, 2014 that states in relevant part, "The Lyle/Karlene Shupe Lease, executed post-petition, is assumed." By its terms the lease expires on December 1, 2014.  |
| Roger & Vicky Sauer<br>340 N. 3400 E.<br>Lewisville, ID<br>83431       | 34.5 acres located in Jefferson County, Idaho. | This lease was assumed by Debtor pursuant to the terms and conditions of the Order (Dkt. No. 328) entered on April 29, 2014 that states in relevant part, "The Roger and Vicky Sauer Lease and Assignment is assumed." By its terms this lease expires on December 31, 2014.   |
| SAGN<br>115 North Morningside<br>Idaho Falls, ID<br>83402              | 840 Acres                                      | This lease is assumed and will be assigned in connection with the sale of the Debtor's interest in the property covered by the lease. SAGN HAS NOT YET AGREED THAT THE DEBTOR IS NOT IN DEFAULT UNDER THIS LEASE OR THAT IT HAS BEEN PROVIDED ADEQUATE ASSURANCE THAT DEBTOR WILL PERFORM ITS OBLIGATIONS UNDER THE LEASE OR THAT ANY SUCH DEFAULT WILL BE PROMPTLY CURED TO THE EXTENT REQUIRED BY SECTION 364(B)(1)(A) OF THE BANKRUPTCY CODE. |
| Vernon K. Smith<br>Victoria Smith,<br>P.R. 1900 Main                   | 1043 acres located in Jefferson County, Idaho. | This lease was assumed by Debtor pursuant to the terms and conditions of the Order (Dkt. No. 328) entered on April 29,   |

| PARTY  | PROPERTY  | ASSUME/REJECT/MODIFICATIONS  |
|--|---|--|
| Street<br>Boise, ID 83702  |   | 2014 that states in relevant part, “The Estate of Vernon K. Smith Lease and Extension is assumed.” By its terms this lease expires on December 31, 2014.   |
| Waterstone<br>1070 Riverwalk<br>Dr., Ste. 200<br>Idaho Falls, ID<br>83402                          | 37.7 acres<br>Bonneville County, Idaho.   | The Debtor permitted this lease to be rejected as a matter of law under § 365(d).  |
| Wright Brothers<br>Attn: John H.<br>Wright<br>1978 Sheridan<br>Road<br>Salt Lake City,<br>UT 84108 | Crop share lease-882 acres<br>Located in Bonneville County,<br>Idaho.   | This lease was assumed by Debtor pursuant to the terms and conditions of the Order (Dkt. No. 328) entered on April 29, 2014 that states in relevant part, “The Wright Brothers Company Lease, executed post-petition, is assumed.” By its terms this lease expires on December 31, 2016. The Plan Administrator may assign this lease or sublet the property after the Effective Date. |
| C&B Operations<br>dba Bonneville<br>County<br>Implement and<br>Deere Credit,<br>Inc.               | Executory contracts pertaining to the acquisition of 8 new lease tractors and proposed trade in tractors, consisting of the following:<br><br>1) WLC Unit No. 245<br>1L06330XJBP699303<br>and WLC Unit No. 265<br>1L06105RKDP766417,<br>collectively comprising<br>Purchase Order No.<br>02427999 and Proof of<br>Claim 74;<br><br>2) WLC Unit No. 244<br>1L06330XJBP700028<br>and WLC Unit No. 266 | These Executory Contracts are subject to pending litigation. To the extent the parties are unable to reach a compromise, these Executory Contracts shall be rejected and the amount of C&B Operations’/Deere Credit Inc.’s asserted unsecured Claims, if any, will be determined in the pending litigation.  |

| PARTY | PROPERTY  | ASSUME/REJECT/MODIFICATIONS |
|-------|---|-----------------------------|
|       | <p>1L06105REDP770851, collectively comprising Purchase Order No. 02441968 and Proof of Claim 81;</p> <p>3) WLC Unit No. 228 RW8235R063349 and WLC Unit No. 268 1RW8235RCDD07326 7, collectively comprising Purchase Order No. 02427899 and Proof of Claim 75;</p> <p>4) WLC Unit No. 224 RW8235R063386 and WLC Unit No. 269 1RW8235RCDD07045 7, collectively comprising Purchase Order No. 02427907 and Proof of Claim 76;</p> <p>5) WLC Unit No. 230 RW8235R063506 and WLC Unit No. 270 1RW8235RCDD07314 1, collectively comprising Purchase Order No. 02427912 and Proof of Claim 78;</p> <p>6) WLC Unit No. 223 RW7215RACD008355 and WLC Unit 271 1RW7215RPDD01280 5, collectively comprising Purchase Order No. 02428059 and Proof of Claim 80;</p> |                             |

| PARTY  | PROPERTY  | ASSUME/REJECT/MODIFICATIONS   |
|--|---|---|
|  | <p>7) WLC Unit No. 222<br/>RW7215RVCD008046<br/>and WLC Unit No. 272<br/>1RW7215RTDD01278<br/>5, collectively<br/>comprising Purchase<br/>Order No. 02427925<br/>and Proof of Claim 77;<br/>and</p> <p>8) WLC Unit No. 219<br/>RW7215RCCD008068<br/>and WLC Unit No. 273<br/>1RW7200RLDD01271<br/>7, collectively<br/>comprising Purchase<br/>Order No. 02428018<br/>and Proof of Claim No.<br/>79.</p> |   |
| CAC Recovery Services  | Potash AntiTrust Litigation Services Agreement  | The right to provide for the assumption or rejection of this agreement in advance of the confirmation hearing is reserved. The assumption or rejection of this agreement shall be set forth in a supplement to the Creditor's Plan. |
| Farm Credit Services   | 2007 Case 845 Road Grader   | The right to provide for the assumption or rejection of this agreement in advance of the confirmation hearing is reserved. The assumption or rejection of this agreement shall be set forth in a supplement to this Plan.           |
| Foster Company<br>Boyd & Laurie<br>Foster<br>P.O. Box 626<br>Ririe, ID<br>783443 | 2013 Joint Venture/Crop Share Agreement<br>490 Acres  | The right to provide for the assumption or rejection of this agreement in advance of the confirmation hearing is reserved. The assumption or rejection of this agreement shall be set forth in a supplement to the Creditor's Plan. |

| PARTY  | PROPERTY   | ASSUME/REJECT/MODIFICATIONS   |
|--|--|---|
| Ideal Truck Leasing  | Four Rental Agreements on Trucks   | These four Rental Agreements were assumed by Debtor pursuant to the terms and conditions of the Order (Dkt. No. 333) entered on April 30, 2014 that states in relevant part, "The Rental Agreements are assumed and Debtor is authorized to pay the cure payments requested in the Motion to the extent such payments are provided for in its approved cash collateral budget." These agreements will be terminated by the Plan Administrator in accordance with the terms of leases.   |
| McNeil Development<br>1070 Riverwalk Dr. #200<br>Idaho Falls, ID 83402 | Property Mgt Agreement (oral)  | Reject.   |
| Steve Worthen Farms<br>2498 N 2375 E<br>Hamer, ID 83425                | Contractor Services Agreement  | The right to provide for the assumption or rejection of this agreement in advance of the confirmation hearing is reserved. The assumption or rejection of this agreement shall be set forth in a supplement to the Creditor's Plan.   |
| Toyota Financial Services  | Lease 2013 Toyota Tundra VIN – 287946 (Unit No. 15) (Proof of Claim No. 4) | The right to provide for the assumption or rejection of this agreement in advance of the confirmation hearing is reserved. The assumption or rejection of this agreement shall be set forth in a supplement to the Creditor's Plan. The Debtor filed a motion to assume this lease (Dkt. No. 442) and the Court entered an order on August 29, 2014 (Dkt. No. 458) deferring approval of the lease assumption until either plan confirmation or until after notice of the proposed assumption is provided to all interested parties. See the Potential Rejection Claims below for a |

| PARTY                     | PROPERTY  | ASSUME/REJECT/MODIFICATIONS   |
|---------------------------|---|---|
|                           |   | discussion of this lease.   |
| Toyota Financial Services | Lease 2013 Toyota Tundra VIN – 288989 (Unit No. 5) (Proof of Claim No. 3)                   | The right to provide for the assumption or rejection of this agreement in advance of the confirmation hearing is reserved. The assumption or rejection of this agreement shall be set forth in a supplement to the Creditor’s Plan. The Debtor filed a motion to assume this lease (Dkt. No. 442) and the Court entered an order on August 29, 2014 (Dkt. No. 458) deferring approval of the lease assumption until either plan confirmation or until after notice of the proposed assumption is provided to all interested parties. See the Potential Rejection Claims below for a discussion of this lease. |
| Deer Credit, Inc.         | Lease 2012 JD STS Combine S670- 6088; 2012 Draper Platform 630D5482, Proof of Claim No. 83  | The Debtor rejected this lease pursuant to an Order entered 8/7/14 (Dkt. No. 444) and Deere Credit Inc. has amended its Proof of Claim No. 83 to be in the unsecured amount of \$73,260.00.   |
| Deer Credit, Inc.         | Lease 2012 JD STS Combine S670- 6827; 2012 Draper Platform 630D5419, Proof of Claim No. 84. | The Debtor rejected this lease pursuant to an Order entered 8/7/14 (Dkt. No. 444) and Deere Credit Inc. has amended its Proof of Claim No. 84 to be in the unsecured amount of \$73,260.00.   |
| Deer Credit, Inc.         | Lease 2012 JD STS Combine S670- 6971; 2012 Draper Platform 630D5438, Proof of Claim No. 85. | The Debtor rejected this lease pursuant to an Order entered 8/7/14 (Dkt. No. 444) and Deere Credit Inc. has amended its Proof of Claim No. 85 to be in the unsecured amount of \$73,260.00.   |
| Deer Credit, Inc.         | Lease 2012 JD STS Combine S670- 5815; 2012 Draper Platform 630D5422, Proof of Claim No. 86. | The Debtor rejected this lease pursuant to an Order entered 8/7/14 (Dkt. No. 444) and Deere Credit Inc. has amended its Proof of Claim No. 86 to be in the unsecured amount of \$73,260.00.   |

| PARTY              | PROPERTY   | ASSUME/REJECT/MODIFICATIONS  |
|--------------------|--|--|
| Deer Credit, Inc.  | Lease JD Skid Steer Loader 320D- 4431, Proof of Claim No. 87.  | The right to provide for the assumption or rejection of this agreement in advance of the confirmation hearing is reserved. The assumption or rejection of this agreement shall be set forth in a supplement to the Creditor's Plan. The Debtor is currently seeking to assume this lease and, as a result, it may be assumed prior to confirmation of the Creditor's Plan (Dkt. No. 445). See the Potential Rejection Claims section below for a discussion of this lease. |
| InteGrow Malt, LLC | All 2014 Crop Grower Agreements between InteGrow Malt, LLC and Debtor including those certain 2014 Grower Agreements (Fixed Price) dated February 14, 2014, and identified as Contracts MS14-029 through and including MS14-038. | Assumed.   |

**POTENTIAL REJECTION CLAIMS**

The potential claims resulting from the rejection of an Executory Contract pursuant to the Creditor's Plan are difficult to estimate. As a result, the Plan Administrator will either have to reach a settlement with the claimants or the Court will determine the amount of the claim after an evidentiary hearing. The following are some of the potential rejection claims:

1. Deere Credit, Inc. ("Deere Credit").

- A. Deere Credit has filed Claim Nos. 83 through 87, which concern lease agreements entered into with the Debtor in August of 2013. Claims numbered 83 through 86 each cover a different STS combine and Draper Platform. Claim No. 87 covers a Skid Steer Loader. The Bankruptcy Court entered an Order Approving Stipulation for the Rejection Of Equipment Leases Under 11 U.S.C. Section 365(d)(2) (Dkt. No. 444) which provided: (1) the Debtor's rejection of the four STS Combine and Draper Platform leases was approved; (2) Deere Credit's damages for the Debtor's rejection of the four leases would be a total of \$293,040.00; (3) Deere Credit would amend its Claim Nos. 83 – 86 to be in the unsecured amount of \$73,260 each; and (4) the amended unsecured claims would be binding on Deere Credit irrespective of the plan that is confirmed by the Court.



The Debtor is seeking to assume the lease on the Skid Steer Loader (Dkt. No. 445). The total proof of claim amount for Deere Credit's Claim concerning the Skid Steer Loader (Claim No. 87) is \$24,866.96. Based on the Debtor's motion to assume this lease, there are only two more required payments under the lease of \$4,637.88 each, one due September 13, 2014, and the other due September 13, 2015. There is an option to purchase the Skid Steer Loader for \$16,454.60.

**B.** Deere Credit has also filed Proofs of Claim Nos. 74 through 81. The Claims are in the following total amounts:

| <u>Claim No.</u> | <u>Amount</u> |
|------------------|---------------|
| 74               | \$ 94,120.29  |
| 75               | \$152,116.12  |
| 76               | \$174,810.99  |
| 77               | \$145,470.20  |
| 78               | \$170,307.58  |
| 79               | \$155,804.51  |
| 80               | \$147,006.17  |
| 81               | \$ 83,069.12  |

Debtor's original disclosure statement provided for the rejection of the leases upon which these claims are based, the claims will presumptively be discussed in the Debtor's Disclosure Statement, and they are the subject of pending litigation. Settlement negotiations with Deere Credit and C&B Operations are ongoing.

2. The Disclosure Statement for the Creditor's Plan provides that the assumption or rejection of the following additional agreements will be made prior to the confirmation hearing:

| <u>Party</u>                             | <u>Description</u>                                 |
|--|--|
| CAC Recovery Services                    | Potash Anti-Trust Litigation Services Agreement    |
| Farm Credit Services                     | 2007 Case 845 Road grader                          |
| Foster Co. Boyd & Laurie Foster Property | 2013 Joint Venture/Crop Share Agreement 490 acres  |
| Steven Worthen                           | Contractor Services Agreement                      |
| Toyota Financial Services                | Lease 2013 Toyota Tundra, VIN-287946 (Unit No. 15) |
| Toyota Financial Services                | Lease 2013 Toyota Tundra, VIN-288989 (Unit No. 5)  |

With the exception of the Toyota Financial Services (“Toyota Financial”) lease agreements, the Plan Proponent has not been provided with copies of the documents upon which the foregoing are based. The Toyota Financial Services leases are based on the lease agreements attached to Toyota Financial’s Proofs of Claim Nos. 3 and 4. Proof of Claim No. 3 is in the amount of \$11,112.36 and Proof of Claim No. 4 is in the amount of \$10,938.90. The Debtor has filed a Motion to Approve Stipulation for Plan Treatment for Toyota Motor Credit Corporation and Toyota Lease Trust and to Use “Contingency” Lien Item in Approved Cash Collateral Budget to Make Payment (Dkt No. 442) (the “Toyota Motion”) pursuant to which it seeks to assume the two lease agreements with Toyota Financial. The Court entered an Order on August 29, 2014 (Dkt. No. 458) deferring approval of the assumption of the leases until either plan confirmation or until after notice of the proposed assumption is provided to all interested parties.

3. McNeil Development.

Based on the Debtor’s representations, this potential rejection claim allegedly concerns an oral property management agreement. McNeil Development is a related entity to the Debtor and the Disclosure Statement for the Creditor’s Plan provides that this oral agreement is rejected. Debtor has not disclosed the terms of this alleged oral agreement. The Plan Proponent notes that it presumptively is only a property management agreement and that the Debtor has, in its schedules, represented that McNeil Development owes the Debtor in excess of \$236,000 (see Schedule B, pp. 8 and 32.)

**DEFICIENCY CLAIMS.**

Based on the Debtor’s valuation of its assets, it does not appear there will be any unsecured deficiency claims filed. In the event a particular secured creditor files an unsecured deficiency claim, it would likely be based on the difference between the amount owed the creditor and the value of its collateral.

**BUDGET INFORMATION**

An initial budget for the liquidation and monetization of the Assets is attached hereto as **Exhibit A**. Since the Plan Administrator has not been appointed, the attached budget is only an estimate of the costs that may be incurred by the Plan Administrator in liquidating and otherwise monetizing the Assets. The actual Wind Down Budget will, in accordance with the Creditor’s Plan, be prepared by the Plan Administrator and be approved by the Wind Down Committee. In addition to the estimated costs included in the attached budget, the Plan Administrator has estimated that he will spend between 1,000 and 2,000 hours in performing his duties under the Plan and that the Plan Administrator’s attorney’s fees and costs could be between \$100,000 to \$150,000. At \$175 per hour, the Plan Administrator’s fees could be between \$175,000 and \$350,000, without taking into account the \$100,000 incentive bonus if all creditors are paid in full by the later of one year after the Effective Date and December 31, 2015, and the \$50,000 incentive bonus if all creditors are paid in full after the later of one year after the Effective Date and December 31, 2015 but on or before the later of fifteen months after the Effective Date and March 31, 2016. Since the Plan Administrator will not be in place until the Creditor’s Plan is

confirmed, the foregoing estimates were made without the Plan Administrator having had an opportunity to fully review the Assets or his obligations under the Plan.

At the current time, the Plan Proponent believes that the Wind Down Committee will not be required to retain professionals. The members of the Wind Down Committee shall not receive compensation for their services, but are entitled to be reimbursed for reasonable out-of-pocket expenses incurred in connection with their responsibilities under the Creditor's Plan. The Plan Proponent believes these expenses will be minimal (less than \$10,000).

### **BASIS OF VALUATION**

The valuation estimates in this Disclosure Statement are based on Debtor's financial disclosures in this Chapter 11 Case. Reference should be made to the Debtor's amended disclosure statement for updated valuation estimates. The Plan Proponent is forced at this stage to rely on Debtor's disclosures because the Plan Proponent has no ability to independently value Debtor's assets and liabilities. Accordingly, the Plan Proponent does not adopt or endorse Debtor's financial disclosures, value estimates or projections, and reserves the right to dispute the same.

THE VALUES ESTABLISHED IN THIS ANALYSIS ARE BASED ON DEBTOR'S DISCLOSURES, IN ITS ORIGINAL DISCLOSURE STATEMENT. REFERENCE SHOULD BE MADE TO THE DEBTOR'S AMENDED DISCLOSURE STATEMENT FOR UPDATED VALUATION ESTIMATES. Actual sales may result in values different from those estimated here.

### **LIQUIDATION ANALYSIS**

#### *"Best Interests of Creditors Test"*

In the event each member of an impaired class of creditors or equity interest holders does not accept the Creditor's Plan, in order to confirm the Plan the Court must independently determine that the Creditor's Plan is in the best interests of all classes of creditors and equity interests. The "best interest" test requires that the Court find that the Creditor's Plan provides to each member of each impaired class of claims and interests a recovery which has a present value at least equal to the present value of a distribution which each such person would receive if Debtor were liquidated under chapter 7 of the Bankruptcy Code rather than under the Creditor's Plan.

To calculate what members of each impaired class of unsecured claims or interests would receive if the Debtor were liquidated in chapter 7, the Court must first determine the dollar amount that would be generated from the disposition or liquidation of the assets of the Debtor in excess of the amount necessary to pay allowed secured claims, plus the cash held by the Debtor, and plus recoveries on actions against third parties. The proceeds of this liquidation will then be reduced by the costs of the liquidation, including chapter 7 trustee fees and those of counsel and other professionals that might be retained by such trustee, as well as selling expenses (including costs of advertising and auctioneer's fees or brokerage commissions).

The value of the Distributions after liquidation, deduction of costs of liquidation, and in keeping with the chapter 7 priority scheme above would then be compared by the Court with the present value being offered to each impaired class of claims and interests under the Creditor's Plan.

A chapter 7 case and the Creditor's Plan each would result in the liquidation and monetization of Debtor's Assets. The Plan Proponent believes that Distributions to each creditor and equity interest Holder under the Creditor's Plan will equal or exceed distributions in a chapter 7 liquidation. In chapter 7, a trustee may be entitled to fees and commissions based on a percentage of the assets sold. Because the value of the Assets is substantial, a chapter 7 trustee's compensation could be significant in this case. In fact, if the presumptive statutory fee were awarded according to the formula set forth in Bankruptcy Code § 326(a), the chapter 7 trustee's compensation could be almost \$2 million.<sup>6</sup> The Plan Proponent believes that the Plan Administrator's attorney's fees and costs will be less than a chapter 7 trustee's attorney's fees and costs because the Plan Administrator will not be required to obtain approval of the Bankruptcy Court as often as a chapter 7 trustee would be required. For example, in a chapter 7 liquidation, each asset sale would have to be approved by the Bankruptcy Court under Bankruptcy Code Section 363. The cost of obtaining numerous approvals of this type could be significant. In contrast, under the Creditor's Plan, the Plan Administrator would be authorized to sell Assets without further court approval, subject to the oversight of the Wind Down Committee. There are also numerous other examples where the Plan Administrator would not be required to seek prior Bankruptcy Court approval of his actions under the Creditor's Plan while, on the other hand, a chapter 7 trustee would be required to obtain Bankruptcy Court approval in a chapter 7 case. The attorney's fees and costs of a chapter 7 trustee would thus be more than those of the Plan Administrator.

Under the Creditor's Plan, the Plan Administrator currently will be Mr. Gary Rainsdon. Mr. Rainsdon is a former bank loan officer, an Accredited Agricultural Consultant (AAC), American Society of Farm Managers and Rural Appraisers, 1997 and currently serves as a Chapter 7 panel trustee for the United States Bankruptcy Court for the District of Idaho. Mr. Rainsdon has significant experience in liquidating property and, in particular, agricultural real property and equipment and has the necessary connections with auctioneers and others to efficiently perform the duties required under the Plan. Mr. Rainsdon underwent a thorough investigation and qualification process by the office of the U.S. Trustee before being appointed to the standing bankruptcy trustee panel. The Plan Administrator will perform a function similar to a chapter 7 trustee, but at a lower cost. Specifically, the Plan Administrator's compensation will be based on an hourly rate of \$175.00 per hour with a bonus incentive of \$100,000.00 if all creditors are paid in full by no later than the later of one year after the Effective Date and

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<sup>6</sup> The estimate is based on the Debtor's estimation of value of its real and personal property (\$63,687,921) and applying the compensation percentage set out in Section 326(a) to that valuation which results in a total of \$1,933,887.63 in presumptive statutory compensation for a chapter 7 trustee. The estimate, however, depends on the value of distributions and other factors. It could increase if the chapter 7 trustee recovers and distributes significant amounts from the Causes of Action. It could decrease if "extraordinary circumstances" justify a deviation from the presumptive statutory chapter 7 trustee compensation amount. *See In re Rowe*, 750 F.3d 392 (4th Cir. 2014); *Hopkins v. Asset Acceptance LLC (In re Salgado-Nava)*, 473 B.R. 911 (B.A.P. 9th Cir. 2012).

December 31, 2015, and a \$50,000.00 bonus incentive if all creditors are paid in full after the later of one year after the Effective Date and December 31, 2015, but on or before the later of fifteen months after the Effective Date and March 31, 2016. As noted above, Mr. Rainsdon has estimated his total hourly fees at between \$175,000 and \$350,000. Even if he earned the \$100,000 incentive bonus, his estimated fee would be between \$275,000 and \$450,000, as compared to the presumptive statutory compensation for a chapter 7 trustee of almost \$2 million.

In addition, Distributions to unsecured creditors and the Holders of equity interests may occur sooner under the Creditor’s Plan than they would in a chapter 7 liquidation. The Creditor’s Plan requires that the Plan Administrator sell all of Debtor’s Assets by the later of one year after the Effective Date and December 31, 2015. In addition, the Creditor’s Plan requires the Plan Administrator to make Distributions to unsecured creditors whenever the Unsecured Creditor’s Fund contains \$500,000 or more. A chapter 7 trustee would be subject to no such requirements and would likely hold all amounts payable to unsecured creditors until its final report was approved and the chapter 7 case was ready to close. Therefore, parties may have to wait longer for Distributions in a chapter 7 liquidation.

The following sets forth assets, liabilities and estimated expenses based on Debtor’s liquidation analysis contained in its original disclosure statement, except that Appendix G has been updated to include the settlement with AAAUrethane, Inc. and Deere Credit Inc.’s amendment of Proof of Claim Nos. 83-86. See Appendices “E” and “G”. Reference should be made to the Debtor’s amended disclosure statement for updated valuation estimates. These amounts are necessarily based on Debtor’s disclosures because the Plan Proponent does not have all underlying data from which they were generated. The Plan Proponent does not adopt or endorse Debtor’s financial disclosures, value estimates or projections, and reserves the right to dispute the same.

Debtor estimated in its original disclosure statement that, in a chapter 7, the net total equity of all Debtor’s property available in a liquidation to pay unsecured creditors in the bankruptcy would be \$16,437,763.54, after subtracting an estimated cost of liquidation that varies by category, as indicated in the following chart and related footnotes.

| <b>Liquidation Analysis Summary</b> |                |                           |                                 |                   |
|-------------------------------------|----------------|---------------------------|---------------------------------|-------------------|
| <b>Asset</b>                        | <b>Value</b>   | <b>Liquidation Cost</b>   | <b>Secured Debt<sup>7</sup></b> | <b>Net Equity</b> |
| Cash                                | \$3,843,803.26 | \$0.00                    | \$0.00                          | \$3,842,803.26    |
| Crops <sup>8</sup>                  | \$4,930,035.00 | \$197,201.40 <sup>9</sup> | \$4,261,728.19 <sup>10</sup>    | \$471,105.41      |
| Accounts                            | \$2,306,614.22 | \$0.00                    | \$0.00 <sup>11</sup>            | \$2,306,614.22    |

<sup>7</sup> It does not appear the Debtor has included accrued interest, costs and attorney’s fees in the amount of secured debt and that it has not accounted for the adequate protection payments made to secured creditors. As a result, the secured debt may be different than set out.

<sup>8</sup> This represents the remaining 2013 Crop Inventory. The 2014 Crop is currently in the ground, with a value that remains to be determined subsequent to the 2014 harvest.

<sup>9</sup> Shrinkage of 4%.

<sup>10</sup> Wells Fargo - \$4,261,728.19.

|                         |                 |                              |                               |                              |
|-------------------------|-----------------|------------------------------|-------------------------------|------------------------------|
| Receivable              |                 |                              |                               |                              |
| Life Insurance Policies | \$2,133,834.00  | \$0.00                       | \$0.00                        | \$2,133,834.00               |
| Real Estate             | \$39,452,618.00 | \$5,917,892.75 <sup>12</sup> | \$30,093,757.61 <sup>13</sup> | \$3,440,967.94               |
| Vehicles                | \$2,049,973.00  | \$409,994.60 <sup>14</sup>   | \$71,010.03 <sup>15</sup>     | \$1,568,968.37               |
| Office Equipment        | \$12,195.00     | \$2,439.00 <sup>6</sup>      | \$0.00                        | \$9,756.00                   |
| Farm Equipment          | \$4,316,650.00  | \$863,330.00 <sup>6</sup>    | \$1,252,144.59 <sup>16</sup>  | \$2,201,175.41 <sup>17</sup> |
| Farm Machinery          | \$4,642,199.60  | \$956,106.72 <sup>6</sup>    | \$3,223,553.95 <sup>18</sup>  | \$262,207.92                 |
| <b>Net Equity</b>       |                 |                              |                               | <b>\$16,437,763.54</b>       |

With regard to the claims filed against this estate, Appendices “D” and “G”<sup>19</sup> show the claims in greater detail, and were summarized by Debtor as follows:

| <b>CLAIMS SUMMARY</b>           |                        |  |
|---------------------------------|------------------------|--|
| <u>Category</u>                 | <u>Claim Amount</u>    |  |
| <b>Secured Claims</b>           | <b>\$37,686,721.11</b> | <b>(\$38,795,500.71 minus \$1,108,779.60 in Deere Credit, Inc. Claim Nos. 83-86)</b>                 |
| <b>Priority Claims</b>          | <b>\$ 323,702.60</b>   | <b>(\$301,523.60 plus AAAUrethane’s Administrative Claim of \$22,179, if settlement is approved)</b> |
| <b>General Unsecured Claims</b> | <b>\$12,952,365.73</b> | <b>(\$12,659,325.73 plus Deere Credit, Inc.’s \$293,040 in rejection claims (Claim Nos. 83-86))</b>  |
| <b>Total Claims:</b>            | <b>\$50,962,789.44</b> |  |

Accordingly, in a chapter 7 liquidation, General Unsecured Creditors would most likely receive a Distribution that would be 100% of their respective claims, including interest and

<sup>11</sup> Wells Fargo’s collateral includes Debtor’s cash, life insurance policies, crops, equipment, accounts receivable and certain real estate. It is unclear what basis Debtor used to allocate secured debt across various asset categories in the above chart, but ultimately the issue is moot because secured creditors, including Wells Fargo, will be paid in full.

<sup>12</sup> Liquidation cost of 15%.

<sup>13</sup> Wells Fargo Home Mortgage - \$76,059.00, Rabo Agrifinance - \$10,788,309.18, Well Fargo - \$15,945,332.65, Dorothy M. Walker FLP - \$300,408.00, Estate of Roland L. Walker - \$2,261,200.17, Bank of Commerce - \$482,779.81.

<sup>14</sup> Liquidation cost of 20%.

<sup>15</sup> Agricredit Acceptance, LLC - \$24,098.72, Ally - \$18,969.49, Toyota Financial Services - \$27,941.82.

<sup>16</sup> Wells Fargo - \$1,252,144.59.

<sup>17</sup> Net Value based on forced liquidation.

<sup>18</sup> CNH Capital - \$17,500.00, Commercial Credit Group, Inc. - \$192,881.42, John Deere Credit - \$3,013,172.53.

<sup>19</sup> Appendices “D” and “G” were contained in the Debtor’s original disclosure statement, except they have been updated to include the proposed settlement with AAAUrethane, Inc. and Deere Credit, Inc.’s amendment to Proof of Claim Nos. 83-86.

attorneys' fees to the extent provided under applicable law. *See* Appendices "D," "E," "F" and "G" for additional details.

The Creditor's Plan also provides General Unsecured Creditors with a 100% distribution, including interest and attorneys' fees, but with greater certainty than a chapter 7 liquidation, because, as explained above, liquidation costs will likely be lower under the Creditor's Plan than they would be under chapter 7. Distributions would also likely be made more quickly. Thus, the Creditor's Plan present creditors and the Holders of equity interests with an equal or superior alternative to a chapter 7 liquidation, and satisfies the best interest test.

The Debtor's Plan will presumptively separately classify the unsecured claims of certain claimants who are related to the Debtor (the "Related Unsecured Creditors") and provide that these Related Unsecured Creditors will not be paid until after the remaining unsecured creditors have been paid the amounts set forth in the Debtor's Plan. The Creditor's Plan classifies all unsecured creditors in the same class (Class 21) and provides that all Allowed Claims of unsecured creditors will be paid in full, including interests, attorney's fees and costs, prior to any payments being made to Equity Interests. The Plan Proponent believes that including all unsecured creditors in the same class will not adversely affect the unsecured creditors who are not Related Unsecured Creditors because: (1) according to the Debtor, the value of the Debtor's Assets far exceed the amounts owed to its creditors (secured and unsecured, including the Related Unsecured Creditors) and, as result, all creditors would be paid in full under the Creditor's Plan, including interest, attorney's fees and costs; and (2) a number of the claims of the Related Unsecured Creditors are subject to offsets and objections and therefore, will likely be disallowed either in whole or in part. For example, based on the Debtor's Schedules, it appears the Related Unsecured Creditors identified in the Debtor's original disclosure statement hold Claims that are just over \$2,900,000.00, and of this amount, Walker Produce's Claim is \$2,220,438.04.<sup>20</sup> According to the Debtor's Schedule B, Section 16, accounts receivable, Walker Produce owed the Debtor over \$3,700,000.00 at the Petition Date. Further, McNeil Development's Claim is \$29,608.58 and, according to the Debtor's Schedules, it owed the Debtor over \$230,000.00 at the Petition Date (*See* Debtor's Schedule B, Section 16.2, p. 32).

As provided in Section 1141(d)(3) of the Bankruptcy Code, since the Creditor's Plan provides for the liquidation of all of the Debtor's Assets, no discharge of indebtedness will be entered under the Creditor's Plan. The Debtor's Plan, on the other hand, does provide for a discharge of its indebtedness.

### **TAX IMPLICATIONS**

The Plan Proponent does not believe there will be any material adverse income tax liabilities imposed on Debtor if the Creditor's Plan is confirmed. The Plan Proponent believes the income tax consequences under the Creditor's Plan are the same as they would be under chapter 7. Creditors should consult with their own experts as to the tax implications, if any, of the Creditor's Plan on creditors.

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<sup>20</sup> The Audit Report states that as of December 31, 2013, there was \$833,418 due from Debtor to Walker Produce. See Audit Report, p. 15, Note I.

## CONFIRMATION OF THE PLAN

Voting Procedure: All creditors and Holders of equity interests entitled to vote on the Creditor's Plan may cast their votes for or against the Creditor's Plan by completing, dating and signing the Ballot for Accepting or Rejecting Plans that will be separately provided to these parties. The creditors and equity interest Holders can also designate whether they prefer the Creditor's Plan or the Debtor's plan of reorganization. The Ballot must be filed with the Bankruptcy Court and may be submitted personally or by mailing such Ballot to the U.S. Bankruptcy Court, 801 E. Sherman Street, Pocatello, ID 83201. **In order to be counted all ballots must be filed or received by the Bankruptcy Court prior to 5:00 o'clock p.m. on the date specified in the order approving this Disclosure Statement.**

Persons Entitled to Vote on Plan: Only the votes of classes of creditors and equity interests whose claims or interests are impaired by the Creditor's Plan will be counted in connection with confirmation of the Plan. Generally, and subject to the specific provisions of §1124 of the Bankruptcy Code, this includes any creditor or equity interest Holder who, under the Plan, will receive less than payment in full in cash of the allowed amount of their respective claims or equity interests on the effective date of the Plan. With the exception of Classes 18, 19 and 20, all classes are impaired under the Plan. The respective classes are set forth in *Paragraphs 3.1.9, and 3.2* of the Creditor's Plan. In determining acceptance of the Creditor's Plan, votes will be counted only if submitted by a creditor who: (a) holds a Claim that is duly scheduled as undisputed, non-contingent, and liquidated; or (b) has filed with the Court a proof of claim and, in each case, the Claim has not been objected to, or if an objection to the proof of claim has been filed, the Claim has either been allowed by the Court or temporarily allowed in accordance with Rule 3018(a) of the Bankruptcy Rules. The ballot which is provided does not constitute a Proof of Claim. If you are uncertain whether your claim has been correctly scheduled, you should check the Debtor's schedules which are on file with, and may be inspected at, the U.S. Bankruptcy Court, 801 E. Sherman Street, Pocatello, ID 83201.

Acceptances May Not be Necessary to Confirm Plan: Under §1126 of the Bankruptcy Code an impaired class is deemed to have accepted a plan if (1) at least 2/3 in amount and (2) more than 1/2 in number of the allowed claims or interests of class members who have voted on the plan have voted to accept it. Further, unless there is unanimous acceptance of a plan by an impaired class, the bankruptcy court must also determine that under the plan such class members will receive property of value, as of the effective date of the plan, that is not less than the amount that such class member would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on the effective date of the plan. Even if all classes of claims or interests accept the Plan, the Court may refuse to confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and there are other provisions therein which may affect confirmation exclusive of the votes of creditors.

Confirmation of Plan Without Acceptances: Pursuant to Bankruptcy Code §1129(b), the Bankruptcy Court may confirm a plan over the rejection or deemed rejection of the plan by a class of claims or equity interests if the plan "does not discriminate unfairly" and is "fair and equitable" with respect to such class. With respect to classes of secured creditors, the *fair and*



*equitable* test requires that a secured creditor (1) retain its lien and receive cash payments having a present value equal to its allowed secured claim, and (2) receive the proceeds of the sale of its collateral, or (3) realize the indubitable equivalent of its claim to the extent validly secured. With respect to a class of unsecured claims, the *fair and equitable* test requires that if each creditor in such class does not receive property having a present value equal to the amount of such creditors allowed claim, no junior class can receive or retain any property. In the event there is a rejection of the Plan by a class of claims or interests, the Plan Proponent will rely on the features of §1129(b), and the Bankruptcy Court will determine whether the Plan should be confirmed under §1129(b).

Consequences of Confirming the Plan: Confirmation of the Creditor's Plan will not discharge the Debtor from the debts provided in the Creditor's Plan; confirmation makes the Creditor's Plan binding upon the Debtor, creditors and other parties in interest regardless of whether they have accepted or rejected the Creditor's Plan. Confirmation of the Creditor's Plan will, generally, provide for the distribution of value to the creditors as set forth in the Creditor's Plan.

Hearing on Confirmation of the Plan: The Bankruptcy Court has set a hearing date to determine whether the Creditor's Plan has or will be accepted and whether the other requirements for confirmation of the Creditor's Plan have been satisfied. A time for hearing for confirmation of the Creditor's Plan has been established in Appendix "A" hereto. Any creditor or shareholder may attend. Attendance is not mandatory to establish a claim. Also, as also set forth in Appendix "A", all ballots must be timely filed with the Bankruptcy Court as outlined in Appendix "A."

Risks Associated with Confirming the Plan: The liquidation analysis presented herein is based on information provided by Debtor. Actual distributions under the Creditor's Plan could differ materially from these projections.

Retention of Jurisdiction: As more fully discussed in the Creditor's Plan, if the Plan is confirmed by the Bankruptcy Court, the Bankruptcy Court shall, after the Effective Date, retain the maximum legally permissible jurisdiction over the Chapter 11 Case and all Entities with respect to all matters related to the Chapter 11 Case, the Debtor and the Creditor's Plan.

DATED: September 3, 2014

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