

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

|                                       |   |                       |
|---------------------------------------|---|-----------------------|
| In re:                                | ) |                       |
|                                       | ) |                       |
| <b>GRIZZLY LAND, LLC,</b>             | ) | Case No. 16-11757-JGR |
| a Colorado limited liability company, | ) |                       |
| EIN: 26-3813190                       | ) | Chapter 11            |
|                                       | ) |                       |
| Debtor                                | ) |                       |
| _____                                 | ) |                       |

**DISCLOSURE STATEMENT FOR THE PLAN OF LIQUIDATION OF GRIZZLY  
LAND, LLC, PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

**THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.**

**February 17, 2017**

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## ARTICLE I. INTRODUCTION

Edward B. Cordes, the duly appointed chapter 11 Trustee of Debtor Grizzly Land, LLC, submits this disclosure statement (including all exhibits hereto and as may be amended, supplemented or otherwise modified from time to time, this “*Disclosure Statement*”) pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against the Debtor in connection with the solicitation of acceptances with respect to the *Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code* dated February 17, 2017.<sup>1</sup> A copy of the Plan is attached hereto as **Exhibit A** and is incorporated herein by reference.

**THE TRUSTEE BELIEVES THAT THE PLAN WILL ACCOMPLISH THE OBJECTIVES OF AN ORDERLY LIQUIDATION THAT MAXIMIZES CREDITOR RECOVERIES AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE HOLDERS OF ALL CLAIMS. ACCORDINGLY, THE TRUSTEE URGES HOLDERS OF CLAIMS TO VOTE TO ACCEPT THE PLAN.**

## ARTICLE II. OVERVIEW OF THE PLAN

The Plan provides for the orderly and efficient liquidation of the Debtor’s assets and a resulting distribution to creditors with Allowed Claims. The Trustee has concluded that it would not be in the Estate’s best interest to reorganize the Debtor’s affairs and to operate the business as a going concern due to the considerable acrimony between the Debtor’s members, a lack of member capital, and due to the inconsistency and variability of the Debtor’s past and expected future operating cash flows. Accordingly, the Trustee believes that the best way to currently maximize the value of the Debtor’s assets for the benefit of all interested parties is a prompt and orderly wind-down of the Debtor’s business.

The Plan provides for the liquidation and conversion of all of the Debtor’s assets to cash and the distribution of the net cash proceeds realized from the sale of the assets to creditors holding Allowed Claims in accordance with the relative priorities established in the Bankruptcy Code. The Plan contemplates the formation of a Liquidating Trust and the related appointment of a Liquidating Trustee upon the Effective Date to, among other things, operate the property in the interim, sell the real and personal property of the Debtor in a commercially reasonable manner in the Summer of 2017, resolve Disputed Claims, investigate and pursue any Claims and Causes of Action, make distributions to Holders of Allowed Claims, and eventually close the Chapter 11 Case.

The table below summarizes the classification and treatment of Claims against and

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<sup>1</sup> Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meaning ascribed to such terms in the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern.**

Interests in the Debtor and provides the estimated recoveries for each Class under the Plan.<sup>2</sup> For a complete description of Claims and Interests and their treatment, please refer to the entire Plan attached hereto as Exhibit A.

| <b>Class</b> | <b>Claim/<br/>Interest</b>   | <b>Treatment</b>  | <b>Estimated<br/>Recovery</b> |
|--------------|------------------------------|---|-------------------------------|
| Class 1      | Priority Non-Tax Claims      | Except to the extent that a Holder of an Allowed Priority Non Tax Claim agrees to a less favorable treatment, in exchange for settlement and satisfaction of each Allowed Priority Non Tax Claim, each Holder of such Allowed Priority Non Tax Claim shall be paid in full in Cash on or as soon as practicable after the Effective Date.   | 100%                          |
| Class 2      | Jackson County Secured Claim | Except to the extent that a Holder of an Allowed Jackson County Secured Claim agrees to a less favorable treatment, in exchange for settlement and satisfaction of each Allowed Jackson County Secured Claim, each Holder of such Allowed Jackson County Secured Claim shall: (i) retain its Lien on the property securing such Claim; and (ii) shall accrue interest at the applicable statutory rate securing such Claim. The Holder of an Allowed Jackson County Secured Claim shall be paid in full in Cash as reasonably practicable following the sale of the RAF Collateral.   | 100%                          |
| Class 3      | RAF Claim                    | Except to the extent that the Holder of the RAF Claim agrees to a less favorable treatment, in exchange for settlement and satisfaction of the RAF Claim, the Holder of such RAF Claim shall receive regular monthly interest payments on the outstanding principal balance of the RAF Claim, in accordance with the terms of the Cash Collateral Order, and shall also receive the following treatment until the RAF Claim is paid and satisfied in full: (i) receipt of Liquidating Trust Interests in an amount necessary to pay the RAF Claim in full from the sale proceeds to be received from the liquidation and sale of the RAF Collateral, including the payment of any interest (including default interest), a reasonable attorneys' fees and costs, or other fees or charges owed to RAF and required or authorized to be paid under Section 506(b) of the Bankruptcy Code and the RAF Credit Facility; (ii) payment of the RAF Claim, in full, by | 100%                          |

<sup>2</sup> As described in the Risk Factors below, the amount of creditor recoveries are not certain and may be materially higher or lower than described in this Disclosure Statement.

|            |                                 |   |      |
|------------|---------------------------------|---|------|
|            |                                 | no later than December 31, 2017; and (iii) receipt of the RAF Collateral on or before December 31, 2017 through delivery to RAF or RAF's nominee of a Special Warranty Deed, a Bill of Sale and such other or further conveyance and transfer documents as may be reasonably requested by RAF in order to transfer good and sufficient title to the RAF Collateral to RAF or its nominee if and to the extent that the RAF Claim is not paid and satisfied in full through the sale of the RAF Collateral by the deadlines established by the Plan. All of RAF's liens, security interests, and rights against the RAF Collateral which secure the RAF Claim shall remain valid and retain their priority determined as of the Petition Date. In connection with the payment of any attorneys' fees to be paid on account of the RAF Claim, the Liquidating Trustee shall have the right to review and object to the payment of any such attorneys' fees to the extent they are not reasonable. |      |
| Class 4(a) | General Unsecured Claims        | Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, in exchange for settlement and satisfaction of each Allowed General Unsecured Claim, the Holder thereof shall receive its Pro Rata share (not to exceed the amount of such Allowed General Unsecured Claim) of the Liquidating Trust Interests issued on account of Liquidating Trust Assets on the Effective Date, representing the right of each Holder of an Allowed General Unsecured Claim to receive Cash Distributions from the Liquidating Trust. No Distribution to Holders of Class 4(a) Claims shall occur unless and until the Holder of Class 3 Claims have been paid in full.  | 100% |
| Class 4(b) | Grizzly Cattle Unsecured Claims | Except to the extent that a Holder of an Allowed Grizzly Cattle Unsecured Claim agrees to a less favorable treatment, in exchange for settlement and satisfaction of each Allowed Grizzly Cattle Unsecured Claim, the Holder thereof shall receive its Pro Rata share (not to exceed the amount of such Allowed Grizzly Cattle Unsecured Claim) of the Liquidating Trust Interests issued on account of Liquidating Trust Assets on the Effective Date, representing the right of each Holder of an Allowed Grizzly Cattle Unsecured Claim to receive Cash Distributions from the Liquidating Trust. No payment to Holders of Class 4(b) Allowed Grizzly  | 100% |

|            |                          |  |     |
|------------|--------------------------|--|-----|
|            |                          | Cattle Unsecured Claims shall occur until Holders of Class 4(a) Allowed General Unsecured Claims are paid in full.   |     |
| Class 4(c) | Insider Unsecured Claims | Once the Holders of Claims in Classes 4(a) and 4(b) have been paid in full, the Liquidating Trustee shall deposit all remaining funds within his possession, as selected by a simple majority measured in total dollar amount by the Holders of Insider Unsecured Claims, into: (i) the registry or trust account of Judicial Arbiter Group, Inc.; (ii) a court of competent jurisdiction; or (iii) or the trust account of a third party, in order to allow Holders of Insider Claims to assert, dispute, and litigate the validity and allowability of such Insider Claims vis-à-vis the respective Holders of such Insider Claims and to seek an order from the selected tribunal or party commanding turnover of such funds. | 44% |
| Class 5    | Interests in Debtor      | Holders of Interests in Debtor shall not receive any distribution on account of such Interests unless and until all Holders of Claims in Classes 1, 2, 3, 4(a), 4(b), and 4(c) have been fully and completely satisfied. To the extent any funds remain after Class 4(c) has been paid in full, Holders of Interests in Debtor may request, from the tribunal or party that resolves the Insider Unsecured Claims as set forth in the Plan, an order commanding turnover of their Pro Rata share of such funds.  | 0%  |

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims (including Fee Claims), and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan. The treatment of Administrative Claims (including Fee Claims), and Priority Tax Claims is set forth below.

*A. Administrative Claims.*

Except with respect to Administrative Claims that are Fee Claims and except to the extent that a holder of an Allowed Administrative Claim and the Trustee agree to less favorable treatment with respect to such Holder, each Holder of an Allowed Administrative Claim will be paid in full in Cash on or as soon as reasonably practicable after the Effective Date.

*B. Fee Claims.*

Professionals asserting a Fee Claim for services rendered on or before the Effective Date must File and serve on the Trustee and such other Entities as are designated by the Bankruptcy Rules, the Interim Compensation Order or any other applicable order of the Bankruptcy Court, an application for final allowance of such Fee Claim no later than 30 days after the Effective Date. Objections to any Fee Claim must be Filed and served on the Liquidating Trustee and the



requesting party no later than 45 days after the Effective Date. Payment of approved Fee Claims will be made by the Liquidating Trustee within 30 days of the Effective Date, or as soon as reasonably practicable by the Trustee.

C. *Priority Tax Claims.*

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in settlement and satisfaction of each Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on or as soon as reasonably practicable after the Effective Date, at the option of the Trustee one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code or (2) such other treatment as may be agreed upon by such Holder and the Trustee or otherwise determined upon an order of the Bankruptcy Court.

**ARTICLE III.  
IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT**

This Disclosure Statement provides information regarding the chapter 11 plan of liquidation that the Trustee is seeking to have confirmed by the Bankruptcy Court. **The Trustee believes that the Plan is in the best interests of all creditors and urges all Holders of Claims entitled to vote to vote in favor of the Plan.**

A. *Defined Terms.*

1. “**COD Income**” means cancellation of debt income.
2. “**IRS**” means the United States Internal Revenue Service.
3. “**Plan**” and the “**Plan of Liquidation**” mean the *Plan of Liquidation of Pursuant to Chapter 11 of the Bankruptcy Code*, including the Plan Supplement (as modified, amended or supplemented from time to time), which is incorporated herein by reference.
4. “**Regulations**” means the United States Treasury Regulations promulgated under the Tax Code.
5. “**SEC**” means the United States Securities and Exchange Commission.
6. “**Tax Code**” means the Internal Revenue Code of 1986, as amended.
7. Unless the context requires otherwise, reference to “*we*,” “*our*” and “*us*” are to the Trustee.

*B. Details About This Disclosure Statement.*

**The confirmation and effectiveness of the Plan are subject to certain material conditions precedent described herein. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied will be satisfied (or waived).**

**You are encouraged to read this Disclosure Statement in its entirety, including the Plan and the section of this Disclosure Statement entitled “Risk Factors,” before submitting your ballot to vote on the Plan.**

**The Bankruptcy Court’s approval of this Disclosure Statement is not a guarantee by the Bankruptcy Court of the accuracy or completeness of the information contained herein or an endorsement by the Bankruptcy Court of the merits of the Plan.**

**In the event of any inconsistency between the Disclosure Statement and the Plan, the relevant provision of the Plan, as it relates to such inconsistency, shall govern.**

Summaries of the Plan and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan, this Disclosure Statement and any Plan Supplement document. Summaries of the financial information and the documents annexed to this Disclosure Statement or otherwise incorporated herein by reference, are also qualified in their entirety by reference to those documents. The statements and financial information contained in this Disclosure Statement are made only as of the date of this Disclosure Statement and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Trustee is under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and confirmation of, the Plan and may not be relied on for any other purpose.

This Disclosure Statement has not been approved or disapproved by the SEC or any similar federal, state, local or foreign regulatory agency, nor has the SEC or any other such agency passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement.

The Trustee has sought to ensure the accuracy of the financial information provided in this Disclosure Statement, but the financial information contained in, or incorporated by reference into, this Disclosure Statement has not been, and will not be, audited or reviewed by independent auditors unless explicitly provided otherwise.

This Disclosure Statement contains certain forward-looking statements prepared by the Trustee’s professionals, all of which are based on various estimates and assumptions. Such forward-looking statements are subject to inherent uncertainties and to a wide variety of significant business, economic, and competitive risks, including, among others, those risks

summarized herein. *See* Article IX — “Risk Factors.” When used in this Disclosure Statement, the words “anticipate,” “believe,” “estimate,” “will,” “may,” “intend,” and “expect” and similar expressions generally identify forward-looking statements. Although the Trustee believes that the plans, intentions, and expectations reflected in the forward-looking statements are reasonable, he cannot be sure that they will be achieved. These statements are only predictions and are not guarantees of future performance or results. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by a forward-looking statement. All forward-looking statements attributable to the Trustee or persons acting on his behalf are expressly qualified in their entirety by the cautionary statements set forth in this Disclosure Statement. Forward-looking statements speak only as of the date on which they are made. Except as required by law, the Trustee expressly disclaims any obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

To ensure compliance with Treasury Department Circular 230 each Holder is hereby notified that (a) any discussion of U.S. Federal Tax issues in this Disclosure Statement is not intended or written to be relied upon, and cannot be relied upon, by any Holder for the purpose of avoiding penalties that may be imposed on a Holder under the Tax Code, (b) such discussion is included hereby by the Trustee in connection with the promotion or marketing (within the meaning of Circular 230) by the Trustee of the transactions or matters addressed herein and (c) each Holder should seek advice based on its particular circumstances from an independent tax advisor.

#### **ARTICLE IV. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT**

*A. What is Chapter 11?*

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. However, chapter 11 also allows a debtor to conduct an orderly liquidation while remaining in possession of its assets until they can be distributed to holders of claims. Chapter 11 promotes equality of treatment for creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a “debtor in possession” while they proceed to wind down the business. In certain circumstances, the bankruptcy court may appoint a trustee for cause, including fraud, dishonesty, incompetence, or gross mismanagement of the affairs of the debtor by current management, either before or after the commencement of the case, or similar cause.

Consummating a plan is the ultimate objective of a chapter 11 case. A bankruptcy court’s confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court

confirming a plan provides for the treatment of a debtor's liabilities in accordance with the terms of the confirmed plan.

*B. Why is the Trustee Sending me This Disclosure Statement?*

The Trustee is seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Trustee to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding whether to vote to accept the Plan. This Disclosure Statement is being submitted in accordance with such requirements.

*C. What is a Plan?*

A chapter 11 plan is the roadmap that governs the final resolution of a chapter 11 case. The plan will provide for the distribution of assets to creditors in satisfaction of their claims and binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of a debtor and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code.

This Plan is structured so that all of the Debtor's assets will be transferred to the Liquidating Trust in order to be liquidated by the Liquidating Trust. In exchange for their Claims, Holders of Allowed Claims in Class 3 RAF Claim, Class 4(a) General Unsecured Claims, and Class 4(b) Grizzly Land Unsecured Claims, aggregating to approximately \$11.63 million, will receive beneficial interests in the Liquidating Trust which will enable them to receive Cash in the amount of their Claims to the extent of available Cash. The Liquidating Trustee, after liquidating all of the Trust's assets, will distribute the net Cash (after payment of applicable costs and expenses of the Liquidating Trust Estate) to the Liquidating Trust Beneficiaries in the following priority: *first* to the beneficiary who was the Holder of the Class 3 RAF Claim; *second* to those beneficiaries who were the Holders of Class 4(a) General Unsecured Claims; and *third* to those beneficiaries who were the Holders of Class 4(b) Grizzly Cattle Unsecured Claims. No junior Liquidating Trust Beneficiary will be paid any amount until all senior Liquidating Trust Beneficiaries are paid in full. To the extent there is any remaining available Cash after all Distributions to the Liquidating Trust Beneficiaries have been made, which the Trustee currently estimates to be the case, then the Liquidating Trustee will deposit all remaining funds within his possession, as selected by a simple majority measured in total dollar amount by the Holders of Class 4(c) Insider Unsecured Claims, into: (i) the registry or trust account of Judicial Arbiter Group, Inc.; (ii) a court of competent jurisdiction; or (iii) or the trust account of a third party, in order to allow Holders of Insider Claims to assert, dispute, and litigate the validity and allowability of such Insider Claims vis-à-vis the respective Holders of such Insider Claims and to seek an order from the selected tribunal or party commanding turnover of such funds. To the extent any funds remain after Class 4(c) has been paid in full, Holders of Class 5 Interests in Debtor may request, from the tribunal or party that resolves the Insider Unsecured Claims an order commanding turnover of their Pro Rata share of such funds.

As described in Articles V and VI of this Disclosure Statement, the Holders of Interests in the Debtor (along with other Entities which such Holders have an interest) experienced an

acrimonious and litigious prepetition relationship with significant claims against each other. This “intra-member: acrimony is what led to the appointment of the Trustee. In reviewing the Claims against the Debtor’s Estate, the Trustee has determined that participating in any of the prepetition litigation or re-litigating the nature, extent, value, or validity of any such Claims as they may pertain to either Holders of Interests, related Entities, or the Debtor is not in the best interests of the Debtor’s Estate. Instead, the Trustee believes that the best course of action is to liquidate all of the Debtor’s assets and distribute the proceeds to the Holders of non-Insider Claims, in accordance with the priority scheme established by the Bankruptcy Code, and then, to the extent any proceeds remain, deposit the balance of such proceeds as described in the preceding paragraph in order for Insiders and Holders of Interests in the Debtor to assert, dispute, and litigate such Claims to the remaining proceeds. There is no benefit to the Estate for the Liquidating Trustee to remain involved in any disputes amongst the Insiders and Holders of Interests as the Debtor’s Estate will have been fully administered and such efforts would only deplete, by the incurrence of additional administrative expenses, whatever funds remain available for Insiders and Holders of Interests.

*D. What is the Effect of the Plan on the Debtor’s Business Postpetition?*

The Trustee is proposing to liquidate the Debtor’s assets pursuant to chapter 11 and distribute the net cash proceeds to the creditors of the Bankruptcy Estate. The Trustee anticipates retaining a qualified commercial real estate broker who specializes in the purchase and sale of large trophy ranches to market for sale all of the Debtor’s real and personal property and ranch business. Cash proceeds from the anticipated sale of the Debtor’s assets will be distributed to those individuals or entities holding Allowed Claims against the Debtor in accordance with the Plan. It is anticipated that between the Effective Date of the Plan and the anticipated sale of the real and personal property of the Ranch, the Liquidating Trustee will continue to operate the ranch in a commercially reasonable manner and consistent with past operating ranch practices until such time as the ranch is sold. Upon completion of the liquidation, the Debtor will cease operations.

*E. Am I Entitled to Vote on the Plan? What Will I Receive from the Trustee if the Plan is Consummated?*

Your ability to vote on, and your distribution under, the Plan, if any, depends on what type of Claim you hold. A summary of the classes of Claims (each category of Holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a “**Class**”) and their respective voting statuses is set forth below.

The following chart is a summary of the classification and treatment of Claims and Interests under the Plan. Your ability to receive distributions under the Plan depends upon the ability of the Trustee to obtain confirmation of the Plan and meet the conditions to consummate the Plan.

| <b>Class</b> | <b>Claim/Interest</b>        | <b>Status</b> | <b>Voting Rights</b> |
|--------------|------------------------------|---------------|----------------------|
| Class 1      | Priority Non-Tax Claims      | Unimpaired    | Deemed to Accept     |
| Class 2      | Jackson County Secured Claim | Unimpaired    | Deemed to Accept     |

|            |                                 |          |                  |
|------------|---------------------------------|----------|------------------|
| Class 3    | RAF Claim                       | Impaired | Entitled to Vote |
| Class 4(a) | General Unsecured Claims        | Impaired | Entitled to Vote |
| Class 4(b) | Grizzly Cattle Unsecured Claims | Impaired | Entitled to Vote |
| Class 4(c) | Insider Unsecured Claims        | Impaired | Entitled to Vote |
| Class 5    | Interests in Debtor             | Impaired | Entitled to Vote |

*F. What is my Estimated Recovery Under the Plan?*

As of the date hereof, the Trustee expects that Holders of Claims in Classes 1, 2 and 3 will be fully satisfied pursuant to the Plan, while Holders Interests in Debtor in Class 5 may likely receive no recovery under the Plan.

The Trustee currently estimates that: (a) Holders of Allowed General Unsecured Claims in Class 4(a) will receive recoveries of approximately 100% of the amount of their Claims; (b) Holders of Allowed Grizzly Cattle Claims in Class 4(b) will receive recoveries of approximately 100% of the amount of their Claims; and (c) Holders of Insider Unsecured Claims in Class 4(c) will receive recoveries of approximately 44% of the amount of their Claims. However, as described in the Risk Factors below, the amount of creditor recoveries are not certain and may be materially higher or lower than described in this Disclosure Statement because, among other things, administrative expenses may be higher than expected and the value the Trustee or the Liquidating Trustee are able to obtain for unliquidated assets may be higher or lower than expected. A recovery analysis prepared by the Trustee's financial advisors setting forth the assets available for distribution to each Class of creditors, the estimated Claims associated with each Class, and the estimated recovery rates for each Class is attached hereto as Exhibit B.

*G. What Happens to my Recovery if the Plan is not Confirmed, or Does not go Effective?*

In the event that the Plan is not confirmed or does not go effective, substantial delays in distributions to creditors could occur. It is possible that any alternative may provide Holders of Claims with less of a recovery on their Claims than they would have received pursuant to the Plan.

*H. What Assets Does the Debtor Have?*

As of the Petition Date, the Debtor's property consisted of the substantial real and personal property generally described as a large-scale working livestock and operating ranch located about 14 miles south of Walden, Colorado. The ranch contains significant improvements along with water, mineral and recreational attributes. The contiguous property consists of 8,686 deeded acres and approximately 14,000 of BLM and State of Colorado leased acres. This ranch also contains 6 residences, a 19,000 square foot professional show/sale barn, machine shops, equipment sheds, barns and extensive livestock facilities. Additionally, the ranch includes various mineral rights, a productive oil & gas lease and senior water rights. In addition to the real and personal property, the Debtor estate also includes operating cash, revolving accounts receivable balances, hay inventory and other miscellaneous assets. All of the Debtor's assets are encumbered by liens in favor of RAF pursuant to a term loan. The Trustee currently believes that the value of the real and personal property is significantly in excess of the loan balance owed to RAF; thus, the sale of the ranch is anticipated to bring net proceeds available for distribution

to other creditors of the Bankruptcy Estate. Refer to Exhibit B for an estimate of the value of the Debtor assets. Further, the Trustee has identified a lease with the Colorado State Board of Land Commissioners (Lease #46202) that is part of the Debtor's Estate. For convenience sake, this lease has been held in the name of Kirk and Kris Shiner, but is property of the Debtor's Estate. The lease will be assigned to the purchaser of the real and personal property at the time of sale for no consideration to Kirk and Kris Shiner. As of the Effective Date, all assets that remain unliquidated, including Causes of Action, will be transferred to the Liquidating Trust, reduced to cash and distributed to creditors in accordance with the terms of the Plan and Liquidating Trust Agreement.

*I. Does the Debtor Have any NOLs?*

The Debtor does not have any federal and/or state NOLs as the Debtor is a limited liability company with tax reporting requirements as a partnership.

*J. What is the Liquidating Trust?*

The Liquidating Trust is the trust established pursuant to the Plan, after payment in full in Cash of Administrative Claims, Priority Tax Claims, and Priority Non-Tax Claims that are Allowed as of the Effective Date, to collect and hold the Debtor's assets, reduce them to Cash and distribute the proceeds to creditors. The Liquidating Trust will be the successor to the Debtor's estate from and after the Effective Date and, acting through the Liquidating Trustee, will (1) will operate the ranch property until the sale of the Debtor's real and personal property (currently anticipated to be in the Summer of 2017) (2) wind down the Debtor's affairs and dissolve its business, (3) investigate and, if appropriate, pursue Claims and Causes of Action not otherwise released under the Plan, (4) administer and pursue the Liquidating Trust Assets, (5) resolve all non-Insider Disputed Claims, (6) make all Distributions from the Liquidating Trust and (7) file appropriate tax returns, among other duties and responsibilities each as provided for in the Liquidating Trust Agreement.

*K. What is the Role of the Liquidating Trustee?*

The Liquidating Trustee will Mr. Edward B. Cordes as identified in the Plan Supplement. The Liquidating Trustee shall administer the Plan and the Liquidating Trust and shall serve as a representative of the Debtor's Estate after the Effective Date.

*L. If the Plan Provides That I get a Distribution, do I get it Upon Confirmation or When the Plan Goes Effective, and What do you Mean When you Refer to "Confirmation," "Effective Date" and "Consummation?"*

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can be consummated and go effective. The date on which such conditions are satisfied or waived is referred to as the "Effective Date." See Article IX of the Plan, "Conditions Precedent to Confirmation and Consummation of the Plan," for a discussion of the conditions to consummation of the Plan. Distributions will only be made

after the Plan is effective and in accordance with the provisions of the Plan governing the allowance, timing and amount of any Distributions. *See* Article VI of the Plan, “Provisions Governing Distributions,” and Article VII of the Plan, “Procedures for Resolving Contingent, Unliquidated and Disputed Claims.” The Trustee does not anticipate any distributions until after the sale of the RAF Collateral.

*M. Is There Potential Litigation Related to the Plan?*

Yes. In the event it becomes necessary to confirm the Plan over the objection of certain Classes, the Trustee may seek confirmation of the Plan notwithstanding the dissent of such objecting Classes. The Bankruptcy Court may confirm the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an Impaired Class, as long as one Impaired Class of Claims accepts the Plan (determined without including any acceptance by any insider) and the Bankruptcy Court determines that the Plan satisfies section 1129(b) of the Bankruptcy Code. The Trustee believes that he will be able to satisfy this standard. *See* “Risk Factors — The Trustee may not be able to obtain Confirmation of the Plan.” The Trustee believes the Plan will satisfy the confirmation requirements set forth in the Bankruptcy Code and will so demonstrate at the Confirmation Hearing. The Trustee intends on objecting to the following Class 4(a) General Unsecured Claims after confirmation of the Plan:

| Claim No.           | Creditor Name                       | Purported Claim Amount |
|---------------------|-------------------------------------|------------------------|
| Scheduled by Debtor | Brownstein Hyatt Farber Schreck LLP | \$1,324,624.85         |

*N. Is There any Litigation Pending Against the Debtor?*

There is a prepetition arbitration proceeding before William G. Meyer, Arbiter of the Judicial Arbiter Group, Inc., titled *Kloiber Holdings, LLC and Kloiber Real Estate Holdings, LLC, individually and as a Member of Grizzly Cattle, LLC (“Claimants”) versus Kirk A. Shiner and Sopris, LLC and Grizzly Land, LLC, (“Respondents”) versus Daniel Kloiber (Third-Party Respondent)* that was stayed as a result of the Debtor’s Chapter 11 Case. This proceeding had been on-going before the Debtor filed this Chapter 11 Case and involved various claims that the Holders of Interest in the Debtor and their underlying principals had brought against each other and their affiliated entities including, but not limited to: (a) claims related to the amounts paid by Kloiber Holdings, LLC, for the acquisition of the ranch property; (b) claims related to Dr. Kirk Shiner’s management of the Debtor and Grizzly Cattle; (c) equitable claims related to misappropriated property; (d) claims related to breach of fiduciary duty and good faith dealing; (e) derivative claims; (f) claims related to breach of the operating agreements of the Grizzly entities, (g) unjust enrichment; and (h) other such related claims.

On February 12, 2016, Arbiter Meyer issued a 26 page Interim Arbitration Award (“*Interim Award*”), which damages are summarized as follows:

- A finding for Kloiber Real Estate Holdings, LLC, against the Debtor in the amount of \$10,101,857 as of October 1, 2015 with interest accruing at an annual rate of 8% since that date.



- A finding for Kloiber Real Estate Holdings, LLC, against Dr. Kirk Shiner and Sopris, LLC, jointly and severally, and awarding disgorgement damages of \$2,047,158 including 8% annual interest from February 12, 2016 until paid in full.
- A finding for Kloiber Real Estate Holdings, LLC, against Dr. Kirk Shiner and Sopris, LLC, jointly and severally, and awarding disgorgement damages of \$259,660.93 relating to the hay profits, with 8% annual interest from February 12, 2016 until paid in full.
- A finding for Kloiber Real Estate Holdings, LLC, against Dr. Kirk Shiner and Sopris, LLC, jointly and severally, and awarding disgorgement damages of \$226,500 relating to some missing Herefords, with 8% annual interest from February 12, 2016 until paid in full.
- An award for the Claimants and against the Respondents on Respondents' counterclaims and third-party complaints.
- An award of reasonable costs and attorney fees on behalf of Kloiber Real Estate Holdings, LLC, pursuant to paragraph 16.4 of the Debtor's operating agreement.

The Trustee believes that the findings of Judge Meyer in this Interim Award was one of the primary reasons for the filing of this Chapter 11 case as discussed further below. The completion of these arbitration proceedings was stayed pending the Debtor's Bankruptcy.

*O. Will the Liquidating Trust be Authorized to Pursue Claims and Causes of Action Held by the Debtor's Estate After the Effective Date of the Plan?*

Yes. Article VIII.E. of the Plan provides that, except with respect to the exculpation in Article VIII of the Plan, nothing contained in the Plan shall be deemed to be a waiver or relinquishment of any Causes of Action that the Trustee, Debtor, or the Liquidating Trust, as applicable, may have or may choose to assert against any Person.

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released in the Plan, the Liquidating Trustee shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in any supplemental documents, and the Liquidating Trustee's rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Liquidating Trustee may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Liquidating Trust Beneficiaries. No Entity may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Trustee or the Liquidating Trustee, as applicable, will not pursue any and all available Causes of Action against them. Unless any Causes of Action against an Entity is expressly waived, relinquished, exculpated, released, compromised,

or settled in the Plan or a Bankruptcy Court order, the Liquidating Trustee expressly reserves all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppels (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation of the Plan.

Without limiting the foregoing, and except where such Causes of Action have been expressly released in the Plan, the Liquidating Trustee may pursue (1) all Avoidance Actions including, without limitation, claims for the recovery of preferential transfers pursuant to sections 547 and 550 of the Bankruptcy Code, (2) actions to collect accounts receivable and any other amounts due to the Debtor's Estate, or (3) tax refunds or other claims held by the Debtor's Estate.

*P. How Will Executory Contracts be Treated Under the Plan?*

On the Effective Date, except as otherwise provided herein, or in any contract, instrument, release, or other agreement or document entered into in connection with the Plan, Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired Lease: (1) was assumed, assumed and assigned or rejected previously by the Debtor or Trustee; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to assume or assume and assign Filed on or before the Confirmation Date; or (4) is identified as an Executory Contract or Unexpired Lease on the Assumed Executory Contracts and Unexpired Lease List included in the Plan Supplement.

*Q. What is the Deadline to Vote on the Plan?*

The deadline to vote on the Plan is \_\_\_\_\_, 2017.

Detailed instructions regarding how to vote on the Plan are contained in the solicitation packets distributed to Holders of Claims that are entitled to vote on the Plan. You should have received this Disclosure Statement as part of a solicitation package. If you do not have your ballot, contact Counsel for Trustee, Mr. Timothy M. Swanson, Moye White LLP, 1400 Sixteenth Street, Suite 600, Denver, Colorado 80202, Telephone: (303) 292-2900, Facsimile (303) 292-4510, Email: tim.swanson@moyewhite.com.

*R. Does the Trustee Recommend Voting in Favor of the Plan?*

**Yes. The Trustee has concluded that a reorganization is not practicable and is not the best way to restructure the Debtor's affairs. The Trustee believes that the best way to maximize value for the benefit of all interested parties is a sale of the Debtor's real and personal property followed by a prompt and orderly wind down of the Debtor's business pursuant to the Plan.** In the opinion of the Trustee, proceeding with confirmation of the Plan is preferable to any other alternative. The Plan provides for a larger distribution to the Holders of Claims than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. It is the Trustee's view that failure to confirm the Plan at this time would likely result in extensive delays in the Debtor's wind-down process, which will increase both administrative expenses and the length of time that will pass before Holders of Claims receive their recoveries.

Administrative Claims against the Debtor continues to accrue during the pendency of the Chapter 11 Case. In addition, the Trustee continues to incur legal fees and to pay the other professionals of the Chapter 11 Case out of the Estate as long as the Chapter 11 Case continues. Therefore, any significant delay in the progress of the Chapter 11 Case will result in dissipation of the assets available for Distributions and, ultimately, reduced recoveries for Holders of General Unsecured Claims.

*S. Why is the Bankruptcy Court Holding a Confirmation Hearing and What is it?*

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan. The confirmation hearing is a time when parties-in-interest can be heard and the Bankruptcy Court can consider whether the Plan meets the requirements of section 1129 of the Bankruptcy Code and the approval of the plan is warranted. The Bankruptcy Court also will consider any objections to the Plan that may have been filed at the confirmation hearing. Any creditor may object to confirmation of the Plan.

*T. When is the Confirmation Hearing set to Occur?*

The Bankruptcy Court has scheduled the Confirmation Hearing for \_\_\_\_\_, **2017 at \_\_\_\_\_ a.m./p.m. (prevailing Mountain Time)**. The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to confirmation of the Plan must be filed and served on the Trustee and certain other parties, by no later than \_\_\_\_\_, **2017** in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement.

*U. How can I Object to Confirmation of the Plan?*

Any creditor may object to confirmation of the Plan. Objections to confirmation of the Plan must: (i) be in writing; (ii) state the name and address of the objecting party; (iii) state the amount and nature of the Claim or Interest of such party; (iv) state with particularity the basis and nature of any *objection* to the Plan and, if practicable, proposed modification to the Plan that would resolve such objection; and (v) be filed, together with proof of service, with the Bankruptcy Court and served on the following parties **no later than \_\_\_\_\_, 2017**: (i) the Trustee, Mr. Edward B. Cordes, 5299 DTC Boulevard, Suite 815, Greenwood Village, CO 80111, ed@cordesco.com; (ii) counsel to the Trustee, Mr. Timothy M. Swanson, Moye White LLP, 1400 Sixteenth Street, Suite 600, Denver, CO 80202, tim.swanson@moyewhite.com; (iii) counsel to RAF, Mr. Michael Johnson, Ray Quinney & Nebeker P.C., 36 South State Street, Suite 1400, Salt Lake City, Utah 84111, mjohnson@rqn.com; (iv) counsel to the Debtor, Mr. Lee Kutner, Kutner Brinen, P.C., 1660 Lincoln Street, Suite 1660, Denver, CO 80264, lmk@kutnerlaw.com; and (v) Office of the United States Trustee, Mr. Alan K. Motes, Byron G. Rogers Federal Building, 1961 Stout Street, Suite 12-200, Denver, CO 80294, alan.motes@usdoj.gov. Objections to confirmation of the Plan not timely filed and served in the manner set forth above may not be considered by the Court and may be overruled.

**ARTICLE V.**  
**THE DEBTOR'S CORPORATE HISTORY, STRUCTURE AND BUSINESS**  
**OVERVIEW**

Kloiber Real Estate Holdings, LLC (“**KREH**”), is a wholly-owned subsidiary of Kloiber Holdings, LLC (“**KH**”). KREH and Sopris, LLC (“**Sopris**”) are the two members of the Debtor, which was incorporated in late March 2009. KREH and Sopris are also the two members of Grizzly Cattle, which was also incorporated in late March 2009. Similar to the Debtor, Grizzly Cattle also filed for bankruptcy protection in the Bankruptcy Court. *See* Bankr. D. Colo., Case No. 16-12675-JGR. There is a separate bankruptcy estate for Grizzly Cattle and a separate Bankruptcy Trustee. In the Fall of 2008, Dan Kloiber (“**Kloiber**”) and Dr. Kirk Shiner (“**Dr. Shiner**”) agreed to jointly participate in the formation of a cow-calf operation near Walden, Colorado. It was agreed that the business would be split into two separate entities: the Debtor would own the real property and Grizzly Cattle would operate the ranching business. The parties spent approximately \$1 million each on the acquisition of cattle contingent on purchasing the Mountain Meadow Ranch, which was ultimately purchased by the Debtor and renamed the Grizzly Ranch.

The cattle operation was to be funded by a joint infusion of cash by Sopris/Shiner and Kloiber/KREH and through a revolving line of credit established with RAF. A term loan from RAF, along with an accompanying down payment, was used to purchase the real estate. At inception, Grizzly Cattle operated the ranch. In the Fall of 2011, Grizzly Cattle sold a significant portion of its cattle herd and paid off the revolving line of credit with RAF. Around this time, Grizzly Cattle sold some of its other assets as well, including hay and some equipment. In January 2014, the remaining cattle were sold and Grizzly Cattle’s “operations” were mostly wound down.

In 2014, the Debtor entered into an agreement with a third-party that allowed the third party’s cattle to graze the Debtor’s pastures during the Spring, Summer and Fall months. Additionally, as part of this arrangement, the Debtor also provided care for these animals in exchange for monthly pasture and care fees. The Debtor entered into similar arrangements with this same third-party during 2015 and 2016, respectively, and anticipates a similar arrangement for 2017. As a result of these activities, the Debtor maintains a small staff of employees to take care of the cattle, perform haying activities and oversee the general ranch operations.

The Debtor’s property also includes mineral and water rights, which have significant value. In 2013, Debtor entered into various agreements (including a surface use agreement) with EE3, LLC, whose assets (including the Grizzly Land related assets) were later purchased by SandRidge E&P (“**SandRidge**”). As a result of these agreements, SandRidge has drilled multiple oil wells on the Grizzly Ranch, which has resulted in oil & gas royalties to the Debtor. Further, SandRidge has also purchased significant sums of water from the Debtor for its drilling and fracking activities in the general area (including on the Debtor’s property). This has provided an additional revenue source for the Debtor over the last several years. SandRidge exited its own bankruptcy case in the Fall of 2016. *See* Bankr. S.D. Tex., Case No. 16-32488. Sandridge continued its drilling activities in the area during 2016; however, it ceased those drilling activities at the end of the year. Sandridge has verbally communicated that it plans to continue limited drilling in the area beginning in the latter part of the first quarter 2017

depending upon capital resources, the price of oil, availability of equipment and crews and other factors.

**ARTICLE VI.  
EVENTS LEADING TO THE FILING OF THIS CHAPTER 11 CASE**

As previously discussed in Article IV.N., an Interim Award was issued by the arbiter in the on-going litigation between the members and their related entities involving the Debtor (and Grizzly Cattle) in the middle of February 2016. This award resulted in a \$10 million claim against the Debtor. Within several weeks of the award being entered, Grizzly Land, LLC filed for this Chapter 11 proceeding. In addition to this significant event as well as the acrimony between the members, the Trustee believes that the Debtor, while asset rich, struggled to pay its mortgage obligation to RAF and cover its fixed operating costs on a timely basis from its monthly operating cash flows. The revenues generated from the ranching business are seasonal in nature with little revenues generated during the winter months. Furthermore, while the oil & gas royalties are consistently paid each month, the amounts are not sufficient to cover the operating costs of the ranch and they vary in dollar amount based upon the price of oil, the amount of oil pumped from the various wells and, most importantly, the number of new wells being drilled on the Debtor's property (which has not been significant in the recent past). Finally, the water revenues from the oil & gas drilling, while significant, have been highly variable in the past and are contingent upon the amount of drilling in the area, which is a function of numerous macro and SandRidge specific factors. Additionally, there is significant competition from area ranchers to provide water to SandRidge. These issues with the revenue streams have necessitated the members providing funds, in the past, to help cover the RAF mortgage, which likely may have influenced the filing of the Bankruptcy proceeding.

**ARTICLE VII.  
SIGNIFICANT FILINGS DURING THE CHAPTER 11 CASE**

*A. Petition, Retainer Order and Other Required Filings.*

On the Petition Date, the Debtor filed its voluntary petition and shortly thereafter filed other required pleadings including its schedules and statements of financial affairs. *See* Docket Nos. 1, 17, 18, 19, 20, 21, 22 and 23. On April 6, 2016, the Bankruptcy Court entered its order approving the payment of a prepetition retainer in the amount of \$45,845 to the Debtor's counsel. *See* Docket Nos. 8 and 32. On April 21, 2016, the Debtor amended its petition and soon thereafter amended its schedules. *See* Docket Nos. 33,<sup>3</sup> 46, 47, 48, 49, 50, 51 and 52.

Through the pendency of this Chapter 11 Case, monthly operating reports have been regularly filed. Prior to the appointment of the Trustee, the Debtor filed required monthly operating reports. Docket Nos. 57, 70 and 86. Following the Trustee's appointment, the Trustee has regularly and timely filed all monthly operating reports. Docket Nos. 126, 135, 136, 137, 141, 145, 151, and 161.

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<sup>3</sup> The Debtor's Schedule G was amended before it filed its amended petition and amended schedules.

On May 6, 2016, the Bankruptcy Court entered its Bar Date Order which set June 15, 2016, as the final date for the filing of prepetition proofs of claim and any requests for administrative expenses arising after the Petition Date. Docket No. 78.

*B. Appointment of the Trustee.*

On May 25, 2016, the Court entered an order instructing the United States Trustee to appoint an individual to serve as a Chapter 11 Trustee for Grizzly Land, LLC. On June 1, 2016, the United States Trustee filed an application for an order appointing Mr. Edward B. Cordes as the Trustee, pursuant to Section 1104 of the Bankruptcy Code. The order for appointment for Mr. Cordes was granted by the Court on June 2, 2016. After his appointment, the Trustee accepted his appointment and filed his bond. Docket Nos. 105 and 106. The Trustee has been operating the Debtor's ranching business, overseeing the Debtor's financial affairs, and overseeing the Debtor's significant mineral assets since his appointment.

*C. The Debtor's Proposed Chapter 11 Plan.*

On May 16, 2016, before the Trustee's appointment, the Debtor filed its proposed chapter 11 plan. Docket No. 82. As a result of the Trustee's appointment, the Debtor no longer pursued confirmation of its proposed chapter 11 plan.

*D. The Professionals of the Estate.*

Given the wide nature of the Debtor's ranching business as well as various complexities involving the operations and the underlying ranch property, a variety of professionals have been granted employment by the Bankruptcy Court in this Chapter 11 Case pursuant to the request of the Debtor, originally, and the Trustee upon his appointment.

- Debtor's Counsel. Docket No. 12;
- Trustee's Counsel. Docket No. 116;
- Trustee's Accountant. Docket No. 124;
- Trustee's Tax Accountant. Docket No. 130; and
- Trustee's Special Water Law Counsel. Docket No. 133.

On October 27, 2016, the Bankruptcy Court entered its Order Granting Motion to Establish Interim Compensation Procedures of the Estate Retained Subsequent to June 1, 2016. Docket No. 143.

*E. Cash Collateral.*

On December 20, 2017, the Bankruptcy Court entered *Order Granting Chapter 11 Trustee's Motion For Entry of Order (I) Authorizing Trustee to Use Cash Collateral of Existing Secured Lender, (II) Granting Adequate Protection For The Use Thereof, (III) Modifying The Automatic Stay to Allow For The Relief Requested Herein, and (IV) Scheduling Hearing entered by the Bankruptcy Court.* Docket No. 152. The Cash Collateral Order authorizes the Trustee to use RAF's Cash Collateral as set forth therein.

**ARTICLE VIII.  
POST-CONFIRMATION MARKETING AND SALE PROCESS OF THE DEBTOR'S  
PROPERTY**

Provided the Plan is confirmed in a timely manner, the Trustee anticipates the following with respect to the short-term operation of the ranch and the anticipated sale of the RAF Collateral:

- There are two principal considerable components of value to the Debtor's assets—the ranch and the mineral interests. Given the significant differences in the potential buyer pools, the Trustee will likely bifurcate these two significant assets and separately sell them with different agents. These two sale processes will run concurrently with each other.
- The Trustee has assembled the mineral interests as part of the process of obtaining an estimate of value for such interests and has had tentative discussions with mineral interest marketing firms.
- Additionally, the Trustee has started a process in which each potential asset broker presents their capabilities, marketing plan, and related compensation structure. At the end of the interview process, the Trustee will engage the firms (real estate and mineral) that, in his estimation, would best represent the interests of the Estate.
- The Trustee anticipates hiring the appropriate firms in the early Spring 2017 or as soon as practicable after confirmation of the Plan.
- Once retained, the Trustee anticipates working with these brokerage firms to identify and implement a commercially reasonable and significant marketing plan to sell the ranch and mineral interests. This will be accomplished soon after these brokers are retained so that the marketing of the ranch, including appropriate advertising, site tours, and other marketing initiatives, can be accomplished in the late Spring/early Summer.
- Parenthetically, because of the heavy winter snows that occur at the ranch, buyer inspections cannot generally commence until the snow melts, which defers such inspections until, likely, May 2017.
- Given the above, the Trustee hopes to receive offers during the early Summer months with an expected purchase and sale agreement consummated in mid-Summer, with a subsequent anticipated closing in the late Summer 2017.
- The Trustee anticipates that the third-party cattle owner discussed above will begin bringing his cattle to the ranch in April for grazing and care. This will provide a source of revenues for the Debtor to help cover the fixed operating costs and payments due to RAF under the Cash Collateral Order during the time period in which the ranch is marketed and, ultimately, sold.

The Trustee believes, based upon his significant experience in the agricultural industry, that the above process, coupled with the current value of the RAF Collateral—as low as \$16,000,000.00 and perhaps as high as \$22,000,000.00—will result in net sale proceeds that are significantly greater than the RAF loan balance. Accordingly, the Trustee believes that there will be considerable net proceeds from the sale of the assets (after the full payment of the RAF obligation) that will be available to the remaining creditors of the Debtor’s Estate. Although there is no guarantee that the above process can be effectuated exactly as designed, it is the Trustee’s belief that this course of action will lead to the best recovery for all the interested parties.

The Trustee has, generally, discussed his planned real and personal property sale activities and time frames with representatives of RAF. RAF would like to see the property sold and their loan paid in full sooner rather than later, but certainly before the end of 2017. The Trustee believes that the above course of action is consistent with RAF’s objectives and, thus, RAF is likely to support the Trustee’s Plan. Further, the Trustee has also discussed his planned course of action for liquidating the assets with the Debtor’s members and/or their representatives and he believes that they would not oppose such a Plan.

#### **ARTICLE IX. EXCULPATION**

Under the Plan, and to the extent allowed under applicable law, Holders of Claims, provide an exculpation to the Trustee and all Professionals retained subsequent to June 1, 2016, for any act or omission derived from, based upon, related to or arising from this Chapter 11 Case, the liquidation of assets, formulation, preparation, dissemination, negotiation, filing, confirmation, approval, implementation or administration of the Disclosure Statement, the Plan (including any term sheets related thereto), the property to be distributed under the Plan or any contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement, the Plan, the filing of this Chapter 11 Case, the pursuit of Confirmation and Consummation and the administration and implementation of the Plan, or the distribution of property under this Plan or any other related agreement.

The Trustee asserts that the exculpation set forth in the Plan is fair and reasonable under the circumstances of this Chapter 11 Case. Additionally, the Trustee believes that the exculpation provided in the Plan is of little or no value to the Estate. The scope of this provision is targeted and has no effect on liability resulting from actual fraud, willful misconduct or gross negligence. The Trustee does not believe, at this time, that any valid Claims or Causes of Action exist against any of the Exculpated Parties. The Trustee believes that the exculpation is reasonable and appropriate under the circumstances, are consistent with applicable law and should be approved in connection with the Confirmation of the Plan. The Trustee will provide further support for the appropriateness of the exculpation provisions set forth in the Plan through evidence at the Confirmation Hearing and in the Trustee’s memorandum in support of confirmation of the Plan to be filed prior to the Confirmation Hearing.



## **ARTICLE X. RISK FACTORS**

Holders of Claims should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors, they should not be regarded as constituting the only risks present in connection with the Trustee's operation of the Debtor's business or the Plan and its implementation.

### *A. General Considerations.*

The Plan sets forth the means for satisfying the Claims against and Interests in the Debtor. Certain Claims may not receive payment in full. Nevertheless, the liquidation of the Debtor's business and operations under the proposed Plan avoids the potentially adverse impact of the likely increased delays and increased costs associated with a chapter 7 liquidation of the Debtor's business and assets.

### *B. Risks Relating to Bankruptcy.*

#### 1. The Trustee may not be Able to Obtain Confirmation of the Plan

Section 1129 of the Bankruptcy Code requires, among other things, that: (a) all Impaired Classes vote in favor of a plan or (b) that at least one Impaired Class vote in favor of the plan and that the "cramdown" standards described in Article XII.E are met. The Plan provides that Class 5 is allowed to vote on the Plan because Holders of Interests in Debtor will not receive anything on account of their Interests under the Plan until Holders in Class 3, Class 4(a), Class 4(b), and Class 4(c) receive payment in full of their Claims, which may be unlikely given the estimated net sale proceeds from the liquidation of the Debtor's real estate and personal property (although it is possible the Liquidating Trustee could obtain sale proceeds sufficient to allow a distribution to Class 5 under the mechanisms set forth in the Plan). Accordingly, the Trustee will seek to confirm the Plan under the cramdown provisions of the Bankruptcy Code.

Additionally, even if the Impaired voting Classes vote in favor of the Plan and, with respect to any Impaired Class deemed to have rejected the Plan, the requirements for "cramdown" are met, the Bankruptcy Court may not confirm the Plan if circumstances warrant. Section 1129 of the Bankruptcy Code requires, among other things, a showing that the value of distributions to dissenting Holders of Claims and interests may not be less than the value such Holders would receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. Although the Trustee believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Even if the requisite acceptances of a proposed plan are received, the Bankruptcy Court is not obligated to confirm the Plan as proposed.

#### 2. The Conditions Precedent to the Effective Date of the Plan may not Occur

Article IX of the Plan sets forth certain conditions that must be fulfilled prior to the Effective Date of the Plan. As of the date of this Disclosure Statement, there can be no assurance

that any or all of the conditions in the Plan will be met (or waived) or that the other conditions to consummation, if any, will be satisfied.

3. Delays of Confirmation or Effective Date

Any delays of either confirmation or effectiveness of the Plan could result in, among other things, increased administrative costs, including Fee Claims and/or a possible reduction in the net sale proceeds from the sale of the underlying real and personal property if a potential delay in the sale adversely affects the selling price of these assets. The Trustee believes that there is an optimal time during the year in which to sell a ranch of this nature which is in the Spring and Summer of 2017. If the ranch is unable to be marketed for potential sale during this optimal time period, then the gross sales proceeds may be less than they otherwise would be if the ranch was sold during the prime selling season. These negative effects of delays of either confirmation or effectiveness of the Plan could endanger the ultimate approval of the Plan by the Bankruptcy Court. Furthermore, under the terms of the Cash Collateral Order, delays in confirmation of the Plan may result in RAF receiving its collateral by December 31, 2017, which would result in no return to unsecured creditors.

C. *Risks Relating to Estimated Creditor Recoveries.*

The Allowed amount of Claims in each Class could be greater than projected, which in turn, could cause the amount of distributions to creditors to be reduced substantially. Although the Trustee believes that the marketing program should result in a qualified cash buyer for fair value of the Debtor's ranch business, until the Plan is confirmed, the Trustee cannot be certain of the extent of participants in such a market. Furthermore, given the Debtor's substantial mineral interests, the price of and demand for oil and gas, and water will likely ultimately influence the total amount of consideration received for the sale of such assets, which in turn, could cause the amount of distributions to creditors to be reduced or increased substantially.

**ARTICLE XI.  
SOLICITATION AND VOTING PROCEDURES**

After filing of this Disclosure Statement, the Bankruptcy Court will set a hearing to determine whether this Disclosure Statement contains adequate information pursuant to Section 1125 of the Bankruptcy Code in order for the Trustee to solicit votes on the Plan. Once the Bankruptcy Court approves the Disclosure Statement (the "**Disclosure Statement Order**"), the Trustee will solicit votes in favor of his plan accompanied by a Ballot or Ballots to be used for voting on the Plan, and will be distributed to the Holders of Claims in Class 3, Class 4(a), Class 4(b), Class 4(c) and of Interests in Class 5.

**ARTICLE XII.  
CONFIRMATION OF THE PLAN**

A. *Requirements for Confirmation of the Plan.*

Section 1129 of the Bankruptcy Code sets forth the requirements a plan must meet in order to be confirmed. Among the requirements for Confirmation of the Plan are that the Plan

(1) is accepted by all Impaired Classes of Claims, or if rejected by an Impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class; (2) is feasible; and (3) is in the “best interests” of creditors. In addition, section 1129(a)(10) of the Bankruptcy Code requires that if a class of claims is impaired under the Plan, at least one class of claims that is impaired under the Plan must accept the Plan, determined without including any acceptance of the Plan by any insider.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code, including section 1129(a)(10). The Trustee believes that: (1) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11; and (2) the Trustee has complied or will have complied with all of the necessary requirements of chapter 11.

*B. Best Interests of Creditors Test.*

Before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each Class, that each Holder of a Claim in such Class either (i) has accepted the Plan or (ii) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtor liquidated under chapter 7 of the Bankruptcy Code.

The Trustee believes that the Plan satisfies the best interests test, because, among other things, the recoveries expected to be available to Holders of Allowed Claims under the Plan will be greater than the recoveries expected to be available in a chapter 7 liquidation.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor’s assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of the properties securing their liens. If any assets are remaining in the bankruptcy estate after satisfaction of secured creditors’ Claims from their collateral, administrative expenses are next to receive payment. Unsecured creditors are paid from any remaining sales proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their Allowed Claims in relationship to the total amount of Allowed Claims held by all unsecured creditors with the same priority. Finally, Holders of Interests receive the balance that remains, if any, after all creditors are paid.

Although the Plan calls for a liquidation of the Debtor’s assets and a chapter 7 liquidation would have the same goal, the Trustee believes that the Plan provides the best source of recovery to creditors. The Plan allows for a significant marketing process of the Debtor’s assets in a manner that will reduce costs and maximize value for creditors. Additionally, the plan contemplates that the Trustee will be the Liquidating Trustee and will oversee the sale process. The existing Trustee has significant experience acting as a fiduciary in such circumstances and also has an extensive agriculture background/experience, which makes him well suited to work to effectuate a sale of the property to maximize the sale proceeds and minimize the costs associated with the process.

C. *Plan Feasibility.*

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successors to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan. The Plan provides for a liquidation of the Debtor's assets and a distribution of the Cash proceeds to creditors in accordance with the priority scheme of the Bankruptcy Code and the terms of the Plan. The ability to make distributions described in the Plan therefore does not depend on future earnings or operations of the Debtor, but only on the orderly liquidation of the Debtor's assets. Accordingly, the Trustee believes that the Plan is feasible and meets the requirements of section 1129(a)(11) of the Bankruptcy Code.

D. *Section 1129(a)(10): Impaired Accepting Class.*

Section 1129(a)(10) of the Bankruptcy Code requires that if a Class of Claims is Impaired under the Plan, at least one class of claims that is Impaired under the Plan must accept the Plan, determined without including any acceptance of the Plan by any insider. The Trustee believes that he will obtain one Class of accepting Impaired Claims, namely the Class 3 RAF Claim. The Trustee intends on availing himself of the cram-down provisions under section 1129(b) of the Bankruptcy Code.

E. *Section 1129(b): Unfair Discrimination and the "Fair and Equitable" Test.*

The Trustee will request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code, and has reserved the right to modify the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification. The Bankruptcy Court may confirm the Plan over the rejection or deemed rejection of the Plan by an Impaired Class of Claims or Interests if the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such Class; provided that at least one Class of Claims that is Impaired under the Plan accepts the Plan, determined without including any acceptance of the Plan by any insider, as required by section 1129(a)(10) of the Bankruptcy Code.

1. No Unfair Discrimination

The "unfair discrimination" test applies to Impaired Classes of Claims or Interests that are of equal priority and are receiving disparate treatment under the Plan. The test does not require that the treatment of such Classes be the same or equivalent, but only that the treatment be "fair." A plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class receives more than it is entitled to for its Claims or Interests. The Trustee believes that the treatment of Claims and Interests under the Plan, including the treatment of Allowed General Unsecured Claims and Grizzly Land Claims, is fair, and that the Plan does not discriminate unfairly with respect to any Class of Claims or Interests.

2. Fair and Equitable Treatment of Claims

The Bankruptcy Code provides a non-exclusive definition of the phrase “fair and equitable.” The Bankruptcy Code establishes “cramdown” tests for dissenting classes of secured creditors, unsecured creditors and equity holders. As to each dissenting Class, the test prescribes different standards, depending on the type of Claims or Interests in such class:

*Secured Creditors.* With respect to each class of Secured Claims that rejects the Plan, the Plan must provide (a)(i) that each Holder of a Secured Claim in the rejecting class retain the liens securing those Claims, whether the property subject to those liens is retained by the Debtor or transferred to another entity, to the extent of the Allowed amount of such Secured Claim and (ii) that the Secured creditor receives on account of its Secured Claim deferred Cash payments having a value, as of the Effective Date of the Plan, of at least the value of the Allowed amount of such Secured Claim; (b) for the sale of any property that is subject to the liens securing the Claims included in the rejecting class, free and clear of such liens, with such liens to attach to the proceeds of the sale, and the treatment of such liens on proceeds under clause (a) or (c) of this subparagraph; or (c) for the realization by the Secured creditor of the “indubitable equivalent” of its Secured Claim.

*Unsecured Creditors.* With respect to each Impaired Class of Unsecured Claims that rejects the Plan, the Plan must provide (a) that each Holder of a Claim in the rejecting class will receive or retain on account of that Claim property that has a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim; or (b) that no Holder of a Claim or Interest that is junior to the Claims of such rejecting Class will receive or retain under the Plan any property on account of such junior Claim or Interest.

*Holder of Interests.* With respect to each Impaired Class of Interests that rejects the Plan, the Plan must provide (a) that each Holder of an interest included in the rejecting Class receive or retain on account of that interest property that has a value, as of the Effective Date of the Plan, equal to the greatest of the Allowed amount of any fixed liquidation preference to which such Holder is entitled, any fixed redemption price to which such Holder is entitled, or the value of such Interest; or (b) that no Holder of an Interest that is junior to the Interests of such rejecting class will receive or retain under the Plan any property on account of such junior Interest.

The Plan may be confirmed pursuant to the above-described “cramdown” provisions, over the dissent of certain Classes of Claims and Interests, in view of the treatment proposed for such Classes. The Trustee believes that the treatment under the Plan of the Holders of Claims in Classes 3, 4(a), 4(b) and 4(c) will satisfy the “fair and equitable” test because there is no Class of Claims or Interests that is junior to Classes 3, 4(a), 4(b), and 4(c) that will receive or retain any property under the Plan unless and until all senior classes are paid in full. Furthermore, Class 5, Holders of Interests, will not receive anything until all of the senior creditor classes are paid in full.

**ARTICLE XIII.**  
**CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

The following discussion is not intended as a substitute for professional tax advice, including the evaluation of recently enacted and pending legislation, since recent changes in the federal income taxation of reorganizations under the Bankruptcy Code are complex and lack authoritative interpretation. The Trustee has not received, nor will it request, a ruling from the IRS as to any of the tax consequences of the Plan with respect to holders of Claims or Interests. The Trustee assumes no responsibility for the tax effect that Confirmation and receipt of any Distribution under the Plan may have on any given creditor or other party in interest. The Trustee recommends that Holders of Claims and Interests and other parties in interest consult with their own tax advisors concerning the federal, state and local tax consequences of the Plan.

**ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE TAX CODE. ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT WAS WRITTEN TO SUPPORT THE PROMOTION OF THE TRANSACTIONS DESCRIBED IN THIS DISCLOSURE STATEMENT.**

The Liquidating Trust will be established for the primary purpose of liquidating the assets transferred to it with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. Thus, the Liquidating Trust is intended to be classified for U.S. federal income tax purposes as a “grantor trust”.

Creditors may be required to report income or may be entitled to a deduction as a result of implementation of the Plan. To the extent a creditor receives, or expects to receive, less pursuant to the Plan than the creditor’s basis in the claim to which such amount relates, the creditor may be permitted to claim a bad debt deduction. The amount, timing and character of the deduction will depend, among other things, upon the creditor’s tax accounting method for bad debts, the creditor’s tax status, the nature of the creditor’s claim, whether the creditor receives consideration in more than one year, and whether the creditor has previously taken a bad debt deduction or worthless security deduction with respect to the creditor’s claim. If the debt is not business related, a deduction is only available if the debt is worthless. A cash-basis taxpayer can deduct a bad debt only if an actual cash loss has been sustained or if the amount deducted was included in income. All accrual-basis taxpayers must use the specific charge-off method to deduct business bad debts.

To the extent that a creditor receives payment pursuant to the Plan in an amount in excess of the creditor’s adjusted tax basis in the claim to which payment relates, the excess will be treated as income or gain to the creditor. A creditor not previously required to include in its taxable income any accrued but unpaid interest on a Claim may be treated as receiving taxable interest, to the extent the amount it receives pursuant to the Plan is allocable to such accrued but unpaid interest. A creditor previously required to include in its taxable income any accrued but unpaid interest on a claim may be entitled to recognize a deductible loss, to the extent the amount

of interest actually received by the creditor is less than the amount of interest taken into income by the creditor.

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230 EACH HOLDER IS HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE, (B) SUCH DISCUSSION IS INCLUDED HEREBY BY THE TRUSTEE IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE TRUSTEE OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

#### **ARTICLE XIV.**

##### **ALTERNATIVES TO CONFIRMATION AND CONSUMATION OF THE PLAN**

*A. Liquidation Under Chapter 7.*

If no chapter 11 plan can be confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code to liquidate the assets of the Debtor for distribution in accordance with the priorities established by the Bankruptcy Code. The Trustee believes that liquidation under chapter 7 would result in lower distributions being made to creditors than those provided for in the Plan because, among other reasons, (i) additional administrative expenses would be incurred in a chapter 7 liquidation, specifically those of a chapter 7 trustee costs and any costs of counsel and other professionals to the chapter 7 trustee to become familiar with the facts and circumstances of this case and (ii) the additional delay in distributions that would occur if the Chapter 11 Case was converted to a case under chapter 7.

*B. Alternative Plan of Liquidation.*

The Trustee, with the assistance of his professionals, has considered the options and has concluded that the Plan offers the best and highest recoveries for creditors, and has concluded that the Plan provides greater potential recoveries for creditors than any feasible alternative.

#### **ARTICLE XV. RECOMMENDATION**

In the opinion of the Trustee, the Plan is preferable to the alternatives described herein. It provides for larger distribution to the Holders than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than confirmation of the Plan would likely result in extensive delays in the Debtor's liquidation and wind-down process, which will increase both administrative expenses and the length of time that will pass before Holders of Claims will receive their recoveries. Administrative Claims against the Debtor continue to accrue during the pendency of the Chapter 11 Case. Therefore, any delay in the progress of this case will result in dissipation of the assets available for Distributions

and, ultimately, reduced recoveries for general unsecured creditors. **Accordingly, the Trustee strongly recommend that Holders of Claims entitled to vote to accept or reject the Plan support confirmation of the Plan by voting to accept the Plan.**

Dated: February 17, 2017

EDWARD B. CORDES, the duly  
appointed Chapter 11 Trustee of Debtor  
Grizzly Land, LLC

By: /s/ Edward B. Cordes  
Name: Edward B. Cordes  
Title: Chapter 11 Trustee

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