THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AND NO ONE MAY SOLICIT ACCEPTANCES OR REJECTIONS OF THE JOINT PLAN OF LIQUIDATION UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION. THIS DISCLOSURE STATEMENT IS SUBJECT TO FURTHER MODIFICATION PRIOR TO THE BANKRUPTCY COURT'S APPROVAL OF THE DISCLOSURE STATEMENT.

**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF MARYLAND**
**(Greenbelt Division)**

| | |
|---|---|
| In re:<br><br>D.C. DEVELOPMENT, LLC., *et al.*,<br><br>Debtors. | Case No. 11-30548-WIL<br>(Chapter 11) |
| In re:<br><br>D.C. DEVELOPMENT, LLC,<br>RECREATIONAL INDUSTRIES, INC.,<br>WISP RESORT DEVELOPMENT, INC.,<br>THE CLUBS AT WISP, LLC.,<br><br>Debtors. | Case No. 11-30548-WIL<br>Case No. 11-30549-WIL<br>Case No. 11-30550-WIL<br>Case No. 11-30551-WIL<br><br>(Jointly Administered under Case No. 11-30548-WIL) |

# DISCLOSURE STATEMENT ACCOMPANYING JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE PROPOSED BY THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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Dated: November 11, 2013

## IMPORTANT NOTICE

**This Disclosure Statement[1] and its related documents are the only documents authorized by the Bankruptcy Court to be used in connection with the solicitation of votes to accept the Plan. No representations have been authorized by the Bankruptcy Court concerning the Debtors, their business operations or the value of their assets, except as explicitly set forth in this Disclosure Statement.**

**Please refer to the Plan (or, where indicated, certain motions filed with the Bankruptcy Court) for definitions of the capitalized terms used in this Disclosure Statement.**

**The Plan Proponents reserve the right to file an amended Plan and amended Disclosure Statement from time to time. The Plan Proponents urge you to read this Disclosure Statement carefully for a discussion of voting instructions, recovery information, classification of claims, the history of the Debtors and the Cases and a summary and analysis of the Plan.**

**The Plan and this Disclosure Statement are not required to be prepared in accordance with federal or state securities laws. This Disclosure Statement has been approved by the Bankruptcy Court as containing "adequate information"; however, such approval does not constitute endorsement of the Plan or this Disclosure Statement by the Bankruptcy Court and none of the United States Securities and Exchange Commission, any state securities commission or similar public, governmental or regulatory authority has approved this Disclosure Statement, or the Plan, or has passed on the accuracy or adequacy of the statements in this Disclosure Statement. Persons trading in or otherwise purchasing, selling or transferring securities, if any, of the Debtors should evaluate the Plan in light of the purposes for which it was prepared.**

**This Disclosure Statement contains only a summary of the Plan. This Disclosure Statement is not intended to replace a careful and detailed review of the Plan, but instead, is an aid and may supplement such review. This Disclosure Statement is qualified in its entirety by reference to the Plan, and the exhibits attached thereto and the agreements and documents described therein. If there is a conflict between the Plan and this Disclosure Statement, the provisions of the Plan will govern. You are encouraged to review the full text of the Plan and also read carefully the entire Disclosure Statement, including all exhibits, before deciding how to vote with respect to the Plan.**

**Except as expressly otherwise indicated, the statements in this Disclosure Statement are made as of November 11, 2013, and the delivery of this Disclosure Statement will not,**

[1] Unless otherwise defined herein, capitalized terms in this Disclosure Statement shall have the meanings ascribed to them in the Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Official Committee of Unsecured Creditors dated November 11, 2013.

**under any circumstances, imply that the information contained in this Disclosure Statement is correct at any time after that date. Any estimates of claims or interests in this Disclosure Statement may vary from the final amounts of claims or interests allowed by the Bankruptcy Court. In addition, the treatment of creditors under the Plan described herein is subject to change as such treatment continues to be negotiated.**

**YOU SHOULD NOT CONSTRUE THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. YOU SHOULD, THEREFORE, CONSULT WITH YOUR OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY SUCH MATTERS IN CONNECTION WITH THE PLAN, THE SOLICITATION OF VOTES ON THE PLAN AND THE TRANSACTIONS CONTEMPLATED BY THE PLAN.**

**As to contested matters, adversary proceedings and other actions or threatened actions, this Disclosure Statement is not, and is in no event to be construed as, an admission or stipulation as to any fact or allegation.**

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**EXHIBITS**

Exhibit A – Plan of Liquidation under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Official Committee of Unsecured Creditors Dated November 11, 2013

Exhibit B – Order of the Bankruptcy Court Approving the Disclosure Statement Dated November 11, 2013 entered on November __, 2013

Exhibit C – Liquidation Analysis

# I. OVERVIEW OF THE JOINT DISCLOSURE STATEMENT

## A. Purpose of the Disclosure Statement

D.C. Development, LLC ("DCD"), Recreational Industries, Inc. ("RI"), Wisp Resort Development, Inc. ("WRD") and The Clubs at Wisp, LLC ("TWC"), the above-captioned debtors and debtors-in-possession (together, the "Debtors"), and its Official Committee of Unsecured Creditors appointed in these chapter 11 cases (the "Committee," and together with the Debtors, the "Plan Proponents") prepared this Disclosure Statement to accompany, and in connection with, their solicitation of acceptances of the Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code dated November 11, 2013 (the "Plan"), filed in the Debtors' proceedings under the Bankruptcy Code, pending in the Bankruptcy Court. After notice and hearing, and upon order of the Bankruptcy Court entered on November __, 2013 (the "Disclosure Statement Order"), the Bankruptcy Court approved this Disclosure Statement as containing information of a kind and in sufficient detail that would enable a hypothetical reasonable investor, typical of holders of claims and interests of the classes being solicited, to make an informed judgment whether to vote to accept or reject the Plan.

A copy of the Plan is attached to this Disclosure Statement and incorporated by reference as Exhibit A. A copy of the Disclosure Statement Order is attached as Exhibit B. A copy of the liquidation analysis is attached hereto as Exhibit C (the "Liquidation Analysis").

You should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No statements or information concerning the Debtors or any other entity described in this Disclosure Statement or the Plan, particularly, but not limited to, the Debtors' financial results, assets or liabilities are authorized by the Plan Proponents other than as set forth in this Disclosure Statement or exhibits hereto.

The financial information set forth in this Disclosure Statement has not been audited by independent certified public accountants, nor has it necessarily been prepared in accordance with generally accepted accounting principles, except as specifically set forth herein. For that reason, and as a result of the complexity of the financial affairs of the Debtors, the Plan Proponents do not represent or warrant that the information set forth in this Disclosure Statement is without any inaccuracy. To the extent possible, however, the information has been prepared from the Debtors' financial books and records, and every reasonable effort has been made by the Plan Proponents to ensure that all information in this Disclosure Statement has been fairly presented.

## B. Procedural Information and Voting

Any holder of a Claim or Equity Interest whose legal, contractual or equitable rights are altered, modified or changed by the proposed treatment under the Plan is considered impaired.

Each holder of a Claim that is impaired under the Plan, but is not deemed to have rejected the Plan, will receive this Disclosure Statement, the Plan, notice of the confirmation hearing and objection deadline, a Ballot for accepting or rejecting the Plan ("Ballot"), and a pre-addressed return envelope. Only the holders of General Unsecured Claims in Classes 3A, 3B, 3C and 3D are entitled to vote on the Plan. No other Classes of Claims or Interests are entitled to vote. Holders of Claims in Classes 1A-D and 2A-D are not entitled to vote because they are considered "unimpaired" and deemed to have accepted the Plan. Holders of Equity Interests in Classes 4A-D are not entitled to vote because, while

they are impaired, they will received no distribution or property on account of their Equity Interests in the Debtors and thus are deemed to have rejected the Plan.

Each holder of an Allowed Claim in an impaired Class of Claims that is entitled to vote on the Plan, or the holder of a Claim that has been temporarily Allowed for voting purposes only under Bankruptcy Rule 3018(a), shall be entitled to vote separately to accept or reject the Plan. For purposes of calculating the number of Allowed Claims in a Class that has voted to accept or reject the Plan under section 1126(c) of the Bankruptcy Code, all Allowed Claims in such Class held by one entity or its "affiliate" (as defined in the Securities Act of 1933 and the rules and regulations promulgated with respect to such Act) shall be aggregated and treated as one Allowed Claim in such Class; provided, however, that Claims acquired by an entity from unrelated entities shall not be aggregated for purposes of voting.

To vote on the Plan, you must hold a Class 3A, 3B, 3C, or 3D Claim and have timely filed a proof of Claim or have a Claim that is identified on the Debtors' Schedules that is not listed as disputed, unliquidated or contingent, or be the holder of a Claim that has been temporarily Allowed solely for voting purposes under Bankruptcy Rule 3018(a).

Under the Bankruptcy Code, the Plan will be deemed accepted by an impaired Class of Claims if the Debtors receive Ballots accepting the Plan representing at least:

- two-thirds of the total dollar amount of the allowed Claims in the Class that cast a Ballot; and

- more than one-half of the total number of allowed Claims in the Class that cast a Ballot.

All properly completed Ballots received by the Debtors by no later than **December [Insert Date after Disclosure Statement Approved], 2013 at 5:00 p.m. (EST)** (the "Voting Deadline"), will be counted in determining whether each impaired Class entitled to vote has accepted the Plan. All Ballots must be mailed, postage prepaid, to, and received by, the Debtors by the Voting Deadline. Any Ballots received after the Voting Deadline will not be counted. All Ballots must contain an original signature to be counted. No Ballots received by facsimile or email will be accepted.

This Disclosure Statement and the Plan are the only materials that you should use in determining how to vote on the Plan. The Debtors and Committee believe that approval of the Plan provides the greatest return to holders of Claims in the Voting Classes. The Debtors and the Committee believe that the Plan presents the best opportunity for holders of Claims to maximize their respective recoveries. The Debtors and the Committee, therefore, encourage holders of Impaired Claims to vote to ***accept*** the Plan.

The Ballots have been specifically designed for the purpose of soliciting votes on the Plan from each Class entitled to vote. For this reason, in voting on the Plan, use only the Ballot sent to you with this Disclosure Statement. If you hold Claims in more than one Class, you must use a separate Ballot for voting with respect to each Class of Claims that you hold. If you believe you have received the incorrect form of Ballot, you need another Ballot, or you have any questions concerning the form of Ballot, please contact counsel for the Debtors.

The Debtors will prepare and file with the Bankruptcy Court a certification of the results of the voting on the Plan on a Class-by-Class basis.

Additional copies of the Ballots, this Disclosure Statement and the Plan are available upon request made to counsel for the Debtors or the Committee. Please contact counsel for the Debtors with any questions relating to voting on the Plan.

Your vote on the Plan is important because:

- Under the Bankruptcy Code, a chapter 11 plan can only be confirmed if certain majorities in dollar amount and number of claims (as described above) of each Voting Class under the plan vote to accept the plan, unless the "cram down" provisions of the Bankruptcy Code are used.
- Under the Bankruptcy Code, only the votes of those holders of claims or interests who actually submit votes on a plan are counted in determining whether the specified majorities of votes in favor of the plan have been received.
- If you are eligible to vote with respect to a Claim and do not deliver a properly completed Ballot relating to that Claim by the Voting Deadline, you will be deemed to have abstained from voting with respect to that Claim and your eligibility to vote with respect to that Claim will *not* be considered in determining the number and dollar amount of Ballots needed to make up the specified majority of that Claim's Class for the purpose of approving the Plan.

All pleadings and other documents referred to in this Disclosure Statement as being on file with the Bankruptcy Court are available for inspection and review during normal business hours at the Office of the Clerk of the United States Bankruptcy Court for the District of Maryland (Greenbelt Division), 6500 Cherrywood Lane, Greenbelt, Maryland 20770, telephone 301.340.0660.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN AND OTHER DOCUMENTS RELATING TO THE PLAN. WHILE THE PLAN PROPONENTS SUBMIT THAT THOSE SUMMARIES PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, THESE SUMMARIES ARE QUALIFIED BY THE COMPLETE TEXT OF SUCH DOCUMENTS. IF ANY INCONSISTENCIES EXIST BETWEEN THE TERMS AND PROVISIONS OF THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR OTHER DOCUMENTS DESCRIBED HEREIN, THE TERMS AND PROVISIONS OF THE PLAN AND OTHER DOCUMENTS ARE CONTROLLING. EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE SHOULD REVIEW THE ENTIRE PLAN AND ALL RELATED DOCUMENTS AND SEEK THE ADVICE OF ITS OWN COUNSEL BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ANY CHANGES TO THESE DOCUMENTS WILL BE DESCRIBED AT THE HEARING ON THE CONFIRMATION OF THE PLAN.

THE PLAN PROPONENTS SUBMIT THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF EVERY CREDITOR AND RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

## II. SUMMARY OF THE PLAN'S TREATMENT

The table located on the following two (2) pages briefly summarizes the classifications and estimated distributions to holders of Claims and Equity Interests under the Plan:

| Class | Claim or Equity Interest | Treatment | Estimated Recovery | Impairment | Voting |
|---|---|---|---|---|---|
| N/A | Administrative Expense Claims (other than those set forth separately below) | Except to the extent that a holder of an Administrative Expense Claim agrees to a different treatment, on or as soon as reasonably practicable after the later of (i) the Effective Date or (ii) the date on which an Administrative Expense Claim becomes an Allowed Administrative Expense Claim, the holder of such Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Administrative Claim, (a) Cash equal to the unpaid portion of the Allowed amount of such Administrative Claim or (b) such other less favorable treatment as to which the Plan Administrator and such holder shall have agreed upon in writing. (See Plan for treatment of RI DIP Loan). | 100% | N/A | No |
| N/A | Professional Fee Claims | On or as soon as reasonably practicable after the later of (i) Effective Date or (ii) the date on which an Professional Fee Claim becomes an Allowed Professional Fee Claim, the holder of such Allowed Professional Fee Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Professional Fee Claim, (a) Cash equal to the unpaid portion of the Allowed amount of such Professional Fee Claim or (b) such other less favorable treatment as to which the Plan Administrator and such holder shall have agreed upon in writing. | 100% | N/A | No |
| N/A | U.S. Trustee Fees | All fees payable in the Cases under 28 U.S.C. §1930, as agreed by the Debtors or as determined by the Bankruptcy Court, will, if not previously paid in full, be paid in Cash on the Effective Date and will continue to be paid by the Debtors as required under 28 U.S.C. §1930 until such time as an order is entered by the Bankruptcy Court closing the Cases. | 100% | N/A | No |
| N/A | Priority Tax Claims | Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, the Debtors shall pay to each holder of an Allowed Priority Tax Claim, an amount in Cash equal to the Allowed amount of such Claim as soon as is reasonably practicable after such Priority Tax Claim is Allowed. The Debtors and Committee do not believe there are any such claims. | 100% | N/A | No |
| 1A-1D | Secured Claims in DCD, RI, WRD, and TCW | Each holder of an Allowed Class 1A-D Claim, if any, shall receive on account of its Allowed Secured Claims the surrender of the collateral securing such Class 1A-D Claim, in full and complete satisfaction of such Allowed Class 1A-D Claim. Such surrender of collateral shall occur as soon as practicable after the later of (a) the Effective Date, or (b) 30 days after the date on which such claim becomes an Allowed Claim, unless otherwise agreed by the Allowed Secured Claim holder. | 100% | Unimpaired | No |

| Class | Claim or Equity Interest | Treatment | Estimated Recovery | Impairment | Voting |
|---|---|---|---|---|---|
| 2A-2D | Priority Non-Tax Claims in DCD, RI, WRD, and TCW | Except to the extent that a holder of an Allowed Class 2A-D Claim, if any, against the Debtors agrees to a different treatment of such Claim, on the later of the Effective Date, or as soon as is reasonably practicable after such Allowed Priority Non-Tax Claim is Allowed, each holder of an Allowed Class 2A-D Claim shall receive payment of one hundred percent (100%) of the Allowed amount of such Class 2A-D Claim after all Allowed Claims in Articles 2.1, 2.2, 2.3, and 2.4 of the Plan are paid in full or otherwise treated as provided for under the Plan. | 100% | Unimpaired | No |
| 3A | General Unsecured Claims in DCD | The holders of Class 3A Allowed General Unsecured Claims shall receive their Pro Rata Share of all remaining distributions under this Plan after all Allowed Claims in Articles 2.1, 2.2, 2.3, 2.4, and 4.2 are paid in full or otherwise treated as provided for under the Plan. | Pro Rata Share of $133,461-$170,461 | Impaired | Yes |
| 3B | General Unsecured Claims in RI | The holders of Class 3B Allowed General Unsecured Claims shall receive their Pro Rata Share of all remaining distributions under this Plan after all Allowed Claims in Articles 2.1, 2.2, 2.3, 2.4, and 4.2 are paid in full or otherwise treated as provided for under this Plan. In addition, holders of Allowed Claims in Class 3B, except for BB&T, also shall receive their Pro Rata Share of the BB&T GUC Payment, notwithstanding whether Allowed Claims against RI are paid in full or in part. | Pro Rata Shares of $450,772-$480,772 and $50,000 (except BB&T) | Impaired | Yes |
| 3C | General Unsecured Claims in WRD | The holders of Class 3C Allowed General Unsecured Claims shall receive their Pro Rata Share of all remaining distributions under this Plan after all Allowed Claims in Articles 2.1, 2.2, 2.3, 2.4, and 4.2 are paid in full or otherwise treated as provided for under the Plan. | Pro Rata Share of $7,242-$24,742 | Impaired | Yes |
| 3D | General Unsecured Claims in TCW | The holders of Class 3D Allowed General Unsecured Claims shall receive their Pro Rata Share of all remaining distributions under this Plan after all Allowed Claims in Articles 2.1, 2.2, 2.3, 2.4, and 4.2 are paid in full or otherwise treated as provided for under the Plan. | Pro Rata Share of $0-$1,530 | Impaired | Yes |
| 4A-4D | Equity Interests in DCD, RI, WRD, and TCW | The holders of Equity Interests in the Debtors will receive no distributions under the Plan on account of such Equity Interests, and the Equity Interests will be deemed canceled and extinguished, without any further act or action under any applicable law, regulation, order or rule. | 0% | Impaired | No |

## III. OVERVIEW OF CHAPTER 11 PROCESS AND DEBTORS

### A. General Overview of Chapter 11

Chapter 11 is the primary business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business and affairs for itself, its creditors and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to distributions of the value of a debtor's assets.

The commencement of a chapter 11 case creates a bankruptcy estate that is comprised of all of the legal and equitable interests of a debtor as of the Petition Date of the chapter 11 case. The Bankruptcy Code provides that a debtor may continue to operate its business and affairs and remain in possession of its property as a "debtor-in-possession."

The consummation of a plan of reorganization is the fundamental objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for restructuring a debtor's business and satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan, and any creditor or equity interest holder of a debtor. Pursuant to section 1123(a)(5) of the Bankruptcy Code, a debtor is permitted to distribute its property to those Persons with an interest in such property. Also, pursuant to section 1129(a)(11) of the Bankruptcy Code, a plan may provide for the liquidation of the debtor.

Certain holders of claims against and interests in a debtor are permitted to vote to accept or reject a plan. Prior to soliciting acceptances of a proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor 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 the plan. The Plan Proponents are submitting this Disclosure Statement to satisfy the requirements of section 1125 of the Bankruptcy Code.

### B. Description of Debtors

The Debtors operated a ski resort and real estate development companies generally known as "Wisp Resort," comprising of approximately 2,200 acres of master planned and fully entitled land, 32 ski trails covering 132 acres of skiable terrain with 12 lifts and two highly-rated golf courses. Collectively, the Debtors were the seventh largest employer in Garrett County.

Best known for its ski area and winter-related activities, the resort transcends seasonal limits and provides year round attractions with its location by Deep Creek Lake. The ski resort was the centerpiece of the Wisp Resort and the Debtors' various businesses. In the years leading to the bankruptcy filing, it continued to perform exceptionally well despite the flagging economy. In fact, the 2010 and 2011 winter ski seasons were record-breaking years at the resort.

DCD is a limited liability company formed under Maryland law for the purpose of purchasing land surrounding Deep Creek Lake and Wisp Resort. RI is a corporation formed under Maryland law for the purpose of operating the Wisp Resort's activities, including the

management of the Wisp Resort Hotel and retail venues, downhill skiing, cross country skiing, snowmobile tours, chairlift rides, Wisp Resort Golf Course, Mountain Coaster, Outdoor Adventures, snowtubing park, Haunted House, Flying Squirrel canopy tour, Chipmunk Challenge course, Segway tours, and Mountain Buggy tours.

WRD is a corporation formed under Maryland law for the purpose of serving as the developing entity for the Lodestone subdivisions and future subdivisions. TCW is a limited liability company formed under Maryland law for the purpose of developing certain real estate and owning and operating the club facilities of the Wisp Resort including; Lodestone Golf Course and Club ("Loadstone"), Lakeside Club, and future Alpine Club.

## IV. PREPETITION SECURED DEBT

Below is a summary of the Debtors' two most significant secured loans. In addition to the loans described below, the Debtors had smaller loans with lenders including Clear Mountain Bank, United Bank, Inc. as successor to Centra Bank, Inc., West Union Bank, MVB Bank, Grant County Bank, and Dana Logan, Barry and Debra Frazee and Paula Yudelevit, which were used to fund smaller projects or acquisitions such as the purchase and installation of the mountain roller coaster at the Wisp Resort.

### A. First United Bank and Trust Loans

The Debtors acquired the Wisp Resort through a loan made by First United Bank & Trust ("FUB"). Specifically, on June 12, 2001, RI entered into the following: (i) $1,500,000 Promissory Note; (ii) Business Loan Agreement; (iii) Commercial Security Agreement; and (iv) Deed of Trust (collectively, as later modified, the "Acquisition Loan"). Pursuant to the Acquisition Loan, RI granted FUB a security interest and lien upon all of its assets, including, but not limited to, all of its real property, accounts, chattel paper, commodity accounts, commodity contracts, deposits, documents, equipment, fixtures, general intangibles, goods, instruments, inventory, payment intangibles, promissory notes and software utilized in conjunction with the Wisp Resort. The security interests were perfected through the filing of a Deed of Trust in the land records of Garrett County, Maryland, and a UCC-1 financing statement with Maryland's State Department of Assessments and Taxation.

The Acquisition Loan was serviced by income generated from the Wisp Resort. RI also required a revolving line of credit from FUB to address the seasonal fluctuations in revenue from the skiing facilities and other amenities at the Wisp Resort. Accordingly, on September 23, 2009, RI entered into additional loan agreements with FUB, including, but not limited to the following: (i) $8,713,000 Amended and Restated Promissory Note; (ii) $2,000,000 Promissory Note; (iii) Amended and Restated Loan Agreement; (iv) Amended and Restated Security Agreement; and (v) Amended and Restated Deed of Trust, Assignment, Security Agreement and Fixture Filing (collectively, the "Operating Loan"). The security interests were also perfected through the filing of a Deed of Trust in the land records of Garrett County, Maryland, and a UCC-1 financing statement with Maryland's State Department of Assessments and Taxation. Under the terms of the Operating Loan, RI assigned, pledged and granted to FUB a security interest and lien in all of its assets, whether then owned or thereafter acquired, including, but not limited to, all of RI's real property, accounts, chattel paper, deposit accounts, documents,

equipment, fixtures, general intangibles, goods, instruments, inventory, investment property, letter-of-credit rights, actions and causes of action and all proceeds (cash and non-cash, including insurance and condemnation proceeds), products, substitutions, renewals, additions, accessions and replacements of all of the foregoing in any form whatsoever, and all books, records and data processing materials in any form.

### B. BB&T Loans

Following a highly successful 2006, the Debtors and their principals, Karen F. Myers, Gary A. Daum, and Steven Richards, entered into a loan with BB&T as obligors in the amount of $23,500,000 (the "BB&T Loan"), to fund construction of the Lodestone Golf Course and related development property. BB&T also extended a $5,000,000 line of credit that was subsequently modified to fund completion of the golf course. In early 2010, when the BB&T Loan matured, the obligors were unable to restructure or service the loans due to inability to sell the real estate. As a result, the parties entered into Loan Modification Agreement dated November 23, 2010, as amended by an Amendment to Loan Modification Agreement dated March 30, 2011. As part of these modifications, the obligors executed and delivered: (i) an Amended and Restated Note dated November 23, 2010 in the amount of $1,768,125.67, (ii) an Amended and Restated Note dated November 23, 2010 in the amount of $23,500,000; and (iii) a Consolidated Amended and Restated Note dated November 23, 2010 in the amount of $5,000,000.

The notes were guaranteed by the various obligors and secured by, among other things: (i) an Indemnity Deed of Trust dated February 12, 2007 executed by DCD; (ii) an Indemnity Deed of Trust dated February 12, 2007 executed by TCW; (iii) an Indemnity Deed of Trust dated February 12, 2007 executed by DCD; (iv) an Indemnity Deed of Trust dated February 12, 2007 executed by the TCW; (v) an Indemnity Deed of Trust dated July 20, 2005 executed by DCD, which was subsequently modified by the terms of a Second Modification Agreement dated February 17, 2007; (vi) a Deed of Trust, Assignment of Leases and Rents, Security Agreements and Fixture Filing dated November 23, 2010 executed by TCW; (vii) a Security Agreement dated February 12, 2007; (viii) a Security Agreement dated February 12, 2007; and (ix) a Collateral Assignment of Sales Proceeds dated March 30, 2011 assigning proceeds from the transfer or other liquidation of certain real estate owned by the Debtor up to $9,000,000.00. The loans and liens were perfected by filings in the land records of Garrett County, Maryland.

Pursuant to the loan modification, RI, DCD and TCW each executed a Consolidated Guaranty and Restated Guaranty Agreement. TCW also executed an Amended and Restated Note with BB&T in the amount of $1,768,125.67 that was likewise guaranteed by RI, DCD and WRD.

## V. EVENTS LEADING TO BANKRUPTCY

After the U.S. real estate market peaked in 2005, the market began to collapse at the end of 2006. The resort home market, in many ways, fared worse than the general primary home market. Real estate developers all over the country suffered major losses. A number of them filed for relief in bankruptcy, and many others ceased operating and closed their doors.

Like most in real estate development, DCD, WRD and TCW suffered losses as the decline in the market continued. In 2006, these companies collectively generated approximately $36,000,000 in gross real estate sales through the sale of ninety-three (93) properties. By 2010, however, these companies collectively generated approximately $1,700,000 in gross real estate sales. As property values and sales volume fell, pressure from various lenders accelerated, with certain lenders making demands for curtailment of loans. DCD, WRD and TCW managed through the downturn for several years by taking actions to reduce overhead and reduce debt. The entities also negotiated with lenders for certain concessions.

The Debtors' most critical problem began in connection with the Lodestone project. Following a highly successful 2006, WRD entered into the BB&T Loan with BB&T. Because of an alleged default under the BB&T loan modification, on July 19, 2011, BB&T obtained a confessed judgment in the Circuit Court for Garrett County, Maryland, Case No. 11-C-11-12151 against the Debtors in an amount exceeding $34,444,645 (the "Confessed Judgment"). As a result of the Confessed Judgment, the Debtors filed for protection under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court.

## VI. THE BANKRUPTCY CASE

### A. The Bankruptcy Filing

The Debtors filed voluntary petitions for relief under Chapter 11 of Title 11 of the Bankruptcy Code on October 15, 2011. The Office of the United States Trustee conducted the meeting of the creditors on November 21, 2011. The Bankruptcy Court set the last day for all creditors, except governmental units, to file proofs of Claim on February 21, 2012, and the last day for governmental units to file proofs of Claim on April 12, 2012. The Debtors continued to operate their businesses as debtors-in-possession under the Bankruptcy Code subsequent to the filing.

### B. Professionals Retained

In connection with the commencement of these Chapter 11 cases, the Debtors sought and obtained Bankruptcy Court approval for the retention of Yumkas, Vidmar & Sweeney, LLC as their bankruptcy counsel, Maloney and Associates, PLLC as their accountants, and Invotex Group as financial restructuring consultants. The Debtors also sought and obtained Bankruptcy Court approval of SSG Capital Advisors, LLC as exclusive investment banker; Wisp Resort Development, Inc. as real estate broker; R. Hugh Rial of Rial & Associates LLC as banking and commercial lending consultant; Foley & Lardner LLP as Special Tax and Corporate Counsel; MacKenzie Capital, LLC as broker; and Fox & Associates Partners, Inc. t/a Tranzon Fox as real estate auctioneer. The Committee sought and obtained Bankruptcy Court approval for the retention of Cole, Schotz, Meisel, Forman & Leonard, P.A. as counsel to the Committee.

### C. Significant Events

#### 1. First-Day Motions

To minimize any adverse impact on the Debtors' businesses as a result of the commencement of the Chapter 11 cases, the Debtors requested various types of relief in their

"first-day" motions. These motions sought, among other things, to (a) approve the use of cash collateral on an interim and final basis to cover day-to-day operating expenses, (b) permit the continuation of the Debtors' cash management system and other business operations without interruption, (c) authorize payment of prepetition wages and employee benefits and continue employment policies in the ordinary course, and (d) establish certain other administrative procedures to promote a smooth transition into Chapter 11. The Bankruptcy Court entered orders approving all of the first-day motions allowing the Debtors to continue their business operations without interruption. Throughout the first year of the cases, RI worked with the Committee, FUB and BB&T to continue its use of cash collateral to operate the Wisp Resort.

**2. Adversary Proceedings Against BB&T**

One of the precipitating factors leading to the filing of these Chapter 11 cases was the Confessed Judgment obtained by BB&T against the Debtors. After the filing, the Debtors commenced adversary proceedings against BB&T to avoid its liens and certain alleged preferential transfers to BB&T resulting from the Confessed Judgment. After filing the Complaints, the Debtors and their counsel conducted discovery and prosecuted the cases against BB&T. As a result of the Sale of BB&T's Collateral, discussed below, the Debtors were able to negotiate a beneficial settlement of the adversary cases with BB&T. Pursuant to the terms of that settlement, and as part of negotiations of the Plan, BB&T shall receive Allowed Class 3A-D General Unsecured Claims against each of the Debtors in the amount of $23,432,850.96.

**3. Executory Contracts and Unexpired Leases**

Throughout the course of these Cases, the Debtors evaluated various executory contracts to determine whether it was in their best interests to assume or reject such contracts. At the outset of the Cases, the Debtors sought and obtained an order rejecting the letter agreement with Houlihan Lokey Howard Zukin, Inc. to act as financial advisor because they determined, in consultation with the Committee, that they could be better represented by another investment banker on more favorable terms.

RI obtained approval to assume essential land leases with Rolling Trails, Inc., the Brenneman Family Limited Partnership, and DCD that allowed the resort to continue its use of the ski slopes. The assumption of these land leases was also critical to the Debtors' ability to consummate a sale of the Wisp Resort, as discussed below.

TCW initially obtained an order granting its motion to honor certain pre-petition obligations existing under the Lakeside Club Membership Program and to continue the Lakeside program and practices in the ordinary course of business. After the sale of the resort and club amenities in December 2012, however, it no longer owned or operated the various club facilities. Accordingly, it obtained an order to reject the club memberships. TCW then refunded club membership fees to all members entitled to such fees and the remaining escrow monies in the amount of $58,719.24 were turned over to BB&T as part of the Stipulation and Consent Order Granting Relief from the Automatic Stay to Set Off Club Escrow Account.

As a result of the sale of the Resort Assets, as described below, RI and WRD rejected certain equipment leases with Deere Credit, Inc. ("Deere"). Deere subsequently filed a motion

seeking an administrative priority claim in the amount of $109,564.94. RI, WRD and Deere settled the dispute and the Bankruptcy Court approved the settlement by granting Deere an allowed administrative claim of $21,926.03 to be paid pursuant to a confirmed plan, structured dismissal or by a Chapter 7 Trustee if the case was converted.

**4. Debtor-In-Possession Financing from RI**

In June 2012, DCD, WRD and TCW lacked sufficient funds to pay administrative expenses including the fees of their professionals. By contrast, RI had sufficient funds to remain administratively solvent. Accordingly, RI provided unsecured financing (defined in the Plan as the "RI DIP Loan") to its co-debtors to fund the estates' quarterly U.S. Trustee fees and professional fees and expenses incurred in the bankruptcy cases pursuant to an order entered by the Bankruptcy Court. The allowance of this unsecured financing permitted DCD, WRD and TCW, along with RI, to fund administrative expenses and operate and preserve the value of their assets for the benefit of their creditors and estates.

Pursuant to Article 2.1 of the Plan, RI shall have Allowed Administrative Expense Claims against DCD, WRD and TCW, pursuant to the terms of the RI DIP Loan, in the following amounts, and without the need to file an application for allowance of such Administrative Expense Claims: (i) $185,088.90 against DCD; (ii) $80,081.35 against WRD; and (iii) $82,205.59 against TCW (the "RI Administrative Expense Claims"). The RI Administrative Expense Claims shall be paid as soon as practicable following the Effective Date prior to payment of, and with priority over, any other unpaid Administrative Expense Claims. Payment of the RI Administrative Expense Claims shall be limited to the available Cash held by DCD, WRD and TCW, as the case may be, as of the Effective Date. Following the payment of available Cash to RI on account of the RI Administrative Expense Claims, RI shall have no further Claims against DCD, WRD or TCW relating to RI Administrative Expense Claims.

**5. Sale of the Wisp Resort**

As part of their Chapter 11 process, the Debtors and SSG conducted an organized process to determine their ability to (i) sell all or substantially all of the assets, (ii) find private placement financing alternatives, or (iii) restructure their existing credit facilities with their prepetition secured lenders. As a result of this process, the Debtors, in consultation with the Committee, FUB and BB&T, decided to sell all or substantially all of their assets.

The Debtors, in consultation with the Committee, spent significant time and resources identifying, organizing and completing a successful section 363 bankruptcy sale, which included drafting, filing and obtaining an order from the Bankruptcy Court approving bidding procedures and authorizing an auction, along with the final sale motion and consent order approving the Resort Assets sale. The Debtors actively responded to prospective buyers' due diligence requests and negotiated a sale agreement with EPT Ski Properties, Inc. ("EPT"), as well as the stalking horse sale agreement with Snow Time Inc.

The Debtors and SSG conducted an auction that resulted in a successful bid of $23.5 million, an increase over the initial bid of cash and value of nearly $4 million. The successful bid was ultimately approved by the Bankruptcy Court during the sale hearing held on December

4, 2012. After entry of the consent order approving the sale to EPT, the Debtors worked with EPT to close the transaction.

Subsequent to the sale of the Resort Assets, RI and EPT entered into a separate agreement to purchase the Alpine Coaster for $250,000. The coaster is a gravitational hybrid of an alpine slide and a roller coaster. The sale generated funds necessary to partially pay the first priority lien of Clear Mountain Bank.

**6. Sale of BB&T's Collateral**

During the process to identify various potential purchasers for the sale of all or substantially all of the Debtors' assets, it became apparent that different purchasers were interested in the real estate development property without inclusion of the Resort Assets. Accordingly, the Debtors, along BB&T, decided to offer the BB&T collateral as part of a separate § 363 sale.

At the conclusion of the Resort Assets auction, the Debtors conducted a separate auction for the BB&T collateral that resulted in a winning bid of $6.1 million to National Land Partners, LLC ("NLP"). The successful bid was ultimately approved by the Bankruptcy Court during the sale hearing held on December 4, 2012, and NLP closed on the sale.

**7. Sale of Remaining Assets of the Debtors**

Prior to the Petition Date, DCD held title to a substantial amount of real estate in Garrett County, Maryland including developed lots and raw land. Throughout the case, DCD endeavored to sell its real estate for the benefit of its creditors and estate. The Debtor obtained Bankruptcy Court approval for the following sales:

(a) 120 Lodestone Way, order entered 12/23/11 (Dkt. No. 85);

(b) 254 Kendall Camp, order entered 2/28/12 (Dkt. No. 182);

(c) 131 Overlook, order entered 2/29/12 (Dkt. No. 186);

(d) 15 Overlook, order entered 9/25/12 (Dkt. No. 452);

(e) Sale of Resort Assets, order entered 12/7/12 (Dkt. No. 573);

(f) Sale of BB&T Collateral, order entered 12/10/12 (Dkt. No. 578);

(g) 181 Kendall Camp, order entered 1/2/13 (Dkt. No. 602);

(h) Common Areas of Kendall Camp Circle , order entered 4/10/13 (Dkt. No. 715);

(i) 90.16 acres on Crabtree Bottom Road, order entered 3/22/13 (Dkt. No. 716);

(j) 178 Fern Loop, order entered 4/11/13 (Dkt. No. 717); and

(k) Remaining First United Bank and Trust property, order entered 6/12/13 (Dkt. No. 755).

The sales of these properties enabled DCD to reduce significantly its secured debt.

In addition to the real estate sales listed above, DCD conducted another § 363 sale and auction of certain remaining unencumbered parcels of land in August 2013. The sale included: (1) 246.427 acres on Shingle Camp Road, (2) 0.15 acres on Hoyes Run Road, (3) Fantasy Valley Lots 11 and 14, (4) 2.676 acres of open space at Fantasy Valley, (5) Waters Edge at Wisp Lots 16 and 17, and (6) 1.719 acres of Villages of Wisp (collectively, the "Parcels"). With the exception of the Open Space Real Property, DCD was able to sell the Parcels for a total of $530,250 with net proceeds of $505,000 to the estate.

### 8. Avoidance Actions

On October 11, 2013, at the request of the Committee, RI, WRD and TCW filed the following adversary complaints seeking to recover potential preferential and/or fraudulent transfers against:

SWR, LLC;
Deep Creek Mountain Utilities, LLC;
Deep Creek Marina, LLC;
John Deere Financial;
I.R. Rudy's, Inc.;
Lohr Distributors, Inc.;
Wantz Distributors, Inc.;
Maloney & Associates, P.L.L.C.;
Nu-Way Interiors, Inc.;
Coca-Cola Refreshments USA, Inc.;
Sysco Virginia, LLC;
American Express; and
The Potomac Edison Company

As of the date of this Disclosure Statement, all of these actions remain pending. The Plan Administrator expects to prosecute these actions, if they are not otherwise resolved before the Effective Date.

## VII. SUMMARY OF PLAN OF LIQUIDATION

### A. Primary Purpose of Plan

The primary purpose of the Plan is to liquidate the remaining non-Cash assets of the Debtors to Cash and to distribute the Cash to the holders of Allowed Claims against the Estates consistent with the provisions of the Plan and the Bankruptcy Code. Following the sales of substantially all of the Debtors' business assets, the Debtors' remaining assets include: (i) Cash; (ii) the Avoidance Actions and proceeds therefrom; (iii) the Roads and Open Space Real Property; (iv) a time share at the Ritz Carlton in Aspen, Colorado owned by TCW; and (v) the real properties subject to the Secured Claims of United Bank and Clear Mountain Bank, which

remain owned by DCD as of the date of this Disclosure Statement, described in Article 4.1 of the Plan. The Plan Administrator appointed under the Plan will prosecute and attempt to liquidate the Avoidance Actions to Cash. Because the Roads and Open Space Real Property are not believed to have salability, they will be deemed abandoned (and possibly gifted to a third party) if still owned by DCD on the Effective Date. The Plan Administrator intends either to permit Centra Bank and Clear Mountain Bank to foreclose on the real properties subject to their respective Liens, or to surrender the properties by providing a deed in lieu of foreclosure.

### B. Unclassified Allowed Claims and Their Treatment

Article II of the Plan contains provisions for the payment of certain Allowed Claims that are not specifically classified under the Plan. These Claims are Administrative Expense Claims, Professional Fee Claims, Fees under 28 U.S.C. § 1930, and Priority Tax Claims. For a summary of the proposed treatment of these Claims in the Plan, you should refer to the chart contained in Section II of this Disclosure Statement.

### C. Classification and Treatment of Allowed Claims and Equity Interests

Article III of the Plan categorizes all other Allowed Claims against, and Equity Interests in, the Debtors into various classes that the Plan Proponents believe are in accordance with the classification requirements established by the Bankruptcy Code. Article IV of the Plan summarizes the proposed treatment of the Class classified under the Plan. All Claims against, and Equity Interests in, the Debtors arising prior to the Petition Date will be paid and discharged under the Plan. For a summary of the proposed treatment of these Claims under the Plan, you should refer to the chart contained in Section II of this Disclosure Statement.

### D. Distributions under the Plan

Article V of the Plan contains provisions governing distributions under the Plan, including appointment of a Disbursing Agent, if necessary, and provisions regarding the delivery of distributions, as well as interim and final distributions. In addition to generally applicable provisions regarding interim and final distributions, Article 5.2(f) of the Plan memorializes an agreement between the Plan Proponents and BB&T regarding the timing of distributions to BB&T. Specifically, the Plan Proponents have agreed to make an interim distribution to BB&T in the amount of $500,000.00 on the earlier of two (2) business days after the Effective Date or December 27, 2013. The provisions of Article 5.2(f) are critical to BB&T's agreement to support confirmation of the Plan, and were agreed to in an effort to achieve confirmation of what the Plan Proponents hope will be a consensual plan.

### E. Means For Implementation and Execution of the Plan

Article VI of the Plan contains provisions concerning the implementation and execution of the Plan. These provisions provide for appointment of the Plan Administrator and set forth his rights and obligations under the Plan. Specifically, the Plan provides that, in furtherance of and consistent with the purpose of this Plan, the Plan Administrator shall, without further order of the Bankruptcy Court, (A) have the power and authority to hold, manage, sell and distribute assets of the Estates in accordance with this Plan, (B) have the power and authority to directly, indirectly, and/or derivatively, commence, prosecute and resolve, in the name of the Debtors any and all

Causes of Action, (C) have the power and authority to file, prosecute and resolve objections to Disputed Claims, (D) have the power and authority to perform such other functions as are provided in this Plan (E) have the power and authority to administer the closure of the Cases and (F) have the power and authority to dissolve one or all of the Debtors. The Plan further states that the Plan Administrator shall be responsible for all decisions and duties with respect to the Debtors and Estates. The Plan additionally provides for the effect of certain corporate actions and the transition of the Debtors' books and records to the Plan Administrator.

**F. Procedures For Disputed Claims**

Article VII provides for the Plan Administrator's right to object to Disputed Claims. It also prohibits distributions pending allowance, sets the deadline to object to Claims, and contains procedures regarding the estimation of Claims.

**G. Executory Contracts and Unexpired Leases**

Article VIII of the Plan contains provisions concerning the assumption and rejection of executory contracts and unexpired leases. With the exception of Insurance Policies, which shall remain in full force and effect unless otherwise terminated, on the Effective Date all executory contracts and leases not previously assumed shall be deemed rejected as of the Confirmation Date. Rejection claims arising out of executory contracts or unexpired leases rejected pursuant to the Plan (and not previously rejected by separate Final Order), shall be filed within thirty (30) days after the Effective Date.

**H. Effect of Confirmation**

Article X of the Plan sets forth the effect of confirmation of the Plan, including the release of Claims and Liens, the binding effect of the Plan, the vesting of Causes of Action in the Plan Administrator and injunctions.

**I. Deemed Abandonment of Certain Property.**

Article XIII of the Plan provides that, in the event the Roads and Open Space Real Property are owned by DCD on the Effective Date, they shall be deemed abandoned as of the Confirmation Date, without further notice or order of the Bankruptcy Court. The Plan further permits the Plan Administrator to gift by deed the Roads or Open Space Property to a third party, without further notice or order of the Bankruptcy Court.

**J. Miscellaneous Provisions**

Article XIV of the Plan contains several miscellaneous provisions, including but not limited to the exculpation of certain Persons and Entities, procedures governing the post-Effective Date retention and payment of professionals, management of the Debtors, and dissolution of the Committee and the Debtors.

## VIII. PROJECTED DISTRIBUTION TO CREDITORS

Attached as Exhibit C is the Liquidation Analysis prepared by the Debtors. It is important to note that distributions to unsecured creditors are substantially impacted by claims asserted against the Debtors. Actual distributions could be greater than projected in the event that Allowed Claims are less than estimated amounts and actual distributions could be less than projected in the event that Allowed Claims exceed estimated amounts. **Likewise, the analysis attributes minimal value to Causes of Action due to their uncertain nature (solely for purposes of conservative estimation and which shall not be deemed an admission or waiver by the Debtors with respect to the value or viability of any Causes of Action).**

As set forth in more detail in the Liquidation Analysis, the current approximate cash balances in the Estates are: (i) RI, $418,000; (ii) DCD, $510,000; (iii) $20,675; and (iv) TCW, $125. The total estimated administrative and priority claims for each Debtor, as well as the estimated distributions to Class 3A-D Claim holders, is set forth in the Liquidation Analysis.

SUBSTANTIAL EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THE ESTIMATED INFORMATION SUMMARIZED IN THE TABLE IN SECTION II HEREOF. ANTICIPATED ALLOWED AMOUNTS OF ALLOWED CLAIMS AND ALLOWED INTERESTS AND THE PROJECTED DISTRIBUTIONS SUMMARIZED IN THE TABLE IN SECTION II HEREOF ARE SUBJECT, HOWEVER, TO THE UNCERTAINTIES OF LITIGATION THAT MAY OCCUR WITH RESPECT TO CERTAIN CLAIMS AND OTHER FACTORS THAT MAY OR MAY NOT BE RESOLVED IN THE DEBTORS' FAVOR. THEREFORE, NO ASSURANCES CAN BE GIVEN THAT THE ESTIMATED AMOUNTS OF ALLOWED CLAIMS AND ALLOWED INTERESTS AND THE PROJECTED DISTRIBUTION WILL BE ACHIEVED.

## IX. UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

### A. Introduction

The following discussion summarizes certain material United States federal income tax ("Federal Income Tax") consequences of the Plan to certain holders of Allowed Claims (the "Creditors") and the Debtors. This discussion does not address the Federal Income Tax consequences to: (i) Creditors whose claims are entitled to payment in full in cash, or are otherwise unimpaired under the Plan; and (ii) holders of equity interests or claims that are extinguished without a distribution. This discussion is based upon existing provisions of the Tax Code, Treasury regulations promulgated thereunder, judicial authorities and current administrative rulings and practices now in effect. No assurance can be given that future legislation, regulations, administrative pronouncements and/or judicial decisions will not change applicable law and affect the analysis described herein. Any such change could be applied retroactively in a manner that would adversely affect the creditors and the Debtors.

The Federal Income Tax consequences of certain aspects of the Plan are uncertain due to the lack of applicable legal authority and may be subject to administrative or judicial interpretations that differ from the discussion below. Counsel for the Debtors has not sought and will not seek any rulings from the Internal Revenue Service ("IRS") with respect to the Federal

Income Tax consequences discussed below. Although the discussion below represents the best judgment as to the matters discussed herein, it does not in any way bind the IRS or the courts or in any way constitute an assurance that the Federal Income Tax consequences discussed herein will be accepted by the IRS or the courts.

The following discussion does not address state, local or foreign tax considerations that may be applicable to the Debtors or creditors and the discussion does not address the tax consequences of the Plan to certain types of creditors (including foreign persons, financial institutions, life insurance companies, tax-exempt organizations and taxpayers who may be subject to the alternative minimum tax) who may be subject to special rules not addressed herein.

THE FOLLOWING SUMMARY OF CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF AN ALLOWED CLAIM OR EQUITY INTEREST. THE DEBTORS ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN WITH RESPECT TO THE DEBTORS OR THE HOLDERS OF ANY CLAIMS OR EQUITY INTERESTS, NOR ARE THE DEBTORS RENDERING ANY FORM OF LEGAL OPINION OR TAX ADVICE ON SUCH TAX CONSEQUENCES. ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN IN GENERAL AND IN PARTICULAR, THE TIMING, CHARACTER AND AMOUNTS OF INCOME, GAIN, LOSS, DEDUCTION, CREDIT OR CREDIT RECAPTURE TO BE RECOGNIZED, AND ANY PROCEDURAL REQUIREMENTS WITH WHICH THE HOLDER MUST COMPLY.

### B. Certain Material United States Federal Income Tax Consequences to the Debtors

The Debtors do not believe that there will be any material current cash United States federal income tax consequences to the Debtors as a result of the implementation of the Plan.

### C. Certain Material United States Federal Income Tax Consequences to Holders of Claims

#### 1. General

The tax treatment of holders of Claims and the character and amount of income, gain or loss recognized as a consequence of the Plan and the distributions provided for by the Plan will depend upon, among other things, (i) whether the Claim (or any portion thereof) constitutes a Claim for principal or interest; (ii) the type and classification of consideration received by the holder in exchange for the Claim; (iii) whether the holder is a resident of the United States for tax purposes (or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above); (iv) the manner in which a holder acquired a Claim; (v) the length of time the Claim has been held; (vi) whether the claim was acquired at a discount; (vii)

whether the holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (viii) whether the holder has previously included accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the holder; (x) whether the claim is an installment obligation for United States federal income tax purposes; and (xi) whether the "market discount" rules are applicable to the holder. Therefore, holders of Claims should consult their tax advisors for information that may be relevant to their particular situation and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.

A holder of a Claim should generally recognize a gain (or loss) to the extent that the amount realized under the Plan in respect of the Claim exceeds (or is exceeded by) the holder's tax basis in the Claim. The holder's amount realized for this purpose will generally equal the amount of Cash the holder receives under the Plan in respect of its Claim. The timing and amount of income, gain or loss recognized as a consequence provided for by the Plan will depend on, among other things, whether the holder of a Claim receives multiple distributions pursuant to the Plan and whether the Debtors' obligation to make such payments is treated as a new debt for United States federal income tax purposes. Gain or loss may not currently be recognized if the property received does not have an ascertainable fair market value.

**2. Market Discount**

The market discount provisions of the Internal Revenue Code of 1986 (the "Tax Code") may apply to holders of certain Claims. In general, a debt obligation other than a debt obligation with a fixed maturity of one year or less that is acquired by a holder in the secondary market (or, in certain circumstances, upon original issuance) is a "market discount bond" as to that holder if its stated redemption price at maturity (or, in the case of a debt obligation having original issue discount, its revised issue price) exceeds the tax basis of the debt obligation will not be a "market discount bond" if such excess is less than a statutory de minimis amount. Gain recognized by the holder of a Claim with respect to a "market discount bond" will generally be treated as ordinary interest income to the extent of the market discount accrued on such bond during the holder's grace period of ownership, unless the holder elected to include accrued market discount in taxable income currently. A holder of a market discount bond that is required under the market discount rules of the Tax Code to defer deduction of all or a portion of the interest on indebtedness incurred or maintained to acquire or carry the bond may be allowed to deduct such interest, in whole or in part, on disposition of such bond.

**3. Information Reporting and Backup Withholding**

Certain payments, including the payments with respect to Claims pursuant to the Plan, are generally subject to information reporting by the payor (the Debtors) to the IRS. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the Tax Code's backup withholding rules, a holder of a Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan, unless the holder: (1) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact, or (2) provides a correct United States taxpayer identification number and certifies under penalty of perjury that the taxpayer identification

number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income.

Holders of Claims that are non-United States Persons and that receive payments or distributions under the Plan will not be subject to backup withholding, provided that such holders furnish certification of their status as non-United States Persons (and furnish any other required certification), or are otherwise exempt from backup withholding. Generally, such certification is provided on IRS Form W-8BEN.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's United States federal income tax liability and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a United States federal income tax return).

PERSONS CONCERNED WITH THE TAX CONSEQUENCES OF THE PLAN SHOULD CONSULT THEIR OWN ACCOUNTANTS, ATTORNEYS AND/OR ADVISORS. THE DEBTORS MAKE THE ABOVE-NOTED DISCLOSURE OF POSSIBLE TAX CONSEQUENCES FOR THE SOLE PURPOSE OF ALERTING READERS TO TAX ISSUES THEY MAY WISH TO CONSIDER.

## X. ALTERNATIVES TO THE PLAN

The Plan Proponents submit that the Plan is the best means of providing maximum recoveries to creditors. Alternatives to the Plan that have been considered and evaluated by the Plan Proponents during the course of the Cases and include (i) liquidation of the Debtors' assets under chapter 7 of the Bankruptcy Code, and (ii) an alternative chapter 11 plan. The Plan Proponents' thorough consideration of these alternatives to the Plan have caused them each respectively to conclude that the Plan, in comparison, provides a greater recovery to creditors on a more expeditious timetable and in a manner which minimizes inherent risks in any other course of action available to the Debtors.

### A. Other Plans

If the Plan is not confirmed, the Plan Proponents or any other party in interest (if the Debtors' exclusive period in which to file a chapter 11 plan has expired or is terminated by Bankruptcy Court Order) could attempt to formulate an alternative chapter 11 plan that might provide for the liquidation of the Debtors' assets other than as provided in the Plan. However, since substantially all of the Debtors' assets were sold, the Plan Proponents submit that any alternative chapter 11 plan will not provide greater or more rapid return to impaired creditors than the Plan. Any attempt to formulate an alternative chapter 11 plan would necessarily delay creditors' receipt of distributions and is highly unlikely to formulate a methodology to create greater value (return) to impaired creditors than the Plan. Accordingly, the Plan Proponents submit that the Plan will enable all creditors entitled to distributions to realize the greatest possible recovery on their respective Claims with the least possible delay.

### B. Liquidation Under Chapter 7 of the Bankruptcy Code

If the Plan or any other chapter 11 plan for the Debtors cannot be confirmed under section 1129(a) of the Bankruptcy Code, the Cases may be converted to cases under chapter 7 of the Bankruptcy Code, in which event a trustee would be appointed (or subsequently elected) to liquidate any remaining assets of the Debtors for distribution to creditors pursuant to chapter 7 of the Bankruptcy Code. If a trustee is appointed and the remaining assets of the Debtors are liquidated under chapter 7 of the Bankruptcy Code, all creditors holding Allowed Administrative Expense Claims, Allowed Priority Tax Claims and Allowed Priority Non-Tax Claims may receive distributions of a lesser value on account of their Allowed Claims and likely would have to wait a longer period of time to receive such distributions than they would under the Plan. A chapter 7 trustee would substantially increase both costs and time necessary to fully administer the Estates. Likewise, in addition to fees of professionals retained by a chapter 7 trustee, the chapter 7 trustee would also charge a fee tied to the value of all assets administered by the chapter 7 trustee in accordance with section 326(a) of the Bankruptcy Code, which are elevated to the highest priority of payment under the Bankruptcy Code, and which will not be charged by the post-confirmation Debtors or the Plan Administrator.

## XI. CONFIRMATION REQUIREMENTS

### A. The Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing before a plan of reorganization may be confirmed. The hearing to confirm the Plan has been scheduled for the date set forth in the attached notice of confirmation hearing before the Honorable Wendelin I. Lipp, United States Bankruptcy Judge, District of Maryland (Greenbelt Division), 6500 Cherrywood Lane, Courtroom 3-C, Greenbelt, Maryland 20770. The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the confirmation hearing. Any objection to confirmation must be made in writing by the deadline set forth in the confirmation notice and specify in detail the name and address of the objector, all grounds for the objection and the amount of the claim or number and type of shares of equity security interests held by the objector. Any such objection must be filed with the Bankruptcy Court and served so that it is received by the Bankruptcy Court and certain other parties when and as set forth in the attached notice of confirmation hearing.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. At the hearing on the confirmation of the Plan, the Bankruptcy Court will confirm the Plan only if the requirements of the Bankruptcy Code, particularly those set forth in section 1129 of the Bankruptcy Code, have been satisfied. While section 1129 has several other requirements, below is a summary of the key elements of section 1129.

### B. Acceptances Necessary to Confirm the Plan

At the confirmation hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by the requisite amount and number of Allowed Claims and Allowed Interests in each impaired class. Under the Bankruptcy Code, a class of creditors or

equity security holders is impaired if its legal, equitable or contractual rights are altered by a proposed plan of reorganization or liquidation. If a class is not impaired, each creditor or equity security holder in such unimpaired class is conclusively presumed to have accepted the plan pursuant to section 1126(f) of the Bankruptcy Code. Classes 1A-D and 2A-D are not impaired under the Plan and are, therefore, not entitled to vote on the Plan. Classes 3A-B are impaired and thus are entitled to vote on the Plan by completing and returning Ballots mailed to them with this Disclosure Statement in the manner set forth in the Ballots. Class 4A-D is impaired under the Plan, but is deemed to reject the Plan, because it will receive nothing on account of its Equity Interests in the Debtors, and thus is not entitled to vote.

An impaired class of creditors and each holder of a claim in such class will be deemed to have accepted the Plan if the holders of at least two-thirds in amount and more than one-half of those in number of the Allowed Claims in such impaired class for which complete and timely Ballots have been received have voted for acceptance of the Plan. An impaired class of equity securities and each holder of an interest in such class will be deemed to have accepted a plan if the plan has been accepted by at least two-thirds in amount of the interests in such class who actually vote on the Plan. Because the Equity Interests in Classes 4A-D are deemed to have rejected the Plan, the Plan Proponents will not be able to satisfy the requirement of section 1129(a)(8) of the Bankruptcy Code, which requires that all Classes either vote to accept the Plan or are unimpaired. Accordingly, the Plan Proponents intend to seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, which provides the requirements for confirmation in the event section 1129(a)(8) is not satisfied. Under section 1129(b), the Bankruptcy Court must determine, among other things, that the Plan does not discriminate unfairly and that it is fair and equitable with respect to each class of impaired Allowed Claims and Allowed Interests that have not voted to accept the Plan.

### C. Best Interests of Creditors

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an impaired claim or equity interest either (i) accept the Plan, or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The first step in determining whether this test has been satisfied is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The gross amount of cash that would be available for satisfaction of claims and equity interests would be the sum consisting of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by the unencumbered cash hold by the Debtors at the time of the commencement of the liquidation cases.

The next step is to reduce that gross amount by the costs and expenses of liquidation and by such additional administrative and priority claims that might result from the use of chapter 7 for the purposes of liquidation. Any remaining net cash would be allocated to creditors and shareholders in strict priority in accordance with section 726 of the Bankruptcy Code. Finally, the present value of such allocations (taking into account the time necessary to accomplish the

liquidation) are compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. Other liquidation costs include the expenses incurred during the Cases and subsequently allowed in the chapter 7 cases, such as compensation for attorneys and other professionals for the Debtors. The foregoing types of claims, costs, expenses, fees and such other claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition priority and unsecured Claims.

The Plan Proponents submit that each impaired Class will receive under the Plan a recovery at least equal in value to the recovery such Class would receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code, and almost certainly more due to the statutory fees to which a chapter 7 trustee is entitled for administering assets.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Cases, including the chapter 7 trustee's investment of substantial time and resources to investigate the facts underlying the multitude of Claims filed against the Estates, the Plan Proponents have determined that confirmation of the Plan will provide each holder of an Allowed Claim with a recovery that is not less than such holder would receive pursuant to liquidation of the Debtors under chapter 7.

The Plan Proponents also submit that the value of any distributions to each Class of Allowed Claims in a chapter 7 case would be less than the value of distributions under the Plan because such distributions in a chapter 7 case would not occur for a substantial period of time. In the event litigation was necessary to resolve claims asserted in a chapter 7 case, the delay could be prolonged and administrative expenses increased.

### D. Feasibility

Section 1129(a)(11) of the Bankruptcy Code provides that a chapter 11 plan may be confirmed only if the Court finds that such plan is feasible. A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor. Since the Plan provides for the complete liquidation of the Debtors, the Bankruptcy Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet its post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan and closing the Cases. The Plan Proponents submit that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

### E. Confirmation of the Plan

In the event the Bankruptcy Court determines that all of the requirements for the confirmation of the Plan are satisfied, the Plan Proponents expect the Bankruptcy Court to enter an order confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

## XII. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF IMPAIRED CLAIMS AGAINST OR INTERESTS IN THE DEBTORS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THOSE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

### A. Parties-In-Interest May Object to the Plan Proponents' Classification of Claims

Section 1122 of the Bankruptcy Code provides that a plan of reorganization or liquidation may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Plan Proponents submit that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, the Plan Proponents cannot give assurances that the Bankruptcy Court will reach the same conclusion.

### B. The Plan Proponents May Not Be Able to Secure Confirmation of the Plan

The Plan Proponents cannot assure you that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, the Plan Proponents cannot assure you that the Bankruptcy Court will confirm the Plan. A non-accepting creditor or equity security holder of the Debtors might challenge the Balloting procedures and results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that the Disclosure Statement and the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of distributions to non-accepting holders of claims and interests within a particular class under the Plan will not be less than the value of distributions such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. While the Plan Proponents cannot give assurances that the Bankruptcy Court will conclude that these requirements have been met, the Plan Proponents submit that the Plan will not be followed by a need for further financial reorganization and that non-accepting holders within each class under the Plan will receive distributions at least as great as would be received following a liquidation under chapter 7 of the Bankruptcy Code when taking into consideration all administrative claims and the costs and uncertainty associated with any such chapter 7 case.

### C. The Plan Proponents May Object to the Amount or Classification of Your Claim.

The Plan Proponents reserve the right to object to the amount or classification of any claim or interest. The estimates set forth in this Disclosure Statement cannot be relied on by any creditor whose claim or interest is subject to an objection. Any such claim or interest holder may not receive its specified share of the estimated distributions described in this Disclosure Statement.

## XIII. WHERE YOU CAN OBTAIN MORE INFORMATION

Pursuant to the requirements of the Office of the U.S. Trustee, the Debtors are required to and will file monthly operating reports for the postpetition period with the Bankruptcy Court. These monthly operating reports may be obtained at prescribed per page copy rates by writing to the Clerk of the United States Bankruptcy Court for the District of Maryland (Greenbelt Division), 6500 Cherrywood Lane, Suite 300, Greenbelt, Maryland 20770.

## XIV. CONCLUSION AND RECOMMENDATION

The Plan Proponents believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. The Plan Proponents urge holders of Claims entitled to vote on the Plan to vote to accept the Plan.

Dated: November 11, 2013

Respectfully submitted,

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By: /s/ Karen F. Myers
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Title: Managing Member of Spiker LLC, Member

Recreational Industries, Inc.

By: /s/ Karen F. Myers
Name: Karen F. Myers
Title: President

The Clubs at WISP, LLC

By: /s/ Karen F. Myers
Name: Karen F. Myers
Title: Managing Member of Spiker LLC, Member

WISP Resort Development, Inc.

By: /s/ Karen F. Myers
Name: Karen F. Myers
Title: Vice President/Secretary

The Official Committee of Unsecured Creditors of Unsecured Creditors

By: /s/ Gorman Getty III
Name: Gorman Getty III
Title: Chair of the Committee

CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of November 2013, notice of filing of the Disclosure Statement Accompanying Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Official Committee of Unsecured Creditors was sent electronically to those parties listed on the docket as being entitled to such electronic notices.

/s/ James A. Vidmar
James A. Vidmar

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