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Electronically Filed September 2, 2016

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re

MOHAVE AGRARIAN GROUP, LLC, an
Arizona limited liability company,

Debtor.

Case No. BK-S-16-10025-mkn
Chapter 11

**DISCLOSURE STATEMENT
PREPARED IN CONNECTION WITH
DEBTOR'S FIRST AMENDED
CHAPTER 11 PLAN OF
REORGANIZATION DATED
SEPTEMBER 2, 2016**

Hearing Date: October 19, 2016
Hearing Time: 9:30 a.m.

FOX ROTHSCHILD LLP
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TABLE OF CONTENTS

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

ARTICLE I. INTRODUCTION..... 3

 Section 1.1 Plan Overview..... 4

 Section 1.2 Debtor’s Principal Assets and Indebtedness..... 4

 Section 1.3 Treatment of Claims and Interests. 5

 Section 1.4 Voting, Objection to Confirmation and Confirmation Hearing..... 9

 Section 1.5 Effectiveness of the Plan. 9

ARTICLE II. EXPLANATION OF CHAPTER 11 9

 Section 2.1 Overview of Chapter 11. 9

 Section 2.2 Plan of Reorganization. 10

 Section 2.3 Confirmation of a Plan of Reorganization..... 11

ARTICLE III. BACKGROUND 12

 Section 3.1 Overview and History of Debtor’s Business Operations. 12

 Section 3.2 Financial Information and Capital Structure. 12

ARTICLE IV. THE CHAPTER 11 CASE 15

 Section 4.1 Continuation as Debtor In Possession. 15

 Section 4.2 Significant Requests for Court Approval. 15

 Section 4.3 Compliance with Statutory Requirements..... 19

 Section 4.4 Schedules of Assets and Liabilities..... 20

 Section 4.5 Assets..... 20

 Section 4.6 Liabilities 20

 Section 4.7 Executory Contracts and Unexpired Leases 21

 Section 4.8 Statement of Financial Affairs. 21

 Section 4.9 341(a) Meeting..... 22

 Section 4.10 Office of the United States Trustee Reporting..... 22

 Section 4.11 Creditors Committee. 22

 Section 4.12 Plan Solicitation and Confirmation Process. 22

 Section 4.13 Solicitation Procedures..... 23

ARTICLE V. SUMMARY OF THE PLAN 23

 Section 5.1 Overall Structure of the Plan. 25

 Section 5.2 Classification and Treatment of Claims and Interests Under the Plan..... 26

 Section 5.3 Unclassified Claims..... 26

 Section 5.4 Priority Tax Claims. 28

 Section 5.5 Classified Claims. 29

 Section 5.6 Means of Implementation of Plan. 32

 Section 5.7 Issuance of Equity Interests..... 33

 Section 5.8 Disposition of Assets, Properties and Equity Interests..... 33

 Section 5.9 Assumption of Liabilities. 33

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1 Section 5.10 Corporate Actions. 34
 2 Section 5.11 Management..... 34
 3 Section 5.12 Exemption from Certain Transfer Taxes and Further Transactions..... 35
 4 Section 5.13 Final Decree. 35
 5 Section 5.14 Effectuating Documents, Further Transactions. 35
 6 Section 5.15 Post Effective Date Fees and Expenses..... 35
 7
 8 ARTICLE VI. PROVISIONS CONCERNING PLAN DISTRIBUTIONS 36
 9
 10 Section 6.1 Distributions on Account of Claims Allowed as of the Effective Date 36
 11 Section 6.2 Distributions on Account of Claims Allowed After the Effective Date..... 36
 12 Section 6.3 Delivery of Distributions. 37
 13 Section 6.4 Setoffs..... 39
 14 Section 6.5 Withholding Taxes. 39
 15 Section 6.6 Allocation of Distributions. 39
 16
 17 ARTICLE VII. CONFIRMATION OF THE PLAN 40
 18
 19 Section 7.1 Voting Eligibility. 40
 20 Section 7.2 Voting Instructions..... 41
 21 Section 7.3 Confirmation Hearing..... 42
 22 Section 7.4 Confirmation Requirements..... 44
 23
 24 ARTICLE VIII. CERTAIN RISK FACTORS TO BE CONSIDERED..... 49
 25
 26 ARTICLE IX. CERTAIN UNITED STATES FEDERAL INCOME TAX 49
 27
 28 Section 9.1 Introduction..... 49
 Section 9.2 Certain United States Federal Income Tax Consequences to Debtor. 51
 Section 9.3 Tax Consequences To Creditors. 54
 Section 9.4 Tax Consequences to Certain Holders of Allowed Claims. 54
 Section 9.5 General Tax Considerations for Certain Holders of Allowed Claims. 56
 ARTICLE X. FURTHER INFORMATION 58
 ARTICLE XI. ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE
 PLAN..... 58
 ARTICLE XII. RECOMMENDATION AND CONCLUSION..... 60

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2
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EXHIBITS

EXHIBIT A - FIRST AMENDED CHAPTER 11 PLAN OF REORGANIZATION DATED SEPTEMBER 2, 2016

EXHIBIT B - REBUTTAL APPRAISAL DATED AUGUST 3, 2016

EXHIBIT C - LIQUIDATION ANALYSIS

EXHIBIT D - PROJECTIONS

EXHIBIT E - SCHEDULE OF ASSUMED/REJECTED CONTRACTS

EXHIBIT F - SCHEDULE OF DISPUTED CLAIMS

EXHIBIT G – REORGANIZED DEBTOR’S OPERATING AGREEMENT

EXHIBIT H - NEW SECURED LOAN DOCUMENTS

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1 THIS DISCLOSURE STATEMENT IS SUBMITTED FOR APPROVAL IN
2 CONNECTION WITH DEBTOR'S FIRST AMENDED CHAPTER 11 PLAN OF
3 REORGANIZATION (THE "PLAN"), DATED SEPTEMBER 2, 2016, FILED BY MOHAVE
4 AGRARIAN GROUP, LLC ("DEBTOR"), DEBTOR AND DEBTOR IN POSSESSION IN THE
5 ABOVE-CAPTIONED CHAPTER 11 CASE (THE "CHAPTER 11 CASE"). THIS
6 DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE SECURITIES AND
7 EXCHANGE COMMISSION ("SEC") OR ANY OTHER REGULATORY AUTHORITY.

8 This Disclosure Statement has been prepared in accordance with section 1125 of title 11 of
9 the United States Code (the "Bankruptcy Code") and Rule 3016(c) of the Federal Rules of
10 Bankruptcy Procedure (the "Bankruptcy Rules") and not necessarily in accordance with federal or
11 state securities laws or other laws governing disclosure outside the context of the Bankruptcy Code.
12 This Disclosure Statement has neither been approved nor disapproved by the SEC, nor has the SEC
13 passed judgment upon the accuracy or adequacy of the statements contained herein.

14 Capitalized terms utilized in this Disclosure Statement, if not defined herein, shall have the
15 meaning used or defined in Article I(A) of the Plan, the Bankruptcy Code or the Bankruptcy Rules,
16 as applicable, unless the context hereof requires a different meaning.

17 This Disclosure Statement is being provided to Holders of Impaired Claims, in connection
18 with the solicitation of their votes on the Plan, in order to provide adequate information to enable
19 them to make reasonably informed decisions in the exercise of their rights to vote on the Plan. In
20 making a decision in connection with the Plan, Holders of Impaired Claims must rely on their own
21 examination of Debtor's financial situation and the terms of the Plan, including the merits and risks
22 involved. HOLDERS OF IMPAIRED CLAIMS ARE URGED TO REVIEW ALL OF THE
23 TERMS AND CONDITIONS OF THE PLAN CAREFULLY, AND NOT TO RELY SOLELY ON
24 THE SUMMARY IN THIS DISCLOSURE STATEMENT. HOLDERS OF IMPAIRED CLAIMS
25 ALSO SHOULD CAREFULLY REVIEW THE VOTING INSTRUCTIONS SET FORTH IN
26 ARTICLE VII, SECTION 7.2 OF THIS DISCLOSURE STATEMENT.

27 HOLDERS OF IMPAIRED CLAIMS AND ANY OTHER PARTIES IN INTEREST
28 SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS

1 PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH SUCH
2 HOLDER AND PARTY SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL,
3 BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY MATTERS CONCERNING
4 SOLICITATION OF VOTES, THE PLAN AND THE TRANSACTIONS CONTEMPLATED
5 THEREBY.

6 THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BASED
7 UPON FINANCIAL AND OTHER INFORMATION DEVELOPED BY DEBTOR. ALTHOUGH
8 DEBTOR HAS REASONABLY ENDEAVORED TO OBTAIN AND SUPPLY ALL MATERIAL
9 INFORMATION, THE INFORMATION PROVIDED HAS NOT BEEN SUBJECT TO
10 CERTIFIED AUDIT OR INDEPENDENT REVIEW EXCEPT WHERE EXPRESSLY
11 INDICATED. ACCORDINGLY, DEBTOR IS UNABLE TO WARRANT OR REPRESENT
12 THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY OR
13 IS COMPLETE. NO REPRESENTATION CONCERNING DEBTOR IS AUTHORIZED OTHER
14 THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

15 Except as otherwise noted, the ballots being solicited (the "Ballots") hereby will not be used
16 by Debtor for any purpose other than to determine votes for acceptance or rejection of the Plan (and
17 any permitted non-materially modified version thereof) under chapter 11 of the Bankruptcy Code.

18 The information presented in this Disclosure Statement includes forward-looking statements
19 in addition to historical information. These statements involve known and unknown risks and relate
20 to future events, future financial performance or projected business results. In some cases, you can
21 identify forward-looking statements by terminology such as "may," "will," "should," "expects,"
22 "plans," "anticipates," "believes," "estimates," "predicts," "targets," "potential" or "continue" or the
23 negative of these terms or other comparable terminology. Forward-looking statements are only
24 predictions. Actual events or results may differ materially from any forward-looking statement as a
25 result of various factors, including those contained in the section entitled "Risk Factors" and other
26 sections of this Disclosure Statement, including the documents incorporated by reference herein.
27 Although Debtor believes that the expectations reflected in the forward-looking statements are
28

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1 reasonable, Debtor cannot guarantee future results, events, levels of activity, performance or
2 achievements. Debtor expressly disclaims a duty to update any of the forward-looking statements.

3 **AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER**
4 **ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL**
5 **NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR**
6 **LIABILITY, STIPULATION, OR WAIVER, BUT RATHER (IF AT ALL) AS A**
7 **STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE**
8 **STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY**
9 **PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON**
10 **THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO**
11 **HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, DEBTOR OR ANY OF**
12 **ITS AFFILIATES.**

13 **ARTICLE I.**

14 **INTRODUCTION**

15 The following introductory statements are qualified in their entirety by the more detailed
16 information contained in the Plan and elsewhere in this Disclosure Statement.

17 On January 5, 2016 (the "Petition Date"), Debtor filed a voluntary petition for relief under
18 the Bankruptcy Code in the United States Bankruptcy Court for the District of Nevada (the
19 "Bankruptcy Court").

20 Debtor has twelve (12) parcels totaling 8,888.31 gross acres of agricultural farmland.
21 Debtor's business plan contemplated for the planting of pistachio trees on approximately 6,862
22 acres and almond trees on approximately 1,186 acres. In addition, the Debtor has one parcel zoned
23 industrial and has previously operated, through a services agreement, a tree propagation/cloning lab,
24 which has subsequently stopped operations.

25 Debtor commenced this chapter 11 case (the "Chapter 11 Case") in order to reorganize its
26 financial affairs, restructure its secured debt obligations and address its long term real estate asset
27 plan and short term financing needs.

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1 This Disclosure Statement was prepared by Debtor for use in conjunction with Debtor's
2 Chapter 11 Plan of Reorganization (the "Plan"), a copy of which is attached as **Exhibit "A"** to this
3 Disclosure Statement. The Plan sets forth the means by which Debtor will use its Assets to satisfy
4 its liabilities in accordance with the Bankruptcy Code. The purpose of this Disclosure Statement is
5 to describe the Plan and provide adequate information to allow Creditors entitled to vote on the Plan
6 to make an informed decision about how to cast their Ballot.

7 The balance of this Introduction will cover certain aspects of Debtor's financial condition
8 and how the Plan will operate to reorganize Debtor's financial affairs. Following this Introduction,
9 the remaining sections of this Disclosure Statement will discuss in greater detail Debtor's business
10 and background, the history and anticipated course of Debtor's Chapter 11 Case, the operative
11 provisions of the Plan, the Bankruptcy Code requirements that the Plan must satisfy (and the
12 process for doing so), and certain other information that should be considered when evaluating the
13 Plan, including risk factors and tax consequences.

14 **Section 1.1 Plan Overview.**

15 The Plan separates Claims against Debtor into five (5) classes based on their level of priority
16 under the Bankruptcy Code and the legal nature of the Claims. There is also one (1) class of Old
17 Equity Interests. Administrative Claims and Priority Tax Claims are not classified because the
18 Bankruptcy Code requires that they receive specific treatment. The Plan provides for Debtor's
19 existing Old Equity Interests to receive fifty percent (50%) of the new membership interest in the
20 Reorganized Debtor. The remaining fifty percent (50%) of the new membership interest shall be
21 granted to the New Equity Investor for providing the Confirmation Funds. In return, the New
22 Equity Investor will provide Two Million Dollars (\$2,000,000.00) in funding to make payments
23 under the Plan, and provide working capital for Reorganized Debtor.

24 **Section 1.2 Debtor's Principal Assets and Indebtedness.**

25 Debtor's principal assets consist of real property of (i) 7,617.92 acres of vacant land at
26 Peacock Mountain in Mohave County, Arizona (the "Peacock Mountain Property"); (2) 640.48
27 acres of vacant land at Red Lake in Kingman, Arizona (the "Red Lake Property"); and (3) 629.91
28 acres of vacant land at Golden Valley, Arizona (the "Golden Valley Property"), together with the

1 Peacock Mountain Property, Red Lake Property and Golden Valley Property. In addition, the
 2 Debtor has one parcel zoned industrial (the “Industrial Property”, together with the Peacock
 3 Mountain Property, Red Lake Property and Golden Valley Property, the “Properties”).

4 The Properties (and all of Debtor’s other personal property assets) are collateral for the
 5 Conrail Loan owed to Conrail, the principal balance of which totaled \$8,177,909.05 as of the
 6 Petition Date, pursuant to Conrail’s proof of claim. See Proof of Claim No. 3.

7 **Section 1.3 Treatment of Claims and Interests.**

8 The Plan’s classification and treatment of Claims and Equity Interests is summarized below:

Class	Description	Treatment	Estimated Amount of Claims ¹
Class 1	Priority Claims	Each Holder of an Allowed Priority Claim shall, either: (i) be paid the Allowed amount of such Claim in Cash on the Effective Date, (ii) have such Claim assumed by Reorganized Debtor, to be paid by Reorganized Debtor in Cash in the Allowed amount of any such Claim on the date on which such Claim is payable under applicable law or any agreement relating thereto; or (iii) receive such other treatment as is agreed by the Holder of the Allowed Priority Claim, Debtor and Reorganized Debtor. <i>Priority Claims are not Impaired. Holders of Allowed Other Priority Claims are not entitled to vote and are conclusively determined to accept the Plan.</i>	\$10,000.00
Class 2	Conrail Secured Claim	In the event that the Bankruptcy Court values the Conrail Collateral (defined below in Section 5.5) at not less than \$3,500 per an acre, the Holder of the Conrail Secured Claim shall be permitted to advertise for a foreclosure sale on 3,080 acres as set forth on Exhibit “1” (“ <u>Surrendered Parcels</u> ”) to the Plan on or after the Effective Date of confirmation of the Chapter 11 Plan for a	\$8,177,909.05

25
 26 ¹ These amounts were compiled by combining the undisputed Claims listed on Debtor’s
 27 bankruptcy Schedules and any additional amounts included in the Proofs of Claim filed in this case.
 28 As such, these amounts are estimates only, and may change as additional Proofs of Claims are filed
 and as the adjudication or other resolution of pending contingent, unliquidated and/or Disputed
 Claims occurs. Debtor reserves the right to object to any Proof of Claim filed.

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Class	Description	Treatment	Estimated Amount of Claims ¹
		<p>foreclosure sale as soon as practicable, but no later than ninety (90) days after the Effective Date. Contrail shall accept these parcels in full satisfaction of the debt owing from the Debtor and Guarantor in satisfaction of the Contrail Loan. Contrail shall not be entitled to seek a deficiency judgment against the Debtor or Guarantor. If Contrail fails to foreclose on these properties or refuses to accept a deed in lieu of foreclosing during the same time period, the Reorganized Debtor shall execute and record a quit claim deed to Contrail in the appropriate real property records at which time Contrail shall become the legal and equitable title holder to these parcels and it shall become responsible for the taxes and insurance on these parcels after the recordation of the deed. Since all of the debt owing to Contrail will be satisfied by the partial surrender of Contrail’s collateral, the Guarantor on the loan shall also be released from all liability on the debt owing to Contrail upon plan confirmation. The Debtor and Reorganized Debtor shall be responsible for the payment of pre-petition taxes in accordance with the Chapter 11 Plan and will pay post-petition taxes when and as due through the 90 day period post-Effective Date. In the event that the Bankruptcy Court determines that the proposed treatment is not the “indubitable equivalent” to satisfy Contrail’s allowed claim in full, Debtor reserves the right to either: (1) add additional parcels or (2) provide a New Secured Note that will reflect a principal reduction based on the Court’s valuation of the Surrendered Parcels.</p> <p>In the event the Debtor elects to term out any deficiency of the Class 2 claims, the New Secured Loan will be evidenced by the New Secured Note, which will be executed by Reorganized Debtor. The New Secured Note will be in the aggregate principal amount of \$8,177,909.05 minus the value of the Surrendered Parcels as determined by the Court, maturing on the third (3rd) anniversary of the Effective Date (the “<u>Maturity Date</u>”). Parcels will be released from</p>	

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Class	Description	Treatment	Estimated Amount of Claims ¹
		<p>the deed of trust securing the deficiency, if any, at 105% of the value set by the Bankruptcy Court (the “Release Price”). Contrail shall receive Cash equivalent to the Release Price that will be applied to reduce the principal of the New Secured Note. The New Secured Loan shall be secured by the remaining Contrail Collateral that has not been surrendered to Contrail and the Rhodes Guaranty. The New Secured Note shall bear interest at 5.5% that shall accrue and be added to the principal balance on the Note and the entire outstanding principal balance on the New Secured Note plus any accrued and unpaid interest shall be immediately due and payable in one balloon payment on the Maturity Date. If Reorganized Debtor fails to make the payment on the Maturity Date, Reorganized Debtor shall execute a deed in lieu of foreclosure to Contrail within five (5) business days of the Maturity Date that is not mutually extended by the parties to the New Secured Note.</p> <p><i>The Contrail Secured Claim is Impaired and the Holder of the Contrail Secured Claim is entitled to vote to accept or reject the Plan.</i></p>	
Class 3	Secured Property Tax Claims	<p>Holders of Class 3 Secured Property Tax Claims on the Effective Date shall, in full satisfaction, settlement, release and exchange for such Allowed Secured Property Tax Claims, receive a Refinanced Secured Loan evidenced by a promissory note payable to Mohave County Assessor in the principal amount of Forty-Two Thousand, Seven Hundred Thirty-Three Dollars and 12/100 (\$42,733.12) (Refinanced Secured Tax Loan) maturing two (2) years from the Effective Date payable in Twenty-Four (24) equal monthly payments at the interest rate of three point five percent (3.5%) per annum (Refinanced Secured Tax Note). The Refinanced Secured Tax Note shall be executed by the Reorganized Debtor and shall be secured by the Property.</p> <p><i>Secured Property Tax Claims are Impaired and Holders of Secured Property Tax Claims are entitled to vote to accept or reject the Plan.</i></p>	\$42,733.12

Class	Description	Treatment	Estimated Amount of Claims ¹
Class 4	Garrett Unsecured Claim	<p>The Holder of the Class 4 Garrett Unsecured Claim shall, in full satisfaction, settlement, release and exchange for such Allowed Garrett Unsecured Claim, receive payment in full on or before the first anniversary of the Effective Date on account of his Allowed Garrett Unsecured Claim.</p> <p><i>The Holder of the Class 4 Garrett Unsecured Claim is entitled to vote to accept or reject the Plan.</i></p>	\$500,000.00
Class 5	General Unsecured Claims	<p>Holders of non-insider Class 5(a) General Unsecured Claims shall, in full satisfaction, settlement, release and exchange for such Allowed General Unsecured Claims, be paid the Allowed amount of such Claim in Cash on the Effective Date.</p> <p>Holders of insider Class 5(b) General Unsecured Claims shall only receive distributions when net proceeds of sales of Reorganized Debtor's real property assets exceed \$10,000,000. Holders of Class 5(b) shall receive 30% of net sales proceeds above and beyond \$10,000,000, until such Claims are paid in full, bearing interest at the rate of a 10 year treasury note.</p> <p><i>General Unsecured Claims are Impaired and Holders of Allowed General Unsecured Claims are entitled to vote to accept or reject the Plan.</i></p>	\$2,271,746.47
Class 6	Old Equity Interests	<p>Holders of Old Equity Interests will receive fifty percent (50%) of the new membership interest in the Reorganized Debtor. The remaining fifty percent (50%) of the new membership interest shall be granted to the New Equity Investor for providing the Confirmation Funds</p> <p><i>Old Equity Interests are Impaired and Holders of Old Equity Interests are entitled to vote to accept or reject the Plan.</i></p>	N/A

For a more detailed description of the treatment of the foregoing Classes of Claims and Interests, see Article V, Section 5.5 below.

1 **Section 1.4 Voting, Objection to Confirmation and Confirmation Hearing.**

2 Creditors holding Claims in Classes 2, 3, 4, 5 and 6 shall receive a Ballot to vote to accept or
3 reject the Plan. The Voting Deadline to submit the Ballot is **November 29, 2016**. Ballots must be
4 returned to Fox Rothschild LLP, Attention: Brett A. Axelrod, 1980 Festival Plaza Drive, Suite 700,
5 Las Vegas, Nevada 89135. For more information regarding voting, see Article VII, Section 7.2
6 below.

7 The Bankruptcy Court has established **November 29, 2016** as the deadline to object to the
8 Plan. Any objection to the Plan raised after the objection deadline may not be considered by the
9 Bankruptcy Court. The Bankruptcy Court will hold a hearing on Confirmation of the Plan starting
10 at **9:30 a.m. on December 13, 2016 at Courtroom 2, Foley Federal Building and U.S.**
11 **Courthouse, 300 Las Vegas Boulevard, South, Las Vegas, Nevada 89101.** For more
12 information regarding the Confirmation hearing and objections, see Article VII, Section 7.3 below.

13 **Section 1.5 Effectiveness of the Plan.**

14 In order for the Plan to become effective, it must be confirmed by the Bankruptcy Court and
15 certain other conditions must be satisfied. In order for the Bankruptcy Court to confirm the Plan,
16 the Plan must satisfy certain requirements of the Bankruptcy Code. For more information regarding
17 these requirements, see Article VII, Section 7.4 below.

18 Once the conditions to the Plan’s effectiveness have occurred, the Plan will be implemented
19 according to its terms. Reorganized Debtor will continue with its business operations as
20 restructured pursuant to the Plan. For more information about these and other effects of the Plan,
21 see Article V below.

22 **ARTICLE II.**

23 **EXPLANATION OF CHAPTER 11**

24 **Section 2.1 Overview of Chapter 11.**

25 Chapter 11 is the principal reorganization chapter of the Bankruptcy Code pursuant to which
26 a debtor may reorganize its business for the benefit of its creditors, equity holders, and other parties
27 in interest. Debtor commenced the Chapter 11 Case on the Petition Date by filing a petition for
28 voluntary relief under chapter 11 of the Bankruptcy Code.

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1 The commencement of a chapter 11 case creates an “estate” comprising all the legal and
2 equitable interests of a debtor in property wherever located by whomever held as of the date the
3 petition is filed. Bankruptcy Code sections 1101, 1107 and 1108 provide that a debtor may
4 continue to operate its business and remain in possession of its property as a “debtor in possession”
5 unless the bankruptcy court for cause orders the appointment of a trustee. In the Chapter 11 Case,
6 Debtor remains in possession of its property and continues to operate its business as a debtor in
7 possession. See Article IV, Section 4.1 below.

8 The filing of a chapter 11 petition triggers the automatic stay provisions of the Bankruptcy
9 Code. Bankruptcy Code section 362 provides, among other things, for an automatic stay of all
10 attempts by creditors or other third parties to collect pre-petition claims from the debtor or
11 otherwise interfere with its property or business. There are certain limited exceptions to the
12 automatic stay, including for governmental authorities seeking to exercise regulatory or policing
13 powers. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full
14 force and effect until the effective date of a confirmed plan of reorganization.

15 Confirmation of a plan of reorganization is the primary goal of a chapter 11 case. The plan
16 sets forth the means for satisfying claims against and interests in a debtor’s estate. Unless a trustee
17 is appointed, only a debtor may file a plan during the first 120 days of a chapter 11 case (the “Filing
18 Period”), and the debtor will have 180 days to obtain acceptance of such plan by each Impaired
19 Class (the “Solicitation Period”). However, Bankruptcy Code section 1121(d) permits the
20 bankruptcy court to extend or reduce the Filing Period and Solicitation Period upon a showing of
21 “cause.” The Filing Period and Solicitation Period may not be extended beyond 18 months and 20
22 months, respectively, from the Petition Date. Debtor sought and received an extension of the Filing
23 Period and Solicitation Period. As Debtor filed the Plan during the Filing Period, no other creditor
24 or party in interest is permitted to file a plan until the expiration of the Solicitation Period (including
25 any extension(s) thereof).

26 **Section 2.2 Plan of Reorganization.**

27 Although referred to as a plan of reorganization, a plan may provide anything from a
28 complex restructuring of a debtor’s business and its related obligations to a simple liquidation of a

1 debtor's assets. In either event, once a confirmed plan becomes effective, the plan becomes binding
 2 on the debtor and all of its creditors and equity holders, and the prior obligations owed by the debtor
 3 to such parties are compromised and exchanged for the obligations specified in the plan. For a
 4 description of key components of the Plan, see Article V below.

5 After a plan of reorganization has been filed, the holders of impaired claims against and
 6 equity interests in a debtor are permitted to vote to accept or reject the plan, unless the plan does not
 7 provide for the impaired class to receive or retain any property on account of its claims or interests,
 8 in which case the class is deemed to reject the plan. Before soliciting acceptances of the proposed
 9 plan, Bankruptcy Code section 1125 requires the debtor to prepare and file a disclosure statement
 10 containing adequate information (under the circumstances) of a kind, and in sufficient detail, to
 11 enable a hypothetical reasonable investor to make an informed judgment about the plan. This
 12 Disclosure Statement is presented to Holders of Impaired Claims against Debtor to satisfy the
 13 requirements of Bankruptcy Code section 1125 in connection with Debtor's solicitation of votes on
 14 the Plan.

15 **Section 2.3 Confirmation of a Plan of Reorganization.**

16 If all impaired classes of claims and equity interests accept or are deemed to accept a plan of
 17 reorganization, the bankruptcy court may confirm the plan if the bankruptcy court independently
 18 determines that the other requirements of Bankruptcy Code section 1129(a) have been satisfied.
 19 See Article VII, Section 7.4. Classes of claims or equity interests that are not "impaired" under a
 20 plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled
 21 to vote. Furthermore, classes that are to neither receive nor retain any property under the plan are
 22 conclusively deemed to have rejected the plan. See Article VII, Section 7.1.

23 Accordingly, acceptances of a plan will generally be solicited only from those persons who
 24 hold claims or equity interests in an impaired class. **Except for Class 1 –Priority Claims, which**
 25 **are not Impaired under the Plan and therefore are deemed to unanimously accept the Plan.**

26 In general, a bankruptcy court also may confirm a plan of reorganization even though fewer
 27 than all the classes of impaired claims against and equity interests in a debtor accept such plan. For
 28 a plan of reorganization to be confirmed, despite its rejection by a class of impaired claims or equity

1 interests, the plan must be accepted by at least one class of impaired claims (determined without
2 counting the vote of insiders) and the proponent of the plan must show, among other things, that the
3 plan does not “discriminate unfairly” and that the plan is “fair and equitable” with respect to each
4 class of impaired claims or equity interests that has not accepted the plan. See Article VII, Section
5 7.4.

6 The Plan has been structured by Debtor so that it will satisfy the foregoing requirements as
7 to any rejecting Class of Impaired Claims or Equity Interests, and therefore can be confirmed, if
8 necessary, over the objection of any (but not all) Classes of Claims or Equity Interests.

9 **ARTICLE III.**

10 **BACKGROUND**

11 **Section 3.1 Overview and History of Debtor’s Business Operations.**

12 The Debtor is engaged in the business of commercial agrarian development, future
13 residential and commercial development, owning numerous parcels of real property spread across
14 the area surrounding the city of Kingman, Arizona. These parcels include both agrarian and
15 industrial parcels.

16 **Section 3.2 Financial Information and Capital Structure.**

17 **(a) Financial Information.**

18 Debtor’s total liabilities were \$10,401,790.12, as of January 5, 2016. The total liabilities
19 consist of the following: (1) \$7,700,172.00 – Term Loan; (2) \$42,733.12 – real property tax lien
20 claims; and (3) \$2,271,746.47– unsecured claims.

21 On February 28, 2016, Mohave County Attorney filed proof of priority claim no. 2 in the
22 amount of \$42,474.26 for taxes due to the Mohave County Assessor. On May 3, 2016, Contrail
23 filed proof of secured claim no. 3 in the amount of \$8,177,909.05, and on May 4, 2016, Dave
24 Wilson Nursery filed its proof of claim no. 4 in the amount of \$1,050,000.00.

25 **(b) Capital Structure.**

26 The Debtor is the successor in interest to Cambridge House, LLC which is the successor in
27 interest to Sedora, LLC. The Debtor is owned as follows: 42.4215% is owned by James M. Rhodes
28 Dynasty Trust I; 42.4215% is owned by James M. Rhodes Dynasty Trust II; 14.30% is owned by

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1 JMR Irrevocable Investment Trust and 0.8570% by Truckee Springs Holdings, Inc. Truckee
2 Springs Holdings, Inc. is the manager of the Debtor.

3 **Section 3.3 Events Leading to the Commencement of the Chapter 11 Case.**

4 On June 23, 2005, Sedora Holdings, LLC ("Sedora"), predecessor in interest to Cambridge
5 House, LLC ("Cambridge House")² entered into a loan agreement (the "Consolidated Mortgage
6 Loan") made pursuant to a deed of trust with Consolidated Mortgage (the "Consolidated Mortgage
7 Deed of Trust"), encumbering, in part, approximately 7,600 acres of undeveloped property
8 comprising parcel numbers 310-17-004; 313-01-005/008; 313-02-008/021-024; 313-20-025; 354-
9 29-011, NE of Kingman Arizona, commonly known as Peacock Ranch (the "Peacock Ranch
10 Property"). The Consolidated Mortgage Deed of Trust was recorded July 5, 2005 in Book 5700,
11 Page 922 of the Official Records of Mohave County, Arizona.

12 On June 23, 2005, Sedora executed a promissory note in favor of Consolidated Mortgage in
13 the original principal amount of \$4,640,000, at a fixed rate of 12.250% (the "Consolidated
14 Mortgage Note").

15 On September 29, 2005, an Assignment of Deed of Trust was recorded in Book 5861, Page
16 279 of the Official Records of Mohave County, Arizona between Sedora as borrower and
17 Consolidated Mortgage as Lender.

18 The Consolidated Mortgage Loan was thereafter assigned to DCR Liquidating Trust
19 ("DCR") pursuant to an Assignment of Deed of Trust recorded on March 8, 2006 in Book 6144,
20 Page 662 of the Official Records of Mohave County, Arizona.

21 The Consolidated Mortgage Note was modified pursuant to that certain Extension and
22 Modification Agreement dated January 11, 2008 and that certain Extension and Modification
23 Agreement dated April 30, 2009.

24 The Peacock Ranch Property was transferred by Sedora to Cambridge House by Assignment
25 of Deed of Trust on September 9, 2005. As a result of certain defaults of the Consolidated

26
27 ² Cambridge House was the predecessor of the Debtor pursuant to that certain Settlement
28 Agreement dated June 30, 2014 between Cambridge House and DCR Liquidating Trust, the
successor to Consolidated Mortgage.

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1 Mortgage Loan, DCR and Cambridge House entered into settlement negotiations. As part of their
2 negotiations, Cambridge House pledged to the DCR additional unrelated property owned by it to
3 secure the DCR Loan (the Golden Valley Property and the Red Hills Property). Also, as part of the
4 settlement, DCR required that all of its collateral be held by the borrower in a new entity, formed
5 specifically to own solely the DCR collateral. That entity is the Debtor.

6 On June 30, 2014, Mohave Agrarian Group, LLC (the new limited liability company as
7 required by the Settlement Agreement) consummated the terms and conditions of the Settlement
8 Agreement and executed a Loan and Security Agreement and secured promissory note in favor of
9 DCR in the amount of seven million, six hundred ten thousand, three hundred twenty-eight dollars
10 (\$7,610,328.00) (the "DCR Loan Agreement"). The Debtor did not receive any funds as
11 consideration for entering into the DCR Loan Agreement.

12 On August 4, 2014, a Deed of Trust, Assignment of Rents and Leases, Security Agreement
13 and Fixture Filing was recorded in the Official Records of Mohave County, Arizona as Document
14 No. 2014034006 for \$7,610,328.00.

15 On May 5, 2015, DCR issued a Notice of Event of Default for failure to make the April 1,
16 2015 and May 1, 2015 payment.

17 On or about August 18, 2015, DCR transferred and assigned all if its rights, title and interest
18 in the DCR Loan Agreement, the New Senior Note, the Rhodes Guaranty and the Liens created by
19 the DCR Loan Agreement to Contrail Holdings, LLC ("Contrail") as evidenced by that certain
20 Assignment of Deed of Trust dated August 12, 2015 and recorded in the Official Records of
21 Mohave County, Arizona on August 18, 2015 as Document No. 2015036884.

22 On October 6, 2015, a Notice of Substitution of Trustee was recorded in the Official
23 Records of Mohave County, Arizona as Document No. 2015044539, appointing Bruno, Brooks &
24 Goldberg, P.C. as Successor Trustee.

25 On October 6, 2015, a Notice of Trustee's Sale was recorded in the Official Records of
26 Mohave County, Arizona as Document No. 2015044540 (the "Notice of Trustee Sale").

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ARTICLE IV.

THE CHAPTER 11 CASE

Debtor commenced the Chapter 11 Case after having carefully developed the Plan as an efficient and equitable means to reorganize its financial affairs. Debtor’s goal is to move the Plan forward expeditiously so that it can emerge from chapter 11 during 2016. With that goal in mind, an appraisal of Debtor’s real property assets was commissioned from Landauer Valuation & Consulting (the “Appraisal”). The Appraisal was for all twelve (12) parcels totaling 8,888.31 gross acres of agricultural land. The Rebuttal Appraisal Report dated August 3, 2016 concluded that the as is “market value” is \$31,400,000.00. A true and correct copy of the Rebuttal Appraisal is attached hereto as **Exhibit “B.”**

Debtor intends to surrender 3,080 acres of its real property as part of its Plan. The business plan for Debtor’s remaining real property assets will consist of a multi-step process of land sales based upon absorption rates for the market over a period of time, as further provided in the Land Plan (the “Business Plan”).

Debtor intends to proceed on a prompt, yet prudent, schedule towards Confirmation of the Plan in order to minimize the disruption to its operations and the administrative cost of the Chapter 11 Case. The following is a summary of the events that have taken place in Debtor’s Chapter 11 Case and the anticipated course of events.

Section 4.1 Continuation as Debtor In Possession.

Following the commencement of the Chapter 11 Case, Debtor remains in control over its assets and business as debtor in possession pursuant to Bankruptcy Code section 1108 absent further order of the Bankruptcy Court. As a debtor in possession, the Debtor will be required to obtain Bankruptcy Court approval (i) for any transactions that are outside of the ordinary course of business, (ii) before making payment of any Claims that arose prior to the Petition Date, and (iii) as otherwise required under the Bankruptcy Code for certain specific types of actions or relief.

Section 4.2 Significant Requests for Court Approval.

Debtor filed certain motions and applications for relief following commencement of the Chapter 11 case, that are summarized below.

1 (a) **Employment of Professionals.**

2 The Bankruptcy Code has certain requirements for the employment and compensation of
3 professionals at the expense of a debtor’s estate. In compliance with these requirements, Debtor
4 filed applications for approval to employ the professionals listed below.

5 (i) **Debtor’s Counsel—Fox Rothschild LLP**

6 Prior to the Petition Date, Debtor retained the law firm of Fox Rothschild LLP (“Fox
7 Rothschild”) as its general bankruptcy and reorganization counsel. Based on the firm’s
8 qualifications and prior experience in representing Debtor, Debtor sought to employ Fox Rothschild
9 as its counsel in connection with the Chapter 11 Case. The Bankruptcy Court granted Debtor’s
10 application on February 26, 2016 pursuant to Bankruptcy Code sections 327, 329, 1107 and 1108.
11 See Docket No. 49. Fox Rothschild bills Debtor for its services on an hourly basis, plus
12 reimbursement of necessary expenses incurred.

13 (ii) **Debtor’s Appraiser – Landauer Valuation & Advisory**

14 Debtor engaged Landauer Valuation & Advisory (“Landauer”) as its Appraiser to provide
15 all necessary valuation, consultation and research services to Debtor in connection with its real
16 property assets. The Bankruptcy Court granted Debtor’s application on February 26, 2016. See
17 Docket No. 48.

18 (iii) **Debtor’s Real Estate Agent —Hunt Real Estate, ERA Real Estate Agents**
19 **and Associates**

20 On or about January 13, 2016, Debtor engaged John Gall (“Mr. Gall”) to provide real estate
21 services to Debtor as may become necessary throughout this Chapter 11 case. Specifically, Debtor
22 needed assistance in listing and selling the Property. In light of his expertise and success in listing
23 and selling real property in Arizona, Mr. Gall was best suited to provide such services to Debtor,
24 and Debtor relied on Mr. Gall in that regard. Debtor filed an application to employ Mr. Gall
25 pursuant to Bankruptcy Code sections 327, 328, 1107 and 1108, which application was granted by
26 the Bankruptcy Court. See Docket No. 89.

27 **b. Motion for Single Asset Real Estate Determination**

28 On February 10, 2016, Conrail filed its *Motion For Single Asset Real Estate Determination*
Under 11 U.S.C. § 101(51B) (the “SARE Motion”). See Docket No. 41.

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1 On March 2, 2016, Debtor filed its Opposition to the SARE Motion. See Docket No. 50.

2 On March 9, 2016, Conrail filed its Reply to Debtor's Opposition to the SARE Motion.
3 See Docket No. 58.

4 On May 23, 2016, the Court entered its *Order Denying Conrail's Motion For Single Asset*
5 *Real Estate Determination Under 11 U.S.C. Section 101(51B)*. See Docket No. 87.

6 **c. Debtor's Motion to Extend Exclusivity**

7 On April 22, 2016, Debtor filed its *Motion Pursuant to 11 U.S.C. §§ 105(A) and 1121(D),*
8 *Fed. R. Bankr. Procedure 9014 and Local Rule 9014 For An Order Extending the Debtors*
9 *Exclusive Periods Within Which to File a Plan And to Solicit Acceptances Thereto* [Docket No. 70].

10 On May 11, 2016, Conrail filed its *Opposition to Motion Pursuant to 11 U.S.C. §§ 105(A)*
11 *and 1121(D), Fed. R. Bankr. Procedure 9014 and Local Rule 9014 For An Order Extending the*
12 *Debtors Exclusive Periods Within Which to File a Plan And to Solicit Acceptances Thereto* [Docket
13 No. 81].

14 On May 18, 2016, Debtor filed its *Reply to Opposition to Motion Pursuant to 11 U.S.C. §§*
15 *105(a) and 1121(d), Fed. R. Bankr. P. 9014 and Local Rule 9014 For An Order Extending the*
16 *Debtors Exclusive Periods Within Which to File a Plan And to Solicit Acceptances Thereto* [Docket
17 No. 82].

18 On June 9, 2016, the Court entered its *Order Extending the Debtors Exclusive Periods*
19 *Within Which to File a Plan and to Solicit Acceptances Thereto* whereby the Debtor's exclusive
20 deadline to file a plan of reorganization was extended to August 4, 2016 and the exclusive deadline
21 to solicit acceptances to the plan was extended to October 5, 2016. See Docket No. 92.

22 **d. Debtor's Valuation Motion**

23 On June 27, 2016, Debtor filed its *Motion for Valuation of Debtor's Real Property* [Docket
24 No. 94] (the "Valuation Motion") for two essential reasons:

25 First, in anticipation of filing its Plan, the Debtor sought a determination of the value of the
26 Properties for all purposes so it could ensure that its plan satisfied all statutory requirements. Under
27 the Plan, Debtor intends on surrendering some of its real property assets to Conrail as the
28

1 indubitable equivalent of Conrail's secured claim. Thus the proposed treatment of Conrail's
2 secured claim is dependent upon this Court's valuation of Debtor's real property assets.

3 Second, the Debtor has listed the Properties for sale, and seeks the Court's determination of
4 their going concern value so it can establish the release prices under its loan agreement with
5 Conrail pending a hearing on confirmation of the Plan.

6 On July 27, 2016, Conrail filed its Opposition to the Valuation Motion [Docket No. 109].
7 Conrail opposes the Motion on the following grounds: First, Conrail contends that the Debtor
8 seeks an impermissible advisory opinion. Second, Conrail asserts that the Motion uses an improper
9 valuation methodology for purposes of indubitable equivalence. Third, Conrail argues that the
10 Debtor's proposed surrender of certain of the Properties cannot provide it with the indubitable
11 equivalent of its claim. Fourth, Conrail contends that it cannot be compelled to accept the agreed-
12 upon release prices unless the Debtor cures its defaults under the loan with Conrail. Conrail's
13 appraiser opined that the value of Debtor's Properties is \$9,625,000.

14 On August 3, 2016, Debtor filed its Reply to Conrail's Opposition to the Valuation Motion
15 [Docket No. 119]. Debtor's appraiser reviewed the appraisal submitted by Conrail and prepared a
16 Rebuttal Report that updated the as is value of Debtor's Properties to \$31,400,000. Debtor
17 increased the size of the property it proposes to surrender to Conrail under the Plan and Debtor's
18 valuation of such property is \$8,700,000. In the event that the Court determines that the
19 Surrendered Parcels is not the "indubitable equivalent" to satisfy Conrail's allowed claim in full,
20 Debtor reserves the right to either: (1) add additional parcels or (2) provide a New Secured Note
21 that will reflect a principal reduction based on the Court's valuation of the Surrendered Parcels.
22 Thus, the Debtor's projections and the treatment of Conrail under the Plan are subject to change
23 depending on the Court's rulings on the Valuation Motion.

24 Debtor and Conrail agreed to a discovery schedule with respect to the Valuation Motion,
25 confirmation of the Plan and the motion for relief from the automatic stay Conrail intends to file
26 (the "Contested Matters"). The Stipulated Discovery Plan Between Debtor and Conrail Holdings,
27 LLC [Docket No. 131] provides that:

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- 1 • The Parties may commence written discovery in connection with the Contested
- 2 Matters on September 2, 2016. Responses to requests for production of documents
- 3 pursuant to Fed. R. Civ. P. 34 shall be due twenty-one calendar days after service,
- 4 unless otherwise extended by written agreement. Discovery shall close on
- 5 November 30, 2016.
- 6 • The parties shall use reasonable efforts to schedule depositions at mutually agreeable
- 7 dates and times.
- 8 • The Parties will designate expert witnesses with respect to the Contested Matters
- 9 pursuant to Fed.R.Civ.P. 26(a)(2) no later than October 14, 2016. Rebuttal experts
- 10 will be designated no later than November 4, 2016.
- 11 • The hearing on the Valuation Motion shall be heard in conjunction with the hearing
- 12 on Plan confirmation, to be held on December 13, 2016 at 9:30 a.m.

13 **e. Debtor’s Chapter 11 Plan of Reorganization**

14 On August 3, 2016, Debtor filed its Notice of Debtor’s Chapter 11 Plan of Reorganization
15 [Docket No. 117] (the “Plan”) and an Errata to the Plan [Docket No. 118].

16 On September 2, 2016, Debtor filed its First Amended Chapter 11 Plan of Reorganization
17 dated September 2, 2016 [Docket No. 136], which added to Class 2 treatment that parcels will be
18 released from deed of trust securing the deficiency, if any, at 105 % of the value set by the
19 bankruptcy court. Contrail to receive cash that will be applied to reduce principal of deficiency note
20 is the concept.

21 **Section 4.3 Compliance with Statutory Requirements.**

22 The Bankruptcy Code imposes certain reporting and compliance requirements on chapter 11
23 debtors in order to provide transparency and disclosure regarding their financial affairs both before
24 and during the course of the chapter 11 case. At the outset of the case, a debtor must: (1) file
25 Schedules of Assets and Liabilities; (2) file a Statement of Financial Affairs; (3) attend a meeting of
26 creditors under Bankruptcy Code section 341(a); and (4) provide certain initial financial
27 information to the Office of the United States Trustee (“OUST”), followed by additional post-
28 petition reporting to the OUST on a monthly basis. With the goal of a smooth and expeditious

1 resolution of the Chapter 11 Case, Debtor has fully and timely complied with these requirements, as
2 described below.

3 **Section 4.4 Schedules of Assets and Liabilities.**

4 For a chapter 11 debtor, the Schedules of Assets and Liabilities must include:

- 5 • Schedule A: Real Property Assets
- 6 • Schedule B: Personal Property Assets
- 7 • Schedule D: Secured Claims
- 8 • Schedule E: Priority Claims
- 9 • Schedule F: Unsecured Claims
- 10 • Schedule G: Executory Contracts and Unexpired Leases
- 11 • Schedule H: Codebtors

12 Debtor filed its Schedules of Assets and Liabilities on January 19, 2016, which were subsequently
13 amended on February 4, 2016 [Docket No. 32] and on August 30, 2016 [Docket No. 134]
14 (collectively, “Schedules”) the contents of which are summarized below.

15 **Section 4.5 Assets**

16 Debtor listed on its Schedule A real property assets in the amount of \$16,510,000.00
17 consisting of the Peacock Mountain Property, the Red Lake Property, the Golden Valley Property
18 and the Industrial Property. The total value of all these properties shall be determined by the
19 Bankruptcy Court, which the Debtor believes has an “as is” market value of \$31,400,000 pursuant
20 to the Rebuttal Appraisal Report dated August 3, 2016. Debtor listed approximately \$143,486.00
21 in personal property assets on Schedule B, which primarily consist of agricultural assets, assets
22 related to the propagation/cloning lab, machinery and prepaid expenses.

23 **Section 4.6 Liabilities**

24 Debtor identified Conrail as a Creditor holding a Secured Claim in the amount of
25 \$7,700,172.00 on Schedule D.

26 Debtor’s total liabilities were \$10,401,790.12, as of January 5, 2016. The total liabilities
27 consist of the following: (1) \$7,700,172.00 – Term Loan; (2) \$42,733.12 – real property tax lien
28 claims; and (3) \$2,271,746.47– unsecured claims.

1 The Bankruptcy Code provides for certain unsecured claims existing on the petition date to
2 receive priority above other unsecured claims, such as tax claims, employee wage claims (subject to
3 certain limits) and consumer deposit claims. Debtor listed Claims in the amount of \$42,733.12 on
4 Schedule E.

5 Debtor listed Schedule F claim in the amount of \$2,752,628.00 consisting primarily of
6 contingent liability claims based on an executory contract, a personal loan and business expenses.

7 The following proofs of claim were filed in the Chapter 11 Case:

8 On February 28, 2016, Mohave County Attorney filed proof of priority claim no. 2 in the
9 amount of \$42,474.26 for taxes due to the Mohave County Assessor. On May 3, 2016, Contrail
10 filed proof of secured claim no. 3 in the amount of \$8,177,909.05,³ and on May 4, 2016, Dave
11 Wilson Nursery filed its proof of claim no. 4 in the amount of \$1,050,000.00.⁴

12 **Section 4.7 Executory Contracts and Unexpired Leases**

13 Bankruptcy Code section 365 authorizes a debtor in possession to assume, assume and
14 assign, or reject executory contracts and unexpired leases, subject to certain conditions. Generally
15 speaking, an “executory contract” is a contract under which material obligations remain to be
16 performed by the debtor and the contract counter-party(ies). Debtor is a party to four executory
17 contracts. The contracts listed on Schedule G consist of three service agreements and one purchase
18 agreement. Attached hereto as **Exhibit “E”** is Debtor’s Schedule of Assumed/Rejected Contracts.

19 **Section 4.8 Statement of Financial Affairs.**

20 The Statement of Financial Affairs contains a series of questions to be completed by the
21 debtor regarding various financial and corporate matters. The debtor must provide information
22 regarding its income, payments to creditors, pending litigation, shareholders, and officers and
23 directors, among other items.

24 Debtor filed its Statements of Financial Affairs on January 19, 2016. In response to Part 1:
25 Question 1, Debtor listed income of (\$865,057.00) for fiscal year ending December 31, 2015; In
26

27 ³ Debtor reserves the right to object to Contrail’s proof of claim.

28 ⁴ Debtor will be objecting to the Dave Wilson Nursery proof of claim.

1 response to Part 2: Question 4, Debtor listed payments totaling approximately \$389,000.00 to
2 insider Creditors within one year of the Petition Date. In response to Part 6, Question 11, Debtor
3 listed payments totaling approximately \$25,000.00 related to this bankruptcy filing. In response to
4 Part 11: Question 21, Debtor listed various equipment used on its Property which is owned by
5 Kingman Farms, LLC.

6 **Section 4.9 341(a) Meeting.**

7 Pursuant to Bankruptcy Code section 341(a), the OUST conducts an initial meeting of
8 creditors shortly after the commencement of a bankruptcy case. At the section 341(a) meeting,
9 OUST personnel review the debtor's Schedules of Assets and Liabilities and Statements of
10 Financial Affairs, and creditors have the opportunity to ask questions of a debtor representative
11 regarding the same. The 341(a) meeting for Debtor took place on February 11, 2016 and was
12 closed by the OUST at the conclusion thereof.

13 **Section 4.10 Office of the United States Trustee Reporting.**

14 At the outset of a chapter 11 case, the OUST requires the debtor in possession to provide
15 certain initial information regarding insurance coverage and other matters. The OUST also requires
16 the debtor in possession to provide monthly post-petition financial reporting in a format determined
17 on a case-by-case basis. Debtor filed its first monthly operating report on February 19, 2016, the
18 second on March 18, 2016, the third on April 20, 2016, the fourth on May 1, 2016, the fifth on June
19 21, 2016, the sixth on July 20, 2016 and the seventh on August 22, 2016.

20 **Section 4.11 Creditors Committee.**

21 Bankruptcy Code section 1102 directs the OUST to appoint a committee of creditors holding
22 unsecured claims, and also authorizes the OUST to appoint additional committees of creditors or of
23 equity security holders as the OUST deems appropriate. To date, no creditors committee has been
24 appointed.

25 **Section 4.12 Plan Solicitation and Confirmation Process.**

26 As noted above, Debtor filed its Chapter 11 Case with the intent to proceed immediately
27 down the path to presenting the Plan to its Creditors for their acceptance or rejection and to the
28 Bankruptcy Court for confirmation. Debtor has targeted October 19, 2016 for approval of this

1 Disclosure Statement, December 13, 2016 for the hearing on Confirmation of the Plan, and January
2 27, 2017 for the Plan Effective Date. In order to ensure that this process moves forward smoothly
3 and expeditiously, Debtor seeks to establish certain procedures for providing notice of, and
4 soliciting votes on, the Plan.

5 **Section 4.13 Solicitation Procedures.**

6 Debtor developed certain customized procedures and forms for the solicitation of votes to
7 accept or reject the Plan. The forms of Disclosure Statement, along with various other forms of
8 notice and proposed ballot forms, are to be used in connection with certain Solicitation Procedures,
9 which cover four main topics:

- 10 (a) Voting Eligibility: Establishment of the Voting Record Date, Identification of
11 Claims Eligible to Vote, Identification of Eligible Holders, Determination of
12 Amount of Claims for Voting Purposes and Reservation of Rights re:
13 Estimation and/or Designation;
- 14 (b) Noticing: The Confirmation Hearing Notice, Notice of Non-Voting Status,
15 Solicitation Packages, Disputed Claim Notice, Addresses, Undeliverable
16 Mail and the Plan Supplement;
- 17 (c) Submission and Tabulation of Votes: Voting Deadline; Completion,
18 Submission and Tabulation of Ballots; and
- 19 (d) Confirmation Hearing: Confirmation Hearing and Objection Deadline.

20 The Solicitation Procedures are attached as an exhibit to the Solicitation Procedures Order,
21 which is included in the Disclosure Statement solicitation package. In addition, certain key
22 provisions of the Solicitation Procedures are referenced in Article VII of this Disclosure Statement.

23 **ARTICLE V.**

24 **SUMMARY OF THE PLAN**

25 THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND MEANS FOR
26 IMPLEMENTATION OF THE PLAN AND OF THE CLASSIFICATION AND TREATMENT
27 OF CLAIMS AND INTERESTS UNDER THE PLAN. IT IS QUALIFIED IN ITS ENTIRETY
28 BY REFERENCE TO THE PLAN, WHICH IS ANNEXED TO THIS DISCLOSURE

1 STATEMENT AS **EXHIBIT “A”** AND WHICH SHALL CONTROL IN THE EVENT THAT IT
2 VARIES FROM THE TERMS OF THIS DISCLOSURE STATEMENT.

3 THE PLAN, SUBJECT TO THE PROVISIONS OF THE BANKRUPTCY CODE,
4 PROVIDES FOR THE TREATMENT OF ALL CREDITORS THAT HOLD CLAIMS ARISING
5 PRIOR TO THE CONFIRMATION DATE OF THE PLAN, FOR THE PAYMENT OF
6 ADMINISTRATIVE PRIORITY CLAIMS AND FOR THE TREATMENT OF EQUITY
7 INTERESTS IN DEBTOR.

8 THE SUMMARIES OF THE PLAN AND OF OTHER DOCUMENTS REFERRED TO
9 HEREIN DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE
10 TERMS AND PROVISIONS OF THOSE DOCUMENTS. REFERENCE IS MADE TO THE
11 PLAN AND THE OTHER DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS
12 OF THEIR TERMS AND PROVISIONS.

13 SINCE THE PLAN DEALS WITH SOPHISTICATED LEGAL CONCEPTS, AND
14 INCORPORATES THE DEFINITIONS AND REQUIREMENTS OF THE BANKRUPTCY
15 CODE, YOU MAY WISH TO CONSULT WITH COUNSEL OF YOUR CHOICE IN MAKING
16 YOUR DECISION REGARDING YOUR VOTE ON THE PLAN. TO THE EXTENT THAT THE
17 TERMS OF THIS DISCLOSURE STATEMENT VARY FROM THE TERMS OF THE PLAN OR
18 ANY OTHER OPERATIVE DOCUMENT, THE TERMS OF THE PLAN OR SUCH OTHER
19 OPERATIVE DOCUMENT SHALL BE CONTROLLING.

20 ARTICLE XI OF THE PLAN, EFFECT OF CONFIRMATION OF THE PLAN,
21 CONTAINS DISCHARGES, INJUNCTIONS, RELEASES AND EXCULPATIONS THAT
22 SHOULD BE READ CAREFULLY BY ALL STAKEHOLDERS. THE USE THEREIN OF
23 “RELEASED PARTY” OR “RELEASEES” INCLUDES, AMONG OTHERS, CURRENT AND
24 FORMER OFFICERS AND DIRECTORS OF THE DEBTOR AND THE OTHER PERSONS
25 AND ENTITIES THAT FALL WITHIN THE DEFINITION OF RELATED PARTY PURSUANT
26 TO THE PLAN.

27

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1 **Section 5.1 Overall Structure of the Plan.**

2 Under the Plan, Claims against and Equity Interests in Debtor are divided into Classes
3 according to their relative seniority and other criteria. If the Plan is confirmed by the Bankruptcy
4 Court and consummated, the Allowed Administrative Claims (unclassified), Allowed Priority Tax
5 Claims (unclassified) and Allowed Priority Claims (Class 1) will receive Distributions equal to the
6 full Allowed amount of the Claims as required by the Bankruptcy Code (unless otherwise agreed by
7 the Holder(s) of such Claim(s)).

8 The Class 2 Secured Claim of Conrail Holdings shall be satisfied by, in the event that the
9 Bankruptcy Court values the Conrail Collateral at not less than \$3,500 per an acre, allowing
10 Conrail to foreclose on the Surrendered Parcels, on or after the Effective Date of confirmation of
11 this Chapter 11 Plan but no later than ninety (90) days after the Effective Date. Conrail shall
12 accept these parcels in full satisfaction of the debt owing from the Debtor and Guarantor in
13 satisfaction of the Conrail Loan. In the event that the Bankruptcy Court determines that the
14 proposed treatment is not the “indubitable equivalent” to satisfy Conrail’s allowed claim in full,
15 Debtor reserves the right to either add additional parcels or provide a New Secured Note that will
16 reflect a principal reduction based on the Court’s valuation of the Surrendered Parcels.

17 Class 3 Secured Property Tax Claims will receive a promissory note payable to Mohave
18 County Assessor in the principal amount of Forty-Two Thousand, Seven Hundred Thirty-Three
19 Dollars and 12/100 (\$42,733.12) (Refinanced Secured Tax Loan) maturing two (2) years from the
20 Effective Date payable in Twenty-Four (24) equal monthly payments at the interest rate of three
21 point five percent (3.5%) per annum (Refinanced Secured Tax Note).

22 Class 4 Garrett Unsecured Claim shall, in full satisfaction, settlement, release and exchange
23 for such Allowed Garrett Unsecured Claim, receive payment in full on or before the first
24 anniversary of the Effective Date on account of his Allowed Garrett Unsecured Claim.

25 Class 5(a) General Unsecured Claims shall, in full satisfaction, settlement, release and
26 exchange for such Allowed General Unsecured Claims, be paid the Allowed amount of such Claim
27 in Cash on the Effective Date. Holders of Class 5(b) shall only be entitled to distributions when net
28 proceeds of sales of Reorganized Debtor’s real property assets exceed \$10,000,000. Holders of

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1 Class 5(b) shall receive 30% of net sales proceeds above and beyond \$10,000,000, until such
2 Claims are paid in full, bearing interest at the rate of a 10 year U.S. Treasury note .

3 Class 6 Old Equity Interests will receive fifty percent (50%) of the new membership interest
4 in the Reorganized Debtor. The remaining fifty percent (50%) of the new membership interest shall
5 be granted to the New Equity Investor for providing the Confirmation Funds.

6 **Section 5.2 Classification and Treatment of Claims and Interests Under the Plan.**

7 Bankruptcy Code section 1123 provides that a plan must classify the claims and interests of
8 a debtor's creditors and interest holders. In accordance with Bankruptcy Code section 1123, the
9 Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than
10 Administrative Claims and Priority Tax Claims which, pursuant to Bankruptcy Code section
11 1123(a)(1), need not be and have not been classified). Bankruptcy Code section 1122 requires that
12 each Class contain only Claims or Interests that are substantially similar to the other Claims or
13 Interests in such Class.

14 A Claim or Interest is placed in a particular Class only to the extent that the Claim or
15 Interest falls within the description of that Class and is classified in other Classes to the extent that
16 any portion of the Claim or Interest falls within the description of such other Classes. A Claim or
17 Interest is also placed in a particular Class for the purpose of receiving Distributions pursuant to the
18 Plan only to the extent that such Claim or Interest is an Allowed Claim in that Class and such Claim
19 has not been paid, released or otherwise settled prior to the Effective Date.

20 **Section 5.3 Unclassified Claims.**

21 **(a) Administrative Claims.**

22 Administrative Claims are Claims for costs and expenses of administration, pursuant to
23 Bankruptcy Code sections 503(b), 507(a)(2), 507(b) or 546(c)(2), including, but not limited to: (a)
24 the actual and necessary costs and expenses incurred after the Petition Date and through the
25 Effective Date of preserving the Estate and operating the business of Debtor (such as wages,
26 salaries, or commissions for services, and payments for goods and services); (b) the value of any
27 goods received by Debtor within twenty (20) days before the Petition Date which goods have been
28 sold to Debtor in the ordinary course of its business; (c) compensation and reimbursement of

1 expenses for legal, financial advisory, accounting, and other services, including but not limited to,
2 Allowed Professional Fees, pursuant to Bankruptcy Code sections 328, 330(a) or 331 or otherwise
3 for the period commencing on the Petition Date and ending on the Effective Date; (d) all fees and
4 charges assessed against the Estate, pursuant to chapter 123 of the Judicial Code and 28 U.S.C. §
5 1930; and (e) all Bankruptcy Court approved requests for compensation or expense reimbursement
6 for making a substantial contribution in the Chapter 11 Case, pursuant to Bankruptcy Code sections
7 503(b)(3), (4) and (5).

8 The Holder of an Administrative Claim, other than (i) a Professional Fee Claim, or (ii) a
9 liability incurred and paid in the ordinary course of business by Debtor, must File with the
10 Bankruptcy Court and serve on Debtor and Debtor’s counsel, notice of such Administrative Claim
11 on or before the Administrative Claim Bar Date. Such notice must include, at minimum, (i) the
12 name of the Holder of such Administrative Claim, (ii) the basis of the Administrative Claim,
13 including why it is entitled to administrative priority under the Bankruptcy Code, and (iii) the
14 amount of the Administrative Claim. Failure to File and serve such notice timely and properly shall
15 result in the Administrative Claim being forever barred and discharged.

16 Subject to the provisions of Bankruptcy Code sections 330(a), 331 and 503(b), each Holder
17 of an Administrative Claim shall, either: (x) be paid from the Confirmation Funds in the Allowed
18 amount of any such Administrative Claim on, or as soon as reasonably practicable after, the later of
19 (i) the Effective Date, (ii) the date upon which such Administrative Claim becomes Allowed, or (iii)
20 such date as is otherwise agreed to by Debtor or Reorganized Debtor, as the case may be, and the
21 Holder of such Administrative Claim; or (y) have such Administrative Claim assumed by
22 Reorganized Debtor, to be paid by Reorganized Debtor in Cash in the Allowed amount of any such
23 Administrative Claim on, or as soon as reasonably practicable after, the later of (i) the date upon
24 which such Administrative Claim becomes Allowed, (ii) the date on which such Administrative
25 Claim becomes due in the ordinary course of business, or (iii) such date as is otherwise agreed by
26 Debtor, Reorganized Debtor and the Holder of such Administrative Claim.

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(b) Professional Fee Claims and US Trustee Fees.

Notwithstanding the foregoing or anything to the contrary in the Plan: (A) all final applications for Professional Fee Claims constituting amounts due for services rendered on or before the Effective Date shall be Filed no later than twenty (20) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court; (B) Debtor shall pay, or cause to be paid, all accrued US Trustee Fees on or before the Effective Date of the Plan; and following the Effective Date, the Reorganized Debtor shall be responsible for timely payment of all US Trustee Fees until such time as the Final Decree closing this Chapter 11 Case is entered and all US Trustee Fees due are paid in full; (C) Debtor or Reorganized Debtor (as applicable) shall File with the Bankruptcy Court and serve on the United States Trustee a quarterly financial report for each quarter (or portion thereof) that the Chapter 11 Case remains open in such format as reasonably may be required by the United States Trustee.

Section 5.4 Priority Tax Claims.

Priority Tax Claims are any Claims entitled to priority under Bankruptcy Code sections 502(i) or 507(a)(8). Priority tax claims do not include *ad valorem* tax claims if such claims under applicable state law are secured by a lien on a Debtor’s assets.

The legal and equitable rights of the Holders of Priority Tax Claims are unaltered by the Plan. Each Holder of an Allowed Priority Tax Claim shall receive, subject to Section 5.4 of the Plan and at Debtor’s option, either:

- (1) from the Confirmation Funds, be paid the Allowed amount of such Claim in Cash on the Effective Date,
- (2) have such Claim assumed by Reorganized Debtor, to be paid by Reorganized Debtor in Cash in the Allowed amount of any such Claim on the date on which such Claim is payable under applicable law or any agreement relating thereto; or
- (3) receive such other treatment as is agreed by the Holder of the Allowed Priority Tax Claim, and the Debtor and Reorganized Debtor. Under the Plan, Holders of Allowed Priority Tax Claims against the Debtor shall not be entitled to any payments on account of any post Petition Date interest or penalty with respect to or in connection with an Allowed Priority Tax

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1 Claim. Any such Claim or demand for any post Petition Date interest or penalty will be discharged
2 upon the entry of the Confirmation Order by Bankruptcy Code section 1141(d)(1), and the Allowed
3 Priority Tax Claim Holder shall not assess or attempt to collect such accrued interest or penalty
4 from the Debtor, Reorganized Debtor, or their property.

5 **Section 5.5 Classified Claims.**

6 (a) **Class 1 –Priority Claims.**

7 Class 1 consists of Priority Claims against Debtor which are Allowed Claims entitled to
8 priority under Bankruptcy Code sections 507(a) other than under subsections (a)(2) through (a)(8)
9 thereof. The legal and equitable rights of the Holders of Allowed Other Priority Claims are
10 unaltered by the Plan. Each Holder of an Allowed Priority Claim shall, either: (i) be paid the
11 Allowed amount of such Claim in Cash on the Effective Date, (ii) have such Claim assumed by
12 Reorganized Debtor, to be paid by Reorganized Debtor in Cash in the Allowed amount of any such
13 Claim on the date on which such Claim is payable under applicable law or any agreement relating
14 thereto; or (iii) receive such other treatment as is agreed by the Holder of the Allowed Priority
15 Claim, Debtor and Reorganized Debtor.

16 Class 1 Claims are not Impaired and the Holders of Allowed Priority Claims are
17 conclusively deemed to have accepted the Plan, pursuant to Bankruptcy Code section 1126(f).
18 Therefore, the Holders of Class 1 are not entitled to vote to accept or reject the Plan.

19 (b) **Class 2 – Contrail Secured Claim.**

20 Class 2 consists of the Contrail Secured Claim against Debtor.

21 The claim of Contrail in the amount of \$8,177,909.05 (Proof of Claim No. 3) is secured by a
22 first priority deed of trust on the following parcels of real property : 354-29-011, 313-01-035, 313-
23 01-005, 313-02-023, 313-02-022, 313-02-021, 313-02-008, 313-02-024, 310-17-004, 313-20-025,
24 215-01-072, 341-15-008 (collectively, “Contrail Collateral”). The total value of all these properties
25 shall be determined by the Bankruptcy Court, which the Debtor believes has an “as is” market value
26 of \$31,400,000 pursuant to the Rebuttal Appraisal Report dated August 3, 2016.

27 In the event that the Bankruptcy Court values the Contrail Collateral at not less than
28 \$3,500 per an acre, this claim shall be satisfied as follows: Contrail shall be permitted to advertise

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1 for a foreclosure sale on 3,080 acres as set forth on Exhibit "1" to the Plan ("Surrendered Parcels")
2 on or after the Effective Date of confirmation of this Chapter 11 Plan for a foreclosure sale as soon
3 as practicable, but no later than ninety (90) days after the Effective Date. Contrail shall accept these
4 parcels in full satisfaction of the debt owing from the Debtor and Guarantor in satisfaction of the
5 Contrail Loan. Contrail shall not be entitled to seek a deficiency judgment against the Debtor or
6 Guarantor. If Contrail fails to foreclose on these properties or refuses to accept a deed in lieu of
7 foreclosing during the same time period, the Reorganized Debtor shall execute and record a quit
8 claim deed to Contrail in the appropriate real property records at which time Contrail shall become
9 the legal and equitable title holder to these parcels and it shall become responsible for the taxes and
10 insurance on these parcels after the recordation of the deed. Since all of the debt owing to Contrail
11 will be satisfied by the partial surrender of Contrail's collateral, the Guarantor on the loan shall also
12 be released from all liability on the debt owing to Contrail upon plan confirmation. The Debtor and
13 Reorganized Debtor shall be responsible for the payment of pre-petition taxes in accordance with
14 this Chapter 11 Plan and will pay post-petition taxes when and as due through the 90 day period
15 post-Effective Date. In the event that the Bankruptcy Court determines that the proposed treatment
16 is not the "indubitable equivalent" to satisfy Contrail's allowed claim in full, Debtor reserves the
17 right to either: (1) add additional parcels or (2) provide a New Secured Note that will reflect a
18 principal reduction based on the Court's valuation of the Surrendered Parcels.

19 In the event the Debtor elects to term out any deficiency of the Class 2 claims, the New
20 Secured Loan will be evidenced by the New Secured Note, which will be executed by Reorganized
21 Debtor. The New Secured Note will be in the aggregate principal amount of \$8,177,909.05 minus
22 the value of the Surrendered Parcels as determined by the Court, maturing on the third (3rd)
23 anniversary of the Effective Date (the "Maturity Date"). Parcels will be released from the deed of
24 trust securing the deficiency, if any, at 105% of the value set by the Bankruptcy Court (the "Release
25 Price"). Contrail shall receive Cash equivalent to the Release Price that will be applied to reduce
26 the principal of the New Secured Note. The New Secured Loan shall be secured by the remaining
27 Contrail Collateral that has not been surrendered to Contrail and the Rhodes Guaranty. The New
28 Secured Note shall bear interest at 5.5% that shall accrue and be added to the principal balance on

1 the Note and the entire outstanding principal balance on the New Secured Note plus any accrued
2 and unpaid interest shall be immediately due and payable in one balloon payment on the Maturity
3 Date. If Reorganized Debtor fails to make the payment on the Maturity Date, Reorganized Debtor
4 shall execute a deed in lieu of foreclosure to Conrail within five (5) business days of the Maturity
5 Date that is not mutually extended by the parties to the New Secured Note. Attached hereto as
6 **Exhibit “H”** are the New Secured Loan Documents.

7 Class 2 is Impaired. Holders of Allowed Class 2 Secured Claims are entitled to vote to
8 accept or reject the Plan.

9 (c) **Class 3 – Secured Property Tax Claims**

10 Class 3 consists of Real Property Tax Liens against Debtor.

11 Holders of Class 3 Secured Property Tax Claims on the Effective Date shall, in full
12 satisfaction, settlement, release and exchange for such Allowed Secured Property Tax Claims,
13 receive a promissory note payable to Mohave County Assessor in the principal amount of Forty-
14 Two Thousand, Seven Hundred Thirty-Three Dollars and 12/100 (\$42,733.12) (Refinanced Secured
15 Tax Loan) maturing two (2) years from the Effective Date payable in Twenty-Four (24) equal
16 monthly payments at the interest rate of three point five percent (3.5%) per annum (Refinanced
17 Secured Tax Note). The Refinanced Secured Tax Note shall be executed by the Reorganized
18 Debtor and shall be secured by the Property. Class 3 is Impaired. Therefore, the Holders of Class 3
19 Secured Property Tax Claims are entitled to vote to accept or reject the Plan.

20 (d) **Class 4 – Garrett Unsecured Claim**

21 *Claims in Class:* Class 4 consists of the Unsecured Claim of John Garrett against Debtor.

22 *Treatment:* Holder of the Class 4 Garrett Unsecured Claim shall, in full satisfaction,
23 settlement, release and exchange for such Allowed Garrett Unsecured Claim, receive payment in
24 full on or before the first anniversary of the Effective Date on account of its Allowed Garrett
25 Unsecured Claim.

26 Class 4 is Impaired. Holders of the Class 4 Garrett Unsecured Claim are entitled to vote to
27 accept or reject the Plan.

(e) **Class 5 - General Unsecured Claims.**

Class 5(a) consists of non-insider General Unsecured Claims against Debtor. Class 5(b) consists of General Unsecured Claims of insiders: (1) Kingman Farms, LLC’s claim in the amount of \$567,861.47 pursuant to a Shared Services Agreement; and (2) Shumway Well Water Systems’ claims in the amount of \$1,200,000.00.

Holders of Class 5(a) General Unsecured Claims shall, in full satisfaction, settlement, release and exchange for such Allowed General Unsecured Claims, be paid the Allowed amount of such Claim in Cash on the Effective Date. Holders of Class 5(b) General Unsecured Claims shall only receive distributions when net proceeds of sales of Reorganized Debtor’s real property assets exceed \$10,000,000. Holders of Class 5(b) shall receive 30% of net sales proceeds above and beyond \$10,000,000, until such Claims are paid in full, bearing interest at the rate of a 10 year U.S. Treasury note.

Class 5 Claims are Impaired under the Plan. Therefore, Holders of Class 5 Claims are entitled to vote to accept or reject the Plan.

(f) **Class 6 – Old Equity Interests.**

Class 6 consists of all Old Equity Interests.

Holders of Old Equity Interests will receive fifty percent (50%) of the new membership interest in the Reorganized Debtor in consideration of the New Capital Contribution. The remaining fifty percent (50%) of the new membership interest shall be granted to the New Equity Investor for providing the Confirmation Funds. Class 6 Interests are Impaired and the Holders of Old Equity Interests are conclusively deemed to have rejected the Plan, pursuant to Bankruptcy Code section 1126(g), and will therefore not be entitled to vote to accept or reject the Plan.

Section 5.6 Means of Implementation of Plan.

(a) **Plan Implementation.**

The Plan shall be implemented in all respects in a manner that is consistent with the terms and conditions of the Operative Documents and the requirements of section 1123(a) and other applicable provisions of the Bankruptcy Code. Without limiting the generality of the foregoing, the New Capital Contribution shall be used to fund the Plan and shall be distributed or applied in the

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1 manner necessary to provide all required Confirmation Funds for Distribution pursuant to the Plan,
2 satisfy the costs, expenses, required payments and entitlements outlined herein on the Effective
3 Date and provide the Reorganized Debtor with working capital and funding for operations and Plan
4 needs. On the Effective Date, that portion of the New Capital Contribution to be used for the
5 Confirmation Funds shall be turned over to the Distribution Agent for Distribution pursuant to the
6 Plan.

7 (b) The New Equity Investor shall pay Cash to the Reorganized Debtor in the amount of
8 the Confirmation Funds to be used in accordance with the provisions of the Plan and has executed a
9 line of credit or similar device for the balance of the New Capital Contribution.

10 **Section 5.7 Issuance of Equity Interests.**

11 (a) **Reorganized Debtor.**

12 On the Effective Date, Old Equity Interests shall be extinguished, canceled, terminated and
13 of no force and effect.

14 (b) **Reorganized Debtor New Equity Interests.**

15 The Reorganized Debtor New Equity Interests shall be issued as follows:

16 (1) Holders of Class 6 Old Equity Interests will receive fifty percent (50%) of the
17 new membership interest in the Reorganized Debtor; and

18 (2) Fifty percent (50%) of the new membership interest shall be granted to the New
19 Equity Investor for providing the Confirmation Funds.

20 **Section 5.8 Disposition of Assets, Properties and Equity Interests.**

21 On the Effective Date (as more fully set forth in Article XI of the Plan), without any further
22 action, the Reorganized Debtor will be vested with all of Properties, free and clear of all Claims,
23 Liens and Old Equity Interests (except for Liens provided or authorized pursuant to the Plan).

24 **Section 5.9 Assumption of Liabilities.**

25 On the Effective Date, unless such Claims shall be paid on or prior to such date,
26 Reorganized Debtor shall be deemed to have assumed any Claim that is an Administrative Claim, a
27 Priority Tax Claim or a Priority Claim (including any such Claims that are Disputed Claims or with
28

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1 respect to which any applicable period for asserting a Claim has not expired). Attached hereto as
2 **Exhibit “F”** is Debtor’s Scheduled of Disputed Claims.

3 **Section 5.10 Corporate Actions.**

4 (a) **Adoption of Reorganized Debtor’s Operating Agreement.** On the Effective Date
5 and without further order of the Bankruptcy Court or need for corporate approval,
6 the Reorganized Debtor Operating Agreement shall supersede and replace all other
7 corporate agreements and bylaws previously governing the Debtor.

8 (b) **Renaming Reorganized Debtor and Authority to Execute Operative Documents.**

9 The Confirmation Order shall, among other things, constitute an Order authorizing the
10 managers, officers, and agents of the Debtor and Reorganized Debtor to execute and deliver the
11 Operative Documents, as applicable (to the extent they have not already been executed and
12 delivered), including without limitation all documents necessary to, on or prior to the Effective
13 Date, rename Reorganized Debtor, at the option and in the sole discretion of the Reorganized
14 Debtor, without requiring any further corporate authorizations and notwithstanding the requirements
15 under any applicable non-bankruptcy law. A copy of Reorganized Debtor’s Operating Agreement
16 is attached hereto as **Exhibit “G.”**

17 (c) **Good Faith and Non Avoidability.**

18 The Confirmation Order shall, among other things, provide that: (i) Debtor, Reorganized
19 Debtor and New Equity Investor have acted in good faith; (ii) the Distributions and/or consideration
20 received by the New Equity Investor and Reorganized Debtor shall not be subject to avoidance,
21 turnover or disgorgement in any subsequent insolvency proceeding by any Person or Entity; and
22 (iii) the Liens securing the New Secured Loan constitutes valid first priority Liens, subject only to
23 any Permitted Encumbrances.

24 **Section 5.11 Management.**

25 Following the Effective Date, Reorganized Debtor shall be managed as provided in the
26 Reorganized Debtor Operating Agreement and the Shared Services Agreement with Kingman
27 Farms, LLC. It is anticipated that the Reorganized Debtor will be managed by Truckee Springs
28 Holdings, Inc., a Nevada corporation.

1 **Section 5.12 Exemption from Certain Transfer Taxes and Further Transactions.**

2 Pursuant to Bankruptcy Code section 1146(a), the issuance or exchange of any security, or
3 the making or delivery of any instrument of transfer under, in furtherance, or in connection with the
4 Plan, including, but not limited to, any deeds, bills of sale, assignments or other instruments of
5 transfer (including those with respect to the Properties), shall not be subject to any stamp tax, real
6 estate transfer tax or similar tax.

7 **Section 5.13 Final Decree.**

8 Notwithstanding otherwise applicable law, the Chapter 11 Case shall be closed and a Final
9 Decree entered as soon as possible after the occurrence of the Effective Date.

10 **Section 5.14 Effectuating Documents, Further Transactions.**

11 On and after the Effective Date, Debtor and its agents, officers and members thereof, are
12 authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments,
13 releases, and other agreements or documents and take such actions as may be necessary or
14 appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan in
15 the name of and on behalf of Debtor, as applicable, without the need for any approvals,
16 authorizations, or consents except for those expressly required pursuant to the Plan.

17 **Section 5.15 Post Effective Date Fees and Expenses.**

18 a. From and after the Effective Date, the Distribution Agent shall pay all Post Effective
19 Date Fees from the Post Effective Date Fee Fund without the necessity of any approval by the
20 Bankruptcy Court.

21 b. In the event, and to the extent, that there are not sufficient funds in the Post Effective
22 Date Fee Fund from which to pay any of the Post Effective Date Fees, the Reorganized Debtor
23 shall, in the ordinary course of business and without the necessity of any approval by the
24 Bankruptcy Court, pay any Post Effective Date Fees and Expenses, which are not paid by the
25 Distribution Agent from the Post Effective Date Fee Fund.

26 c. In order to seek payment of Post Effective Date Fees, each respective Professional
27 will send its invoice to the Reorganized Debtor and Distribution Agent, and the Reorganized Debtor
28 shall have ten (10) business days thereafter within which to notify the Professional and the

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1 Distribution Agent in writing that it objects to the invoice. If no objection is made within that time
2 frame, Distribution Agent or Reorganized Debtor (as applicable) shall pay the invoice within thirty
3 (30) days thereafter. In the event the Reorganized Debtor objects and the parties are unable to
4 resolve the objection, the Professional may bring the matter before the Bankruptcy Court on a
5 motion for determination.

6 **ARTICLE VI.**

7 **PROVISIONS CONCERNING PLAN DISTRIBUTIONS**

8 **Section 6.1 Distributions on Account of Claims Allowed as of the Effective Date.**

9 Distributions under the Plan on account of Claims Allowed on or before the Effective Date
10 shall be made on the Effective Date, or on the first date thereafter as is reasonably practicable.

11 **Section 6.2 Distributions on Account of Claims Allowed After the Effective Date.**

12 **(a) Payments and Distributions on Disputed Administrative and Priority Claims.**

13 In the event that there are Disputed Administrative Claims or Disputed Priority Claims
14 requiring adjudication and resolution and such Claims have not become Allowed or Disallowed
15 prior to the Effective Date, then the obligation to satisfy such Claims shall be from the Confirmation
16 Funds which are held for same, but to the extent there are no available Confirmation Funds from
17 which to pay such Claim, the obligation to satisfy such Claims will be assumed by Reorganized
18 Debtor, subject to Allowance or Disallowance by the Bankruptcy Court. Except as otherwise
19 provided in the Plan, or Final Order, any Disputed Administrative Claim or Disputed Priority Claim
20 that becomes Allowed after the Effective Date shall be satisfied from the Confirmation Funds or
21 performed by Reorganized Debtor in the ordinary course of business in accordance with the terms
22 and conditions of any controlling agreements, course of dealing, course of business, or industry
23 practice.

24 **(b) Special Rules for Distributions to Holders of Disputed Claims.**

25 Except as otherwise provided in the Plan and except as otherwise agreed by the relevant
26 parties: (i) no partial payments and no partial Distributions shall be made with respect to a Disputed
27 Claim until all such disputes in connection with such Disputed Claim have been resolved by
28 settlement or Final Order, and (ii) any Entity that holds both an Allowed Claim and a Disputed

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1 Claim shall not receive any Distribution on the Allowed Claim unless and until all objections to the
2 Disputed Claim have been resolved by settlement or Final Order and the Claims have been
3 Allowed.

4 (c) **Manner of Payment Under the Plan.**

5 Distributions of Cash to be made by the Distribution Agent pursuant to the Plan shall be
6 made, at the discretion of the Distribution Agent, by check drawn on the Distribution Agent's bank
7 account or by wire transfer from a domestic bank.

8 (d) **Whole Dollars.**

9 Any other provision of the Plan to the contrary notwithstanding, no payments of cents will
10 be made. Whenever any payment of cents would otherwise be called for, the actual payment may
11 reflect a rounding of such fraction to the nearest whole dollar (up or down).

12 (e) **Escheat.**

13 Holders of Allowed Claims shall have three (3) months from the check date to negotiate
14 Distribution checks issued by the Distribution Agent under the terms of the Plan, otherwise payment
15 on such checks may at the Distribution Agent's sole discretion be stopped and the funds shall
16 escheat to the Distribution Agent and shall be promptly distributed to Reorganized Debtor (in
17 accordance with Bankruptcy Code section 347).

18 **Section 6.3 Delivery of Distributions.**

19 (a) **Record Date for Distributions**

20 On the Distribution Record Date, the Claims Register shall be closed and any Person
21 responsible for making Distributions shall be authorized and entitled to recognize only those record
22 Holders listed on the Claims Register as of the close of business on the Distribution Record Date.
23 Notwithstanding the foregoing, if a Claim is transferred twenty or fewer days before the
24 Distribution Record Date, the Distribution Agent shall make Distributions to the transferee only to
25 the extent practical and in any event only if the relevant transfer form contains an unconditional and
26 explicit certification and waiver of any objection to the transfer by the transferor.

27 (b) **Distribution Agent.**

28 The Distribution Agent shall make all Distributions required under the Plan.

1 (c) **Delivery of Distributions in General.**

2 Except as otherwise provided in the Plan, and notwithstanding any authority to the contrary,
3 Distributions to all Holders of Allowed Claims shall be made to Holders of record as of the
4 Distribution Record Date by the Distribution Agent: (a) in accordance with Federal Rule of Civil
5 Procedure 4, as modified and made applicable by Bankruptcy Rule 7004; (b) to the signatory set
6 forth on any of the Proofs of Claim Filed by such Holder or other representative identified therein
7 (or at the last known addresses of such Holder if no Proof of Claim is Filed or if Debtor has been
8 notified in writing of a change of address); (c) at the addresses set forth in any written notices of
9 address changes delivered to the Debtor after the date of any related Proof of Claim; (d) at the
10 addresses reflected in the Schedules if no Proof of Claim has been Filed and the Distribution Agent
11 has not received a written notice of a change of address; or (e) on any counsel that has appeared in
12 the Chapter 11 Cases on the Holder's behalf. Except as otherwise provided in the Plan,
13 Distributions under the Plan on account of Allowed Claims shall not be subject to levy,
14 garnishment, attachment, or like legal process, so that each Holder of an Allowed Claim shall have
15 and receive the benefit of the Distributions in the manner set forth in the Plan. Absent willful
16 misconduct or gross negligence, Debtor or Reorganized Debtor and Distribution Agent, as
17 applicable, shall not incur any liability on account of any Distributions made under the Plan.

18 (d) **Returned Distributions.**

19 In the case of Distributions to the Holders of Allowed Claims that are returned to the
20 Distribution Agent due to an incorrect or incomplete address, the Distribution Agent shall retain any
21 such returned Distribution in a segregated account established by the Distribution Agent to keep
22 track of any returned Distributions. Unless the Holder of the Allowed Claim relating to any such
23 returned Distribution contacts the Distribution Agent (or its designee) within three (3) months from
24 the date on which such Distribution was returned and provides the Distribution Agent (or its
25 designee) with acceptable proof of identity and an accurate address, such Holder shall forfeit all
26 rights thereto, and to any and all future Distributions or rights under the Plan. In such event, the
27 Claim for which such Distributions was issued shall be treated as a Disallowed Claim and the
28

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1 Distribution on account of such Disallowed Claim shall promptly be distributed Reorganized
2 Debtor.

3 (e) **Disputed Distributions.**

4 In the event of any dispute between or among Holders of Claims as to the right to any
5 Holder of a Claim to receive or retain any Distribution to be made to such Holder under the Plan,
6 the Distribution Agent, in lieu of making such Distribution to such Holder, may make it instead into
7 an escrow account for payment as ordered by the Bankruptcy Court or as the interested parties to
8 such dispute may otherwise agree among themselves. Any such Holder who fails to raise such
9 dispute by filing an appropriate request for relief with the Bankruptcy Court prior to the issuance of
10 such disputed Distribution by the Distribution Agent shall be deemed to have forever waived any
11 right to dispute such Distribution or to enjoin, impair or otherwise restrict the use of any such
12 Distribution.

13 **Section 6.4 Setoffs.**

14 The Distribution Agent may, but shall not be required to, set-off against any Distributions to
15 be made pursuant to the Plan to a Holder of an Allowed Claim, Claims of any nature whatsoever
16 that Debtor may have, or may have had, against such Holder that have not been previously released,
17 but neither the failure to do so, nor the allowance of any Claim held by such Holder shall constitute
18 a waiver or release by the Distribution Agent of any such Claim Debtor may have, or may have had,
19 against such Holder.

20 **Section 6.5 Withholding Taxes.**

21 The Distribution Agent shall be entitled to deduct any applicable federal or state withholding
22 taxes from any payments made with respect to Allowed Claims, as appropriate, and shall otherwise
23 comply with Bankruptcy Code section 346.

24 **Section 6.6 Allocation of Distributions.**

25 Distributions on account of Allowed Claims shall, for tax purposes, be treated as allocated
26 first to principal, and thereafter to interest only to the extent that the entire principal amount has
27 been recovered, if applicable.

ARTICLE VII.**CONFIRMATION OF THE PLAN**

The Bankruptcy Court may confirm the Plan only if it determines that the Plan complies with the technical requirements of Chapter 11, including, among other things, that (a) the Plan properly classifies Claims and Equity Interests, (b) the Plan complies with applicable provisions of the Bankruptcy Code, (c) Debtor has complied with applicable provisions of the Bankruptcy Code, (d) Debtor has proposed the Plan in good faith and not by any means forbidden by law, (e) disclosure of “adequate information” has been made as required by Bankruptcy Code section 1125, (f) the Plan has been accepted by the requisite votes of Creditors in Impaired Classes (or the non-accepting Impaired Classes have been successfully crammed-down under Bankruptcy Code section 1129(b)), (g) the Plan is in the “best interests” of all Holders of Claims or Interests in each Impaired Class that has not unanimously accepted the Plan, and (h) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date.

Section 7.1 Voting Eligibility.

Under the Bankruptcy Code, only Holders of Claims and Equity Interests in Classes that are “Impaired” (as that term is defined in Bankruptcy Code section 1124) under the Plan are entitled to vote to accept or reject the Plan. Generally speaking, a Class of Claims or Interests is Impaired if the Plan modifies the legal, equitable or contractual rights of Holders of Claims or Equity Interests in the Class (other than by curing defaults and reinstating debt). Under Bankruptcy Code section 1126(f), Classes of Claims and Equity Interests that are unimpaired are conclusively presumed to have accepted the Plan and are not entitled to vote on the Plan. Under Bankruptcy Code section 1126(g), Classes of Claims and Equity Interests whose Holders will neither receive nor retain any property under the Plan are deemed to have rejected the Plan and are not entitled to vote on the Plan. An Impaired Class of Claims will have accepted the Plan if (a) the Holders (other than any Holder designated under Bankruptcy Code section 1126(e)) of at least two-thirds (2/3) in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders (other than any Holder designated under Bankruptcy Code section 1126(e)) of more than one-half

1 (1/2) in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.
2 As noted above, the Plan utilizes five Classes of Claims and one Class of Equity Interests. Class 1
3 is not Impaired and is not entitled to vote to accept or reject the Plan. Classes 2, 3, 4, 5 and 6 are
4 Impaired and are entitled to vote to accept or reject the Plan.

5 The Solicitation Procedures approved pursuant to the Solicitation Order (and attached
6 thereto as Exhibit "A") establish criteria by which Holders of Claims in Classes 2, 3, 4 and 5 will be
7 entitled to vote to accept or reject the Plan and in what amount(s).

8 A Ballot to be used to accept or reject the Plan has been enclosed with all copies of this
9 Disclosure Statement mailed to Holders of Claims in Classes 2, 3, 4, 5 and 6.

10 **Section 7.2 Voting Instructions.**

11 THE PERIOD DURING WHICH BALLOTS WITH RESPECT TO THE PLAN WILL BE
12 ACCEPTED BY DEBTOR WILL TERMINATE AT **5:00 P.M. PREVAILING PACIFIC TIME,**
13 **ON NOVEMBER 29, 2016** (THE "VOTING DEADLINE"). EXCEPT TO THE EXTENT
14 DEBTOR SO DETERMINES OR AS PERMITTED BY THE BANKRUPTCY COURT,
15 BALLOTS THAT ARE RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE
16 ACCEPTED OR USED BY DEBTOR IN CONNECTION WITH DEBTOR'S REQUEST FOR
17 CONFIRMATION OF THE PLAN (OR ANY PERMITTED MODIFICATION THEREOF).

18 TO BE COUNTED, YOUR BALLOT MUST BE COMPLETELY FILLED IN, SIGNED,
19 AND TRANSMITTED IN THE MANNER SPECIFIED IN THE BALLOT SO THAT IT IS
20 RECEIVED BY THE VOTING DEADLINE. PLEASE FOLLOW CAREFULLY ALL
21 INSTRUCTIONS CONTAINED IN THE BALLOT. ANY BALLOTS RECEIVED WHICH DO
22 NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE
23 COUNTED AS ACCEPTING THE PLAN.

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1980 Festival Plaza Drive, Suite 700
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(702) 597-5503 (fax)

1 If you have any questions about the procedure for voting, or if you did not receive a Ballot,
2 received a damaged Ballot, or have lost your Ballot, or if you would like any additional copies of
3 this Disclosure Statement, please contact:

4 Fox Rothschild LLP
5 Attn: Brett A. Axelrod
6 1980 Festival Plaza Drive, Suite 700
7 Las Vegas, Nevada 89135
8 Telephone: (702) 262-6899
9 Email: baxelrod@foxrothschild.com

10 **BALLOTS MUST BE DELIVERED BY FIRST CLASS MAIL, OVERNIGHT DELIVERY OR
11 HAND DELIVERY AT THE FOLLOWING ADDRESSES:**

12 Fox Rothschild LLP
13 Attn: Brett A. Axelrod
14 1980 Festival Plaza Drive, Suite 700
15 Las Vegas, Nevada 89135

16 In the event that Claims or Equity Interests may be (or have been) transferred among
17 different parties, Bankruptcy Rule 3018 authorizes the Bankruptcy Court to fix a date (the “Voting
18 Record Date”) upon which the Holder of a particular Claim or Equity Interest as of that Voting
19 Record Date is identified as the party entitled to vote such Claim or Equity Interest to accept or
20 reject the Plan. For example, if the Voting Record Date is Wednesday, and Party A (as the current
21 Holder of Claim 1) transfers Claim 1 to Party B on Thursday, then Party A (and not Party B) is
22 entitled to vote Claim 1 to accept or reject the Plan. Conversely, if the Voting Record Date was
23 Friday instead, and Party A still transfers Claim 1 to Party B on Thursday, then Party B is entitled to
24 vote Claim 1 to accept or reject the Plan. Consistent with the provisions of Bankruptcy Rule 3018,
25 Debtor is seeking to fix the Voting Record Date as 5:00 P.M., prevailing Pacific Time, on
26 **September 2, 2016.**

27 **Section 7.3 Confirmation Hearing.**

28 Bankruptcy Code section 1128(a) requires the Bankruptcy Court, after notice, to hold a
hearing on Confirmation of the Plan after the Ballots have been cast. Bankruptcy Code section
1128(b) provides that any party in interest may object to Confirmation of the Plan.

1 THE BANKRUPTCY COURT HAS SCHEDULED THE CONFIRMATION HEARING
2 TO COMMENCE ON DECEMBER 13, 2016 AT 9:30 A.M. PREVAILING PACIFIC TIME
3 BEFORE THE HONORABLE MIKE K. NAKAGAWA, UNITED STATES BANKRUPTCY
4 JUDGE IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF
5 NEVADA, IN COURTROOM 2, FOLEY FEDERAL BUILDING AND U.S. COURTHOUSE,
6 300 LAS VEGAS BOULEVARD SOUTH, LAS VEGAS, NEVADA 89101. THE
7 CONFIRMATION HEARING MAY BE ADJOURNED FROM TIME TO TIME BY THE
8 BANKRUPTCY COURT WITHOUT FURTHER NOTICE EXCEPT FOR AN
9 ANNOUNCEMENT OF THE ADJOURNED DATE MADE AT THE CONFIRMATION
10 HEARING OR ANY ADJOURNMENT THEREOF.

11 OBJECTIONS TO CONFIRMATION MUST BE FILED AND SERVED ON OR BEFORE
12 NOVEMBER 29, 2016 IN ACCORDANCE WITH THE SOLICITATION ORDER. UNLESS
13 OBJECTIONS ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE
14 SOLICITATION ORDER, THEY MAY NOT BE CONSIDERED BY THE BANKRUPTCY
15 COURT.

16 At the Confirmation Hearing, the Bankruptcy Court will determine, among other things,
17 whether the following Confirmation requirements specified in Bankruptcy Code section 1129 have
18 been satisfied:

- 19 a. The Plan complies with the applicable provisions of the Bankruptcy Code.
- 20 b. Debtor has complied with the applicable provisions of the Bankruptcy Code.
- 21 c. The Plan has been proposed in good faith and not by any means proscribed by law.
- 22 d. Any payment made or promised by Debtor for services or for costs and expenses in,
23 or in connection with, the Chapter 11 Case, or in connection with the Plan and incident to the
24 Chapter 11 Case, has been disclosed to the Bankruptcy Court, and any such payment made before
25 the Confirmation of the Plan is reasonable or, if such payment is to be fixed after Confirmation of
26 the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

1 e. Each Holder of an Impaired Claim either has accepted the Plan or will receive or
2 retain under the Plan on account of such Holder's Claims, property of a value, as of the Distribution
3 Date, that is not less than the amount that such Holder would receive or retain if Debtor's Estate
4 was liquidated on such date under chapter 7 of the Bankruptcy Code.

5 f. Each Class of Claims has either accepted the Plan or is not Impaired under the Plan.
6 As to Classes that are deemed to reject the Plan, see "Cramdown," Section 7.4(e), below.

7 g. Except to the extent that the Holder of a particular Claim has agreed to a different
8 treatment of such Claim, the Plan provides that Allowed Administrative Claims, Allowed Priority
9 Claims and Allowed Priority Tax Claims will be paid in full.

10 h. At least one Class of Claims has accepted the Plan, determined without including
11 any acceptance of the Plan by any insider holding a Claim in such Class.

12 i. Confirmation of the Plan is not likely to be followed by the need for further financial
13 reorganization or liquidation of Reorganized Debtor, unless such further reorganization or
14 liquidation is proposed in the Plan.

15 j. All fees payable under 28 U.S.C. § 1930 as determined by the Court at the
16 Confirmation Hearing have been paid or the Plan provides for payment of all such fees on the Plan
17 Effective Date.

18 k. The Plan addresses payment of retiree benefits, if any, in accordance with
19 Bankruptcy Code section 1114.

20 **Section 7.4 Confirmation Requirements.**

21 **(a) Classification.**

22 Bankruptcy Code section 1122 sets forth the requirements relating to classification of
23 claims. Bankruptcy Code section 1122(a) provides that claims or equity interests may be placed in
24 a particular class only if they are substantially similar to the other claims or equity interests in that
25 class. Debtor believes that all Classes under the Plan satisfy the requirements of Bankruptcy Code
26 section 1122(a) because none of the Classes under the Plan contain Claims or Equity Interests that
27 are not substantially similar to each other.

1 **(b) Acceptance by Impaired Classes.**

2 Fox Rothschild LLP will be responsible for tabulating all validly executed Ballots received
3 prior to the Voting Deadline for purposes of determining whether each Impaired voting Class has
4 accepted or rejected the Plan. Bankruptcy Rule 3018(b) prescribes the conditions that must be
5 satisfied in order to count the ballots cast with respect to a plan prior to the commencement of a
6 Chapter 11 case. The rule requires that for the ballot of a creditor to count (i) a Chapter 11 plan and
7 a disclosure statement must be distributed to substantially all creditors of the same class, (ii) the
8 time prescribed for voting on such a plan must not be unreasonably short, and (iii) the solicitation
9 must be conducted in compliance with Bankruptcy Code section 1126, which section requires that
10 the solicitation be conducted in compliance with all applicable nonbankruptcy laws, rules, or
11 regulations or, if there are no such applicable laws, rules, or regulations, that the disclosure
12 statement for such plan contains “adequate information.” Under Bankruptcy Code section 1125,
13 “adequate information” is defined as information of a kind and in sufficient detail to the extent it is
14 reasonably practicable in light of the nature and history of a company and the condition of such
15 company’s books and records, that would enable a hypothetical reasonable investor typical of
16 holders of claims or equity interests of the relevant class to make an informed judgment about the
17 plan.

18 Debtor submits that all the requirements of Bankruptcy Rule 3018(b) will be satisfied.
19 Debtor is soliciting votes from the Voting Record Date Holders of Impaired Claims in Classes 2, 3,
20 4, 5 and 6 pursuant to the Solicitation Order. Holders of Claims in Class 1 are not Impaired and not
21 entitled to vote to accept or reject the Plan. Debtor further submits that this Disclosure Statement
22 contains adequate information within the meaning of Bankruptcy Code section 1125 and that
23 solicitation of votes in connection with the Plan will be in accordance with Bankruptcy Code
24 section 1126 pursuant to the Solicitation Order.

25 **(c) Best Interests Test.**

26 In order for the Plan to be confirmed, the Bankruptcy Court must find with respect to any
27 Impaired Class that has not unanimously voted to accept the Plan that any Holder of a Claim who
28 votes to reject the Plan will receive or retain under the Plan on account of such Claim property that

1 has a value, as of the Effective Date of the Plan, that is not less than the value of the distribution
2 each such Holder would receive or retain if Debtor's Estate was liquidated on the Effective Date
3 under chapter 7 of the Bankruptcy Code. To make this finding, the Bankruptcy Court must:
4 (a) evaluate the estimated Cash proceeds (the "Liquidation Proceeds") that a chapter 7 trustee would
5 generate from liquidating Debtor's assets if the Chapter 11 Case was converted to a case under
6 chapter 7 of the Bankruptcy Code; (b) evaluate the estimated distribution ("Liquidation
7 Distribution") that each non-accepting Holder of a Claim or Interest would receive from the
8 Liquidation Proceeds under the priority scheme dictated in, inter alia, Bankruptcy Code sections
9 725 and 726; and (c) compare each rejecting Holder's Liquidation Distribution to the distribution
10 under the Plan ("Plan Distribution") that such Holder would receive if the Plan is confirmed and
11 consummated.

12 Allowed Claims in Class 1 are not Impaired and therefore deemed to accept the Plan
13 unanimously (thereby rendering the "best interests" test inapplicable). No Liquidation Distribution
14 would be made to Class 6 since Holders of Old Equity Interests are not entitled to receive anything
15 when general unsecured claims are not paid in full (as would be the case in a chapter 7 liquidation).

16 Therefore, as more specifically demonstrated by the liquidation analysis attached hereto as
17 **Exhibit "C"**, Debtor submits that the Plan satisfies the "best interests" test encompassed by
18 Bankruptcy Code section 1129(a)(7).

19 **(d) Feasibility of the Plan.**

20 Bankruptcy Code section 1129(a)(11) requires a finding that confirmation of a plan is not
21 likely to be followed by the liquidation, or the need for further financial reorganization, of the
22 debtor or any successor-in-interest.

23 Based on the projections set forth in **Exhibit "D"** to this Disclosure Statement and the
24 operational, business and other assumptions set forth therein, Debtor submits that Reorganized
25 Debtor will have the financial capability to satisfy their respective obligations following the
26 Effective Date of the Plan, including the payment of all Cash distributions contemplated by the
27 Plan. Therefore, Debtor submits that the Plan is feasible as required by Bankruptcy Code section
28 1129(a)(11).

1 (e) **Confirmation Without Acceptance of All Impaired Classes - “Cramdown.”**

2 The Bankruptcy Code contains provisions which could enable the Bankruptcy Court to
3 confirm the Plan, even though the Plan has not been accepted by all Impaired Classes, provided that
4 the Plan has been accepted by at least one Impaired Class of Claims. Debtor believes that the Plan
5 will be able to meet the statutory standards set forth in the Bankruptcy Code.

6 Bankruptcy Code section 1129(b)(1) states:

7 Notwithstanding section 510(a) of this title, if all of the applicable
8 requirements of subsection (a) of this section other than paragraph (8) are
9 met with respect to a plan, the court, on request of the proponent of the
10 plan, shall confirm the plan notwithstanding the requirements of such
11 paragraph if the plan does not discriminate unfairly, and is fair and
12 equitable, with respect to each class of claims or interests that is impaired
13 under, and has not accepted the plan.

14 This section makes clear that a plan must be confirmed notwithstanding the failure of an
15 impaired class to accept the plan, so long as the plan “does not discriminate unfairly” and it is “fair
16 and equitable” with respect to each rejecting class.

17 (f) **No Unfair Discrimination.**

18 A plan does not “discriminate unfairly” if (a) the plan does not treat any rejecting class of
19 claims or equity interests in a manner that is materially less favorable than the treatment afforded to
20 another class with similar legal claims against or equity interests in a debtor, and (b) no class
21 receives payments in excess of that which it is legally entitled to receive for its claims or equity
22 interests. However, a plan also may satisfy this requirement even if classes of claims or equity
23 interests that are of equal priority are receiving different treatment. The test does not require that
24 the classes of equal priority receive identical treatment, but instead only that if there is a difference
25 in treatment that such difference be “fair.”

26 While the Plan provides different treatment for the Holders of Classes 4 and 5, Class 4 has a
27 guaranty, the Holder is not an insider, and guarantor is providing fifty percent (50%) of the payment
28 to Class 4. Class 5 is subdivided between non-insider General Unsecured Claims and insider
General Unsecured Claims. Non-insider General Unsecured Claims will be paid in full on the
Effective Date. Insider General Unsecured Claims will only receive distributions when the net sales

1 of Reorganized Debtor's real property assets exceeds \$10,000,000. Moreover, no Class of Claims
2 will receive payments or property with an aggregate value greater than the aggregate value of the
3 Allowed Claims in such Class. Therefore, Debtor submits that if there are any rejecting Classes of
4 Claims, the Plan nevertheless satisfies the "no unfair discrimination" requirement.

5 (g) **Fair And Equitable Test.**

6 The Bankruptcy Code sets forth three different standards for establishing that a plan is "fair
7 and equitable" with respect to a rejecting class, depending on whether the class is comprised of
8 secured or unsecured claims or equity interests. In general, Bankruptcy Code section 1129(b)
9 permits confirmation notwithstanding non-acceptance by an impaired class if that class and all
10 classes junior to it are treated in accordance with the "absolute priority" rule, which requires either
11 that the dissenting class be paid in full, or if it is not, that no junior class receives or retains property
12 under the plan. In addition, the "fair and equitable" standard has been interpreted to prohibit any
13 class senior to a rejecting class from receiving under a plan more than 100% of its allowed claims.

14 Class 1 is not Impaired, and therefore their treatment must be deemed to be fair and
15 equitable. Class 2 is receiving the following parcels: a portion of 313-02-002 (Sec 25, T22N,
16 R15W), 313-01-035 and 313-01-005 in satisfaction of its claim, Class 3 is receiving a promissory
17 note payable to Mohave County Assessor in the principal amount of Forty-Two Thousand, Seven
18 Hundred Thirty-Three Dollars and 12/100 (\$42,733.12) (Refinanced Secured Tax Loan) maturing
19 two (2) years from the Effective Date payable in Twenty-Four (24) equal monthly payments at the
20 interest rate of three and one half percent (3.5%) per annum (Refinanced Secured Tax Note); Class
21 4 is receiving payment in full on or before the first anniversary of the Effective Date; Class 5(a)
22 General Unsecured Claims will be paid in full on the Effective Date. Class 5(b) General Unsecured
23 Claims will only receive distributions when the net sales of Reorganized Debtor's real property
24 assets exceeds \$10,000,000. Class 5(b) shall receive 30% of net sales proceeds above and beyond
25 \$10,000,000, until such Claims are paid in full, bearing interest at the rate of a 10 year U.S.
26 Treasury note; and Class 6 is receiving fifty percent (50%) of the new membership interest in the
27 Reorganized Debtor. Therefore, Debtor submits that the Plan satisfies the "fair and equitable"
28 requirement with respect to any rejecting Class(es).

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ARTICLE VIII.

CERTAIN RISK FACTORS TO BE CONSIDERED

Although Debtor believes that the Plan is confirmable and feasible, there are some risks that should be considered. Certain specific risk factors are described below. Parties in interest should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan.

ARTICLE IX.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS OF THE PLAN

Section 9.1 Introduction.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF CLAIMS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS OF CLAIMS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF CLAIMS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A summary description of certain material United States federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal consequences of the Plan for Holders of Claims who are entitled to vote to accept or reject the Plan are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the Internal Revenue Service (“IRS”) or

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1 any other tax authorities have been or will be sought or obtained with respect to any tax
2 consequences of the Plan, and the discussion below is not binding upon the IRS or such other
3 authorities. No representations are being made regarding the particular tax consequences of the
4 confirmation or implementation of the Plan as to any Holder of a Claim. No assurance can be given
5 that the IRS would not assert, or that a court would not sustain, a different position from any
6 discussed herein.

7 The discussion of United States federal income tax consequences below is based on the
8 Internal Revenue Code of 1986, as amended (the “IRC”), the Treasury Regulations promulgated
9 thereunder, judicial authorities, published positions of the IRS, and other applicable authorities, all
10 as in effect on the date hereof and all of which are subject to change or differing interpretations
11 (possibly with retroactive effect).

12 The following discussion does not address foreign, state or local tax consequences of the
13 Plan, nor does it purport to address the United States federal income tax consequences of the Plan to
14 special classes of taxpayers (e.g., banks and certain other financial institutions, insurance
15 companies, tax-exempt organizations, Holders of Claims who are (or who hold their Claims
16 through) pass-through entities, persons whose functional currency is not the United States dollar,
17 foreign persons, dealers in securities or foreign currency, and persons holding claims that are a
18 hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive
19 sale or conversion transaction). The following discussion assumes that Holders of Claims hold their
20 Claims as capital assets for United States federal income tax purposes. Furthermore, the following
21 discussion does not address United States federal taxes other than income taxes.

22 For purposes of the following discussion, a “United States person” is any of the following:

- 23 • an individual who is a citizen or resident of the United States;
- 24 • a corporation created or organized under the laws of the United States or any
25 state or political subdivision thereof;
- 26 • an estate, the income of which is subject to federal income taxation
27 regardless of its source; or

- a trust that (a) is subject to the primary supervision of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust, or (b) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

As used herein, the term “U.S. Holder” means a Holder of a Claim that is a United States person, the term “non-U.S. person” means a person other than a United States person and the term “Non-U.S. Holder” means a Holder of a Claim that is a non-U.S. person.

Holders of Claims are strongly urged to consult their own tax advisors regarding the United States federal, state, local and any foreign tax consequences of the transactions described herein or in the Plan.

Section 9.2 Certain United States Federal Income Tax Consequences to Debtor.

(a) Overview of Transaction Steps.

Debtor is an Arizona corporation for federal income tax purposes. The Plan involves the following: (i) the Old Equity Interests will be canceled and Holders of Old Equity Interests will receive fifty percent (50%) of the new membership interest in the Reorganized Debtor. The remaining fifty percent (50%) of the new membership interest shall be granted to the New Equity Investor for providing the Confirmation Funds; and (ii) the Holder of the Secured Claim shall be permitted to advertise for a foreclosure sale on the following parcels: a portion of 313-02-002 (Sec 25, T22N, R15W), 313-01-035 and 313-01-005 on or after the Effective Date of confirmation of this Chapter 11 Plan for a foreclosure sale as soon as practicable, but no later than ninety (90) days after the Effective Date. Conrail shall accept these parcels in full satisfaction of the debt owing from the Debtor and Guarantor in satisfaction of the Conrail Loan. Conrail shall not be entitled to seek a deficiency judgment against the Debtor or Guarantor. If Conrail fails to foreclose on these properties or refuses to accept a deed in lieu of foreclosing during the same time period, the Reorganized Debtor shall execute and record a quit claim deed to Conrail in the appropriate real property records at which time Conrail shall become the legal and equitable title holder to these parcels and it shall become responsible for the taxes and insurance on these parcels. Since all of the

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1 debt owing to Conrail will be satisfied by the partial surrender of Conrail's collateral, the
2 Guarantor on the loan shall also be released from all liability on the debt owing to Conrail upon
3 plan confirmation. The Debtor and Reorganized Debtor shall be responsible for the payment of pre-
4 petition taxes in accordance with this Chapter 11 Plan and will pay post-petition taxes when and as
5 due through the 90 day period post-Effective Date. In the event that the Bankruptcy Court
6 determines that the proposed treatment is not the "indubitable equivalent" to satisfy Conrail's
7 allowed claim in full, Debtor reserves the right to either add additional parcels, provide a New
8 Secured Note that will reflect a principal reduction based on the Court's valuation of the
9 Surrendered Parcels or provide a cash payment on the Effective Date to satisfy the claim; (iii) the
10 Holders of Class 3 Secured Property Tax Claims shall receive a promissory note payable to Mohave
11 County Assessor in the principal amount of Forty-Two Thousand, Seven Hundred Thirty-Three
12 Dollars and 12/100 (\$42,733.12) (Refinanced Secured Tax Loan) maturing two (2) years from the
13 Effective Date payable in Twenty-Four (24) equal monthly payments at the interest rate of 3.5
14 percent (3.5%) per annum (Refinanced Secured Tax Note). The Refinanced Secured Tax Note shall
15 be executed by the Reorganized Debtor and shall be secured by the Property; (iv) the holder of the
16 Garrett Unsecured Claim shall receive payment in full on or before the first anniversary of the
17 Effective Date on account of their Allowed Garrett Unsecured Claim; (v) Holders of non-insider
18 Allowed General Unsecured Claim will be paid in full on the Effective Date; Holders of insider
19 Allowed General Unsecured Claims shall only be entitled to distributions when net proceeds of
20 sales of Reorganized Debtor's real property assets exceed \$10,000,000. Holders of Class 5(b) shall
21 receive 30% of net sales proceeds above and beyond \$10,000,000, until such Claims are paid in full,
22 bearing interest at the rate of a 10 year U.S. Treasury note; and (vi) holders of Old Equity Interests
23 will receive fifty percent (50%) of the new membership interest in the Reorganized Debtor. The
24 remaining fifty percent (50%) of the new membership interest shall be granted to the New Equity
25 Investor for providing the Confirmation Funds.

26 **(b) Cancellation of Debt Income ("CODI").**

27 In general, a debtor realizes gain from the cancellation of a debt at less than its face amount
28 (or adjusted issue price, in the case of an obligation issued at a discount from its face amount).

1 When the debtor is an S corporation, its taxable CODI is exempt from income tax at the corporate
2 level. Instead, the CODI of the S corporation passes through and is taken into account ratably by its
3 shareholders.

4 Taxpayers under the jurisdiction of a bankruptcy court, however, are generally not required
5 to include any CODI in gross income. As a consequence of such exclusion, a debtor in a
6 bankruptcy proceeding is required to reduce certain of its tax attributes by the amount of CODI that
7 is excluded from gross income. Such CODI will reduce the debtor's tax attributes in the following
8 order: (i) net operating losses ("NOLs"); (ii) general business credits; (iii) minimum tax credits; (iv)
9 capital loss carryovers; (v) basis of property; (vi) passive activity loss and credit carryovers; and
10 (vii) foreign tax credit carryover. As a result of the reduction in the debtor's tax attributes, in
11 general, the CODI is not permanently excluded from taxation but, is instead, deferred for later
12 recognition.

13 In the case of an S corporation, this bankruptcy exception for excluding CODI from gross
14 income, as well as the required reductions of the tax attributes, is applied at the corporate level
15 rather than at the shareholder level. Due to the pass-through tax status of an S corporation, an S
16 corporation rarely possesses certain of the tax attributes set forth above, such as operating and
17 capital loss carryovers. Consequently, the tax attribute that is most commonly reduced for an S
18 corporation due to the bankruptcy exception is the basis of its property. For purposes of reducing
19 tax attributes, a special definition of "net operating loss" is provided for S corporations which may
20 apply to reduce certain suspended losses and deductions at the shareholder level.

21 (c) **Accrued Interest.**

22 Payments made on the debts owing to the Holders of Allowed Claims that are allocable to
23 accrued but unpaid interest may be deductible by Reorganized Debtor in accordance with its
24 method of accounting used for income tax purposes, to the extent, if any, that such accrued but
25 unpaid interest has not previously been deducted by Debtor. To the extent that Debtor has
26 previously taken a deduction for accrued but unpaid interest, any amounts so deducted that are paid
27 will not give rise to any tax deduction to Reorganized Debtor. If such interest amounts are not paid,
28 then such amounts will give rise to CODI that, in the instant case, would be eligible for the

1 exclusion from gross income due to the exception provided for taxpayers under the jurisdiction of a
 2 bankruptcy court. As a result, in such cases, Debtor would ordinarily be required to reduce its tax
 3 attributes to the extent of such interest previously deducted, not paid, and discharged in the
 4 bankruptcy proceeding.

5 **Section 9.3 Tax Consequences To Creditors.**

6 As indicated in Article IX, what follows is a summary of certain United States federal
 7 income tax consequences of the transactions contemplated by the Plan to Holders of Allowed
 8 Claims who are entitled to vote to accept or reject the Plan. These consequences (including the
 9 character, timing and amount of income, gain or loss recognized) will depend upon, among other
 10 things: (1) the manner in which a Holder acquired a Claim; (2) the length of time the Claim has
 11 been held; (3) the Holder's method of tax accounting; (4) whether the Holder of a Claim has taken a
 12 bad debt deduction with respect to the Claim (or any portion of the Claim) in the current or prior
 13 years; and (5) (a) whether the Claim was acquired at a discount, (b) whether the Holder of a Claim
 14 has previously included in income, for tax purposes, accrued but unpaid interest with respect to the
 15 Claim, (c) whether the Claim constitutes an installment obligation for United States federal income
 16 tax purposes and (d) whether the Claim constitutes a "security" for United States federal income tax
 17 purposes. Therefore, Holders of Claims should consult their own tax advisors for information that
 18 may be relevant to their particular situations and circumstances and the particular tax consequences
 19 to them of the transactions contemplated by the Plan.

20 **Section 9.4 Tax Consequences to Certain Holders of Allowed Claims.**

21 (i) **Class 2: Secured Claims.**

22 Holders of a Secured Claim shall be permitted to advertise for a foreclosure sale on
 23 the following parcels: a portion of 313-02-002 (Sec 25, T22N, R15W), 313-01-035 and 313-01-005
 24 on or after the Effective Date of confirmation of this Chapter 11 Plan for a foreclosure sale as soon
 25 as practicable, but no later than ninety (90) days after the Effective Date. Conrail shall accept these
 26 parcels in full satisfaction of the debt owing from the Debtor and Guarantor in satisfaction of the
 27 Conrail Loan. Conrail shall not be entitled to seek a deficiency judgment against the Debtor or
 28 Guarantor. If Conrail fails to foreclose on these properties or refuses to accept a deed in lieu of

1 foreclosing during the same time period, the Reorganized Debtor shall execute and record a quit
2 claim deed to Conrail in the appropriate real property records at which time Conrail shall become
3 the legal and equitable title holder to these parcels and it shall become responsible for the taxes and
4 insurance on these parcels. Since all of the debt owing to Conrail will be satisfied by the partial
5 surrender of Conrail's collateral, the Guarantor on the loan shall also be released from all liability
6 on the debt owing to Conrail upon plan confirmation. The Debtor and Reorganized Debtor shall be
7 responsible for the payment of pre-petition taxes in accordance with this Chapter 11 Plan and will
8 pay post-petition taxes when and as due through the 90 day period post-Effective Date. In the event
9 that the Bankruptcy Court determines that the proposed treatment is not the "indubitable equivalent"
10 to satisfy Conrail's allowed claim in full, Debtor reserves the right to either add additional parcels,
11 provide a New Secured Note that will reflect a principal reduction based on the Court's valuation of
12 the Surrendered Parcels or provide a cash payment on the Effective Date to satisfy the claim.

13 In general the modification of the terms of a debt instrument will be treated as an exchange
14 of the original debt instrument for a new debt instrument if the modification of the terms is
15 considered "significant." Whether or not any alteration, including any deletion or addition, in
16 whole or in part, of a legal right or obligation of the issuer or a holder of a debt instrument, will be
17 considered a significant modification of the terms of a debt instrument will depend on all of the
18 facts and circumstances and the legal rights and obligations provided by the new debt instrument.
19 In the event a modification of the terms of the debt instrument is treated as an exchange (e.g., where
20 the modification is deemed to be "significant"), the holder of the debt instrument should recognize a
21 gain or loss upon receipt of the new debt instrument in an amount equal to the difference, if any,
22 between the amount realized on such exchange (i.e., the issue price of the new debt instrument) and
23 the holder's adjusted tax basis in the original debt instrument. A modification of the terms of a debt
24 instrument that is not deemed to be a "significant" modification will not be treated as an exchange.
25 In a case under the jurisdiction of a bankruptcy court, if the modification of the terms of a debt
26 instrument occurs pursuant to a plan of reorganization, such modification is deemed to occur upon
27 the effective date of the plan.

1 **(b) Class 5: Allowed General Unsecured Claim.**

2 Holders of non-insider Allowed General Unsecured Claim shall, in full satisfaction,
3 settlement, release and exchange for such Allowed General Unsecured Claims, be paid the Allowed
4 amount of such Claim in Cash on the Effective Date. Holders of Class 5(b) General Unsecured
5 Claims shall only be entitled to distributions when net proceeds of sales of Reorganized Debtor's
6 real property assets exceed \$10,000,000. Holders of Class 5(b) shall receive 30% of net sales
7 proceeds above and beyond \$10,000,000, until such Claims are paid in full, bearing interest at the
8 rate of a 10 year U.S. Treasury note. The following discussion assumes that the Allowed General
9 Unsecured Claims do not constitute "securities" for federal income tax purposes.

10 In general, each Holder of Allowed General Unsecured Claim will recognize gain or loss in
11 an amount equal to the difference, if any, between the amount of Cash received and the recipient's
12 adjusted tax basis in such Claim. Any gain or loss will be capital or ordinary, depending on
13 whether the Claim is a capital asset in the hands of the Holder. If such Claim is a capital asset, the
14 gain or loss will be long-term if the Claim has been held for more than one year.

15 With respect to any accrued but unpaid interest, a Holder of an Allowed General Unsecured
16 Claim may recognize a deductible loss to the extent any accrued but unpaid interest was previously
17 included in the Holder's gross income.

18 **Section 9.5 General Tax Considerations for Certain Holders of Allowed Claims.**

19 **(a) Bad Debt Deduction and Worthless Securities Deduction.**

20 In general, a Holder of an Allowed Claim that is not a security for purposes of Section
21 165(g) of the IRC who receives in exchange, pursuant to the Plan, an amount of consideration that
22 is less than the Holder's tax basis in the Allowed Claim, may be entitled, in the year of receipt (or in
23 an earlier year), to a bad debt deduction under Section 166(a) of the IRC, or may be entitled to a
24 loss deduction under Section 165(a) of the IRC in the year of receipt. Any such loss would be
25 limited to the Holder's tax basis in the Allowed Claim.

26 A Holder of stock or securities whose Allowed Claim is deemed to be wholly worthless may
27 be entitled to a worthless securities deduction under Sections 165(g) and 165(a) of the IRC. The
28 rules governing the timing and amount of such deductions place considerable emphasis on the facts

1 and circumstances of the Holder, the obligor, and the instrument with respect to which a deduction
2 is claimed. Any such loss would be limited to the Holder's tax basis in the equity interest
3 underlying its claim.

4 **(b) Market Discount.**

5 If a Holder of an Allowed Claim purchased the underlying security or debt obligation at a
6 price less than its issue price, the difference would constitute "market discount" for United States
7 federal income tax purposes. Any gain recognized by a Holder on the exchange of its Allowed
8 Claim on the Effective Date should be treated as ordinary income to the extent of any market
9 discount that accrued on the underlying securities or debt obligations while in the hands of the
10 Holder. Any additional accrued but unrecognized market discount should carry over to any
11 securities or debt obligation received in a tax-free exchange pursuant to the Plan, and should be
12 allocated among such securities or debt obligation based upon their relative fair market values as of
13 the Effective Date. Any gain recognized by such Holder on a subsequent disposition of such
14 securities or debt obligation received under the Plan may be treated as ordinary income to the extent
15 of the accrued but unrecognized market discount as of the date of the exchange.

16 **(c) Information Reporting and Backup Withholding.**

17 Certain payments, including payments in respect of accrued interest or OID, are generally
18 subject to information reporting by the payor to the IRS. Moreover, such reportable payments are
19 subject to backup withholding (at a rate of 28% through 2012) in certain circumstances. Under the
20 backup withholding rules, a Holder of an Allowed Claim may be subject to backup withholding at
21 the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the
22 Holder (a) falls within certain exempt categories (which generally include corporations) or (b)
23 provides a correct U.S. taxpayer identification and certifies under penalties of perjury that the
24 Holder is a United States person, the taxpayer identification number is correct, and the Holder is not
25 subject to backup withholding because of a failure to report all dividend and interest income.

26 **THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF**
27 **CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A**
28 **SUBSTITUTE FOR CONSULTATION, ADVICE AND CAREFUL TAX PLANNING WITH**

1 AND FROM A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR
2 INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE NOR SHOULD IT BE
3 CONSTRUED AS SUCH. THE POTENTIAL TAX CONSEQUENCES ARE, IN MANY
4 CASES, UNCERTAIN AND WILL VARY DEPENDING ON THE PARTICULAR
5 CIRCUMSTANCES OF A HOLDER OF CLAIM. ACCORDINGLY, HOLDERS OF
6 CLAIMS ARE URGED TO CONSULT THEIR TAX ADVISERS ABOUT THE UNITED
7 STATES FEDERAL, STATE, LOCAL AND APPLICABLE FOREIGN INCOME, AS
8 WELL AS OTHER TAX, CONSEQUENCES OF THE PLAN THAT ARE OR MAY BE
9 RELEVANT TO THEM.

10 ARTICLE X.

11 FURTHER INFORMATION

12 If you have any questions or require further information about the voting procedures for
13 voting your Claim, or about the packet of material you received, or if you wish to obtain an
14 additional copy of the Plan, the Disclosure Statement, or any Exhibits to such documents (at your
15 own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d)), please contact
16 Fox Rothschild LLP, at:

Fox Rothschild LLP
Attn: Brett A. Axelrod
1980 Festival Plaza Drive, Suite 700
Las Vegas, NV 89135
Telephone: (702) 262-6899
Email: baxelrod@foxrothschild.com

21 Additional information about the Chapter 11 Case, including the full docket of all pleadings
22 filed in the Chapter 11 Case, is available at <http://www.nvb.uscourts.gov>.

23 ARTICLE XI.

24 ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE PLAN

25 If the Plan is not confirmed and consummated, there can be no assurance that the Chapter 11
26 Case will continue rather than be converted to a chapter 7 liquidation. In fact, Debtor believes that
27 absent Confirmation of the Plan, the likely result could be that Debtor would cease operations and
28 any value that could be generated from Debtor's Assets would go to satisfy its obligations to the

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1 Secured Lender. If that were to occur, the Secured Lender likely would receive a fraction of the
2 face amount of their Secured Claim, and Holders of other Claims likely would receive no recovery.
3 See Article VI, Section D(3) above.

4 If the Plan is not confirmed, any other party in interest can formulate a different plan of
5 reorganization. Such a plan of reorganization might involve either a reorganization and
6 continuation of the business of Debtor, the sale of Debtor as a going concern or an orderly
7 liquidation of Debtor's Estate. With respect to an alternative plan of reorganization, Debtor has
8 examined various other alternatives in connection with the process involved in the formulation and
9 development of the Plan. Debtor believes that the Plan, as described herein, enables Holders of
10 Claims to realize the best recoveries under the present circumstances. In a liquidation of Debtor
11 under chapter 11, the properties and interests in property likely would be sold in a more orderly
12 fashion and over a more extended period of time than in a liquidation under chapter 7, probably
13 resulting in marginally greater recoveries. Further, if a trustee were not appointed, since one is not
14 required in a chapter 11 case, the expenses for professional fees would most likely be lower than in
15 a chapter 7 case. However, although preferable to a chapter 7 liquidation, Debtor believes that its
16 liquidation under chapter 11 is a much less attractive alternative because the recovery realized by
17 Holders of Allowed Claims under the Plan is likely to be greater than their recovery under a chapter
18 11 liquidation.

19 Alternatively, if no plan can be confirmed, Debtor's Chapter 11 Case may be dismissed. In
20 such event, Class 2 likely would receive all of the value generated from Debtor's assets.
21 Administrative Claims, Priority Claims, Claims in Classes 3, 4 and 5, and Old Equity Interests
22 (Class 6) could be wiped out and receive no distribution.

23 DEBTOR BELIEVES THAT CONFIRMATION AND IMPLEMENTATION OF THE
24 PLAN IS PREFERABLE BECAUSE IT IS EXPECTED TO PROVIDE GREATER
25 RECOVERIES AND INVOLVE LESS DELAY AND UNCERTAINTY AND LOWER
26 ADMINISTRATIVE COSTS. ACCORDINGLY, DEBTOR URGES HOLDERS OF CLAIMS IN
27 CLASSES 2, 3, 4, 5 AND 6 TO VOTE TO ACCEPT THE PLAN BY SO INDICATING ON
28 THEIR BALLOTS AND RETURNING THEM AS SPECIFIED IN THE NOTICE.

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ARTICLE XII.

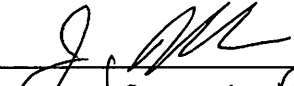
RECOMMENDATION AND CONCLUSION

Debtor believes that the Plan provides the best possible recoveries for Creditors that can be achieved in any reasonable time frame and that possible alternatives are likely to result in delayed Distributions for all and diminished recoveries for other Holders of Claims or Interests. Therefore, Debtor urges all Holders of Claims in Classes 2, 3, 4, 5(a), 5(b) and 6 to vote to accept the Plan.

DATED this 2nd day of September 2016.

Mohave Agrarian Group, LLC,
an Arizona limited liability company

By: Truckee Springs Holdings, Inc.,
a Nevada corporation, its Manager

By: 
Name: James Rhodes
Title: _____

Respectfully submitted by:

FOX ROTHSCHILD LLP

By: /s/Brett A. Axelrod
BRETT A. AXELROD, ESQ.
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EXHIBIT A

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5 Email: baxelrod@foxrothschild.com
Counsel for Debtor

Electronically Filed September 2, 2016

7 UNITED STATES BANKRUPTCY COURT
8 DISTRICT OF NEVADA

9 In re
10 MOHAVE AGRARIAN GROUP, LLC, an
11 Arizona limited liability company,
12 Debtor.

Case No- BK-S-16-10025-mkn
Chapter 11
**FIRST AMENDED CHAPTER 11
PLAN OF REORGANIZATION
DATED SEPTEMBER 2, 2016**
Hearing Date: N/A
Hearing Time: N/A

17 **DEBTOR’S CHAPTER 11 PLAN OF REORGANIZATION IS BEING
18 FILED FOR INFORMATIONAL PURPOSES ONLY. ANY OFFER OR
19 SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE
20 ABOVE-REFERENCED PLAN WILL COMPLY WITH ALL
21 APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE ONCE A
22 DISCLOSURE STATEMENT TO ACCOMPANY SUCH PLAN HAS BEEN
APPROVED BY THIS COURT. ALL REFERENCES TO THE
DISCLOSURE STATEMENT CONTAINED HEREIN ARE TO SUCH
DISCLOSURE STATEMENT AND THE EXHIBITS TO BE ATTACHED
THERETO THAT WILL CONTAIN MATERIAL INFORMATION**

23
24 Mohave Agrarian Group, LLC, (“Debtor”), debtor and debtor-in-possession in the above-
25 captioned case (the “Chapter 11 Case”), hereby propose its First Amended Chapter 11 Plan of
26 Reorganization (the “Plan”), dated as of September 2, 2016 pursuant to section 1121(c) of title 11 of
27 the United States Code (the “Bankruptcy Code”).

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DISCLAIMER

Reference is made to the Disclosure Statement accompanying this Plan, including the exhibits appended thereto, for a discussion of Debtor’s history, business, results of operations and properties, and brief summary and detailed analysis of this Plan. All creditors are encouraged to consult the Disclosure Statement and to read this Plan carefully and completely before voting to accept or reject this Plan.

THIS PLAN AND THE EXHIBITS APPENDED HERETO, THE ACCOMPANYING DISCLOSURE STATEMENT AND EXHIBITS APPENDED THERETO REMAIN SUBJECT TO APPROVAL BY THE BANKRUPTCY COURT AND HAVE NOT BEEN AUTHORIZED BY THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

ARTICLE I

DEFINITIONS AND RULES OF INTERPRETATION

A. Definitions.

1.1. For the purposes of this Plan and the accompanying Disclosure Statement, the following terms (which appear herein as capitalized terms) shall have the respective meanings as hereinafter set forth; such meanings to be equally applicable to the singular and the plural forms of the terms defined, unless the context otherwise requires. Capitalized terms used in this Plan at all times shall refer to terms defined in this Article I, or, if not defined in this Article I, then as defined in any other section of this Plan. Capitalized terms used but not immediately defined in this Plan shall have the meanings ascribed to them later in this Plan. Unless otherwise provided in this Plan, all terms used herein shall have the meaning assigned to them under the Bankruptcy Code or Bankruptcy Rules. The rules of construction applicable to the Bankruptcy Code and the Bankruptcy Rules shall be applicable to this Plan. “Administrative Claim” means a Claim for costs and expenses of administration, pursuant to Bankruptcy Code sections 503(b), 507(a)(2) or 507(b), including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estate and operating the business of Debtor (such as wages, salaries, or commissions for services, and payments for goods and services); (b) compensation and reimbursement of expenses for legal, financial advisory,

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1 accounting, and other services, including but not limited to, Allowed Professional Fees, pursuant to
2 Bankruptcy Code sections 328, 330(a), or 331 or otherwise for the period commencing on the Petition
3 Date and ending on the Effective Date; (c) all fees and charges assessed against the Estates, pursuant to
4 chapter 123 of the Judicial Code and 28 U.S.C. § 1930; and (d) all Bankruptcy Court approved requests
5 for compensation or expense reimbursement for making a substantial contribution in the Chapter 11
6 Case, pursuant to Bankruptcy Code sections 503(b)(3), (4), and (5).

7 1.2. “Administrative Claim Bar Date” means the deadline for filing requests for payment of
8 Administrative Claims, which shall be thirty (30) days prior to the Effective Date, except with respect to
9 Professional Fees, which shall be subject to the provisions of Section 2.2 hereof.

10 1.3. “Allowed” means, with reference to any Claim, Equity Interest or Interest and with
11 respect to Debtor: (a) any Claim against or Interest in Debtor that has been listed by Debtor in its
12 Schedules, as such Schedules may be amended by Debtor from time to time in accordance with
13 Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no
14 contrary Proof of Claim or Interest has been Filed; (b) any Claim or Interest allowed (i) under this Plan,
15 (ii) by Final Order, or (iii) as to which the liability of Debtor and the amount thereof are determined by
16 a final order of a court of competent jurisdiction other than the Bankruptcy Court; or (c) as to which a
17 Proof of Claim has been timely Filed in a liquidated amount with the Bankruptcy Court, pursuant to the
18 Bankruptcy Code or any order of the Bankruptcy Court, or has been Filed with leave of the Bankruptcy
19 Court after notice and a hearing, provided that no objection to the allowance of such Claim or motion to
20 expunge such Claim has been interposed by any party in interest before any final date for the filing of
21 such objections or motions set forth in this Plan, the Confirmation Order or other order of the
22 Bankruptcy Court. For purposes of determining the amount of an Allowed Claim, there shall be
23 deducted therefrom an amount equal to the amount of any valid and enforceable Claim that Debtor
24 may hold against the Holder thereof, to the extent such Claim may be validly offset, recouped, or
25 otherwise reduced under applicable law.

26 1.4. “Assets” means all of the assets, property (including the Property), interests, and effects,
27 Cash, receivables, real and personal, tangible and intangible, wherever situated, of Debtor, as they
28 existed on the Effective Date or thereafter, including: (a) executory contracts and unexpired leases; (b)

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1 all of the Debtor’s other non-Cash property and assets, including all of the Causes of Action; and (c)
2 any interest in any security deposit held on the Effective Date.

3 1.5. “Assumed Contracts” means any of Debtor’s unexpired leases and executory contracts
4 existing on the Petition Date and any unexpired leases and executory contracts entered into by Debtor
5 post-petition which, prior to the Confirmation Date have been assumed by the Debtor pursuant to
6 Bankruptcy Code section 365, or are to be assumed by the Debtor or Reorganized Debtor.

7 1.6. “Bankruptcy Code” means Title 11 of the United States Code, as amended from time to
8 time, as applicable to this Chapter 11 Case.

9 1.7. “Bankruptcy Court” means the United States Bankruptcy Court for the District of
10 Nevada, or such other court as may from time to time have jurisdiction over this Chapter 11 Case.

11 1.8. “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure, as heretofore or
12 hereafter amended and the general, local and chambers rules and orders of the Bankruptcy Court.

13 1.9. “Bar Date” means May 4, 2016, the date established by the Bankruptcy Court by which
14 non-governmental Creditors are required to file proofs of claim with respect to pre-petition Claims
15 including Claims asserted, pursuant to Bankruptcy Code section 503(b)(9), except with respect to
16 Administrative Claims, Claims arising from the rejection of any executory contracts and unexpired
17 leases, and Claims that were scheduled by the Debtor as undisputed, non-contingent, and unliquidated;
18 and July 5, 2016, by which governmental Creditors are required to file proofs of claim with respect to
19 pre-petition Claims, including but not limited to Priority Tax Claims.

20 1.10. “Borrower” means Mohave Agrarian Group, LLC.

21 1.11. “Business Day” means a day, other than a Saturday, Sunday, or other day on which
22 commercial banks in Las Vegas, Nevada are authorized or required by law to close.

23 1.12. “Cash” means legal tender of the United States of America, which may be conveyed by
24 check or wire transfer.

25 1.13. “Causes of Action” means any Claim, Avoidance Action, cause of action, controversy,
26 demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account,
27 defense, offset, power, privilege, license, and franchise of any kind or character whatsoever, known,
28 unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or

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1 unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether
2 arising before, on or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any
3 other theory of law.

4 1.14. "Chapter 11 Case" means the chapter 11 case filed by Debtor as set forth in the caption
5 to this Plan.

6 1.15. "Claim" has the meaning set forth in Bankruptcy Code section 101(5).

7 1.16. "Claims Register" means the official register of Claims and Interests maintained by
8 Debtor.

9 1.17. "Class" means a class of Holders of Claims or Interests as described in Article II of the
10 Plan.

11 1.18. "Confirmation" means the entry by the Bankruptcy Court of the Confirmation Order.

12 1.19. "Confirmation Date" means the date upon which the clerk of the Bankruptcy Court
13 enters the Confirmation Order on the docket of the Chapter 11 Case, within the meaning of Bankruptcy
14 Rules 5003 and 9021.

15 1.20. "Confirmation Funds" means all funds required to be disbursed, or deposited and held
16 for later disbursement upon allowance or other Bankruptcy Court authorization, on or as of the
17 Effective Date (i) to Holders of Allowed Professional Fee Claims, other Allowed Administrative
18 Claims, Allowed Priority Claims to be paid in Cash on the Effective Date, any Allowed Priority Tax
19 Claims other than Priority Tax Claims to be paid in deferred payments pursuant to this Plan, (ii) to the
20 U.S. Trustee for US Trustee Fees due as of the Effective Date; (iii) to create a tax reserve account to
21 make post petition tax payments for the first ninety (90) days post-confirmation on the parcels to be
22 surrendered to the holder of Class 2 claims, and (iv) for any other Distributions and payment of costs
23 and expenses in connection with consummating the Plan.

24 1.21. "Confirmation Hearing" means the hearing held by the Bankruptcy Court to consider
25 confirmation of the Plan pursuant to Bankruptcy Code section 1129, as such hearing may be adjourned
26 or continued from time to time.

27 1.22. "Confirmation Order" means the order entered by the Bankruptcy Court confirming the
28 Plan in accordance with the Bankruptcy Code, which shall be in form and substance reasonably

1 acceptable to Debtor.

2 1.23. "Contrail" means Contrail Holdings, LLC.

3 1.24. "Contrail Loan" means the loan made pursuant to DCR Note which is secured by (i) that
4 certain Deed of Trust and Security Agreement dated June 30, 2014, recorded with the Mohave County
5 Recorder on August 4, 2014, as document number 2014034006 which was thereafter assigned pursuant
6 to an Assignment of Deed of Trust, from Original Lender to Contrail, which was recorded with the
7 Mohave County Recorder on August 15, 2015, as document number 2015036884.

8 1.25. "Contrail Note" means the "Promissory Note" dated June 30, 2014, payable to the order
9 of DCR, as original lender, executed by Debtor, as original borrower, which had an original principal
10 amount of Seven Million Six Hundred Ten Thousand Three Hundred Twenty-Eight and 00/100 Dollars
11 (\$7,610,328.00), together with an Assignment from Original Lender to Contrail.

12 1.26. "Creditor" means a Holder of a Claim.

13 1.27. "Cure" means the payment of Cash by Debtor, or the Distribution of other property and
14 the performance of any other obligations as the parties may agree or the Bankruptcy Court may order
15 necessary to cure defaults under an executory contract or unexpired lease of Debtor that are required to
16 allow Debtor to assume, or to assume and assign that contract or unexpired lease under section 365(a)
17 of the Bankruptcy Code, or under this Plan.

18 1.28. "Cure Bar Date" means the deadline for filing requests for payment of Cure, which shall
19 be fifteen (15) days prior to the Confirmation Hearing.

20 1.29. "DCR" means the DCR Liquidating Trust.

21 1.30. "DCR Loan" means the loan made pursuant to the DCR Note Deed of Trust dated June
22 30, 2014 recorded with the Mohave County Recorder on August 4, 2014 as document number
23 2014034006.

24 1.31. "DCR Note" means the Promissory Note dated June 30, 2014 payable to the order of
25 DCR executed by the Debtor, as borrower, which had an original principal amount of Seven Million Six
26 Hundred Ten Thousand Three Hundred Twenty Eight and 00/100 Dollars (\$7,610,328.00).

27 1.32. "Debtor" means Mohave Agrarian Group, LLC, an Arizona limited liability company.

28 1.33. "Debtor in Possession" means the Debtor, as debtor in possession in the Chapter 11

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1 Case, pursuant to Bankruptcy Code sections 1107 and 1108.

2 1.34. "Disallowed Claim" means any Claim or portion thereof that has been disallowed by a
3 Final Order of the Bankruptcy Court.

4 1.35. "Disclosure Statement" means the solicitation and disclosure statement for this Plan,
5 including all exhibits and schedules thereto.

6 1.36. "Disputed Claim" means: (a) any Claim or portion of a Claim (including any Admin-
7 istrative Claim, Priority Claim or Other Secured Claim) listed in the Schedules as disputed, contingent
8 or unliquidated; or (b) any Claim, as to which an objection to the allowance thereof has been filed with
9 the Bankruptcy Court within any time limitation fixed by the Bankruptcy Code, the Bankruptcy Rules,
10 this Plan or an order of the Bankruptcy Court, which objection has not been settled, withdrawn, or
11 determined, in whole or in part, by a Final Order.

12 1.37. "Distribution" means any distribution made by the Distribution Agent pursuant to the
13 terms of this Plan.

14 1.38. "Distribution Agent" means Debtor, or the Person or Entity chosen by Debtor to make or
15 to facilitate Distributions pursuant to this Plan.

16 1.39. "Distribution Record Date" means the Confirmation Date unless the Bankruptcy Court
17 establishes a different date for the Distribution Record Date in the Confirmation Order.

18 1.40. "Effective Date" means the first Business Day on which the conditions specified in
19 Article IX of this Plan have been satisfied in full or waived.

20 1.41. "Entity" has the meaning as set forth in Bankruptcy Code section 101(15).

21 1.42. "Estate" means, the estate of Debtor that were created by the commencement of the
22 Chapter 11 Case pursuant to Bankruptcy Code section 541, and shall be deemed to include any and all
23 privileges and incorporeal hereditaments of Debtor and any and all interests in property, whether real,
24 personal or mixed, rights, Causes of Action, avoidance powers or extensions of time that Debtor or the
25 estate shall have had effective as of the Petition Date or thereafter, whether by virtue of Bankruptcy
26 Code sections 544, 545, 546, 547, 548, 549 or 550 or otherwise.

27 1.43. "Equity Interest" means the same as "Interest."

28 1.44. "File" means to file with the Bankruptcy Court in the Chapter 11 Case.

1 1.45. "Final Decree" means an order of the Bankruptcy Court closing the Chapter 11 Case
2 pursuant to Bankruptcy Code section 350.

3 1.46. "Final Order" means an order or judgment entered by the Bankruptcy Court: (a) that has
4 not been reversed, stayed, modified, amended, revoked, varied or set aside, and as to which (i) any right
5 to appeal or seek certiorari, review, reargument, stay or rehearing has been waived, or (ii) the time to
6 appeal or seek certiorari, review, reargument, stay or rehearing has expired and no appeal or petition for
7 certiorari, review, reargument, stay or rehearing is pending; or (b) as to which an appeal has been taken
8 or petition for certiorari, review, reargument, stay or rehearing has been filed, and (i) such appeal or
9 petition for certiorari, review, reargument, stay or rehearing has been resolved by the highest court to
10 which the order or judgment was appealed or from which certiorari, review, reargument, stay or
11 rehearing was sought, and (ii) the time to appeal further or seek certiorari, review, reargument, stay or
12 rehearing has been waived or expired and no such further appeal or petition for certiorari, review,
13 reargument, stay or rehearing is pending, provided, however, that no order or judgment shall fail to be a
14 "Final Order" hereunder solely because of the possibility that a motion pursuant to section 502(j) or
15 1144 of the Bankruptcy Code, Rule 59 or 60 of the Federal Rules of Civil Procedure or Bankruptcy
16 Rule 9024 may be Filed with respect to such order or judgment.

17 1.47. "Garrett Unsecured Claim" means the Unsecured Claim of John Garrett against the
18 Debtor in the amount of \$500,000.00, and guaranteed by James M. Rhodes.

19 1.48. "General Unsecured Claims" means all the Claims against the Debtor, including Claims
20 resulting from rejection of executory contracts and unexpired leases, that are not Secured,
21 Administrative, or Priority Claims, and that are not subject to subordination by agreement or otherwise.

22 1.49. "Guarantor" means James M. Rhodes.

23 1.50. "Holder" means any Person or Entity that is the owner of a Claim or Interest in the
24 Chapter 11 Case.

25 1.51. "Impaired" means with respect to any Class of Claims or Interests, a Class of Claims or
26 Interests that is impaired within the meaning of Bankruptcy Code section 1124.

27 1.52. "Industrial Property" means the one parcel of Property of Debtor zoned industrial.

28 1.53. "Interest" means any: (i) any equity or other ownership interest in any Person or Entity,

1 including, but not limited to, all issued and outstanding or reserved for issuance, common stock,
2 preferred stock, membership interests, warrants, options, or other ownership rights or rights to purchase
3 or receive additional shares of stock or membership interests in any Person or Entity, and/or any other
4 instrument or document to the extent that it directly or indirectly evidences, creates or reserves any
5 equity or ownership interest in any Person or Entity giving rise to any Claim or Interest, (ii) equity
6 security, including all membership interests together with any warrants, options, or contractual rights to
7 purchase or acquire such equity securities at any time and all rights arising with respect thereto and (iii)
8 partnership, limited liability company or similar interest.

9 1.54. "Interest Holder" means the Holder of an Interest (or Equity Interest).

10 1.55. "Key Transaction Documents" means, the Plan, the Disclosure Statement, the Ballots,
11 the New Secured Loan Documents, the Reorganized Debtor Operating Agreement and any and all Plan
12 implementation documents filed with the Plan Supplement.

13 1.56. "Lien" has the meaning set forth in Bankruptcy Code section 101(37).

14 1.57. "New Capital Contribution" means the aggregate sum in an amount up to \$2,000,000.00
15 from the New Equity Investor for, among other things, providing the Reorganized Debtor with the
16 amount of Cash required for all Confirmation Funds, working capital for the Reorganized Debtor to
17 fund operations, and any Plan needs. The aggregate sum of the New Capital Contribution may be
18 increased, with the mutual agreement of the Debtor and New Equity Investor. The New Capital
19 Contribution shall be paid to the Reorganized Debtor on the Effective Date in an amount up to
20 \$2,000,000.00.

21 1.58. "New Equity Interests" means those membership interests of the Reorganized Debtor to
22 be authorized and issued to the New Equity Investor, pursuant to this Plan, on the Effective Date in
23 exchange for the New Capital Contribution.

24 1.59. "New Equity Investor" means Harmony Homes, Inc., or its assignee, who will provide
25 the New Capital Contribution in exchange for New Equity Interests under this Plan.

26 1.60. "New Secured Loan" means the Secured Loan pursuant to Section 2.3(b) of this Plan
27 with respect to a Property to be evidenced by a New Secured Note and New Secured Loan Documents
28 with respect to such Secured Loan and Property.

1 1.61. "New Secured Loan Documents" means the New Secured Note, deed of trust and
2 assignment of rents for the Property securing the New Secured Note and related documents evidencing,
3 securing and providing for the terms and conditions of a New Secured Loan , to be executed by and
4 between a Secured Lender and the Reorganized Debtor on or as of the Effective Date which are
5 attached as exhibits to the Disclosure Statement, with any material modifications or additional
6 documents to be included and filed as part of the Plan Supplement.

7 1.62. "New Secured Note" means a promissory note to be distributed to a Secured Lender
8 evidencing the New Secured Loan as set forth Section 2.3(b) of this Plan, which provides for the
9 treatment of such Secured Lender's Claims.

10 1.63. "Notice of Confirmation" means that certain notice, pursuant to Bankruptcy Rule
11 3020(c)(2), notifying Holders of Claims and Interests that the Bankruptcy Court has confirmed this
12 Plan.

13 1.64. "Old Equity Interests" means Equity Interests in the Debtor.

14 1.65. "Operative Document" means any contract, instrument, release, settlement agreement or
15 other agreement or document, if any, that is reasonably necessary to effectuate and implement the
16 transactions provided for in this Plan, including the Key Transaction Documents.

17 1.66. "Original Lender" means DCR Liquidating Trust.

18 1.67. "Order" means an order or judgment entered by the Bankruptcy Court.

19 1.68. "Other Secured Claims" means any Secured Claim other than a Claim with respect to a
20 Secured Loan.

21 1.69. "Permitted Encumbrances" means (i) Liens for *ad valorem* taxes not yet due and
22 payable, (ii) easements, restrictions, conditions and limitations of record that affected the title to the
23 Property as of the Petition Date, (iii) any Liens securing Other Secured Claims that are reinstated or
24 assumed by Reorganized Debtor and (iv) as such term is defined in the New Secured Loan Documents.

25 1.70. "Person" means any individual, corporation, partnership, limited liability company, joint
26 venture, association, trust or organization, or other "person" as defined in Bankruptcy Code section
27 101(41), as well as any governmental agency, governmental unit or political subdivision.

28 1.71. "Petition Date" means January 5, 2016.

1 1.72. “Plan” means this chapter 11 plan, including all documents referenced herein and all
2 exhibits, supplements, appendices and schedules hereto or thereto, either in its present form or as the
3 same may be altered, amended or modified from time to time pursuant to the Bankruptcy Code or Final
4 Order.

5 1.73. “Plan Supplement” means a compilation of documents supplementing and giving effect
6 to the terms to this Plan, which shall be: (a) filed no later than the Plan Supplement Filing Date, and (b)
7 in a form and substance acceptable to Debtor and Investors. The Plan Supplement shall include: (i) a
8 Schedule of Assumed Contracts and the Debtor’s proposed respective Cure amounts (if any), (ii) any of
9 the Operative Documents and New Secured Loan Documents not attached to the Disclosure Statement,
10 and (iii) any information required for confirmation of this Plan pursuant to the terms of the Bankruptcy
11 Code, including a list of individuals referenced in Bankruptcy Code section 1129(a)(5)(A)(i).

12 1.74. “Plan Supplement Filing Date” means 14 days prior to the Confirmation Hearing.
13 Debtor reserves the right to submit amended or revised versions of the Plan Supplement up to the
14 Confirmation Date.

15 1.75. “Post Effective Date Fees” means the reasonable fees and expenses of Debtor’s
16 Professionals incurred by the Debtor and/or Reorganized Debtor after the Effective Date, including
17 those fees and expenses incurred for legal, financial advisory, accounting and other services rendered in
18 connection with the implementation, consummation and performance of the Plan and which are
19 necessary to complete the administration of, conclude and close the Chapter 11 Case.

20 1.76. “Post Effective Date Fee Fund” means a sum of Thirty-Five-Thousand Dollars (\$35,000)
21 to be paid to the Distribution Agent on the Effective Date from the New Capital Contribution, which
22 shall be part of the Confirmation Funds and used by the Distribution Agent to pay any Post Effective
23 Date Fees.

24 1.77. “Priority Claim” means a Claim entitled to priority under Bankruptcy Code sections
25 507(a)(2) through (7).

26 1.78. “Priority Tax Claims” means any Claim that is entitled to priority under section 502(i) or
27 Bankruptcy Code section 507(a)(8). Priority Tax Claims do not include *ad valorem* tax Claims if such
28 Claims under applicable state law are Secured by a Lien on Debtor’s Assets.

1 1.79. "Professional" means an Person or Entity: (a) employed pursuant to a Bankruptcy Court
2 order in accordance with Bankruptcy Code sections 327 or 1103 and to be compensated for services
3 rendered prior to or on the Effective Date, pursuant to Bankruptcy Code sections 327, 328, 329, 330, or
4 331; or (b) awarded compensation and reimbursement by the Bankruptcy Court, pursuant to Bankruptcy
5 Code section 503(b)(4).

6 1.80. "Professional Fees" means all reasonable fees and expenses incurred by Professionals
7 and allowed by the Bankruptcy Court.

8 1.81. "Professional Fee Claim" means any Claim for compensation or reimbursement of fees
9 and expenses as may be requested by a Professional to the extent such Professional is required to apply
10 to the Bankruptcy Court for payment of such Claim pursuant to Bankruptcy Code sections 326, 328,
11 330 or 331 and the terms of this Plan.

12 1.82. "Proof of Claim" means a proof of claim filed against Debtor in the Chapter 11 Case.

13 1.83. "Property" means, collectively, all real estate owned by the Debtor and listed on the
14 Debtor's Schedules, as amended or modified.

15 1.84. "Property Value" means, for any Property, its value, as determined by the Bankruptcy
16 Court or through stipulation between the Debtor and the Contrail, which value must be consistent with
17 the economics of this Plan.

18 1.85. "Proponent" means the Debtor as proponent of this Plan.

19 1.86. "Pro Rata" means, with respect to an amount of Cash or other consideration to be paid or
20 distributed on a particular date to a Holder of an Allowed Claim, that such Distribution shall be made in
21 accordance with the ratio, as of such date, of the amount such Allowed Claim is to the aggregate of the
22 amounts of Claims in the Class to which such Allowed Claim belongs.

23 1.87. "Real Property Tax Liens" means those Claims classified in the Plan as Class 3 Secured
24 Priority Tax Claims.

25 1.88. "Refinanced Secured Tax Loan" means the Secured Loan evidenced by a Refinanced
26 Secured Tax Note with respect to such Refinanced Secured Tax Loan.

27 1.89. "Refinanced Secured Tax Note" means the promissory note payable to the Mohave
28 County Assessor in the principal amount of Forty-Two Thousand, Seven Hundred Thirty-Three Dollars

1 and 12/100 (\$42,733.12).

2 1.90. "Released Liabilities" means, with respect to a given Releasor, all claims, obligations,
3 suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities based on any act,
4 omission, transaction, event or other occurrence (other than rights to enforce the terms of this Plan or
5 any related document or agreement), whether known or unknown, foreseen or unforeseen, then existing
6 or thereafter arising, in law, equity or otherwise that arose prior to the Effective Date and relate to the
7 Debtor, this Plan, the Chapter 11 Case, which could have been asserted by such Releasor (or on behalf
8 of Debtor or their Estate) against any Releasee or any of its Representatives.

9 1.91. "Releasees" means the Debtor, the Distribution Agent, Reorganized Debtor, New Equity
10 Investor, and any current shareholders, subsidiaries, partners, members or affiliates of the
11 aforementioned Persons and any of their respective Representatives.

12 1.92. "Releasors" means the Debtor, the Distribution Agent, Reorganized Debtor, New Equity
13 Investor, and any current shareholders, subsidiaries, partners, members or affiliates of the
14 aforementioned Persons and any of their Representatives.

15 1.93. "Reorganized Debtor" means, on or after the Effective Date, Mohave Agrarian Group,
16 LLC as a reorganized debtor.

17 1.94. "Reorganized Debtor Operating Agreement" means the amended and restated
18 agreements that will govern the Reorganized Debtor as of the Effective Date, the form of which is
19 attached to the Disclosure Statement as an exhibit.

20 1.95. "Reorganized Debtor Equity Interests" means the Equity Interests in the Reorganized
21 Debtor.

22 1.96. "Representatives" means, with respect to a given Person or Entity, its past and current
23 directors, officers, shareholders, members, partners, employees, agents, attorneys, professionals,
24 advisors, trustees, consultants, accountants, contractors and other representatives.

25 1.97. "Reserve" means the Distribution Agent's segregated reserve accounts.

26 1.98. "Rhodes Guaranty" means the guaranties issued to John Garrett and DCR on September
27 17, 2015 and June 30, 2014, respectively.

28 1.99. "Schedule of Assumed Contracts" means the schedule of Assumed Contracts and the

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1 Debtor’s proposed respective Cure amounts, if any, which is attached as an exhibit to the Disclosure
2 Statement.

3 1.100. “Schedule of Disputed Claims” means the non-exhaustive list of Claims whose amounts
4 are disputed, which is attached as an exhibit to the Disclosure Statement.

5 1.101. “Schedules” means the schedules of Assets and liabilities, the list of Holders of Interests
6 and the statements of financial affairs Filed by Debtor under Bankruptcy Code section 521 and
7 Bankruptcy Rule 1007, and all amendments and modifications thereto through the Confirmation Date.

8 1.102. “Secured” means when referring to a Claim: (a) secured by a Lien on property in which
9 the Estates have an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law
10 or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the
11 Bankruptcy Code, to the extent of the value of the Creditor’s interest in the Estate’s interest in such
12 property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section
13 506(a) of the Bankruptcy Code; or (b) Allowed pursuant to this Plan as a secured Claim.

14 1.103. “Secured Lender” means holder of a Secured Loan which is Secured by a Property.

15 1.104. “Secured Loan” means a loan held by a Secured Lender which is Secured by a Property.

16 1.105. “Surrendered Parcels” means the real property parcels listed on **Exhibit “1.”**

17 1.106. “Unclassified Claims” means Administrative Claims and Priority Tax Claims.

18 1.107. “US Trustee Fees” means fees payable pursuant to 28 U.S.C. § 1930.

19 **B. Rules of Interpretation.**

20 Any term used in this Plan that is not defined in this Plan, either in this Article I or elsewhere,
21 but that is used in the Bankruptcy Code or the Bankruptcy Rules, has the meaning assigned to that term
22 in the Bankruptcy Code or the Bankruptcy Rules. For purposes of this Plan: (a) whenever from the
23 context it is appropriate, each term, whether stated in the singular or the plural, shall include both the
24 singular and the plural; (b) to the extent a reference or description in this Plan to an Operative
25 Document is inconsistent with the terms or conditions of that Operative Document, the terms and
26 conditions of the Operative Document shall govern over the reference or description contained in this
27 Plan; (c) any reference in this Plan to an existing document, schedule, Operative Document, or exhibit
28 Filed or to be Filed means such document, schedule, Operative Document, or exhibit, as it may have

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1 been or may be amended, modified, or supplemented as of the Confirmation Date in accordance with
 2 the terms hereof; (d) unless otherwise specified in a particular reference, all references in this Plan to
 3 Sections, Articles, and exhibits are references to Sections, Articles, and exhibits of or to this Plan; (e)
 4 the words “herein”, “hereof”, “hereto”, “hereunder”, and others of similar import refer to this Plan in its
 5 entirety rather than to only a particular portion of this Plan; (f) the word “all” shall mean “any and all;”
 6 (g) captions and headings to Articles and Sections are inserted for convenience of reference only and
 7 are not intended to be a part of or to affect the interpretations of this Plan; (h) the rules of construction
 8 set forth in Bankruptcy Code section 102 shall apply, including that the terms “includes,” “shall
 9 include,” and “including” are not limiting; (i) reference to a pleading, request, or document being
 10 “Filed” means duly and properly filed with the Bankruptcy Court as reflected on the docket of the
 11 Bankruptcy Court; (j) all exhibits and schedules to this Plan are incorporated into this Plan, and shall be
 12 deemed to be included in this Plan, regardless of when they are Filed; (k) any service or notice provided
 13 for in this Plan shall be provided at the addresses specified in Article XII hereof; (l) except to the extent
 14 that the Bankruptcy Code or other federal law is applicable, or to the extent the exhibits or Operative
 15 Documents provide otherwise, the rights, duties and obligations under this Plan shall be governed,
 16 construed and enforced in accordance with the laws of the State of Nevada; and (m) to the extent a
 17 reference or description in the Disclosure Statement to this Plan or an Operative Document is
 18 inconsistent with the terms or conditions of this Plan or Operative Document, the terms and conditions
 19 of this Plan or Operative Documents, as applicable, shall govern over the reference contained in the
 20 Disclosure Statement.

21 **ARTICLE II**

22 **CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

23 2.1 Introduction.

24 (a) All Claims and Interests, except Administrative Claims (including Professional
 25 Fee Claims) and Priority Tax Claims, are placed in the Classes set forth below. In accordance with
 26 Bankruptcy Code section 1123(a)(1), Administrative Claims and Priority Tax Claims, as described
 27 below, have not been classified.

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1 (b) A Claim or Interest is placed in a particular Class only to the extent that the
2 Claim or Interest falls within the description of that Class and is classified in other Classes to the extent
3 that any portion of the Claim or Interest falls within the description of such other Classes. A Claim or
4 Interest is also placed in a particular Class for the purpose of receiving Distributions pursuant to this
5 Plan only to the extent that such Claim or Interest is an Allowed Claim in that Class and such Claim has
6 not been paid, released or otherwise settled prior to the Effective Date.

7 2.2. Unclassified Claims.

8 (a) Administrative Claims.

9 (1) Deadline to File Administrative Claims. The Holder of an Administrative
10 Claim, other than (i) a Professional Fee Claim, or (ii) a liability incurred and paid in the ordinary course
11 of business by the Debtor, must file with the Bankruptcy Court and serve on Debtor and their counsel,
12 notice of such Administrative Claim on or before the Administrative Claim Bar Date. Such notice must
13 include, at minimum, (i) the name of the Holder of such Claim, (ii) the basis of the Claim, and (iii) the
14 amount of the Claim. Failure to file such notice timely and properly shall result in the Administrative
15 Expense Claim being forever barred and discharged.

16 (2) Payment Provisions. Subject to the provisions of Bankruptcy Code
17 sections 330(a), 331 and 503(b), each Holder of an Administrative Claim shall, either:

18 (A) from the Confirmation Funds, be paid in Cash in the Allowed
19 amount of any such Claim on, or as soon as reasonably practicable after, the later of (i) the Effective
20 Date, (ii) the date upon which such Administrative Claim becomes Allowed, or (iii) such date as is
21 otherwise agreed by Debtor and the Holder of such Claim; or

22 (B) have such Claim assumed by the Reorganized Debtor, to be paid
23 by Reorganized Debtor in Cash in the Allowed amount of any such Claim on, or as soon as reasonably
24 practicable after, the later of (i) the date upon which such Administrative Claim becomes Allowed, (ii)
25 the date on which such Administrative Claim becomes due in the ordinary course of business, or (iii)
26 such date as is otherwise agreed by Debtor, Reorganized Debtor and the Holder of such Claim.

27 (3) Professional Fee Claims and US Trustee Fees. Notwithstanding the
28 foregoing or anything to the contrary in this Plan:

1 (A) all final applications for Professional Fee Claims constituting
2 amounts due for services rendered on or before the Effective Date shall be Filed no later than twenty
3 (20) days prior to the Effective Date, unless otherwise ordered by the Bankruptcy Court:

4 (B) Debtor shall pay, or cause to be paid, all accrued US Trustee Fees
5 on or before the Effective Date of the Plan; and following the Effective Date, the Reorganized Debtor
6 shall be responsible for timely payment of all US Trustee Fees until such time as the Final Decree
7 closing this Chapter 11 Case is entered and all US Trustee Fees due are paid in full.

8 (C) Debtor or Reorganized Debtor (as applicable) shall File with the
9 Bankruptcy Court and serve on the United States Trustee a quarterly financial report for each quarter
10 (or portion thereof) that the Chapter 11 Case remains open in such format as reasonably may be
11 required by the United States Trustee.

12 (b) Priority Tax Claims. The legal and equitable rights of the Holders of Priority Tax
13 Claims are unaltered by this Plan. Each Holder of an Allowed Priority Tax Claim shall, subject to
14 Section 5.4 hereof and at Debtor's option, either:

15 (1) from the Confirmation Funds, be paid the Allowed amount of such Claim
16 in Cash on the Effective Date,

17 (2) have such Claim assumed by Reorganized Debtor, to be paid by
18 Reorganized Debtor in Cash in the Allowed amount of any such Claim on the date on which such Claim
19 is payable under applicable law or any agreement relating thereto; or

20 (3) receive such other treatment as is agreed by the Holder of the Allowed
21 Priority Tax Claim, and the Debtor and Reorganized Debtor. Under the Plan, Holders of Allowed
22 Priority Tax Claims against the Debtor shall not be entitled to any payments on account of any post
23 Petition Date interest or penalty with respect to or in connection with an Allowed Priority Tax Claim.
24 Any such Claim or demand for any post Petition Date interest or penalty will be discharged upon the
25 entry of the Confirmation Order by Bankruptcy Code section 1141(d)(1), and the Allowed Priority Tax
26 Claim Holder shall not assess or attempt to collect such accrued interest or penalty from the Debtor,
27 Reorganized Debtor, or their property.

28

2.3. Classified Claims and Interests

(a) Class 1: Priority Claims.

Claims in Class: Class 1 consists of Priority Claims against Debtor.

Treatment: The legal and equitable rights of the Holders of Allowed Priority Claims are unaltered by this Plan. Each Holder of an Allowed Priority Claim shall, either: (i) be paid the Allowed amount of such Claim in Cash on the Effective Date, (ii) have such Claim assumed by Reorganized Debtor, to be paid by Reorganized Debtor in Cash in the Allowed amount of any such Claim on the date on which such Claim is payable under applicable law or any agreement relating thereto; or (iii) receive such other treatment as is agreed by the Holder of the Allowed Priority Claim, Debtor and Reorganized Debtor.

Impairment and Voting: Class 1 is not Impaired and the Holders of Allowed Priority Claims are conclusively deemed to have accepted this Plan, pursuant to Bankruptcy Code section 1126(f). Therefore, the Holders of Class 1 are not entitled to vote to accept or reject this Plan.

(b) Class 2: Conrail Secured Claim

Claims in Class: Class 2 consists of the Conrail Secured Claim against Debtor.

Treatment.

The claim of Conrail in the amount of \$8,177,909.05 (Claim #3) is secured by a first priority deed of trust on the following parcels of real property : 354-29-011, 313-01-035, 313-01-005, 313-02-023, 313-02-022, 313-02-021, 313-02-008, 313-02-024, 310-17-004, 313-20-025, 215-01-072, 341-15-008 (collectively, "Conrail Collateral"). The total value of all these properties shall be determined by the Bankruptcy Court, which the Debtor believes has an "as is" market value of \$31,400,000 pursuant to the Rebuttal Appraisal Report dated August 3, 2016.

In the event that the Bankruptcy Court values the Conrail Collateral at not less than \$3,500 per an acre, this claim shall be satisfied as follows: Conrail shall be permitted to advertise for a foreclosure sale on 3080 acres as set forth on **Exhibit "1"** ("Surrendered Parcels") on or after the Effective Date of confirmation of this Chapter 11 Plan for a foreclosure sale as soon as practicable, but no later than ninety (90) days after the Effective Date. Conrail shall accept these parcels in full satisfaction of the debt owing from the Debtor and Guarantor in satisfaction of the Conrail Loan.

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1 Contrail shall not be entitled to seek a deficiency judgment against the Debtor or Guarantor. If Contrail
2 fails to foreclose on these properties or refuses to accept a deed in lieu of foreclosing during the same
3 time period, the Reorganized Debtor shall execute and record a quit claim deed to Contrail in the
4 appropriate real property records at which time Contrail shall become the legal and equitable title holder
5 to these parcels and it shall become responsible for the taxes and insurance on these parcels after the
6 recordation of the deed. Since all of the debt owing to Contrail will be satisfied by the partial surrender
7 of Contrail’s collateral, the Guarantor on the loan shall also be released from all liability on the debt
8 owing to Contrail upon plan confirmation. The Debtor and Reorganized Debtor shall be responsible for
9 the payment of pre-petition taxes in accordance with this Chapter 11 Plan and will pay post-petition
10 taxes when and as due through the 90 day period post-Effective Date.

11 In the event that the Bankruptcy Court determines that the proposed treatment is not the
12 “indubitable equivalent” to satisfy Contrail’s allowed claim in full, Debtor reserves the right to either:
13 (1) add additional parcels or (2) to provide a New Secured Note that will reflect a principal reduction
14 based on the Court’s valuation of the Surrendered Parcels.

15 In the event the Debtor elects to term out any deficiency of the Class 2 claims the New
16 Secured Loan will be evidenced by the New Secured Note, which will be executed by Reorganized
17 Debtor. The New Secured Note will be in the aggregate principal amount of \$8,177,909.05 minus the
18 value of the Surrendered Parcels as determined by the Court, maturing on the third (3rd) anniversary of
19 the Effective Date (the “Maturity Date”). Parcels will be released from the deed of trust securing the
20 deficiency, if any, at 105% of the value set by the Bankruptcy Court (the “Release Price”). Contrail
21 shall receive Cash equivalent to the Release Price that will be applied to reduce the principal of the New
22 Secured Note. The New Secured Loan shall be secured by the remaining Contrail Collateral that has
23 not been surrendered to Contrail and the Rhodes Guaranty. The New Secured Note shall bear interest at
24 5.5% that shall accrue and be added to the principal balance on the Note and the entire outstanding
25 principal balance on the New Secured Note plus any accrued and unpaid interest shall be immediately
26 due and payable in one balloon payment on the Maturity Date. If Reorganized Debtor fails to make the
27 payment on the Maturity Date, Reorganized Debtor shall execute a deed in lieu of foreclosure to
28

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1 Contrail within five (5) business days of the Maturity Date that is not mutually extended by the parties
2 to the New Secured Note.

3 *Impairment and Voting:* Class 2 is Impaired. Therefore, the Holder of Class 2 Contrail
4 Secured Claim is entitled to vote to accept or reject this Plan.

5 (c) Class 3: Secured Property Tax Claims

6 *Claims in Class.* Class 3 consists of Real Property Tax Liens against Debtor.

7 *Treatment.* Holders of Class 3 Secured Priority Tax Claims on the Effective Date shall,
8 in full satisfaction, settlement, release and exchange for such Allowed Secured Real Property Tax
9 Claims, receive a Refinanced Secured Loan evidenced by a promissory note payable to Mohave County
10 Assessor in the principal amount of Forty-Two Thousand, Seven Hundred Thirty-Three Dollars and
11 12/100 (\$42,733.12) (Refinanced Secured Tax Loan) maturing two (2) years from the Effective Date
12 payable in Twenty-Four (24) equal monthly payments at the interest rate of three and one half percent
13 (3.5%) per annum (Refinanced Secured Tax Note). The Refinanced Secured Tax Note shall be
14 executed by the Reorganized Debtor and shall be secured by the Property.

15 *Impairment and Voting:* Class 3 is Impaired. Therefore, the Holders of Class 3 Secured
16 Priority Tax Claims are entitled to vote to accept or reject this Plan.

17 (d) Class 4: Garrett Unsecured Claim

18 *Claims in Class:* Class 4 consists of the Unsecured Claim of John Garrett against
19 Debtor.

20 *Treatment:* Holder of the Class 4 Garrett Unsecured Claim shall, in full satisfaction,
21 settlement, release and exchange for such Allowed Garrett Unsecured Claim, receive payment in full
22 on or before the first anniversary of the Effective Date on account of his Allowed Garrett Unsecured
23 Claim.

24 *Impairment and Voting:* Class 4 is Impaired. Holder of the Class 4 Garrett Unsecured
25 Claim is entitled to vote to accept or reject this Plan.

26 (e) Class 5: General Unsecured Claims

27 *Claims in Class:* Class 5(a) consists of non-insider General Unsecured Claims against
28 Debtor. Class 5(b) consists of General Unsecured Claims of insiders:(1) Kingman Farms, LLC's claim

1 in the amount of \$567,861.47 pursuant to a Shared Services Agreement; and (2) Shumway Well Water
2 Systems' claims in the amount of \$1,200,000.00.

3 *Treatment:* Holders of Class 5(a) General Unsecured Claims shall, in full satisfaction,
4 settlement, release and exchange for such Allowed General Unsecured Claims, be paid the Allowed
5 amount of such Claim in Cash on the Effective Date. Holders of Class 5(b) General Unsecured Claims
6 shall only be entitled to distributions when net proceeds of sales of Reorganized Debtor's real property
7 assets exceed \$10,000,000. Holders of Class 5(b) shall receive 30% of net sales proceeds above and
8 beyond \$10,000,000, until such Claims are paid in full, bearing interest at the rate of a 10 year U.S.
9 Treasury note.

10 *Impairment and Voting:* Class 5 is Impaired. Holders of Class 5 General Unsecured
11 Claims are entitled to vote to accept or reject this Plan.

12 (f) Class 6: Old Equity Interests.

13 *Claims in Class.* Class 6 consists of all Old Equity Interests.

14 *Treatment:* Holders of Old Equity Interests will receive fifty percent (50%) of the
15 new membership interest in the Reorganized Debtor. The remaining fifty percent (50%) of the new
16 membership interest shall be granted to the New Equity Investor for providing the Confirmation Funds.

17 *Impairment and Voting:* Class 6 is Impaired and the Holders of Old Equity Interests are
18 entitled to vote to accept or reject the Plan.

19 2.4. Retention of Defenses Regarding Claims. Except as otherwise provided in this Plan,
20 nothing shall affect Debtor's rights and defenses, both legal and equitable, with respect to any Claims.

21 2.5. Voting by Impaired Classes Members of Classes 2, 3, 4, 5 and 6 are impaired and
22 entitled to vote to reject or accept this Plan.

23 2.6. Disputed, Contingent and Unliquidated Claims and Interests. Any Claim or Interest that
24 has been or is hereafter listed in the Schedules as disputed, contingent, or unliquidated, and for which
25 no Proof of Claim or Interest has been timely Filed by the Bar Date, is not considered Allowed and shall
26 be expunged without further action by Debtor and without any further notice to or action, order, or
27 approval of the Bankruptcy Court.

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ARTICLE III

ACCEPTANCE OR REJECTION OF THIS PLAN

3.1 Acceptance by an Impaired Class In accordance with Bankruptcy Code section 1126(c) and except as provided in Bankruptcy Code section 1126(e), an Impaired Class of Claims shall be deemed to have accepted this Plan if this Plan is accepted by the Holders of at least two-third (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have timely and properly voted to accept or reject this Plan.

3.2. Summary of Classes Voting on this Plan. Only the votes of Holders of Claims of Classes 2, 3, 4, 5 and 6 will be solicited with respect to this Plan.

3.4. Tabulation of Votes. Debtor will tabulate all votes on this Plan for the purpose of determining whether this Plan satisfies Bankruptcy Code sections 1129(a)(8) and (10).

3.5. Nonconsensual Confirmation. If any Impaired Class of Claims entitled to vote shall not accept the Plan by the requisite statutory majorities provided in Bankruptcy Code section 1126(c), the Debtor reserves the right to amend the Plan in accordance with Section 12.1 hereof or undertake to have the Bankruptcy Court confirm the Plan under Bankruptcy Code section 1129(b) or both. With respect to any Impaired Classes of Claims that are deemed to reject the Plan, Debtor shall request that the Bankruptcy Court confirm the plan under Bankruptcy Code section 1129(b).

ARTICLE IV

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

4.1. Executory Contracts and Unexpired Leases Debtor/Reorganized Debtor shall be deemed to have assumed each Assumed Contract and to have assigned such contracts to the Reorganized Debtor for the Property to which such contracts relate as of the Effective Date. The Confirmation Order shall constitute an order of the Bankruptcy Court under Bankruptcy Code Sections 365 and 1123(b)(2) approving the contract and lease assumptions by Debtor/Reorganized Debtor, as of the Effective Date.

4.2 Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

(a) Any of the Assumed Contracts that are, or may be, alleged to be in default, shall be Cured either in the ordinary course of business or on the Effective Date. Except with respect to Assumed Contracts with respect to which Debtor and the applicable counterparties have stipulated in

1 writing the appropriate Cure, all requests of Cure that differ from the amounts and treatment proposed
2 by Debtor must be Filed with the Bankruptcy Court on or before the Cure Bar Date. Any request for
3 payment or other Cure that is not timely Filed shall be disallowed automatically and forever barred from
4 assertion and shall not be enforceable against Debtor or Reorganized Debtor, without the need for any
5 objection by Debtor or further notice to or action, order, or approval of the Bankruptcy Court, and any
6 Claim for Cure shall be deemed fully satisfied, released, and discharged upon payment by Reorganized
7 Debtor of the amounts listed on the proposed Cure schedule, notwithstanding anything included in the
8 Schedules or in any Proof of Claim to the contrary. Debtor or Reorganized Debtor also may settle any
9 Cure without further notice to or action, order, or approval of the Bankruptcy Court.

10 (b) If a counterparty objects to any Cure or any other matter related to assumption
11 and assignment, the Bankruptcy Court shall determine the Allowed amount of such Cure and any related
12 issues. If there is a dispute regarding such Cure, the ability of Debtor or Reorganized Debtor to provide
13 “adequate assurance of future performance” within the meaning of Bankruptcy Code section 365, or any
14 other matter pertaining to assumption, then Cure shall occur as soon as reasonably practicable after entry
15 of an order resolving such dispute, approving such assumption (and, if applicable, assignment), or as
16 may be agreed upon by Debtor or Reorganized Debtor and the counterparty to the Assumed Contract.
17 Any counterparty to an Assumed Contract that fails to object timely to the proposed assumption and
18 assignment of any such contract or unexpired lease will be deemed to have consented to such
19 assumption and assignment. Debtor or Reorganized Debtor reserve the right either to reject or nullify
20 the assumption of any executory contract or unexpired lease no later than thirty (30) days after a Final
21 Order determining the Cure or any request for adequate assurance of future performance required to
22 assume such executory contract or unexpired lease.

23 (c) Assumption of any Assumed Contract pursuant to this Plan or otherwise shall
24 result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary,
25 including defaults with respect to provisions restricting the change in control or ownership interest
26 composition or other bankruptcy-related defaults, arising under any Assumed Contract at any time prior
27 to the effective date of assumption and assignment. Any Proofs of Claim Filed with respect to an
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1 Assumed Contract that has been assumed shall be deemed disallowed and expunged, without further
2 notice to or action, order, or approval of the Bankruptcy Court.

3 4.3. Rejection of Executory Contracts.

4 (a) Entry of the Confirmation Order shall, subject to and upon the occurrence of the
5 Effective Date, constitute the approval, pursuant to Bankruptcy Code sections 365(a) and 1123(b)(2), of
6 the rejection of all executory contracts and unexpired leases other than the Assumed Contracts.

7 (b) Any Holder of a Claim whose Claim arises from the rejection of an executory
8 contract or unexpired lease with Debtor shall have the rights of a Holder of a General Unsecured Claim
9 and shall receive the treatment provided to Holders of Class 5 General Unsecured Claims as set forth in
10 this Plan.

11 4.4. Filing of Rejection Claims. Any Person or Entity who believes they are entitled to assert
12 a Claim against Debtor by virtue of the rejection of an executory contract or unexpired lease pursuant to
13 this Article IV or a Final Order entered after the Confirmation Date, may File a Claim with the clerk of
14 the Bankruptcy Court not later than twenty (20) days after the date of any such rejection or such later
15 time as may be set forth for the filing of such Claim in said Final Order. If such Claim is not so Filed, it
16 shall be forever barred from assertion against Debtor and Reorganized Debtor. Nothing in this Section
17 4.4 shall affect the right of any party-in-interest to object to any Claim, which has been improperly
18 Filed or not Filed on a timely basis.

19 4.5. Modifications, Amendments, Supplements, Restatements, or Other Agreements

20 (a) Unless otherwise provided in the Plan Supplement, each Assumed Contract that
21 is assumed and assigned shall include all modifications, amendments, supplements, restatements, or
22 other agreements that in any manner affect such Assumed Contract, and all executory contracts and
23 unexpired leases related thereto, if any, including all easements, licenses, permits, rights, privileges,
24 immunities, options, rights of first refusal, and any other interests, unless any of the foregoing
25 agreements has been previously rejected or repudiated or is rejected or repudiated under this Plan.

26 (b) Modifications, amendments, supplements, and restatements to pre-petition
27 executory contracts and unexpired leases that have been executed by Debtor during the Chapter 11 Case
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1 shall not be deemed to alter the pre-petition nature of the executory contract or unexpired lease, or the
2 validity, priority, or amount of any Claims that may arise in connection therewith.

3 4.6. Reservation of Rights Neither the exclusion nor inclusion of any contract or lease in the
4 Plan Supplement, nor anything contained in this Plan, shall constitute an admission by Debtor and
5 Reorganized Debtor that any such contract or lease is in fact an executory contract or unexpired lease or
6 that Debtor or Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a
7 contract or lease is or was executory or unexpired at the time of assumption or rejection, Debtor and/or
8 Reorganized Debtor, shall have thirty (30) days following entry of a Final Order resolving such dispute
9 to alter their treatment of such contract or lease.

10 **ARTICLE V**

11 **PLAN IMPLEMENTATION**

12 5.1. Plan Implementation.

13 (a) This Plan shall be implemented in all respects in a manner that is consistent with
14 the terms and conditions of the Operative Documents, and the requirements of section 1123(a) and other
15 applicable provisions of the Bankruptcy Code. Without limiting the generality of the foregoing, the
16 New Capital Contribution shall be used to fund this Plan and shall be distributed or applied in the
17 manner necessary to provide all required Confirmation Funds for Distribution pursuant to this Plan,
18 satisfy the costs, expenses, required payments and entitlements outlined herein on the Effective Date and
19 provide the Reorganized Debtor with working capital and funding for operations and Plan needs. On
20 the Effective Date, that portion of the New Capital Contribution to be used for the Confirmation Funds
21 shall be turned over to the Distribution Agent for Distribution pursuant to this Plan.

22 (b) The New Equity Investor shall pay Cash to the Reorganized Debtor in the
23 amount of the Confirmation Funds to be used in accordance with the provisions of this Plan and has
24 executed a letter of credit or similar device for the balance of the New Capital Contribution.

25 5.2. Issuance of Equity Interests.

26 (a) Reorganized Debtor. On the Effective Date, Old Equity Interests shall be
27 extinguished, canceled, terminated and of no force and effect.

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1 (b) Reorganized Debtor New Equity Interests. The Reorganized Debtor New
2 Equity Interests shall be issued as follows:

3 (1) Holders of Class 6 Old Equity Interests will receive fifty percent (50%) of the
4 new membership interest in the Reorganized Debtor; and

5 (2) 50% of the new membership interest shall be granted to the New Equity
6 Investor for providing the Confirmation Funds.

7 5.3 Disposition of Assets, Properties and Equity Interests. On the Effective Date (as more
8 fully set forth in Article XI of this Plan), without any further action, the Reorganized Debtor will be
9 vested with all of Properties, free and clear of all Claims, Liens and Old Equity Interests (except for
10 Liens provided or authorized pursuant to this Plan).

11 5.4. Assumption of Liabilities. On the Effective Date, unless such Claims shall be paid on or
12 prior to such date, Reorganized Debtor shall be deemed to have assumed any Claim that is an
13 Administrative Claim, a Priority Tax Claim or a Priority Claim (including any such Claims that are
14 Disputed Claims or with respect to which any applicable period for asserting a Claim has not expired).

15 5.5. Corporate Actions.

16 (a) Adoption of Reorganized Debtor Operating Agreement. On the Effective Date
17 and without further order of the Bankruptcy Court or need for corporate approval, the Reorganized
18 Debtor Operating Agreement shall supersede and replace all other corporate agreements and Operating
19 Agreement previously governing the Debtor.

20 (b) Renaming Reorganized Debtor and Authority to Execute Operative Documents.
21 The Confirmation Order shall, among other things, constitute an Order authorizing the managers,
22 officers, and agents of the Debtor and Reorganized Debtor to execute and deliver the Operative
23 Documents, as applicable (to the extent they have not already been executed and delivered), including
24 without limitation all documents necessary to, on or prior to the Effective Date, rename Reorganized
25 Debtor, at the option and in the sole discretion of the Reorganized Debtor, without requiring any further
26 corporate authorizations and notwithstanding the requirements under any applicable non-bankruptcy
27 law.

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1 (c) Good Faith and Non Avoidability. The Confirmation Order shall, among other
2 things, provide that: (i) Debtor, Reorganized Debtor and New Equity Investor have acted in good faith;
3 (ii) the Distributions and/or consideration received by the New Equity Investor and Reorganized Debtor
4 shall not be subject to avoidance, turnover or disgorgement in any subsequent insolvency proceeding by
5 any Person or Entity; and (iii) the Liens securing the Refinanced Secured Loan and, if applicable, the
6 New Secured Loan constitute valid first priority Liens, subject only to any Permitted Encumbrances.

7 5.7 Management. Following the Effective Date, Reorganized Debtor shall be managed as
8 provided in the Reorganized Debtor Operating Agreement and the Shared Services Agreement with
9 Kingman Farms, LLC. It is anticipated that the Reorganized Debtor will be managed by Truckee
10 Springs Holdings, Inc., a Nevada corporation.

11 5.8. Exemption from Certain Transfer Taxes and Further Transactions Pursuant to
12 Bankruptcy Code section 1146(a), the issuance or exchange of any security, or the making or delivery
13 of any instrument of transfer under, in furtherance, or in connection with this Plan, including, but not
14 limited to, any deeds, bills of sale, assignments or other instruments of transfer (including those with
15 respect to the Properties), shall not be subject to any stamp tax, real estate transfer tax or similar tax.

16 5.9. Final Decree. Notwithstanding otherwise applicable law, the Chapter 11 Case shall be
17 closed and a Final Decree entered as soon as possible after the occurrence of the Effective Date.

18 5.10. Effectuating Documents, Further Transactions On and after the Effective Date, Debtor
19 and its agents, officers and members thereof, are authorized to and may issue, execute, deliver, file, or
20 record such contracts, securities, instruments, releases, and other agreements or documents and take
21 such actions as may be necessary or appropriate to effectuate, implement, and further evidence the
22 terms and conditions of this Plan in the name of and on behalf of Debtor, as applicable, without the
23 need for any approvals, authorizations, or consents except for those expressly required pursuant to this
24 Plan.

25 5.11 Post Effective Date Fees and Expenses.

26 (a) From and after the Effective Date, the Distribution Agent shall pay all Post
27 Effective Date Fees from the Post Effective Date Fee Fund without the necessity of any approval by the
28 Bankruptcy Court.

1 (b) In the event, and to the extent, that there are not sufficient funds in the Post
2 Effective Date Fee Fund from which to pay any of the Post Effective Date Fees, the Reorganized
3 Debtor shall, in the ordinary course of business and without the necessity of any approval by the
4 Bankruptcy Court, pay any Post Effective Date Fees, which are not paid by the Distribution Agent from
5 the Post Effective Date Fee Fund.

6 (c) In order to seek payment of Post Effective Date Fees, each respective
7 Professional will send its invoice to the Reorganized Debtor and Distribution Agent, and the
8 Reorganized Debtor shall have ten (10) business days thereafter within which to notify the Professional
9 and the Distribution Agent in writing that it objects to the invoice. If no objection is made within that
10 time frame, Distribution Agent or Reorganized Debtor (as applicable) shall pay the invoice within thirty
11 (30) days thereafter. In the event the Reorganized Debtor objects and the parties are unable to resolve
12 the objection, the Professional may bring the matter before the Bankruptcy Court on a motion for
13 determination.

14 **ARTICLE VI**

15 **PROVISIONS CONCERNING PLAN DISTRIBUTIONS**

16 6.1. Distributions on Account of Claims Allowed as of the Effective Date. Distributions
17 under this Plan on account of Claims Allowed on or before the Effective Date shall be made on the
18 Effective Date, or on the first date thereafter as is reasonably practicable.

19 6.2 Distributions on Account of Claims Allowed After the Effective Date.

20 (a) Payments and Distributions on Disputed Administrative and Priority Claims. In
21 the event that there are Disputed Administrative Claims or Disputed Priority Claims requiring
22 adjudication and resolution and such Claims have not become Allowed or Disallowed prior to the
23 Effective Date, then the obligation to satisfy such Claims shall be from the Confirmation Funds which
24 are held for same, but to the extent there are no available Confirmation Funds from which to pay such
25 Claim, the obligation to satisfy such Claims will be assumed by Reorganized Debtor, subject to
26 Allowance or Disallowance by the Bankruptcy Court. Except as otherwise provided in this Plan, or
27 Final Order, any Disputed Administrative Claim or Disputed Priority Claim that becomes Allowed after
28 the Effective Date shall be satisfied from the Confirmation Funds or performed by Reorganized Debtor

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1 in the ordinary course of business in accordance with the terms and conditions of any controlling
2 agreements, course of dealing, course of business, or industry practice.

3 (b) Special Rules for Distributions to Holders of Disputed Claims. Except as
4 otherwise provided in this Plan and except as otherwise agreed by the relevant parties: (i) no partial
5 payments and no partial Distributions shall be made with respect to a Disputed Claim until all such
6 disputes in connection with such Disputed Claim have been resolved by settlement or Final Order, and
7 (ii) any Entity that holds both an Allowed Claim and a Disputed Claim shall not receive any
8 Distribution on the Allowed Claim unless and until all objections to the Disputed Claim have been
9 resolved by settlement or Final Order and the Claims have been Allowed.

10 6.3. Manner of Payment Under this Plan Distributions of Cash to be made by the Dis-
11 tribution Agent pursuant to this Plan shall be made, at the discretion of the Distribution Agent, by check
12 drawn on the Distribution Agent's bank account or by wire transfer from a domestic bank.

13 6.4. Whole Dollars. Any other provision of this Plan to the contrary notwithstanding, no
14 payments of cents will be made. Whenever any payment of cents would otherwise be called for, the
15 actual payment may reflect a rounding of such fraction to the nearest whole dollar (up or down).

16 6.5. [reserved]

17 6.6. Escheat. Holders of Allowed Claims shall have three (3) months from the check date to
18 negotiate Distribution checks issued by the Distribution Agent under the terms of this Plan, otherwise
19 payment on such checks may at the Distribution Agent's sole discretion be stopped and the funds shall
20 escheat to the Distribution Agent and shall be promptly distributed to Reorganized Debtor (in
21 accordance with Bankruptcy Code section 347).

22 6.7. Delivery of Distributions.

23 (a) Record Date for Distributions On the Distribution Record Date, the Claims
24 Register shall be closed and any Person responsible for making Distributions shall be authorized and
25 entitled to recognize only those record Holders listed on the Claims Register as of the close of business
26 on the Distribution Record Date. Notwithstanding the foregoing, if a Claim is transferred twenty or
27 fewer days before the Distribution Record Date, the Distribution Agent shall make Distributions to the
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1 transferee only to the extent practical and in any event only if the relevant transfer form contains an
2 unconditional and explicit certification and waiver of any objection to the transfer by the transferor.

3 (b) Distribution Agent. The Distribution Agent shall make all Distributions required
4 under this Plan.

5 (c) Delivery of Distributions in General Except as otherwise provided in this Plan,
6 and notwithstanding any authority to the contrary, Distributions to all Holders of Allowed Claims shall
7 be made to Holders of record as of the Distribution Record Date by the Distribution Agent: (a) in
8 accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy
9 Rule 7004; (b) to the signatory set forth on any of the Proofs of Claim Filed by such Holder or other
10 representative identified therein (or at the last known addresses of such Holder if no Proof of Claim is
11 Filed or if Debtor has been notified in writing of a change of address); (c) at the addresses set forth in
12 any written notices of address changes delivered to the Debtor after the date of any related Proof of
13 Claim; (d) at the addresses reflected in the Schedules if no Proof of Claim has been Filed and the
14 Distribution Agent has not received a written notice of a change of address; or (e) on any counsel that
15 has appeared in the Chapter 11 Case on the Holder's behalf. Except as otherwise provided in this Plan,
16 Distributions under this Plan on account of Allowed Claims shall not be subject to levy, garnishment,
17 attachment, or like legal process, so that each Holder of an Allowed Claim shall have and receive the
18 benefit of the Distributions in the manner set forth in this Plan. Absent willful misconduct or gross
19 negligence, Debtor or Reorganized Debtor and Distribution Agent, as applicable, shall not incur any
20 liability on account of any Distributions made under this Plan.

21 6.8. Returned Distributions. In the case of Distributions to the Holders of Allowed Claims
22 that are returned to the Distribution Agent due to an incorrect or incomplete address, the Distribution
23 Agent shall retain any such returned Distribution in a segregated account established by the Distribution
24 Agent to keep track of any returned Distributions. Unless the Holder of the Allowed Claim relating to
25 any such returned Distribution contacts the Distribution Agent (or its designee) within three (3) months
26 from the date on which such Distribution was returned and provides the Distribution Agent (or its
27 designee) with acceptable proof of identity and an accurate address, such Holder shall forfeit all rights
28 thereto, and to any and all future Distributions or rights under this Plan. In such event, the Claim for

1 which such Distributions was issued shall be treated as a Disallowed Claim and the Distribution on
2 account of such Disallowed Claim shall promptly be distributed Reorganized Debtor.

3 6.9. Disputed Distributions. In the event of any dispute between or among Holders of Claims
4 as to the right to any Holder of a Claim to receive or retain any Distribution to be made to such Holder
5 under this Plan, the Distribution Agent, in lieu of making such Distribution to such Holder, may make it
6 instead into an escrow account for payment as ordered by the Bankruptcy Court or as the interested
7 parties to such dispute may otherwise agree among themselves. Any such Holder who fails to raise
8 such dispute by filing an appropriate request for relief with the Bankruptcy Court prior to the issuance
9 of such disputed Distribution by the Distribution Agent shall be deemed to have forever waived any
10 right to dispute such Distribution or to enjoin, impair or otherwise restrict the use of any such
11 Distribution.

12 6.10. Setoffs. The Distribution Agent may, but shall not be required to, set-off against any
13 Distributions to be made pursuant to this Plan to a Holder of an Allowed Claim, Claims of any nature
14 whatsoever that Debtor may have, or may have had, against such Holder that have not been previously
15 released, but neither the failure to do so, nor the allowance of any Claim held by such Holder shall
16 constitute a waiver or release by the Distribution Agent of any such Claim Debtor may have, or may
17 have had, against such Holder.

18 6.11. Withholding Taxes. The Distribution Agent shall be entitled to deduct any applicable
19 federal or state withholding taxes from any payments made with respect to Allowed Claims, as ap-
20 propriate, and shall otherwise comply with Bankruptcy Code section 346.

21 6.12. Allocation of Distributions. Distributions on account of Allowed Claims shall, for tax
22 purposes, be treated as allocated first to principal, and thereafter to interest only to the extent that the
23 entire principal amount has been recovered, if applicable.

24 **ARTICLE VII**

25 **PROCEDURES FOR RESOLVING DISPUTED CLAIMS**

26 7.1. Objection to and Resolution of Claims. Except as to applications for allowance of
27 compensation and reimbursement of expenses under Bankruptcy Code sections 330, 331 and/or 503, the
28 Reorganized Debtor shall, on and after the Effective Date, have the exclusive right to make and file

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1 objections to Claims (“Disputed Claims”). On and after the Effective Date, the Reorganized Debtor
2 shall have the authority to compromise, settle, otherwise resolve or withdraw any objections to any
3 Claims and compromise, settle or otherwise resolve Disputed Claims without approval of the
4 Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, the Debtor and, on and after the
5 Effective Date, the Reorganized Debtor, shall file all objections to Claims that are the subject of proofs
6 of Claim or requests for payment filed with the Bankruptcy Court (other than applications for
7 allowances of compensation and reimbursement of expenses with respect to Professional Fee Claims)
8 and serve such objections upon the Holder of the Claim as to which the objection is made as soon as is
9 practicable, but in no event later than one (1) year after the Effective Date or such later date as may be
10 approved by the Bankruptcy Court.

11 7.2. Payments. Payments and Distributions to each Holder of a Disputed Claim that
12 ultimately becomes an Allowed Claim shall be made in accordance with the provision of this Plan with
13 respect to the Class of Creditors to which the respective Holder of an Allowed Claim belongs. Without
14 limiting the generality of the foregoing, Debtor shall not be required to object to any Claim irrespective
15 of whether such Claim is Allowed or Disputed, whether in whole or in part.

16 7.3 Contingent Claims. Until such time as a contingent Claim or a contingent portion of
17 an Allowed Claim becomes fixed or absolute or is Disallowed, such Claim will be treated as a Disputed
18 Claim for all purposes related to Distributions under the Plan. The Holder of a contingent Claim will
19 only be entitled to a Distribution under the Plan when and if such contingent Claim becomes an
20 Allowed Claim.

21 7.4. Personal Injury Claims. All objections to Claims Filed for personal injury tort damages,
22 if any, shall be determined by the United States District Court for the District of Nevada.

23 7.5. Estimation of Claims. Debtor or Reorganized Debtor shall be permitted, at any time, to
24 request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section
25 Bankruptcy Code 502(c), regardless of whether Debtor previously had objected to such Claim or
26 whether the Bankruptcy Court had ruled on such objection, and the Bankruptcy Court shall retain
27 jurisdiction to estimate any Claim at any time during any litigation concerning any objection to such
28 Claim, including during the pendency of any appeal relating to such objection. In the event that the

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1 Bankruptcy Court estimates any contingent or unliquidated Claim, the amount so estimated shall consti-
2 tute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined
3 by the Bankruptcy Court. If such estimated amount constitutes a maximum limitation on the amount of
4 such Claim, Debtor may elect to pursue any supplemental proceedings to object to the allowance of
5 such Claim.

6 7.5 Reserve for Disputed Claims. On and after the Effective Date, the Distribution Agent
7 shall hold in segregated reserve accounts (the “Reserve”), Cash in an aggregate amount sufficient to
8 make Distributions to each Holder of a Disputed Claim at the time distributions are made pursuant to
9 the Plan in the amount that such Holder would have been entitled to receive if such Claim had been an
10 Allowed Claim on the Effective Date. Nothing contained herein shall be deemed to entitle the Holder
11 of a Disputed Claim to post-Petition Date interest on such Claim. Any funds remaining in the Reserve
12 after all Distributions on account of Allowed Claims have been made shall be promptly distributed to
13 Reorganized Debtor.

14 **ARTICLE VIII**

15 **RESERVATION OF RIGHTS PENDING CONFIRMATION AND EFFECTIVE DATE**

16 8.1 Withdrawal of Plan; Rights if Plan Not Confirmed or Effective Date Does Not Occur.

17 Debtor reserves the right to revoke or withdraw this Plan prior to the Confirmation Date and to
18 File subsequent plans of reorganization. If Debtor revokes or withdraws this Plan, or if Confirmation of
19 this Plan or the Effective Date does not ultimately occur, then: (1) this Plan shall be null and void in all
20 respects; (2) any settlement or compromise embodied in this Plan (including the fixing or limiting to an
21 amount certain of any Claim or Class of Claims), assumption or rejection of executory contracts or
22 unexpired leases effected by this Plan, and any document or agreement executed pursuant to this Plan,
23 shall be deemed null and void; and (3) nothing contained in this Plan shall: (a) constitute a waiver or
24 release of any Claims or Interests by or against the Debtor or any Person or Entity; (b) prejudice in any
25 manner the rights of Debtor or any other Person or Entity in any further proceedings involving the
26 Debtor; or (c) constitute an admission, acknowledgment, offer, or undertaking of any sort by Debtor or
27 any other Person or Entity.
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1 8.2 No Admissions or Waiver. Without limiting the generality of any similar provision in
2 this Plan, notwithstanding anything in the Plan to the contrary, nothing contained in the Plan, Plan
3 Supplement or in the Disclosure Statement shall be deemed an admission by Debtor or any Person or
4 Entity with respect to any matter set forth herein. If Confirmation of this Plan or the Effective Date
5 does not ultimately occur, no statement contained in the Plan, Plan Supplement or in the Disclosure
6 Statement may be used or relied on in any manner in any suit, action, proceeding or controversy within
7 or outside of the Chapter 11 Case against the Debtor. Without in any way limiting the provisions set
8 forth in Section 8.1, the Debtor reserves any and all of their rights as against all Persons and Entities in
9 the event Confirmation of this Plan or the Effective Date does not ultimately occur.

10 8.3 Term of Bankruptcy Injunction or Stays All injunctions or stays provided for in the
11 Chapter 11 Case under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on
12 the Confirmation Date, shall remain in full force and effect until the Effective Date unless the
13 Bankruptcy Court shall order otherwise.

14 **ARTICLE IX**

15 **CONDITIONS TO EFFECTIVE DATE**

16 9.1. Conditions to Occurrence of Effective Date Each of the following are conditions to be
17 met on or before the Effective Date, which conditions must be satisfied or waived in writing by Debtor:

18 (a) That the Confirmation Order shall be entered by the Bankruptcy Court and shall
19 have become a Final Order;

20 (b) The New Capital Contribution has been fully committed to the Reorganized
21 Debtor in an amount which sufficiently provides for the required amount Confirmation Funds, working
22 capital and other Cash needs;

23 (c) The required amount of Confirmation Funds have been paid and turned over to
24 the Distribution Agent for Distribution in accordance with this Plan;

25 (d) The Confirmation Order authorizes the assumption and assignment of all
26 Assumed Contracts;

27 (e) To the extent Confirmation Funds are insufficient to satisfy the Allowed Admin-
28 istrative Claims and Allowed Priority Claims in full, the Reorganized Debtor has assumed or will pay

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1 the remaining amounts unless otherwise agreed by the Holder of such Allowed Administrative Claim
2 and Allowed Priority Claim;

3 (f) All conditions precedent to the closing of the New Secured Loan Documents
4 have been satisfied or waived in accordance with the terms hereof; and

5 (g) Any outstanding US Trustee Fees shall have been paid in full.

6 Debtor, in its sole discretion, may waive the Final Order condition in subpart (a) above at any
7 time from and after the Confirmation Date. In that event, Debtor will be entitled to render any or all
8 performance under the Plan prior to what otherwise would be the Effective Date if the above-referenced
9 conditions were not waived; including, but not limited to, the right to perform under any circumstances
10 which would moot any appeal, review or other challenge of any kind to the Confirmation Order if the
11 Confirmation Order is not stayed pending such appeal, review or other challenge.

12 **ARTICLE X**

13 **RETENTION OF JURISDICTION**

14 10.1. Retention of Jurisdiction. Except to the extent otherwise expressly set forth herein, the
15 Bankruptcy Court shall retain jurisdiction of the Chapter 11 Case following the Confirmation Date for
16 the following purposes, it being expressly intended that such retention of jurisdiction shall in all cases
17 hereafter set forth, extend to any actions or proceedings commenced prior or subsequent to the
18 Confirmation Date and/or the Effective Date whether by Debtor, Reorganized Debtor, or the parties
19 specified herein:

20 (a) To hear and determine any objections to the allowance of Claims, including any
21 objections by Reorganized Debtor with respect to any Claims which have been reinstated or assumed in
22 accordance with the terms of this Plan;

23 (b) To determine any and all applications for compensation for any Professionals and
24 similar fees to the extent made specifically subject to a hearing under this Plan and applicable
25 provisions of the Bankruptcy Code;

26 (c) To determine any and all applications for the rejection or assumption and
27 assignment of executory contracts or for the rejection or assumption and assignment, as the case may
28

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1 be, of unexpired leases to which Debtor is a party or with respect to which it may be liable, and to hear
2 and determine, and if need be to liquidate, any and all Claims arising therefrom;

3 (d) To modify this Plan pursuant to Bankruptcy Code section 1127 or to remedy any
4 defect or omission or reconcile any inconsistency in the Confirmation Order to the extent authorized by
5 the Bankruptcy Code;

6 (e) To hear and determine all controversies, suits and disputes, if any, as may arise in
7 connection with the interpretation or enforcement of this Plan;

8 (f) To hear and determine all controversies, suits and disputes, if any, as may arise
9 with regard to orders of this Bankruptcy Court entered in the Chapter 11 Case;

10 (g) To adjudicate all controversies concerning the classification of any Claim;

11 (h) To liquidate damages in connection with any disputed, contingent or unliquidated
12 Claim;

13 (i) To adjudicate all Claims to a security or ownership interest in any of the Assets,
14 or in any proceeds thereof,

15 (j) To adjudicate all Claims or controversies arising out of any purchases, sales or
16 contracts made or undertaken by Debtor;

17 (k) To determine all questions and disputes regarding recovery of and entitlement to
18 any property of Debtor, or in any proceeds thereof;

19 (l) To adjudicate all Causes of Action with respect to which Debtor and Reorganized
20 Debtor are a party, whether or not such Claim or controversy is raised or filed before or after the
21 Effective Date;

22 (m) To determine issues and disputes concerning entitlement to Distributions to be
23 made under and pursuant to this Plan;

24 (n) To enter any order, including injunctions, necessary to enforce the title, rights
25 and powers of Debtor, Reorganized Debtor or the rights of any Person or Entity hereunder and to
26 impose such limitations, restrictions, terms and conditions on such title, rights and powers as the
27 Bankruptcy Court may deem necessary or appropriate;

28

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1 (o) To determine such other matters as may be provided for in the Confirmation
2 Order and this Plan, or as may from time to time be authorized under the provisions of the Bankruptcy
3 Code or any other applicable law;

4 (p) To enter a Final Decree closing the Chapter 11 Case;

5 (q) To enforce the provisions of any Administrative Claim Bar Date entered by the
6 Bankruptcy Court;

7 (r) To make such orders as are necessary or appropriate to carry out the provisions of
8 this Plan, including but not limited to orders interpreting, clarifying or enforcing the provisions thereof;

9 (s) To determine issues and disputes with respect to the New Secured Loan Docu-
10 ments arising after the Effective Date; and

11 (t) Without limiting the generality of any of the foregoing, to hear and determine
12 matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 345,
13 505, and 1146.

14 10.2. Jurisdiction Unaffected. The occurrence of the Effective Date and/or the entry of a Final
15 Decree shall not divest the Bankruptcy Court of any jurisdiction otherwise retained under this Article X
16 or the Confirmation Order.

17 10.3. Failure of Bankruptcy Court To Exercise Jurisdiction. If the Bankruptcy Court abstains
18 from exercising or declines to exercise jurisdiction, or is otherwise without jurisdiction over any matter
19 arising under, arising in or related to the Bankruptcy Case, including any of the matters set forth in the
20 Plan, the Plan shall not prohibit or limit the exercise of jurisdiction by any other court of competent
21 jurisdiction with respect to such matter.

22 **ARTICLE XI**

23 **EFFECT OF CONFIRMATION OF PLAN**

24 11.1. Discharge.

25 (a) IN CONJUNCTION WITH BANKRUPTCY CODE SECTION 1141, EXCEPT
26 AS OTHERWISE PROVIDED FOR HEREIN, THE RIGHTS AFFORDED HEREIN AND THE
27 TREATMENT OF ALL CLAIMS AND EQUITY INTERESTS HEREIN SHALL BE IN EXCHANGE
28 FOR AND IN COMPLETE SATISFACTION, DISCHARGE AND RELEASE OF CLAIMS AND

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1 EQUITY INTERESTS OF ANY NATURE WHATSOEVER AGAINST THE DEBTOR, AND OF
2 THE ASSETS OR PROPERTY OF THE ESTATE, INCLUDING ANY INTEREST ACCRUED ON
3 SUCH CLAIMS FROM AND AFTER THE PETITION DATE.

4 (b) WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT
5 AS PROVIDED IN THE CONFIRMATION ORDER, CONFIRMATION DISCHARGES THE
6 DEBTOR AND REORGANIZED DEBTOR FROM ALL CLAIMS, OR OTHER DEBTS THAT
7 AROSE BEFORE THE EFFECTIVE DATE, AND ALL DEBTS OF THE KIND SPECIFIED IN
8 SECTIONS 502(G), 502(H) OR 502(I) OF THE BANKRUPTCY CODE, WHETHER OR NOT: (X)
9 A PROOF OF CLAIM BASED ON SUCH A DEBT HAS BEEN FILED, OR DEEMED TO HAVE
10 BEEN FILED, UNDER BANKRUPTCY CODE SECTIONS 501 OR 1111(A); (Y) A CLAIM BASED
11 ON SUCH DEBT IS ALLOWED UNDER BANKRUPTCY CODE SECTION 502 OF THE
12 BANKRUPTCY CODE; OR (Z) THE HOLDER OF A CLAIM BASED ON SUCH DEBT HAS
13 ACCEPTED THE PLAN.

14 (c) EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, (I) ON THE
15 EFFECTIVE DATE, ALL CLAIMS AGAINST THE DEBTOR WHICH AROSE BEFORE THE
16 EFFECTIVE DATE SHALL BE SATISFIED, DISCHARGED AND RELEASED IN FULL, (II) ON
17 THE EFFECTIVE DATE, THE RIGHTS AND INTERESTS OF ALL HOLDERS OF OLD EQUITY
18 INTERESTS SHALL BE TERMINATED, CANCELED AND OF NO FORCE AND EFFECT, AND
19 (III) ALL PERSONS SHALL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTOR,
20 REORGANIZED DEBTOR, THEIR SUCCESSORS, OR ANY OF THEIR ASSETS OR
21 PROPERTIES, ANY OTHER OR FURTHER CLAIMS OR EQUITY INTERESTS BASED UPON
22 ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE
23 THAT OCCURRED BEFORE THE EFFECTIVE DATE, AS WELL AS ANY DEBT OF A KIND
24 SPECIFIED IN BANKRUPTCY CODE SECTIONS 502(G), 502(H), OR 502(I), IRRESPECTIVE OF
25 WHETHER (X) A PROOF OF CLAIM BASED ON SUCH A DEBT HAS BEEN FILED, OR
26 DEEMED TO HAVE BEEN FILED, UNDER BANKRUPTCY CODE SECTIONS 501 OR 1111(a),
27 (Y) SUCH CLAIM IS ALLOWED UNDER BANKRUPTCY CODE SECTION 502, OR (Z) THE
28 HOLDER OF THE CLAIM HAS ACCEPTED THE PLAN.

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1 11.2 Binding Effect of Plan/Injunction.

2 (a) UPON THE EFFECTIVE DATE, BANKRUPTCY CODE SECTION 1141
3 SHALL BECOME APPLICABLE WITH RESPECT TO THE PLAN AND THE PLAN SHALL BE
4 BINDING ON ALL PARTIES TO THE FULLEST EXTENT PERMITTED BY BANKRUPTCY
5 CODE SECTION 1141(A). IN ACCORDANCE WITH BANKRUPTCY CODE SECTION 1141,
6 ALL OF THE DEBTOR’S PROPERTY SHALL BE VESTED IN THE REORGANIZED DEBTOR
7 FREE AND CLEAR OF ALL CLAIMS, LIENS AND INTERESTS OF CREDITORS AND EQUITY
8 INTEREST HOLDERS.

9 (b) UPON THE EFFECTIVE DATE, ALL PERSONS AND ENTITIES SHALL BE
10 PERMANENTLY ENJOINED BY THE PLAN FROM (I) COMMENCING OR CONTINUING ANY
11 ACTION, EMPLOYING ANY PROCESS, ASSERTING OR UNDERTAKING AN ACT TO
12 COLLECT, RECOVER, OR OFFSET, DIRECTLY OR INDIRECTLY, ANY CLAIM, RIGHTS,
13 CAUSES OF ACTION, LIABILITIES, OR INTERESTS IN OR AGAINST ANY PROPERTY
14 DISTRIBUTED OR TO BE DISTRIBUTED UNDER THE PLAN, OR VESTED IN THE
15 REORGANIZED DEBTOR, BASED UPON ANY ACT, OMISSION, TRANSACTION, OR OTHER
16 ACTIVITY THAT OCCURRED BEFORE THE EFFECTIVE DATE, (II) CREATING, PERFECTING
17 OR ENFORCING ANY LIEN OR ENCUMBRANCE AGAINST ANY PROPERTY DISTRIBUTED
18 OR TO BE DISTRIBUTED UNDER THE PLAN OTHER THAN AS PERMITTED UNDER THE
19 PLAN, AND (III) WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSERTING
20 ANY CLAIMS AGAINST THE REORGANIZED DEBTOR BASED ON SUCCESSOR LIABILITY
21 OR SIMILAR OR RELATED THEORY, EXCEPT TO THE EXTENT A PERSON OR ENTITY
22 HOLDS AN ALLOWED CLAIM UNDER THE PLAN AND IS ENTITLED TO A DISTRIBUTION
23 AND/OR LIEN UNDER THE PLAN IN ACCORDANCE WITH ITS TERMS, AND TO ENFORCE
24 ITS RIGHTS TO DISTRIBUTION UNDER THE PLAN.

25 (c) ON AND AFTER THE EFFECTIVE DATE, EACH HOLDER OF ANY
26 CLAIM AGAINST OR INTEREST IN DEBTOR IS PERMANENTLY ENJOINED FROM TAKING
27 OR PARTICIPATING IN ANY ACTION THAT WOULD INTERFERE OR OTHERWISE HINDER
28

1 DEBTOR FROM IMPLEMENTING THIS PLAN, THE CONFIRMATION ORDER OR ANY
2 OPERATIVE DOCUMENTS IN ACCORDANCE WITH THE TERMS THEREOF.

3 11.3 Exculpation. None of the Releasees nor any of their respective Representatives shall
4 have or incur any liability to any Holder of a Claim against or Interest in Debtor, or any other party-in-
5 interest, or any of their Representatives, or any of their successors or assigns, for any act, omission,
6 transaction or other occurrence in connection with, relating to, or arising out of the Chapter 11 Case, the
7 pursuit of confirmation of this Plan, or the consummation of this Plan, except and solely to the extent
8 such liability is based on fraud, gross negligence or willful misconduct. The Releasees shall be entitled
9 to reasonably rely upon the advice of counsel with respect to any of their duties and responsibilities
10 under this Plan or in the context of the Chapter 11 Case. No Holder of a Claim against or Interest in
11 Debtor, or any other party-in-interest, including their respective Representatives, shall have any right of
12 action against the Releasees or any of their Representatives, for any act, omission, transaction or other
13 occurrence in connection with, relating to, or arising out of, the Chapter 11 Case, the pursuit of
14 confirmation of this Plan, the consummation of this Plan or the administration of this Plan, except to the
15 extent arising from fraud. Nothing in this Section 11.3 shall be deemed an exculpation by any Releasor
16 of any Releasee or any of its Representatives for any acts, omissions, transactions, events or other
17 occurrences taking place after the Effective Date or an exculpation by Secured Lender or any other
18 party in connection with any obligations with respect to the New Secured Loan or any amounts owed
19 under any New Secured Loan Documents (if and where applicable).

20 11.4. Releases. As of the Effective Date, for good and valuable consideration, the adequacy of
21 which is hereby confirmed, each Releasor will be deemed to release, waive and forever discharge all
22 Released Liabilities against each Releasee and each Releasee's respective Representatives; provided,
23 however, that, the releases provided in this Section 11.4 shall not constitute a release of any liability
24 based on willful misconduct, gross negligence or fraud; provided, further, that nothing herein shall be
25 deemed to constitute a release (a) by any Releasor of any Releasee or any of its Representatives for any
26 acts, omissions, transactions, events or other occurrences taking place after the Effective Date, (b) by
27 Secured Lender in connection with any obligations with respect to the New Secured Loan or any
28 amounts owed under the New Secured Loan Documents; (c) by Secured Lender or other Creditors in

1 connection with any personal guaranty of their Claims by any person other than the Debtor; and
2 provided, further, that any party who is rightly included in the definition of Releasee that challenges the
3 Plan or its implementation shall no longer be classified as a Releasee.

4 11.5. Injunctions.

5 (a) Injunction Against Releasors. All of the Releasors, along with any of their
6 successors or assigns, are permanently enjoined, from and after the Effective Date, from (i)
7 commencing or continuing in any manner any action or other proceeding of any kind against the
8 Releasees or any of their respective Representatives in respect of any Released Liabilities, (ii)
9 enforcing, attaching, collecting or recovering by any manner or means of any judgment, award, decree
10 or order against the Releasees or any of their respective Representatives in respect of any Released
11 Liabilities, (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Releasees or
12 any of their respective Representatives in respect of any Released Liabilities, or (iv) asserting any right
13 of setoff, subrogation or recoupment of any kind against any obligation due from the Releasees or any
14 of their respective Representatives or against the property or interests in property of the Releasees or
15 any of their respective Representatives, in respect of any Released Liabilities; provided, however, that
16 nothing contained herein shall preclude such Releasors from exercising their rights pursuant to and
17 consistent with the terms hereof and the contracts, instruments, releases and other agreements and
18 documents delivered under or in connection with this Plan; provided, further, that nothing contained
19 herein shall be deemed to enjoin any Releasor from taking any action against any Releasee or any of its
20 Representatives based on the release exceptions contained in Section 11.4 of this Plan.

21 (b) Injunction Protecting Exculpation of Releasees. All Holders of Claims against or
22 Interests in Debtor and any other parties-in-interest, along with any of their Representatives and any of
23 their successors or assigns are permanently enjoined, from and after the Effective Date, from (i)
24 commencing or continuing in any manner any action or other proceeding of any kind against Releasees
25 or any of their respective Representatives in respect of any potential liability for which exculpation is
26 granted pursuant to Section 11.3 of this Plan, (ii) enforcing, attaching, collecting or recovering by any
27 manner or means of any judgment, award, decree or order against Releasees or any of their respective
28 Representatives in respect of any potential liability for which exculpation is granted pursuant to Section

1 11.3 of this Plan, (iii) creating, perfecting, or enforcing any encumbrance of any kind against Releasees
2 or any of their respective Representatives in respect of any potential liability for which exculpation is
3 granted pursuant to Section 11.3 of this Plan, or (iv) asserting any right of setoff, subrogation or
4 recoupment of any kind against any Releasee or any of their respective Representatives or against the
5 property or interests in property any Releasee or any of their respective Representatives, in respect of
6 any potential liability for which exculpation is granted pursuant to Section 11.3 of this Plan; provided,
7 however, that nothing contained herein shall preclude any Holder or other party-in-interest from
8 exercising its rights pursuant to and consistent with the terms hereof and the contracts, instruments,
9 releases and other agreements and documents delivered under or in connection with this Plan.

10 (c) Injunction Against Interference With Plan. Upon the Effective Date, all Holders
11 of Claims against or Interests in Debtor and their respective Representatives and any of their successors
12 or assigns shall be enjoined from taking any actions to interfere with the implementation or
13 consummation of the Plan.

14 11.6 Termination of Debt Instruments. On the Effective Date, all instruments evidencing
15 indebtedness of Debtor held by Holders of Claims that are Impaired by this Plan or have been paid in
16 full pursuant thereto shall be deemed canceled as against Debtor.

17 11.7 Judgments Void. Any judgment obtained before or after the Effective Date in any court
18 other than the Bankruptcy Court shall be null and void as a determination of liability of the Debtor or
19 Reorganized Debtor with respect to any debt treated by the Plan.

20 11.8 Revesting of Assets in Reorganized Debtor. Except as otherwise expressly provided
21 herein or in the Confirmation Order, on the Effective Date, but retroactive to the Confirmation Date,
22 without any further action, the Reorganized Debtor will be vested with all of the property of the Estate,
23 wherever situate, free and clear of all Claims, Liens and Old Equity Interests (except for Liens provided
24 or authorized pursuant to this Plan and Permitted Encumbrances). Without limiting the generality of the
25 foregoing, on and after the Effective Date, the Reorganized Debtor shall be vested with all of the
26 property of the Estate, wherever situate, free and clear of any Claims based on any form of successor
27 liability or similar or related theory of liability. On and after the Effective Date, (i) the Reorganized
28 Debtor shall be free of any restrictions imposed by the Bankruptcy Code or Bankruptcy Court, may

1 operate its business and may use, acquire or dispose of its assets (including the Properties) free of any
2 restrictions imposed by the Bankruptcy Code and the Bankruptcy Rules and without supervision or
3 approval by the Bankruptcy Court, other than the obligations set forth in this Plan, or the Confirmation
4 Order. Without limiting the generality of the foregoing and except as otherwise expressly provided
5 herein or in the Confirmation Order, any Causes of Action, will be preserved and retained solely for the
6 Reorganized Debtor's commencement, prosecution, use and benefit.

7 11.9 Preservation of Causes of Action. Pursuant to Bankruptcy Code section 1123(b), Debtor
8 as Reorganized Debtor shall retain and reserve the right to enforce all rights to commence and pursue
9 Causes of Action whether arising prior to or after the Petition Dates, and whether pending as of or Filed
10 after the Effective Date, in any court or other tribunal. Unless a Cause of Action is expressly waived,
11 relinquished, released, compromised or settled in the Plan, or any Final Order, the Debtor on behalf of
12 itself and as the Reorganized Debtor expressly reserve all Causes of Action for later adjudication and,
13 therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral
14 estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall
15 apply to any Causes of Action upon Confirmation or the Effective Date. No entity may rely on the
16 absence of a specific reference in the Plan, any Plan Supplement, or the Disclosure Statement to any
17 Cause of Action against them as an indication that the Debtor or the Reorganized Debtor, will not
18 pursue any and all available Causes of Action against them. The Debtor and the Reorganized Debtor,
19 expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as
20 otherwise expressly provided in the Plan.

21 11.10 Maintenance of Administrative Claim Status Post Discharge. Notwithstanding any
22 discharge granted to the Debtor, Allowed Administrative Claims shall maintain their administrative
23 priority status under Bankruptcy Code section 507(a)(2) until paid in full.

24 11.11 No Limitation on Effect of Confirmation. Nothing contained in the Plan or the
25 Disclosure Statement will limit, waive or restrict in any way the effect of Confirmation as set forth in
26 Bankruptcy Code section 1141. Confirmation will bind the Debtor, all Creditors, Equity Interest
27 Holders and other parties in interest to the provisions of the Plan, whether or not the Claim or Equity
28 Interest of such Creditor or Equity Interest Holder is Impaired under the Plan and whether or not such

1 Creditor or Equity Interest Holder has accepted the Plan and whether or not a proof of Claim or Equity
2 Interest has been filed or deemed to have been filed under Bankruptcy Code sections 501 or 1111(a), or
3 such Claim or Equity Interest is allowed under Bankruptcy Code section 502.

4 **ARTICLE XII**

5 **MISCELLANEOUS PROVISIONS**

6 12.1. Modification of this Plan.

7 (a) Debtor may alter, amend or modify the Plan at any time before the entry of the
8 Confirmation Order, provided that the Plan, as altered, amended or modified, satisfies the conditions of
9 Bankruptcy Code sections 1122 and 1123, and Debtor shall have complied with Bankruptcy Code
10 section 1125. However, the Bankruptcy Court may require a new disclosure statement and/or re-voting
11 on the Plan if Debtor modifies the plan before Confirmation.

12 (b) The Debtor may also seek to alter, amend or modify the Plan at any time after
13 Confirmation so long as (1) the Plan has not been substantially consummated, (2) as altered, amended or
14 modified the Plan satisfies the conditions of Bankruptcy Code section 1122 and 1123, and (3) the
15 Bankruptcy Court authorizes the proposed modification after notice and a hearing under Bankruptcy
16 Code section 1129.

17 (c) A Holder of a Claim that has accepted the Plan shall be deemed to have accepted
18 the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does
19 not materially and adversely change the treatment of the Claim of such Holder. Prior to the Effective
20 Date, Debtor may make appropriate technical non-material modifications to the Plan or the Disclosure
21 Statement without further order or approval of the Bankruptcy Court, provided that such technical
22 modifications do not adversely affect the treatment of Holders of Claims or Equity Interest.

23 (d) Debtor further reserves the right to modify the treatment of any Allowed Claims
24 at any time after the Effective Date of the Plan upon the consent of the Creditor whose Allowed Claim
25 treatment is being modified, so long as no other Creditors are materially adversely affected.

26 (e) Debtor reserves the right, in accordance with the Bankruptcy Code, to amend or
27 modify this Plan before or after the Confirmation Date, including to make any amendments or modifica-
28 tions to satisfy the requirements of Bankruptcy Code section 1129(b), if necessary.

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1 12.2. Notices. Except as otherwise set forth in Section 12.3 below, all notices, requests,
2 elections or demands in connection with this Plan, including any change of address of any Holder of a
3 Claim for the purposes of receiving any Distributions under this Plan, shall be in writing and shall be
4 delivered personally or by facsimile, electronic mail or overnight courier (confirmed by first class mail
5 or express mail) or mailed by first class mail. Such notice shall be deemed to have been given when
6 received or, if mailed by first class mail, seven (7) days after the date of mailing, or if express mailed,
7 the next Business Day following the date of mailing and addressed to the following:

8 (a) If to Debtor:

9 Ron Gillette
10 General Counsel
11 8912 Spanish Ridge Avenue, Suite 200
12 Las Vegas, NV 89148
13 Email: rgillette@kingmanfarms.com
14 Facsimile: 702-586-3527

15 with copies to:

16 Fox Rothschild LLP
17 1980 Festival Plaza Drive, Suite 700
18 Las Vegas, NV 89135
19 Attn: Brett A. Axelrod
20 Email: baxelrod@foxrothschild.com
21 Facsimile: 702-597-5503

22 (b) If to Contrail:

23 Contrail Holdings LLC
24 3141 Beach View Court
25 Las Vegas, NV 89117

26 with copies to:

27 Garman Turner Gordon LLP
28 650 White Drive, Suite 100
Las Vegas, NV 89119
Attn: William M. Noall
Email: wnoall@gtg.legal
Facsimile: 725-777-3000

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1 All notices and requests to Holders of Claims of any Class shall be sent to them at their known
2 address. Any Holder of a Claim of any Class may designate in writing any other address for purposes
3 of this Section 12.2, which designation shall be effective upon receipt.

4 12.3. Limitation of Notice. Debtor shall give the following notice with regard to the following
5 matters, which notice shall be deemed to be good and sufficient notice of such matters, with no
6 requirement for any additional or further notice:

7 (a) Notice of Entry of Confirmation Order. Notice of the entry of the Confirmation
8 Order shall be sufficient if mailed to all known Holders of Claims (which have not become Disallowed
9 Claims) and Interests within five (5) Business Days of the entry of Confirmation Order.

10 (b) Post-Confirmation Date Service List - Additional Persons Entitled to Notice.
11 Except as set forth in Section 12.2 hereof, from and after the date the Confirmation Order becomes a
12 Final Order, notices of appearances and demands for service of process Filed with the Bankruptcy Court
13 prior to such date shall no longer be effective, and no further notices, other than Notice of Confirmation
14 Order, shall be required to be sent to such parties, unless such parties File a new notice of appearance
15 and demand for service of process dated subsequent to the Effective Date, which subsequent notice and
16 demand must be Filed with the Bankruptcy Court and served upon the Persons and Entities listed in
17 Section 12.2 above.

18 12.4. [reserved]

19 12.5. Headings. The headings used in this Plan are inserted for convenience only and neither
20 constitute a portion of this Plan nor in any manner affect the provisions of this Plan.

21 12.6. Exhibits. All exhibits and documents included in the Plan Supplement are incorporated
22 into and are a part of this Plan, as if set forth in full in this Plan. Except as otherwise provided in this
23 Plan, such exhibits and documents included in the Plan Supplement shall be Filed with the Bankruptcy
24 Court on or before the Plan Supplement Filing Date. After the exhibits and documents are Filed, copies
25 of such exhibits and documents shall have been available upon written request to Debtor’s counsel at
26 the address above or by downloading such exhibits and documents from the Bankruptcy Court’s
27 website at <http://www.nvb.uscourts.gov>. To the extent any exhibit or document is inconsistent with the
28

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1 terms of this Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document
2 portion of this Plan shall control.

3 12.7. Nonseverability of Plan Provisions. If, prior to Confirmation, any term or provision of
4 this Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court
5 shall have the power, at the request of Debtor and subject to the consent of any party adversely affected
6 thereby, to alter and interpret such term or provision to make it valid or enforceable to the maximum
7 extent practicable, consistent with the original purpose of the term or provision held to be invalid, void,
8 or unenforceable, and such term or provision shall then be applicable as altered or interpreted.
9 Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and
10 provisions of this Plan will remain in full force and effect and will in no way be affected, Impaired, or
11 invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a
12 judicial determination and shall provide that each term and provision of this Plan, as it may have been
13 altered or interpreted in accordance with the foregoing, is: (a) valid and enforceable pursuant to its
14 terms; (b) integral to this Plan and may not be deleted or modified without the consent of Debtor and
15 any other Person or Entity affected by such provision; and (c) nonseverable and mutually dependent.

16 12.8. Waiver or Estoppel. Each Holder of a Claim or an Interest shall be deemed to have
17 waived any right to assert any argument, including the right to argue that its Claim or Interest should be
18 Allowed in a certain amount, in a certain priority, Secured or not subordinated by virtue of an
19 agreement made with Debtor or its counsel, Investors or their counsel, or any other Entity, if such
20 agreement was not disclosed in this Plan, the Disclosure Statement, or papers Filed with the Bankruptcy
21 Court prior to the Confirmation Date.

22 12.9. Conflicts.

23 (a) To the extent that any provision of the Disclosure Statement, the Plan
24 Supplement (other than any amendments to the Plan or any New Secured Loan Documents), or any
25 other order (other than the Confirmation Order) referenced in this Plan (or any exhibits, schedules,
26 appendices, supplements or amendments to any of the foregoing), conflict with or are in any incon-
27 sistent with any provision of this Plan, this Plan shall govern and control, unless expressly set forth
28 herein.

1 (b) From and after the Effective Date, to the extent that any provision of this Plan,
2 the Disclosure Statement, the Plan Supplement, or any other order (other than the Confirmation Order)
3 referenced in this Plan (or any exhibits, schedules, appendices, supplements or amendments to any of
4 the foregoing), conflict with or are in any way inconsistent with any provision of any New Secured
5 Loan Document, then such New Secured Loan Document shall govern and control, unless expressly set
6 forth therein.

7 12.10. Computation of Time. In computing any period of time prescribed or allowed by this
8 Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

9 12.11. Governing Law. Except to the extent that the Bankruptcy Code or any other Federal law
10 is applicable, the rights and obligations arising under this Plan shall be governed by, and construed and
11 enforced in accordance with, the laws of the State of Nevada.

12 12.12. Successors and Assigns. The rights and obligations of any Person or Entity named or
13 referred to in this Plan shall be binding upon, and shall inure to the benefit of, the successors and
14 assigns of such Person or Entity.

15 12.13. Good Faith. Confirmation of the Plan will constitute a finding that the Plan has been
16 proposed in good faith and in compliance with all applicable provisions of the Bankruptcy Code.

17 12.14. Post Confirmation Conversion or Dismissal. A creditor or party in interest may bring a
18 motion to convert or dismiss the Chapter 11 Cases under Bankruptcy Code section 1112(b), after the
19 Plan is confirmed, if there is a default in performance of the Plan or if cause exists under Bankruptcy
20 Code section 1112(b). If the Bankruptcy Court orders the case converted to chapter 7 after the Plan is
21 confirmed, then all property that had been property of the Estate, and that has not been disbursed or
22 distributed pursuant to the Plan, will revert in the chapter 7 estate, and the automatic stay will be re-
23 imposed upon the re-vested property only to the extent that relief from stay was not previously granted
24 by the Bankruptcy Court during this Chapter 11 Case. In addition, any Allowed Administrative Claims
25 which are not paid on the Effective Date shall continue to be entitled to administrative priority, under
26 Bankruptcy Code section 507(a)(1) in any such subsequent Chapter 7 case to which this case is
27 converted.

28

FOX ROTHSCHILD LLP
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Las Vegas, NV 89135
(702) 262-6899
(702) 597-5503 (fax)

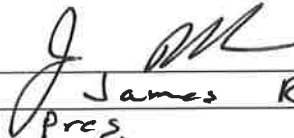
1 12.15. Post Confirmation Quarterly Fees. US Trustee Fees continue to be payable to the Office
2 of the United States Trustee post-confirmation until such time as the case is converted, dismissed, or
3 closed pursuant to Final Decree.

4 12.16. Entire Agreement. The Plan, as described herein, the Disclosure Statement and exhibits
5 thereto, and the Plan Supplement set forth the entire agreement and understanding of the parties hereto
6 relating to the subject matter hereof and supersede all prior discussions and documents. No party hereto
7 shall be bound by any terms, conditions, definitions, warrants, understandings or representations with
8 respect to the subject matter hereof, other than as in expressly provided for herein or as may hereafter
9 be agreed by the parties in writing.

10 DATED this 2nd day of September, 2016.

11 Mohave Agrarian Group, LLC,
12 an Arizona limited liability company

13 By: Truckee Springs Holdings, Inc.,
14 a Nevada corporation, its Manager

15 By: 
16 Name: James Rhodes
17 Title: Pres.

18 Respectfully submitted by:

19 FOX ROTHSCHILD LLP

20 By: /s/Brett A. Axelrod
21 BRETT A. AXELROD
22 1980 Festival Plaza Drive, Suite 700
23 Las Vegas, NV 89135
Counsel for Debtor

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EXHIBIT 1

LAND VALUE CONCLUSIONS

Parcel Number	Location	Acres	\$/Acre	As Is Market Value
313-02-022 (por)	Sec 25, T22N, R15W	640	\$4,000	\$2,560,000
313-01-035	W2, Sec 19, T22N, R14W	320	\$4,000	\$1,280,000
313-01-035	N2 & SE4, Sec 30, T2 N, R14W	480	\$4,000	\$1,920,000
313-01-035	Sec 31, T22N, R14W	640	\$4,000	\$2,560,000
313-01-035	S2, Sec 21, T22N, R14W	320	\$400	\$128,000
313-01-035	Sec 29, T22N, R14W	640	\$400	\$256,000
313-01-005	NW4, NE4, Sec 21, T22N, R14W	40	\$400	\$16,000
Totals/Average		3,080	\$2,831	\$8,720,000

Landauer Valuation & Advisory

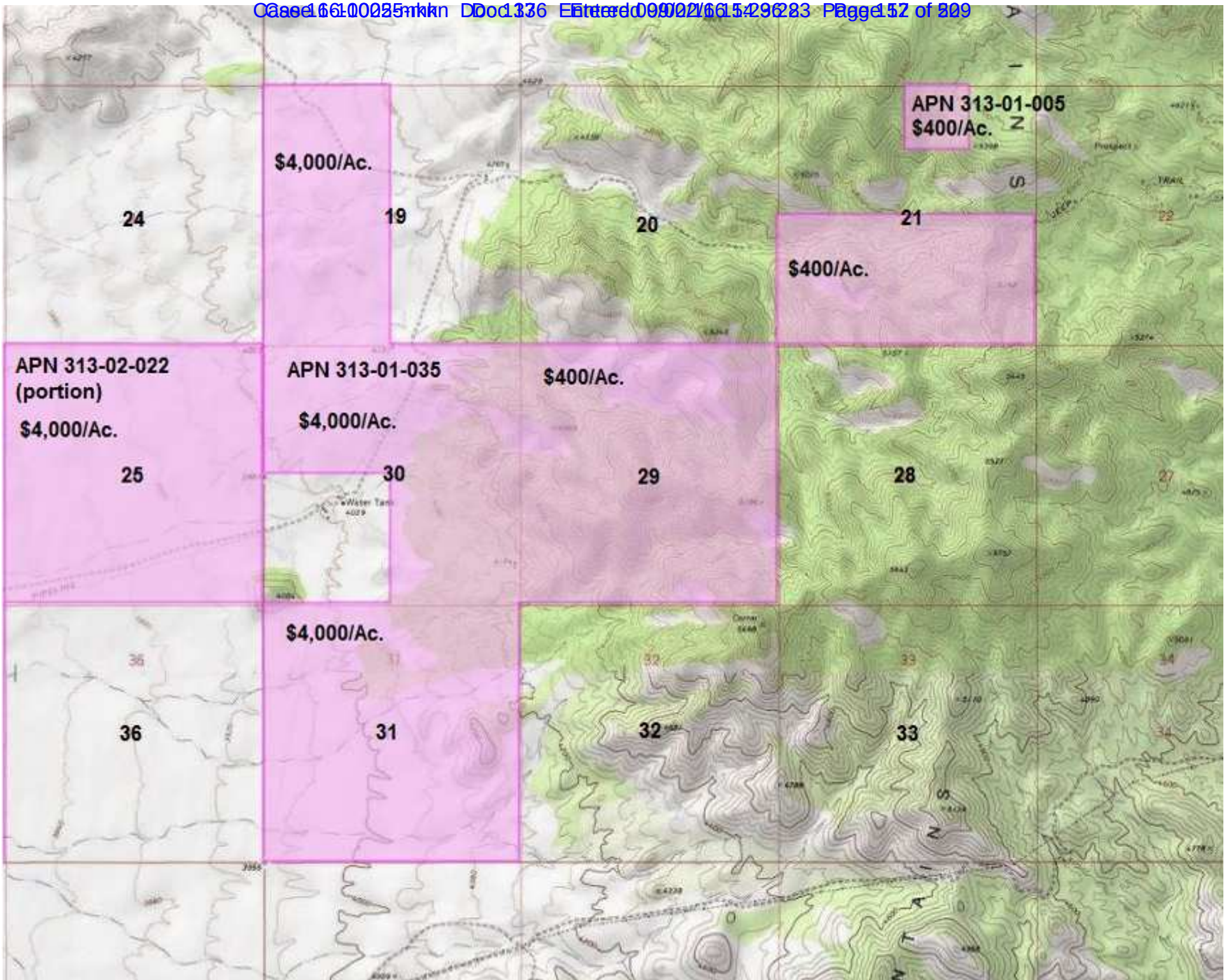


EXHIBIT B



REVIEW APPRAISAL OF:

Appraisal Report prepared by Colliers International Valuation & Advisory Services

8,888.31 Acres of Land
Mohave County, AZ

Colliers File No.: LAX160151
Landauer Job No.: 16-2642-0093

PERTINENT DATES:

Effective Date of Appraisal: April 5, 2016
Date of Review: August 3, 2016

PREPARED FOR:

Ms. Brett A. Axelrod, Esq.
Fox Rothschild, LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, NV 89135

PREPARED BY:

Landauer Valuation & Advisory
A division of Newmark Grubb Knight Frank
3930 Howard Hughes Parkway, Ste. 180
Las Vegas, NV 89169



REVIEW

8,888.31 ACRES OF LAND

August 3, 2016

Ms. Brett A Axelrod, Esq.
Fox Rothschild, LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, NV 89135

Re: Review of Valuation Consultants
Appraisal of 8,881.31 Acres of Land
Mohave County, AZ

Report prepared by Evan Ranes
Effective date of appraisal:
April 5, 2016

Dear Ms. Axelrod:

In accordance with your request, we have prepared a review of the above referenced appraisal report. This review has been prepared with the intention to conform to Standards Rule 3 of the 2016-2017 Edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP) as published by the Appraisal Foundation. This review has also been prepared with the intention to conform to the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

Identification of the Subject Property

8,888.31 acres of land located primarily east of the Kingman Airport, with other lands in Golden Valley and near Red Lake, in Mohave County, Arizona. The subject is further identified as a Mohave County Assessor's Parcel Numbers (APN) 354-29-011, 313-01-005, 313-01-035, 313-02-024, 313-02-021, 313-02-022, 313-02-023, 313-02-008, 310-17-004, 313-20-025, 341-15-008 and 215-01-072.

Client/Intended Users of the Appraisal Review

This appraisal review is for the sole and exclusive use of Ms. Brett A. Axelrod, Esq. and Fox Rothschild, LLP, clients.

Intended Use of the Appraisal Review

The intended use of this appraisal review is for valuation in Mohave Agrarian, LLC's bankruptcy proceedings.

Purpose of the Appraisal Review

The purpose of this appraisal review is to provide a rebuttal to the opinion of the "as is" fair market value of the fee simple estate as provided in the appraisal prepared by Robert E. Dietrich, MAI, CRE, CCIM, MRICS with Colliers International Valuation & Advisory Services prepared for William M. Noall, Esq., Garman Turner Gordon LLP, 650



REVIEW

8,888.31 ACRES OF LAND

White Drive, Suite 100, Las Vegas, NV 89119. The report is identified as Colliers File Number LAX160151. The date of the appraisal is April 5, 2016.

Date of the Appraisal Review

The date of the appraisal review is August 3, 2016.

Appraisers Who Completed the Work Under Review

The work under review was prepared by Mr. Robert E. Dietrich, MAI, CRE, CCIM, MRICS.

Scope of the Appraisal Review

Evan Ranes, MAI was engaged by Ms. Brett A. Axelrod, Esq. with Fox Rothschild, LLP, to complete a Rebuttal Review of the appraisal report dated April 5, 2016 as prepared by Robert E. Dietrich, MAI, CRE, CCIM, MRICS with Colliers International.

I have previously appraised the subject property within the last three years of this review assignment. Based on the conclusions reached in this review, I have previously submitted an independent appraisal in which I developed my own opinion of "as is" market value as required by Standards Rule 3-3 (c).

It should be noted that due to the collection of additional market data and sales I have adjusted my value conclusions which will be presented at the end of this report.

Subject Identification

The appraiser identifies the property as... "8,888.31 gross acres of vacant land located primarily east of the Kingman Airport, with other lands in Golden Valley and near Red Lake, in Mohave County, Arizona. This property is also identified as Mohave County Assessor's Parcel Numbers (APN) 354-29-011, 313-01-005, 313-01-035, 313-02-024, 313-02-021, 313-02-022, 313-02-023, 313-02-008, 310-17-004, 313-20-025, 341-15-008 and 215-01-072.

Extraordinary Assumptions

The appraiser employs the following extraordinary assumption: "None."

Effective Date of Value

The effective date of value in the Colliers International report is April 5, 2016.

Value Conclusion

The "As Is" Fair Market Value of the Fee Simple Estate, as of April 5, 2016, in the Valuation Consultants report is \$9,625,000.



REVIEW

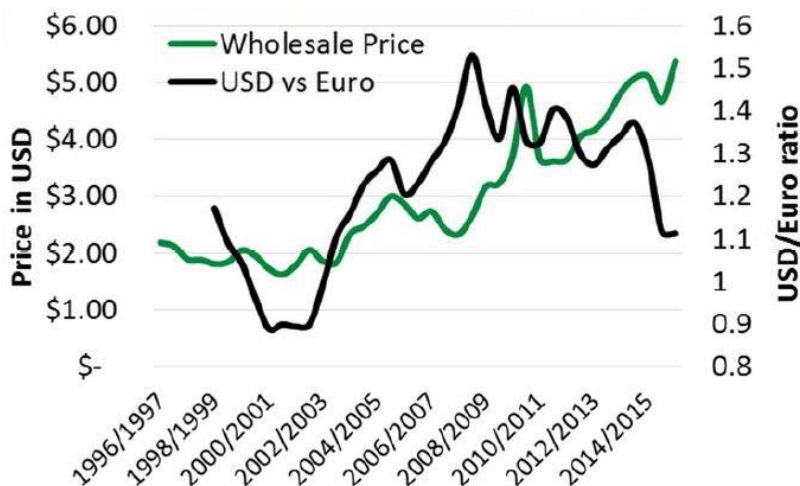
8,888.31 ACRES OF LAND

Highest and Best Use

The Appraiser looks at almond and pistachio crops as possible uses and states (page 37) that pistachios “are likely a lower risk crop in the Kingman area”. And concludes (page 38) that “... nut orchards (most likely pistachios) may be suitable.”

The Appraiser presents a graph showing almond prices per pound dropping from \$4.00 to \$4.50 per pound in the fall of 2015 to current levels of \$2.20 to \$2.50. However, no mention of pistachio pricing is made.

Pistachio prices were recently around \$5.30 per pound as of May 2016 (near its all-time high from 2015 of \$5.40-\$5.50). This was due in part to a lack of supply in a very poor production year in California. Poor production was due primarily to not enough chill hours in the winter. Pistachio prices, unlike almond prices, have not dropped substantially. The chart below illustrates pistachio pricing over the last 20 years.



Source: Nichols Farms Market Report – Pistachios, December 2015

Subject Area

The Appraiser has calculated that 1,080 acres in the Peacock Highlands property are not suitable for agriculture and has valued it at a lower rate. The Appraiser presents comparables ranging from \$400 to \$461 per acre and reconciles to \$300 per acre.

We have considered this analysis and agree that the three eastern parcels namely Section 29, Township 22 North, Range 14 West; South Half of Section 21, Township 22 North, Range 14 West, and the Northwest Quarter of the Northeast Quarter of Section 21, Township 22 North, Range 14 West are not suitable for agriculture and should be valued at a lower rate. However we have calculated that 1,000 acres (as opposed to 1,080 acres), are not suitable. In addition we will use a value of \$400 per acre and reserve the right to adjust this figure should be obtain better sales comparables. We will adjust the Landauer analysis to reflect this figure and revise the values accordingly.

**REVIEW**

8,888.31 ACRES OF LAND

Adjustments

The Appraiser has gathered and analyzed 9 closed land sales. Comments on the adjustments are as follows:

Estate Sold – No adjustments required.

Cash Equivalency – Although the Appraiser states that no adjustments were required. An adjustment to C1 was made and appears to be warranted.

Conditions of Sale – An adjustment to C6 and C9 was made for motivation.

Market Conditions – The Appraiser states that there is “no significant appreciation noted in the market.” And “...Mohave County and the Kingman area in particular has an abundance of unimproved rural land with little current demand by buyers except in the agricultural sector.” The appraiser concludes to an annual appreciation rate of 2%.

I agree with the Appraiser that prices have been relatively flat prior to 2015. But from 2015 to the present market activity has greatly increased with out-of-state farmers looking for alternative locations due to drought conditions primarily in California. Market appreciation is evidenced by recent sales and listings. Appropriate comparables are 2015 to the present since this market realignment. Any comparables used prior to 2015 would require a substantial upward adjustment for market conditions.

Size – The subject is comprised of 8,888 acres. The Appraiser uses comparables ranging from 320 acres to 5,800 acres and states “anything less than 320 acres would be difficult to economically manage and farm...” The appraiser makes no adjustment for size.

It is true that larger acreage allows for economies of scale and thus increased pricing. The highest and best use of the property is for agricultural development (namely permanent crops). The buyer of a 2,000 to 10,000 acres is typically not the same buyer of a 320 to 640 acre parcel. With primary demand for agricultural land coming from out of state farmers, their focus is on acreage sufficient for large scale farming; greater than 5,000 acres.

The Appraiser presents 9 comparables and the largest sale (C5 at 5,848 AC) is also the highest price at \$3,078 per AC. And one of the smallest comparables (C1 at 650 AC) is the second lowest price at \$461 per AC. (The lowest price per AC is C8 at \$401 per AC which is not suitable for agriculture).

The most appropriate comparables in this analysis are the larger comparables greater than 2,000 AC. Smaller properties need to be adjusted upward. The comparables the Appraiser uses which requires additional upward adjustments include C1, C2, C4, C7, C8, and C9.

Location – The Appraiser uses the location adjustment to adjust for proximity to, and quality of, groundwater locations. The Appraiser considers the Red Lake Sub-basin as the superior location with the Golden Valley Sub-basin as the second best location and the Kingman Sub-basin as an inferior location. The Appraiser cites water depth and water replenishment as the metric for the adjustment. He states that Red Lake as a water depth of 300 feet, and Peacock Highlands (Kingman Sub-basin), as well as Golden Valley have water depths at 600 feet.

In pages 25-30 an overview of water availability in the Hualapai Basin and Sub-basins is presented.

**REVIEW**

8,888.31 ACRES OF LAND

Based on data I have analyzed I agree with the Appraiser that the Red Lake Sub-basin is superior however it is only marginally superior to the Kingman Sub-basin. Costs to drill deeper wells is roughly \$200 per foot. Drilling an additional 100 feet adds an additional cost of \$30 to \$60 per acre (depending on whether one or two wells per section are required). In addition, Phase 3 power is further from the Red Lake properties and diesel would need to be used to pump the water which adds a marginal cost.

It is my opinion that the Golden Valley Sub-basin is inferior to both the Red Lake and Kingman Sub-basins based on problematic recharge rates. Also, the Golden Valley properties are within the drainage of the Colorado River which is a federally controlled waterway. As such, washes running thru the parcels cannot be altered which tends to reduce the farmable area by 10% and leaves odd angles and shapes which can reduce efficiency by an additional 5%.

We have analyzed the wells on (or near) the subject property as well as on (or near) the comparables and looked at water depth and well depth based on data from the Arizona Department of Water Resources (ADWR). The Peacock Highlands property has wells with water depth of 60-900 feet and well depth of 180-1,490 feet. In the Red Lake property nearby wells have water depth of 140-360 feet with well depth of 205-455 feet. In the Golden Valley property the water level is 326 feet with a water depth of 1,302 feet. This analysis will be incorporated into the discussion of individual comparables in the coming sections. Overall I consider Red Lake only marginally better than Kingman and Golden Valley far inferior.

In two instances (C4 and C5), the location adjustment is used to adjust for proximity to development. Proximity to development is not relevant to farmland, assuming the H&BU is agricultural. In the case of C4, it is within the city of Kingman and not an agricultural comparable.

Access – The Appraiser considers access to the comparable in comparison the subject. The Red Lake property has an ungraded dirt road, Peacock Highlands has a gravel road running east to west, and Golden Valley has a state highway bisecting the property.

Terrain – The Appraiser indicates that most of the properties have slopes of 0% to 5% with some parcels with slopes upward of 25%. Not adjustments are required for these sales. He states that C8 has a steep slopes in roughly 35% of the property which required an adjustment however it appears no adjustment was made. It should be noted that C8 was used to set the value of the nonproductive portion of Peacock Highlands.

Utilities – The Appraiser accounts for electricity utility service (or lack thereof), with this adjustment.

Soils & Subsoils – The Appraiser points out that all of the comparables are similar to the subject it terms of soil capability with classifications of 7c.

Contiguity – Properties that are contiguous are superior to properties that are not. The Appraiser points out that Peacock Highlands is a “checkerboard” pattern. This increases costs and time in moving equipment and thus requires a downward adjustment when compared to contiguous property. Downward adjustments were made to C2, C3, C4, C5, and C7. An upward adjustment was made to C1.

I disagree with the Appraiser regarding C3. This transaction is made up of property in 4 locations. Three of the locations make up roughly 30% of the property and are located 1 mile to 1.5 miles away from the primary parcel. This should require an upward adjustment as opposed to a downward adjustment.



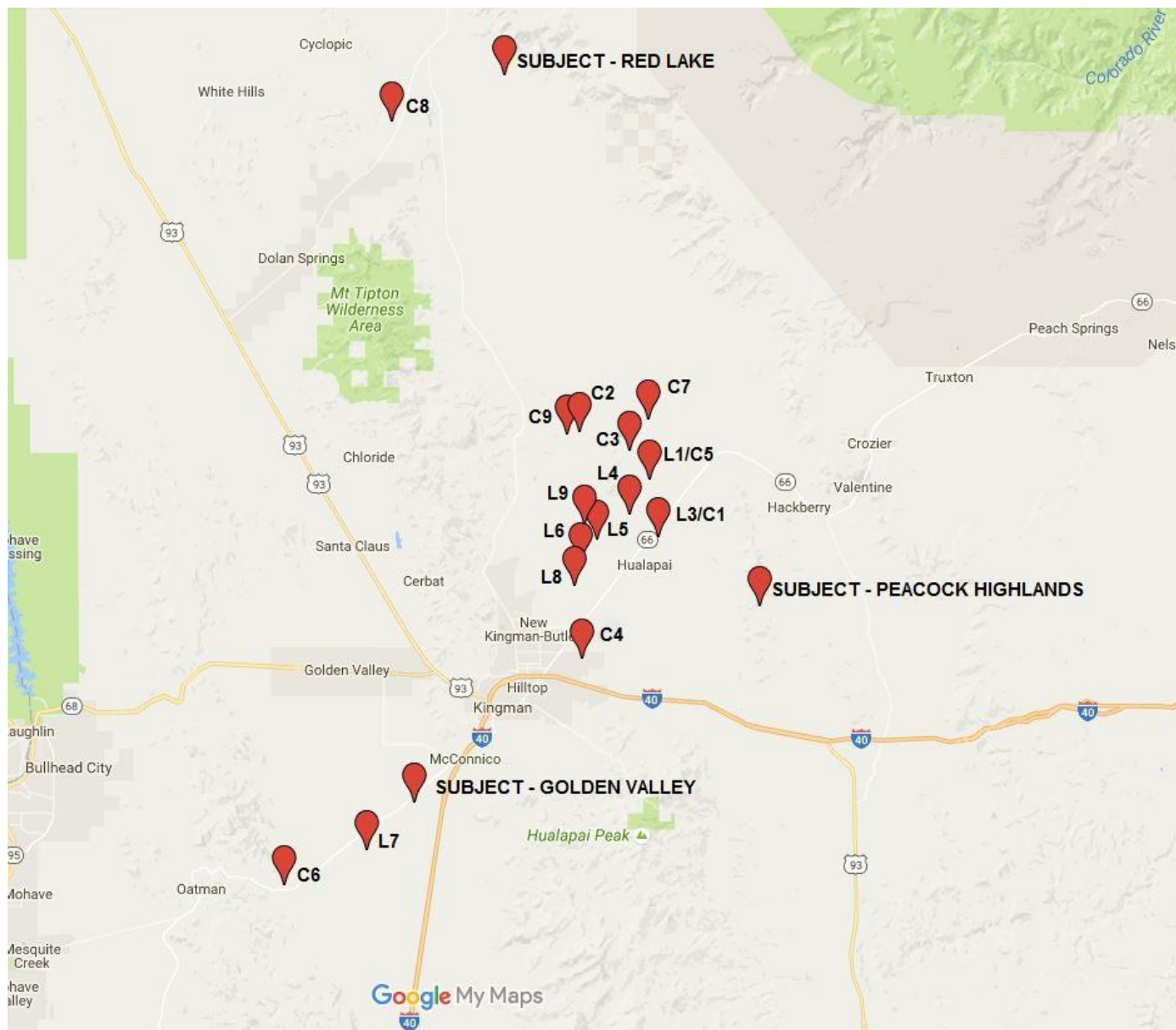
REVIEW

8,888.31 ACRES OF LAND

C6 was considered similar to the subject however parcels are not checkerboard but rather separated by other parcels. This is considered inferior to the subject and should require an upward adjustment.

Map of Subject and Comparables

The following map illustrates the location of subject parcels as well as the Colliers comparables (designated C1 thru C9) and the Landauer comparables (designated L1 thru L9):

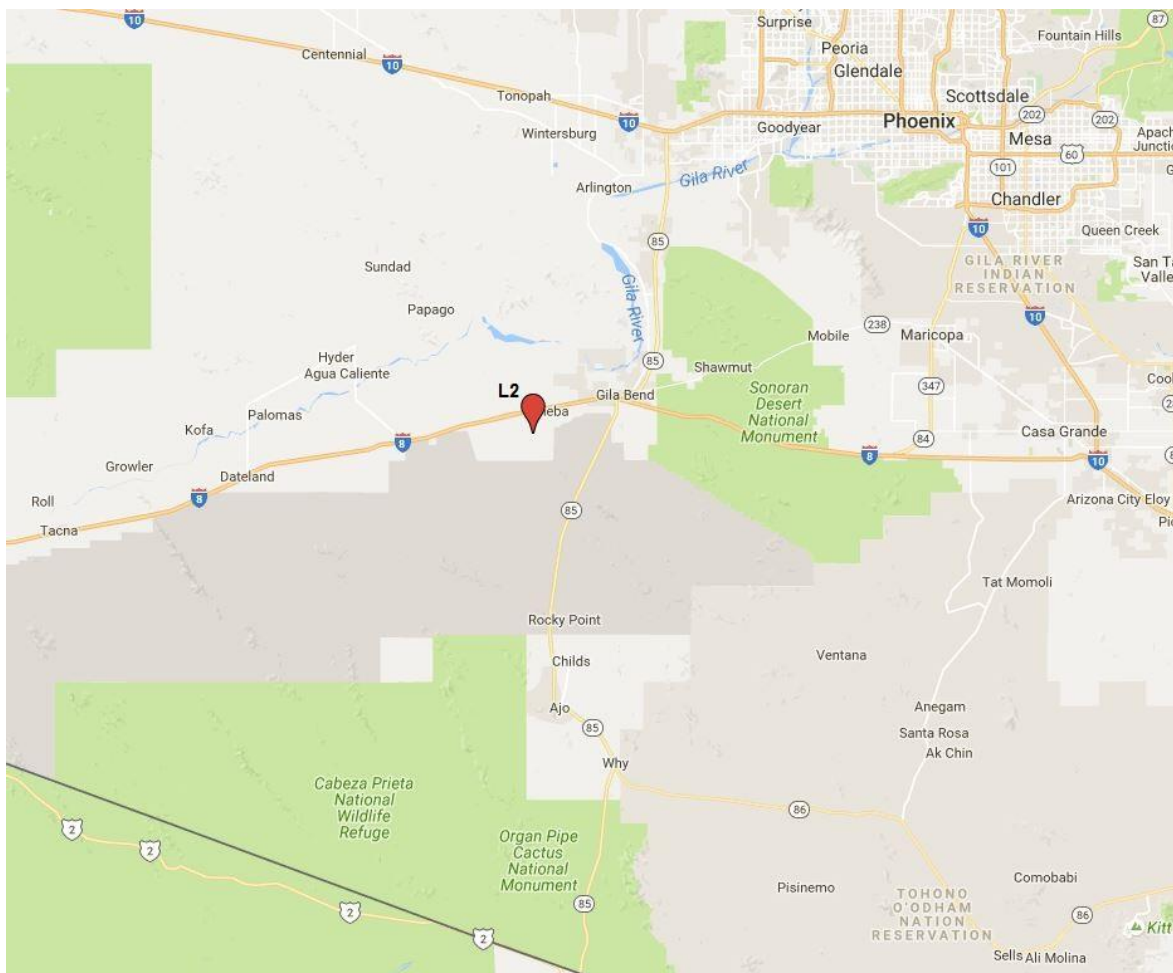


I used a sale outside of the Hualapai Basin and it is in the following map.



REVIEW

8,888.31 ACRES OF LAND



Land Comparables

Comments relating to the individual comparables are as follows:

Colliers 1 – The Appraiser uses this sale which is quite old (2013). It should be noted that I use it in my analysis as a current listing.

An upward adjustment of 2% per year was made for market conditions. Based on recent sales, listings, and discussions with real estate brokers in the market, a much larger upward adjustment is required.

The size of this comparable is 650.49 acres and is much smaller than the subject property. The appraiser makes no adjustment for size however an upward adjustment is required.

This comparable is in the Kingman Sub-basin with no wells onsite. The Appraiser states that since it is closer to the deeper portion of the Kingman Sub-basin it requires a downward adjustment. We researched nearby wells and note that the water level is 600-958 feet which is considered similar to the Peacock Highlands wells at 60-900 feet. An adjustment for ground water is not appropriate.

**REVIEW**

8,888.31 ACRES OF LAND

The Appraiser shows an unadjusted price of \$461 per acre and concludes to a price greater than \$750 per acre. After adjusting for market conditions and size and making no location adjustment, this sale indicates a price that is greater than \$3,000 per acre.

Colliers 2 – An upward adjustment of 2% per year was made for market conditions. Based on recent sales, listings, and discussions with real estate brokers in the market, a much larger upward adjustment is required.

The size of this comparable is 640.00 acres and is much smaller than the subject property. The appraiser makes no adjustment for size however an upward adjustment is required.

This comparable is in the Red Lake Sub-basin with 3 wells onsite. The Appraiser makes a downward adjustment for superior ground water. Our research of the comparables wells show a water level is 460-561 feet which is considered similar to the Peacock Highlands wells at 60-900 feet. An adjustment for ground water is not appropriate.

The Appraiser shows an unadjusted price of \$1,172 per acre and concludes to a price of \$1,000 per acre. After adjusting for market conditions and size and making no location adjustment, this sale indicates a price that is greater than \$3,000 per acre.

Colliers 3 – This comparable is the purchase of a 50% controlling interest in land. The Appraiser bases all of the adjustments off of \$1,611 per acre however the price should be close to double at roughly \$3,222 per acre.

An upward adjustment of 2% per year was made for market conditions. Based on recent sales, listings, and discussions with real estate brokers in the market, a much larger upward adjustment is required.

This comparable is in the Red Lake Sub-basin with 2 wells onsite. The Appraiser makes a downward adjustment for superior ground water. Our research of the comparables wells show a water level is 440-483 feet which is considered similar to the Peacock Highlands wells at 60-900 feet. An adjustment for ground water is not appropriate.

The Appraiser makes a downward adjustment for contiguity. However this transaction is made up of properties in four locations. Three of the locations make up roughly 30% of the property and are located 1 mile to 1.5 miles away from the primary parcel. This should require an upward adjustment as opposed to a downward adjustment.

The Appraiser shows an unadjusted price of \$1,611 per acre, which should be closer to \$3,222 per acre, and concludes to a price of \$1,000 per acre. After adjusting for the ownership error, market conditions, size, making no location adjustment, and contiguity, this sale indicates a price that is greater than \$3,500 per acre.

Colliers 4 – An upward adjustment of 2% per year was made for market conditions. Based on recent sales, listings, and discussions with real estate brokers in the market, a much larger upward adjustment is required.

The size of this comparable is 674.32 acres and is much smaller than the subject property. The appraiser makes no adjustment for size however an upward adjustment is required.

This comparable is in the Kingman Sub-basin with 2 wells onsite. The Appraiser makes a downward adjustment for superior ground water. Our research of the comparables wells show a water level is 688-735 feet which is considered similar to the Peacock Highlands wells at 60-900 feet. An adjustment for ground water is not appropriate.

**REVIEW**

8,888.31 ACRES OF LAND

The Appraiser shows an unadjusted price of \$2,410 per acre and concludes to a price of less than \$2,000 per acre. After adjusting for market conditions and size and making no location adjustment, this sale indicates a price that is greater than \$3,000 per acre.

Colliers 5 – It should be noted that I use this comparable in my analysis and believe it is one of the two best comparables available. An upward adjustment of 2% per year was made for market conditions. Based on recent sales, listings, and discussions with real estate brokers in the market, a much larger upward adjustment is required.

This comparable is in the Kingman Sub-basin with 4 production wells onsite. The Appraiser asserts that the groundwater is superior but makes no adjustment. Our research of the comparable's wells show the water level is 350-600 feet which is considered slightly superior to the Peacock Highlands wells at 60-900 feet. However, not mentioned in the Appraisers discussion is the fact that these wells serve the subdivision located east of the comparable. There is a condition in place that states that RB Ranch Development, LLC (buyer) can use the water as long as the subdivision's water is not affected. This restriction could have a negative impact in the future. The Appraiser makes no adjustment for ground water. I disagree and would make an upward adjustment due to possible future restrictions.

It should be noted that the buyer is a California nut farm and will develop the property with nut crops.

The Appraiser shows an unadjusted price of \$3,078 per acre and concludes to a price of less than \$2,000 per acre. After adjusting for market conditions, location, this sale indicates a price that is greater than \$3,500 per acre.

Colliers 6 – An upward adjustment of 2% per year was made for market conditions. Based on recent sales, listings, and discussions with real estate brokers in the market, a much larger upward adjustment is required.

This comparable is in the Golden Valley Sub-basin with 4 production wells onsite. The Appraiser makes a downward adjustment for superior ground water. Our research of the comparables wells show a water level is 605-634 feet which is considered inferior to the Peacock Highlands wells at 60-900 feet. The Golden Valley Sub-basin is inferior to both the Kingman Sub-basins based on problematic recharge rates and the Golden Valley properties are with the drainage of the Colorado River which is a federally controlled waterway. As such, washes running thru the parcels cannot be altered which tends to reduce the farmable area by 10% and leaves odd angles and shapes which can reduce efficiency by an additional 5%. The Appraiser notes regarding the buyer: "Their expectation is to plant the property to almonds... there is a question to whether adequate irrigation water is available." For these reasons an upward adjustment (as opposed to no adjustment), is appropriate.

In terms of contiguity, the Appraiser considered this comparable similar to the subject however the parcels are not checkerboard but rather separated by other parcels. This is considered inferior to the subject and should require an upward adjustment.

The Appraiser shows an unadjusted price of \$1,892 per acre and concludes to a price of less than \$1,500 per acre. After adjusting for market conditions, location and contiguity this sale indicates a price that is greater than \$3,000 per acre.

Colliers 7 – An upward adjustment of 2% per year was made for market conditions. Based on recent sales, listings, and discussions with real estate brokers in the market, a much larger upward adjustment is required.

**REVIEW**

8,888.31 ACRES OF LAND

The size of this comparable is 640.00 acres and is much smaller than the subject property. The appraiser makes no adjustment for size however an upward adjustment is required.

This comparable is in the Red Lake Sub-basin with 1 well onsite. The Appraiser makes a downward adjustment for superior ground water. Our research of the comparables well show a water level is 470 feet which is considered similar to the Peacock Highlands wells at 60-900 feet. An adjustment for ground water is not appropriate.

It should be noted that this comparable has no legal access. It was purchased by the owner of a neighboring parcel who can provide access to the site. While it is illegal to deny access to a landlocked property it is often the case that obtaining access from a neighbor requires litigation. The lack of access requires an upward adjustment which the Appraiser does not make.

The Appraiser shows an unadjusted price of \$1,211 per acre and concludes to a price of \$1,000 per acre. After adjusting for market conditions, size, location, and lack of access, this sale indicates a price that is greater than \$3,000 per acre.

Colliers 8 – An upward adjustment of 2% per year was made for market conditions. Based on recent sales, listings, and discussions with real estate brokers in the market, a much larger upward adjustment is required.

The size of this comparable is 636.27 acres and is much smaller than the subject property. The appraiser makes no adjustment for size however an upward adjustment is required. A portion of this comparable has a very steep slope, upwards of 35% and the parcel is considered non-agricultural. The Appraiser makes no adjustments to this sale and instead uses it as a comparable for the non-agricultural portion of Peacock Highlands.

The Appraiser makes no conclusion to the unadjusted price of \$401 per acre.

Colliers 9 – The size of this comparable is 320.00 acres and is much smaller than the subject property. The appraiser makes no adjustment for size however an upward adjustment is required.

This comparable is in the Red Lake Sub-basin with 1 well onsite. The Appraiser makes a downward adjustment for superior ground water. Our research of the comparable's well shows a water level of 577 feet which is considered similar to the Peacock Highlands wells at 60-900 feet. An adjustment for ground water is not appropriate.

It should be noted that the buyer subsequently planted 80 acres of almonds.

The Appraiser shows an unadjusted price of \$2,000 per acre and concludes to a range of \$1,000 to \$2,000 per acre. After adjusting for size this sale indicates a price that is greater n \$3,000 per acre.

The Appraiser did not provide any listings in the analysis. It is important to analyze listings in a dynamic market which the subject is currently in. It should be noted that the Appraiser overlooked some superior listings in the subject market area namely Landauer 7 which is 1,139 acres in the Kingman Sub-basin which was listed for \$7,498 per acre and ultimately sold for \$6,498 per acre. Also Landauer 5 which is 710 acres in the Kingman Sub-basin which was listed for \$3,500 per acre and is reportedly in escrow at this time.

**REVIEW**

8,888.31 ACRES OF LAND

Reconciliation - Colliers

The Appraiser adds the contributory value of the existing wells and this appears appropriate. In my analysis existing wells are considered in the adjustments.

Overall, the Appraiser concludes to values as follows:

LAND VALUE CONCLUSIONS - COLLIERS			
Location	Acres	\$/Acre	As Is Market Value
Peacock Highlands - Western Parcels	6,537.92	\$1,100	\$7,191,712
Peacock Highlands - Eastern Parcels	1,080.00	\$300	\$324,000
Subtotal	7,617.92	\$1,400	\$7,515,712
Subtotal Rounded			\$7,500,000
Plus Contributing Value of Wells			\$500,000
Total Peacock Highlands (Rd)			\$8,000,000
Red Lake	640.48	\$550	\$352,264
Total Red Lake (Rd)			\$350,000
Golden Valley	629.91	\$1,500	\$944,865
Golden Valley (Rd)			\$950,000
Plus Contributing Value of Wells			\$325,000
Total Golden Valley			\$1,275,000
Total Golden Valley (Rd)			\$1,275,000
Totals	8,888.31		\$9,625,000
Rounded			\$9,625,000

Landauer Valuation & Advisory

I do not agree with the Appraisers values and believe them to be well below market. In the following section I will present my own findings and conclusions.

**REVIEW**

8,888.31 ACRES OF LAND

Landauer Analysis

In accordance with Standard Rule 3 of USPAP, I have included additional analysis to be considered in addition to the previously submitted Landauer Appraisal Report of the subject property (Landauer File No. 16-2642-0005). This provides the reasoning and analysis that will support an as is market value which is substantially different from the Colliers appraisal.

In addition to my analysis of the Colliers appraisal I have also reexamined my initial appraisal of the subject. I have conducted additional research and collected additional data and provided additional analysis of the updated comparables. In addition I have updated the concluded values from the my original report.

Landauer 1 – As mentioned previously, this comparable was used in the Colliers appraisal and is considered to be a good indication of value as it was purchased to develop nut crops.

The unadjusted price is \$3,087 per acre. After adjusting upward for market conditions and adjusting downward for access and contiguity, a sales price that is greater than \$3,500 per acre is indicated.

Landauer 2 – This sale is 3,662 acres near Gila Bend, AZ that sold on May 1, 2015 for \$10,270,490 or \$2,805 per acre.

After adjusting upward for market conditions and adjusting downward for access, contiguity, and improvements, a sales price greater than \$3,000 per acre is indicated.

Landauer 3 – As mentioned previously, this comparable was used in the Colliers appraisal however it was used as a 2013 sale. Here we are using it as a current listing at \$1,400,000 for 650 acres or \$2,152 per acre.

After adjusting upward for size, contiguity, and adjusting downward for access and negotiations, a sales price that is greater than \$3,500 per acre is indicated.

Landauer 4 – This comparable is a listing which has been taken off the market. No other information regarding this comparable could be obtained.

Landauer 5 – This comparable is a listing for 710 acres at \$2,485,000 or \$3,500 per acre. The seller is reportedly in negotiations with a buyer who intends to develop a solar plant on the site. Close of escrow is delayed as the buyer is awaiting full entitlements. The property is expected to close at \$3,400 per acre. The property is located in the Kingman Sub-basin.

After adjusting upward for size, contiguity, and adjusting downward for access and negotiations, a sales price that is greater than \$3,500 per acre is indicated.

Landauer 6 – This comparable was originally a listing used in the Landauer appraisal. The property 1,139.36 acres and was listed for \$8,542,500 or \$7,498 per acre. The property sold to Kingman Orchard 1139, LLC on May 26, 2016 for \$7,403,500 or \$6,498 per acre.

The property sold with a seller carry back for three years requiring a downward adjustment.

**REVIEW**

8,888.31 ACRES OF LAND

The property is located in the Kingman Sub-basin and had one operating 18" well with a water level of 526 feet and a depth of 1,020 feet. The well was tested and showed a well efficiency at 3,000 gpm of 98% (very high). There was an additional well drilled in 1974 (20") of unknown capability. A downward adjustment for superior water is required.

Access is considered superior to this parcel requiring a downward adjustment.

This property is contiguous which is considered superior to the subject and requires a downward adjustment.

We note that the seller has roughly 10 acres of almonds and roughly 30 acres of grapes which were not a part of this transfer. Overall this is an excellent comparable showing the recent market activity. While superior to the subject at \$6,498 per acre, after adjustments a price of \$4,000 per acre is indicated.

Landauer 7 – This comparable is a listing in Golden Valley of 600.15 acres. The price is \$4,500,000 or \$7,498 per acre. There are no wells on site and ground water in the area is poor. After adjustments it appears the property is overpriced.

After adjusting upward for size and adjusting downward for access, contiguity, and negotiations, a sales price that is greater than \$3,500 per acre is indicated.

Landauer 8 – This is a listing of 546.08 acres. The list price is \$2,184,320 or \$4,000 per acre. There are no wells on site.

After adjusting upward for size and adjusting downward for access and negotiations, a sales price that is greater than \$3,500 per acre is indicated.

Landauer 9 –. This is a new listing not in our original report. It is located at the northeast corner of North Avenida Verde and East Calle Sonoita, Kingman, Mohave County. The offering is 1,280 acres at \$7,040,000 or \$5,500 per acre. According to the listing broker, the seller is currently in negotiations with a buyer and the transaction is likely. The property is in the Kingman Sub-basin. After adjusting downward for negotiations a sales price that is greater than \$4,000 per acre is indicated.

REVIEW

8,888.31 ACRES OF LAND



Adjustment Grid

LAND SALES COMPARISON ADJUSTMENT ANALYSIS										
Comparable	Subject	Land Sale 1	Land Sale 2	Land Sale 3	Land Sale 4	Land Sale 5	Land Sale 6	Land Sale 7	Land Sale 8	Land Sale 9
Address	Peacock Highlands Farms, Red Lake Farms (portion) and Golden Valley Farms (portion)	S of E California, E of Mery Ellen	E/S of Poratoo, S of I-8	E Rail Road, S of I-8	N/Av	NEC Calle Alamo & Avenieda Hafley	SS Calle Alamo, E of Avenida Verde	SEC Dawson & Ramada	N of Grace Neal, W of Hwy 66	NEC Avenida Verde & Calle Sonoita
City	Kingman	Kingman	Gila Bend	Kingman	N/Av	Kingman	Kingman	Kingman	Kingman	Kingman
County	Mohave	Mohave	Maricopa	Mohave	N/Av	Mohave	Mohave	Mohave	Mohave	Mohave
State	AZ	AZ	AZ	AZ	N/Av	AZ	AZ	AZ	AZ	AZ
Transaction Type	--	Closed Sale	Closed Sale	Listing	N/Av	Listing	Closed Sale	Listing	Listing	Listing
Grantor	--	Marc & Rida Neal	Nopal Cactus Farms	Dani Pretty Kitty	N/Av	Leonard Hafley	Lingenfelter IL	Sacramento 600	Castle Arch RE	Alliance Equity Group
Grantee	--	RB Ranch	FTW, LLC	Listing	N/Av	Listing	Kingman Orchard	Listing	Listing	Listing
Marketing Time	--	Not Available	10 Mos.	Not Available	N/Av	Not Available	Not Available	Not Available	Not Available	Not Available
Date	--	4/1/2015	5/1/2015	Listing	N/Av	Listing	5/26/2016	Listing	Listing	Listing
Price	--	\$180,550,000	\$10,270,490	\$1,400,000	N/Av	\$2,845,000	\$7,403,500	\$4,500,000	\$2,184,320	\$7,040,000
Useable Acres	8,888.31 Ac.	5847.89 Ac.	3662.00 Ac.	650.00 Ac.	N/Av	710.00 Ac.	1,139.36 Ac.	600.15 Ac.	546.08 Ac.	1280.00 Ac.
Sale Price Per Acre		\$3,087	\$2,805	\$2,154	N/Av	\$3,500	\$6,489	\$7,498	\$4,000	\$5,500
Transaction Adjustments										
Property Rights		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Financing		Similar	Similar	Similar	Similar	Similar	Superior	Similar	Similar	Similar
Conditions of Sale		Similar	Similar	Superior	Similar	Superior	Similar	Superior	Superior	Superior
Expenditures After Purchase		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Market Conditions (Time)		Inferior	Inferior	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Subtotal		Inferior	Inferior	Superior	Similar	Superior	Superior	Superior	Superior	Superior
Physical Adjustments										
Location		Similar	Similar	Similar	Similar	Similar	Inferior	Inferior	Similar	Similar
Size		Similar	Similar	Inferior	Similar	Inferior	Similar	Inferior	Inferior	Similar
Topography		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Utilities		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Access		Superior	Similar	Similar	Similar	Similar	Superior	Superior	Superior	Similar
Soils		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Contiguity		Superior	Superior	Superior	Similar	Superior	Superior	Superior	Similar	Similar
Improvements		Similar	Superior	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Overall Qualitative Adjustment		Inferior	Inferior	Inferior	Similar	Inferior	Superior	Superior	Superior	Superior
Indication of Price per Acre		>\$3,500	>\$3,000	>\$3,500	N/Av	>\$3,500	>\$3,500	>\$3,500	>\$3,500	>\$4,000

Source: Landauer Valuation & Advisory

**REVIEW**

8,888.31 ACRES OF LAND

Conclusion - Landauer

Based on the above analysis I have valued the western portion of the Peacock Highlands parcels at \$4,000 per acre. The eastern portion is valued at \$400 per acre.

The Golden Valley parcel is valued at \$3,600 per acre and the Red Lake parcel is valued at \$3,500 per acre.

A liquidation discount of 30% for a sale within 90 days was presented in my previous report and is applied to the as is market values. The table below illustrates these values.

LAND VALUE CONCLUSIONS - LANDAUER					
Location	Acres	\$/Acre	As Is Market Value	Liquidation Discount	Liquidation Value
Peacock Highlands - Western Parcels	6,617.92	\$4,000	\$26,471,680	30%	\$18,530,176
Peacock Highlands - Eastern Parcels	1,000.00	\$400	\$400,000	30%	\$280,000
Subtotal	7,617.92	\$4,400	\$26,871,680		\$18,810,176
Golden Valley	629.91	\$3,600	\$2,267,676	30%	\$1,587,373
Red Lake	640.48	\$3,500	\$2,241,680	30%	\$1,569,176
Totals	8,888.31		\$31,381,036		\$21,966,725
Rounded			\$31,400,000		\$22,000,000

Landauer Valuation & Advisory

If I may be of any further assistance, please do not hesitate to contact me.

Respectfully submitted,

Evan Ranes, MAI, ASA
 Managing Director, Western Region
 Certified General Appraiser
 NV – A.0001497-CG; Exp. March 31, 2018
 Phone: 213-596-2216
 E-Mail: eranes@ngkf.com

REVIEW

8,888.31 ACRES OF LAND



APPRAISERS' CERTIFICATE

I certify that, to the best of my knowledge and belief:

- (1) The statements of fact contained in this report are true and correct.
- (2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- (3) I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- (4) I have performed an appraisal of the subject property within the last year.
- (5) My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use
- (6) I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
- (7) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- (8) My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- (9) My analyses, opinions and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- (10) The property was not inspected by Evan Ranes, MAI, for purposes of this review.
- (11) Jenna Davidson provided significant appraisal review assistance to the person signing this certification.

Evan Ranes, MAI, ASA
Managing Director, Western Region
Certified General Appraiser
AZ – 31917, Exp. October 31, 2018
Phone: 213-596-2216
E-Mail: eranes@ngkf.com

**REVIEW**

8,888.31 ACRES OF LAND

GENERAL ASSUMPTIONS

- The legal description used in this report is assumed to be correct.
- No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
- No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.
- Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.
- All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as the presence of urea-formaldehyde foam insulation, asbestos, and/or existence of toxic waste, which may or may not be present on the property, was not observed by me; nor do I have any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The existence of urea-formaldehyde insulation or other potentially hazardous waste material may have an effect on the value of the property. We urge the client to retain an expert in this field if desired.
- It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report.
- It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- It is assumed that the utilization of the land and improvements is within the boundaries or property lines described and that there is no encroachment or trespass unless noted within the report.

**REVIEW**

8,888.31 ACRES OF LAND

GENERAL LIMITING CONDITIONS

- The appraiser will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made therefore. If any courtroom or administrative testimony is required in connection with this report, an additional fee shall be charged for those services.
- Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser and, in any event, only with properly written qualifications and only in its entirety.
- The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
- Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified without written consent of the appraiser.
- The report and data investigated, except that furnished by the client, remains the sole property of our firm.
- The terms of the agreement between the client and the authors are such that the authors have no obligation to update the report or revise it in any manner because of events or transactions occurring subsequent to the date of such report.
- We have no objection to your use of our firm name as the author of the report which is to be prepared, and hereby consent to your making reference to such report in your reports or financial statements and in any document filed with any governmental agency, provided that: 1) prior to making any such reference in any report or statement or any document filed with The Securities and Exchange Commission or other governmental agency, we are allowed to review and approve the text of such reference to determine the accuracy and adequacy of such reference to the report prepared by our firm; 2) in our opinion, the proposed reference is not untrue or misleading and is adequate for the purposes intended in light of the circumstances under which it is made; and, 3) such reference to the report includes language to be approved by our firm.
- Loss or removal of any portion of this report invalidates the entire report.

ADDENDUM A
8,888.31 ACRES OF LAND



ADDENDUM A

APPRAISERS QUALIFICATIONS

**ADDENDUM A**

8,888.31 ACRES OF LAND

EVAN RANES, MAI, ASA

**Managing Director -
Western Region**

**National Practice Leader –
Healthcare**



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a division of Newmark Grubb
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T 213.596.2216
M 702.241.4313
F 702.862.8242

Years of Experience

Over 23 Years

Areas of Specialization

- Appraisal Valuation
- Portfolio Valuation
- Estate Valuation
- Litigation
- Tax Appeal
- Consulting

Professional Background

As Managing Director, Western Region, Mr. Ranes oversees the Landauer Valuation & Advisory valuation and consulting services for the acquisition, disposition, and financing of investment grade real estate in the western United States. Mr. Ranes' clients include private investors, institutional investors, trusts, fiduciaries, development companies, and government agencies.

Mr. Ranes has valued and consulted on real estate matters for over 23 years. In 1992 he began as an appraiser intern with George A Smith & Associates and in 1995 joined Lubawy & Associates as an associate appraiser. In 2011, he joined Grubb & Ellis/Landauer as a senior appraiser and assumed the duties of managing director in 2012.

Mr. Ranes' experience extends over numerous property types:

- Healthcare (MOB, ILF, ALF, CCRC, SNF, ASC, Hospital)
- Hospitality (hotel, casino, golf course, sports facility)
- Industrial (warehouse, self-storage, business parks)
- Office (condominium, mid-rise, high-rise)
- Retail (strip, neighborhood, big box, net lease, going-concern)
- Apartment (proposed, invest grade, LIHTC)
- Litigation (tax appeal, acquisitions, condemnation, right-of-way)
- Business Valuation (c-store/gas, restaurant/tavern, hotel/motel, etc.)
- Farm Land (ranch, row crops, permanent crops)

State and Regulatory Licensure

- | | | | |
|------|-------------|----|-------------|
| • AZ | 31917 | NV | A0001497CG |
| • CA | 3000521 | OR | C001133 |
| • CO | CG100043357 | TX | 1380284 |
| • ID | CGA3589 | UT | 8428915CG00 |
| • ND | CG21486 | WA | 1102235 |
| • NM | 03294-G | | |

Professional Activities and Affiliations

- MAI, Appraisal Institute
- ASA, American Society of Appraisers
- 1999-2000 Public Relations Chair, Las Vegas Chapter AI

Education

Mr. Ranes graduated from University of Nevada, Las Vegas with an M.B.A. degree with an emphasis in Finance. Prior to this, Mr. Ranes graduated from Portland State University with a B.S. degree in English and Education. He has successfully completed numerous real estate courses and seminars sponsored by the Appraisal Institute and the American Society of Appraisers.



ADDENDUM A
8,888.31 ACRES OF LAND

STATE OF ARIZONA
BOARD OF APPRAISAL
 BE IT KNOWN THAT
EVAN A. RANES
 HAS MET ALL THE REQUIREMENTS AS A
Certified General Real Estate Appraiser

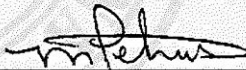
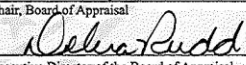
In accordance with Arizona Revised Statutes and on authority of the Board of Appraisal, State of Arizona.

In witness whereof the Arizona Board of Appraisal caused to be signed by the Chair of the Board and the Executive Director

This registration shall remain evidence thereof unless or until the same is suspended, revoked or expires in accordance with provisions of law.

CERTIFICATE NUMBER
31917

EXPIRATION DATE
October 31, 2016

	10-24-2014
Chair, Board of Appraisal	Date Issued
	10-24-2014
Executive Director of the Board of Appraisal	Date Issued

SHALL REMAIN PROPERTY OF ARIZONA BOARD OF APPRAISAL

CG0735

ADDENDUM B
8,888.31 ACRES OF LAND



ADDENDUM B

CLIENT CORRESPONDENCE

REVIEW

8,888.31 ACRES OF LAND



EXHIBIT C

Liquidation Analysis

Assets Available to Creditors	\$ 11,360,000 *
Secured Claims	
Class 2 Secured Claims	\$ 8,177,909
Class 3 Secured Tax Claims	<u>\$ 42,733</u>
Total	\$ 8,220,642
Estimated Net Assets after Secured Claims	\$ 3,139,358
Costs	
Estimated Chapter 11 Administrative Claims	\$ 425,000
Estimated Broker Fees	\$ 681,600
Estimated Administrative Chapter 7 Fees	\$ 475,000
Estimated Priority Claims	\$ 10,000
Estimated Net Assets after Administrative Claims	\$ 1,547,758
Unsecured Claims	
Class A General Unsecured	\$ 3,885
Class B General Unsecured - Insiders	\$ 2,271,749
Estimated Net Assets after Unsecured Claims	\$ (727,877)
Estimated Net Recovery Unsecured Clai	68%
Excess Assets over Recovery	\$ (727,877)
Administrative Chapter 7 Fees	
Trustee Legal Counsel	\$ 50,000
Financial Advisors/Accountants	\$ 25,000
Estimated Trustee Fees	<u>\$ 400,000</u>
Total	\$ 475,000

* Assumes land sales as set forth in the Plan Summary

EXHIBIT D

Plan Summary

2,500 per Acre

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Revenues											
Land Sales	1,600,000	1,920,000	2,240,000	5,600,000	-	-	-	-	-	-	11,360,000
Contribution by Harmony Homes	250,000										250,000
Sub total	1,850,000	1,920,000	2,240,000	5,600,000	-	-	-	-	-	-	11,610,000
Expenses											
Commissions	111,000	115,200	134,400	336,000	-	-	-	-	-	-	696,600
Estimated Legal and Administrative	50,000										50,000
Property Taxes/Other	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	300,000
Sub total	191,000	145,200	164,400	366,000	30,000	30,000	30,000	30,000	30,000	30,000	1,046,600
Debt Repayments											
Estimated Admin Fees	425,000										425,000
Class 1 Priority Claims	10,000										10,000
Class 2 Contrail*											-
Class 3 Secured Tax Claim	21,367	21,367									42,733
Class 5 (A) General Unsecured	3,885	-	-	-	-	-	-	-	-	-	3,885
Class 5 (B) General Unsecured Insiders**				408,000							408,000
Sub total	460,252	21,367	-	408,000	-	-	-	-	-	-	464,618
Net Cash Flow	1,198,748	1,753,433	2,075,600	4,826,000	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	9,673,782
Sales price per acre											
Almonds	0	0	0	0	0	0	0	0	0	0	0
Alfalfa	0	0	0	0	0	0	0	0	0	0	0
Raw	2,500	3,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Acres Sold											
Almonds											
Alfalfa											
Raw	640	640	640	1,600							

Unsecured	2,271,746
10 year note	1.6%

* Assumes the Court accepts debtors land valuation of \$3,500 per acre, if valuation comes in lower, debtor reserves the right to amend these projection to reflect an increase in land to be conveyed to Contrail, or provide a secured promisory note payable at 5.5% interest rat

** Kingman Farms and Shumway unsecured creditors to receive 30% of net land sale proceeds after \$10.0M

EXHIBIT E

SCHEDULE OF ASSUMED/REJECTED CONTRACTS

Contract	Assume/Reject	Cure Amount
Kingman Farms, LLC Shared Services Agreement	Assume	Debtor's obligation to cure any defaults under the Agreement on the Effective Date is waived
Appraisal Service Agreement with Landauer Valuation and Advisory	Assume	
Drilling Contract with Shumway Well Water Systems	Reject	

EXHIBIT F

SCHEDULE OF DISPUTED CLAIMS

	Amount	Scheduled	Proof of Claim
Dave Wilson Nursery	\$1,050,000.00	No	No. 4

EXHIBIT G

**SECOND AMENDED AND RESTATED OPERATING AGREEMENT
OF
MOHAVE AGRARIAN GROUP, LLC
ARIZONA LIMITED LIABILITY COMPANY**

This Second Amended and Restated Operating Agreement of **MOHAVE AGRARIAN GROUP, LLC** (hereinafter referred to as “Company”), an Arizona limited liability company, is entered into and is effective as of the date of Bankruptcy Court approval of the Company's Chapter 11 Plan of Reorganization (“Effective Date”), by and among the Company and the entities executing this Agreement as the Members.

RECITALS

WHEREAS, the Company was originally formed January 7, 2014; and,

WHEREAS, the Company entered into the First Amended and Restated Operating Agreement on June 6, 2014; and,

WHEREAS, the Company filed a Chapter 11 Bankruptcy Petition on January 5, 2016, seeking to reorganize its business; and,

WHEREAS, Harmony Homes, Inc. is willing to contribute capital required to effectuate the plan of reorganization in exchange for receiving Membership Interest as set forth herein; and,

WHEREAS, the parties desire to amend and restate the terms and conditions of the Operating Agreement to memorialize their agreement;

NOW THEREFORE, the Company hereby amends and restates the Operating Agreement as follows:

1. DEFINITIONS

Unless otherwise defined in this Agreement, the terms and conditions used in this Agreement have the meanings set forth in the Act, or as set forth below.

“Additional Member” means a member other than the initial member or a substitute member who has acquired a membership interest in the Company.

“Agreement” means this Operating Agreement, as originally executed and as it may be amended from time to time.

“Articles of Organization” means the Articles of Organization of the Company filed with the Arizona Corporation Commission as entity L18963679 for the purpose of forming the Company, pursuant to the Act, as amended.

“Assignee” means the transferee of a Membership Interest who has not been admitted as a substituted member.

“Bankrupt Member” means a Member who (a) has become the subject for an order for relief under the United States Bankruptcy Code, or (b) has initiated, either in an original proceeding or by way of answer in any state, insolvency receivership proceedings, an action for liquidation arrangements, composition, readjustment, dissolution or similar relief.

“Capital Account” as of any date means the capital contribution to the Company by a Member, adjusted as of that date pursuant to this Agreement. Each Member shall have a **“Capital Account,”** which shall be maintained in accordance with Code Regulation §1.704-1(b).

“Capital Contribution” means any Member’s contribution to the capital of the Company in cash, property, services rendered or a promissory note or other binding obligation to contribute cash or property or to render services. **“Initial Capital Contribution”** means the initial contribution to the capital of the Company pursuant to this Operating Agreement.

“Capital Interest” means the proportion that the Member’s positive capital account bears to the aggregate positive capital accounts of all Members whose capital accounts have positive balances, as may be adjusted from time to time.

“Code” means the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any superseding federal revenue statute.

“Company” refers to **Mohave Agrarian Group, LLC**, an ARIZONA limited liability company, and any successor limited liability company.

“Company Property” means any Property owned by the Company.

“Default Interest Rate” means the higher of the legal rate or the then prime rate quoted in *The Wall Street Journal* plus two percent (2%).

“Deficit Capital Account” means with respect to any Member, the deficit balance, if any, in that Member’s Capital Account as of the end of the taxable year, after making the following adjustments:

- (1) Credit to the Capital Account any amount that the Member is obligated to restore under Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations, as well as any addition to it pursuant to the next to last sentence of Sections 1.704-2(g)(1) and (i)(5) of the Treasury Regulations, after taking into account any changes during the year in partnership minimum gain (as determined in accordance with Treasury Regulations

Section 1.704-2(d) and in the minimum gain attributable to any partner's nonrecourse debt (as determined under Treasury Regulations Section 1.704-2(i)(3)); and

- (2) Debit to the Capital Account the items described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

This definition of Deficit Capital Account is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and 1.704-2, and will be interpreted consistently with those provisions.

“Direct Expense” means all reasonable and ordinary construction costs such as, but not limited to, grading, utilities, plumbing, framing, electrical, concrete, lumber, roofing, windows, etc., and shall include course of construction insurance (general liability, builder's risk, and construction defect), temporary power, portable sanitation devices, third party inspections, on-site security, sales office design and expenses, model home changes or repairs, architectural design, Project closing costs, commissions and/or incentive costs of sales, financing costs or fees, real property taxes, construction period interest and taxes, and Project legal expenses.

“Distributable Cash” means all cash, revenues and funds received by the Company from Company operations, less the sum of the following to the extent paid or set aside by the Company: (i) all principal and interest payments on the Company's indebtedness and all other sums paid to lenders; (ii) all cash expenditures incurred incident to the normal operation of the Company's business; and (iii) Reserves.

“Disposition” (“Dispose”) means any sale, assignment, exchange, mortgage, pledge, grant, hypothecation, or other transfer, absolute or as security or encumbrance (including dispositions by operation of law).

“Dissociation” means any action that causes a person to cease to be a Member as described in Article 13 hereof.

“Dissolution Event” means an event that results in the dissolution of the Company under Article 14, unless the Members agree to the contrary.

“Distribution” means any cash and other property paid by the Company to a Member in his, her or its capacity as a Member.

“Effective Date” means the date the Bankruptcy Court shall approve that certain Chapter 11 Plan for Reorganization of the Company.

“Entity” means any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association, or any foreign trust or foreign business organization.

“Fiscal Year” means the fiscal year of the Company, which will be the year ending December 31st.

“Gifting Member” means any Member who gifts, bequeaths or otherwise transfers for no consideration (by operation of law or otherwise, except with respect to bankruptcy) all or any part of its Membership Interest.

“Majority Interest” means one or more interests of the Members which, taken together, exceed fifty percent (50%) of the aggregate of all Capital Interests.

“Manager” means Truckee Springs Holdings, Inc., or any other persons that succeed it in that capacity. References to the Manager in the singular or as him, her, it, itself, or other like references will also, where the context so requires, be deemed to include the plural or the masculine or feminine reference, as the case may be.

“Member” means each of the parties who executes a counterpart of this Operating Agreement as a Member, and each of the parties who may subsequently become Members in accordance with Article 12. To the extent a Manager has acquired a Membership interest in the Company, he or she will have all the rights of a Member with respect to that Membership interest, and the term “Member” as used here includes a Manager to the extent he or she has purchased the Membership Interest in the Company.

“Membership Interest” means each Member’s percentage interest in the Company, as reflected on Exhibit A attached hereto, and adjusted as provided in this Agreement, and the right to participate in the management of the business and affairs of the Company, including the right to vote on, consent to, or otherwise participate in any decision or action of or by the Members granted pursuant to this Operating Agreement and the Act.

“Net Losses” means the losses and deductions of the Company, determined in accordance with accounting principals consistently applied from year to year employed under the method of accounting adopted by the Company, and as reported separately or in the aggregate, as appropriate, on the Company’s tax return filed for federal income tax purposes.

“Net Profits” means the Company’s income and gains, determined in accordance with accounting principals consistently applied from year to year employed under the method of accounting adopted by the Company, and as reported separately or in the aggregate, as appropriate, on the Company’s tax return filed for federal income tax purposes.

“Person” means any association, corporation, stock company, estate, general partnership (including any Registered Limited Liability Partnership or Foreign Limited Liability Partnership), limited association, limited liability company (including a professional service limited liability company), foreign limited liability company, joint venture, limited partnership, natural person, real estate investment trust, business trust or other trust, custodian, nominee or other individual in its own or any representative capacity. In addition, the term means the heirs, executors, administrators, legal representatives, successors and assigns of that “Person” where the context so requires.

“Preferred Return” means an amount determined by multiplying eight percent (8%) per annum by the average monthly balance of a Member's Unreturned Capital, cumulative and not

compounded, which amount shall commence to accrue as of the date a Member makes its Capital Contribution to the Company as specified herein.

“Proceeding” means any judicial or administrative trial, hearing or other activity, civil, criminal or investigative, the result of which may be that a court, arbitrator or governmental agency may enter a judgment, order, decree or other determination that, if not repealed and reversed, would be binding on the Company, a Member or other Person subject to the jurisdiction of that court, arbitrator or governmental agency.

“Project” means those certain residential real estate lots as described on Exhibit B which are intended to have constructed on such lots residential housing.

“Property” means any Property, real or personal, tangible or intangible, including money and any legal or equitable interest in Property, but excluding services and promises to perform future services.

“Reserves” means, with respect to any fiscal period, funds set aside or amounts allocated during that period to Reserves that must be maintained in an amount deemed sufficient by the Managers for working capital and to pay taxes, insurance, debt service, or other costs or expenses incident to the ownership or operation of the Company’s business.

“Resignation” means the act by which a Manager ceases to be a Manager.

“Selling Member” means any Member who desires to or does sell, assign, pledge, hypothecate or otherwise transfers for a consideration all or any portion of the Member’s Membership Interest.

“Taxable Year” means the taxable year of the Company as determined pursuant to Section 706 of the Code.

“Taxing Jurisdiction” means any state, local or foreign government that collects tax, interest or penalties, however designated, and any Member’s share of the income or gain attributable to the Company.

“Transferring Member” collectively means a Selling Member and a Gifting Member.

“Treasury Regulations” means all proposed, temporary and final regulations promulgated under the Code as from time to time in effect.

“Unpaid Preferred Return” means as of any date, the Preferred Return that has been accrued but not paid to the Members.

“Unreturned Capital” means with respect to each Member, at any given time, the excess of (a) the Capital Contributions made by such Member to the Company, over (b) all distributions made to such Member pursuant to Section 9 hereof.

2. ORGANIZATION

2.1 Formation

The Company was organized as an Arizona limited liability company on January 7, 2014 by preparing, executing and filing with the Arizona Corporation Commission the Articles of Organization pursuant to the Act.

2.2 Agreement

In consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which is acknowledged, the Members executing this Agreement agree to the terms and conditions of this Agreement as it may be from time to time amended according to its terms. The Members expressly intend that this Agreement be the sole source of agreement of the parties, and except to the extent that a provision of this Agreement expressly incorporates federal income tax rules by reference to the Code or Regulations, or is expressly prohibited or ineffective under the Act, even when inconsistent with or different from the provisions of the Act or any other law or rule. To that extent that any Agreement provision is prohibited or ineffective under the Act, the Agreement is considered amended to the smallest degree possible in order to make the Agreement effective under the Act. If the Act is subsequently amended or interpreted in such a way to make any formerly invalid provision of the Agreement valid, the provision will be considered to be valid from the effective date of the interpretation or amendment.

2.3 Name

The name of the Company is **MOHAVE AGRARIAN GROUP, LLC**, and all business of the Company will be conducted under that name or any other name, but in any case, only to the extent permitted by applicable law.

2.4 Effective Date

This Agreement is effective on the date of Bankruptcy Court approval of that certain Chapter 11 Plan of Reorganization of the Company.

2.5 Principal Place of Business

The Company's principal place of business initially will be 8912 Spanish Ridge Avenue, Suite 200, Las Vegas, Arizona 89148. The Company may establish any other places of business as the Managers deem advisable.

2.6 Statutory Agent

The Company shall have a Statutory Agent. The initial Statutory Agent is Corporation Service Company, 2338 West Royal Palm Road, Suite J, Phoenix, AZ 85021. The Statutory Agent may

be changed from time to time by filing with the Arizona Corporation Commission.

2.7 Term

The Company's term is perpetual from the date of filing of the Articles of Organization with the Arizona Corporation Commission, unless the Company is dissolved and its affairs wound up in accordance with the Act or this Agreement.

3. BUSINESS OF COMPANY

3.1 Nature of Business

The Company's purpose and business shall be:

- (a) To accomplish any lawful business whatsoever, or that will at any time appear conducive to or expedient for the protection or benefit of the Company and its assets.
- (b) To exercise all other powers necessary to or reasonably connected with the Company's business that may be legally exercised by limited liability companies under the Act; and
- (c) To engage in all activities necessary, customary, or convenient, or incident to any of the foregoing.

3.2 Other Business Activities

The Company exists only for the purposes specified in Section 3.1 above and may not conduct any other business without the unanimous consent of the Members owning a majority in interest. The authority granted to the Managers to bind the Company is limited to the actions necessary or convenient to this business.

4. MEMBERS

4.1 Names and Addresses

The names and addresses of the Initial Member is set forth in Exhibit A to this Agreement.

4.2 Additional Members

In the event that a Person is subsequently admitted as an Additional Member in accordance with Section 12.2, that Person's name, address and Capital Contribution must be added to Exhibit A. In accordance with this Section, Harmony Homes, Inc. shall be added to Exhibit A.

4.3 Permissible Forms of Contributions and Member Interests

Members shall receive an interest in the Company in exchange for contributions to the Company of consideration in such form as is permitted by the Act. The capital of the Company consists of capital contributed by the Members in exchange for their interests in the Company, in the proportion and/or amounts set forth on Exhibit A, attached hereto. Each Member shall have a "Membership Interest" in the income, gain, credits, capital, losses and depreciation and distributions of the Company equal to each such Member's Percentage Interest. The Percentage Interests of the Members in the Company, representing their respective rights to share in profits and losses and distributions from the Company (but not reflecting a present interest in the capital of the Company), shall be equal to that percentage which represents their proportionate share of the total agreed value of contributions to the Company, as adjusted from time to time pursuant to Section 4.7. Each Member's Percentage Interest shall be set forth in Exhibit A attached.

4.4 Return of Capital

The capital contributions of the Members shall be returned to them, if at all, upon sale of the Company assets or upon dissolution and winding up of the Company; provided, however, that each Member shall only be entitled to distributions of the Company's assets upon liquidation of the Company's equal to each Member's Percentage Interest and there is no guarantee that the Company shall have assets in an amount sufficient upon the Company's dissolution to return all or any portion of a Member's capital contribution. No Member has any right at any time to demand the return of all or any portion of the Member's capital contribution and a Member shall only be entitled to a pro-rata distribution, based upon a Member's Percentage Interest, of whatever assets the Company may have after the payment of all of the Company's liabilities upon the dissolution and liquidation of the Company. No Member shall have the right to demand the return of such Member's capital contribution, providing that nothing contained herein shall prevent the Manager from making such distributions to Members in accordance with their respective Percentage Interests or on a preferred basis as may be provided herein, as the Manager may from time to time determine. No interest shall be paid or credited with respect to any capital contributed by the Members.

4.5 Advances by Members

A Member may advance funds to the Company at such times and in such amounts as may be determined by the Managers for the purpose of paying the costs and operating expenses of the Company. Such costs and operating expenses shall include, but are not necessarily limited to, any operating expenses of the Company or the balance of the purchase price of any assets being purchased or the costs of any improvements or additions to such assets. At the time of making each advance, the Members shall determine to treat the advance either as a loan or as a capital contribution, subject to the requirements below in this Section. If the Members determine to treat the advance as a loan, the advance shall become a loan obligation of the Company to the Member making the advance. The loan obligation shall be repaid to the Member, together with interest at a rate determined by the Members. Such repayment shall be made out of the gross receipts of the Company at such time as adequate gross receipts have been derived from the operation of the Company to permit such repayment without impairing the operations or solvency of the Company and without violating the restrictions of the Act on distributions to

Members. Any such unpaid loans shall become due and payable upon dissolution of the Company where the business of the Company is not continued by the Members.

If the Members determine to treat an advance as a capital contribution, such determination must be unanimous among the Members, in which event the capital contributions of all Members (and their interests in profits and losses) shall be adjusted as provided in Section 4.7. No advance that is made disproportionately to the respective Percentage Interests of the Members in the Company shall be treated as a capital contribution, unless the Members unanimously agree to such treatment and to the manner in which the Percentage Interests of each Member are to be adjusted by virtue of such disproportionate capital contribution.

4.6 Additional Capital Contributions

If the Managers shall so determine, additional capital contributions may be solicited from time to time from existing Members of the Company or outside sources. Prior to the solicitation of such additional capital from outside sources, the existing Members of the Company shall be given the right of first refusal to make such additional contributions. Such right of first refusal shall be triggered by written notice to each Member of the Company (unless waived by such Member) of (i) the need for additional capital and the use to which such capital will be devoted; and (ii) the amount of additional capital which is sought. The existing Members of the Company shall then have 15 days from the date on which they received the foregoing notice to inform the Company of their desire to contribute all or part of such additional capital. Following the receipt of additional capital contributions as contemplated by this Section, each Member's Percentage Interest shall be adjusted in accordance with Section 4.7 hereof.

4.7 Adjustment of Percentage Interests

If additional contributions are made or deemed to have been made in proportions other than according to the immediately prior existing Percentage Interests of the Members, the relative Percentage Interests of the Members shall be adjusted so that the Percentage Interest of each Member shall equal the percentage which is equal to the balance of such Member's capital account following the contributions of such additional capital divided by the sum of all the Members' capital accounts following the contributions of such additional capital.

4.8 Pledging of Member Interests

Where a Member pledges or grants a security interest in all or any portion of its Member Interest in the Company, any such pledge or granting of security interest shall not be recognized by the Company until the Company (by way of notice to the Manager) has received written notice of such pledge or security interest. Once such notice is received by the Company, such pledge or security interest shall be noted on the records of the Company until the Company is notified otherwise of the termination of the same. Any creditor of a Member (or any assignee of any such creditor of a Member) realizing on its collateral in the form of a Member Interest in the Company shall under no circumstances become a Substitute Member of the Company unless admitted to the Company as a Substitute Member by the Manager pursuant to this Agreement.

4.9 No Certificates of Ownership

The interests of the Members in the Company shall not be represented by certificates unless otherwise agreed among the Members and the Managers.

5. MEMBER RIGHTS AND DUTIES

5.1 Management Rights

All Members (other than Assignees) who have not dissociated are entitled to vote on any matter substituted to a vote of the Members. Notwithstanding the foregoing, the following actions require the vote or consent of a majority of the Members:

- (a) Any amendment to this Agreement.
- (b) The admission of an Assignee as a Member.
- (c) The Company's continuation after a Dissolution Event.
- (d) Commence lawsuits and other proceedings.
- (e) Enter into any agreement, instrument or other writing that is not in the ordinary course of business or sells, transfers, pledges, hypothecates or secures or similar transaction that involves substantially all of the assets of the Company.
- (f) Retain accountants, attorneys or other agents.
- (g) If approved by the Members holding a Majority of Membership Interests, the Managers and each of those Members have the right to make a filing under the Federal Bankruptcy Code.
- (h) Take any other lawful action that the Managers consider necessary, convenient or advisable in connection with any Company business.

5.2 Majority

Whenever any matter is required or allowed to be approved by a Majority of the Members or a Majority of the Remaining Members under the Act or this Agreement, the matter will be considered approved or consented to on the receipt of the affirmative approval or consent, either in writing or at a meeting of the Members, of Members having Capital Accounts in excess of one-half of the Capital Accounts of all the Members entitled to vote on a particular matter. Assignees and, in the case of approvals to withdrawal where consent of the remaining Members is required, disassociating Members will not be considered Members entitled to vote for the purpose of determining a Majority. In the case of a Member who has disposed of that Member's entire Membership Interest to an Assignee, but has not been removed as provided in Section 11.6(b), the Capital Account of that Assignee will be considered in determining a

Majority and that Member's vote or consent will be determined by that Capital Account.

5.3 Limitation of Liability

Members are not liable for any debts, obligations or liabilities of the Company or each other, whether arising in tort, contract or otherwise, solely by reason of being a Member. However, each Member remains personally liable for payment of his, her or its Capital Contribution as set forth in the Act or as otherwise provided in this Agreement.

5.4 Indemnification

The Company will indemnify the Members, Managers and agents for all costs, losses, liabilities and damages paid or accrued by the Member, Manager or agent in connection with the Company's business, to the fullest extent provided or allowed by the laws of Arizona, except in the event of an intentional breach of a fiduciary duty or obligation of a Manager.

5.5 Books and Records

In accordance with Section 9.9, the Managers will maintain and preserve during the Company's term and for the following seven (7) years, all accounts, books, minutes of Member meetings, and all other relevant Company documents. On reasonable request, each Member has the right, during ordinary business hours and at the Company's principal place of business, to inspect and copy Company documents at the requesting Member's expense.

5.6 Sale of All Assets

The Members have the right, by the vote or written consent of the Members holding at least a majority of the membership interests of all Capital Interests, to approve the sale, lease, exchange or other disposition of all or substantially all of the Company's assets which is to occur as part of a single transaction or plan.

5.7 Priority and Return of Capital

Except Harmony Homes, Inc., which is entitled to a Preferred Return as further set forth herein, no Member has priority over any other Member, whether for the return of a Capital Contribution or for Net Profits, Net Losses or a Distribution; provided, however, that this Section does not apply to loans or other indebtedness (as distinguished from a Capital Contribution) made by a Member to the Company.

5.8 Liability to Company

A Member who rightfully receives the return of any portion of a Capital Contribution is liable to the Company only to the extent now or subsequently provided by the Act. A Member who receives a Distribution made by the Company in violation of this Agreement, or made when the Company's liabilities exceed its assets (after giving effect to the Distribution) is liable to the Company for the amount of the Distribution for a period of three (3) years after the Distribution.

5.9 Financial Adjustments

No Members admitted after the date of this Agreement are entitled to any retroactive allocations of losses, income or expense deductions incurred by the Company. The Manager may, at the Manager's discretion, at the time a Member is admitted, close the Company's books and records (as though the Fiscal Year had ended) or make pro rata allocations of loss, income and expense deductions to that Member for that portion of the Fiscal Year in which that Member was admitted in accordance with the Code.

5.10 Representations and Warranties

Each Member, and in the case of an organization, the person(s) executing this Agreement on the organization's behalf, represents and warrants to the Company and each other Member and Manager that (a) if that Member is an organization, it is duly organized, validly existing, and in good standing under the law of its state of organization, and has full organizational power to execute and agree to this Agreement and to perform its obligations under this Agreement; (b) the Member is acquiring its interest in the Company for the Member's own account as an investment and without intent to distribute the interest; and (c) the Member acknowledges that the interests have not been registered under the Securities Act of 1933 or any state securities laws, and may not be resold or transferred by the Member without appropriate registration or the availability of an exemption from those requirements.

5.11 Conflicts of Interest

(a) A Member is entitled to enter into transactions that may be considered competitive with, or into a business opportunity that may be beneficial to, the Company, it being expressly understood that some of the Members may enter into transactions that are similar to the transactions into which the Company may enter. Notwithstanding the foregoing, Members must account to the Company and hold as trustee for any property, profit or benefit derived by the Member, without the consent of the other Members, in the conduct and winding up of the Company business or from a use or appropriation by the Member of Company Property, including information developed exclusively for the Company and opportunities expressly offered to the Company.

(b) A Member does not violate a duty or obligation to the Company merely because the Member's conduct furthers the Member's own interest. A Member may lend money to and transact other business with the Company. The rights and obligations of a Member who lends money to or transacts business with the Company are the same as those of a non-Member, subject to other applicable law. No transaction with the Company will be voidable solely because a Member has a direct or indirect interest in the transaction if either (i) the transaction is fair to the Company, or (ii) disinterested Members, knowing the material facts of the transaction and the Member's interest, authorize, approve or ratify the transaction.

6. MANAGER RIGHTS AND DUTIES

6.1 Management

The Company's daily business and affairs will be managed by its Manager. The Manager will direct, manage and control the Company's business to the best of their ability. The Manager shall have the authority and discretion to manage and control all of the Company's business, affairs, accounts and properties, and to make decisions regarding those matters, and/or to perform any and all other acts or activities customary or incident to the management of the Company's business. At any time when there is more than one Manager, any one Manager may take any action permitted to be taken by the Managers, unless the approval of more than one of the Managers is expressly required pursuant to this Operating Agreement or the Act.

6.2 Number, Tenure and Qualifications

The Company will have one (1) Manager. The Manager shall be Truckee Springs Holdings, Inc. The number of Managers of the Company may be amended from time to time by the vote or written consent of Members holding a majority of the Membership Interests. Each Manager holds office until the next annual meeting of Members, or until a successor has been elected and qualified. Managers are elected by the vote or written consent of the Members holding at least a majority of all Membership Interests and need not be residents of the State of Arizona or Members of the Company.

6.3 Binding Authority

Unless authorized to do so by a majority of the Members, no attorney-in-fact, employee or other agent of the Company has any power or authority to bind the Company in any way, to pledge its credit or render it pecuniarily liable for any purpose. This sentence does not apply to the Manager acting in the ordinary course of business so long as such pledge or credit request does not involve the use of substantially all of the Company assets. A Manager may delegate his power or authority to bind the Company (by way of power of attorney) provided that such power is of limited duration, (one month or less) involves a subject that is in the ordinary course of business and does not involve any item that arises under section 5.1 unless that power of attorney has been authorized in accordance with the previous sentences.

In addition to the foregoing described ability to delegate authority by way of power of attorney, the Manager may designate one or more Persons to be officers of the Company ("Officers"), and any Officers so designated shall have such title, authorities, duties, and salaries as the manager may delegate to them. Any Officer may be removed as such, either with or without cause, by the Manager.

6.4 Liability for Certain Acts

Each Manager must perform his or her duties as Manager in good faith, in a manner he or she reasonably believes to be in the best interests of the Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. A Manager

who so performs the duties as Manager does not have any liability by reason of being or having been a Manager of the Company. The Manager does not, in any way, guarantee the return of the Members' Capital Contributions or a profit for the Members from the Company operations. The Manager is not liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless the loss or damage was the result of fraud, deceit, willful misconduct, or a wrongful taking by the Manager.

6.5 No Exclusive Duty to the Company

The Managers are not required to manage the Company as their sole and exclusive function, and they may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member has any right pursuant to this Agreement to share or participate in other business interests or activities of the Managers or in the income or proceeds derived from them. The Managers incur no liability to the Company or any Member as a result of engaging in any other business interests or activities.

6.6 Indemnification

The Company must indemnify and hold harmless the Managers from and against all claims and demands to the maximum extent permitted under the Act.

6.7 Resignation

Any Manager may resign at any time by giving written notice to the Company, with a copy to each Member. The resignation of any Manager takes effect on receipt of notice by the Company or at any later time specified in the notice. Unless otherwise specified in the notice, the acceptance of the resignation is not necessary to make it effective. The resignation of the Manager who is also a Member does not affect the Manager's rights as a Member and does not constitute a withdrawal of the Member.

6.8 Removal

Any Manager may be removed or replaced with or without cause by the vote of Members who hold at least a majority of the Membership Interests. The removal of a Manager who is also a Member will not affect the Manager's rights as a Member and will not constitute a withdrawal of the Member.

6.9 Vacancies

Any vacancy occurring for any reason in the number of Managers may be filled by the vote or written consent of at least a majority of the Membership Interests. A Manager elected to fill a vacancy is elected for the unexpired term of the Manager's predecessor in office and holds office until the expiration of the term and until the Manager's successor has been elected and qualified. A Manager chosen to fill a position resulting from an increase in the number of Managers holds office until the next annual meeting of Members and until a successor has been elected and qualified.

6.10 Salaries and Fees

No Manager will be reimbursed for management expenses (not including direct or indirect construction expenses) incurred in managing the Company. The salaries and other compensation of the Managers may be fixed from time to time by the unanimous vote of the Membership interests. No Manager is prevented from receiving such a salary or other compensation because the Manager is also a Member.

7. MEMBER MEETINGS

7.1 Annual Meeting

The annual meeting of the Members will be held on January 15th, or at such other time as determined by the Managers, for the purpose of the transaction of any business that may come before the meeting.

7.2 Special Meetings

Special Meetings of the Members, for any purpose or purposes, may be called by any Manager or any Member or group of Members holding collectively not less than fifty percent (50%) of the Membership interests.

7.3 Place

Meetings of the Members may be held at any place, within or outside the State of Arizona, for any Member meeting designated in any notice of the meeting. If no designation is made, the place of any meeting will be the Company's chief executive office.

7.4 Notice of Meetings

Written notice stating the place, day and hour of the meeting, indicating that it is being issued by or at the direction of the person or persons calling the meeting, stating the purpose or purposes for which the meeting is called, must be delivered no fewer than ten (10) nor more than twenty (20) days before the date of the meeting.

7.5 Record Date

For the purpose of determining the Members entitled to notice of or to vote at any meeting of the Members or any adjournment of the meeting, or Members entitled to receive payment of any Distribution, or to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring Distribution is adopted, as the case may be, is the record date for making a determination. When a determination of Members entitled to vote at any meeting of Members has been made pursuant to this section, the determination applies to any adjournment of the meeting.

7.6 Quorum

Members holding not less than a majority of all Membership Interests, representing in person or by proxy, constitute a quorum at any meeting of the Members. In the absence of a quorum at any Member meeting, a majority of the Membership Interests so represented may adjourn the meeting from time to time for a period not to exceed twenty (20) days without further notice. However, if the adjournment is more than twenty (20) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting must be given to each Member of record entitled to vote at the meeting. At an adjourned meeting at which a quorum must be present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed. The Members present at a meeting may continue to transact business until adjournment, notwithstanding the withdrawal during the meeting of Membership Interests whose absence results in less than a quorum being present.

7.7 Manner of Acting

If a quorum is present at any meeting, the vote or written consent of Members holding not less than a majority of Membership Interests is the act of the Members, unless the vote of a greater or lesser proportion or number is otherwise required by this Agreement.

7.8 Proxies

At all Member meetings, a Member may vote in person or by proxy executed in writing by the Member or a duly authorized attorney-in-fact. The proxy must be filed with the Managers before or at the time of the meeting. No proxy will be valid after two (2) months from the date of its execution, unless otherwise provided in the proxy.

7.9 Member Action Without a Meeting

(a) Whenever the Members are required or permitted to take any action by vote or consent, action may be taken without a meeting, without prior notice and without a vote, if written consent or consents, setting forth the action taken, are signed by the Members who hold the Membership Interests, having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all of the Members entitled to vote at the meeting were present and voted, and are delivered to the office of the Company, its principal place of business, or a Manager, employee or agent of the Company.

(b) Every written consent must bear the date of signature of each Member who signs the consent, and no written consent is effective to take the action referred to in it unless, within fifteen (15) days of the earliest dated consent delivered in the manner required by this section to the Company, written consents signed by a sufficient number of Members to take the action are delivered to the office of the Company, its principal place of business, or a Manager, employee or agent of the Company having custody of the Company records.

(c) Delivery of consents to such office or principal place of business of Manager, employee

or agent, must be by hand, including messenger or other courier, or by certified or registered mail, return receipt requested.

(d) Prompt notice of the taking of the action without a meeting by less than unanimous written consent must be given to each Member who has not consented in writing but who would have been entitled to vote on the action had the action been taken at a meeting.

7.10 Manager Actions

The Manager may document major decisions and actions by written consent and resolutions. All such written consents and resolutions shall be included in the Company's minutes.

7.11 Waiver of Notice

Notice of a meeting need not be given to any Member who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any Member at a meeting, in person or by proxy, without protesting prior to the meeting's conclusion the lack of notice of that meeting, constitutes a waiver of notice by him or her.

7.12 Voting Agreements

An agreement between two (2) or more Members, if in writing and signed by them, may provide that in exercising any voting rights, the Membership Interests held by them will be voted as provided in the agreement or as they may agree, or as determined in accordance with a procedure agreed on by them.

8. CONTRIBUTIONS AND CAPITAL CONTRIBUTIONS

8.1 Capital Contributions

Each Member must contribute his or her share of raw land acres in Mohave County or capital as the Initial Capital Contribution as shown on Exhibit A.

8.2 Additional Contributions

Except as set forth in Section 8.1 above, no Member is required to make any Capital Contributions. To the extent unanimously approved by the Members, from time to time, the Members may be permitted to make additional Capital Contributions if and to the extent they so desire, and if the Members determine that those additional Capital Contributions are necessary or appropriate in connection with the conduct of the Company's business (including without limitation, expansion or diversification). In such event, the Members may (but are not obligated) to participate in those additional Capital Contributions on a pro rata basis in accordance with their Membership Interests.

8.3 Capital Accounts

A Capital Account will be established and maintained for each Member. Each Member's Capital Account will be increased by the value of each Capital Contribution made by the Member, allocations to the Member of the Net Profits and any other allocations to the Member of income pursuant to the Code. Each Member's Capital Account will be decreased by the value of each distribution made to the Member by the Company, allocations to the Member of Net Losses, and other allocations to the Member pursuant to the Code.

8.4 Transfers

On a permitted sale or other transfer of a Membership Interest in the Company, the Capital Account of the Member transferring his, her or its Membership Interests will become the Capital Account of the Person to which or whom the Membership Interest is sold or transferred in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations.

8.5 Modifications

The manner in which Capital Accounts are to be maintained pursuant to this section is intended to comply with the requirements of Section 704(b) of the Code. If, in the opinion of the Majority of Members, the manner in which Capital Accounts are to be maintained pursuant to this Agreement should be modified to comply with Section 704(b) of the Code, then the method in which Capital Accounts are maintained will be so modified; provided, however, that any change in the manner of maintaining Capital Accounts will not materially alter the economic agreement between or among the Members.

8.6 Deficit Capital Account

Except as otherwise required in the Act or this Agreement, no Member has any liability to restore all or any portion of a deficit balance in a Capital Account.

8.7 Withdrawal or Reduction of Capital Contribution

A Member will not receive from the Company any portion of his or her Capital Contribution until all indebtedness and liabilities of the Company, except any indebtedness, liabilities and obligations to Members on account of their Capital Contributions, have been paid or there remains property of the Company, based on a vote of the Majority of Members, sufficient to pay them. No distributions will be made from the Capital Contributions of a Member without the consent of Members owning a majority of Membership Interests in the Company. A Member, irrespective of the nature of the Capital Contribution of that Member, has only the right to demand and receive cash in return for the Capital Contribution.

9. ALLOCATIONS AND DISTRIBUTIONS

9.1 Allocations of Profits and Losses

The Net Profits and Net Losses of the Company for each Fiscal Year will be allocated in the following order of priority:

(a) Any Profits shall be allocated as follows:

(i) first, to Harmony Homes, Inc. in an amount equal to and in proportion to the net cumulative Losses (aggregate Losses in excess of aggregate Profits) allocated to Harmony Homes, Inc. since the date of this Agreement;

(ii) then, to the Members, pro rata in accordance with the relative amounts distributed to the Members pursuant to sections 9.1(a)(i) and (ii), and section 14 hereof; and

(iii) finally, to the Members, pro rata in accordance with their respective Membership Interests.

(b) Any Losses shall be allocated:

(i) first, to the Harmony Homes, Inc. in an amount equal to and in proportion to the net cumulative Profits (aggregate Profits in excess of aggregate Losses) allocated to Harmony Homes, Inc. subsequent to the date of this Agreement;

(ii) next, to the Members, pro rata in accordance with their respective positive Capital Account balances; and

(iii) finally, to the Members, pro rata in accordance with their respective Member Percentages.

9.2 Distributions

Distribution of Available Cash and Net Proceeds from Interim Capital Transactions. Available Cash and Net Proceeds from Capital Transactions shall be distributed to the Members quarterly (if funds are available for same) or as more frequently determined by the Manager and shall be distributed as follows:

(a) First, to Harmony Homes, Inc. in accordance with its Unpaid Preferred Returns, until the Unpaid Preferred Return of Harmony Homes, Inc., if any, is reduced to zero;

(b) Second, to the Members pro rata in accordance with their respective Unreturned Capital balances, until the Unreturned Capital balances of all of the Members, if any, is reduced to zero;

(c) Third, to all of the Members pro rata in accordance with their relative Member Percentages, until the relative amounts of all distributions under this subsection 9.2(c) and 9.2(d) above shall be in proportion to the Members' Member Percentages; and

(d) Fourth, to the Members, pro rata in accordance with their respective Member Percentages.

9.3 Offset

The Company may offset all amounts owing to the Company by a Member against any Distribution to be made to the Member.

9.3 Limitation on Distributions

No Distribution will be declared and paid unless, after such Distribution is made, the assets of the Company are in excess of all liabilities of the Company.

9.4 Interest on and Return of Capital Contributions

No Member is entitled to interest on his or her Capital Contribution, or to a return of his, her or its Capital Contribution, except as specifically set forth in this Agreement.

9.5 Accounting Principals

The profits and losses of the Company will be determined in accordance with accounting principles applied on a consistent basis using the accrual method of accounting. It is intended that the Company will elect those accounting methods which provide the greatest tax benefits.

9.6 Accounting Period

The accounting period of the Company will be the calendar year.

9.7 Loans to Company

Nothing in this Operating Agreement prevents any Member from making secured or unsecured loans to the Company by agreement with the Company.

9.8 Records, Audits and Reports

At the expense of the Company, the Manager will maintain records and accounts of all operations and expenditures of the Company. At a minimum, the Company will keep at its principal place of business the following records:

(a) A current list of the full name and last known business, residence, or mailing address of each Member and Manager, both past and present.

(b) A copy of the Articles of Organization of the Company and all amendments to it, together with executed copies of any powers of attorney pursuant to which any amendment has been

executed.

- (c) Copies of the Company's federal, state and local income tax returns and reports, if any, for the four (4) most recent years.
- (d) Copies of the Company's currently effective written Operating Agreement, copies of any writings permitted or required with respect to a Member's obligation to contribute cash, property or services, and copies of any financial statements of the Company for the three (3) most recent years.
- (e) Minutes of every annual, special, and court-ordered meeting.
- (f) Any written consents obtained from Members for actions taken by Members without a meeting.
- (g) Any written consents obtained from Managers documenting major business decisions and actions.

10. TAXES

10.1 Tax Returns

The Managers must cause to be prepared and filed all necessary federal and state income tax returns for the Company. Copies of such returns or pertinent information from them will be furnished to the Members within a reasonable time after the end of the Company's Fiscal Year. Each Member must furnish to the Managers all pertinent information in its possession relating to Company operations that is necessary to enable the Company's income tax returns to be prepared and filed.

10.2 Tax Elections

Company will make the following elections on the appropriate tax returns:

- (a) To adopt the calendar year as the Fiscal Year;
- (b) To adopt the accrual method of accounting and keep the Company's books and records on the income tax method;
- (c) If a Distribution as described in Section 734 of the Code occurs, or if a transfer of a Membership Interest described in Section 743 of the Code occurs, on the written request of any Member, to elect to adjust the basis of the property of the Company pursuant to Section 754 of the Code;
- (d) To elect to amortize the organizational expenses of the Company and the start-up expenditures of the Company under Section 195 of the Code ratably over a period of sixty (60)

months as permitted by Section 709(b) of the Code; and

(e) Any other election that the Managers deem appropriate and in the best interests of the Members. Neither the Company nor any Member may make an election for the Company to be excluded from the application of Subchapter K of the Chapter 1 of Subtitle A of the Code or any similar provisions of applicable state law, and no provisions of this Agreement will be interpreted to authorize any such election.

(f) By law, while the Company is a limited liability company with a single Member its income and losses shall automatically, without election, be passed through to the single Member for tax purposes.

10.3 Tax Matters Partner

The Managers must designate one Manager to be the “tax matters partner” of the Company pursuant to Section 6231(a)(7) of the Code and if there is no designation, then the Manager shall be the tax matters partner. Any Manager who is designated “tax matters partner” must take any action as may be necessary to cause each other Member to become a “notice partner” within the meaning of Section 6223 of the Code.

11. DISPOSITION OF INTERESTS

11.1 General

Except as otherwise specifically provided in this Agreement, a Member does not have the right to:

(a) Sell, assign, pledge, hypothecate, transfer, exchange, or otherwise transfer for consideration (collectively, “sell”).

(b) Gift, bequeath or otherwise transfer for no consideration (whether or not by operation of law, except in the case of bankruptcy) all or any part of its Membership Interest.

11.2 Gift of Membership Interest

A Transferring Member may gift all or any portion of its Membership Interest (without regard to Sections 11.3(a-c)), provided that the donee or other successor-in-interest (collectively, “donee”) complies with Section 11.4, and further provided that the donee is either the Gifting Member’s spouse, or lineal descendent (including adopted children). In the event of the gift of all or any portion of a Gifting Member’s Membership Interest to one or more donees who are under eighteen (18) years of age, one or more trusts must be established to hold the gifted interest(s) for the benefit of such donee(s) until all of the donee(s) reach the age of at least eighteen (18) years.

11.3 Sale of Membership Interest

(a) If a Selling Member desires to sell all or any portion of its Membership Interest to another person, the Selling Member must obtain from such purchaser a bona fide written offer to purchase the interest, stating the terms and conditions on which the purchase is to be made. The Selling Member must give written Notice to the remaining Members of its intention to transfer the interest, with a copy of the bona fide written offer to purchase the interest.

(b) Each of the remaining Members, on a basis pro rata to their Capital Interests or on a basis pro rata to the Capital Interests of those remaining Members exercising their right of first refusal, has the right to exercise a right of first refusal to purchase all (but not less than all) of the interest proposed to be sold by the Selling Member on the same terms and conditions as stated in the bona fide written offer to purchase by giving Notice to the Selling Member of their intention to do so within thirty (30) days after receiving written notice from the Selling Member. The failure of the remaining Members to so notify the Selling Member of their desire to exercise this right of first refusal with respect to all of the interest desired to be sold within thirty (30) days results in the termination of the right of first refusal, and the Selling Member is entitled to consummate the sale of its interest in the Company, or the portion of its interest, if any, with respect to which the right of first refusal has not been exercised, to the third party purchaser.

(c) In the event the remaining Members (or any or more of the remaining Members) give written notice to the Selling Member of their desire to exercise this right of first refusal and to purchase all of the Selling Member's interest in the Company which the Selling Member desires to sell on the same terms and conditions as are stated in the bona fide written offer to purchase, the remaining Members have the right to designate the time, date and place of closing, provided that the date of closing will be the later of the date set forth for closing in the bona fide offer or within ninety (90) days after receipt of written notification from the Selling Member of the third party offer to purchase.

11.4 Conditions of Transfer

In the event of either the purchase of the Selling Member's interest in the Company by a third party purchaser or a gift of an interest in the Company, and as a condition to recognizing one or more of the effectiveness and binding nature of any such sale or gift and (subject to Section 11.6 below) substitution of a new member as against the Company or otherwise, the Managers may require the Selling Member or Gifting Member and/or the proposed purchaser, donee or successor-in-interest to execute, acknowledge and deliver to the remaining Members, the instruments of transfer, assignment and assumption and other certificates, representations and documents, and to perform all other acts which the Managers deem necessary or desirable to:

(a) Constitute the purchaser, donee or successor-in-interest as a Member;

(b) Confirm that the person desiring to acquire an interest or interests in the Company, or to be admitted as a Member, has agreed to be subject to and bound by all of the terms, obligations and conditions of the Operating Agreement, as may have been further amended;

(c) Preserve the Company after the completion of the sale, transfer, assignment, or substitution under the laws of each jurisdiction in which the Company is qualified, organized or

does business;

- (d) Maintain the status of the Company as a partnership for federal tax purposes; and
- (e) Assure compliance with any applicable state and federal laws, including securities laws and regulations.

11.5 Effective Date

Any sale or gift of a Membership Interest or admission of a Member in compliance with this Article 11 is deemed effective as of the last day of the calendar month in which the remaining Members' consent to it was given or, if no such consent was required pursuant to Section 11.2, then on the date that the donee or successor interest complies with the provisions of Section 11.4. The Selling Member agrees, on request of the Managers, to execute certificates or other documents and perform other acts as reasonably requested by the Managers from time to time in connection with the sale, transfer, assignment or substitution. The Selling Member indemnifies the Company and the remaining Members against any and all loss, damage or expense (including, without limitation, tax liabilities or loss of tax benefits) arising directly or indirectly as a result of any transfer or purported transfer in violation of this Article 11.

11.6 Transferee Not Member in Absence of Unanimous Consent

(a) Notwithstanding anything contained in this Agreement to the contrary (including, without limitation, Section 11.3), if all of the remaining Members do not approve by unanimous consent of the proposed sale or gift of the Transferring Member's Membership Interest to a transferee or donee who is not a Member immediately prior to the sale or gift, then the proposed transferee or donee has no right to participate in the management of the business and affairs of the Company or to become a Member. No transfer of a Member's interest in the Company (including any transfer which has not been approved by unanimous written consent of the Members) will be effective unless and until written notice (including the name and address of the proposed transferee or donee and the date of transfer) has been provided to the Company and the non-transferring Member(s).

(b) Contemporaneously with any sale or gift of a Transferring Member's Interest in the Company which does not at the same time transfer the balance of the rights associated with the Interest transferred by one Transferring Member (including, without limitation, the rights of the Transferring Member to participate in the management of the business and affairs of the Company), the Company must purchase from the Transferring Member, and the Transferring Member shall sell to the Company, for a purchase price of One Thousand Dollars (\$1,000.00), all remaining rights and interests retained by the Transferring Member which immediately prior to such sale or gift were associated with the transferred Interest.

12. ADMISSION OF ASSIGNEES AND ADDITIONAL MEMBERS

12.1 Admission of New Members or Assignees

From the date of formation of the Company, any Person or Entity acceptable to the Members by their unanimous vote may become a Member in the Company, subject to the terms and conditions of this Operating Agreement, either by the Company's issuance of Membership Interests for such consideration that the Members may determine by their unanimous votes, or as an Assignee of a Member's Membership Interest or a portion of it.

12.2 No Retroactive Allocations

No new Members are entitled to any retroactive allocation of losses, income or expense deductions incurred by the Company. The Manager or Managers may, at his, her or their option, at the time a Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of loss, income and expense deductions to a new Member for that portion of the Company's tax year in which a Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Treasury Regulations promulgated under it.

13. DISSOCIATION OF MEMBER

13.1 Dissociation

A Person ceases to be a Member on the happening of any of the following events (a "Withdrawal Event"):

- (a) The withdrawal of a Member with the consent of a Majority of the remaining Members;
- (b) A Member becoming a Bankrupt Member;
- (c) In the case of a Member who is a natural person, the death of the Member or the entry of an order by a court of competent jurisdiction adjudicating the Member incompetent to manage the Member's personal estate;
- (d) In the case of a Member who is acting as a Member by virtue of being a trustee of a trust, the termination of the trust (but not merely the substitution of a new trustee);
- (e) In the case of a Member that is a separate Organization other than a corporation, the dissolution and commencement of winding up of the separate Organization;
- (f) In the case of a Member that is a corporation, the filing of a certificate of dissolution or its equivalent for the corporation, or the revocation of its charter;
- (g) In the case of a Member which is an estate, the distribution by the fiduciary of the estate's entire interest in the limited liability company;

13.2 Rights of Dissociating Member

In the event any Member disassociates prior to the expiration of a stated term of existence as set forth in the Articles of Organization, or in Section 2.7 above:

(a) If the dissociation causes a dissolution and winding up of the Company under Article 14, the Member is entitled to participate in the winding up of the Company to the same extent as any other Member, except that Distributions to which the Member would have been entitled will be reduced by the damages sustained by the Company as a result of the Dissolution and winding up;

(b) If the dissociation does not cause a dissolution and winding up of the Company under Article 14, the Member is entitled to an amount equal to the value of the Member's Membership Interests in the Company, to be paid within six (6) months of the date of dissociation. Notwithstanding the foregoing, if the dissociation is other than as a result of the death or incompetence of the Member, the Managers may pay the value of the Member's Membership Interests in the Company out over a period not to exceed five (5) years, provided that the dissociating Member is entitled to participate as an Assignee in the Company until the value of such interest (plus interest at the Default Interest Rate) is paid in full. The value of the Member's Membership Interest includes the amount of any Distributions to which the Member is entitled under the Agreement and the fair value of the Member's Membership Interest as of the date of dissociation, based upon the Member's right to share in distributions from the Company, reduced by any damages sustained by the Company as a result of the Member's dissociation.

(c) If the dissociation is a consensual withdrawal pursuant to Section 13.1(b), then the disposition of the Member's interest is to be provided in the terms of the consent to withdraw.

14. DISSOLUTION AND WINDING UP

14.1 Dissolution

The Company is dissolved and its affairs must be wound up upon the first to occur of the following Dissolution Events:

(a) The latest date on which the Company is to dissolve as set forth in Section 2.7 or one (1) year following the close of escrow on the last lot, whichever is earlier to occur.

(b) The vote or written consent of all Members.

(d) The dissociation of any Member or any other event that terminates the continued membership of any Member, unless within thirty (30) days after such event, the Company is continued by the vote or written consent of a Majority Interest of all of the remaining Members, and there are at least two (2) remaining Members. Each of the Members agrees that within thirty (30) days after the occurrence of a Withdrawal Event (and provided that there are then at least two (2) remaining Members of the

Company), they will promptly consent, in writing, to continue the business of the Company. The consents must be mailed or hand delivered to the principal place of business of the Company set forth in Section 2.3 of this Operating Agreement (or to another address designated by the Managers) no later than five (5) days after each Withdrawal Event or transfer by a Member of its Membership Interest. The sole remedy for breach of a Member's obligation under this section is money damages (and not specific performance).

14.2 Winding Up

On dissolution of the Company, the Managers may, in the name of and on behalf of the Company, prosecute and defend suits, whether civil, criminal or administrative, sell and close the Company's business, dispose of and convey the Company's property, discharge the Company's liabilities, and distribute to the Members any remaining assets of the Company, all without affecting the liability of the Members. On winding up of the Company, the assets are to be distributed as follows:

- (a) To creditors, including any Member who is a creditor, to the extent permitted by law, in satisfaction of liabilities of the Company, whether by payment or by establishment of adequate reserves, other than liabilities for distributions to Members under the Act;
- (b) To Members and former Members in satisfaction of liabilities for Distributions under the Act;
- (c) Next, to those Members having an Unpaid Preferred Return, pro rata in accordance with their respective Unpaid Preferred Return, until the Unpaid Preferred Return of the members, if any, is reduced to zero; and
- (d) To Members, first for the return of their Capital Contributions, to the extent not previously returned, and second, respecting their Membership Interests, in the proportions in which the Members share in Distributions in accordance with this Agreement.

14.3 Articles of Dissolution

Within ninety (90) days following the dissolution and the commencement of winding up of the Company, or at any other time there are no Members, the Manager must file articles of dissolution with the Arizona Secretary of State pursuant to the Act.

14.4 Deficit Capital Account

On a liquidation of the Company within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Treasury Regulations, if any Member has a Deficit Capital Account (after giving effect to all contributions, distributions, allocations and other adjustments for all Fiscal Years, including the Fiscal Year in which such liquidation occurs), the Member has no obligation to make any Capital Contribution, and the negative balance of any Capital Account will not be considered a debt owed by the Member to the Company or to any other Person for any purpose.

14.5 Nonrecourse to Other Members

Except as provided by applicable law or as expressly provided in this Agreement, on dissolution, each Member will receive a return of his, her or its Capital Contribution solely from the assets of the Company. If the assets of the Company remaining after the payment or discharge of the debts and liabilities of the Company are insufficient to return any Capital Contribution of any Member, the Member will have no recourse against any other Member.

14.6 Termination

On completion of the dissolution, winding up, liquidation, and distribution of the assets of the Company, the Company is deemed terminated.

15. GENERAL PROVISIONS

15.1 Notices

Any notice, demand or other communication required or permitted to be given pursuant to this Agreement is sufficiently given for all purposes if it is in writing and (a) delivered personally to the party or to an executive officer of the party to whom the notice, demand or other communication is directed, or (b) sent by messenger, or by overnight courier, or by registered or certified mail, postage prepaid, addressed to the Member, Manager or the Company at his, her or its address set forth in this Agreement, or such address as the Member, Manager or Company gives notice of. Except as otherwise provided in this Agreement, any notice is deemed given, on delivery, except if sent by registered or certified mail, then five (5) business days after the date on which it was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent as set forth in this section.

15.2 Entire Agreement and Amendments

This Agreement contains the entire agreement among the Members with respect to the subject matter of this Agreement, and supersedes each course of conduct previously pursued or acquiesced in, and each oral agreement and representation previously made, by the Members with respect to them, whether or not relied or acted on. No course of performance or other conduct subsequently pursued or acquiesced in, and no oral agreement or representation subsequently made, by the Members, whether or not relied or acted on, and no usage of trade, whether or not relied or acted on, amends this Agreement or impairs or otherwise affects any Member's obligations pursuant to this Agreement or any rights and remedies of a Member pursuant to this Agreement. No amendment to this Agreement is effective unless made in a writing duly executed by fifty-one percent (51%) of Members and specifically referring to each provision of this Agreement being amended.

15.3 No Partnership Intended for Nontax Purposes

The Members have formed the Company under the Act, and expressly do not intend to form a partnership under the Arizona Uniform Limited Partnership Act or any other partnership laws. The Members do not intend to be partners to one another, or partners as to any third party. To the extent any Member, by work or action, represents to another person that any other Member is a partner or that the Company is a partnership, the Member making such wrongful representation is liable to any other Member who incurs personal liability by reason of such wrongful representation.

15.4 Rights of Creditors and Third Parties Under Agreement

This Agreement is entered into between the Company and the Members for the exclusive benefit of the Company, its Members, and their successors and assignees. This Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent provided by applicable statute, no such creditor or third party has any rights under the Agreement or any agreement between the Company and any Member with respect to any Capital Contribution or otherwise.

15.5 Execution of Additional Instruments

Each Member agrees to execute other and further statements of interests and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

15.6 Telephone Conferences

The Members and/or Managers may participate in a meeting of Members or a meeting of Managers, as the case may be, by means of conference telephone or similar communications equipment in which all Persons participating in the meeting can hear each other, and participation in a meeting constitutes presence of the Person at the meeting.

15.7 Construction

Whenever the singular number is used in this Agreement, and when required by the context, the same includes the plural and vice versa, and the masculine gender includes the feminine and neuter genders and vice versa.

15.8 Waiver

No failure of a Member to exercise, and no delay by a Member in exercising, any right or remedy under this Agreement constitutes a waiver of such right or remedy. No waiver by a Member of any right or remedy under this Agreement is effective unless made in a writing duly executed by all Members and specifically referring to each such right or remedy being waived.

15.9 Severability

Whenever possible, each provision of this Agreement is to be interpreted to be effective and valid under applicable law. However, if any provision of this Agreement is prohibited by or invalid under such law, it is deemed modified to conform to the minimum requirements of such law or, if for any reason it is not deemed so modified, it is prohibited or invalid only to the extent of such prohibition or invalidity without the remainder of the Agreement or any other provision being prohibited or invalid.

15.10 Binding

This Agreement is binding on and inures to the benefit of all Members, and each of the successors and assignees of the Members, except that rights or obligations of a Member under this Agreement may be assigned by the Member to another Person without first obtaining the written consent of all other Members.

15.11 Counterparts

This Agreement may be executed in counterparts, each of which is deemed an original and all of which constitutes one and the same instrument.

15.12 Governing Law

This Agreement is governed by, and interpreted and construed in accordance with, the laws of the State of Arizona, without regard to principles of conflict of laws. In the event any litigation or dispute shall arise hereon, such litigation or dispute shall be only resolved in the courts of Mohave County, Arizona.

IN WITNESS WHEREOF, the individuals and entities signing this Agreement below conclusively evidence their agreement to the terms and conditions of this Agreement by so signing this Agreement.

MEMBER:

MANAGER:

JMR IRREVOCABLE INVESTMENT TRUST

TRUCKEE SPRINGS HOLDINGS, INC.
a Nevada corporation

By: _____
James M. Rhodes
Administrative Trustee

By: _____
Name: James M. Rhodes
Title: President

TRUCKEE SPRINGS HOLDINGS, INC.
a Nevada corporation

By: _____
James M. Rhodes,
President

JAMES M RHODES DYNASTY TRUST I

By: _____
John Rhodes, Trustee

JAMES M RHODES DYNASTY TRUST II

By: _____
John Rhodes, Trustee

HARMONY HOMES, INC.

By: _____
Its: _____

EXHIBIT A

**MOHAVE AGRARIAN GROUP, LLC
an Arizona limited liability company**

<u>Member Name and Address</u>	<u>Percentage Interest</u>	<u>Capital Contribution*</u>
Truckee Springs Holdings, Inc. 8912 Spanish Ridge Avenue Suite 200 Las Vegas, Nevada 89148	00.4285%	1% of 7,618.92 acres
James M Rhodes Dynasty Trust I..... 8912 Spanish Ridge Avenue Suite 200 Las Vegas, Nevada 89148	21.21075%	49.5% of 7,618.92 acres
James M Rhodes Dynasty Trust II..... 8912 Spanish Ridge Avenue Suite 200 Las Vegas, Nevada 89148	21.21075%	49.5% of 7,618.92 acres
JMR Irrevocable Investment Trust..... 8912 Spanish Ridge Avenue Suite 200 Las Vegas, Nevada 89148	7.15%	100% of 1,270.39 acres
Harmony Homes, Inc..... Letter of Credit)	50%.....	\$2,000,000.00(Cash and

- Initial capital contributions to be made by transfer of land in Mohave County
- Percentage Interest based upon ownership interests in Cambridge House, LLC, and EB Acquisitions, LLC and Kingman Farms, LLC.

EXHIBIT H

Parcel No(s): 215-01-072; 310-17-004;
313-01-005; 313-01-035; 313-02-008;
313-02-021; 313-02-022; 313-02-023;
313-02-024; 313-20-025; 341-15-008;
354-29-011

RECORDING REQUESTED BY AND, WHEN
RECORDED, RETURN TO:

Fox Rothschild LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
Attn: Brett A. Axelrod, Esq.

NOTICE: THIS DEED OF TRUST (A) SECURES
INDEBTEDNESS WHICH PROVIDES FOR
CHANGES IN THE INTEREST RATE,
FOLLOWING CERTAIN EVENTS OF
DEFAULT AND (B) IS ALSO A FIXTURE
FILING WITH RESPECT TO GOODS
ENCUMBERED HEREBY THAT ARE, OR ARE
TO BECOME, FIXTURES AS THAT TERM IS
DEFINED IN A.R.S. 9102.A.41 OF THE
ARIZONA COMMERCIAL CODE

**DEED OF TRUST,
ASSIGNMENT OF RENTS AND LEASES,
SECURITY AGREEMENT AND FIXTURE FILING**

This Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing (the "Deed of Trust"), made as of this ____ day of _____, by MOHAVE AGRARIAN GROUP, LLC, an Arizona limited liability company, as trustor ("Trustor"), _____ ("Trustee"), and CONTRAIL HOLDINGS, LLC, a Nevada limited liability company as beneficiary and secured party ("Beneficiary").

1. Grant in Trust and Secured Obligations.

1.1 *Grant in Trust.* For the purpose of securing payment and performance of the Secured Obligations defined and described in Section 1.2 hereof in such order of priority as Beneficiary may determine, Trustor hereby irrevocably and unconditionally grants, bargains, sells, transfers and assigns to Trustee in trust, WITH POWER OF SALE AND RIGHT OF ENTRY AND POSSESSION, all estate, right, title and interest which Trustor now has or may hereafter acquire in and to the real property located in the County of Mojave, State of Arizona, as more fully described in Exhibit A attached hereto and incorporated herein by reference (the "Land"), together with the following:

(a) All buildings, structures and improvements now located or later to be constructed on the Land (the "Improvements") and any estate, right, title or interest Trustor may have or hereafter acquire therein; together with

(b) All existing and future appurtenances, privileges, easements, franchises and tenements of the Land, including all minerals, oil, gas, other hydrocarbons and associated substances, sulfur, nitrogen, carbon dioxide, helium and other commercially valuable substances which may be in, under or produced from any part of the Land, all development rights and credits, air rights, water, water

(c) courses, water rights (whether riparian, appropriative or otherwise, and whether or not appurtenant) and water stock, easements, rights-of-way, gores or strips of land, and any land lying in the streets, ways, alleys, passages, roads or avenues, open or proposed, in front of or adjoining the Land and Improvements; together with

(d) All existing and future leases, subleases, subtenancies, licenses, occupancy agreements and concessions (“Leases”) relating to the use and enjoyment of all or any part of the Land and Improvements, and any and all guaranties and other agreements relating to or made in connection with any of such leases; together with

(e) All real property and improvements on it, and all appurtenances and other property and interests of any kind or character, whether described in Exhibit “A” or not, which may be reasonably necessary or desirable to promote the present and any reasonable future beneficial use and enjoyment of the Land and Improvements; together with

(f) All goods, materials, supplies, chattels, furniture, fixtures, equipment, machinery, inventory and articles of personal property now or later to be attached to, placed in or on, or used in connection with the use, enjoyment, occupancy or operation of all or any part of the Land and Improvements, whether stored on the Land or elsewhere, including all pumping plants, engines, pipes, ditches and flumes, and also all gas, electric, cooking, heating, cooling, air conditioning, lighting, refrigeration and plumbing fixtures and equipment, all which shall be considered to the fullest extent of the law to be real property for purposes of this Deed of Trust; together with

(g) All building materials, equipment, work in process or other personal property of any kind, whether stored on the Land or elsewhere, which have been or later will be acquired for the purpose of being delivered to, incorporated into or installed in or about the Land or Improvements; together with

(h) All rights to the payment of money, accounts, accounts receivable, reserves, deferred payments, refunds, cost savings, payments and deposits, whether now or later to be received from third parties (including all earnest money sales deposits) or deposited by Trustor with third parties (including all utility deposits), contract rights, development and use rights, governmental permits and licenses, applications, architectural and engineering plans, specifications and drawings, as built drawings, chattel paper, instruments, documents, payment intangibles, bank accounts, certificates of deposit, general intangibles, investment property, funds, notes, drafts and letters of credit (other than letters of credit in favor of Beneficiary), which arise from or relate to construction on the Land or to any business now or later to be conducted on it, or to the Land and Improvements generally; together with

(h) All proceeds, including all claims to and demands for them, of the voluntary or involuntary conversion of any of the Land, Improvements or the other property described above into cash or liquidated claims, including proceeds of all present and future fire, hazard or casualty insurance policies and all condemnation awards or payments now or later to be made by any public body or decree by any court of competent jurisdiction for any taking or in connection with any condemnation or eminent domain proceeding, and all causes of action and their proceeds for any damage or injury to the Land, Improvements or the other property described above or any part of them, or breach of warranty in connection with the construction of the Improvements, including causes of action arising in tort, contract, fraud or concealment of a material fact; together with

(i) All books and records pertaining to any and all of the property described above, including computer readable memory and any computer hardware or software necessary to access and process such memory (“Books and Records”); together with

(j) All consumer goods located in, on or about the Land or the Improvements or used in connection with the use or operation thereof; together with

(k) All proceeds of, additions and accretions to, substitutions and replacements for, and changes in any of the property described above.

All of the above shall collectively be referred to as the "Property." Capitalized terms used above and elsewhere in this Deed of Trust without definition have the meanings given them in the Loan Agreement referred to in Section 1.2.(a) below.

1.2 *Secured Obligations.*

(a) Trustor makes the grant, bargain, conveyance, sale, transfer and assignment set forth in Section 1.1 and grants the security interest set forth in Section 3 for the purpose of securing the following obligations (the “Secured Obligations”) in any order of priority that Beneficiary may for the benefit of itself choose:

(i) Payment of all obligations at any time owing under that certain Loan and Security Agreement between Trustor and Beneficiary of even date herewith (the “Loan Agreement”), which obligations are evidenced by that certain Secured Promissory Note, of even date herewith (the “Note”), having a stated principal amount of _____ (\$_____) to the order of Beneficiary, including any and all alterations, amendments, changes, extensions, modifications, renewals, or supplements thereto; and

(ii) Payment and performance of all obligations of Trustor under this Deed of Trust; and

(iii) Payment and performance of any obligations of Trustor under any other instrument, document, certificate or affidavit heretofore, now or hereafter given or assumed by Trustor evidencing or securing all or any part of the foregoing (the same, together with with the Loan Agreement, the Note, this Deed of Trust and any other related documents, collectively the “Loan Documents”); and

(iv) Payment and performance of all modifications, amendments, extensions, and renewals, however evidenced, of any of the Secured Obligations.

(b) All persons who may have or acquire an interest in all or any part of the Property will be considered to have notice of, and will be bound by, the terms of the Secured Obligations and each other agreement or instrument made or entered into in connection with each of the Secured Obligations. Such terms include any provisions in the Loan Documents, which permit borrowing, repayment and reborrowing, or which provide that the interest rate on one or more of the Secured Obligations may vary from time to time.

2. *Assignment of Rents and Leases.*

2.1 *Assignment.* Effective upon the recordation of this Deed of Trust, Trustor hereby irrevocably, absolutely, presently and unconditionally assigns, transfers and sets over to Beneficiary, all rents, security deposits, royalties, issues, profits, earnings, revenue, income, products and proceeds of the Property, whether now due, past due or to become due, including, without limitation, all prepaid rents, security deposits and all rights to payment from the above-listed items (some or all collectively, as the context may require, the "Rents"), and all rights to any Leases, and confers upon the Beneficiary the right to collect such Rents and enforce the provisions of any Leases with or without taking the Property. This is an absolute assignment, not an assignment for security only.

2.2 *Grant of License.* Beneficiary hereby confers upon Trustor a license (the "License") to collect and retain the Rents as they become due and payable, so long as no Event of Default, as defined in Section 6.2, shall exist and be continuing. If an Event of Default has occurred and is continuing, Beneficiary shall have the right, which it may choose to exercise in its sole discretion, to terminate this License without notice to or demand upon Trustor, and without regard to the adequacy of Beneficiary's security under this Deed of Trust.

2.3 *Collection and Application of Rents and Enforcement of Leases.* Subject to the License granted to Trustor under Section 2.2, Beneficiary has the right, power and authority to collect any and all Rents and enforce the provisions of any of the Leases. Trustor hereby appoints Beneficiary its attorney in fact (which appointment is irrevocable as it is coupled with an interest) to perform any and all of the following acts, if and at the times when Beneficiary in its sole discretion may so choose:

- (a) Demand, receive and enforce payment of any and all Rents; or
- (b) Give receipts, releases and satisfactions for any and all Rents; or
- (c) Sue either in the name of Trustor or in the name of Beneficiary for any and all Rents; or
- (d) Enforce the provisions of any and all Leases.

Beneficiary's right to the Rents or to enforce the provisions of any of the Leases does not depend on whether or not Beneficiary takes possession of the Property as permitted under Section 6.6. In Beneficiary's sole discretion, Beneficiary may choose to collect Rents or enforce any and all Leases either with or without taking possession of the Property. Beneficiary shall apply all Rents collected by it in the manner provided under Section 6.6. If an Event of Default occurs while Beneficiary is in possession of all or part of the Property and is collecting and applying Rents as permitted under this Deed of Trust, Beneficiary, Trustee and any receiver shall nevertheless be entitled to exercise and invoke every right and remedy afforded any of them under this Deed of Trust and at law or in equity, including the right to exercise the power of sale granted under Section 1.1 and Section 6.5. In addition, and not in limitation of, any other remedy provided in or available under this Security Instrument, Beneficiary shall have all the rights set forth in A.R.S. 33-702(B) (as amended, supplemented or supplanted) regarding the enforcement of the assignment of leases and rents herein.

2.4 *Beneficiary Not Responsible.* Under no circumstances shall Beneficiary have any duty to produce Rents from the Property. Regardless of whether or not Beneficiary, in person or by agent, takes actual possession of the Land and Improvements, Beneficiary is not and shall not be deemed to be:

- (a) a “mortgagee in possession” for any purpose; or
- (b) responsible for performing any of the obligations of the Trustor as lessor under any lease; or
- (c) responsible for any waste committed by lessees or any other parties, any dangerous or defective condition of the Property, or any negligence in the management, upkeep, repair or control of the Property; or
- (d) liable in any manner for the Property or the use, occupancy, enjoyment or operation of all or any part of it.

2.5 *Leasing.* Trustor shall not accept any deposit or prepayment of Rents for any rental period exceeding one month without Beneficiary's prior express written consent, which consent shall not be unreasonably withheld.

3. *Grant of Security Interest.*

3.1 *Security Agreement.* The parties intend for this Deed of Trust to create a lien on the Property, and an absolute assignment of the Rents and Leases, all in favor of Beneficiary. The parties acknowledge that some of the Property and some or all of the Rents and Leases may be determined under applicable law to be personal property or fixtures. To the extent that any Property, Rents or Leases may be or be determined to be personal property, Trustor as debtor hereby grants Beneficiary as secured party a security interest in all such Property, Rents, and Leases, to secure payment and performance of the Secured Obligations. This Deed of Trust constitutes a security agreement under the Uniform Commercial Code, covering all such Property, Rents, and Leases.

Trustor authorizes and empowers Beneficiary to file all financing statements (“Financing Statements”) and refilings and continuations thereof pursuant to the Uniform Commercial Code (“Uniform Commercial Code”) enacted in the Arizona Revised Statutes (“A.R.S”) as Beneficiary deems necessary or advisable to create, preserve and maintain the priority of the lien created hereby on property which may be deemed personal property or fixtures, and Trustor shall pay to Beneficiary on demand any reasonable out of pocket expenses incurred by Beneficiary in connection with the preparation and filing of such Financing Statements.

This Deed of Trust shall be deemed a security agreement as defined in said Uniform Commercial Code and the remedies for any violation of the covenants, terms and conditions of the agreements herein contained shall be cumulative and (i) as prescribed herein, or (ii) by general law, or (iii) as to such part of the security which is also reflected in said Financing Statement by the specific statutory consequences now or hereafter enacted and specified in the Uniform Commercial Code, all at Beneficiary's sole election.

4. *Fixture Filing.* This Deed of Trust shall be effective as a Financing Statement filed as a fixture filing from the date of the recording hereof in accordance with A.R.S 9102.A.41. In connection therewith, the addresses of the Trustor as debtor and Beneficiary as secured party are as set forth in Section 8.12. The foregoing address of Beneficiary, as the secured party, is also the address from which information concerning the security interest may be obtained by any interested party. The Organizational Identification Number of Trustor is L-1896367-9.

(a) The property subject to this fixture filing is described in Section 3.1. above.

(b) Portions of the property subject to this fixture filing as identified in (a) above are or are to become fixtures related to the Land described on Exhibit "A" to this Deed of Trust.

5. *Rights and Duties of the Parties.*

5.1 *Representations and Warranties.* Trustor represents and warrants that, except as previously disclosed to Beneficiary in a writing making reference to this Section 5.1:

(a) Trustor lawfully possesses and owns the interests conveyed hereunder with respect to all Property free and clear of all liens and encumbrances, subject to the "Prior Approved Encumbrances" set forth on Exhibit "B," attached hereto and made a part hereof as if fully set forth;

(b) Trustor has the full and unlimited power, right and authority to encumber the Property and assign the Rents;

(c) This Deed of Trust creates a first and prior lien on the Property subject only to Prior Approved Encumbrances;

(d) The Property includes all property and rights which may be reasonably necessary or desirable to promote the present and any reasonable future beneficial use and enjoyment of the Land and Improvements;

(e) [Intentionally Omitted];

(f) Trustor owns any Property which is personal property free and clear of any security agreements, reservations of title or conditional sales contracts, and there is no financing statement affecting such personal property on file in any public office; and

(g) Trustor's place of business, or its chief executive office if it has more than one place of business, is located at the address specified as the address at which Trustor is to receive Notices in Section 8.12 hereof.

5.2 *Taxes and Assessments.* Trustor shall pay prior to delinquency all taxes, levies, charges and assessments, including assessments on appurtenant water stock, imposed by any public or quasi public authority or utility company which are (or if not paid, may become) a lien on all or part of the Property or any interest in it, or which may cause any decrease in the value of the Property or any part of it. If any such taxes, levies, charges or assessments become delinquent, Beneficiary may require Trustor to present evidence that they have been paid in full, on ten (10) days written notice by Beneficiary to Trustor.

5.3 *Performance of Secured Obligations.* Trustor shall promptly pay and perform each Secured Obligation in accordance with its terms.

5.4 *Liens, Charges and Encumbrances.* Trustor shall immediately discharge or post a bond for any lien on the Property, which Beneficiary has not expressly consented to in writing. Trustor shall pay when due each obligation secured by or reducible to a lien, charge or encumbrance which now does

or later may encumber or appear to encumber all or part of the Property or any interest in it, whether the lien, charge or encumbrance is or would be senior or subordinate to this Deed of Trust.

5.5 *Damages and Insurance and Condemnation Proceeds.*

(a) Trustor hereby absolutely and irrevocably assigns to Beneficiary, and authorizes the payor to pay to Beneficiary, the following claims, causes of action, awards, payments and rights to payment:

(i) All awards of damages and all other compensation payable directly or indirectly because of a condemnation, proposed condemnation or taking for public or private use which affects all or part of the Property or any interest in it; and

(ii) All other awards, claims and causes of action, arising out of any warranty affecting all or any part of the Property, or for damage or injury to or decrease in value of all or part of the Property or any interest in it; and

(iii) All proceeds of any insurance policies payable because of loss sustained to all or part of the Property; and

(iv) All interest which may accrue on any of the foregoing.

(b) Trustor shall immediately notify Beneficiary in writing if any offer is made, or any action or proceeding is commenced, which relates to any actual or proposed condemnation or taking of all or part of the Property.

(c) If Beneficiary chooses to do so, Beneficiary may in its own name appear in or prosecute any action or proceeding to enforce any cause of action based on warranty, or for damage, injury or loss to all or part of the Property, and Beneficiary may make any compromise or settlement of the action or proceeding. Beneficiary, if it so chooses, may participate in any action or proceeding relating to condemnation or taking of all or part of the Property, and may join Trustor in adjusting any loss covered by insurance.

(d) All proceeds of these assigned claims, other property and rights that Trustor may receive or be entitled to shall be paid to Beneficiary. In each instance, Beneficiary shall apply such proceeds first toward reimbursement of all of Beneficiary's costs and expenses of recovering the proceeds, including attorneys' fees, and then Beneficiary may apply such proceeds to pay or prepay (without premium) some or all of the Secured Obligations in such order and proportions as Beneficiary in its sole discretion may choose.

(e) Trustor hereby specifically, unconditionally and irrevocably waives all rights of a property owner granted under Arizona law, which provides for allocation of condemnation proceeds between a property owner and a lienholder, and any other law or successor statute or similar import.

5.6 *Insurance, Maintenance and Preservation of Property.*

(a) Trustor shall obtain and maintain: (i) combined single limit bodily injury and property damage insurance against any loss, liability, or damage on, about or relating to the Property, in an amount reasonably acceptable to Beneficiary; (ii) flood insurance in an amount satisfactory to Beneficiary if the Land is located in a designated flood hazard area; and (iii) such other reasonable

insurance as Beneficiary may reasonably require. Such insurance shall be in form, content, and written by an insurer reasonably satisfactory to Beneficiary, shall name Trustor and Beneficiary, as their interests may appear, as the loss payee thereunder. All required policies will provide for at least thirty (30) days' written notice to Beneficiary prior to the effective date of any cancellation or material amendment, which term shall include any reduction in the scope or limits of coverage and written notice to Beneficiary no later than ten (10) days following Trustor's failure to pay a premium that is due and payable. Trustor shall furnish to Beneficiary the original of each required insurance policy, or a certified copy thereof together with a certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date.

(b) Trustor shall keep the Property in good condition and repair.

(c) Trustor shall not remove or demolish the Property or any part of it, or alter, restore or add to the Property, or initiate or allow any change in any zoning or other land use classification which affects the Property or any part of it, except with Beneficiary's prior express written consent in each instance, which consent shall not be unreasonably withheld.

(d) Trustor shall not commit or allow any act upon or use of the Property which would violate: (i) any applicable law or order of any governmental authority, whether now existing or later to be enacted and whether foreseen or unforeseen; or (ii) any public or private covenant, condition, restriction or equitable servitude affecting the Property. Trustor shall not bring or keep any article on the Property or cause or allow any condition to exist on it, if that could invalidate or would be prohibited by any insurance coverage required to be maintained by Trustor on the Property.

(e) Trustor shall not commit or allow waste of the Property.

(f) Trustor shall perform all other acts that from the character or use of the Property may be reasonably necessary to maintain and preserve its value.

5.7 *Trustee's Acceptance of Trust.* Trustee accepts this trust when this Deed of Trust is recorded.

5.8 *Releases, Extensions, Modifications and Additional Security.*

(a) From time to time, Beneficiary may perform any of the following acts without incurring any liability or giving notice to any person:

(i) Release any person liable for payment of any Secured Obligation;

(ii) Extend the time for payment, or otherwise alter the terms of payment, of any Secured Obligation;

(iii) Accept additional real or personal property of any kind as security for any Secured Obligation, whether evidenced by deeds of trust, mortgages, security agreements or any other instruments of security; or

(iv) Alter, substitute or release any property securing the Secured Obligations.

(b) From time when requested to do so by Beneficiary in writing, Trustee may perform any of the following acts without incurring any liability or giving notice to any person:

(i) Consent to the making of any plat or map of the Property or any part of it;

(ii) Join in granting any easement or creating any restriction affecting the Property;

(iii) Join in any subordination or other agreement affecting this Deed of Trust or the lien of it; or

(iv) Reconvey the Property or any part of it without any warranty.

5.9 *Reconveyance.* When all of the Secured Obligations have been paid in full, Beneficiary shall request Trustee in writing to reconvey the Property, and shall surrender this Deed of Trust and all notes and instruments evidencing the Secured Obligations to Trustee. When Trustee receives Beneficiary's written request for reconveyance and all fees and other sums owing to Trustee by Trustor under Section 5.10, Trustee shall reconvey the Property, or so much of it as is then held under this Deed of Trust, without warranty to the person or persons legally entitled to it. Such person or persons shall pay any costs of recordation. In the reconveyance, the grantee may be described as "the person or persons legally entitled thereto," and the recitals of any matters or facts shall be conclusive proof of their truthfulness. Neither Beneficiary nor Trustee shall have any duty to determine the rights of persons claiming to be rightful grantees of any reconveyance.

5.10 *Compensation, Exculpation, Indemnification.*

(a) Trustor agrees to pay fees in the maximum amounts legally permitted, or reasonable fees as may be charged by Beneficiary or Trustee when the law provides no maximum limit, for any services that Beneficiary or Trustee may render in connection with this Deed of Trust, including Beneficiary's providing a statement of the Secured Obligations or Trustee's rendering of services in connection with a reconveyance. Trustor shall also pay or reimburse all of Beneficiary's, and Trustee's costs and expenses that may be incurred in rendering any such services. Trustor further agrees to pay or reimburse Beneficiary for all costs, expenses and other advances which may be incurred or made by Beneficiary or Trustee in any efforts to enforce any terms of this Deed of Trust, including any rights or remedies afforded to Beneficiary or Trustee or all of them under Sections 6.3 through 6.12, whether any lawsuit is filed or not, or in defending any action or proceeding arising under or relating to this Deed of Trust, including attorneys' fees and other legal costs (which shall include reimbursement for any in-house counsel used by Beneficiary or the Trustee), costs of any Foreclosure Sale (as described in Section 6.5) and any cost of evidence of title. If Beneficiary chooses to dispose of Property through more than one Foreclosure Sale, Trustor shall pay all costs, expenses or other advances that may be incurred or made by Trustee or Beneficiary in each of such Foreclosure Sales.

(b) Beneficiary shall not be directly or indirectly liable to Trustor or any other person as a consequence of any of the following:

(i) Beneficiary's exercise of or failure to exercise any rights, remedies or powers granted to it in this Deed of Trust;

(ii) Beneficiary's failure or refusal to perform or discharge any obligation or liability of Trustor under any agreement related to the Property or under this Deed of Trust; or

(iii) Any loss sustained by Trustor or any third party resulting from Beneficiary's failure to lease the Property, or from any other act or omission of Beneficiary in managing the Property, after an Event of Default, unless the loss is caused by the willful misconduct and bad faith of Beneficiary. Trustor hereby expressly waives and releases all liability of the types described above, and agrees that no such liability shall be asserted against or imposed upon Beneficiary.

(c) Trustor agrees to indemnify Trustee and Beneficiary against and hold them harmless from all losses, damages, liabilities, claims, causes of action, judgments, court costs, attorneys' fees and other legal expenses, cost of evidence of title, cost of evidence of value, and other costs and expenses which either may suffer or incur:

(i) In performing any act required or permitted by this Deed of Trust or any of the other Loan Documents or by law;

(ii) Because of any failure of Trustor to perform any of Trustor's obligations; or

(iii) Because of any alleged obligation of or undertaking by Beneficiary to perform or discharge any of the representations, warranties, conditions, covenants or other obligations in any document relating to the Property other than the Loan Documents.

This agreement by Trustor to indemnify Trustee and Beneficiary shall survive the release and cancellation of any or all of the Secured Obligations and the full or partial release and/or reconveyance of this Deed of Trust.

(d) Trustor shall pay all obligations to pay money arising under this Section 5.10 immediately upon demand by Trustee or Beneficiary. Each such obligation shall be added to, and considered to be part of, the principal of the Note, and shall bear interest from the date the obligation arises at the interest rate set forth in the Loan Documents.

5.11 *Defense and Notice of Claims and Actions.* At Trustor's sole expense, Trustor shall protect, preserve and defend the Property and title to and right of possession of the Property, and the security of this Deed of Trust and the rights and powers of Beneficiary and Trustee created under it, against all adverse claims. Trustor shall give Beneficiary and Trustee prompt notice in writing if any claim is asserted which does or could affect any of such matters, or if any action or proceeding is commenced which alleges or relates to any such claim.

5.12 *Substitution of Trustee.* From time to time, Beneficiary may substitute a successor to any Trustee named in or acting under this Deed of Trust in any manner now or later to be provided at law, or by a written instrument executed and acknowledged by Beneficiary and recorded in the office(s) of the recorder(s) of the county or counties where the Land and Improvements are situated. Any such instrument shall be conclusive proof of the proper substitution of the successor Trustee, who shall automatically upon recordation of the instrument succeed to all estate, title, rights, powers and duties of the predecessor Trustee, without conveyance from it.

5.13 *Subrogation.* Beneficiary shall be subrogated to the liens of all encumbrances, whether released of record or not, which are discharged in whole or in part by Beneficiary in accordance with this Deed of Trust or with the proceeds of any loan secured by this Deed of Trust.

5.14 *Site Visits.* Beneficiary and its agents and representatives shall have the right at any time upon seventy-two (72) hours' notice to Trustor to enter and visit the Property for the purpose of performing appraisals and observing the Property.

5.15 *Notice of Change.* Trustor shall give Beneficiary prior written notice of any change in: (a) the location of Trustor's place of business or its chief executive office if it has more than one place of business; (b) the location of any of the Property, including the Books and Records; and (c) Trustor's name or business structure. Unless otherwise approved by Beneficiary in writing, all Property that consists of personal property (other than the Books and Records) will be located on the Land and all Books and Records will be located at Trustor's place of business or chief executive office if Trustor has more than one place of business.

5.16 *Financial Statements.* Trustor shall maintain full and correct books and records open to Beneficiary's inspection upon twenty-four (24) hours' notice showing in detail the income, expenses and earnings of Trustor and of the Property.

6. *Accelerating Transfers, Default and Remedies.*

6.1 *Accelerating Transfers.*

(a) "Accelerating Transfer" means any sale, contract to sell, conveyance, encumbrance, lease, alienation or further encumbrance not expressly permitted by Beneficiary or otherwise permitted by the Loan Documents, or other transfer of all or any material part of the Property or any interest in it, or the sale or transfer of any of the membership interests in Borrower, either directly or indirectly, or any change in the Trustor's name or business structure, whether voluntary, involuntary, by merger, consolidation, operation of law or otherwise, unless permitted by the Loan Documents or Beneficiary has given its prior express written consent to such "Accelerating Transfer" which consent shall be made by Beneficiary in its sole and unbridled discretion.

(b) Trustor acknowledges that Beneficiary is making the Loan in reliance on the expertise, skill and experience of Trustor; thus, the Secured Obligations include material elements similar in nature to a personal service contract. In consideration of Beneficiary's reliance, Trustor agrees that Trustor shall not make any Accelerating Transfer, unless permitted by the Loan Documents or the transfer is preceded by Beneficiary's express written consent to the particular transaction and transferee. Beneficiary may withhold such consent in its sole discretion. If any Accelerating Transfer occurs, Beneficiary in its sole discretion may declare all of the Secured Obligations to be immediately due and payable, and Beneficiary and Trustee may invoke any rights and remedies provided by Sections 6.3 through 6.12 of this Deed of Trust.

6.2 *Events of Default.* Trustor will be in default under this Deed of Trust upon the occurrence of any one or more of the following events (some or all collectively, "Events of Default," and any one singly, an "Event of Default");

(a) Trustor fails to make any payment under this Deed of Trust within ten (10) days of when due; or

(b) Trustor fails to perform any obligation arising under this Deed of Trust other than one to pay money, and does not cure that failure within thirty (30) days (the "Initial Cure Period") after written notice from Beneficiary or Trustee. So long as Trustor begins within the Initial Cure Period and diligently continues to cure the failure, and Beneficiary, in its sole judgment, determines that the cure cannot reasonably be completed at or before expiration of the Initial Cure Period then the Initial Cure Period may be extended by a period not to exceed ninety (90) days; or

(c) A default occurs under any of the other Loan Documents.

6.3 *Remedies.* At any time after an Event of Default, Beneficiary and Trustee shall be entitled to invoke any and all of the rights and remedies described below in Sections 6.4 through 6.12. All of such rights and remedies shall be cumulative, and the exercise of any one or more of them shall not constitute an election of remedies.

6.4 *Acceleration of Maturity.* If an Event of Default shall have occurred Beneficiary and Trustee may declare the outstanding principal amount of the Note and the interest accrued thereon and all other sums secured hereby, to be due and payable immediately, and upon such declaration such principal and interest and other sums shall immediately become due and payable without demand or notice.

6.5 *Beneficiary's Power of Enforcement.*

(a) Time is of the essence hereof. Upon the occurrence of an Event of Default, Beneficiary may, at its option and in its sole and absolute discretion, deliver to the Trustee a written notice of default and election to sell, to cause the Property to be sold to satisfy the obligations hereof, which notice the Trustee shall cause to be filed for record. Beneficiary also may deposit with the Trustee all documents evidencing expenditures secured hereby.

(b) After the lapse of such time as may then be required by law following the recordation of said notice of default and election to sell, and said notice having been given as then required by law, the Trustee without demand on Trustor, shall sell the Property at the time and place fixed by it in said notice, either as a whole or in separate parcels, and in such order as it may determine, at public auction, for cash in lawful money of the United States payable at the time of sale. The Trustee may, for any cause it deems expedient, postpone the sale of all or any portion of the Property until it shall be completed and, in every case, notice of postponement shall be given by public announcement thereof at the time and place last appointed for the sale and from time to time thereafter the Trustee may postpone such sale up to a maximum of three times by public announcement at the time fixed by the preceding postponement. Trustee may further postpone the sale of all or any portion of the Property by providing a new notice of sale in accordance applicable law. The Trustee shall execute and deliver to the purchaser its Trustee's deed conveying the Property so sold but without any covenant or warranty, express or implied. The recitals in the Trustee's deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Beneficiary, may bid at the sale.

After deducting all costs, fees and expenses of the Trustee and of this Deed of Trust, including the cost of any evidence of title procured in connection with such sale, the Trustee shall apply the proceeds of sale to the payment of: (i) all sums expended under the terms hereof, not then repaid, with accrued interest at the Default Rate (ii) all other sums then secured hereby; and (iii) the remainder, if any, to the person or persons legally entitled thereto.

(c) If an Event of Default shall have occurred, Beneficiary may, either with or without entry or taking possession as hereinafter provided or otherwise, and without regard to whether or not the Secured Obligations and other sums secured hereby shall be due and without prejudice to the right of Beneficiary thereafter to bring an action or proceeding to foreclose or any other action for any default existing at the time such earlier action was commenced, proceed by any appropriate action or proceeding: (i) to enforce payment of the Note or the performance of any term hereof or any other right; (ii) to foreclose this Deed of Trust in the manner provided by law for the foreclosure of deeds of trusts on real property and to sell, as an entirety or in separate lots or parcels, the Property pursuant to the laws of the State of Arizona or under the judgment or decree of a court or courts of competent jurisdiction and Beneficiary shall be entitled to recover in any such proceeding all costs and expenses incident thereto, including reasonable attorneys' fees in such amount as shall be awarded by the court; and (iii) to pursue any other remedy available to it at law or in equity. Beneficiary shall take action either by such proceedings or by the exercise of its powers with respect to entry or taking possession, or both, as Beneficiary may determine. Any sale of the Property pursuant to this Section 6.5 shall be referred to as a "Foreclosure Sale."

6.6 *Beneficiary's Right to Enter and Take Possession, Operate and Apply Rents.*

(a) If an Event of Default shall have occurred, notwithstanding and in addition to the Beneficiary's rights under Section 2 hereof, (i) Trustor upon demand of Beneficiary, shall forthwith surrender to Beneficiary the actual possession and, to the extent permitted by law, Beneficiary itself, or such officers or agents as it may appoint, may enter, and take possession of all of the Property or any part thereof, and may exclude Trustor and its agents and employees wholly therefrom and may have joint access with Trustor to the books, papers and accounts of Trustor; and (ii) Trustor will pay monthly in advance to Beneficiary on Beneficiary's entry into possession, or to any receiver appointed to collect Rents of the Property the fair and reasonable rental value for the use and occupation of such part of the Property as may be in possession of Trustor and upon default in any such payment will vacate and surrender possession of such part of the Property to Beneficiary or to such receiver and, in default thereof, Trustor may be evicted by summary proceedings or otherwise.

(b) If Trustor shall for any reason fail to surrender or deliver the Property or any part thereof after Beneficiary's demand, Beneficiary may obtain a judgment or decree conferring on Beneficiary or the Trustee the right to immediate possession or requiring Trustor to deliver immediate possession of all or part of the Property to Beneficiary or the Trustee and Trustor hereby specifically consents to the entry of such judgment or decree. Trustor shall pay to Beneficiary or the Trustee, upon demand, all costs and expenses of obtaining such judgment or decree and reasonable compensation to Beneficiary or the Trustee, their attorneys and agents, and all such costs, expenses and compensation shall, until paid, be secured by the lien of this Deed of Trust.

(c) Upon every such entering upon or taking of possession, the Beneficiary or the Trustee may hold, store, use, operate, manage and control the Property and conduct the business thereof; and, from time to time in its sole and absolute discretion:

(i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and Improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personality and other property;

(ii) insure or keep the Property insured;

(iii) manage and operate the Property and exercise all the rights and powers of Trustor in its name or otherwise with respect to the same;

(iv) enter into agreements with others to exercise the powers herein granted the Beneficiary or the Trustee, all as Beneficiary or the Trustee from time to time may determine; and Beneficiary or the Trustee may collect and receive all the Rents thereof, including those past due as well as those accruing thereafter; enforce any and all Leases, and shall apply the monies so received by the Beneficiary or the Trustee in such priority as Beneficiary may determine to (i) the payment of interest and principal due and payable on the Note; (ii) the cost of insurance, taxes, assessments and other proper charges upon the Property or any part thereof; (iii) the reasonable out of pocket compensation, expenses and disbursements of the agents, attorneys and other representatives of Beneficiary or the Trustee and (iv) any other charges or costs required to be paid by Trustor under the terms hereof.

Beneficiary or Trustee shall surrender possession of the Property to Trustor only when all that is due upon such interest and principal, tax and insurance deposits, and all amounts under any of the terms of this Deed of Trust, shall have been paid and all defaults fully cured. The same right of taking possession, however, shall exist if any subsequent Event of Default shall occur and be continuing.

6.7 *Purchase by Beneficiary.* Upon any such foreclosure sale, Beneficiary may bid for and purchase the Property and, upon compliance with the terms of sale, may hold, retain and possess and dispose of such Property in its own absolute right without further accountability.

6.8 *Application of Secured Obligation Towards Purchase Price.* Upon any such Foreclosure Sale, Beneficiary may, if permitted by law, and after allowing for costs and expenses of the sale, compensation and other charges in paying the purchase price, apply any portion of or all of the Secured Obligation and other sums due to Beneficiary under this Deed of Trust, the Note, or any other instrument or document securing or evidencing the Loan or otherwise heretofore or hereafter executed in connection with the Secured Obligation hereunder, in lieu of cash, the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon.

6.9 *Waiver of Appraisalment, Valuation, Stay, Extension and Redemption Laws.* Trustor agrees to the full extent permitted by law that in case of a default on its part hereunder, neither Trustor nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisalment, valuation, stay, extension or redemption laws now or hereafter in force in order to prevent or hinder the enforcement or foreclosure of this Deed of Trust or the absolute sale of the Property or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereof, and Trustor, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprising the Property marshaled upon any foreclosure of the lien hereof and agrees that the Trustee or any court having jurisdiction to foreclose such lien may sell the Property in part or as an entirety.

6.10 *Receiver.* In addition to the rights of the Beneficiary under Section 2 hereof, if an Event of Default shall have occurred, Beneficiary, to the extent permitted by law and without regard to the value, adequacy or occupancy of the security for the Secured Obligations and other sums secured hereby, shall be entitled as a matter of right, if it so elects, after the filing of its notice of default and election to sell, to the appointment of a receiver to enter upon and take possession of the Property and to collect all Rents, enforce any of the Leases and other benefits thereof and apply the same as the court may direct, and such receiver may be appointed by any court of competent jurisdiction by ex parte application and without notice of hearing, such notice of hearing being hereby expressly waived. The expenses, including receiver's fees, attorneys' fees, costs and agent's compensation, incurred pursuant to

the powers herein contained, shall be secured by this Deed of Trust. The right to enter and take possession of and to manage and operate the Property and to collect all Rents, enforce any of the Leases and other benefits thereof whether by a receiver or otherwise, shall be cumulative to any other right or remedy hereunder or afforded by law and may be exercised concurrently therewith or independently thereof. Beneficiary shall be liable to account only for such Rents and other benefits actually received by Beneficiary, whether received pursuant to this Section or Section 6.6. Notwithstanding the appointment of any receiver or other custodian, Beneficiary shall be entitled as pledgee to the possession and control of any cash, deposits, and instruments at the time held by, or payable or deliverable under the terms of this Deed of Trust to Beneficiary.

6.11 *Suits to Protect the Property.* Beneficiary shall have the power and authority, but shall have no obligation, to institute and maintain any suits and proceedings as Beneficiary may deem advisable: (i) to prevent any impairment of the Property by any acts which may be unlawful or any violation of this Deed of Trust; (ii) to preserve or protect its interest in the Property; and (iii) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order might impair the security hereunder or be otherwise prejudicial to Beneficiary's interest.

6.12 *Proofs of Claim.* In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding affecting Trustor or any guarantor of any of Trustor's obligations, its creditors or its property, Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim or other documents as may be necessary or advisable in order to have its claims allowed in such proceedings for the entire Secured Obligation due and payable by Trustor under this Deed of Trust, the Note, and any other instrument or document securing or evidencing the Loan, or otherwise heretofore or hereafter executed in connection with the Secured Obligation hereunder, at the date of the institution of such proceedings, and for any additional amounts which may become due and payable by Trustor after such date.

7. *Miscellaneous Provisions.*

7.1 *No Waiver or Cure.*

(a) Each waiver by Beneficiary or Trustee must be in writing, and no waiver shall be construed as a continuing waiver. No waiver shall be implied from any delay or failure by Beneficiary or Trustee to take action on account of any default of Trustor. Consent by Beneficiary or Trustee to any act or omission by Trustor shall not be construed as a consent to any other or subsequent act or omission or to waive the requirement for Beneficiary's or Trustee's consent to be obtained in any future or other instance.

(b) If any of the events described below occurs, that event alone shall not cure or waive any breach, Event of Default or notice of default under this Deed of Trust or invalidate any act performed pursuant to any such default or notice; or nullify the effect of any notice of default or sale (unless all Secured Obligations then due have been paid and performed and all other defaults under the Loan Documents have been cured); or impair the security of this Deed of Trust; or prejudice Beneficiary, Trustee or any receiver in the exercise of any right or remedy afforded any of them under this Deed of Trust; or be construed as an affirmation by Beneficiary of any tenancy, lease or option, or a subordination of the lien of this Deed of Trust.

(i) Beneficiary, its agent or a receiver takes possession of all or any part of the Property in the manner provided in Section 6.6.

(ii) Beneficiary collects and applies Rents and enforces any of the Leases as permitted under Sections 2.3 and 6.6, either with or without taking possession of all or any part of the Property.

(iii) Beneficiary receives and applies to any Secured Obligation any proceeds of any Property, including any proceeds of insurance policies, condemnation awards, or other claims, property or rights assigned to Beneficiary under Section 5.5.

(iv) Beneficiary receives any sums under this Deed of Trust or any proceeds of any collateral held for any of the Secured Obligations, and applies them to one or more Secured Obligations.

(v) Beneficiary, Trustee or any receiver invokes any right or remedy provided under this Deed of Trust.

7.2 *Powers of Beneficiary and Trustee.*

(a) Trustee shall have no obligation to perform any act that it is empowered to perform under this Deed of Trust unless it is requested to do so in writing and is reasonably indemnified against loss, cost, liability and expense.

(b) If either Beneficiary or Trustee performs any act that it is empowered or authorized to perform under this Deed of Trust, including any act permitted by Section 5.8 or Section 6.6 or Section 6.10, that act alone shall not release or change the personal liability of any person for the payment and performance of the Secured Obligations then outstanding, or the lien of this Deed of Trust on all or the remainder of the Property for full payment and performance of all outstanding Secured Obligations.

(c) From time to time, Beneficiary or Trustee may apply to any court of competent jurisdiction for aid and direction in executing the trust and enforcing the rights and remedies created under this Deed of Trust. Beneficiary or Trustee may from time to time obtain orders or decrees directing, confirming or approving acts in executing this trust and enforcing such rights and remedies.

7.3 *Merger.* No merger shall occur as a result of Beneficiary's acquiring any other estate in or any other lien on the Property unless Beneficiary consents to a merger in writing.

7.4 *Applicable Law.* This Deed of Trust shall be governed by the laws of the State of Arizona.

7.5 *Successors in Interest.* The terms, covenants and conditions of this Deed of Trust shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties. However, this Section 7.5 does not waive the provisions of Section 6.1.

7.6 *Statute of Limitations.* To the extent permitted by law, Trustor hereby waives the right to plead the statute of limitations as a defense to any and all obligations secured by this Deed of Trust.

7.7 *In House Counsel Fees.* Whenever Trustor is obligated to pay or reimburse Beneficiary or Trustee for any attorneys' fees, those fees shall include the allocated costs for services of in house counsel.

7.8 *Waiver of Marshaling.* Trustor waives all rights, legal and equitable, it may now or hereafter have to require marshaling of assets or to direct the order in which any of the Property will be sold in the event of any sale under this Deed of Trust. Each successor and assign of Trustor, including any holder of a lien subordinate to this Deed of Trust, by acceptance of its interest or lien agrees that it shall be bound by the above waiver, as if it had given the waiver itself.

7.9 *Time of Essence.* Time is of the essence of this Deed of Trust.

7.10 *Severability.* If any provision of this Deed of Trust should be held unenforceable or void, that provision shall be deemed severable from the remaining provisions and shall in no way affect the validity of this Deed of Trust except that if such provision relates to the payment of any monetary sum, then Beneficiary may, at its option, declare all Secured Obligations immediately due and payable.

7.11 *Interpretation.*

(a) Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the sections of this Deed of Trust are for convenience only and do not define or limit any terms or provisions. The word "include(s)" means "include(s), without limitation," and the word "including" means "including, but not limited to."

(b) The word "obligations" is used in its broadest and most comprehensive sense, and includes all primary, secondary, direct, indirect, fixed and contingent obligations. It further includes all principal, interest, prepayment charges, late charges, loan fees and any other fees and charges accruing or assessed at any time, as well as all obligations to perform acts or satisfy conditions.

(c) No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Deed of Trust. The Exhibits to this Deed of Trust are hereby incorporated in this Deed of Trust.

7.12 *Notices.* Trustor hereby requests that a copy of notice of default and notice of sale be mailed to it at the address set forth below. That address is also the mailing address of Trustor as Debtor under the Uniform Commercial Code. Beneficiary's address given below is the address for Beneficiary as Secured Party under the Uniform Commercial Code.

Addresses where notices are to be sent:

Trustor: MOHAVE AGRARIAN GROUP, LLC
8912 Spanish Ridge Avenue, Suite 200
Las Vegas, Nevada 89148
Phone: (702) 478-8375
Facsimile: (702) 586-3527
Attn: James Rhodes

Trustee: _____

Beneficiary: CONTRAIL HOLDINGS LLC

Phone: _____
Facsimile: _____

7.13 *Arizona Specific Waivers.* In furtherance of and not in limitation of any other provisions of this Deed of Trust, it is Trustor's intention that the Secured Obligations be governed according to the express, bargained-for terms hereof and of the other Loan Documents. The interest rate and terms applicable to the other Loan Documents have been negotiated and agreed to by the Beneficiary upon that basis. Therefore, to the fullest extent allowable under Arizona law, Trustor hereby expressly waives all provisions of Arizona law (including without limitation those specifically referenced below) which might otherwise be construed, contrary to the terms of the Loan Documents, to limit the liability of Trustor with respect to the Secured Obligations, and hereby expressly agrees that no such provision of law shall be applicable to such obligations. To that end, Trustor expressly:

(i) agrees that the amount of any unpaid or unperformed Secured Obligations remaining following any sale of collateral (herein referred to as the "Deficiency") shall be determined solely by the purchase price (whether cash, credit bid, or otherwise, and net of all costs and expenses out of and relating to the sale) actually received, for such collateral, and waives all provisions of A.R.S. 12-1566, 33-725, 33-727 and 33-814 which might otherwise determine the Deficiency by the "fair market value" of the collateral sold or by any other valuation in excess of such actual net purchase price;

(ii) waives all provisions of A.R.S. 33-814 which purport to limit the time within which an action upon a Deficiency may be commenced, or to eliminate any Deficiency if such an action is not commenced within such time limits, and agree that such provisions shall not apply to any Deficiency following a trustee's sale under this Deed of Trust;

(iii) agrees that if, notwithstanding the foregoing express intention and agreement of Trustor to the contrary, the provisions of A.R.S. 33-814 are held by a court to be applicable then:

(A) for purposes of A.R.S. 33-814, the ninety-day period within which an action for a deficiency judgment may be brought shall not begin until the date of the last trustee's sale or other non-judicial or judicial foreclosure sale of any real or personal property collateral under any of the Deed of Trust which secure the Note, whether such collateral is located within or outside of Arizona;

(B) the phrase "full satisfaction of the obligation" in A.R.S. 33-814(D) shall be construed to refer solely to the obligation of Trustor to repay the site-specific monetary indebtedness, and not to any separate and independent obligations (1) of Trustor which are created by this Deed of Trust (including, without limitation, any covenants, agreements or indemnities which are expressly stated to survive any foreclosure hereof) or which are created under or evidenced or secured by any other Loan Document executed in connection herewith, regardless of whether such separate and independent obligations are secured hereby by virtue of any cross-collateralization or cross-default provisions or otherwise, or (2) of any other Person which is directly, indirectly or contingently liable with respect to the Secured Obligations (all

such separate and independent obligations being referred to herein as the “Separate Obligations”); and

(C) notwithstanding any application of A.R.S. 33-814(D) to limit or bar any action against Trustor with respect to the monetary indebtedness following a trustee's sale or sales of the entire Property such Section shall not be applicable to, or in any way limit or impede any action with respect to, such Separate Obligations or any collateral which might now or hereafter be given by Trustor as security therefor;

(iv) waives all right of reinstatement following acceleration of the obligations secured by this Deed of Trust, including any which might otherwise be available under A.R.S. 33-813, it being agreed that Trustor has bargained for the notice and cure of rights given to Trustor herein and under the other Loan Documents; that such rights provide Trustor with sufficient opportunity to prevent acceleration following a breach or default which could become an Event of Default; and that Trustor has agreed in return to waive any further right of reinstatement following acceleration should no cure be timely made.

(v) waives all rights of redemption Trustor might otherwise have under Arizona law with respect to the Property or any other collateral, whether by statute, by subrogation, or otherwise, including without limitation any rights under A.R. S . 12-1281 through 12-1283;

(vi) waives and agrees not to assert any and all rights, benefits and defenses which might otherwise be available under the provisions of A.R.S. 121641, 12-1642, 12-1646, 44-142 or 47-3605, or Arizona Rules of Civil Procedure Rule 17(f);

(vii) agrees to be and remain liable for the Secured Obligations, and agrees (including as contemplated by A.R.S. §§ 12-1566(E) and 33-814(C) with respect to a guaranty) that this Deed of Trust may be enforced (and sale had hereunder or judgment given hereon) at any time and independent of any other action or judgment, all regardless of whether, or when, a trustee's or foreclosure sale of any collateral given by Trustor or any other Person is held or any other nonjudicial or judicial action to realize upon collateral, or against Trustor or any other Person obligated with respect to the Secured Obligations, is commenced, maintained, concluded, continued or discontinued.

The statutes referred to above in this section shall include any further statutes amending, supplementing, or supplanting the same. The waivers and agreements contained in this section and elsewhere in this Deed of Trust are given by Trustor knowingly, intelligently and voluntarily, upon advice of counsel, to induce Beneficiary to accept a lower interest rate and other Loan Document terms more favorable to Trustor than would be acceptable to Beneficiary in the absence thereof, and accordingly are intended to be broadly and liberally construed in favor of Beneficiary.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing as of the Effective Date.

TRUSTOR:

MOHAVE AGRARIAN GROUP, LLC,
an Arizona limited liability company
By: Truckee Springs Holdings, Inc.
Its: Manager

By: _____
James M. Rhodes
President

STATE OF NEVADA)
)ss.
COUNTY OF CLARK)

This instrument was acknowledged before me on _____, 2016, by James M. Rhodes, President of Truckee Springs Holdings, Inc., the Manager of Mohave Agrarian Group, LLC, on behalf of the company.

NOTARY PUBLIC

SECURED PROMISSORY NOTE

Principal Amount: \$ _____, 2017

1. **Promise to Pay.** FOR VALUE RECEIVED, Mohave Agrarian Group, LLC, an Arizona limited liability company (the "**Reorganized Debtor**" or "**Borrower**"), whose mailing address is _____, hereby promises to pay to the order of Contrail Holdings LLC, a Nevada limited liability company, or its successors or assigns (hereinafter collectively referred to as "**Lender**"), at _____, or at such other place as the holder hereof may from time to time designate, in lawful money of the United States of America which constitutes legal tender for the payment of debts, the principal sum of _____ DOLLARS (\$ _____) (the "**Loan**"), together with any interest thereon at the rate set forth herein.

2. **Interest; Maturity Date.** Borrower promises to pay interest at the rate of 5.5% that shall accrue and be added to the principal balance on this Note and the entire outstanding principal balance on this Note plus any accrued and unpaid interest shall be immediately due and payable in one balloon payment on _____, 2020 (the "**Maturity Date**"). If Reorganized Debtor fails to make the payment on the Maturity Date, Reorganized Debtor shall execute a deed in lieu of foreclosure to Lender within five (5) business days of the Maturity Date that is not mutually extended by the parties to this Note. Upon the occurrence and continuation of one or more of the Events of Default as defined herein, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable.

3. **Waivers and Consents.** Borrower waives presentment, dishonor, protest, demand, diligence, notice of protest, notice of demand, notice of dishonor, notice of nonpayment, and any other notice of any kind otherwise required by law in connection with the delivery, acceptance, performance, default, enforcement or collection of this Note and expressly agrees that this Note, or any payment hereunder, may be extended or subordinated (by forbearance or otherwise) at any time, without in any way affecting the liability of the Borrower.

4. **Collateral.** Payment of this Note shall be secured by the Deed of Trust, a true and complete copy of which is attached hereto as Exhibit "A."

5. **Borrower's Representations and Warranties.** Borrower represents and warrants to Lender as of the Effective Date and as of each date hereafter that representations and warranties are renewed:

(a) Borrower is a corporation validly existing and in good standing under the laws of the State under which it is organized and has the requisite power and authority to execute, deliver, and perform this Note. The execution, delivery, and performance by Borrower of this Note and the Deed of Trust have been duly authorized by all requisite action by or on behalf of Borrower and will not conflict with, or result in a violation of or a default under, the formation documents of each of the Borrower.

(b) Other than confirmation of Reorganized Debtor's chapter 11 plan by the Bankruptcy Court, no approval, authorization, bond, consent, certificate, franchise, license, permit, registration, qualification, or other action or grant by or filing with any Person is required in order to permit the execution, delivery, or performance of Borrower of this Note.

(c) The execution, delivery, and performance by the Borrower of this Note will not conflict with, or result in a violation of or a default under: any applicable law, ordinance, regulation, or rule (federal, state, or local); any judgment, order, or decree of any arbitrator, other private adjudicator, or Governmental authority to which the Borrower is a party or by which any of their assets or property is bound; or any material agreement to which either of the Borrowers is a party.

(d) This Note has been duly executed and delivered by Borrower. The Note is a legal, valid, and binding obligation of Borrower, enforceable in all respects in accordance with its terms against Borrower, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization, or similar laws and by equitable principles of general application.

(e) Except as disclosed in the Disclosure Statement approved in Reorganized Debtor's chapter 11 case, no legal proceeding to which Borrower is a party is pending or threatened before any arbitrator, other private adjudicator, or Governmental Authority by which Borrower or any assets or property of Borrower may be bound or affected that if resolved adversely to Borrower could result in a material adverse change and Borrower has no notice of any pending hearing, inquiry, or investigation relating to Borrower or any assets or property of Borrower and no such hearing, inquiry, or investigation has been threatened by any governmental authority, that, if resolved adversely to Borrower could result in a material adverse change.

(f) The Borrower has complied in all material respects with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of its businesses or the ownership of its property. The Borrower has all permits, franchises, licenses and approvals necessary for the conduct of its businesses and all its property and assets.

(g) All information in the Disclosure Statement filed with the Bankruptcy Court in the chapter 11 case of Reorganized Debtor is complete in all material respects, and there are no omissions therefrom that result in such information being incomplete, incorrect, or misleading in any material adverse respect as of the date thereof. There has been no material adverse change as to the Borrower since the date of such information.

(h) In the ordinary course of its business, the officers of the Borrower consider the effect of environmental laws on the business of the Borrower, in the course of which they identify and evaluate potential risks and liabilities accruing to the Borrower due to environmental laws. On the basis of this consideration, the Borrower has concluded that environmental laws cannot reasonably be expected to cause a material

adverse change. The Borrower has not received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable environmental laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to cause a material adverse change.

6. **Events of Default.** The occurrence of any of the following shall be an Event of Default:

(a) Failure of Borrower to repay all principal, accrued interest in full on the Maturity Date.

(b) Any representation or warranty made by Borrowers is materially incomplete, incorrect, or misleading as of the date made or delivered.

(c) Borrower is unable or admits in writing its inability to pay its monetary obligations as they become due, makes a general assignment for the benefit of creditors, or applies for, consents to, or acquiesces in, appointment of a trustee, receiver, or other custodian for any or all of its property or a trustee, receiver, or other custodian is appointed for Borrower or any or all of its property; provided, that in case of any involuntary proceeding, such condition shall continue for a period of sixty (60) days undismitted, undischarged or unbonded.

(d) Borrower claims that the Note or Deed of Trust is not legal, valid, binding, and enforceable, that any lien, security interest, or other encumbrance securing the Note is not legal, valid, binding, and enforceable, or that the priority of any lien, security interest, or other encumbrance is different than a first.

(e) Any of the insurance coverages required to lapse or expire without being replaced by other insurance .

(f) Any final judgment or final order for the payment of money in excess of \$50,000, which is not fully covered by insurance for which there is no reservation of rights is rendered against Borrower, and either (i) enforcement proceedings are commenced by any creditor upon such judgment or order and not stayed within the earlier of fifteen (15) days from the commencement of such proceedings or fifteen (15) days prior to any sale as a result of such enforcement proceedings, or (ii) such judgment or order is not vacated, stayed, satisfied, discharged or bonded pending appeal within fifteen (15) days from the entry thereof.

(g) The Borrower shall be the subject of any proceeding or investigation pertaining to the release by the Borrower, or any other person of any toxic or hazardous waste or substance into the environment, or violate any environmental law.

(i) Breach by the Borrower of any affirmative or negative covenant set forth in this Note.

7. **Remedies Upon Event of Default; No Waiver; Cumulative Remedies.** Upon the occurrence of an Event of Default, Lender may, at its option, in its absolute and sole discretion, without demand or notice and without regard to the adequacy of its collateral:

(a) Enforce any and all rights and remedies under the Note and Deed of Trust and may pursue all rights and remedies available at law or in equity.

(b) Appoint one or more receivers, and Borrower hereby irrevocably consents to such appointment with such receivers having all the usual powers and duties of receivers in similar cases, including the full power to maintain, sell, dispose and otherwise operate the assets of the Borrower upon such terms that may be approved by a court of competent jurisdiction.

(c) No delay or omission of the Lender to exercise any right under the Note or Deed of Trust shall impair such right or be construed to be a waiver of any event of default or an acquiescence therein. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Note or Deed of Trust whatsoever shall be valid unless in writing signed by the Lender and then only to the extent in such writing specifically set forth. All remedies contained in the Note or Deed of Trust or by law afforded shall be cumulative and all shall be available to the Lender until the Note has been paid and performed in full.

8. **Choice of Law; Venue.** To the extent not preempted by federal law, this Note shall be governed by the laws of the State of Nevada, without reference to its conflict of laws provisions. The parties further agree that the venue for any action arising out of, related to, or in connection with this Note shall be state or federal courts in Clark County, Nevada, as applicable, and the parties hereto agree to the jurisdiction and venue of the courts of said state to the exclusion of any other courts which otherwise may have had jurisdiction. This Note may be introduced in any proceeding to establish the rights of any party under this Note.

9. **Time.** Time is of the essence of this Note and each of the provisions hereof.

10. **Interest Limitation.** All agreements between Borrower and Lender are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance, loaning or detention of the indebtedness evidenced hereby exceed the maximum permissible under applicable law. If, from any circumstance whatsoever, fulfillment of any provision hereof at any time given the amount paid or agreed to be paid shall exceed the maximum permissible under applicable law, then, the obligation to be fulfilled shall automatically be reduced to the limit permitted by applicable law, and if from any circumstance Lender should ever receive as interest an amount which would exceed the highest lawful rate of interest, such amount which would be in excess of such highest lawful rate of interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision of all agreements between Borrower and Lender and shall be binding upon and available to any subsequent holder of this Note.

11. **Captions.** The captions to the sections of this Note are for convenience only and shall not be deemed part of the text of the respective sections and shall not vary, by implication or otherwise, any of the provisions of this Note.

12. **Notices.** All notices required or committed to be given hereunder to Borrower or Lender shall be given at the addresses set forth in Section 1 for Borrower and Lender under the terms and conditions set forth in the Deed of Trust executed by Borrower and Lender concurrently herewith.

13. **Assignment.** This Note inures to and binds the heirs, legal representatives, successors, and assigns of Borrower and Lender.

14. **Modification.** Except as provided in the Deed of Trust, this Note may not be amended or modified, nor will any waiver of any provision hereof be effective, except by an instrument in writing signed by the party against whom enforcement of any amendment, modification, or waiver is sought.

IN WITNESS WHEREOF, Borrowers has executed this Note as of the year and date first above written.

BORROWER:

Mohave Agrarian Group, LLC,
an Arizona limited liability company

By: Truckee Springs Holdings, Inc.,
a Nevada corporation, its Manager

By: _____
Name: _____
Title: _____