

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

BRETT A. AXELROD, ESQ.
Nevada Bar No. 5859
FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
Telephone: (702) 262-6899
Facsimile: (702) 597-5503
Email: baxelrod@foxrothschild.com
Counsel for Mohave Agrarian Group, LLC

Electronically Filed ~~September 2~~October 26 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

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

Hearing Date: ~~October 19~~ November 2,
2016

Hearing Time: 9:30 a.m.

FOX ROTHSCHILD LLP
3800 Howard Hughes Parkway, Suite 500
Las Vegas, Nevada 89169
(702) 262-6899
(702) 597-5503 (fax)

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..... ~~45~~

 Section 1.3 Treatment of Claims and Interests. ~~56~~

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

 Section 1.5 Effectiveness of the Plan. ~~910~~

ARTICLE II. EXPLANATION OF CHAPTER 11 ~~910~~

 Section 2.1 Overview of Chapter 11. ~~910~~

 Section 2.2 Plan of Reorganization. ~~1011~~

 Section 2.3 Confirmation of a Plan of Reorganization..... ~~1112~~

ARTICLE III. BACKGROUND ~~1213~~

 Section 3.1 Overview and History of Debtor’s Business Operations. ~~1213~~

 Section 3.2 Financial Information and Capital Structure. ~~1213~~

ARTICLE IV. THE CHAPTER 11 CASE 15

 Section 4.1 Continuation as Debtor In Possession. ~~1516~~

 Section 4.2 Significant Requests for Court Approval. ~~1516~~

 Section 4.3 Compliance with Statutory Requirements..... ~~1920~~

 Section 4.4 Schedules of Assets and Liabilities..... ~~2021~~

 Section 4.5 Assets..... ~~2021~~

 Section 4.6 Liabilities ~~2021~~

 Section 4.7 Executory Contracts and Unexpired Leases ~~2122~~

 Section 4.8 Statement of Financial Affairs..... ~~2122~~

 Section 4.9 341(a) Meeting..... ~~2223~~

 Section 4.10 Office of the United States Trustee Reporting..... ~~2223~~

 Section 4.11 Creditors Committee. ~~2223~~

 Section 4.12 Plan Solicitation and Confirmation Process. ~~2223~~

 Section 4.13 Solicitation Procedures..... ~~2324~~

ARTICLE V. SUMMARY OF THE PLAN ~~2324~~

 Section 5.1 Overall Structure of the Plan. 25

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

 Section 5.3 Unclassified Claims..... ~~2627~~

 Section 5.4 Priority Tax Claims. ~~2829~~

 Section 5.5 Classified Claims. ~~2930~~

 Section 5.6 Means of Implementation of Plan. ~~3233~~

 Section 5.7 Issuance of Equity Interests..... ~~3334~~

 Section 5.8 Disposition of Assets, Properties and Equity Interests..... ~~3334~~

 Section 5.9 Assumption of Liabilities. ~~3334~~

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

1 Section 5.10 Corporate Actions. 34

2 Section 5.11 Management..... 3435

3 Section 5.12 Exemption from Certain Transfer Taxes and Further Transactions..... 3536

4 Section 5.13 Final Decree. 3536

5 Section 5.14 Effectuating Documents, Further Transactions. 3536

6 Section 5.15 Post Effective Date Fees and Expenses..... 3536

7 ARTICLE VI. PROVISIONS CONCERNING PLAN DISTRIBUTIONS 3637

8 Section 6.1 Distributions on Account of Claims Allowed as of the Effective Date 3

9 Section 6.2 Distributions on Account of Claims Allowed After the Effective Date..... 3

10 Section 6.3 Delivery of Distributions. 3738

11 Section 6.4 Setoffs..... 3940

12 Section 6.5 Withholding Taxes. 3941

13 Section 6.6 Allocation of Distributions. 3941

14 ARTICLE VII. CONFIRMATION OF THE PLAN 4041

15 Section 7.1 Voting Eligibility. 4041

16 Section 7.2 Voting Instructions..... 4142

17 Section 7.3 Confirmation Hearing..... 4244

18 Section 7.4 Confirmation Requirements..... 4445

19 ARTICLE VIII. CERTAIN RISK FACTORS TO BE CONSIDERED..... 4950

20 ARTICLE IX. CERTAIN UNITED STATES FEDERAL INCOME TAX..... 4950

21 Section 9.1 Introduction..... 4950

22 Section 9.2 Certain United States Federal Income Tax Consequences to Debtor. .. 5152

23 Section 9.3 Tax Consequences To Creditors. 5455

24 Section 9.4 Tax Consequences to Certain Holders of Allowed Claims. 5455

25 Section 9.5 General Tax Considerations for Certain Holders of Allowed Claims. . 5657

26 ARTICLE X. FURTHER INFORMATION 5859

27 ARTICLE XI. ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE

28 PLAN..... 5860

ARTICLE XII. RECOMMENDATION AND CONCLUSION..... 6061

FOX ROTHSCHILD LLP
 1980 Festival Plaza Drive, Suite 700
 Las Vegas, Nevada 89135
 (702) 262-6899
 (702) 597-5503 (fax)

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

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

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

1 THIS FIRST AMENDED DISCLOSURE STATEMENT IS SUBMITTED FOR
2 APPROVAL IN 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
ACTIVE [42084927v1 09/02/2016](#) [42898187v1 10/26/2016](#) 1

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

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

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.

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

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 1. The Plan separates Claims against Debtor into five (5) classes based on their level of
 16 priority under the Bankruptcy Code and the legal nature of the Claims. There is also one (1) class
 17 of Old Equity Interests. Administrative Claims and Priority Tax Claims are not classified because
 18 the 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 2. Management anticipates meeting the financial requirements of the Plan by a
 25 combination of selling the real property assets and finding joint venture partners who are interested
 26 in developing the real property assets if the Debtor provides the real property contribution. The
 27 Debtor's intend to continue to implement the marketing plan developed by its real estate agent John
 28 Gall of the Hunt Real Estate ERA. Mr. Gall developed a marketing plan for the Debtor's

1 properties, and listed each of the properties on two national websites: <http://www.loopnet.com/>
 2 (“Loopnet”) and <http://www.landandfarm.com/> (“Land and Farm”). The listings have had a large
 3 amount of activity: in the past 90 days, the properties have had been displayed to over 5,800
 4 potential buyers and with 97 detailed views for the properties. Mr. Gall had over two dozen
 5 potential buyers ask for additional information. In addition to creating an online presence for the
 6 Properties, Mr. Gall sent out 250 emails (enclosing the marketing brochure that he created for the
 7 Properties) and called over 75 potential buyers. Currently, Mr. Gall has three serious parties
 8 seeking to purchase at least the contiguous parcels near the Kingman Airport.

9 3. The Debtor’s plan projections provide for sales of 640 acres per a year commencing
 10 in 2017, 640 acres per a year in 2018 and 640 acres per a year in 2019 and 1,600 acres per a year in
 11 2020. The Debtor has also committed to continue to aggressively market the property and if
 12 needed, will reduce pricing on the listed acreage to further insure its plan obligations are met.
 13 Debtor will be using external brokers, as well as contacts and buyers that Management has in its
 14 network. To the extent there is any delay or shortfall in sales Debtor has obtained a backstop
 15 commitment from New Equity Investor to cover any cash shortfall up to two million dollars
 16 (\$2,000,000).

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

18 Debtor’s principal assets consist of real property of (i) 7,617.92 acres of vacant land at
 19 Peacock Mountain in Mohave County, Arizona (the “Peacock Mountain Property”); (2) 640.48
 20 acres of vacant land at Red Lake in Kingman, Arizona (the “Red Lake Property”); and (3) 629.91
 21 acres of vacant land at Golden Valley, Arizona (the “Golden Valley Property”), together with the
 22 Peacock Mountain Property, Red Lake Property and Golden Valley Property. In addition, the
 23 Debtor has one parcel zoned industrial (the “Industrial Property”, together with the Peacock
 24 Mountain Property, Red Lake Property and Golden Valley Property, the “Properties”).

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

1 **Section 1.2** ~~**Section 1.3**~~ **Treatment of Claims and Interests.**

2 The Plan's classification and treatment of Claims and Equity Interests is summarized below:

3 Class	4 Description	5 Treatment	6 Estimated Amount of Claims¹
7 Class 1	8 Priority Claims	9 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. 10 <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>	11 \$10,000.00
12 Class 2	13 Conrail Secured Claim	14 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 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	15 \$8,177,909.05

16
17
18
19
20
21
22
23
24
25
26
27
28
¹ These amounts were compiled by combining the undisputed Claims listed on Debtor's bankruptcy Schedules and any additional amounts included in the Proofs of Claim filed in this case. 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.

FOX ROTHSCHILD LLP
 1980 Festival Plaza Drive, Suite 700
 Las Vegas, Nevada 89135
 (702) 262-6899
 (702) 597-5503 (fax)

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

Class	Description	Treatment	Estimated Amount of Claims ¹
		<p>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 after the recordation of the deed. Since all of the debt owing to Conrail will be satisfied by the partial surrender of Conrail’s collateral, the Guarantor on the loan shall also be released from all liability on the debt owing to Conrail 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 Conrail’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 the deed of trust securing the deficiency, if any, at 105% of the value set by the Bankruptcy Court (the “<u>Release Price</u>”). Conrail 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 Conrail Collateral that has not been surrendered to Conrail and the Rhodes Guaranty. The New Secured Note shall bear interest at 5.5% that shall accrue and be</p>	

FOX ROTHSCHILD LLP
 1980 Festival Plaza Drive, Suite 700
 Las Vegas, Nevada 89135
 (702) 262-6899
 (702) 597-5503 (fax)

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

Class	Description	Treatment	Estimated Amount of Claims ¹
		<p>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 Conrail 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 Conrail Secured Claim is Impaired and the Holder of the Conrail 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 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</i></p>	\$500,000.00

Class	Description	Treatment	Estimated Amount of Claims ¹
		<i>Plan.</i>	
Class 5	General Unsecured Claims	<p>1 2 3 4 5 6 7 8 9 10 11 12 13</p> <p>14 15 16 17 18 19</p> <p>20 21 22 23 24 25 26 27 28</p> <p>29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100</p> <p>101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200</p> <p>201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300</p> <p>301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400</p> <p>401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500</p> <p>501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600</p> <p>601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700</p> <p>701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800</p> <p>801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900</p> <p>901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000</p> <p>1001 1002 1003 1004 1005 1006 1007 1008 1009 1010 1011 1012 1013 1014 1015 1016 1017 1018 1019 1020 1021 1022 1023 1024 1025 1026 1027 1028 1029 1030 1031 1032 1033 1034 1035 1036 1037 1038 1039 1040 1041 1042 1043 1044 1045 1046 1047 1048 1049 1050 1051 1052 1053 1054 1055 1056 1057 1058 1059 1060 1061 1062 1063 1064 1065 1066 1067 1068 1069 1070 1071 1072 1073 1074 1075 1076 1077 1078 1079 1080 1081 1082 1083 1084 1085 1086 1087 1088 1089 1090 1091 1092 1093 1094 1095 1096 1097 1098 1099 1100</p> <p>1101 1102 1103 1104 1105 1106 1107 1108 1109 1110 1111 1112 1113 1114 1115 1116 1117 1118 1119 1120 1121 1122 1123 1124 1125 1126 1127 1128 1129 1130 1131 1132 1133 1134 1135 1136 1137 1138 1139 1140 1141 1142 1143 1144 1145 1146 1147 1148 1149 1150 1151 1152 1153 1154 1155 1156 1157 1158 1159 1160 1161 1162 1163 1164 1165 1166 1167 1168 1169 1170 1171 1172 1173 1174 1175 1176 1177 1178 1179 1180 1181 1182 1183 1184 1185 1186 1187 1188 1189 1190 1191 1192 1193 1194 1195 1196 1197 1198 1199 1200</p> <p>1201 1202 1203 1204 1205 1206 1207 1208 1209 1210 1211 1212 1213 1214 1215 1216 1217 1218 1219 1220 1221 1222 1223 1224 1225 1226 1227 1228 1229 1230 1231 1232 1233 1234 1235 1236 1237 1238 1239 1240 1241 1242 1243 1244 1245 1246 1247 1248 1249 1250 1251 1252 1253 1254 1255 1256 1257 1258 1259 1260 1261 1262 1263 1264 1265 1266 1267 1268 1269 1270 1271 1272 1273 1274 1275 1276 1277 1278 1279 1280 1281 1282 1283 1284 1285 1286 1287 1288 1289 1290 1291 1292 1293 1294 1295 1296 1297 1298 1299 1300</p> <p>1301 1302 1303 1304 1305 1306 1307 1308 1309 1310 1311 1312 1313 1314 1315 1316 1317 1318 1319 1320 1321 1322 1323 1324 1325 1326 1327 1328 1329 1330 1331 1332 1333 1334 1335 1336 1337 1338 1339 1340 1341 1342 1343 1344 1345 1346 1347 1348 1349 1350 1351 1352 1353 1354 1355 1356 1357 1358 1359 1360 1361 1362 1363 1364 1365 1366 1367 1368 1369 1370 1371 1372 1373 1374 1375 1376 1377 1378 1379 1380 1381 1382 1383 1384 1385 1386 1387 1388 1389 1390 1391 1392 1393 1394 1395 1396 1397 1398 1399 1400</p> <p>1401 1402 1403 1404 1405 1406 1407 1408 1409 1410 1411 1412 1413 1414 1415 1416 1417 1418 1419 1420 1421 1422 1423 1424 1425 1426 1427 1428 1429 1430 1431 1432 1433 1434 1435 1436 1437 1438 1439 1440 1441 1442 1443 1444 1445 1446 1447 1448 1449 1450 1451 1452 1453 1454 1455 1456 1457 1458 1459 1460 1461 1462 1463 1464 1465 1466 1467 1468 1469 1470 1471 1472 1473 1474 1475 1476 1477 1478 1479 1480 1481 1482 1483 1484 1485 1486 1487 1488 1489 1490 1491 1492 1493 1494 1495 1496 1497 1498 1499 1500</p> <p>1501 1502 1503 1504 1505 1506 1507 1508 1509 1510 1511 1512 1513 1514 1515 1516 1517 1518 1519 1520 1521 1522 1523 1524 1525 1526 1527 1528 1529 1530 1531 1532 1533 1534 1535 1536 1537 1538 1539 1540 1541 1542 1543 1544 1545 1546 1547 1548 1549 1550 1551 1552 1553 1554 1555 1556 1557 1558 1559 1560 1561 1562 1563 1564 1565 1566 1567 1568 1569 1570 1571 1572 1573 1574 1575 1576 1577 1578 1579 1580 1581 1582 1583 1584 1585 1586 1587 1588 1589 1590 1591 1592 1593 1594 1595 1596 1597 1598 1599 1600</p> <p>1601 1602 1603 1604 1605 1606 1607 1608 1609 1610 1611 1612 1613 1614 1615 1616 1617 1618 1619 1620 1621 1622 1623 1624 1625 1626 1627 1628 1629 1630 1631 1632 1633 1634 1635 1636 1637 1638 1639 1640 1641 1642 1643 1644 1645 1646 1647 1648 1649 1650 1651 1652 1653 1654 1655 1656 1657 1658 1659 1660 1661 1662 1663 1664 1665 1666 1667 1668 1669 1670 1671 1672 1673 1674 1675 1676 1677 1678 1679 1680 1681 1682 1683 1684 1685 1686 1687 1688 1689 1690 1691 1692 1693 1694 1695 1696 1697 1698 1699 1700</p> <p>1701 1702 1703 1704 1705 1706 1707 1708 1709 1710 1711 1712 1713 1714 1715 1716 1717 1718 1719 1720 1721 1722 1723 1724 1725 1726 1727 1728 1729 1730 1731 1732 1733 1734 1735 1736 1737 1738 1739 1740 1741 1742 1743 1744 1745 1746 1747 1748 1749 1750 1751 1752 1753 1754 1755 1756 1757 1758 1759 1760 1761 1762 1763 1764 1765 1766 1767 1768 1769 1770 1771 1772 1773 1774 1775 1776 1777 1778 1779 1780 1781 1782 1783 1784 1785 1786 1787 1788 1789 1790 1791 1792 1793 1794 1795 1796 1797 1798 1799 1800</p> <p>1801 1802 1803 1804 1805 1806 1807 1808 1809 1810 1811 1812 1813 1814 1815 1816 1817 1818 1819 1820 1821 1822 1823 1824 1825 1826 1827 1828 1829 1830 1831 1832 1833 1834 1835 1836 1837 1838 1839 1840 1841 1842 1843 1844 1845 1846 1847 1848 1849 1850 1851 1852 1853 1854 1855 1856 1857 1858 1859 1860 1861 1862 1863 1864 1865 1866 1867 1868 1869 1870 1871 1872 1873 1874 1875 1876 1877 1878 1879 1880 1881 1882 1883 1884 1885 1886 1887 1888 1889 1890 1891 1892 1893 1894 1895 1896 1897 1898 1899 1900</p> <p>1901 1902 1903 1904 1905 1906 1907 1908 1909 1910 1911 1912 1913 1914 1915 1916 1917 1918 1919 1920 1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000</p> <p>2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079 2080 2081 2082 2083 2084 2085 2086 2087 2088 2089 2090 2091 2092 2093 2094 2095 2096 2097 2098 2099 2100</p> <p>2101 2102 2103 2104 2105 2106 2107 2108 2109 2110 2111 2112 2113 2114 2115 2116 2117 2118 2119 2120 2121 2122 2123 2124 2125 2126 2127 2128 2129 2130 2131 2132 2133 2134 2135 2136 2137 2138 2139 2140 2141 2142 2143 2144 2145 2146 2147 2148 2149 2150 2151 2152 2153 2154 2155 2156 2157 2158 2159 2160 2161 </p>	

1 The Bankruptcy Court has established ~~November 29, 2016~~ January 9, 2017 at 5:00 p.m. as
 2 the deadline to object to the Plan. Any objection to the Plan raised after the objection deadline may
 3 not be considered by the Bankruptcy Court. The Bankruptcy Court will hold a hearing on
 4 Confirmation of the Plan starting at **9:30 a.m. on ~~December 13, 2016~~ January 23 and January 26, 2017**
 5 **2017 at Courtroom 2, Foley Federal Building and U.S. Courthouse, 300 Las Vegas Boulevard,**
 6 **South, Las Vegas, Nevada 89101.** For more information regarding the Confirmation hearing and
 7 objections, see Article VII, Section 7.3 below.

8 **Section 1.4 ~~Section 1.5~~ Effectiveness of the Plan.**

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

13 Once the conditions to the Plan's effectiveness have occurred, the Plan will be implemented
 14 according to its terms. Reorganized Debtor will continue with its business operations as
 15 restructured pursuant to the Plan. For more information about these and other effects of the Plan,
 16 see Article V below.

17 **ARTICLE II.**

18 **EXPLANATION OF CHAPTER 11**

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

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

24 The commencement of a chapter 11 case creates an "estate" comprising all the legal and
 25 equitable interests of a debtor in property wherever located by whomever held as of the date the
 26 petition is filed. Bankruptcy Code sections 1101, 1107 and 1108 provide that a debtor may
 27 continue to operate its business and remain in possession of its property as a "debtor in possession"
 28 unless the bankruptcy court for cause orders the appointment of a trustee. In the Chapter 11 Case,

1 Debtor remains in possession of its property and continues to operate its business as a debtor in
2 possession. See Article IV, Section 4.1 below.

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

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

21 **Section 2.2 Plan of Reorganization.**

22 Although referred to as a plan of reorganization, a plan may provide anything from a
23 complex restructuring of a debtor's business and its related obligations to a simple liquidation of a
24 debtor's assets. In either event, once a confirmed plan becomes effective, the plan becomes binding
25 on the debtor and all of its creditors and equity holders, and the prior obligations owed by the debtor
26 to such parties are compromised and exchanged for the obligations specified in the plan. For a
27 description of key components of the Plan, see Article V below.

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

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

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

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

22 In general, a bankruptcy court also may confirm a plan of reorganization even though fewer
 23 than all the classes of impaired claims against and equity interests in a debtor accept such plan. For
 24 a plan of reorganization to be confirmed, despite its rejection by a class of impaired claims or equity
 25 interests, the plan must be accepted by at least one class of impaired claims (determined without
 26 counting the vote of insiders) and the proponent of the plan must show, among other things, that the
 27 plan does not “discriminate unfairly” and that the plan is “fair and equitable” with respect to each
 28

1 class of impaired claims or equity interests that has not accepted the plan. See Article VII, Section
2 7.4.

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

6 **ARTICLE III.**

7 **BACKGROUND**

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

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

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

14 **(a) Financial Information.**

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

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

22 **(b) Capital Structure.**

23 The Debtor is the successor in interest to Cambridge House, LLC which is the successor in
24 interest to Sedora, LLC. The Debtor is owned as follows: 42.4215% is owned by James M. Rhodes
25 Dynasty Trust I; 42.4215% is owned by James M. Rhodes Dynasty Trust II; 14.30% is owned by
26 JMR Irrevocable Investment Trust and 0.8570% by Truckee Springs Holdings, Inc. Truckee
27 Springs Holdings, Inc. is the manager of the Debtor.

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

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

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

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

13 On September 29, 2005, an Assignment of Deed of Trust was recorded in Book 5861, Page
14 279 of the Official Records of Mohave County, Arizona between Sedora as borrower and
15 Consolidated Mortgage as Lender.

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

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

22 The Peacock Ranch Property was transferred by Sedora to Cambridge House by Assignment
23 of Deed of Trust on September 9, 2005. As a result of certain defaults of the Consolidated
24 Mortgage Loan, DCR and Cambridge House entered into settlement negotiations. As part of their
25 negotiations, Cambridge House pledged to the DCR additional unrelated property owned by it to
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.

1 secure the DCR Loan (the Golden Valley Property and the Red Hills Property). Also, as part of the
2 settlement, DCR required that all of its collateral be held by the borrower in a new entity, formed
3 specifically to own solely the DCR collateral. That entity is the Debtor.

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

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

13 On May 5, 2015, DCR issued a Notice of Event of Default for failure to make the April 1,
14 2015 and May 1, 2015 payment.

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

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

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

25 **ARTICLE IV.**

26 **THE CHAPTER 11 CASE**

27 Debtor commenced the Chapter 11 Case after having carefully developed the Plan as an
28 efficient and equitable means to reorganize its financial affairs. Debtor's goal is to move the Plan

1 forward expeditiously so that it can emerge from chapter 11 during 2016. With that goal in mind,
 2 an appraisal of Debtor's real property assets was commissioned from Landauer Valuation &
 3 Consulting (the "Appraisal"). The Appraisal was for all twelve (12) parcels totaling 8,888.31 gross
 4 acres of agricultural land. The Rebuttal Appraisal Report dated August 3, 2016 concluded that the
 5 as is "market value" is \$31,400,000.00. A true and correct copy of the Rebuttal Appraisal is
 6 attached hereto as **Exhibit "B."**

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

11 Debtor intends to proceed on a prompt, yet prudent, schedule towards Confirmation of the
 12 Plan in order to minimize the disruption to its operations and the administrative cost of the Chapter
 13 11 Case. The following is a summary of the events that have taken place in Debtor's Chapter 11
 14 Case and the anticipated course of events.

15 **Section 4.1 Continuation as Debtor In Possession.**

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

22 **Section 4.2 Significant Requests for Court Approval.**

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

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

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

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

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

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

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

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

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

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

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

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

27 On March 9, 2016, Conrail filed its Reply to Debtor’s Opposition to the SARE Motion.
28 See Docket No. 58.

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

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

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

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

11 On May 18, 2016, Debtor filed its *Reply to Opposition to Motion Pursuant to 11 U.S.C. §§*
 12 *105(a) and 1121(d), Fed. R. Bankr. P. 9014 and Local Rule 9014 For An Order Extending the*
 13 *Debtors Exclusive Periods Within Which to File a Plan And to Solicit Acceptances Thereto* [Docket
 14 No. 82].

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

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

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

22 First, in anticipation of filing its Plan, the Debtor sought a determination of the value of the
 23 Properties for all purposes so it could ensure that its plan satisfied all statutory requirements. Under
 24 the Plan, Debtor intends on surrendering some of its real property assets to Contrail as the
 25 indubitable equivalent of Contrail's secured claim. Thus the proposed treatment of Contrail's
 26 secured claim is dependent upon this Court's valuation of Debtor's real property assets.

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

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

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

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

- 26
- 27 • The Parties may commence written discovery in connection with the Contested
28 Matters on September 2, 2016. Responses to requests for production of documents

1 pursuant to Fed. R. Civ. P. 34 shall be due twenty-one calendar days after service,
 2 unless otherwise extended by written agreement. Discovery shall close on
 3 November 30, 2016.

- 4 • The parties shall use reasonable efforts to schedule depositions at mutually agreeable
 5 dates and times.
- 6 • The Parties will designate expert witnesses with respect to the Contested Matters
 7 pursuant to Fed.R.Civ.P. 26(a)(2) no later than October 14, 2016. Rebuttal experts
 8 will be designated no later than November 4, 2016.
- 9 • The hearing on the Valuation Motion shall be heard in conjunction with the hearing
 10 on Plan confirmation, to be held on ~~December 13~~ January 23 and January 26, 2016
 11 2017 at 9:30 a.m.

12 **e. Debtor's Chapter 11 Plan of Reorganization**

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

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

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

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

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

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~~November 2, 2016 for approval

1 of this Disclosure Statement, ~~December 13~~January 23 and January 26, 2016- 2017 for the hearing
2 on Confirmation of the Plan, and January 27, 2017 for the Plan Effective Date. In order to ensure
3 that this process moves forward smoothly and expeditiously, Debtor seeks to establish certain
4 procedures for providing notice of, and 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.

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

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.

(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

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

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 – Conrail Secured Claim.**

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

21 The claim of Conrail 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, “Conrail 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 Conrail Collateral at not less than
 28 \$3,500 per an acre, this claim shall be satisfied as follows: Conrail shall be permitted to advertise

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

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

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

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. [On September 9, 2016, Kingman Farms, LLC merged into](#)

1 Avery Land Group, LLC (“Avery”) and thereafter Avery filed its chapter 11 petition in the District
 2 of Nevada case number 16-149995. The Debtor continues to be supported by Avery for various
 3 functions, administration and oversight. Should Avery for any reason convert to a chapter 7
 4 liquidation, these same services and support would continue to be provided to the Debtor by
 5 Gypsum Resource Materials another affiliate of the Debtor. Gypsum Resources Materials would in
 6 this scenario hire the key personnel consisting of the chief financial officer Jason Proudfit and
 7 general counsel Ron Gillette. Both Gypsum Resource Materials and the Debtor have the same
 8 equity ownership and it is in the best interest of the equity holder to continue to provide ongoing
 9 assistance to the Regorganized Debtor.

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

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

16 **Section 5.12 Section 5.13 Final Decree.**

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

19 **Section 5.13 Section 5.14 Effectuating Documents, Further Transactions.**

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

26 **Section 5.14 Section 5.15 Post Effective Date Fees and Expenses.**

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

1 Bankruptcy Court.

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

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

15 **ARTICLE VI.**

16 **PROVISIONS CONCERNING PLAN DISTRIBUTIONS**

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

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

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

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

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

1 that becomes Allowed after the Effective Date shall be satisfied from the Confirmation Funds or
2 performed by Reorganized Debtor in the ordinary course of business in accordance with the terms
3 and conditions of any controlling agreements, course of dealing, course of business, or industry
4 practice.

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

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

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

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

17 (d) **Whole Dollars.**

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

21 (e) **Escheat.**

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

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

1 **Section 6.3 Delivery of Distributions.**

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

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

10 (b) **Distribution Agent.**

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

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

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

1 **(d) Returned Distributions.**

2 In the case of Distributions to the Holders of Allowed Claims that are returned to the
3 Distribution Agent due to an incorrect or incomplete address, the Distribution Agent shall retain any
4 such returned Distribution in a segregated account established by the Distribution Agent to keep
5 track of any returned Distributions. Unless the Holder of the Allowed Claim relating to any such
6 returned Distribution contacts the Distribution Agent (or its designee) within three (3) months from
7 the date on which such Distribution was returned and provides the Distribution Agent (or its
8 designee) with acceptable proof of identity and an accurate address, such Holder shall forfeit all
9 rights thereto, and to any and all future Distributions or rights under the Plan. In such event, the
10 Claim for which such Distributions was issued shall be treated as a Disallowed Claim and the
11 Distribution on account of such Disallowed Claim shall promptly be distributed Reorganized
12 Debtor.

13 **(e) Disputed Distributions.**

14 In the event of any dispute between or among Holders of Claims as to the right to any
15 Holder of a Claim to receive or retain any Distribution to be made to such Holder under the Plan,
16 the Distribution Agent, in lieu of making such Distribution to such Holder, may make it instead into
17 an escrow account for payment as ordered by the Bankruptcy Court or as the interested parties to
18 such dispute may otherwise agree among themselves. Any such Holder who fails to raise such
19 dispute by filing an appropriate request for relief with the Bankruptcy Court prior to the issuance of
20 such disputed Distribution by the Distribution Agent shall be deemed to have forever waived any
21 right to dispute such Distribution or to enjoin, impair or otherwise restrict the use of any such
22 Distribution.

23 **Section 6.4 Setoffs.**

24 The Distribution Agent may, but shall not be required to, set-off against any Distributions to
25 be made pursuant to the Plan to a Holder of an Allowed Claim, Claims of any nature whatsoever
26 that Debtor may have, or may have had, against such Holder that have not been previously released,
27 but neither the failure to do so, nor the allowance of any Claim held by such Holder shall constitute
28

1 a waiver or release by the Distribution Agent of any such Claim Debtor may have, or may have had,
2 against such Holder.

3 **Section 6.5 Withholding Taxes.**

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

7 **Section 6.6 Allocation of Distributions.**

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

11 **ARTICLE VII.**

12 **CONFIRMATION OF THE PLAN**

13 The Bankruptcy Court may confirm the Plan only if it determines that the Plan complies
14 with the technical requirements of Chapter 11, including, among other things, that (a) the Plan
15 properly classifies Claims and Equity Interests, (b) the Plan complies with applicable provisions of
16 the Bankruptcy Code, (c) Debtor has complied with applicable provisions of the Bankruptcy Code,
17 (d) Debtor has proposed the Plan in good faith and not by any means forbidden by law,
18 (e) disclosure of “adequate information” has been made as required by Bankruptcy Code section
19 1125, (f) the Plan has been accepted by the requisite votes of Creditors in Impaired Classes (or the
20 non-accepting Impaired Classes have been successfully crammed-down under Bankruptcy Code
21 section 1129(b)), (g) the Plan is in the “best interests” of all Holders of Claims or Interests in each
22 Impaired Class that has not unanimously accepted the Plan, and (h) all fees and expenses payable
23 under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have
24 been paid or the Plan provides for the payment of such fees on the Effective Date.

25 **Section 7.1 Voting Eligibility.**

26 Under the Bankruptcy Code, only Holders of Claims and Equity Interests in Classes that are
27 “Impaired” (as that term is defined in Bankruptcy Code section 1124) under the Plan are entitled to
28 vote to accept or reject the Plan. Generally speaking, a Class of Claims or Interests is Impaired if

1 the Plan modifies the legal, equitable or contractual rights of Holders of Claims or Equity Interests
 2 in the Class (other than by curing defaults and reinstating debt). Under Bankruptcy Code section
 3 1126(f), Classes of Claims and Equity Interests that are unimpaired are conclusively presumed to
 4 have accepted the Plan and are not entitled to vote on the Plan. Under Bankruptcy Code section
 5 1126(g), Classes of Claims and Equity Interests whose Holders will neither receive nor retain any
 6 property under the Plan are deemed to have rejected the Plan and are not entitled to vote on the
 7 Plan. An Impaired Class of Claims will have accepted the Plan if (a) the Holders (other than any
 8 Holder designated under Bankruptcy Code section 1126(e)) of at least two-thirds (2/3) in amount of
 9 the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders
 10 (other than any Holder designated under Bankruptcy Code section 1126(e)) of more than one-half
 11 (1/2) in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.
 12 As noted above, the Plan utilizes five Classes of Claims and one Class of Equity Interests. Class 1
 13 is not Impaired and is not entitled to vote to accept or reject the Plan. Classes 2, 3, 4, 5 and 6 are
 14 Impaired and are entitled to vote to accept or reject the Plan.

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

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

20 **Section 7.2 Voting Instructions.**

21 THE PERIOD DURING WHICH BALLOTS WITH RESPECT TO THE PLAN WILL BE
 22 ACCEPTED BY DEBTOR WILL TERMINATE AT **5:00 P.M. PREVAILING PACIFIC TIME,**
 23 **ON ~~NOVEMBER 29~~JANUARY 9, 2016- 2017** (THE "VOTING DEADLINE"). EXCEPT TO
 24 THE EXTENT DEBTOR SO DETERMINES OR AS PERMITTED BY THE BANKRUPTCY
 25 COURT, BALLOTS THAT ARE RECEIVED AFTER THE VOTING DEADLINE WILL NOT
 26 BE ACCEPTED OR USED BY DEBTOR IN CONNECTION WITH DEBTOR'S REQUEST FOR
 27 CONFIRMATION OF THE PLAN (OR ANY PERMITTED MODIFICATION THEREOF).

1 TO BE COUNTED, YOUR BALLOT MUST BE COMPLETELY FILLED IN, SIGNED,
2 AND TRANSMITTED IN THE MANNER SPECIFIED IN THE BALLOT SO THAT IT IS
3 RECEIVED BY THE VOTING DEADLINE. PLEASE FOLLOW CAREFULLY ALL
4 INSTRUCTIONS CONTAINED IN THE BALLOT. ANY BALLOTS RECEIVED WHICH DO
5 NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE
6 COUNTED AS ACCEPTING THE PLAN.

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

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

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

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

19 In the event that Claims or Equity Interests may be (or have been) transferred among
20 different parties, Bankruptcy Rule 3018 authorizes the Bankruptcy Court to fix a date (the “Voting
21 Record Date”) upon which the Holder of a particular Claim or Equity Interest as of that Voting
22 Record Date is identified as the party entitled to vote such Claim or Equity Interest to accept or
23 reject the Plan. For example, if the Voting Record Date is Wednesday, and Party A (as the current
24 Holder of Claim 1) transfers Claim 1 to Party B on Thursday, then Party A (and not Party B) is
25 entitled to vote Claim 1 to accept or reject the Plan. Conversely, if the Voting Record Date was
26 Friday instead, and Party A still transfers Claim 1 to Party B on Thursday, then Party B is entitled to
27 vote Claim 1 to accept or reject the Plan. Consistent with the provisions of Bankruptcy Rule 3018,
28

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

1 Debtor is seeking to fix the Voting Record Date as 5:00 P.M., prevailing Pacific Time, on
2 **September 2, 2016.**

3 **Section 7.3 Confirmation Hearing.**

4 Bankruptcy Code section 1128(a) requires the Bankruptcy Court, after notice, to hold a
5 hearing on Confirmation of the Plan after the Ballots have been cast. Bankruptcy Code section
6 1128(b) provides that any party in interest may object to Confirmation of the Plan.

7 THE BANKRUPTCY COURT HAS SCHEDULED THE CONFIRMATION HEARING
8 TO COMMENCE ON ~~DECEMBER 13~~ JANUARY 23 AND JANUARY 26, 2016- 2017 AT

9 9:30 A.M. PREVAILING PACIFIC TIME BEFORE THE HONORABLE MIKE K.
10 NAKAGAWA, UNITED STATES BANKRUPTCY JUDGE IN THE UNITED STATES
11 BANKRUPTCY COURT FOR THE DISTRICT OF NEVADA, IN COURTROOM 2,
12 FOLEY FEDERAL BUILDING AND U.S. COURTHOUSE, 300 LAS VEGAS BOULEVARD
13 SOUTH, LAS VEGAS, NEVADA 89101. THE CONFIRMATION HEARING MAY BE

14 ADJOURNED FROM TIME TO TIME BY THE BANKRUPTCY COURT WITHOUT
15 FURTHER NOTICE EXCEPT FOR AN ANNOUNCEMENT OF THE ADJOURNED DATE
16 MADE AT THE CONFIRMATION HEARING OR ANY ADJOURNMENT THEREOF.

17 OBJECTIONS TO CONFIRMATION MUST BE FILED AND SERVED ON OR BEFORE
18 ~~NOVEMBER 29~~ JANUARY 9, 2016- 2017 IN ACCORDANCE WITH THE SOLICITATION
19 ORDER. UNLESS OBJECTIONS ARE TIMELY SERVED AND FILED IN COMPLIANCE
20 WITH THE SOLICITATION ORDER, THEY MAY NOT BE CONSIDERED BY THE
21 BANKRUPTCY COURT.

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

- 25 a. The Plan complies with the applicable provisions of the Bankruptcy Code.
- 26 b. Debtor has complied with the applicable provisions of the Bankruptcy Code.
- 27 c. The Plan has been proposed in good faith and not by any means proscribed by law.
- 28 d. Any payment made or promised by Debtor for services or for costs and expenses in,

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

1 or in connection with, the Chapter 11 Case, or in connection with the Plan and incident to the
2 Chapter 11 Case, has been disclosed to the Bankruptcy Court, and any such payment made before
3 the Confirmation of the Plan is reasonable or, if such payment is to be fixed after Confirmation of
4 the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

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

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

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

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

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

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

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

24 **Section 7.4 Confirmation Requirements.**

25 **(a) Classification.**

26 Bankruptcy Code section 1122 sets forth the requirements relating to classification of
27 claims. Bankruptcy Code section 1122(a) provides that claims or equity interests may be placed in
28 a particular class only if they are substantially similar to the other claims or equity interests in that

1 class. Debtor believes that all Classes under the Plan satisfy the requirements of Bankruptcy Code
2 section 1122(a) because none of the Classes under the Plan contain Claims or Equity Interests that
3 are not substantially similar to each other.

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

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

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

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

2 In order for the Plan to be confirmed, the Bankruptcy Court must find with respect to any
3 Impaired Class that has not unanimously voted to accept the Plan that any Holder of a Claim who
4 votes to reject the Plan will receive or retain under the Plan on account of such Claim property that
5 has a value, as of the Effective Date of the Plan, that is not less than the value of the distribution
6 each such Holder would receive or retain if Debtor's Estate was liquidated on the Effective Date
7 under chapter 7 of the Bankruptcy Code. To make this finding, the Bankruptcy Court must:
8 (a) evaluate the estimated Cash proceeds (the "Liquidation Proceeds") that a chapter 7 trustee would
9 generate from liquidating Debtor's assets if the Chapter 11 Case was converted to a case under
10 chapter 7 of the Bankruptcy Code; (b) evaluate the estimated distribution ("Liquidation
11 Distribution") that each non-accepting Holder of a Claim or Interest would receive from the
12 Liquidation Proceeds under the priority scheme dictated in, inter alia, Bankruptcy Code sections
13 725 and 726; and (c) compare each rejecting Holder's Liquidation Distribution to the distribution
14 under the Plan ("Plan Distribution") that such Holder would receive if the Plan is confirmed and
15 consummated.

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

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

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

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

27 Based on the projections set forth in **Exhibit "D"** to this Disclosure Statement and the
28 operational, business and other assumptions set forth therein, Debtor submits that Reorganized

1 Debtor will have the financial capability to satisfy their respective obligations following the
2 Effective Date of the Plan, including the payment of all Cash distributions contemplated by the
3 Plan. Therefore, Debtor submits that the Plan is feasible as required by Bankruptcy Code section
4 1129(a)(11).

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

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

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

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

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

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

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

1 While the Plan provides different treatment for the Holders of Classes 4 and 5, Class 4 has a
 2 guaranty, the Holder is not an insider, and guarantor is providing fifty percent (50%) of the payment
 3 to Class 4. Class 5 is subdivided between non-insider General Unsecured Claims and insider
 4 General Unsecured Claims. Non-insider General Unsecured Claims will be paid in full on the
 5 Effective Date. Insider General Unsecured Claims will only receive distributions when the net sales
 6 of Reorganized Debtor's real property assets exceeds \$10,000,000. Moreover, no Class of Claims
 7 will receive payments or property with an aggregate value greater than the aggregate value of the
 8 Allowed Claims in such Class. Therefore, Debtor submits that if there are any rejecting Classes of
 9 Claims, the Plan nevertheless satisfies the "no unfair discrimination" requirement.

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

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

19 Class 1 is not Impaired, and therefore their treatment must be deemed to be fair and
 20 equitable. Class 2 is receiving the following parcels: a portion of 313-02-002 (Sec 25, T22N,
 21 R15W), 313-01-035 and 313-01-005 in satisfaction of its claim, Class 3 is receiving a promissory
 22 note payable to Mohave County Assessor in the principal amount of Forty-Two Thousand, Seven
 23 Hundred Thirty-Three Dollars and 12/100 (\$42,733.12) (Refinanced Secured Tax Loan) maturing
 24 two (2) years from the Effective Date payable in Twenty-Four (24) equal monthly payments at the
 25 interest rate of three and one half percent (3.5%) per annum (Refinanced Secured Tax Note); Class
 26 4 is receiving payment in full on or before the first anniversary of the Effective Date; Class 5(a)
 27 General Unsecured Claims will be paid in full on the Effective Date. Class 5(b) General Unsecured
 28 Claims will only receive distributions when the net sales of Reorganized Debtor's real property

1 assets exceeds \$10,000,000. Class 5(b) shall receive 30% of net sales proceeds above and beyond
 2 \$10,000,000, until such Claims are paid in full, bearing interest at the rate of a 10 year U.S.
 3 Treasury note; and Class 6 is receiving fifty percent (50%) of the new membership interest in the
 4 Reorganized Debtor. Therefore, Debtor submits that the Plan satisfies the “fair and equitable”
 5 requirement with respect to any rejecting Class(es).

6 **ARTICLE VIII.**

7 **CERTAIN RISK FACTORS TO BE CONSIDERED**

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

13 **ARTICLE IX.**

14 **CERTAIN UNITED STATES FEDERAL INCOME TAX** 15 **CONSIDERATIONS OF THE PLAN**

16 **Section 9.1 Introduction.**

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

27 A summary description of certain material United States federal income tax consequences of
 28 the Plan is provided below. This description is for informational purposes only and, due to a lack of

1 definitive judicial or administrative authority or interpretation, substantial uncertainties exist with
2 respect to various tax consequences of the Plan as discussed herein. Only the principal
3 consequences of the Plan for Holders of Claims who are entitled to vote to accept or reject the Plan
4 are described below. No opinion of counsel has been sought or obtained with respect to any tax
5 consequences of the Plan. No rulings or determinations of the Internal Revenue Service (“IRS”) or
6 any other tax authorities have been or will be sought or obtained with respect to any tax
7 consequences of the Plan, and the discussion below is not binding upon the IRS or such other
8 authorities. No representations are being made regarding the particular tax consequences of the
9 confirmation or implementation of the Plan as to any Holder of a Claim. No assurance can be given
10 that the IRS would not assert, or that a court would not sustain, a different position from any
11 discussed herein.

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

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

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

- 28 • an individual who is a citizen or resident of the United States;

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)

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

- a corporation created or organized under the laws of the United States or any state or political subdivision thereof;
- an estate, the income of which is subject to federal income taxation 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

1 properties or refuses to accept a deed in lieu of foreclosing during the same time period, the
2 Reorganized Debtor shall execute and record a quit claim deed to Conrail in the appropriate real
3 property records at which time Conrail shall become the legal and equitable title holder to these
4 parcels and it shall become responsible for the taxes and insurance on these parcels. Since all of the
5 debt owing to Conrail will be satisfied by the partial surrender of Conrail's collateral, the
6 Guarantor on the loan shall also be released from all liability on the debt owing to Conrail upon
7 plan confirmation. The Debtor and Reorganized Debtor shall be responsible for the payment of pre-
8 petition taxes in accordance with this Chapter 11 Plan and will pay post-petition taxes when and as
9 due through the 90 day period post-Effective Date. In the event that the Bankruptcy Court
10 determines that the proposed treatment is not the "indubitable equivalent" to satisfy Conrail's
11 allowed claim in full, Debtor reserves the right to either add additional parcels, provide a New
12 Secured Note that will reflect a principal reduction based on the Court's valuation of the
13 Surrendered Parcels or provide a cash payment on the Effective Date to satisfy the claim; (iii) the
14 Holders of Class 3 Secured Property Tax Claims shall receive a promissory note payable to Mohave
15 County Assessor in the principal amount of Forty-Two Thousand, Seven Hundred Thirty-Three
16 Dollars and 12/100 (\$42,733.12) (Refinanced Secured Tax Loan) maturing two (2) years from the
17 Effective Date payable in Twenty-Four (24) equal monthly payments at the interest rate of 3.5
18 percent (3.5%) per annum (Refinanced Secured Tax Note). The Refinanced Secured Tax Note shall
19 be executed by the Reorganized Debtor and shall be secured by the Property; (iv) the holder of the
20 Garrett Unsecured Claim shall receive payment in full on or before the first anniversary of the
21 Effective Date on account of their Allowed Garrett Unsecured Claim; (v) Holders of non-insider
22 Allowed General Unsecured Claim will be paid in full on the Effective Date; Holders of insider
23 Allowed General Unsecured Claims shall only be entitled to distributions when net proceeds of
24 sales of Reorganized Debtor's real property assets exceed \$10,000,000. Holders of Class 5(b) shall
25 receive 30% of net sales proceeds above and beyond \$10,000,000, until such Claims are paid in full,
26 bearing interest at the rate of a 10 year U.S. Treasury note; and (vi) holders of Old Equity Interests
27 will receive fifty percent (50%) of the new membership interest in the Reorganized Debtor. The
28

1 remaining fifty percent (50%) of the new membership interest shall be granted to the New Equity
2 Investor for providing the Confirmation Funds.

3 **(b) Cancellation of Debt Income (“CODI”).**

4 In general, a debtor realizes gain from the cancellation of a debt at less than its face amount
5 (or adjusted issue price, in the case of an obligation issued at a discount from its face amount).
6 When the debtor is an S corporation, its taxable CODI is exempt from income tax at the corporate
7 level. Instead, the CODI of the S corporation passes through and is taken into account ratably by its
8 shareholders.

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

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

26 **(c) Accrued Interest.**

27 Payments made on the debts owing to the Holders of Allowed Claims that are allocable to
28 accrued but unpaid interest may be deductible by Reorganized Debtor in accordance with its

1 method of accounting used for income tax purposes, to the extent, if any, that such accrued but
 2 unpaid interest has not previously been deducted by Debtor. To the extent that Debtor has
 3 previously taken a deduction for accrued but unpaid interest, any amounts so deducted that are paid
 4 will not give rise to any tax deduction to Reorganized Debtor. If such interest amounts are not paid,
 5 then such amounts will give rise to CODI that, in the instant case, would be eligible for the
 6 exclusion from gross income due to the exception provided for taxpayers under the jurisdiction of a
 7 bankruptcy court. As a result, in such cases, Debtor would ordinarily be required to reduce its tax
 8 attributes to the extent of such interest previously deducted, not paid, and discharged in the
 9 bankruptcy proceeding.

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

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

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

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

27 Holders of a Secured Claim shall be permitted to advertise for a foreclosure sale on
 28 the following parcels: a portion of 313-02-002 (Sec 25, T22N, R15W), 313-01-035 and 313-01-005
 ACTIVE [42084927v1 09/02/2016](#) [42898187v1 10/26/2016](#) 55

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

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

1 instrument that is not deemed to be a “significant” modification will not be treated as an exchange.
 2 In a case under the jurisdiction of a bankruptcy court, if the modification of the terms of a debt
 3 instrument occurs pursuant to a plan of reorganization, such modification is deemed to occur upon
 4 the effective date of the plan.

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

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

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

19 With respect to any accrued but unpaid interest, a Holder of an Allowed General Unsecured
 20 Claim may recognize a deductible loss to the extent any accrued but unpaid interest was previously
 21 included in the Holder’s gross income.

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

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

24 In general, a Holder of an Allowed Claim that is not a security for purposes of Section
 25 165(g) of the IRC who receives in exchange, pursuant to the Plan, an amount of consideration that
 26 is less than the Holder’s tax basis in the Allowed Claim, may be entitled, in the year of receipt (or in
 27 an earlier year), to a bad debt deduction under Section 166(a) of the IRC, or may be entitled to a
 28

1 loss deduction under Section 165(a) of the IRC in the year of receipt. Any such loss would be
2 limited to the Holder's tax basis in the Allowed Claim.

3 A Holder of stock or securities whose Allowed Claim is deemed to be wholly worthless may
4 be entitled to a worthless securities deduction under Sections 165(g) and 165(a) of the IRC. The
5 rules governing the timing and amount of such deductions place considerable emphasis on the facts
6 and circumstances of the Holder, the obligor, and the instrument with respect to which a deduction
7 is claimed. Any such loss would be limited to the Holder's tax basis in the equity interest
8 underlying its claim.

9 **(b) Market Discount.**

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

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

22 Certain payments, including payments in respect of accrued interest or OID, are generally
23 subject to information reporting by the payor to the IRS. Moreover, such reportable payments are
24 subject to backup withholding (at a rate of 28% through 2012) in certain circumstances. Under the
25 backup withholding rules, a Holder of an Allowed Claim may be subject to backup withholding at
26 the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the
27 Holder (a) falls within certain exempt categories (which generally include corporations) or (b)
28 provides a correct U.S. taxpayer identification and certifies under penalties of perjury that the

1 Holder is a United States person, the taxpayer identification number is correct, and the Holder is not
2 subject to backup withholding because of a failure to report all dividend and interest income.

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

15 **ARTICLE X.**

16 **FURTHER INFORMATION**

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

22 Fox Rothschild LLP
23 Attn: Brett A. Axelrod
24 1980 Festival Plaza Drive, Suite 700
25 Las Vegas, NV 89135
26 Telephone: (702) 262-6899
27 Email: baxelrod@foxrothschild.com

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

1 **ARTICLE XI.**

2 **ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

3 If the Plan is not confirmed and consummated, there can be no assurance that the Chapter 11
4 Case will continue rather than be converted to a chapter 7 liquidation. In fact, Debtor believes that
5 absent Confirmation of the Plan, the likely result could be that Debtor would cease operations and
6 any value that could be generated from Debtor's Assets would go to satisfy its obligations to the
7 Secured Lender. If that were to occur, the Secured Lender likely would receive a fraction of the
8 face amount of their Secured Claim, and Holders of other Claims likely would receive no recovery.
9 See Article VI, Section D(3) above.

10 If the Plan is not confirmed, any other party in interest can formulate a different plan of
11 reorganization. Such a plan of reorganization might involve either a reorganization and
12 continuation of the business of Debtor, the sale of Debtor as a going concern or an orderly
13 liquidation of Debtor's Estate. With respect to an alternative plan of reorganization, Debtor has
14 examined various other alternatives in connection with the process involved in the formulation and
15 development of the Plan. Debtor believes that the Plan, as described herein, enables Holders of
16 Claims to realize the best recoveries under the present circumstances. In a liquidation of Debtor
17 under chapter 11, the properties and interests in property likely would be sold in a more orderly
18 fashion and over a more extended period of time than in a liquidation under chapter 7, probably
19 resulting in marginally greater recoveries. Further, if a trustee were not appointed, since one is not
20 required in a chapter 11 case, the expenses for professional fees would most likely be lower than in
21 a chapter 7 case. However, although preferable to a chapter 7 liquidation, Debtor believes that its
22 liquidation under chapter 11 is a much less attractive alternative because the recovery realized by
23 Holders of Allowed Claims under the Plan is likely to be greater than their recovery under a chapter
24 11 liquidation.

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

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

7 **ARTICLE XII.**

8 **RECOMMENDATION AND CONCLUSION**

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

13 DATED this ~~2nd~~ 26th day of ~~September~~ October 2016.

14
15 Mohave Agrarian Group, LLC,
an Arizona limited liability company

16
17 By: Truckee Springs Holdings, Inc.,
a Nevada corporation, its Manager

18
19 By: _____
Name: _____
20 Title: _____

21 Respectfully submitted by:

22 **FOX ROTHSCHILD LLP**

23 By: /s/Brett A. Axelrod
24 BRETT A. AXELROD, ESQ.
Nevada Bar No. 5859
25 1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
26 *Counsel for Mohave Agrarian Group, LLC*

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6899
(702) 597-5503 (fax)