

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 March 17, 2017

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

**SECOND AMENDED DISCLOSURE
STATEMENT PREPARED IN
CONNECTION WITH DEBTOR'S
THIRD AMENDED CHAPTER 11
PLAN OF REORGANIZATION DATED
MARCH 17, 2017**

Hearing Date: April 18, 2017
Hearing Time: 1:30 p.m.

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(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. 4

 Section 1.3 Treatment of Claims and Interests. 5

 Section 1.4 Voting, Objection to Confirmation and Confirmation Hearing. 8

 Section 1.5 Effectiveness of the Plan. 9

ARTICLE II. EXPLANATION OF CHAPTER 11..... 9

 Section 2.1 Overview of Chapter 11. 9

 Section 2.2 Plan of Reorganization. 10

 Section 2.3 Confirmation of a Plan of Reorganization. 11

ARTICLE III. BACKGROUND..... 12

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

 Section 3.2 Financial Information and Capital Structure. 12

ARTICLE IV. THE CHAPTER 11 CASE..... 14

 Section 4.1 Continuation as Debtor In Possession..... 14

 Section 4.2 Significant Requests for Court Approval. 15

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

 Section 4.4 Schedules of Assets and Liabilities. 21

 Section 4.5 Assets 21

 Section 4.6 Liabilities..... 21

 Section 4.7 Executory Contracts and Unexpired Leases..... 22

 Section 4.8 Statement of Financial Affairs. 22

 Section 4.9 341(a) Meeting. 23

 Section 4.10 Office of the United States Trustee Reporting. 23

 Section 4.11 Creditors Committee. 24

 Section 4.12 Plan Solicitation and Confirmation Process..... 24

 Section 4.13 Solicitation Procedures..... 25

ARTICLE V. SUMMARY OF THE PLAN 25

 Section 5.1 Overall Structure of the Plan..... 26

 Section 5.2 Classification and Treatment of Claims and Interests Under the Plan..... 28

 Section 5.3 Unclassified Claims..... 28

 Section 5.4 Priority Tax Claims. 30

 Section 5.5 Classified Claims..... 30

 Section 5.6 Means of Implementation of Plan. 37

 Section 5.7 Issuance of Equity Interests..... 38

 Section 5.8 Disposition of Assets, Properties and Equity Interests. 38

 Section 5.9 Assumption of Liabilities. 38

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. 38
 2 Section 5.11 Management. 39
 3 Section 5.12 Exemption from Certain Transfer Taxes and Further Transactions..... 39
 4 Section 5.13 Final Decree. 39
 5 Section 5.14 Effectuating Documents, Further Transactions..... 39
 6 Section 5.15 Post Effective Date Fees and Expenses..... 40
 7
 8 ARTICLE VI. PROVISIONS CONCERNING PLAN DISTRIBUTIONS 40
 9
 10 Section 6.1 Distributions on Account of Claims Allowed as of the Effective Date
 11 Section 6.2 Distributions on Account of Claims Allowed After the Effective Date.....
 12 Section 6.3 Delivery of Distributions..... 42
 13 Section 6.4 Setoffs..... 43
 14 Section 6.5 Withholding Taxes. 44
 15 Section 6.6 Allocation of Distributions..... 44
 16
 17 ARTICLE VII. CONFIRMATION OF THE PLAN 44
 18
 19 Section 7.1 Voting Eligibility..... 45
 20 Section 7.2 Voting Instructions..... 45
 21 Section 7.3 Confirmation Hearing. 47
 22 Section 7.4 Confirmation Requirements. 49
 23
 24 ARTICLE VIII. CERTAIN RISK FACTORS TO BE CONSIDERED 53
 25
 26 ARTICLE IX. CERTAIN UNITED STATES FEDERAL INCOME TAX..... 53
 27
 28 Section 9.1 Introduction. 53
 Section 9.2 Certain United States Federal Income Tax Consequences to Debtor. 55
 Section 9.3 Tax Consequences To Creditors. 58
 Section 9.4 Tax Consequences to Certain Holders of Allowed Claims..... 59
 Section 9.5 General Tax Considerations for Certain Holders of Allowed Claims. 60
 ARTICLE X. FURTHER INFORMATION 62
 ARTICLE XI. ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE
 PLAN 62
 ARTICLE XII. RECOMMENDATION AND CONCLUSION..... 64

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 - THIRD AMENDED CHAPTER 11 PLAN OF REORGANIZATION DATED MARCH 17, 2017

EXHIBIT B – LIQUIDATION ANALYSIS

EXHIBIT C - PROJECTIONS

EXHIBIT D - SCHEDULE OF ASSUMED/REJECTED CONTRACTS

EXHIBIT E - SCHEDULE OF DISPUTED CLAIMS

EXHIBIT F - REORGANIZED DEBTOR’S OPERATING AGREEMENT

EXHIBIT G – THE CONTRAIL SETTLEMENT AGREEMENT

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6898
(702) 597-5503 (fax)

1 THIS SECOND AMENDED DISCLOSURE STATEMENT IS SUBMITTED FOR
2 APPROVAL IN CONNECTION WITH DEBTOR'S THIRD AMENDED CHAPTER 11 PLAN
3 OF REORGANIZATION (THE "PLAN"), DATED MARCH 17, 2017, FILED BY MOHAVE
4 AGRARIAN GROUP, LLC ("DEBTOR"), DEBTOR AND DEBTOR IN POSSESSION IN THE
5 ABOVE-CAPTIONED CHAPTER 11 CASE (THE "CHAPTER 11 CASE"). THIS
6 DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE SECURITIES AND
7 EXCHANGE COMMISSION ("SEC") OR ANY OTHER REGULATORY AUTHORITY.

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

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

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

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

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

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

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

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

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.

28

1 This Disclosure Statement was prepared by Debtor for use in conjunction with Debtor's
2 Chapter 11 Plan of Reorganization, and a copy of Debtor's Second Amended Plan, Dated March 17,
3 2017 (the "Plan"), is attached as **Exhibit "A"** to this Disclosure Statement. The Plan sets forth the
4 means by which Debtor will use its Assets to satisfy its liabilities in accordance with the
5 Bankruptcy Code. The purpose of this Disclosure Statement is to describe the Plan and provide
6 adequate information to allow Creditors entitled to vote on the Plan to make an informed decision
7 about how to cast their Ballot.

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

16 **Section 1.1 Plan Overview.**

17 1. The Plan separates Claims against Debtor into five (5) classes based on their level of
18 priority under the Bankruptcy Code and the legal nature of the Claims. There is also one (1) class
19 of Old Equity Interests. Administrative Claims and Priority Tax Claims are not classified because
20 the Bankruptcy Code requires that they receive specific treatment. The Plan provides for Debtor's
21 existing Old Equity Interests to be cancelled and one hundred percent (100%) of the new
22 membership interest shall be granted to the New Equity Investor for providing the Confirmation
23 Funds. In return, the New Equity Investor will provide Two Million Dollars (\$2,000,000.00) in
24 funding to make payments under the Plan, and provide working capital for Reorganized Debtor.

25 2. Management anticipates meeting the financial requirements of the Plan through a
26 capital contribution from its New Equity Investor up to two million dollars (\$2,000,000).

27 3. Debtor's Principal Assets and Indebtedness.
28

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

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

Section 1.2 Treatment of Claims and Interests.

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

Class	Description	Treatment	Estimated Amount of Claims¹
Class 1	Priority Claims	Each Holder of an Allowed Priority Claim shall, either: (i) be paid the Allowed amount of such Claim in Cash on the Effective Date, (ii) have such Claim assumed by Reorganized Debtor, to be paid by Reorganized Debtor in Cash in the Allowed amount of any such Claim on the date on which such Claim is payable under applicable law or any agreement relating thereto; or (iii) receive such other treatment as is agreed by the Holder of the Allowed Priority Claim, Debtor and Reorganized Debtor. <i>Priority Claims are not Impaired. Holders of Allowed Other Priority Claims are not entitled to vote and are conclusively determined to accept the Plan.</i>	\$10,000.00
Class 2	Conrail	Pursuant to the Conrail Settlement Agreement and	\$9,611,696.19

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.

Class	Description	Treatment	Estimated Amount of Claims ¹
	Secured Claim	<p>in accordance with the terms of the Credit Bid Purchase Agreement, both of which are included in the Plan Supplement, Contrail shall purchase the Properties at the Confirmation Hearing pursuant to Sections 363(f) and 1123(a)(5)(D) of the Bankruptcy Code by credit bidding up to the full amount of the Contrail Secured Claim. The sale shall be free and clear of all liens, claims, equity interests, and other encumbrances, except the Permitted Encumbrances, as defined in the Contrail Settlement Agreement.</p> <p>The Contrail Secured Claim shall be deemed satisfied in full upon the occurrence of both (i) the Contrail Closing Date (as defined in the Credit Bid Purchase Agreement) and (ii) the Effective Date.</p> <p>The Confirmation Order shall provide that Contrail is a good faith purchaser within the meaning of Section 363(m) of the Bankruptcy Code and entitled to all of the protections arising therefrom.</p> <p><u>Grant of Option.</u> Subject to closing and consummating Contrail's purchase of the Properties under the Credit Bid Purchase Agreement pursuant to Section 4.1 of the Contrail Settlement Agreement, upon timely and irrevocable payment in immediately available funds of One Thousand Dollars (\$1,000.00) by Debtor to Contrail, Contrail shall grant to Debtor the Option pursuant to the Option/Sale Agreement.</p> <p>Provided Debtor has not defaulted under the Contrail Settlement Agreement or the Option/Sale Agreement, Debtor may exercise its Option on any one or more of the Taxable Parcel(s), at Debtor's sole discretion and election, during the Option Period (as defined in the Contrail Settlement Agreement), in accordance with the terms and conditions set forth in the Contrail Settlement Agreement and in the Option/Sale Agreement.</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

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><u>Debtor's Payment of Taxes.</u> Debtor shall be responsible for payment of the Mohave Tax Obligations. To the extent Mohave elects to pay any of the Mohave Tax Obligations pursuant to the Assessor Note, Conrail shall take the Properties subject to the Assessor Note and corresponding lien Upon the proper and timely exercise of the Option with respect to any Taxable Parcel(s) under the Option/Sale Agreement, Debtor agrees to take title to such Taxable Parcel subject to any remaining lien by the Mohave County Assessor in connection with any remaining outstanding amounts not yet due and payable under the Assessor Note.</p> <p><u>Conrail's Payment of Taxes; Reimbursement.</u> Conrail shall pay all real property taxes in connection with the Properties accruing after the Conrail Closing Date. Upon the timely and proper exercise of the Option by Debtor with respect to each Taxable Parcel(s), Mohave shall reimburse Conrail for one half (1/2) of all real property taxes paid by Conrail with respect to such Taxable Parcel(s) during Conrail's ownership thereof, which reimbursement amount shall be added to the then-applicable Purchase Price for such Taxable Parcel(s).</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 (the Assessor Note) payable to Mohave County Assessor in the principal amount of \$85,355.33 (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 Assessor Note shall be executed by the Reorganized Debtor and shall be secured</p>	\$85,355.33

Class	Description	Treatment	Estimated Amount of Claims ¹
		<p>by the Properties.</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>	
Class 4	Garrett Unsecured Claim	<p>The Holder of the Class 4 Garrett Unsecured Claim shall not receive any distribution under the Plan.</p> <p><i>The Holder of the Class 4 Garrett Unsecured Claim is deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g)</i></p>	\$500,000.00
Class 5	General Unsecured Claims	<p>Class 5 consists of all General Unsecured Claims against Debtor. Class 5 shall not receive any distribution under the Plan.</p> <p><i>General Unsecured Claims are Impaired and Holders of Allowed General Unsecured Claims are deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g).</i></p>	\$2,271,746.47
Class 6	Old Equity Interests	<p>Class 6 consists of all Old Equity Interests. Old Equity interests will be cancelled and Old Equity Interests will receive nothing under the Plan. One Hundred Percent (100%) of the new membership interest in the Reorganized Debtor shall be granted to the New Equity Investor for providing the Confirmation Funds</p> <p><i>Class 6 is impaired. The Holders of Old Equity Interests are deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g).</i></p>	N/A

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

Section 1.3 Voting, Objection to Confirmation and Confirmation Hearing.

Creditors holding Claims in Classes 2 and 3, shall receive a Ballot to vote to accept or reject the Plan. The Voting Deadline to submit the Ballot is by **5:00 p.m. (prevailing Pacific Time) on April __, 2017 [3 weeks from mailing]**. Ballots must be returned to Fox Rothschild LLP, Attention: Brett A. Axelrod, 1980 Festival Plaza Drive, Suite 700, Las Vegas, Nevada 89135. For more information regarding voting, see Article VII, Section 7.2 below.

1 The Bankruptcy Court has established **April __, 2017 at 5:00 p.m.** as the deadline to
2 object to the Plan. Any objection to the Plan raised after the objection deadline may not be
3 considered by the Bankruptcy Court. The Bankruptcy Court will hold a hearing on Confirmation of
4 the Plan starting at **1:30 p.m. on April 18, 2017 (prevailing Pacific Time) at Courtroom 2, Foley**
5 **Federal Building and U.S. Courthouse, 300 Las Vegas Boulevard, South, Las Vegas, Nevada**
6 **89101.** For more information regarding the Confirmation hearing and objections, see Article VII,
7 Section 7.3 below.

8 **Section 1.4 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.

28

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, as set forth in Section 1.2 above. The Bankruptcy Court has scheduled a hearing on
18 confirmation of the Plan for April 18, 2017 at 1:30 p.m., the details of which are set forth in Section
19 1.3 above. Furthermore, classes that are to neither receive nor retain any property under the plan,
20 namely Classes 4, 5, and 6 in Debtor's Plan, are conclusively deemed to have rejected the plan. See
21 Article VII, Section 7.1.

22 Accordingly, acceptances of a plan will generally be solicited only from those persons who
23 hold claims or equity interests in an impaired class. **Except for Class 1 –Priority Claims, which**
24 **are not Impaired under the Plan and therefore are deemed to unanimously accept the Plan.**
25 **Acceptance of the Plan has been solicited from holders of Class 2 and Class 3 claims.**

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

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

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

9 **ARTICLE III.**

10 **BACKGROUND**

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

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

16 **Section 3.2 Capital Structure.**

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

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

23 On June 23, 2005, Sedora Holdings, LLC (“Sedora”), predecessor in interest to Cambridge
24 House, LLC (“Cambridge House”)² entered into a loan agreement (the “Consolidated Mortgage
25 Loan”) made pursuant to a deed of trust with Consolidated Mortgage (the “Consolidated Mortgage
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.

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6869
(702) 597-5503 (fax)

1 Deed of Trust”), encumbering, in part, approximately 7,600 acres of undeveloped property
2 comprising parcel numbers 310-17-004; 313-01-005/008; 313-02-008/021-024; 313-20-025; 354-
3 29-011, NE of Kingman Arizona, commonly known as Peacock Ranch (the “Peacock Highlands
4 Properties”). The Consolidated Mortgage Deed of Trust was recorded July 5, 2005 in Book 5700,
5 Page 922 of the Official Records of Mohave County, Arizona.

6 On June 23, 2005, Sedora executed a promissory note in favor of Consolidated Mortgage in
7 the original principal amount of \$4,640,000, at a fixed rate of 12.250% (the “Consolidated
8 Mortgage Note”).

9 On September 29, 2005, an Assignment of Deed of Trust was recorded in Book 5861, Page
10 279 of the Official Records of Mohave County, Arizona between Sedora as borrower and
11 Consolidated Mortgage as Lender.

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

15 The Consolidated Mortgage Note was modified pursuant to that certain Extension and
16 Modification Agreement dated January 11, 2008 and that certain Extension and Modification
17 Agreement dated April 30, 2009.

18 The Peacock Highlands Properties were conveyed by Sedora to Cambridge House on
19 September 9, 2005. As a result of certain defaults of the Consolidated Mortgage Loan, DCR and
20 Cambridge House entered into settlement negotiations. As part of their negotiations, Cambridge
21 House pledged to the DCR additional unrelated property owned by it to secure the DCR Loan (the
22 Golden Valley Property and the Red Hills Property). Also, as part of the settlement, DCR required
23 that all of its collateral be held by the borrower in a new entity, formed specifically to own solely
24 the DCR collateral. That entity is the Debtor.

25 On June 30, 2014, Mohave Agrarian Group, LLC (the new limited liability company as
26 required by the Settlement Agreement) consummated the terms and conditions of the Settlement
27 Agreement and executed a Loan and Security Agreement and secured promissory note in favor of
28

1 DCR in the amount of seven million, six hundred ten thousand, three hundred twenty-eight dollars
2 (\$7,610,328.00) (the “DCR Loan Agreement”).

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

6 On May 5, 2015, DCR issued a Notice of Event of Default for failure to make the April 1,
7 2015 and May 1, 2015 payment.

8 On or about August 18, 2015, DCR transferred and assigned all if its rights, title and interest
9 in the DCR Loan Agreement, the New Senior Note, the Rhodes Guaranty and the Liens created by
10 the DCR Loan Agreement to Conrail as evidenced by that certain Assignment of Deed of Trust
11 dated August 12, 2015 and recorded in the Official Records of Mohave County, Arizona on August
12 18, 2015 as Document No. 2015036884.

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

16 On October 6, 2015, a Notice of Trustee’s Sale was recorded in the Official Records of
17 Mohave County, Arizona as Document No. 2015044540 (the “Notice of Trustee Sale”).

18 **ARTICLE IV.**

19 **THE CHAPTER 11 CASE**

20 Debtor filed its bankruptcy case to preserve value and to maintain control of its assets that
21 otherwise would have been lost due to a pending foreclosure sale initiated by Conrail. The
22 following is a summary of the events that have taken place in Debtor’s Chapter 11 Case and the
23 anticipated course of events.

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

25 Following the commencement of the Chapter 11 Case, Debtor remains in control over its
26 assets and business as debtor in possession pursuant to Bankruptcy Code section 1108 absent
27 further order of the Bankruptcy Court. As a debtor in possession, the Debtor will be required to
28 obtain Bankruptcy Court approval (i) for any transactions that are outside of the ordinary course of

1 business, (ii) before making payment of any Claims that arose prior to the Petition Date, and (iii) as
2 otherwise required under the Bankruptcy Code for certain specific types of actions or relief.

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

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

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

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

10 **(i) Debtor's Counsel—Fox Rothschild LLP**

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

18 **(ii) Debtor's Appraiser – Landauer Valuation & Advisory**

19 Debtor engaged Landauer Valuation & Advisory ("Landauer") as its Appraiser to provide
20 all necessary valuation, consultation and research services to Debtor in connection with its real
21 property assets. The Bankruptcy Court granted Debtor's application on February 26, 2016. See
22 Docket No. 48.

23 **(iii) Debtor's Real Estate Agent —Hunt Real Estate, ERA Real Estate Agents**
24 **and Associates**

25 On or about January 13, 2016, Debtor engaged John Gall ("Mr. Gall") to provide real estate
26 services to Debtor as may become necessary throughout this Chapter 11 case. Specifically, Debtor
27 needed assistance in listing and selling the Properties. In light of his expertise and success in listing
28 and selling real property in Arizona, Mr. Gall was best suited to provide such services to Debtor,

1 and Debtor relied on Mr. Gall in that regard. Debtor filed an application to employ Mr. Gall
2 pursuant to Bankruptcy Code sections 327, 328, 1107 and 1108, which application was granted by
3 the Bankruptcy Court. See Docket No. 89.

4 **(b) Motion for Single Asset Real Estate Determination**

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

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

9 **(c) Debtor’s Motion to Extend Exclusivity**

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

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

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

21 **(d) Debtor’s Valuation Motion and other Contested Matters.**

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

24 First, in anticipation of filing its Plan, the Debtor sought a determination of the value of the
25 Properties for all purposes so it could ensure that its plan satisfied all statutory requirements. Under
26 the originally proposed version of the Plan, Debtor intended to surrender some of its real property
27 assets to Contrail as the indubitable equivalent of Contrail’s secured claim.

28

1 On July 27, 2016, Contrail filed its Opposition to the Valuation Motion [Docket No. 109].
2 Contrail disputed the value of the Properties as determined by Debtor's appraisal expert, and
3 submitted its own valuation which opined that the value of Debtor's Properties is \$9,625,000.

4 On August 3, 2016, Debtor filed its Reply to Contrail's Opposition to the Valuation Motion
5 [Docket No. 119]. Debtor's appraiser reviewed the appraisal submitted by Contrail and prepared a
6 Rebuttal Report that updated the as is value of Debtor's Properties to \$31,400,000. Debtor also
7 reserved the right to either: (1) add additional parcels or (2) provide a new secured note that would
8 reflect a principal reduction based on the Court's valuation of the surrendered parcels. Thus, the
9 valuation of the Properties became the subject of extensive litigation between Debtor and Contrail.
10 The Valuation Motion was scheduled for an evidentiary hearing, and the parties engaged in
11 extensive discovery related to the issues in the Valuation Motion, in preparation for the evidentiary
12 hearing.

13 Contrail filed its Motion for Relief from the Automatic Stay and for Adequate Protection
14 (the "Stay Motion") [Docket No. 140], seeking relief from the automatic stay to initiate foreclosure
15 proceedings on Debtor's Properties. Debtor filed its Opposition to Contrail's Stay Motion on
16 January 9, 2017 [Docket No. 239]. Contrail also objected to confirmation of the Plan, and filed its
17 Objection to Debtor's Plan and Disclosure Statement and Supplemental Opposition to Motion to
18 Value Real Property on January 12, 2017 [Docket No. 266]. Debtor filed its Memorandum of Law
19 in Support of Confirmation on January 19, 2017 [Docket No. 305] and a Reply to Contrail's
20 Supplemental Opposition to the Valuation Motion on January 19, 2017 [Docket No. 302].

21 Debtor and Contrail agreed to a discovery schedule with respect to the Valuation Motion,
22 confirmation of the Plan and Stay Motion (the "Contested Matters"). Pursuant to a Stipulated
23 Discovery Plan Between Debtor and Contrail Holdings, LLC [Docket No. 131], the parties
24 commenced written discovery on September 2, 2016, in preparation for a hearing to be held on
25 January 23, 2017.

26 In addition to the Valuation Motion and Stay Motion, Debtor filed two motions seeking
27 Bankruptcy Court approval of two sales of small portions of Debtor's Properties. Debtor entered
28 into purchase agreements for certain parcels of its Properties, and sought Court approval for those

1 sales. Debtor filed the following motions related to the potential sale of certain parcels: Debtor's
2 Motion for Order Authorizing Private Sale of Debtor's Real Property to Encore Investments, LLC,
3 Free & Clear of Liens; Subdivision of Debtor's Property [Docket No. 208] (the "Encore Sale
4 Motion") and Debtor's Motion for Order Authorizing Private Sale of Debtor's Real Property to
5 James D. Hammer Free & Clear of Liens; Subdivision of Debtor's Property [Docket No. 219] (the
6 "Hammer Sale Motion", and together with the Encore Sale Motion, the "Sale Motions"). Contrail
7 opposed both the Encore Sale Motion and Hammer Sale Motion in its Omnibus Opposition to the
8 Sale Motions, filed on January 12, 2017 [Docket No. 263]. The Sale Motions were set for hearing
9 on the same date as the Valuation Motion, Stay Motion, and confirmation of Plan hearing (all of
10 which have been collectively defined by the parties as the "Contested Matters").

11 **(e) Hearing on the Contested Matters.**

12 Pursuant to a Stipulation to Modify Hearing Dates and to Extend Deadlines Relating to
13 Contested Matters filed January 13, 2017 [Docket No. 272], and an Order approving the same
14 [Docket No. 283], the Debtor and Contrail stipulated to continue the hearing on the Contested
15 Matters to commence on January 26, 2017, and then to be continued on January 30, 2017 and
16 January 31, 2017. Debtor and Contrail filed multiple motions in limine on January 16, 2017, with
17 respect to the evidentiary hearing on the Contested Matters:

- 18 • Debtor's Motion in Limine to Exclude Testimony of Luis Vega [Docket No. 273].
19 Contrail's Opposition to this motion was filed on January 23, 2017 [Docket No 326].
- 20 • Debtor's Motion in Limine to Exclude Testimony of Michele Van Quatham [Docket
21 No. 275]. Contrail's Opposition to this motion was filed on January 23, 2017
22 [Docket No 327].
- 23 • Contrail's Motion in Limine to Preclude Evidence Regarding Hammer and Encore
24 Sales in Connection with Confirmation, Valuation, and Stay Relief [Docket No.
25 277]. Debtor's Opposition to this motion was filed on January 23, 2017 [Docket No.
26 328].
- 27 • Contrail's Motion in Limine to Exclude Evidence Relating to Gypsum Resource
28 Materials, LLC [Docket No. 278]. Debtor filed a response and qualified non-

1 opposition to this motion on January 23, 2017 [Docket No. 330].

- 2 • Contrail's Motion in Limine to Exclude Testimony of John Gall [Docket No. 279].

3 Debtor's Opposition to this motion was filed on January 23, 2017 [Docket No. 331].

4 Debtor and Contrail also submitted declarations, exhibit lists, and witness lists pursuant to
5 the Stipulation and Order outlined above. An evidentiary on the Contested Matters commenced on
6 January 26, 2017 dates, and Debtor presented evidence with regard to various issues pertaining to
7 the Contested Matters, but did not complete its presentation of evidence in support of the Contested
8 Matters prior to the close of the January 31, 2017 hearing date. Accordingly, hearing on the
9 Contested Matters was continued to March 13-14, 2017 and March 20-21, 2017, pursuant to a
10 Notice of Continued Hearings dated February 3, 2017 [Docket No. 301].

11 **(f) Settlement of the Contested Matters.**

12 On March 12, 2017, Debtor and Contrail entered into the Contrail Settlement Agreement,
13 the terms of which are outlined in Section 5.5 below, under the discussion of the Plan's treatment of
14 the Contrail Claim. In sum, under the Contrail Settlement Agreement and in accordance with the
15 terms of the Credit Bid Purchase Agreement, both of which are included in the Plan Supplement,
16 Contrail shall purchase the Properties at the Confirmation Hearing pursuant to Sections 363(f) and
17 1123(a)(5)(D) of the Bankruptcy Code by credit bidding up to the full amount of the Contrail
18 Secured Claim. The sale shall be free and clear of all liens, claims, equity interests, and other
19 encumbrances, except the Permitted Encumbrances, as defined in the Contrail Settlement
20 Agreement. Section 3.1 of the Contrail Settlement Agreement sets for the pertinent details of the
21 sale pursuant to Section 363 of the Bankruptcy Code. The Contrail Settlement Agreement sets the
22 value of the Properties at the amount of the Contrail Secured Claim.

23 The Contrail Secured Claim shall be deemed satisfied in full upon the occurrence of both (i)
24 the Contrail Closing Date (as defined in Section 1 the Credit Bid Purchase Agreement) and (ii) the
25 Effective Date, as outlined above with respect to the treatment of the Contrail Secured Claim.

26 Accordingly, the continued hearing on the Contested Motions was vacated and Debtor filed
27 its Motion for Approval of Settlement, Pursuant to Fed. R. Bankr. P. 9019, by and Among Mohave
28 Agrarian Group, LLC, and Contrail Holdings, LLC (the "Contrail 9019 Motion") [Docket No. 408]

1 on March 16, 2017. Contrail’s claim shall be resolved as set forth in the Contrail Settlement
2 Agreement, subject to the Court’s approval of the Contrail 9019 Motion.

3 Pursuant to the terms of the Contrail Settlement Agreement, Debtor shall withdraw both the
4 Encore Sale Motion and the Hammer Sale Motion upon the Bankruptcy Court’s approval of the
5 Contrail Settlement Agreement.

6 **(g) Debtor’s Chapter 11 Plan of Reorganization**

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

9 On September 2, 2016, Debtor filed its First Amended Chapter 11 Plan of Reorganization
10 dated September 2, 2016 [Docket No. 136], which sought to provide Contrail with the indubitable
11 equivalent of its claim, and which required the bankruptcy court to value the properties securing the
12 Contrail Secured Claim.

13 On January 19, 2017, Debtor filed its Second Amended Chapter 11 Plan of Reorganization
14 [Docket No. 300], clarifying that the Plan was not seeking a release of guarantees as to the Contrail
15 Claim, to the extent that Contrail may be allowed to pursue those guarantees under Nevada law.

16 As a condition to the Contrail Settlement Agreement, Debtor filed its Third Amended
17 Chapter 11 Plan of Reorganization on March 17, 2017, which sets forth the new plan treatment for
18 the Contrail Claim pursuant to the Contrail Settlement Agreement, and incorporates all settlement
19 terms of the Contrail Settlement Agreement.

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 Debtor contended that the Properties have an "as is" market value
19 of \$31,400,000 pursuant to the Rebuttal Appraisal Report dated August 3, 2016. By contrast,
20 Conrail contended that the Properties have an "as is" value of \$9,625,000, based on its appraiser's
21 valuation. Debtor listed approximately \$143,486.00 in personal property assets on Schedule B,
22 which primarily consist of agricultural assets, assets related to the propagation/cloning lab,
23 machinery and prepaid expenses.

24 **Section 4.6 Liabilities**

25 Debtor identified Conrail as a Creditor holding a Secured Claim in the amount of
26 \$7,700,172.00 on Schedule D.

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

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

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

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

11 On February 28, 2016, Mohave County Attorney filed proof of claim no. 2 in the amount of
12 \$42,474.26 for taxes due to the Mohave County Assessor, which claim is secured by a liens on the
13 Properties. On May 3, 2016, Conrail filed proof of secured claim no. 3 in the amount of
14 \$8,177,909.05, and on May 4, 2016, Dave Wilson Nursery filed its proof of claim no. 4 in the
15 amount of \$1,050,000.00. Debtor and Dave Wilson Nursery have prepared a stipulation wherein
16 Dave Wilson Nursery will withdraw its proof of claim. However, the stipulation has not yet been
17 executed. If Dave Wilson Nursery does not execute the contemplated stipulation withdrawing its
18 claim, Debtor will object to the Dave Wilson Nursery proof of claim.

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

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

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

27 The Statement of Financial Affairs contains a series of questions to be completed by the
28 debtor regarding various financial and corporate matters. The debtor must provide information

1 regarding its income, payments to creditors, pending litigation, shareholders, and officers and
2 directors, among other items.

3 Debtor filed its Statements of Financial Affairs on January 19, 2016. In response to Part 1:
4 Question 1, Debtor listed income of (\$865,057.00) for fiscal year ending December 31, 2015; In
5 response to Part 2: Question 4, Debtor listed payments totaling approximately \$389,000.00 to
6 insider Creditors within one year of the Petition Date. In response to Part 6, Question 11, Debtor
7 listed payments totaling approximately \$25,000.00 related to this bankruptcy filing. In response to
8 Part 11: Question 21, Debtor listed various equipment used on its Property which is owned by
9 Kingman Farms, LLC.

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

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

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

18 At the outset of a chapter 11 case, the OUST requires the debtor in possession to provide
19 certain initial information regarding insurance coverage and other matters. The OUST also requires
20 the debtor in possession to provide monthly post-petition financial reporting in a format determined
21 on a case-by-case basis. Debtor filed its first monthly operating report on February 19, 2016, the
22 second on March 18, 2016, the third on April 20, 2016, the fourth on May 1, 2016, the fifth on June
23 21, 2016, the sixth on July 20, 2016 and the seventh on August 22, 2016. Amended reports for the
24 foregoing monthly operating reports were filed on September 20, 2016. Debtor's eighth operating
25 report was filed on September 20, 2016, the ninth on October 21, 2016, the tenth on November 18,
26 2016, the eleventh on December 16, 2016, the twelfth on January 20, 2017, and the thirteenth on
27 February 23, 2017.

28

1 **Section 4.11 Creditors Committee.**

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

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

7 As noted above, Debtor filed its Chapter 11 Case with the intent to proceed immediately
8 down the path to presenting the Plan to its Creditors for their acceptance or rejection and to the
9 Bankruptcy Court for confirmation. Debtor filed a Motion to set a hearing on the adequacy of its
10 original Disclosure Statement on September 2, 2016 [Docket No. 138]. Conrail filed an Objection
11 to the Disclosure Statement on October 6, 2016 [Docket No. 179]. Debtor filed a Reply in support
12 of the Motion to Approve Disclosure Statement on October 12, 2016 [Docket No. 180].

13 Debtor filed a First Amended Disclosure Statement on October 26, 2016 [Docket No. 187].
14 The Court held a hearing with regard to approval of the Disclosure Statement and entered an Order
15 (I) Approving (A) the Adequacy of the First Amended Disclosure Statement, (B) Procedures for
16 Solicitation, Submission and Tabulation of Votes, (C) Form and Scope of Notices, and (D) Form of
17 Ballots and Related Documents; and (II) Scheduling Confirmation Hearing and Related Deadlines;
18 and (III) Granting Related Relief on November 9, 2016 [Docket No. 198]. A hearing on
19 confirmation of the Plan was scheduled for January 23, 2017 along with the Contested Matters
20 outlined in Section 4.2(d) above.

21 The confirmation hearing was continued to March 13-14, 2017 and March 20-21, 2017
22 together with the Contested Motions. As part of Debtor's settlement with Conrail with respect to
23 the Contested Matters, the Bankruptcy Court has continued the confirmation hearing, which is now
24 scheduled for April 18, 2017, as set forth above. In order to ensure that this process moves forward
25 smoothly and expeditiously, Debtor seeks to establish certain procedures for providing notice of,
26 and soliciting votes on, the Plan.

27
28

1 **Section 4.13 Solicitation Procedures.**

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

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

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

19 **ARTICLE V.**

20 **SUMMARY OF THE PLAN**

21 THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND MEANS FOR
22 IMPLEMENTATION OF THE PLAN AND OF THE CLASSIFICATION AND TREATMENT
23 OF CLAIMS AND INTERESTS UNDER THE PLAN. IT IS QUALIFIED IN ITS ENTIRETY
24 BY REFERENCE TO THE PLAN, WHICH IS ANNEXED TO THIS DISCLOSURE
25 STATEMENT AS **EXHIBIT "A"** AND WHICH SHALL CONTROL IN THE EVENT THAT IT
26 VARIES FROM THE TERMS OF THIS DISCLOSURE STATEMENT.

27 THE PLAN, SUBJECT TO THE PROVISIONS OF THE BANKRUPTCY CODE,
28 PROVIDES FOR THE TREATMENT OF ALL CREDITORS THAT HOLD CLAIMS ARISING

1 PRIOR TO THE CONFIRMATION DATE OF THE PLAN, FOR THE PAYMENT OF
2 ADMINISTRATIVE PRIORITY CLAIMS AND FOR THE TREATMENT OF EQUITY
3 INTERESTS IN DEBTOR.

4 THE SUMMARIES OF THE PLAN AND OF OTHER DOCUMENTS REFERRED TO
5 HEREIN DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE
6 TERMS AND PROVISIONS OF THOSE DOCUMENTS. REFERENCE IS MADE TO THE
7 PLAN AND THE OTHER DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS
8 OF THEIR TERMS AND PROVISIONS.

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

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

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

24 Under the Plan, Claims against and Equity Interests in Debtor are divided into Classes
25 according to their relative seniority and other criteria. If the Plan is confirmed by the Bankruptcy
26 Court and consummated, the Allowed Administrative Claims (unclassified), Allowed Priority Tax
27 Claims (unclassified) and Allowed Priority Claims (Class 1) will receive Distributions equal to the
28

1 full Allowed amount of the Claims as required by the Bankruptcy Code (unless otherwise agreed by
2 the Holder(s) of such Claim(s)).

3 The Class 2 Secured Claim of Conrail Holdings shall be satisfied pursuant to the terms set
4 forth in the Conrail Settlement Agreement, and pursuant to the terms of the Credit Bid Purchase
5 Agreement, which call for Conrail to purchase the Properties at the Confirmation Hearing pursuant
6 to Sections 363(f) and 1123(a)(5)(D) of the Bankruptcy Code by credit bidding up to the full
7 amount of the Conrail Secured Claim. Complete details of the treatment of the Conrail Claim are
8 set forth in greater detail in Section 1.2 above, and in Section 5.5(b) below.

9 Class 3 Secured Property Tax Claims will receive, on the Effective Date, in full satisfaction,
10 settlement, release and exchange for such Allowed Secured Real Property Tax Claims, a Refinanced
11 Secured Loan evidenced by the Assessor Note in the principal amount of the Mohave Tax
12 Obligations, maturing two (2) years from the Effective Date payable in Twenty-Four (24) equal
13 monthly payments at the interest rate of three and one half percent (3.5%) per). The Assessor Note
14 shall be executed by the Reorganized Debtor and shall be secured by the Properties.

15 Class 4 Garrett Unsecured Claim shall receive nothing under the Plan, and the Claim.

16 Class 5(a) General Unsecured Claims shall not receive any distributions under the Plan.

17 Class 6 Old Equity Interests will be cancelled and Old Equity Interests will receive nothing
18 under the Plan. One Hundred Percent (100%) of the new membership interest shall be granted to
19 the New Equity Investor for providing the Confirmation Funds.

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

21 Bankruptcy Code section 1123 provides that a plan must classify the claims and interests of
22 a debtor's creditors and interest holders. In accordance with Bankruptcy Code section 1123, the
23 Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than
24 Administrative Claims and Priority Tax Claims which, pursuant to Bankruptcy Code section
25 1123(a)(1), need not be and have not been classified). Bankruptcy Code section 1122 requires that
26 each Class contain only Claims or Interests that are substantially similar to the other Claims or
27 Interests in such Class.

28

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

7 **Section 5.3 Unclassified Claims.**

8 **(a) Administrative Claims.**

9 Administrative Claims are Claims for costs and expenses of administration, pursuant to
10 Bankruptcy Code sections 503(b), 507(a)(2), 507(b) or 546(c)(2), including, but not limited to: (a)
11 the actual and necessary costs and expenses incurred after the Petition Date and through the
12 Effective Date of preserving the Estate and operating the business of Debtor (such as wages,
13 salaries, or commissions for services, and payments for goods and services); (b) the value of any
14 goods received by Debtor within twenty (20) days before the Petition Date which goods have been
15 sold to Debtor in the ordinary course of its business; (c) compensation and reimbursement of
16 expenses for legal, financial advisory, accounting, and other services, including but not limited to,
17 Allowed Professional Fees, pursuant to Bankruptcy Code sections 328, 330(a) or 331 or otherwise
18 for the period commencing on the Petition Date and ending on the Effective Date; (d) all fees and
19 charges assessed against the Estate, pursuant to chapter 123 of the Judicial Code and 28 U.S.C. §
20 1930; and (e) all Bankruptcy Court approved requests for compensation or expense reimbursement
21 for making a substantial contribution in the Chapter 11 Case, pursuant to Bankruptcy Code sections
22 503(b)(3), (4) and (5).

23 The Holder of an Administrative Claim, other than (i) a Professional Fee Claim, or (ii) a
24 liability incurred and paid in the ordinary course of business by Debtor, must File with the
25 Bankruptcy Court and serve on Debtor and Debtor's counsel, notice of such Administrative Claim
26 on or before the Administrative Claim Bar Date. Such notice must include, at minimum, (i) the
27 name of the Holder of such Administrative Claim, (ii) the basis of the Administrative Claim,
28 including why it is entitled to administrative priority under the Bankruptcy Code, and (iii) the

1 amount of the Administrative Claim. Failure to File and serve such notice timely and properly shall
2 result in the Administrative Claim being forever barred and discharged.

3 Subject to the provisions of Bankruptcy Code sections 330(a), 331 and 503(b), each Holder
4 of an Administrative Claim shall, either: (x) be paid from the Confirmation Funds in the Allowed
5 amount of any such Administrative Claim on, or as soon as reasonably practicable after, the later of
6 (i) the Effective Date, (ii) the date upon which such Administrative Claim becomes Allowed, or (iii)
7 such date as is otherwise agreed to by Debtor or Reorganized Debtor, as the case may be, and the
8 Holder of such Administrative Claim; or (y) have such Administrative Claim assumed by
9 Reorganized Debtor, to be paid by Reorganized Debtor in Cash in the Allowed amount of any such
10 Administrative Claim on, or as soon as reasonably practicable after, the later of (i) the date upon
11 which such Administrative Claim becomes Allowed, (ii) the date on which such Administrative
12 Claim becomes due in the ordinary course of business, or (iii) such date as is otherwise agreed by
13 Debtor, Reorganized Debtor and the Holder of such Administrative Claim.

14 **(b) Professional Fee Claims and US Trustee Fees.**

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

1 **Section 5.4 Priority Tax Claims.**

2 Priority Tax Claims are any Claims entitled to priority under Bankruptcy Code sections
3 502(i) or 507(a)(8). Priority tax claims do not include *ad valorem* tax claims if such claims under
4 applicable state law are secured by a lien on a Debtor's assets.

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

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

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

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

21 **Section 5.5 Classified Claims.**

22 (a) **Class 1 –Priority Claims.**

23 Class 1 consists of Priority Claims against Debtor which are Allowed Claims entitled to
24 priority under Bankruptcy Code sections 507(a) other than under subsections (a)(2) through (a)(8)
25 thereof. The legal and equitable rights of the Holders of Allowed Other Priority Claims are
26 unaltered by the Plan. Each Holder of an Allowed Priority Claim shall, either: (i) be paid the
27 Allowed amount of such Claim in Cash on the Effective Date, (ii) have such Claim assumed by
28 Reorganized Debtor, to be paid by Reorganized Debtor in Cash in the Allowed amount of any such

1 Claim on the date on which such Claim is payable under applicable law or any agreement relating
2 thereto; or (iii) receive such other treatment as is agreed by the Holder of the Allowed Priority
3 Claim, Debtor and Reorganized Debtor.

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

7 **(b) Class 2 – Conrail Secured Claim.**

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

9 The claim of Conrail in the amount of \$9,611,696.19 is secured by a first priority deed of
10 trust on the Properties (comprised of Mohave County Assessor Parcel Nos. 354-29-011, 313-01-
11 035, 313-01-005, 313-02-023, 313-02-022, 313-02-021, 313-02-008, 313-02-024, 310-17-004, 313-
12 20-025, 215-01-072, 341-15-008).

13 Pursuant to the Conrail Settlement Agreement, executed on March 12, 2017, and in
14 accordance with the terms of the Credit Bid Purchase Agreement, both of which are included in the
15 Plan Supplement, Conrail shall purchase the Properties at the Confirmation Hearing pursuant to
16 Sections 363(f) and 1123(a)(5)(D) of the Bankruptcy Code by credit bidding up to the full amount
17 of the Conrail Secured Claim. The sale shall be free and clear of all liens, claims, equity interests,
18 and other encumbrances, except the Permitted Encumbrances, as defined in the Conrail Settlement
19 Agreement.

20 The Conrail Secured Claim shall be deemed satisfied in full upon the occurrence of both (i)
21 the Conrail Closing Date (as defined in the Credit Bid Purchase Agreement) and (ii) the Effective
22 Date.

23 Debtor shall obtain, at Debtor's sole cost and expense, an owner's title insurance policy in
24 favor of Conrail, or its designee, from First American Title Insurance Company, insuring the
25 Properties in the amount of the credit bid, free and clear of all liens, claims, equity interests and
26 other encumbrances, except for the Permitted Encumbrances.

27 The expenses of the Credit Bid Purchase Agreement closing shall be paid as follows: Debtor
28 shall pay (i) the premium for the title policy up to the premium for a standard C.L.T.A. Owner's

1 Policy of Title Insurance, (ii) one-half of escrow fees, and (iii) one-half of any real property transfer
2 taxes. Contrail shall pay (i) the premium for an extended A.L.T.A. Title Policy, if any, together
3 with the cost of any additional coverage or endorsements requested by Contrail, (ii) one-half of
4 escrow fees, (iii) one-half of any real property transfer taxes, and (iv) any recording fees.

5 The Confirmation Order shall provide that Contrail is a good faith purchaser within the
6 meaning of Section 363(m) of the Bankruptcy Code and entitled to all of the protections arising
7 therefrom.

8 Commissions. Contrail shall not be responsible for the payment of any real estate
9 commissions, finder's fees, success fees, or other compensation which may be owed by Debtor to a
10 third party as a result of the sale of the Properties to Contrail.

11 Deficiency. The Contrail Secured Claim and the Indebtedness (as defined in the Contrail
12 Settlement Agreement) shall be deemed satisfied in full and the Rhodes Guaranty shall be released
13 upon the occurrence of both (i) the Contrail Closing Date (as defined in the Contrail Settlement
14 Agreement) and (ii) the Effective Date.

15 Grant of Option. Subject to closing and consummating Contrail's purchase of the Properties
16 under the Credit Bid Purchase Agreement pursuant to Section 4.1 of the Contrail Settlement
17 Agreement, upon timely and irrevocable payment in immediately available funds of One Thousand
18 Dollars (\$1,000.00) by Debtor to Contrail, Contrail shall grant to Debtor the Option pursuant to the
19 Option/Sale Agreement.

20 The Option shall be for an initial period from the execution date of the Option/Sale
21 Agreement through March 20, 2018 (the "Initial Option Period"). Provided Debtor has not defaulted
22 under the Contrail Settlement Agreement or the Option/Sale Agreement, the Initial Option Period
23 may be extended by Debtor from March 20, 2018 to March 20, 2019 (the "First Extension Option
24 Period") upon written notice delivered to Contrail at least thirty (30) days prior to the expiration of
25 the Initial Option Period (the "First Extension Option Notice") and payment by Debtor to Contrail
26 of an amount equal to 2% of the March 20, 2018 Option Price as shown on the Take-Down
27 Schedule for those Taxable Parcels not purchased by Debtor on or before March 20, 2018 (the
28 "First Extension Option Payment"). The First Extension Option Payment must be paid in

1 immediately available funds no later than March 20, 2018. In the event Debtor fails to timely
2 deliver its First Extension Option Notice or fails to timely pay the First Extension Option Payment,
3 then the Option shall automatically terminate upon the expiration of the Initial Option Period and be
4 of no further force and effect.

5 Provided that (i) Debtor has not defaulted under the Contrail Settlement Agreement or the
6 Option/Sale Agreement, (ii) Debtor timely and properly delivered the First Extension Option Notice
7 and First Extension Option Payment, and (iii) Contrail has been paid at least \$5,181,402.60,
8 constituting at least 60% of the March 20, 2019 Option Price as shown on the Take Down Schedule
9 by no later than the expiration of the First Extension Option Period, then Debtor may further extend
10 the First Extension Option Period from March 20, 2019 to September 20, 2019 (the "Second
11 Extension Option Period") upon written notice delivered by Debtor to Contrail at least thirty (30)
12 days prior to the expiration of the First Extension Option Period (the "Second Extension Option
13 Notice") and payment by Debtor to Contrail of an amount equal to 3% of the March 20, 2019
14 Option Price as shown on the Take-Down Schedule for those Taxable Parcels not purchased by
15 Mohave on or before March 20, 2019 (the "Second Extension Option Payment"). The Second
16 Extension Option Payment must be paid in immediately available funds no later than March 20,
17 2019. In the event Debtor fails to timely deliver its Second Extension Option Notice or fails to
18 timely pay the Second Extension Option Payment, then the Option shall automatically terminate
19 upon the expiration of the First Extension Option Period and be of no further force and effect. In no
20 event shall the Option Period be extended beyond September 20, 2019. "Option Period" shall mean
21 the Initial Option Period, the First Extension Option Period, if the Initial Option Period was timely
22 properly extended, and the Second Extension Option Period, provided the First Extension Option
23 Period was properly extended.

24 Provided Debtor has not defaulted under the Contrail Settlement Agreement or the
25 Option/Sale Agreement, Debtor may exercise its Option on any one or more of the Taxable
26 Parcel(s), at Debtor's sole discretion and election, during the Option Period, in accordance with the
27 terms and conditions set forth herein and in the Option and Sale Agreement. Debtor shall provide
28

1 Contrail no less than ten (10) days' prior written notice of its intent to exercise the Option with
2 respect to each Taxable Parcel.

3 Debtor's Payment of Taxes. Debtor shall be responsible for payment of the Mohave Tax
4 Obligations. To the extent Mohave elects to pay any of the Mohave Tax Obligations pursuant to the
5 Assessor Note, Contrail shall take the Properties subject to the Assessor Note and corresponding
6 lien (not to exceed the amount set forth in the Amended Plan); provided however, if any payment
7 with respect to any Taxable Parcel is not received from Debtor by the Mohave County Assessor on
8 or before the due date pursuant to such Assessor Note, the Option/Sale Agreement and Option
9 thereunder shall immediately and automatically terminate without further notice and be of no force
10 and effect. Any Mohave Tax Obligations not payable pursuant to the Assessor Note or otherwise
11 paid by Debtor on or before the Contrail Closing Date shall be due and payable no later than thirty
12 (30) days following demand by Contrail for payment therefor. If such payment is not timely paid
13 by Debtor, the Option/Sale Agreement and Option thereunder shall immediately and automatically
14 terminate without further notice and be of no force and effect. Upon the proper and timely exercise
15 of the Option with respect to any Taxable Parcel(s) under the Option/Sale Agreement, Debtor
16 agrees to take title to such Taxable Parcel subject to any remaining lien by the Mohave County
17 Assessor in connection with any remaining outstanding amounts not yet due and payable under the
18 Assessor Note.

19 Contrail's Payment of Taxes; Reimbursement. Contrail shall pay all real property taxes in
20 connection with the Properties accruing after the Contrail Closing Date. Upon the timely and
21 proper exercise of the Option by Debtor with respect to each Taxable Parcel(s), Mohave shall
22 reimburse Contrail for one half (1/2) of all real property taxes paid by Contrail with respect to such
23 Taxable Parcel(s) during Contrail's ownership thereof, which reimbursement amount shall be added
24 to the then-applicable Purchase Price for such Taxable Parcel(s).

25 No Assignment. The Parties' respective rights under the Option and the Contrail Settlement
26 Agreement shall be personal to Debtor and Contrail, and shall not be assignable by either party.
27 Any assignment, transfer, conveyance, or hypothecation of the Parties' respective rights under the
28 Option and/or the Contrail Settlement Agreement shall be null and void.

1 No Improvements; No Liens. Neither Debtor nor its affiliates will install or construct any
 2 improvements nor perform any work on the Properties owned by Conrail or otherwise conduct any
 3 activity on the Properties owned by Conrail without the prior express written consent of Conrail,
 4 which consent may be withheld in Conrail's sole discretion. Installation or construction of any
 5 improvements or performance of any work by Debtor or its affiliates, or the conduct of any activity
 6 by Debtor or its affiliates, on any Taxable Parcel owned by Conrail without such prior express
 7 written consent of Conrail will constitute a default under the Option/Sale Agreement and will
 8 automatically terminate the Option/Sale Agreement and Option thereunder in its entirety, and the
 9 Option will be deemed void and of no further force and effect. Furthermore, from and after the
 10 Execution Date (as defined in the Conrail Settlement Agreement), neither Debtor nor its affiliates
 11 will permit, or take any action that would result in, any lien (other than the Permitted
 12 Encumbrances) being recorded against or otherwise attached to any of the Properties (whether such
 13 lien constitutes a priming lien, a pari passu lien, a junior lien, a mechanic's lien, or otherwise). The
 14 filing or recording of such lien against any of the Properties during Conrail's ownership thereof as a
 15 result of Debtor's or its affiliates' action or inaction with respect to the Properties will constitute a
 16 default under the Option/Sale Agreement and will automatically terminate the Option/Sale
 17 Agreement and Option thereunder in its entirety, and the Option will be deemed void and of no
 18 further force and effect.

19 Recording. Within five (5) Business Days of entry of the Confirmation Order (as hereinafter
 20 defined), the deeds transferring the Properties to Conrail pursuant to the Credit Bid Purchase
 21 Agreement and a memorandum of the Option/Sale Agreement shall be filed with the County
 22 Recorder's Office of Mohave County, Arizona

23 Attached hereto as **Exhibit "G"** is the Conrail Settlement Agreement executed March 12,
 24 2017.

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

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

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

1 Holders of Class 3 Secured Property Tax Claims on the Effective Date shall, in full
 2 satisfaction, settlement, release and exchange for such Allowed Secured Property Tax Claims,
 3 receive a promissory note (the Assessor Note) payable to Mohave County Assessor in the principal
 4 amount of Eighty-Five Thousand, Three Hundred Fifty-Five Dollars and 33/100 (\$85,355.33)
 5 (Refinanced Secured Tax Loan) maturing two (2) years from the Effective Date payable in Twenty-
 6 Four (24) equal monthly payments at the interest rate of three point five percent (3.5%) per annum
 7 (Refinanced Secured Tax Note). The Assessor Note shall be executed by the Reorganized Debtor
 8 and shall be secured by the Property. Class 3 is Impaired. Therefore, the Holders of Class 3
 9 Secured Property Tax Claims are entitled to vote to accept or reject the Plan.

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

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

12 *Treatment:* Holder of the Class 4 Garrett Unsecured Claim shall receive no distributions
 13 under the Plan. This plan treatment does not affect the guaranty issued by Debtor's principal in
 14 favor of the Holder of the Garrett Unsecured Claim.

15 Class 4 is Impaired. Holders of the Class 4 Garrett Unsecured Claim are deemed to have
 16 rejected the Plan pursuant to Bankruptcy Code section 1126(g), and will therefore not be entitled to
 17 vote to accept or reject the Plan

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

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

23 Holders of Class 5(a) General Unsecured Claims shall not receive any distributions under
 24 the Plan.

25 Class 5 Claims are Impaired under the Plan. Holders of Class 5 Claims are deemed to have
 26 rejected the Plan pursuant to Bankruptcy Code section 1126(g), and will therefore not be entitled to
 27 vote to accept or reject the Plan.

28

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

2 Class 6 consists of all Old Equity Interests.

3 Old Equity Interests will be cancelled and Old Equity Interests will receive nothing under
4 the Plan. One Hundred Percent (100%) of the new membership interest shall be granted to the New
5 Equity Investor for providing the Confirmation Funds.

6 Class 6 Interests are Impaired and the Holders of Old Equity Interests are conclusively
7 deemed to have rejected the Plan, pursuant to Bankruptcy Code section 1126(g), and will therefore
8 not be entitled to vote to accept or reject the Plan.

9 **Section 5.6 Means of Implementation of Plan.**

10 **(a) Plan Implementation.**

11 The Plan shall be implemented in all respects in a manner that is consistent with the terms
12 and conditions of the Operative Documents and the requirements of section 1123(a) and other
13 applicable provisions of the Bankruptcy Code. Without limiting the generality of the foregoing,
14 Debtor and Conrail will perform their respective obligations under the Conrail Settlement
15 Agreement, as set forth and incorporated in Section 5.5(b) above.

16 The New Capital Contribution shall be used to fund the Plan and shall be distributed or
17 applied in the manner necessary to provide all required Confirmation Funds for Distribution
18 pursuant to the Plan, satisfy the costs, expenses, required payments and entitlements outlined herein
19 on the Effective Date and provide the Reorganized Debtor with working capital and funding for
20 operations and Plan needs. On the Effective Date, that portion of the New Capital Contribution to
21 be used for the Confirmation Funds shall be turned over to the Distribution Agent for Distribution
22 pursuant to the Plan.

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

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

2 (a) **Reorganized Debtor.**

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

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

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

7 (1) One Hundred Percent (100%) of the new membership interest shall be granted to
8 the New Equity Investor for providing the Confirmation Funds.

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

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

13 **Section 5.9 Assumption of Liabilities.**

14 On the Effective Date, unless such Claims shall be paid on or prior to such date,
15 Reorganized Debtor shall be deemed to have assumed any Claim that is an Administrative Claim, a
16 Priority Tax Claim or a Priority Claim (including any such Claims that are Disputed Claims or with
17 respect to which any applicable period for asserting a Claim has not expired). Attached hereto as
18 **Exhibit "E"** is Debtor's Scheduled of Disputed Claims.

19 **Section 5.10 Corporate Actions.**

20 (a) **Adoption of Reorganized Debtor's Operating Agreement.** On the Effective Date
21 and without further order of the Bankruptcy Court or need for corporate approval,
22 the Reorganized Debtor Operating Agreement shall supersede and replace all other
23 corporate agreements and bylaws previously governing the Debtor.

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

25 The Confirmation Order shall, among other things, constitute an Order authorizing the
26 managers, officers, and agents of the Debtor and Reorganized Debtor to execute and deliver the
27 Operative Documents, as applicable (to the extent they have not already been executed and
28 delivered), including without limitation all documents necessary to, on or prior to the Effective

1 Date, rename Reorganized Debtor, at the option and in the sole discretion of the Reorganized
2 Debtor, without requiring any further corporate authorizations and notwithstanding the requirements
3 under any applicable non-bankruptcy law. A copy of Reorganized Debtor's Operating Agreement
4 is attached hereto as **Exhibit "F"**.

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

6 The Confirmation Order shall, among other things, provide that: (i) Debtor, Reorganized
7 Debtor, Conrail, and New Equity Investor have acted in good faith; and (ii) the Distributions and/or
8 consideration received by the New Equity Investor and Reorganized Debtor shall not be subject to
9 avoidance, turnover or disgorgement in any subsequent insolvency proceeding by any Person or
10 Entity.

11 **Section 5.11 Management.**

12 Following the Effective Date, Reorganized Debtor shall be managed as provided in the
13 Reorganized Debtor Operating Agreement. It is anticipated that the Reorganized Debtor will be
14 managed by James M. Rhodes.

15 **Certain Transfer Taxes and Further Transactions.**

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

21 **Section 5.12 Final Decree.**

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

24 **Section 5.13 Effectuating Documents, Further Transactions.**

25 On and after the Effective Date, Debtor and its agents, officers and members thereof, are
26 authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments,
27 releases, and other agreements or documents and take such actions as may be necessary or
28 appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan in

1 the name of and on behalf of Debtor, as applicable, without the need for any approvals,
2 authorizations, or consents except for those expressly required pursuant to the Plan.

3 **Section 5.14 Post Effective Date Fees and Expenses.**

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

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

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

20 **ARTICLE VI.**

21 **PROVISIONS CONCERNING PLAN DISTRIBUTIONS**

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

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

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

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

27 In the event that there are Disputed Administrative Claims or Disputed Priority Claims
28 requiring adjudication and resolution and such Claims have not become Allowed or Disallowed

1 prior to the Effective Date, then the obligation to satisfy such Claims shall be from the Confirmation
2 Funds which are held for same, but to the extent there are no available Confirmation Funds from
3 which to pay such Claim, the obligation to satisfy such Claims will be assumed by Reorganized
4 Debtor, subject to Allowance or Disallowance by the Bankruptcy Court. Except as otherwise
5 provided in the Plan, or Final Order, any Disputed Administrative Claim or Disputed Priority Claim
6 that becomes Allowed after the Effective Date shall be satisfied from the Confirmation Funds or
7 performed by Reorganized Debtor in the ordinary course of business in accordance with the terms
8 and conditions of any controlling agreements, course of dealing, course of business, or industry
9 practice.

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

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

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

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

22 **(d) Whole Dollars.**

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

26 **(e) Escheat.**

27 Holders of Allowed Claims shall have three (3) months from the check date to negotiate
28 Distribution checks issued by the Distribution Agent under the terms of the Plan, otherwise payment

1 on such checks may at the Distribution Agent's sole discretion be stopped and the funds shall
2 escheat to the Distribution Agent and shall be promptly distributed to Reorganized Debtor (in
3 accordance with Bankruptcy Code section 347).

4 **Section 6.3 Delivery of Distributions.**

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

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

13 **(b) Distribution Agent.**

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

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

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

1 and receive the benefit of the Distributions in the manner set forth in the Plan. Absent willful
2 misconduct or gross negligence, Debtor or Reorganized Debtor and Distribution Agent, as
3 applicable, shall not incur any liability on account of any Distributions made under the Plan.

4 **(d) Returned Distributions.**

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

16 **(e) Disputed Distributions.**

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

26 **Section 6.4 Setoffs.**

27 The Distribution Agent may, but shall not be required to, set-off against any Distributions to
28 be made pursuant to the Plan to a Holder of an Allowed Claim, Claims of any nature whatsoever

1 that Debtor may have, or may have had, against such Holder that have not been previously released,
2 but neither the failure to do so, nor the allowance of any Claim held by such Holder shall constitute
3 a waiver or release by the Distribution Agent of any such Claim Debtor may have, or may have had,
4 against such Holder.

5 **Section 6.5 Withholding Taxes.**

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

9 **Section 6.6 Allocation of Distributions.**

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

13 **ARTICLE VII.**

14 **CONFIRMATION OF THE PLAN**

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

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6889
(702) 597-5503 (fax)

1 **Section 7.1 Voting Eligibility.**

2 Under the Bankruptcy Code, only Holders of Claims and Equity Interests in Classes that are
3 “Impaired” (as that term is defined in Bankruptcy Code section 1124) under the Plan are entitled to
4 vote to accept or reject the Plan. Generally speaking, a Class of Claims or Interests is Impaired if
5 the Plan modifies the legal, equitable or contractual rights of Holders of Claims or Equity Interests
6 in the Class (other than by curing defaults and reinstating debt). Under Bankruptcy Code section
7 1126(f), Classes of Claims and Equity Interests that are unimpaired are conclusively presumed to
8 have accepted the Plan and are not entitled to vote on the Plan. Under Bankruptcy Code section
9 1126(g), Classes of Claims and Equity Interests whose Holders will neither receive nor retain any
10 property under the Plan are deemed to have rejected the Plan and are not entitled to vote on the
11 Plan. An Impaired Class of Claims will have accepted the Plan if (a) the Holders (other than any
12 Holder designated under Bankruptcy Code section 1126(e)) of at least two-thirds (2/3) in amount of
13 the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders
14 (other than any Holder designated under Bankruptcy Code section 1126(e)) of more than one-half
15 (1/2) in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.
16 As noted above, the Plan utilizes five Classes of Claims and one Class of Equity Interests. Class 1
17 is not Impaired and is not entitled to vote to accept or reject the Plan. Classes 2 and 3 are Impaired
18 and are entitled to vote to accept or reject the Plan.

19 The Solicitation Procedures approved pursuant to the Solicitation Order (and attached
20 thereto as Exhibit “A”) establish criteria by which Holders of Claims in Classes 2 and 3 will be
21 entitled to vote to accept or reject the Plan and in what amount(s).

22 A Ballot to be used to accept or reject the Plan has been enclosed with all copies of this
23 Disclosure Statement mailed to Holders of Claims in Classes 2 and 3.

24 The confirmation hearing shall take place on April 18, 2017 at 1:30 p.m. (prevailing Pacific
25 Time).

26 **Section 7.2 Voting Instructions.**

27 THE PERIOD DURING WHICH BALLOTS WITH RESPECT TO THE PLAN WILL BE
28 ACCEPTED BY DEBTOR WILL TERMINATE AT **5:00 P.M. PREVAILING PACIFIC TIME,**

28 reject the Plan. For example, if the Voting Record Date is Wednesday, and Party A (as the current
27 Record Date is identified as the party entitled to vote such Claim or Equity Interest to accept or
26 Record Date) upon which the Holder of a particular Claim or Equity Interest as of that Voting
25 different parties, Bankruptcy Rule 3018 authorizes the Bankruptcy Court to fix a date (the "Voting
24 In the event that Claims or Equity Interests may be (or have been) transferred among

23
22 1980 Festival Plaza Drive, Suite 700
21 Attn: Brett A. Axelrod
20 Fox Rothschild LLP
23 Las Vegas, Nevada 89135

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

18 Email: baxelrod@foxrothschild.com
17 Telephone: (702) 262-6899
16 Las Vegas, Nevada 89135
15 1980 Festival Plaza Drive, Suite 700
14 Attn: Brett A. Axelrod
13 Fox Rothschild LLP

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

11 COUNTED AS ACCEPTING THE PLAN.

10 NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE
9 INSTRUCTIONS CONTAINED IN THE BALLOT. ANY BALLOTS RECEIVED WHICH DO
8 RECEIVED BY THE VOTING DEADLINE. PLEASE FOLLOW CAREFULLY ALL
7 AND TRANSMITTED IN THE MANNER SPECIFIED IN THE BALLOT SO THAT IT IS
6 TO BE COUNTED, YOUR BALLOT MUST BE COMPLETELY FILLED IN, SIGNED,
5 PLAN (OR ANY PERMITTED MODIFICATION THEREOF).

4 DEBTOR IN CONNECTION WITH DEBTOR'S REQUEST FOR CONFIRMATION OF THE
3 RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE ACCEPTED OR USED BY
2 DETERMINES OR AS PERMITTED BY THE BANKRUPTCY COURT, BALLOTS THAT ARE
1 ON April, 2017 (THE "VOTING DEADLINE"). EXCEPT TO THE EXTENT DEBTOR SO

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

1 Holder of Claim 1) transfers Claim 1 to Party B on Thursday, then Party A (and not Party B) is
2 entitled to vote Claim 1 to accept or reject the Plan. Conversely, if the Voting Record Date was
3 Friday instead, and Party A still transfers Claim 1 to Party B on Thursday, then Party B is entitled to
4 vote Claim 1 to accept or reject the Plan. Consistent with the provisions of Bankruptcy Rule 3018,
5 Debtor is seeking to fix the Voting Record Date as 5:00 P.M., prevailing Pacific Time, on
6 **September 2, 2016.**

7 **Section 7.3 Confirmation Hearing.**

8 Bankruptcy Code section 1128(a) requires the Bankruptcy Court, after notice, to hold a
9 hearing on Confirmation of the Plan after the Ballots have been cast. Bankruptcy Code section
10 1128(b) provides that any party in interest may object to Confirmation of the Plan.

11 THE BANKRUPTCY COURT HAS SCHEDULED THE CONFIRMATION HEARING
12 TO COMMENCE ON **APRIL 18, 2017 AT 1:30 P.M. PREVAILING PACIFIC TIME**
13 **BEFORE THE HONORABLE MIKE K. NAKAGAWA, UNITED STATES BANKRUPTCY**
14 **JUDGE IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF**
15 **NEVADA, IN COURTROOM 2, FOLEY FEDERAL BUILDING AND U.S. COURTHOUSE,**
16 **300 LAS VEGAS BOULEVARD SOUTH, LAS VEGAS, NEVADA 89101.**

17 THE CONFIRMATION HEARING MAY BE ADJOURNED FROM TIME TO TIME BY
18 THE BANKRUPTCY COURT WITHOUT FURTHER NOTICE EXCEPT FOR AN
19 ANNOUNCEMENT OF THE ADJOURNED DATE MADE AT THE CONFIRMATION
20 HEARING OR ANY ADJOURNMENT THEREOF.

21 OBJECTIONS TO CONFIRMATION MUST BE FILED AND SERVED ON OR BEFORE
22 **APRIL**, **2017** IN ACCORDANCE WITH THE SOLICITATION ORDER. UNLESS
23 OBJECTIONS ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE
24 SOLICITATION ORDER, THEY MAY NOT BE CONSIDERED BY THE BANKRUPTCY
25 COURT.

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

- 1 a. The Plan complies with the applicable provisions of the Bankruptcy Code.
- 2 b. Debtor has complied with the applicable provisions of the Bankruptcy Code.
- 3 c. The Plan has been proposed in good faith and not by any means proscribed by law.
- 4 d. Any payment made or promised by Debtor for services or for costs and expenses in,
5 or in connection with, the Chapter 11 Case, or in connection with the Plan and incident to the
6 Chapter 11 Case, has been disclosed to the Bankruptcy Court, and any such payment made before
7 the Confirmation of the Plan is reasonable or, if such payment is to be fixed after Confirmation of
8 the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
- 9 e. Each Holder of an Impaired Claim either has accepted the Plan or will receive or
10 retain under the Plan on account of such Holder's Claims, property of a value, as of the Distribution
11 Date, that is not less than the amount that such Holder would receive or retain if Debtor's Estate
12 was liquidated on such date under chapter 7 of the Bankruptcy Code.
- 13 f. Each Class of Claims has either accepted the Plan or is not Impaired under the Plan.
14 As to Classes that are deemed to reject the Plan, see "Cramdown," Section 7.4(e), below.
- 15 g. Except to the extent that the Holder of a particular Claim has agreed to a different
16 treatment of such Claim, the Plan provides that Allowed Administrative Claims, Allowed Priority
17 Claims and Allowed Priority Tax Claims will be paid in full.
- 18 h. At least one Class of Claims has accepted the Plan, determined without including
19 any acceptance of the Plan by any insider holding a Claim in such Class.
- 20 i. Confirmation of the Plan is not likely to be followed by the need for further financial
21 reorganization or liquidation of Reorganized Debtor, unless such further reorganization or
22 liquidation is proposed in the Plan.
- 23 j. Holders of Class 2 and 3 claims are impaired and are entitled to vote on the Plan,
24 while holders of Class 4, 5 and 6 claims are impaired but due to the plan treatment of those claims
25 are deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g), and are not
26 entitled to vote on confirmation of the Plan.
- 27 k. All fees payable under 28 U.S.C. § 1930 as determined by the Court at the
28 Confirmation Hearing have been paid or the Plan provides for payment of all such fees on the Plan

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

1 Effective Date.

2 1. The Plan addresses payment of retiree benefits, if any, in accordance with
3 Bankruptcy Code section 1114.

4 **Section 7.4 Confirmation Requirements.**

5 **(a) Classification.**

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

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

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

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

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

9 In order for the Plan to be confirmed, the Bankruptcy Court must find with respect to any
10 Impaired Class that has not unanimously voted to accept the Plan that any Holder of a Claim who
11 votes to reject the Plan will receive or retain under the Plan on account of such Claim property that
12 has a value, as of the Effective Date of the Plan, that is not less than the value of the distribution
13 each such Holder would receive or retain if Debtor's Estate was liquidated on the Effective Date
14 under chapter 7 of the Bankruptcy Code. To make this finding, the Bankruptcy Court must:
15 (a) evaluate the estimated Cash proceeds (the "Liquidation Proceeds") that a chapter 7 trustee would
16 generate from liquidating Debtor's assets if the Chapter 11 Case was converted to a case under
17 chapter 7 of the Bankruptcy Code; (b) evaluate the estimated distribution ("Liquidation
18 Distribution") that each non-accepting Holder of a Claim or Interest would receive from the
19 Liquidation Proceeds under the priority scheme dictated in, inter alia, Bankruptcy Code sections
20 725 and 726; and (c) compare each rejecting Holder's Liquidation Distribution to the distribution
21 under the Plan ("Plan Distribution") that such Holder would receive if the Plan is confirmed and
22 consummated.

23 Allowed Claims in Class 1 are not Impaired and therefore deemed to accept the Plan
24 unanimously (thereby rendering the "best interests" test inapplicable). No Liquidation Distribution
25 would be made to Class 6 since Holders of Old Equity Interests are not entitled to receive anything
26 when general unsecured claims are not paid in full (as would be the case in a chapter 7 liquidation).
27 In the event of a conversion to Chapter 7, Conrail would receive, based on its security interest in
28 the Properties, the full value of its claim. In that event, the New Equity Investor would not provide

1 the New Capital Contribution – which would leave the case administratively insolvent and the
2 Assessor’s Note unpaid. Therefore, as more specifically demonstrated by the liquidation analysis
3 attached hereto as **Exhibit “B”**, Debtor submits that the Plan satisfies the “best interests” test
4 encompassed by Bankruptcy Code section 1129(a)(7).

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

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

9 Based on the projections set forth in **Exhibit “C”** to this Disclosure Statement and the
10 operational, business and other assumptions set forth therein, Debtor submits that Reorganized
11 Debtor will have the financial capability to satisfy their respective obligations following the
12 Effective Date of the Plan, including the payment of all Cash distributions contemplated by the
13 Plan. Therefore, Debtor submits that the Plan is feasible as required by Bankruptcy Code section
14 1129(a)(11).

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

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

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

21 Notwithstanding section 510(a) of this title, if all of the applicable
22 requirements of subsection (a) of this section other than paragraph (8) are
23 met with respect to a plan, the court, on request of the proponent of the
24 plan, shall confirm the plan notwithstanding the requirements of such
25 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.

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

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

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

10 Under the amended Plan, holders of Class 4 and Class 5 Claims will receive no distributions,
11 as all of the Debtor’s Properties (i.e. all of Debtor’s assets) will be sold to Conrail pursuant to the
12 Conrail Settlement Agreement. No junior classes are receiving a distribution under the amended
13 Plan, and all unsecured creditors are receiving the same treatment. Moreover, no Class of Claims
14 will receive payments or property with an aggregate value greater than the aggregate value of the
15 Allowed Claims in such Class. Therefore, Debtor submits that if there are any rejecting Classes of
16 Claims, the Plan nevertheless satisfies the “no unfair discrimination” requirement.

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

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

26 Class 1 is not Impaired, and therefore their treatment must be deemed to be fair and
27 equitable. Class 2 is receiving all of the Debtor’s Properties pursuant to the terms set forth in the
28 Conrail Settlement Agreement and its corresponding Credit Bid Purchase Agreement in satisfaction

1 of its claim. Class 3 is receiving a promissory note payable to Mohave County Assessor in the
 2 principal amount of Eighty-Five Thousand, Three Hundred Fifty-Five Dollars and 33/100
 3 (\$85,355.33) (Refinanced Secured Tax Loan) maturing two (2) years from the Effective Date
 4 payable in Twenty-Four (24) equal monthly payments at the interest rate of three and one half
 5 percent (3.5%) per annum (Refinanced Secured Tax Note); Class 4 and Class 5 Claims will not
 6 receive any distributions as a result of Debtor's sale of all of its Properties under the Conrail
 7 Settlement Agreement, and Class 6 Old Equity Interests will be cancelled and Old Equity Interests
 8 will receive nothing under the Plan. One Hundred Percent (100%) of the new membership interest
 9 shall be granted to the New Equity Investor for providing the Confirmation Funds. The treatment of
 10 Class 4 Claims does not affect the guaranty that the Holder of the Garrett Unsecured holds from
 11 Debtor's principal.

12 Therefore, Debtor submits that the Plan satisfies the "fair and equitable" requirement with
 13 respect to any rejecting Class(es).

14 **ARTICLE VIII.**

15 **CERTAIN RISK FACTORS TO BE CONSIDERED**

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

21 **ARTICLE IX.**

22 **CERTAIN UNITED STATES FEDERAL INCOME TAX** 23 **CONSIDERATIONS OF THE PLAN**

24 **Section 9.1 Introduction.**

25 TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230,
 26 HOLDERS OF CLAIMS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF
 27 FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR
 28 WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS OF

1 CLAIMS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON
2 HOLDERS OF CLAIMS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION
3 IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN
4 THE MEANING OF CIRCULAR 230) BY DEBTOR OF THE TRANSACTIONS OR MATTERS
5 ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS SHOULD SEEK ADVICE BASED
6 ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

7 A summary description of certain material United States federal income tax consequences of
8 the Plan is provided below. This description is for informational purposes only and, due to a lack of
9 definitive judicial or administrative authority or interpretation, substantial uncertainties exist with
10 respect to various tax consequences of the Plan as discussed herein. Only the principal
11 consequences of the Plan for Holders of Claims who are entitled to vote to accept or reject the Plan
12 are described below. No opinion of counsel has been sought or obtained with respect to any tax
13 consequences of the Plan. No rulings or determinations of the Internal Revenue Service ("IRS") or
14 any other tax authorities have been or will be sought or obtained with respect to any tax
15 consequences of the Plan, and the discussion below is not binding upon the IRS or such other
16 authorities. No representations are being made regarding the particular tax consequences of the
17 confirmation or implementation of the Plan as to any Holder of a Claim. No assurance can be given
18 that the IRS would not assert, or that a court would not sustain, a different position from any
19 discussed herein.

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

25 The following discussion does not address foreign, state or local tax consequences of the
26 Plan, nor does it purport to address the United States federal income tax consequences of the Plan to
27 special classes of taxpayers (e.g., banks and certain other financial institutions, insurance
28 companies, tax-exempt organizations, Holders of Claims who are (or who hold their Claims

1 through) pass-through entities, persons whose functional currency is not the United States dollar,
2 foreign persons, dealers in securities or foreign currency, and persons holding claims that are a
3 hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive
4 sale or conversion transaction). The following discussion assumes that Holders of Claims hold their
5 Claims as capital assets for United States federal income tax purposes. Furthermore, the following
6 discussion does not address United States federal taxes other than income taxes.

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

- 8 • an individual who is a citizen or resident of the United States;
- 9 • a corporation created or organized under the laws of the United States or any
10 state or political subdivision thereof;
- 11 • an estate, the income of which is subject to federal income taxation
12 regardless of its source; or
- 13 • a trust that (a) is subject to the primary supervision of a United States court
14 and which has one or more United States fiduciaries who have the authority
15 to control all substantial decisions of the trust, or (b) has a valid election in
16 effect under applicable United States Treasury regulations to be treated as a
17 United States person.

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

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

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

25 **(a) Overview of Transaction Steps.**

26 Debtor is an Arizona corporation for federal income tax purposes. The Plan involves
27 the following:

28

1 (i) The Old Equity Interests will be canceled and Holders of Old Equity Interests will
2 receive one hundred percent (100%) of the new membership interest in the Reorganized Debtor for
3 providing the Confirmation Funds;

4 (ii) The Holder of the Conrail Secured Claim shall acquire the Properties pursuant to
5 the terms set forth in the Conrail Settlement Agreement and its corresponding documents, attached
6 hereto as **Exhibit "G"**, which are incorporated herein by reference. In sum, the Properties, which
7 comprise all of the Debtor's real property, will be sold to Conrail in accordance with the terms of
8 the Conrail Settlement Agreement and the Credit Bid Purchase Agreement. The Sale shall be free
9 and clear of all liens, claims, equity interests, and other encumbrances, except the Permitted
10 Encumbrances.

11 Conrail is a good faith purchaser within the meaning of Section 363(m) of the Bankruptcy
12 Code and entitled to all of the protections arising therefrom. On the Conrail Closing Date, Debtor
13 shall deliver good and marketable title to the Properties to Conrail by way of Grant, Bargain, and
14 Sale Deed (all as defined in the Conrail Settlement Agreement) and all such other instruments as
15 may be necessary or customary to effectuate the Credit Bid Purchase Agreement

16 Since all of the debt owing to Conrail will be satisfied by the transfer of the Conrail's
17 collateral under the terms set forth in the Conrail Settlement Agreement and the Credit Bid
18 Purchase Agreement, the Guarantor on the loan shall also be released from all liability on the debt
19 owing to Conrail upon the closing of the Credit Bid Purchase Agreement and the Effective Date of
20 the Plan. The Debtor and Reorganized Debtor shall be responsible for the payment of all taxes
21 through the Conrail Closing Date (as defined in the Conrail Settlement Agreement).

22 (iii) The Holders of Class 3 Secured Property Tax Claims shall receive a promissory
23 note payable to Mohave County Assessor in the principal amount of Eighty-Five Thousand, Three
24 Hundred Fifty-Five Dollars and 33/100 (\$85,355.33) (Refinanced Secured Tax Loan) maturing two
25 (2) years from the Effective Date payable in Twenty-Four (24) equal monthly payments at the
26 interest rate of 3.5 percent (3.5%) per annum (Assessor Note). The Assessor Note shall be executed
27 by the Reorganized Debtor and shall be secured by the Property;

28

1 (iv) The holder of the Garrett Unsecured Claim shall not be entitled to any
2 distribution, but retains a guaranty from Debtor's principal as provided in the Allowed Garrett
3 Unsecured Claim;

4 (v) Holders of General Unsecured Claim shall not be entitled to any distributions;
5 and

6 (vi) Holders of Old Equity Interests will receive nothing under the Plan. One
7 Hundred Percent (100%) of the new membership interest shall be granted to the New Equity
8 Investor for providing the Confirmation Funds..

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

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

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

24 In the case of an S corporation, this bankruptcy exception for excluding CODI from gross
25 income, as well as the required reductions of the tax attributes, is applied at the corporate level
26 rather than at the shareholder level. Due to the pass-through tax status of an S corporation, an S
27 corporation rarely possesses certain of the tax attributes set forth above, such as operating and
28 capital loss carryovers. Consequently, the tax attribute that is most commonly reduced for an S

1 corporation due to the bankruptcy exception is the basis of its property. For purposes of reducing
2 tax attributes, a special definition of “net operating loss” is provided for S corporations which may
3 apply to reduce certain suspended losses and deductions at the shareholder level.

4 **(c) Accrued Interest.**

5 Payments made on the debts owing to the Holders of Allowed Claims that are allocable to
6 accrued but unpaid interest may be deductible by Reorganized Debtor in accordance with its
7 method of accounting used for income tax purposes, to the extent, if any, that such accrued but
8 unpaid interest has not previously been deducted by Debtor. To the extent that Debtor has
9 previously taken a deduction for accrued but unpaid interest, any amounts so deducted that are paid
10 will not give rise to any tax deduction to Reorganized Debtor. If such interest amounts are not paid,
11 then such amounts will give rise to CODI that, in the instant case, would be eligible for the
12 exclusion from gross income due to the exception provided for taxpayers under the jurisdiction of a
13 bankruptcy court. As a result, in such cases, Debtor would ordinarily be required to reduce its tax
14 attributes to the extent of such interest previously deducted, not paid, and discharged in the
15 bankruptcy proceeding.

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

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

1 may be relevant to their particular situations and circumstances and the particular tax consequences
2 to them of the transactions contemplated by the Plan.

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

4 **(a) Class 2: Secured Claims.**

5 The Holder of the Secured Claim shall acquire the Properties pursuant to the terms set forth
6 in the Conrail Settlement Agreement and its corresponding documents, attached hereto as Exhibit
7 G, which are incorporated herein by reference. In sum, the Properties, which comprise all of the
8 Debtor's real property, will be sold to Conrail in accordance with the terms of the Conrail
9 Settlement Agreement and the Credit Bid Purchase Agreement. The Sale shall be free and clear of
10 all liens, claims, equity interests, and other encumbrances, except the Permitted Encumbrances.
11 Conrail shall accept these parcels in full satisfaction of the debt owing from the Debtor and
12 Guarantor in satisfaction of the Conrail Loan.

13 Conrail shall not be entitled to seek a deficiency judgment against the Debtor or Guarantor
14 upon the occurrence of the Conrail Closing Date and the Effective Date. Debtor will be entitled to
15 exercise its Option for repurchase of the Properties or portions of the Properties, as set forth in the
16 Conrail Settlement Agreement.

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

1 In a case under the jurisdiction of a bankruptcy court, if the modification of the terms of a debt
2 instrument occurs pursuant to a plan of reorganization, such modification is deemed to occur upon
3 the effective date of the plan.

4 **(b) Class 4 and 5: Allowed General Unsecured Claim.**

5 Holders of the Garrett Unsecured Claim and Allowed General Unsecured Claim shall have
6 their claims extinguished as of the Effective Date. The following discussion assumes that the
7 Allowed General Unsecured Claims do not constitute “securities” for federal income tax purposes.

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

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

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

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

18 In general, a Holder of an Allowed Claim that is not a security for purposes of Section
19 165(g) of the IRC who receives in exchange, pursuant to the Plan, an amount of consideration that
20 is less than the Holder’s tax basis in the Allowed Claim, may be entitled, in the year of receipt (or in
21 an earlier year), to a bad debt deduction under Section 166(a) of the IRC, or may be entitled to a
22 loss deduction under Section 165(a) of the IRC in the year of receipt. Any such loss would be
23 limited to the Holder’s tax basis in the Allowed Claim.

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

1 is claimed. Any such loss would be limited to the Holder's tax basis in the equity interest
2 underlying its claim.

3 **(b) Market Discount.**

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

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

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

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

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

9 **ARTICLE X.**

10 **FURTHER INFORMATION**

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

16 Fox Rothschild LLP
17 Attn: Brett A. Axelrod
18 1980 Festival Plaza Drive, Suite 700
19 Las Vegas, NV 89135
20 Telephone: (702) 262-6899
21 Email: baxelrod@foxrothschild.com

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

24 **ARTICLE XI.**

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

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

1 Secured Claim, and Holders of other Claims likely would receive no recovery. See Article VI,
2 Section D(3) above.

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

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

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

28

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 XII.

RECOMMENDATION AND CONCLUSION

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

DATED this 17th day of March 2017.

Respectfully submitted by:

FOX ROTHSCHILD LLP

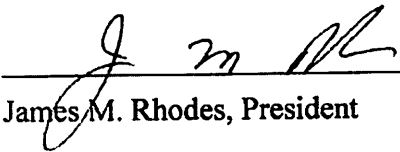
By: /s/Brett A. Axelrod
BRETT A. AXELROD, ESQ.
Nevada Bar No. 5859
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
Counsel for Mohave Agrarian Group, LLC

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

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

IN WITNESS WHEREOF, the undersigned party(ies) have set their hand as of the date first set forth above.

Mohave Agrarian Group, LLC,
By: Truckee Springs Holdings, Inc.
Its: Manager

By: 
James M. Rhodes, President

FOX ROTHSCHILD LLP
1980 Festival Plaza Drive, Suite 700
Las Vegas, Nevada 89135
(702) 262-6888
(702) 597-5503 (fax)