

1 ALAN R. SMITH, ESQ.
Nevada Bar No. 1449
2 Law Offices of Alan R. Smith
505 Ridge Street
3 Reno, Nevada 89501
Telephone (775) 786-4579
4 Facsimile (775) 786-3066
Email: mail@asmithlaw.com

ELECTRONICALLY FILED
December 7, 2012

5 Attorney for Debtor
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8 UNITED STATES BANKRUPTCY COURT
9 DISTRICT OF NEVADA

10 —ooOoo—

11 In Re:
12 RAINBOW LAND & CATTLE
COMPANY, LLC, a Nevada limited
13 liability company,

Case No. BK-S-12-14009-BAM
Chapter 11

Hearing Date: December 11, 2012
Hearing Time: 10:00 a.m.

14 Debtor.
15 _____/

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17 **DEBTOR'S**
18 **AMENDED DISCLOSURE STATEMENT**
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SUMMARY OF CHANGES TO DISCLOSURE STATEMENT

- Section 4.1 Description of Real Property has been replaced in its entirety.
- Section 4.2 Value of Secured Creditor Zions National Bank Collateral has been added.
- Section 4.3 Klabunde Agreement has been added.
- Old Section 4.2 has been renumbered to Section 4.4.
- Section 6 Executory Contracts and Unexpired Leases has been replaced in its entirety.
- Section 8.3 Executory Contracts has been replaced in its entirety.
- Exhibit “A” Post Petition Balance Sheet has been revised.
- Exhibit “B” Liquidation Analysis has been revised.

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1 **1. INTRODUCTION**

2 This Amended Disclosure Statement (hereinafter the “Disclosure Statement”) is
3 provided to creditors by the connection with the solicitation of acceptances of the Debtor’s
4 Plan of Reorganization (the “Plan”¹), filed on **July 2, 2012**, or any subsequent amended plan
5 of reorganization. The Debtor’s reorganization case is under Chapter 11 of the United States
6 Code, and was initiated on **April 4, 2012**, in the United States Bankruptcy Court for the
7 District of Nevada, as **Case No. BK-S-12-14009-BAM**. The Plan provides for the treatment
8 of claims of creditors and interest of the equity security holders².

9 The objective of a Chapter 11 bankruptcy case is to obtain Bankruptcy Court approval
10 of a plan of reorganization. This process is referred to as confirmation of a plan. A plan
11 describes in detail (and in language appropriate for a legal contract) the means for satisfying
12 the claims against, and equity interests in, a Debtor. After a plan has been filed, the holders
13 of such claims and equity securities that are “impaired” (a term defined in Bankruptcy Code
14 Section 1124 and discussed in detail below) are permitted to vote to accept or reject the plan.
15 Before a Debtor or other plan proponent can solicit acceptances of a plan, Bankruptcy Code
16 Section 1125 requires the Debtor or other plan proponent(s) to prepare a disclosure statement
17 containing adequate information of a kind, and in sufficient detail, to enable those parties
18 entitled to vote on the plan to make an informed judgment about the plan and whether they
19 should accept or reject the plan.

20 **1.1 Purpose of the Disclosure Statement**

21 The purpose of this Disclosure Statement is to ensure that claimants have adequate
22 information to enable each class to make an informed judgment about the Plan. The assets
23

24 ¹ Capitalized terms not otherwise defined herein will have the same meaning as are
25 ascribed to such terms in the Plan which is filed contemporaneously herewith.

26 ² An equity security of the Debtor as the term is defined in Section 101(16) of the
27 Bankruptcy Code includes any ownership interest in the Debtor, including membership
28 interests.

1 and liabilities of the Debtor are summarized herein. To the extent the information contained
2 in this Disclosure Statement may be inconsistent with the Debtor's Statement of Financial
3 Affairs and (Amended) Schedule of Assets and Liabilities filed on April 4, 2012, and
4 amended on June 7, 2012, or subsequent amendments thereto, this Disclosure Statement shall
5 supersede such Statements and Schedules (as may have been amended).

6 This Disclosure Statement describes the business background and operating history
7 of the Debtor before the filing of the case. It also summarizes certain significant events that
8 have taken place during the case and describes the terms of the Plan, which divides creditor
9 claims and the interests of shareholders into classes and provides for the satisfaction of
10 allowed claims and interests.

11 The Court will set a time and date as the last day to file acceptances or rejections of
12 the Plan. Thereafter, a hearing on confirmation of the Plan will be held in the United States
13 Bankruptcy Court for the District of Nevada, located at the U.S. Federal Building &
14 Courthouse, 300 Las Vegas Blvd., South, Las Vegas, Nevada, 89101. Creditors may vote
15 on the Plan by filling out and mailing a special form of ballot. The form of ballot and special
16 instructions for voting will be forthcoming upon approval of the Disclosure Statement by the
17 Court. Creditors are urged to carefully read the contents of this Disclosure Statement before
18 making a decision to accept or reject the Plan.

19 **1.2 Acceptance and Confirmation**

20 In order for the Debtor's Plan to be confirmed, each impaired class of claims or
21 interests must accept the Plan, except as set forth below. In order for the Plan to be deemed
22 accepted, a majority in number and two-thirds in dollar amount of the claims of each class
23 of creditors impaired under the Plan of those that actually vote, must vote for acceptance of
24 the Plan. Holders of claims who fail to vote are not counted as either accepting or rejecting
25 the Plan.

26 Classes of claims that are not "impaired" under a Plan are deemed to have accepted
27 the Plan. Acceptances of the Plan are being solicited only from those persons who hold
28 claims or interests in impaired classes. A class is "impaired" if the legal, equitable or

1 contractual rights attaching to the claims or interests of that class are modified, other than by
2 curing defaults and reinstating maturities, or by payment in full in cash.

3 **1.3 Confirmation Without Acceptance By All Impaired Classes**

4 The Bankruptcy Code contains provisions for confirmation of a Plan even if the Plan
5 is not accepted by all impaired classes, as long as at least one impaired class of claims has
6 accepted the Plan. These “cram-down” provisions for confirmation of a Plan, despite the
7 non-acceptance of one or more impaired classes of claims or interest, are set forth in
8 § 1129(b) of the Bankruptcy Code.

9 If a class of unsecured claims rejects the Plan, it may still be confirmed so long as the
10 Plan provides that (i) each holder of a claim included in the rejecting class receive or retain
11 on account of that claim property which has a value, as of the Effective Date, equal to the
12 allowed amount of such claim; or that (ii) the holder of any claim or interest that is junior to
13 the claims of such class will not receive or retain on account of such junior claim or interest
14 any property at all.

15 If a class of secured claims rejects the Plan, it may still be confirmed so long as the
16 Plan provides (i) the holders of such claims retain the lien securing such claim; (ii) the
17 holders of such claims receive on account of such claims deferred cash payments totaling at
18 least the allowed amount of such claims, of a value, as of the Effective Date of the Plan, of
19 at least the value of such claimant’s interest in the estate’s interest in such property; (iii) for
20 the sale of the property in accordance with § 1129(b)(2)(A)(ii); or (iv) for the realization by
21 such claimants of the indubitable equivalent of the claim.

22 **1.4 Disclaimer**

23 No representations concerning the Debtor is authorized by the Debtor except as set
24 forth in this Disclosure Statement. Any representations or inducements made to secure your
25 acceptance or rejection of the Plan other than as contained herein have not been authorized
26 and should not be relied upon by you in making your decision, and such additional
27 representations and inducements should be reported to counsel for the Debtor, who in turn
28 should deliver such information to the Court for such action as may be deemed appropriate.

1 The information contained herein has not been subjected to a certified audit. The records
2 kept by the Debtor and other information relied on herein are dependent upon investigations
3 and accounting performed by the Debtor and others employed by the Debtor. The Debtor is
4 unable to warrant that the information contained herein is without inaccuracy, although a
5 great effort has been made to be accurate, and the Debtor believes that the information
6 contained herein is, in fact, accurate.

7
8 **2. INFORMATION REGARDING THE CHAPTER 11 ESTATE**

9 **2.1 History of the Debtor and Events Leading to the Filing of the Chapter 11**
10 **Case**

11 Rainbow Land & Cattle Company, LLC (“Rainbow”) is the owner of approximately
12 466 acres of undeveloped real property located in Caliente, Nevada. Additionally, Rainbow
13 owns approximately 133 acre feet of water appurtenant to the property (collectively the
14 “Property”). The Property was purchased in December, 2005. The Property was financed
15 by Zions First National Bank (“Zions Bank”) at the time of the purchase. The current
16 amount owed to Zions Bank is approximately \$1,319,908.07.

17 The Debtor intended to sell the Property, but the collapse of the housing market
18 prevented a sale. As a result, the Debtor became delinquent in its mortgage payments to
19 Zions Bank. Zions Bank initiated a foreclosure action, which ultimately lead to the filing of
20 this Chapter 11 case.

21 **2.2 Ownership of Debtor and Its Management.**

22 The Debtor is owned by John Huston, 45.2381%; Jan J. Cole, 45.2381%; and
23 Clarence Burr, 9.52381%. John Huston is the Managing Member of the Debtor. The
24 Debtor’s address is P.O. Box 1030, Caliente, Nevada, 89008.

25 **2.3 Co-Debtors**

26 John Huston and Jan J. Cole have guaranteed the loan to Zions Bank.

27 ///

28 ///

1 **3. DEVELOPMENTS DURING THE COURSE OF THIS CHAPTER 11 CASE**

2 **3.1 Meeting of Creditors**

3 The United States Trustee conducted a meeting of creditors pursuant to 11 U.S.C.
4 § 341 on May 10, 2012. The Debtor appeared through its Managing Member, John Huston.

5 **3.2 Schedules and Statement of Affairs**

6 The Debtor filed its schedule of assets and liabilities and statement of financial affairs
7 on April 4, 2012 and amended schedules on June 7, 2012. Those schedules and statements
8 may be viewed online at www.nvb.uscourts.gov or may be obtained from the Bankruptcy
9 Clerk for a fee.

10 **3.3 Monthly Operating Reports**

11 Monthly operating reports reflecting the Debtor's ongoing financial status are filed
12 with the United States Bankruptcy Court and can be viewed online at www.nvb.uscourts.gov.

13 **3.4 Employment of General Counsel**

14 The Debtor requested employment of Alan R. Smith, Esq., on April 11, 2012, by filing
15 its Application To Employ Attorney For Debtor [Dkt. #10] in this Chapter 11 case. An
16 Amended Application to Employ Attorney For Debtor [Dkt. #17] was filed on April 30,
17 2012, and a further Amendment To Amended Application To Employ Attorney For Debtor
18 [Dkt. #24] was filed on June 7, 2012. No objection to Mr. Smith's application was filed with
19 the Court. An Order Approving Amended Application To Employ Attorney For Debtor [Dkt.
20 #34] was entered on June 20, 2012.

21 **3.5 Creditors Committee**

22 There has been no appointment in this case of a creditor's committee pursuant to 11
23 U.S.C. § 1102.

24 **3.6 Use of Cash Collateral**

25 A Motion For Authority To Use Cash Collateral [Dkt. #27] was filed on June 8, 2012.
26 The Debtor anticipates finalizing a Stipulation For Use Of Cash Collateral with Zions Bank
27 in the immediate future.

28 ///

1 **4. DESCRIPTION OF ASSETS**

2 **4.1 Description of Real Property**

3 Debtor owns approximately 579.48 undeveloped acres of real property located in
4 Caliente, Nevada, along with 592.860 acre feet of water rights described as follows:

5 **LAND SUMMARY**

6 APN	ACRES	VALUE ³
7 003-111-01	77.000	\$1,540,000.00
8 003-121-01	19.14	\$ 574,200.00
9 003-151-24	16.42	\$ 492,600.00
10 003-151-25	14.54	\$ 363,500.00
11 013-130-19	111.08	\$ 799,776.00
12 013-130-20	51.5	\$ 370,800.00
13 013-140-08	6.15	\$ 73,800.00
14 013-140-17	116.88	\$ 935,040.00
15 013-140-19	21.342	\$ 153,662.00
16 013-140-23	39.257	\$ 314,056.00
17 013-140-24	64.521	\$ 322,605.00
18 013-140-25	23.42	\$ 187,360.00
19 013-140-26	18.23	\$ 145,840.00
TOTAL ACRES	579.48	\$6,273,239.00

20 **WATER RIGHTS SUMMARY**

21 APN	ACRES	ACRE FEET WATER	VALUE ³
22 003-151-24	16.42	5.34	\$ 48,060.00
23 013-140-17	116.88	116.88	\$1,051,920.00
24 013-140-23	39.257	153.57	\$1,382,130.00
25 013-140-24	64.521	0.50	\$ 4,500.00
26 013-140-25	23.42	190.50	\$1,714,500.00

27 ³Pursuant to the B. Kent Vollmer appraisal dated October 1, 2012, or as otherwise
28 determined by the Court.

TOTAL		466.79	\$4,201,110.00
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The complete appraisal is attached hereto as **Exhibit "C."**

4.2 Value Of Secured Creditor Zions National Bank Collateral

The chart in Section 4.1 reflects all real property and water rights holdings by the Debtor. The following parcels are not a part of Zions collateral:

APN	ACRES	VALUE
013-130-20	51.5	\$370,800.00
013-140-19	21.242	\$153,662.00
013-140-25	23.42	\$187,360.00
TOTAL	96.262	\$711,822.00

The following water rights are not a part of Zions collateral:

APN	ACRE FEET	VALUE
013-140-25	190.50	\$1,714,500.00

Subtracting the value of the real property and water rights which are not encumbered by Zions deed of trust, the value of Zions collateral is as follows:

Land	\$5,561,417.00
Water Rights	<u>\$2,486,610.00</u>
Total Value of Zions Collateral	\$8,048,027.00

4.3 Klabunde Agreement

The agreement described in Sections 6 and 8.3, *infra*, related to APNs 013-130-20 and 013-140-25, consisting of a total of 74.92 acres of land. The water rights subject to the Klabunde agreement are 95.2425 acre feet appurtenant to parcel 013-140-25. Neither the real property nor the water rights are subject to Zions deed of trust.

4.4 Description of Personal Property

None.

///

1 **5. DESCRIPTION OF DEBTS**

2 **5.1 Administrative Claims**

3 (A) Attorneys Fees/Law Offices of Alan R. Smith. The Debtor will be
4 obligated to pay attorneys fees and costs owed to the Law Offices of Alan R. Smith, subject
5 to Court approval. The Debtor estimates that attorneys fees will be incurred prior to Plan
6 confirmation, but is unable to project the final balance at this time.

7 (B) U.S. Trustee Fees. All fees required to be paid to the United States
8 Trustee will be paid in full upon the Effective Date of the Debtor's Plan. U.S. Trustee fees
9 due in this case have been paid.

10 **5.2 Priority Claims**

11 There are no Priority Claims against the Debtor.

12 **5.3 Secured Claims**

13 The Debtor has scheduled against it the following secured claims:

Creditor	Nature of Lien	Est. Amount of Secured Claim
Zions First National Bank	Deed of Trust	\$ 1,319,908.97
F. Heise Land & Livestock Company	Second Deed of Trust	\$ 809,092.00
TOTAL SECURED CLAIMS		\$ 2,129,000.97

19 **5.4 Unsecured Claims**

20 The Debtor has scheduled against it the following unsecured claims.

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
Charles & Romona Tow	Unperfected Lien	\$65,000.00	
Dottie Mae Water	Water Tanker Service During Well Outage	\$2,750.00	
Ernest J. Turner	Unperfected Lien	\$65,000.00	
Holmes & Turner, CP	Tax Preparation 2008-2009	\$6,995.20	

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
John H. Huston	Advances For Maintenance, Insurance, Real Estate Taxes, Power, Payments To Creditors, And Legal Fees	\$1,000,000.00	
Lenard Smith Survey	Survey And Plat For Subdivision And Rezoning	\$2,860.00	
Water Well Services	Well Pump Replacement	\$2,481.54	
Maurice Klabunde	Unperfected Lien	\$130,000.00	
TOTAL UNSECURED CLAIMS:		\$375,086.74	

5.5 Claims Deadline

In accordance with the Bankruptcy Court's Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors, & Deadlines filed on April 4, 2012, the deadline for filing a proof of claim for all creditors in this action is May 10, 2012, and October 1, 2012 for governmental agencies.

6. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor is a party to the following executory contract:

The Debtor was a party to a land lease and purchase option with F. Heise Land & Livestock Company which expired on August 22, 2011. F. Heise Land & Livestock Company however still retains its second deed of trust on the Property.

A buyout agreement with former partners of the Debtor is still pending. The Debtor owes Maurice Klabunde \$130,000.00, Charles and Ramona Tow \$60,000.00 and Ernest J. Turner \$60,000.00 (collectively referred to as the "Klabunde Group") for their former ownership interest in the Debtor. The debts are included in the unsecured claims against the

1 Debtors. As security for the performance of the buyout agreement, the Debtor has placed in
2 escrow with Cow County Title Company an unrecorded deed which will convey 74.92 acres
3 of land and 95.2425 acre feet of water to the Klabunde Group. A description of the parcels
4 and water rights is set forth in Section 4.3 above. These parcels are not encumbered by Zions
5 National Bank's deed of trust. If the Klabunde Group is not paid in accordance with the Plan,
6 Cow County Title Company will record the deed in favor of the Klabunde Group. If the
7 Klabunde Group is paid in accordance with the Plan, Cow County Title Company will return
8 the deed to the Debtor for its destruction.

9 **7. DESCRIPTION OF PENDING AND COMPLETED LITIGATION**

10 There is no pending or completed litigation.
11

12 **8. SUMMARY OF PLAN OF REORGANIZATION**

13 **THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN OF**
14 **REORGANIZATION WHICH IS FILED CONCURRENTLY HEREWITH (the**
15 **"Plan"), AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. THE**
16 **SUMMARY IS NOT COMPLETE, AND CREDITORS ARE URGED TO READ THE**
17 **PLAN IN FULL. A COPY OF THE PLAN OF REORGANIZATION WILL BE**
18 **PROVIDED TO ALL CREDITORS. TO THE EXTENT THE FOLLOWING**
19 **SUMMARY INCLUDES DEFINED TERMS, THOSE DEFINITIONS ARE**
20 **INCLUDED IN THE PLAN FILED CONCURRENTLY HEREWITH. ALL**
21 **CAPITALIZED TERMS HEREINAFTER HAVE THE MEANINGS SET FORTH IN**
22 **THE PLAN.**

23 **8.1 Classification and Treatment of Claims**

24 The Plan designates four (4) classes of claims. Those classes take into account the
25 differing nature and priority of the various classified claims under the Bankruptcy Code. The
26 following table briefly summarizes the classification and treatment of all Claims under the
27 Plan and the consideration distributable on account of such Claims under the Plan. The
28 information set forth in the following table is for convenience of reference only, and each

holder of a Claim should refer to the Plan for a full understanding of the classification and treatment of Claims provided for under the Plan. Claims will receive designated treatment within a Class only to the extent Allowed within that class. The Claim allowance procedure is an ongoing process and the actual amount of the Allowed Claims may vary from the estimates. For a complete description of the risks associated with the recoveries provided under the Plan, see Section 11 of the Plan, entitled “Certain Risk Factors To Be Considered.”

CLASS	CLAIMS	SUMMARY OF TREATMENT
Nonclassified	Administrative Expenses	Paid in full on the latest of (a) on or before the Effective Date; (b) when due or such later date as approved by the claimant; or (c) when allowed by Final Order
Class 1	Secured Claim of Zions First National Bank	See Section 8.2.1 below
Class 2	Secured Claim of F. Heise Land & Livestock Company	See Section 8.2.2 below
Class 3	Unsecured Claims	See Section 8.2.3 below
Class 4	Membership Interest	Receives no distribution until Class 1 through 3 are paid in full. See Section 8.2.4 below

8.2 Treatment of Claims and Interests

Each creditor class shall be treated as follows:

8.2.1 Class 1 (Zions First National Bank Secured Claim)

The Zions First National Bank (“Zions Bank”) Secured Claim shall be treated under the Plan as follows:

(A) Amount of the Zions Bank Secured Claim

The amount of the Zions Bank Allowed Secured Claim shall be \$1,319,908.97 (the “Value as of Confirmation Date”).

(B) Retention of Security Interest in Property

Zions Bank shall retain its security interest in the Property as evidenced by the Zions Bank Deed of Trust.

///

1 **(C) Payment of the Zions Bank Secured Claim**

2 Interest shall continue to accrue on the unpaid principal sum at 3.50% per
3 annum from and after the Effective Date, or, in the event of objection by the Class 1 creditor,
4 such other rate as the Court shall determine is appropriate after considering the evidence at
5 the Confirmation Hearing (the “Zions Bank Interest Rate”) during the Deferral Period (as
6 hereinafter defined in Section 8.4(b) below). The Zions Bank Secured Claim shall be paid
7 in full in cash no later than the conclusion of the Deferral Period. If the Zions Bank Secured
8 Claim is not satisfied in full by the conclusion of the Deferral Period, then Zions Bank shall
9 be entitled to pursue any and all rights and remedies under the applicable Zions Bank loan
10 documents and applicable state law.

11 **(D) Deferral Period Obligation of Debtor**

12 At all times during which the Zions Bank Secured Claim has not been paid in
13 full, Debtor shall be required to satisfy the following conditions, and, upon demand, provide
14 written proof thereof to Zions Bank:

15 (a) Pay all post-Effective Date property taxes encumbering the Property in
16 the ordinary course when they are due.

17 (b) Maintain adequate insurance on the Real Property conforming to, at a
18 minimum, any requirements in the Zions Bank loan documents, if any.

19 **8.2.2 Class 2 (F. Heise Land & Livestock Company Secured Claim):**

20 The F. Heise Land & Livestock Company (“Heise”) Secured Claim shall be treated
21 under the Plan as follows:

22 **(A) Amount of the Heise Secured Claim**

23 The amount of the Heise Allowed Secured Claim shall be \$809,092.00 (the
24 “Value as of Confirmation Date”).

25 **(B) Retention of Security Interest in Property**

26 Heise shall retain its security interest in the Property as evidenced by the Heise
27 Deed of Trust.

28 ///

1 **(C) Payment of the Heise Bank Secured Claim**

2 Interest shall continue to accrue on the unpaid principal sum at 3.50% per
3 annum from and after the Effective Date, or, in the event of objection by the Class 1 creditor,
4 such other rate as the Court shall determine is appropriate after considering the evidence at
5 the Confirmation Hearing (the “Heise Bank Interest Rate”) during the Deferral Period (as
6 hereinafter defined in Section 8.4(b) below). The Heise Secured Claim shall be paid in full
7 in cash no later than the conclusion of the Deferral Period. If the Heise Secured Claim is not
8 satisfied in full by the conclusion of the Deferral Period, then Heise shall be entitled to pursue
9 any and all rights and remedies under the applicable Heise loan documents and applicable
10 state law.

11 **(D) Deferral Period Obligation of Debtor**

12 At all times during which the Heise Secured Claim has not been paid in full,
13 Debtor shall be required to satisfy the following conditions, and, upon demand, provide
14 written proof thereof to Heise:

15 (a) Pay all post-Effective Date property taxes encumbering the Property in
16 the ordinary course when they are due.

17 (b) Maintain adequate insurance on the Real Property conforming to, at a
18 minimum, any requirements in the Heise loan documents, if any.

19 **8.2.3 Class 3 (Unsecured Claims):**

20 The Allowed Unsecured Claims shall be paid on or before the conclusion of the
21 Deferral Period.

22 **8.2.4 Class 4 (Membership Interests):**

23 The member shall retain its membership interest in the Reorganized Debtor, but shall
24 receive no distribution until Classes 1 through 3 are paid in full.

25 **8.2.5 Treatment of Unclassified Claims:**

26 **(A) Administrative Claims**

27 Claims arising during the administration of the Debtor’s Chapter 11 case and entitled
28 to priority under Section 507(a)(1) of the Bankruptcy Code are not classified under the Plan.

1 Holders of such claims shall be paid in full on the latter of the Effective Date, or fifteen (15)
2 days after entry of an order creating an Allowed Administrative Claim, unless holders of an
3 Allowed Administrative Claim agree to alternative treatment.

4 **(B) Fees to the United States Trustee**

5 All fees required to be paid to the United States Trustee will be paid in full upon the
6 Effective Date of the Debtor's Plan, and shall remain current until the case is fully
7 administered, closed, converted or dismissed, whichever occurs first. Such fees may be paid
8 by cash contributions by the member of the Debtor.

9 **(C) Disputed Claims**

10 All payments hereunder to creditors whose claims are not liquidated or are disputed
11 shall be paid into a segregated trust account until such claims are an Allowed Claim, in which
12 case the proceeds shall be disbursed, or such claim shall be disallowed.

13 **8.3 Executory Contracts**

14 The Debtor is a party to the following executory contract:

15 The Debtor was a party to a land lease and purchase option with F. Heise Land &
16 Livestock Company which expired on August 22, 2011. F. Heise Land & Livestock Company
17 however still retains its second deed of trust on the Property.

18 A buyout agreement with former partners of the Debtor is still pending. The Debtor
19 owes Maurice Klabunde \$130,000.00, Charles and Ramona Tow \$60,000.00 and Ernest J.
20 Turner \$60,000.00 (collectively referred to as the "Klabunde Group") for their former
21 ownership interest in the Debtor. The debts are included in the unsecured claims against the
22 Debtors. As security for the performance of the buyout agreement, the Debtor has placed in
23 escrow with Cow County Title Company an unrecorded deed which will convey 74.92 acres
24 of land and 95.2425 acre feet of water to the Klabunde Group. A description of the parcels
25 and water rights is set forth in Section 4.3 above. These parcels are not encumbered by Zions
26 National Bank's deed of trust. If the Klabunde Group is not paid in accordance with the Plan,
27 Cow County Title Company will record the deed in favor of the Klabunde Group. If the
28 Klabunde Group is paid in accordance with the Plan, Cow County Title Company will return

1 the deed to the Debtor for its destruction.

2 **8.4 Means of Implementing and Funding The Plan**

3 **a) Sale or Refinance of Property**

4 The Debtor intends to sell or refinance the Property prior to the expiration of the
5 Deferral Period (hereinafter defined).

6 **b) Deferral Period**

7 Zions Bank and Heise loan documents shall be amended as follows:

8 (1) Deferral of Principal. Payment of the principal of the Zions Bank and Heise
9 Secured Claims shall be deferred until the earlier of three (3) years (the “Deferral Period”),
10 or a Refinancing or Sale of the Property.

11 (2) Deferral of Interest and Other Charges. Post-Petition and during the Deferral
12 Period, interest, attorneys’ fees and other charges shall continue to accrue on the Zions Bank
13 and Heise Loans at the Zions Bank and Heise Interest Rate, but payment thereof shall be
14 deferred until the earlier the three (3) years or a Refinancing or Sale of the Property,
15 whichever is earliest.

16 (3) Keep Well. All maintenance costs of the Property, including but not necessarily
17 limited to real property taxes, insurance and costs to Lincoln County to preserve entitlements
18 on the Property shall be kept current by Debtor.

19 (4) Options during the Deferral Period. During the Deferral Period, Debtor shall
20 have the absolute right as follows:

21 (a) Refinance the Zions Bank and Heise Loans; *provided, however*, that the
22 proceeds of such refinancing loan (the “Refinancing”) are sufficient to pay all sums due and
23 owing under the Zions Bank and Heise Loans at the time of closing of such Refinancing,
24 unless Zions Bank and Heise otherwise agree and pay Class 2 and Class 3 creditors in full,
25 or they agree to a lower payment by Debtor.

26 (b) Sell the Real Property; *provided, however*, that the proceeds of such sale
27 (the “Sale”) are sufficient to pay all sums due and owing under the Zions Bank and Heise
28 Loan at the time of closing of such Sale, unless Zions Bank and Heise otherwise agrees, and

1 pay Class 2 and Class 3 creditors in full, or they agree to a lower payment by Debtor.

2 **c) Contribution From Equity to Fund Plan**

3 The equity owners of the Debtor shall contribute such funds as are necessary during
4 the Deferral Period to fund the obligations set forth in Section 8.2.1(D) and Section 8.2.2(D)
5 above.

6 **d) Disputed Claims**

7 All sums contemplated to be paid under the Plan to creditors whose claims are not
8 liquidated or are disputed shall be paid into a segregated trust account until such claims are
9 an Allowed Claim, in which case the proceeds shall be disbursed, or such claim shall be
10 disallowed.

11 **e) Revesting of Assets in the Debtor**

12 Upon confirmation of the Plan, all property of the estate of the Debtor shall be revested
13 in the Debtor, pursuant to 11 U.S.C. § 1141(c), which shall retain such property as the
14 Reorganized Debtor free and clear of all claims and interests of the creditors, except as set
15 forth in the Plan.

16 **f) Disbursing Agent**

17 The Debtor will serve as disbursing agent and shall make all payments required under
18 the Plan. The disbursing agent may employ or contract with other entities to assist in or to
19 perform the distribution of the property and shall serve without bond.

20
21 **9. POST-CONFIRMATION FINANCIAL CONDITION OF THE DEBTOR**

22 Following Plan confirmation, the Debtor believes that its post-confirmation financial
23 condition shall be as set forth in the Post-Petition Balance Sheet attached hereto as
24 **Exhibit "A."**

25
26 **10. POST-CONFIRMATION MANAGEMENT OF THE DEBTOR**

27 The Debtor shall continue to be managed post-confirmation by John Huston, its
28 Managing Member. Mr. Huston shall not draw a salary from Debtor.

1 **11. ALTERNATIVES TO THE PLAN**

2 The Debtor believes that the Plan provides its creditors with the earliest and greatest
3 possible value that can be realized on their claims.

4 Under § 1121 of the Bankruptcy Code, the Debtor has the exclusive right to file a plan
5 of reorganization during the first 120 days after commencement of its Chapter 11 case, or as
6 otherwise extended by the Court. The Plan was filed within such 120 day period. In addition,
7 if the Plan is not accepted, other parties in interest may have an opportunity to file an
8 alternative plan of reorganization.

9 Alternatively, a liquidation of the Debtor's assets could be conducted as described in
10 Section 13 of this Disclosure Statement. For the reasons described in that section, Debtor
11 believes that the distribution to each impaired class under the Plan will be greater and earlier
12 than distributions that might be received in a Chapter 7 liquidation of the Debtor's assets.

13
14 **12. CERTAIN RISKS TO BE CONSIDERED**

15 HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND
16 CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE
17 OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE
18 DOCUMENTS ATTACHED OR DELIVERED HERewith AND/OR INCORPORATED
19 HEREIN BY REFERENCE), IN DETERMINING WHETHER OR NOT TO ACCEPT OR
20 REJECT THE DEBTOR'S PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER,
21 BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION
22 WITH THE PLAN AND ITS IMPLEMENTATION.

23 **12.1 Risk of Non-Confirmation of the Plan**

24 Because the Plan provides for the reorganization of the Debtor as a going concern,
25 many of the common risk factors found in typical reorganizations apply with respect to the
26 Plan. These include (a) the value of the Debtor's property has suffered significantly as a
27 result of the downturn in the United States economy since the summer of 2009. There is no
28 assurance that the valuation of the Property will continue to hold in this market, or that the

1 sale or refinance of the Property will occur within the time period set forth in the Plan; (c)
2 if Zions Bank and Heise are not paid in accordance with the Plan, and the Debtor is unable
3 to sell the Property or to secure alternative financing, Zions Bank and Heise may foreclose on
4 the Property. Debtor is unaware of any regulatory contingencies or risks in connection with
5 the Plan.

6 **12.2 Non-Consensual Confirmation**

7 In the event one or more impaired Classes of Claims does not accept the Plan, the
8 Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request, if all other
9 conditions for confirmation have been met and at least one impaired Class has accepted the
10 Plan (such acceptance being determined without including the vote of any "insider" in such
11 Class) and, as to each impaired Class that has not accepted the Plan "does not discriminate
12 unfairly" and is "fair and equitable" with respect to the rejecting impaired classes. The Debtor
13 believes that the Plan satisfies those requirements.

14 **12.3 Tax Consequences of the Plan**

15 The Debtor believes that there are no federal income tax consequences peculiar to its
16 Plan. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH
17 HIS/HER TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND
18 FOREIGN TAX CONSEQUENCES TO HIM/HER OF THE PLAN.

19 **12.4 Liquidation Analysis**

20 Should the Debtor be forced to terminate its business operations or convert its case to
21 Chapter 7 and have a trustee conduct the liquidation of its assets, Debtor estimates that such
22 a liquidation will result in payment to Zions Bank on its secured claim (Class 1 creditor) only.
23 Given current market conditions, if Zions Bank forecloses on the Property, it is unlikely there
24 will be any overbidding by Heise or any third parties, which will result in no payments to
25 Class 2 and Class 3 creditors. A liquidation analysis is set forth in **Exhibit "B"** attached
26 hereto.

27 ///

28 ///

1 **13. CONFIRMATION OF THE PLAN**

2 **13.1 Confirmation of the Plan**

3 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will
4 conduct a hearing regarding confirmation of the Plan at the United States Bankruptcy Court,
5 300 Las Vegas Blvd. South, Las Vegas, Nevada, 89101, pursuant to separate notice provided
6 to creditors and interested parties.

7 **13.2 Objections to Confirmation of the Plan.**

8 Section 1128(b) provides that any party-in-interest may object to confirmation of a
9 plan. Any objections to confirmation of the Plan must be in writing, must state with
10 specificity the grounds for any such objections and must be filed with the Bankruptcy Court
11 and served upon the following parties so as to be received on or before the time fixed by the
12 Bankruptcy Court:

13 Alan R. Smith, Esq.
14 505 Ridge Street
15 Reno, Nevada 89501
16 Telephone: 775/786-4579
Facsimile: 775/786-3066
Email: mail@asmithlaw.com

17 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section 1129
18 of the Bankruptcy Code.

19 **DATED** this 7th day of December, 2012.

20 LAW OFFICES OF ALAN R. SMITH

21 By: /s/ Alan R. Smith
22 ALAN R. SMITH, ESQ.
23 Counsel for Debtor
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EXHIBIT "A"

POST-PETITION BALANCE SHEET

ASSETS:

Cash	\$	0.00
Real Property (Including Nevada Land Assets, LLC)	\$	<u>10,474,349.00</u> (estimated)

TOTAL ASSETS: \$10,474,349.00

LIABILITIES:

Administrative Claims (Est. Atty. Fees)	\$	0.00
Secured Debt	\$	2,129,000.00 (estimated)
Unsecured Debt	\$	<u>375,086.00</u> (estimated)

TOTAL LIABILITIES \$ 2,504,086.00

NET ASSETS OVER LIABILITIES **\$7,970,263.00**

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EXHIBIT "B"

LIQUIDATION ANALYSIS

ASSETS:

Real Property	\$10,474,349.00 ⁴
TOTAL ASSETS:	\$10,474,349.00

LIABILITIES:

Administrative Claims (Est. Atty. Fees)	\$ 0.00
Secured Debt	\$ 2,129,000.97
Unsecured Debt	\$ 375,086.74
TOTAL LIABILITIES	\$ 2,504,087.71
 Funds available for disbursement to Class 2 and Class 3 creditors	 \$ 7,970,263.00

⁴This analysis assumes that Zions First National Bank will foreclose and credit bid the amount owed under its secured claim which is estimated to be \$1,319,908.97. Given current market conditions, the likelihood of F. Heise Land & Livestock Company or a third party overbidding is questionable.

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EXHIBIT “C”