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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA

In re:

SIERRA NEGRA RANCH, LLC,

Debtor.

BK-S-12-19649-LBR
Chapter 11

Date: August 21, 2013
Time: 2:00 p.m.

**THIRD AMENDED DISCLOSURE STATEMENT TO ACCOMPANY
DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION**

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APPENDIX

EXHIBIT "1": PLAN OF REORGANIZATION

EXHIBIT "2": OPERATING AGREEMENT

EXHIBIT "3": INFRASTRUCTURE AGREEMENT

EXHIBIT "4": MARICOPA INTERVENTION

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I.
INTRODUCTION

On August 21, 2012 (the "Petition Date"), Sierra Negra Ranch LLC, a Nevada limited liability company, debtor and debtor-in-possession ("Debtor"), filed a petition for relief (the "Petition") under Title 11, Chapter 11 of the United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court") commencing the above-captioned Chapter 11 case (the "Chapter 11 Case").

Debtor has prepared this *Third Amended Disclosure Statement* (the "Disclosure Statement") in connection with the solicitation of votes on *Debtor's Third Amended Plan of Reorganization* (the "Plan") filed on August __, 2013, proposed by Debtor to treat the Claims of Creditors in the Chapter 11 Case. All capitalized, undefined terms shall have the meanings ascribed to them in the Plan.

The Exhibits to this Disclosure Statement included in the Appendix are incorporated into, and are a part of, this Disclosure Statement. The Plan is attached hereto as **Exhibit "1."** Any interested party desiring further information should contact:

Gordon Silver
Attn: Candace C. Clark, Esq.
3960 Howard Hughes Parkway, 9th Floor
Las Vegas, Nevada 89169
Telephone: (702) 796-5555/Email: cclark@gordonsilver.com

Interested parties may also obtain further information from the Bankruptcy Court at the following website: <http://www.nvb.uscourts.gov>. Each Holder of a Claim entitled to vote on the Plan should read this Disclosure Statement, the Exhibits hereto including the Plan, and the instructions accompanying the Ballots in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Equity Interests for voting purposes and the tabulation of votes.

II.
GENERAL OVERVIEW

A. **Debtor's Goals when the Chapter 11 Case Was Initiated.**

Debtor is a limited liability company organized in November 2004 to purchase an aggregate of approximately 2,757.5 acres of undeveloped land in the Tonopah area of

1 incorporated Maricopa County, west of Phoenix, Arizona (the "Real Property"). Debtor raised
2 \$29,900,000 from its investors/members and closed escrow on the purchase of the Real Property
3 during the first quarter of 2005 for a cash price of approximately \$21,700,000 paid from the
4 proceeds contributed by Debtor's investors/members.

5 As a condition precedent to the entitlement approval process for a multi-use
6 development, Maricopa County required that Debtor complete and have approved an integrated
7 sewer and water plan for the Real Property (known as a "MAG 208 Plan"). To satisfy this
8 county condition and development process necessity, Debtor entered into an agreement (the
9 "Infrastructure Agreement") with Global Water Resources, Inc., as successor-in-interest to
10 Global Water Resources, LLC ("Global"), which provided for the development and facilitation
11 of the MAG 208 Plan to assure that all portions of the Real Property had sufficient access to
12 sewer and water utility services.

13 Since the time of the acquisition of the Real Property, Debtor has proceeded with pre-
14 development activities, invested approximately \$9,000,000 in additional funds in the Real
15 Property, Debtor, among other activities, has procured the entitlements related to the Real
16 Property and, pursuant to the Infrastructure Agreement, Global had received, as of the Petition
17 Date, from Debtor in excess of \$5,000,000 as advance EDU payments, as well as a conveyance
18 of 26 acres of the Real Property.

19 Due to various disputes between Debtor and Global with respect to the Infrastructure
20 Agreement, the parties engaged in protracted Arbitration Proceedings, which resulted in the entry
21 of the Arbitration Award in favor of Global in April 2012. The Arbitration Award was
22 subsequently confirmed by the entry of the Judgment, which was later recorded to secure the
23 Lien on the Real Property. The Debtor did not appeal the Judgment and did not contest it, except
24 to the extent it is entitled to a setoff as provided for in the Arbitration Award and Judgment.

25 Debtor was unable to satisfy the Judgment immediately after its entry, and Global noticed
26 an execution sale under the Judgment. Thus, notwithstanding Debtor's cash flowing operations
27 and its ability to fund its operating expenses, Debtor sought Chapter 11 protection in order to
28 preserve the value of the Real Property, which has an appraised value of \$20,950,000 as of

1 February 7, 2013, for all of Debtor’s creditors and equity. With this in mind, when Debtor filed
2 Chapter 11 in August 2012, it had the following goals:

- 3 i. To protect its existing investment in the Real Property by continuing the pre-
4 development activities and maintaining the current entitlements on the Real
5 Property; and
- 6 ii. To maximize the return to its Creditors and Equity Security Holders through a
7 restructuring of its debts and the solicitation of capital infusions to permit Debtor
8 to proceed with its pre-development activities to optimize the value of the Real
9 Property for its eventual sale/development.

10 At the outset, Debtor had anticipated the fulfillment of such goals through negotiations
11 with Global and a consensual restructuring of the Judgment. However, to date, a resolution of
12 this Chapter 11 Case through consensual arrangements has not been achieved.

13 As such, Debtor filed its Plan, which contemplates, as more fully set forth herein, full
14 payment of all Allowed Claims and the amount to Cure the Infrastructure Agreement from the
15 revenue generated by the farming leases on the Real Property combined with a potential sale of a
16 portion of the Real Property, along with capital raised through the Offering, all as more fully
17 discussed herein.

18 **III.**
19 **INFORMATION REGARDING THE PLAN AND THIS DISCLOSURE STATEMENT**

20 ***1. What is Chapter 11?***

21 Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code.
22 Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its
23 creditors, and equity interest holders. The commencement of a Chapter 11 case creates an estate
24 that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The
25 Bankruptcy Code provides that the debtor may continue to operate its business and remain in
26 possession of its property as a “debtor-in-possession.”

27 ***2. What is the objective of a Chapter 11 bankruptcy case?***

28 The objective of a Chapter 11 bankruptcy case is the confirmation (i.e. approval by the
bankruptcy court) of a plan of reorganization.

...

1 **3. What is a plan of reorganization?**

2 A plan describes in detail (and in language appropriate for a legal contract) the means for
3 satisfying claims against, and equity interests in, a debtor.

4 **4. What happens after a plan is filed?**

5 After a plan has been filed, the holders of such claims and equity interests that are
6 impaired (as defined in Section 1124 of the Bankruptcy Code) and receiving some cash and/or
7 property on account of such claims or equity interests are permitted to vote to accept or reject the
8 plan.

9 **5. What is a disclosure statement and its purpose?**

10 Before a debtor or other plan proponent can solicit acceptances of a plan, Section 1125 of
11 the Bankruptcy Code requires the debtor or other plan proponent to prepare a disclosure
12 statement containing adequate information of a kind, and in sufficient detail, to enable those
13 parties entitled to vote on the plan to make an informed voting decision about whether to accept
14 or reject the plan.

15 The purpose of this Disclosure Statement is to provide sufficient information about
16 Debtor and the Plan to enable Holders of Impaired Claims to make an informed voting decision
17 about whether to accept or reject the Plan. Holders of other Claims will be deemed to have
18 accepted or rejected the Plan, as the case may be, without the need for them to vote.

19 **6. What will happen after the Bankruptcy Court approves this Disclosure Statement?**

20 This Disclosure Statement will be used to solicit acceptances of the Plan only after the
21 Bankruptcy Court has found that this Disclosure Statement provides adequate information in
22 accordance with Section 1125 of the Bankruptcy Code and has entered an order approving this
23 Disclosure Statement. Approval by the Bankruptcy Court is not an opinion or ruling on the
24 merits of the Plan or final approval of this Disclosure Statement and it does not mean that the
25 Plan has been or will be approved by the Bankruptcy Court.

26 **7. Who may vote to accept or reject a plan?**

27 Generally, holders of allowed claims or equity interests that are “impaired” under a plan
28 of reorganization and who are receiving some cash or property on account of such claims or

1 equity interests are permitted to vote on the plan. A claim is defined by the Bankruptcy Code
2 and the Plan to include a right to payment from a debtor. An equity security is defined by the
3 Bankruptcy Code and the Plan to include an ownership interest in the debtor. In order to vote, a
4 creditor or an equity security holder must have an Allowed Claim or an Allowed Equity Security.
5 The solicitation of votes on the Plan will be sought only from Holders of Allowed Claims and
6 Allowed Equity Securities whose Claims or Equity Securities are Impaired and who will receive
7 property or rights under the Plan. As explained further below, to be entitled to vote, a Person
8 must be a Holder of a Claim that is both an “Allowed Claim” and “Impaired.”

9 ***8. Do I have an Allowed Claim?***

10 You have an Allowed Claim if: (i) you or your representative timely files a proof of
11 Claim and no objection has been filed to your Claim within the time period set for the filing of
12 such objections; (ii) you or your representative timely files a proof of Claim and an objection is
13 filed to your Claim upon which the Bankruptcy Court has ruled and allowed your Claim; (iii)
14 your Claim is listed by Debtor in its Schedules or any amendments thereto (which are on file
15 with the Bankruptcy Court as a public record) as liquidated in amount and undisputed and no
16 objection has been filed to your Claim; or (iv) your Claim is listed by Debtor in its Schedules as
17 liquidated in amount and undisputed and an objection was filed to your Claim upon which the
18 Bankruptcy Court has ruled to allow your Claim. Under the Plan, the deadline for filing
19 objections to Claims is 90 days following the Effective Date. If your Claim is not an Allowed
20 Claim, it is a Disputed Claim and you will not be entitled to vote on the Plan unless the
21 Bankruptcy Court temporarily or provisionally allows your Claim for voting purposes pursuant
22 to Bankruptcy Rule 3018. If you are uncertain as to the status of your Claim or if you have a
23 dispute with Debtor, you should check the Bankruptcy Court record carefully, including the
24 Schedules of Debtor, and seek appropriate legal advice. Neither Debtor nor its professionals can
25 advise you about such matters.

26 ***9. Is my Claim or Equity Security Impaired?***

27 Impaired Claims and Equity Securities include those whose legal, equitable, or
28 contractual rights are altered by the Plan, even if the alteration is beneficial to the Creditor or

1 Equity Security Holder, or if the full amount of the Allowed Claims will not be paid under the
2 Plan. Holders of Claims and Equity Securities which are not Impaired under the Plan will be
3 deemed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code, and
4 Debtor need not solicit acceptance of the Plan by Holders of such Unimpaired Claims and Equity
5 Securities. Holders of Claims and Equity Securities which are to receive nothing under the Plan
6 will be deemed to have voted to reject the Plan. Consequently, only Impaired Holders of Claims
7 in Class 3 are entitled to vote on the Plan.

8 ***10. How generally is a plan approved?***

9 In order for a plan to be confirmed, it must be accepted by at least one impaired class of
10 claims, excluding the votes of any Insiders within that class. A class of claims is deemed to have
11 accepted the plan if and when allowed votes representing at least two-thirds in amount and a
12 majority in number of the claims of the class actually voting cast votes in favor of the plan.

13 ***11. What is the general construct of Debtor's Plan?***

14 The primary objective of the reorganization and restructuring under the Plan is to
15 maximize returns to those Creditors entitled to recoveries from the estate. Debtor desires to
16 achieve this objective through the infusion of capital, which will result in full repayment of all
17 Allowed Administrative Claims, Allowed Secured Claims, Allowed Priority Claims, and
18 Allowed General Unsecured Claims, with present equity retaining their interest in Debtor.
19 Additionally, with specific regard to the Infrastructure Agreement, Debtor assumed such
20 agreement by Court order entered on August __, 2013 [ECF No. ____]. The default under the
21 Infrastructure Agreement shall be paid in accordance with Section 365 of the Bankruptcy Code
22 and Section 6 of the Plan as provided for in the *Omnibus Order* of the Bankruptcy Court entered
23 on July 25, 2013 [ECF No. 348], which specifically provides that the Cure amount due under the
24 Infrastructure Agreement must be paid four (4) months following the Effective Date of the Plan,
25 but not later than March 21, 2014 (defined as the Payoff Date in the Plan).

26 ***12. Will Reorganized Debtor be able to meet the financial terms of the Plan?***

27 As set forth herein, and discussed in Section X.C below, Debtor believes that its
28 projected revenues are sufficient to satisfy all of its obligations under the Plan. Specifically, as

1 of the date of the filing of this Disclosure Statement, Debtor has raised a sum in excess of
2 \$2,558,019.82, and is confident that it will raise an additional sum of no less than \$2,000,000
3 through the Offering. Moreover, Debtor anticipates that it will sell, prior to the Payoff Date,
4 approximately 100 acres of the Real Property, which will generate Sale Proceeds in the
5 approximate sum of \$800,000 to \$1,000,000. As such, Debtor is on track to have sufficient
6 funds available to it to meet its obligations under the Plan and the Omnibus Order, whether the
7 Court determines that the amount to Cure the Infrastructure Agreement is the full amount
8 claimed by Global which is \$4,621,728.38 as of the Petition Date (an amount with which Debtor
9 disagrees)¹.

10 The Global Claim is comprised of \$2,802,156.00 in EDU fees, fees and costs of
11 \$179,947.84 incurred in the arbitration, interest of \$1,596,736.01 through July 17, 2012,
12 additional interest of \$42,893.21 through the Petition Date, plus claimed interest and fees and
13 costs incurred since the Petition Date. While a dispute exists between Debtor and Global as to
14 the Cure Amount, the Debtor will have more than sufficient funds by March 21, 2014, to satisfy
15 the Cure Amount. **THEREFORE, THROUGH THE COMBINATION OF PROCEEDS
16 FROM THE OFFERING AND THE SALE PROCEEDS ALONG WITH ITS
17 AVAILABLE CASH, DEBTOR WILL HAVE SUFFICIENT REVENUE TO SATISFY
18 ALL OF ITS OBLIGATIONS UNDER THE PLAN.**

19 ***13. Which Creditors get to vote on the Plan?***

20 Impaired Class of Claims in Class 3 (Allowed General Unsecured Claims) are entitled to
21 vote. Debtor is soliciting votes from Holders of these Claims. Unimpaired Classes of Claims
22 and Equity Securities in Class 1 (Secured Claims), Class 2 (Priority Unsecured Claims), and
23 Class 4 (Equity Securities) will *not* vote on the Plan.

24 **A VOTE FOR ACCEPTANCE OF THE PLAN BY HOLDERS OF CLAIMS WHO
25 ARE ENTITLED TO VOTE IS MOST IMPORTANT. DEBTOR BELIEVES THAT THE
26 TREATMENT OF HOLDERS OF IMPAIRED CLAIMS UNDER THE PLAN IS THE
27**

28 ¹ See Proof of Claim No. 2 filed on October 31, 2012.

1 **BEST ALTERNATIVE FOR EACH OF THEM, AND DEBTOR RECOMMENDS THAT**
2 **THE HOLDERS OF THOSE ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.**

3 **EACH HOLDER OF AN IMPAIRED CLAIM WHO IS ENTITLED TO VOTE**
4 **SHOULD CAREFULLY REVIEW THE PLAN, THIS DISCLOSURE STATEMENT,**
5 **AND THE EXHIBITS TO BOTH DOCUMENTS IN THEIR ENTIRETY BEFORE**
6 **CASTING A BALLOT.**

7 ***14. What happens after the voting is completed?***

8 After the appropriate Persons have voted to accept or reject the Plan, there will be a
9 Confirmation Hearing to determine whether the Plan should be confirmed by the Bankruptcy
10 Court. At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan
11 satisfies the requirements of the Bankruptcy Code. The Bankruptcy Court will also receive and
12 consider a Ballot summary, which will present a tally of the votes cast by those Classes of
13 Creditors entitled to vote on the Plan.

14 ***15. What is the effect of plan confirmation?***

15 Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding
16 upon the debtor, any issuer of securities under the plan, any person acquiring property under the
17 plan, and any creditor of the debtor, regardless of whether such creditor: (i) is impaired under, or
18 has accepted, the plan; or (ii) receives or retains any property under the plan. Subject to certain
19 limited exceptions, and other than as provided in the plan itself or the confirmation order, the
20 confirmation order discharges the debtor from any debt that arose prior to the date of
21 confirmation of the plan and substitutes the obligations specified under the confirmed plan.

22 ***16. Has the Securities Exchange Commission reviewed and approved this Disclosure***
23 ***Statement?***

24 This Disclosure Statement has been prepared in accordance with Section 1125 of the
25 Bankruptcy Code and Bankruptcy Rule 3016(b) and not necessarily in accordance with federal
26 or state securities laws or other non-bankruptcy laws. This Disclosure Statement has not been
27 approved or disapproved by the United States Securities and Exchange Commission (the
28

1 “SEC”), nor has the SEC passed upon the accuracy or adequacy of the statements contained
2 herein. The Debtor is neither a public company nor does it have publicly-registered debt.

3 ***17. Can I rely upon the statements and financial information contained in this***
4 ***Disclosure Statement?***

5 DEBTOR MAKES THE STATEMENTS AND PROVIDES THE FINANCIAL
6 INFORMATION CONTAINED HEREIN AS OF THE DATE HEREOF, UNLESS
7 OTHERWISE SPECIFIED. PERSONS REVIEWING THIS DISCLOSURE STATEMENT
8 SHOULD NOT INFER THAT THE FACTS SET FORTH HEREIN HAVE NOT CHANGED
9 SINCE THE DATE HEREOF.

10 THE MANAGEMENT OF DEBTOR HAS REVIEWED THE FINANCIAL
11 INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH
12 DEBTOR HAS ENDEAVORED TO ENSURE THE ACCURACY OF THIS FINANCIAL
13 INFORMATION, THE FINANCIAL INFORMATION CONTAINED IN, OR
14 INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT
15 BEEN AUDITED.

16 ***18. Can I rely upon the Disclosure Statement for other purposes?***

17 THE INFORMATION IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN
18 FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE
19 RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON
20 THE PLAN. THIS DISCLOSURE STATEMENT THEREFORE DOES NOT CONSTITUTE,
21 AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT OR LIABILITY, A
22 STIPULATION OR A WAIVER IN ANY PROCEEDING OTHER THAN THE
23 SOLICITATION OF ACCEPTANCES OF THE PLAN AND CONFIRMATION OF THE
24 PLAN. FOR ALL PURPOSES OTHER THAN THE SOLICITATION OF ACCEPTANCES
25 OF THE PLAN, THIS DISCLOSURE STATEMENT SHOULD BE CONSTRUED AS A
26 STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED
27 MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED
28 LITIGATION OR ACTIONS.

1 in order for the Plan to be confirmed. In such event, Debtor reserves the right, to the extent
2 permitted by the Bankruptcy Code, to make reasonable modifications of the classifications under
3 the Plan to permit confirmation and to use the Plan acceptances received in this solicitation for
4 the purpose of obtaining the approval of the reconstituted Class or Classes of which the
5 accepting Holders are ultimately deemed members.

6 The following summary of the Plan is qualified in its entirety by reference to the detailed
7 explanations in this Disclosure Statement and the Plan itself.

8 **A. Non-Classified Claims.**

9 Pursuant to Section 1123(a)(1) of the Bankruptcy Code, Allowed Administrative Claims
10 and Priority Tax Claims are not designated as Classes under the Plan. In general, these Claims
11 consist of the fees and costs of professionals employed on behalf of the Estate. The Holders of
12 such unclassified Claims are not entitled to vote on the Plan.

13 Each Holder of an Allowed Administrative Claim shall be paid in full and final
14 satisfaction of such Claim by Reorganized Debtor (or otherwise satisfied in accordance with its
15 terms), upon the latest of: (i) the Effective Date of the Plan or as soon thereafter as practicable;
16 (ii) such date as may be fixed by the Bankruptcy Court; (iii) the first Business Day following the
17 fourteenth (14th) day after such Claim is Allowed or as soon thereafter as practicable; (iv) the
18 date such Claim becomes due by its terms; and (v) such date as is agreed to by the Holder of
19 such Claim and Debtor or Reorganized Debtor.

20 The amount of Administrative Claims incurred, but unpaid as of the Confirmation
21 Hearing is estimated to be \$126,569.50. This is comprised of: (i) estimated fees and costs of
22 approximately \$100,000 incurred by Debtor's bankruptcy counsel, the law firm of Gordon
23 Silver, less their retainer of \$33,430.50; (ii) estimated fees and costs of \$10,000 incurred by
24 Debtor's interest rate expert; and (iii) estimated fees and costs of \$50,000 incurred by Debtor's
25 other professionals duly retained in the course of this Chapter 11 Case.

26 Each Holder of an Allowed Priority Tax Claim, if any, will, in full and final satisfaction
27 of such Claim, be paid in full (or be treated in compliance with Section 1129(a)(9)(C) of the
28 Bankruptcy Code) by Reorganized Debtor on the later of: (i) the Effective Date of the Plan or as

1 soon thereafter as practicable; (ii) such date as may be fixed by the Bankruptcy Court; (iii) the
 2 first Business Day following the fourteenth (14th) day after the date on which an order allowing
 3 such Claim becomes a Final Order; or (iv) such date as is agreed to by the Holder of such Claim
 4 and Debtor or Reorganized Debtor. Debtor does not anticipate any unpaid Priority Tax Claims.

5 **B. Classified Claims.**

6 The Distributions under the Plan to each Class are summarized in the following table:

7 Class	Description	Treatment	Estimated Claims Amount³
8 Class 1:	Secured Claims	Unimpaired. No solicitation required.	\$0.00
9 Class 2:	Priority Unsecured Claims	Unimpaired. No solicitation required.	\$0.00
10 Class 3:	General Unsecured Claims	Impaired. Solicitation required.	Est. \$210,000
11 Class 4:	Equity Securities	Unimpaired. No solicitation required.	N/A

12 **1. Class 1 - Secured Claims.**

13 Each Allowed Secured Claim,⁴ if any, shall, in full and final satisfaction of such Claim,
 14 be paid in full in Cash or otherwise left Unimpaired by Debtor or Reorganized Debtor, as the
 15 case may be, upon the latest of: (i) the Effective Date or as soon thereafter as practicable; (ii)
 16 such date as may be fixed by the Bankruptcy Court; (iii) the fourteenth Business Day after such
 17 Claim is Allowed; and (iv) such date as agreed upon by the Holder of such Claim and Debtor,
 18 and after the Effective Date, Reorganized Debtor. Creditors in Class 1 are Unimpaired under the
 19 Plan, and therefore, the Holders of Claims in Class 1 are not entitled to vote on the Plan.
 20
 21
 22

23 _____
 24 ³ These estimated amounts were compiled by combining the undisputed, liquidated, and noncontingent Claims
 25 included on Debtor's bankruptcy schedules, as amended, the proofs of Claim on file on or about, November 16,
 26 2012. As such, these estimates may change as additional Claims are allowed or Debtor obtains the disallowance of
 27 certain Claims.

28 ⁴ "Secured Claim" is defined in the Plan as "[a] Claim that is secured by a Lien against property of the Estate to the
 extent of the value of any interest in such property of the Estate securing such Claim, which Lien is valid, perfected,
 and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or to the extent of the amount
 of such Claim subject to setoff in accordance with Section 553 of the Bankruptcy Code, in either case as determined
 pursuant to Section 506(a) of the Bankruptcy Code."

1 **2. Class 2 - Priority Unsecured Claims.**

2 Priority Unsecured Claims,⁵ if any, shall, in full and final satisfaction of such Claims, be
3 paid in full in Cash on the latest of: (i) the Effective Date, or as soon thereafter as is practical; (ii)
4 such date as may be fixed by the Bankruptcy Court, or as soon thereafter as is practicable; (iii)
5 the fourteenth Business Day after such Claim is Allowed, or as soon thereafter as is practicable;
6 or (iv) such date as the Holder of such Claim and Reorganized Debtor has agreed or shall agree.
7 Creditors in Class 2 are Unimpaired under the Plan, and therefore, the Holders of Class 2 Claims
8 are not entitled to vote on the Plan.

9 **3. Class 3 - General Unsecured Claims.**

10 A General Unsecured Claim is a Claim, including a Claim arising under Section 502(g)
11 of the Bankruptcy Code that is not secured by a charge against or interest in property in which
12 the Estate has an interest and is not an unclassified Claim, Administrative Claim, or Priority
13 Unsecured Claim.

14 Except to the extent that a Creditor with an Allowed General Unsecured Claim agrees to
15 less favorable treatment, each Creditor with an Allowed General Unsecured Claim, shall, in full
16 and final satisfaction of such Claim, be paid in full in Cash, plus post-Effective Date interest at
17 the Unsecured Interest Rate, on the latest of: (i) the ninetieth Business Day after the Effective
18 Date, as soon thereafter as is practical; (ii) such date as may be fixed by the Bankruptcy Court, or
19 as soon thereafter as is practicable; (iii) the fourteenth Business Day after such Claim is Allowed,
20 or as soon thereafter as is practicable; or (iv) such date as the Holder of such Claim and
21 Reorganized Debtor have agreed or shall agree. Class 3 is Impaired under the Plan. The Holders
22 of Class 3 Claims are entitled to vote on the Plan.

23 **4. Class 4 - Equity Securities.**

24 On the Effective Date, the Holders of Equity Securities of Debtor shall retain all of their
25 legal interests. The Holders of the Class 4 Equity Securities are Unimpaired, and are therefore
26 deemed to have accepted the Plan and are not entitled to vote on the Plan.

27 ⁵ "Priority Unsecured Claims" is defined in the Plan as "[a]ny and all Claims accorded priority in right of payment
28 under Section 507(c) of the Bankruptcy Code."

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V.
GENERAL INFORMATION ABOUT DEBTOR'S BUSINESS, RESTRUCTURING EFFORTS, AND THE FILING OF THE CHAPTER 11 CASE

A. Debtor's as Landowner and Manager: \$30 Million Investment in Arizona.

Debtor is a limited liability company organized in November 2004 to purchase an aggregate of approximately 2,757.5 acres of undeveloped land (26 acres of which were subsequently conveyed) in the Tonopah area of incorporated Maricopa County, west of Phoenix, Arizona. Debtor's membership interests are held by SNR Management, which also serves as Debtor's manager, holding a 40% interest and various other accredited investors who collectively hold the remaining 60% interest.⁶

1. Debtor's Initial Capitalization.

Pursuant to the terms of Sierra Negra Ranch LLC Operating Agreement (the "Operating Agreement"), a copy of which is attached hereto as **Exhibit "2,"** at its inception, Debtor's capitalization was comprised of: (i) 299 shares of a class of equity securities titled "Preferred Shares," in respect of which capital contribution were made to Debtor at a price of \$100,000 per Preferred Share, for an aggregate of \$29,900,000; and (ii) 199-1/3 shares of another class of equity securities entitled "Common Shares," all of which were issued to SNR Management.

As shall be set forth below in more detail, the initial capital raised by Debtor was used to acquire the Real Property, and to pay for Debtor's pre-development activities, a substantial portion of which was remitted directly to Global pursuant to the Infrastructure Agreement.

2. Debtor's Subsequent Shareholders' Rights Offering.

Further pursuant to the terms of the Operating Agreement,⁷ Debtor initiated a Shareholders' Rights Offering (the "Offering") of \$5,807,500 of Series A Preferred Shares of

⁶ For a complete list of equity security holders in Debtor, see Debtor's *List of Equity Security Holders*, as amended [ECF Nos. 12 & 18].

⁷ Section 2.4 of the Operating Agreement expressly states that

If for any reason additional capital is required by the Company, then at the election of the Manager, in its discretion, the Company may issue (i.e., through a "Secondary Offering") additional Common Shares, Preferred Shares, or other equity interests in the Company under such terms and conditions and bearing such right, preferences, privileges, and voting and other powers as the Manager shall determine and a Supermajority shall consent to. No Member or Manager shall be required to make any additional Capital Contributions to the company or purchase any

1 Limited-Liability Company Interest (the “Series A Preferred Shares”) the terms of which were
2 set forth in that certain Amended and Restated Private Placement Memorandum dated June 1,
3 2012 (“Placement Memo”), whereby Debtor solicited additional capital investment principally:
4 (i) for the purpose of payment of the Arbitration Award granted to Global; (ii) to make payments
5 to extend the date by which the conditions to the Real Property’s development entitlements must
6 be satisfied; and (iii) with the balance to be used by Debtor for working capital purposes and
7 reserves.

8 The Offering was being made directly by Debtor for up to 101 Series A Preferred Shares
9 at a price of \$57,500 per Share, or an aggregate of \$5,807,500. Consistent with the terms of the
10 Operating Agreement, the Offering was open only to existing Members and Managers for a
11 period of time prior to the issuance of new equity securities. See Operating Agreement, Ex. 2, at
12 p. 4. Thus, through the date of the Placement Memo, an aggregate of 9.34 Series A Preferred
13 Shares had been issued by Debtor for an aggregate of \$537,262.63 of gross proceeds of the
14 Offering.

15 Subsequently, upon opening up the Offering to the select pool of investors, which, among
16 others, included the existing shareholders, an aggregate of \$1,170,584.57 of gross proceeds of
17 the Offering had been tendered, as of the Petition Date, subject to the successful conclusion of
18 the Offering. Debtor had intended to maintain the Offering open until December 31, 2012.

19 Other than with respect to the 9.34 Series A Preferred Shares subscribed for and issued
20 prior to the Placement Memo, Debtor could not accept subscriptions for Series A Preferred
21 Shares until it had sufficient available proceeds from the Offering, together with all other sources
22 of capital, to fully pay the Arbitration Award (the “Disbursement Condition”). At that time,

23 _____ (continued)

24 additional Common Shares, Preferred Shares, or other equity interests in the Company nor shall
25 any Member or Manager has any preemptive right to do so; provided, however, that prior to any
26 issuance of new equity securities in consideration for cash Capital Contributions, the Company
27 will endeavor to offer to its Members for a period of ten (10) days the right to acquire their
28 respective *pro rata* share (based upon existing outstanding Shares of the Company) of such new
equity securities upon the same terms and conditions as is offered to any new investors; provided
further, that the foregoing provision with respect to the issuance of new equity securities is not
applicable to any issuance of equity securities not for cash Capital Contributions (e.g., for the
contribution of assets).

See Ex. 2, at p. 4.

1 Debtor had the right to, at any time and from time to time, accept subscriptions for Series A
2 Preferred Shares, on one or more occasions, and need not thereafter receive subscriptions for all
3 of the Preferred Shares offered thereby. Until the Disbursement Condition had been satisfied,
4 subscription funds for Series A Preferred Shares (other than in respect of the already issued
5 Series A Preferred Shares) were held in trust segregated into a separate account.

6 As of the Petition Date, Debtor suspended its efforts related to the Offering and such
7 funds remain in trust by Debtor.

8 **3. The Extension of the Offering.**

9 As set forth herein, the terms of Debtor's Plan contemplate payment in full of all Claims
10 against the Estate, as well as the amount to Cure the Infrastructure Agreement from the revenue
11 generated by the farming leases on the Real Property, combined with a potential sale of a portion
12 of the Real Property, along with capital raised through the Offering. As such, Debtor has
13 determined it most appropriate, in advance of any confirmation proceedings, to issue an
14 extension of the date of the Offering to accelerate its effort to raise additional capital, and in
15 connection therewith, Debtor has drafted the proposed Extension of Offering of Securities (the
16 "Extension"), which extends the Offering's previous expiration of December 31, 2012 to
17 December 31, 2013. In connection therewith, Debtor has filed a motion seeking an order of this
18 Court that authorizes the form of solicitation of the Offering and its Extension, which motion
19 was approved by entry of an order of the Court on April 16, 2013. See ECF No. 253.

20 Among other disclosures related to Debtor's status as a debtor-in-possession, as well as
21 the status of this Chapter 11 Case, and the purpose for the Extension of the Offering, the
22 Extension also expressly states that the Offering may only be consummated through and as a part
23 of Debtor's duly confirmed Plan. Pursuant to the terms of the Offering, the subscription funds
24 tendered to Debtor, as a result of the Extension, shall be held in trust segregated into a separate
25 account subject to terms and conditions of the Offering and the Extension.

26 **4. Effect of the Offering on Existing Equity.**

27 Pursuant to the Offering, the currently outstanding Preferred Shares will be reclassified
28 and titled "Series B Preferred Shares" and Debtor will issue up to an additional 101 share of a

1 new series of preferred equity securities of Debtor to be titled "Series B Preferred Shares" in
2 respect of capital contributions of \$57,500 per Series A Preferred Share, for an aggregate of
3 \$5,807,500. Giving effect to the issuance of all of the Series B Preferred Shares offered under the
4 Offering, Debtor will have outstanding an aggregate of up to 666-2/3 Shares, 101 of which will
5 be the Series A Preferred Shares, 299 of which are the previously-outstanding Series B Preferred
6 Shares, which were simply titled Preferred Shares prior to the Offering, and 266-2/3 of which
7 will be Common Shares. Pursuant to the terms of the Offering, to the extent that distributions
8 were to be available, holders of Series A Preferred Shares generally shall be entitled on a priority
9 basis to receive distributions ahead of those holders of Series B Preferred Shares.

10 As the Offering is consistent with the terms of the Operating Agreement, which
11 Operating Agreement will remain in place following the Effective Date of the Plan,
12 notwithstanding their subordinated status to the Series A Preferred Shares, the existing equity
13 interest holders are not being impaired under the terms of the Plan. Section 1124 provides, in
14 pertinent part, that "a class of claims or interests is impaired under a plan unless, with respect to
15 each claim or interest of such class, the plan – (1) leaves unaltered the legal, equitable, and
16 contractual rights to which such claim or interest entitles the holders of such claim or interest[.]"
17 See 11 U.S.C. § 1124(1). As the Operating Agreement expressly provides for the subordination
18 of equity interests upon the issuance of a subsequent offering and the Offering will not be
19 consummated until after the Effective Date of the Plan, neither the legal, equitable nor
20 contractual rights of the equity interest holders will be impaired by the Offering.

21 **5. Commitments as of August [], 2013.**

22 As of the approval of this Disclosure Statement, in addition to the aggregate sum of
23 \$1,170,584.57 received as proceeds from the Offering, which were tendered pre-Petition, Debtor
24 has received commitments of an additional \$1,387,435.25 for a total of \$2,558,019.82. Debtor is
25 confident that it will raise additional funds in a sum of no less than \$2,000,000 through the
26 Offering prior to the Payoff Date.⁸ The Offering shall conclude not later than the second to last

27 _____
28 ⁸ A determination of the amount to Cure the Infrastructure Agreement whether the full amount claimed by Global
which is \$4,621,728.38 as of the Petition Date, which amount is disputed by Debtor, or any sum less than that, will

1 Business Day prior to the Payoff Date for the purpose of funding the Distributions contemplated
2 to the Creditors under the Plan, the Cure amounts and operational and working capital needs of
3 the Reorganized Debtor.⁹

4 **B. Debtor's Acquisition of the Real Property.**

5 Debtor closed escrow on the purchase of the Real Property during the first quarter of
6 2005 for approximately \$21,717,000. Currently, the Real Property has an appraised value of
7 \$20,950,000 as of February 7, 2013.¹⁰ Since the time of its acquisition of the Real Property,
8 Debtor has invested approximately \$9,000,000 in additional funds in the Real Property, which
9 monies were required for Debtor to proceed with its pre-development activities, including, but
10 not limited to, approximately \$6,000,000 in partial advance EDU payments to Global to provide
11 the water and sewer utility that eventually will serve the Real Property and additional funds for
12 procurement of the entitlements related to the Real Property.

13 Pursuant to Debtor's strategic plan to add value to the Real Property for its eventual sale
14 and/or development by a third-party developer, Debtor has secured approval of two separate
15 Development Master Plans (jointly, the Property's "DMP") on the Property: (1) Silver Springs
16 Ranch, which is planned to be a 2,203-acre mixed active adult and conventional single family
17 residence golf course community, with 3.0 dwelling units approved per acre and approximately
18 115.5 acres to be used for commercial purpose, and (2) Silver Water Ranch, which is planned to
19 be a 528.5-acre single family residence community with 3.1 dwelling units approved per acre
20 and approximately 47.9 acres to be used for commercial purposes.

21 As a condition precedent to the DMP approval process, Maricopa County required that
22 Debtor complete and have approved an integrated sewer and water plan for the Real Property
23 (known as a "MAG 208 Plan"). To satisfy this county condition and development process
24 necessity, Debtor entered into the Infrastructure Agreement with Global, which provided for the

25 _____ (continued)

provide all parties a better understanding as the amount required by Debtor to fulfill its obligations under the Plan.

26 ⁹ As noted herein, in addition to the proceeds raised from the Offering, Debtor will also have available to it, the Sale
Proceeds to fulfill its obligations under the Plan.

27 ¹⁰ Peter J. Martori of Martori & Company, LLC, Debtor's retained appraiser has provided Debtor with an appraisal,
28 which estimates the value of the Real Property as of February 7, 2013 at \$20,950,000.

1 development and facilitation of the MAG 208 Plan to assure that all portions of the Real Property
2 had sufficient access to sewer and water utility services.

3 Specifically, pursuant to the terms of the Infrastructure Agreement, a copy of which is
4 attached hereto as **Exhibit “3,”** Global through its utility subsidiaries agreed to perform the
5 following tasks:

6 Coordinator^[11] shall facilitate, arrange and/or coordinate with WUGT^[12] and
7 HUC^[13] to provide Utility Services to Landowner, . . . [.] In return for the
8 payments by Landowner^[14] herein, and subject to the terms herein, Coordinator,
9 through WUGT and HUC, shall construct any and all water, reclaimed water, and
10 wastewater treatment plant, delivery facilities and lines required by the
11 development plan . . . Coordinator shall achieve substantial completion of the
12 WTP and WRF^[15] within 18 months of the issuance of the Start Work Notice
13 (“SWN”) described in subsection 4.1 below including any and all Off-Site
14 Facilities.^[16] Coordinator shall and hereby does financially guarantee to
15 Landowner that WUGT and HUC shall have sufficient financial resources to
16 construct the appropriate water, reclaimed water, and wastewater facilities to
17 provide water, reclaimed water and wastewater services to the Land for
18 approximately 8,622 EDUs^[17].

14 See Infrastructure Agreement § 1, Ex. 4.

15 In exchange for the provision of the services contemplated under the Infrastructure
16 Agreement, Global is entitled to receive the following consideration:

17 Landowner, or its assigns in title and/or successors in title, shall pay Coordinator

18 ¹¹ The term Coordinator, as used in the Infrastructure Agreement, refers to Global.

19 ¹² As defined in the Infrastructure Agreement, WUGT refers to Water Utility of Greater Tonopah. Pursuant
20 Paragraph B of the Recitals of the Infrastructure Agreement, Global represented that it was “in the process of
21 acquiring West Maricopa Combine, Inc. “WMC” . . . the holding company for five regulated water utilities
22 including [WUGT].” See Infrastructure Agreement, Ex. 4 at p. 1.

23 ¹³ As defined in the Infrastructure Agreement, HUC refers to Hassayampa Utility Company, Inc., a wastewater
24 utility formed by Global to serve Debtor’s Property and other properties in the area. See id. at p. 2.

25 ¹⁴ The terms Landowner, as used in the Infrastructure Agreement, refers to Debtor and its successors or assigns. See
26 id. at p. 1.

27 ¹⁵ As defined in the Infrastructure Agreement, WTP and WRF refer, respectively, to the Water Treatment Plant and
28 Water Reclamation Facility. See id. at p. 5.

¹⁶ As defined in the Infrastructure Agreement, the term Off-Site Facilities refer to any and all water, wastewater, and
reclaimed water plant, production, treatment, storage, pumping, and delivery facilities constructed on Coordinator’s,
WUGT’s, and HUC’s properties. See id. at p. 3.

¹⁷ The terms EDU is intended to refer to Equivalent Dwelling Unit, which, in general terms, is the unit of measure
by which the charge for services is calculated and imposed upon improved property served by sewer and water
utility providers.

1 as an acquisition, interest and financing fee as full and final compensation to the
2 Coordinator in consideration for its services and performance of its covenants and
3 agreements contained in this Agreement, at the times specified in this Agreement
the total sum of \$5,500.00 per EDU in the developments . . .

4 See id. With an anticipated 8,266 EDUs within Silver Springs Ranch and Silver Water Ranch,
5 Global and its utility subsidiaries, WUGT and HUC are positioned to earn approximately
6 \$47,421,000 in fees under the Infrastructure Agreement for the construction of off-site water and
7 wastewater facilities to serve Silver Springs Ranch and Silver Water Ranch.

8 The terms of the Infrastructure Agreement contemplate that Global will receive partial
9 payments of the foregoing total amount over a course of years based on the fulfillment of certain
10 conditions precedent. See id. § 4.1. Consequently, as of the Petition Date, Debtor had tendered
11 to Global an estimated \$5,819,850. The remaining amount, exclusive of the principal amount set
12 forth in the Arbitration Award, shall be earned over a period of potentially decades upon the
13 fulfillment of further conditions precedent by the ultimate builders/developers of the Real
14 Property, who will assume the obligations of Debtor under the Infrastructure Agreement upon a
15 sale of the Real Property.¹⁸

16 In addition to the foregoing monetary obligations of Debtor under the Infrastructure
17 Agreement, Sections 3.5 and 3.6 of the Infrastructure Agreement further obligated Debtor to
18 deed, free and clear of all liens and encumbrances a minimum of 23 acres of land for the WRF
19 and the WTP. See id. §§ 3.5-3.6. In total, pursuant to the terms of the Infrastructure Agreement,
20 Debtor conveyed 26 acres of land to Global.

21 **C. Debtor's Leasehold Interests.**

22 **1. The O&E Farm Lease**

23 Debtor and O&E Farms, an Arizona general partnership ("O&E"), entered into the Fee
24 Simple Farm Lease dated January 1, 2012 (the "O&E Farm Lease") for the lease of real property
25 more specifically described on Exhibit A to the O&E Farm Lease, except specifically excluding

26 ¹⁸ Section 4.1 of the Infrastructure Agreement, in pertinent part, reads: "Coordinator understands that Landowner
27 intends to sell the Land to other parties who will be the ultimate builders/developers of the Land. Coordinator
28 understands that the balance of the Landowner Payment [as defined therein] shall not be due until Landowner sells
the Land to another party . . ." See Infrastructure Agreement § 4.1.

1 any and all lands included in the sublease agreement attached as Exhibit B to the O&E Farm
2 Lease (the "O&E Leased Premises") for the purpose of grazing livestock, growing crops, and
3 farming and ranching activities related thereto. Pursuant to the O&E Farm Lease, O&E shall
4 make gross lease payments, before payment of consulting and brokerage fees or expenses of the
5 Property, of \$449,680 in 2012 and \$205,744 per annum for each of 2013 through and including
6 2017.

7 **2. Option to Acquire Rights in Arizona Land Leases**

8 Diamond A Products, Inc., an Arizona corporation ("Optionor"), as the successor by
9 merger to Colorado River Farms, Inc., an Arizona corporation, through that certain Purchase and
10 Sale Agreement dated April 7, 2003, as amended by First Amendment dated May 5, 2003 and
11 Second Amendment to Agreement dated December 16, 2003 (collectively, the "CRF Purchase
12 Agreement"), granted Debtor's predecessor, Phoenix I-10, LLC, a Missouri limited liability
13 company ("Phoenix I-10"), the option to purchase (the "Option") all of Optionor's right, title and
14 interest in and to State of Arizona Agricultural Lease Nos. 01-490-00 and 01-490-01 (the
15 "Arizona Land Leases"), which provide a leasehold interest in approximately 900 acres of land
16 (the "Adjacent State Leasehold Property") owned by the State of Arizona and located adjacent to
17 part of the unleased portion of the Real Property.

18 Pursuant to that certain Purchase and Sale Agreement dated May 27, 2004 between
19 Phoenix I-10 and Debtor, as amended from time to time (as amended, the "SNR Purchase
20 Agreement"), as well as that certain Assignment of Option in State Lease dated January 7, 2005
21 between Phoenix I-10 and Debtor (the "Option Assignment"), and the Assignment of
22 Memorandum of Option to Acquire Rights in State Land Agricultural Lease between Phoenix I-
23 10 and Debtor, recorded January 2, 2004 at Document Number 04-0002346 in the Official
24 Records for Maricopa County, Arizona (the "Assignment of Memorandum of Option"), Debtor
25 acquired Phoenix I-10's right, title and interest in the Option. Prior to the Petition Date, Debtor
26 had initiated the process of exercising the Option to acquire its right, title and interest in the
27 Arizona Land Leases, and currently awaits confirmation of the transaction.

28

1 **3. Sierra Negra Farms Leases**

2 Having commenced the process to acquire the rights in the Arizona Land Leases, Debtor
3 entered into that certain Lease Agreement dated July 1, 2012 (“Sierra Negra Lease”) with Sierra
4 Negra Farms, an Arizona general partnership (“Sierra Negra Farms”), and that certain Sublease
5 Agreement dated January 1, 2013 (the “Sierra Negra Sublease,” and collectively with the O&E
6 Farm Lease and the Sierra Negra Lease, the “Farm Leases”) also with Sierra Negra Farms,
7 thereby, subject to the successful acquisition of the rights in the Arizona Land Leases, leasing
8 approximately 253 acres of its unleased Real Property, together with the Adjacent State
9 Leasehold Property, in connection with which: (i) during the initial five-year term, Sierra Negra
10 Farms will pay for the costs of the demised land, including all underlying rent due to the State of
11 Arizona in respect of the Adjacent State Leasehold Property; and (ii) during the following five-
12 year term, Debtor shall receive rent for the demised land giving rise to approximately \$132,000
13 per annum of net revenues to Debtor, after payment of all expenses (including payment of rent to
14 the State of Arizona and of all consulting fees and commissions relating to this transaction).

15 **4. Sale of the Real Property to Fulfill Financial Obligations under the Plan.**

16 As a means of generating revenue to fulfill its obligations under the Plan, Debtor intends
17 to sell approximately 100 acres of the Real Property, which Debtor estimates will generate
18 approximately \$800,000 to \$1,000,000 in Sale Proceeds under current market conditions. As
19 previously stated, through the combination of Sale Proceeds and proceeds generated from the
20 Offering, along with other Cash that Debtor has available, Debtor believes that it will have
21 sufficient funds to fulfill its obligations under the Plan.

22 **D. The Arbitration Award and Events Leading to the Commencement of the Chapter**
23 **11 Case.**

24 Disputes between Global and Debtor with respect to the Infrastructure Agreement
25 required the parties to engage in arbitration proceedings (the “Arbitration Proceedings”), wherein
26 Debtor alleged several breaches of the Infrastructure Agreement by Global, and Global sought
27 payment by Debtor of certain sums required to be paid under the Infrastructure Agreement.

28 At the conclusion of the Arbitration Proceedings, pursuant to the Arbitration Award dated

1 April 20, 2012, Global was awarded the following sums: \$1,293,300.66 identified as the sum
2 related to the ACC approval of CC&N,¹⁹ \$1,293,300.66 identified as the sum related to the MAG
3 approval of 208,²⁰ and \$215,550.00 as an additional \$25 EDU Fee,²¹ for a total principal sum of
4 \$2,802,156.00 in advance EDU payments, as well as attorneys' fees and costs incurred in
5 connection with the Arbitration Proceedings, with interest thereon at the rate of 15% per annum,
6 which sum was approximately \$4,619,784.48 as of the Petition Date, however, off set by an
7 award of credit in the amount of \$460,000, in respect of the 26-acre parcel of land deeded from
8 Debtor to Global.

9 On or about June 25, 2012, the Superior Court of Arizona in and for Maricopa County
10 (the "AZ Superior Court") entered its *Order Confirming Arbitration Award and Judgment*
11 *Against Respondent Sierra Negra Ranch, LLC* (the "Judgment"), thereby confirming the
12 Arbitration Award and entering judgment against Debtor in the amount set forth in the
13 Arbitration Award, as noted above. Subsequently, the Judgment was recorded on July 11, 2012
14 by the County Recorder of Maricopa County, as book entry 2012-0606668 and now exists as a
15 lien (the "Lien") on the Property. Further, on or about July 18, 2012, the AZ Superior Court
16 entered its *Writ of General Execution* (the "Writ of Execution"), thereby commanding the
17 Maricopa County Sheriff to seize and sell the Property to satisfy the Judgment. Accordingly, on
18 or about July 26, 2012, the Maricopa County Sheriff issued its *Notice of Sale of Real Estate on*
19 *Execution* (the "Sale Notice"), thereby noticing Debtor of the sale of the Property scheduled for
20 August 23, 2012 (the "Property Sale").

21 ...

22 ...

23 ¹⁹ Pursuant to Section 4.1 of the Infrastructure Agreement, Debtor was obligated to pay \$150.00 per EDU
24 (\$1,293,300 for 8,622 EDUs) upon the ACC's final approval of issuance of an ACC decision granting and/or
25 extending the CC&N of HUC to include the Land, and upon issuance of a final ACC decision granting an extension
of WUGT's CC&N to include the Land. See Infrastructure Agreement, § 4.1, at p. 17.

26 ²⁰ Also pursuant to Section 4.1 of the Infrastructure Agreement, Debtor was obligated to pay \$150.00 per EDU
27 (\$1,293,300 for 8,622 EDU s) upon the successful approval of the MAG 208 plan amendment that includes the
Land. See id.

28 ²¹ Finally, pursuant to Section 4.1 of the Infrastructure Agreement, Debtor was obligated to pay \$25.00 per EDU
(\$215,550 for 8,622 EDUs) upon the closing of the WMC acquisition transaction. See id.

1 **E. Action before the ACC Call into Question Various Aspects of the Infrastructure**
2 **Agreement.**²²

3 As further set forth in Debtor's Pre-Confirmation Brief, on March 1, 2013, New World
4 Properties, Inc. ("NWP"), on behalf of Trust No. 8559, filed with the ACC the *Petition for*
5 *Declaratory Relief* (the "NWP Petition"), thereby requesting that the ACC issue a declaratory
6 order addressing the legality of the certain conduct and actions required under the Infrastructure
7 Coordination, Finance and Option Agreement dated July 11, 2006 (the "Trust 8559 ICFA")
8 between First American Title Insurance Company, a California corporation as trustee under
9 Trust No. 8559 ("Trust 8559") and GWR Inc., as successor in interest to GWR LLC and GWR
10 Inc.'s wholly-owned affiliates Water Utility of Greater Tonopah, Inc. ("WUGT") and
11 Hassayampa Utility Company, Inc. ("HUC").

12 Following the filing of the NWP Petition, both the City of Maricopa, Arizona and Debtor
13 in separate filings applied to the ACC for leave to intervene in the NWP Petition on the basis that
14 the outcome of such proceedings would affects their rights under their respective ICFAs as well.
15 Copies of the applications to intervene filed by City of Maricopa and Debtor are attached hereto
16 as **Exhibits "4" and "5."**

17 As recently as July 8, 2013, the ACC Utilities Division Staff has issued recommendations
18 and prepared testimony regarding the various Infrastructure, Coordination, Finance, and Option
19 Agreements (including the Infrastructure Agreement), including recommendations to ensure that
20 all EDU payments paid under such agreements are preserved for the infrastructure construction
21 required to be performed by the various utility subsidiaries of Global, including HUC and
22 WUGT.²³ See generally, Ex. 6. Action by the ACC to address the critical questions regarding
23 the general validity and enforceability of Infrastructure, Coordination, Finance, and Option

24 ²² The information provided herein regarding the ACC filings, which call in question the validity and enforceability
25 of the Infrastructure Agreement has been summarized. More detailed information may be located in Debtor's Pre-
26 Confirmation Brief (as defined herein).

27 ²³ Attached hereto as **Exhibit "6"** is the Direct Testimony of James R. Armstrong, Chief Accountant, Utilities
28 Divisions, Arizona Corporation Commission, July 8, 2013, ACC Docket No. W-10212A-12-0309, et. al. The
recommendation for more stringent measures to protect and preserve EDU payments resulting from Global's
previous failure to segregate the funds required by the utility subsidiaries to perform the work required under the
ICFA and applied it instead to general obligations of Global without assuring the availability of the funds for the
infrastructure work required under the ICFA. See id. at pp. 18-20.

1 Agreements (generally, the “ICFAs”) and the various Staff reports is expected before year end.
2 See generally ACC Docket No. W-10212A-12-0309, et. al.

3 **F. Significant Events During the Chapter 11 Case.**

4 On August 21, 2012, Debtor filed its Chapter 11 Case. On September 4, 2012, Debtor
5 filed its *Schedules and Statement of Financial Affairs* [ECF No. 12].²⁴

6 On September 13, 2012, Debtor filed its *Application for Order Authorizing Employment*
7 *of Gordon Silver as Attorneys for Debtor* [ECF No. 19] (“GS Employment Application”),²⁵
8 which application was granted by entry of the order on October 23, 2012 [ECF No. 69].

9 Also on September 13, 2012, Debtor filed its *Application for Order Authorizing Debtor*
10 *to Pay Management Fee* [ECF No. 22] (the “Management Fees Motion”). On October 3, 2012,
11 Global Water Resources, Inc. (“Global”) filed its *Objection to Debtor’s Motion for Order*
12 *Authorizing Debtor to Pay Management Fee* [ECF No. 35] (the “Management Fees Objection”).
13 Subsequently, Debtor filed its *Reply to Objection to Debtor’s Motion for Order Authorizing*
14 *Debtor to Pay Management Fee* [ECF No. 50] (the “Management Fees Reply”).
15 Notwithstanding the Management Fees Objection, this Court granted the Management Fees
16 Motion by entry of the *Order Re: Motion for Order Authorizing Debtor to Pay Management Fee*
17 [ECF No. 67] (the “Management Fees Order”).

18 Since the Petition Date, Debtor has identified a number of other professionals whose
19 employment is necessary for the administration of this Chapter 11 Case. Accordingly, Debtor
20 has filed the following applications for the employment of professionals:

- 21 a. *Application to Employ Fair Anderson & Langerman as Accountants for Debtor*
22 *Pursuant to 11 U.S.C. §§ 327(a) and 328(a)* [ECF No. 38] (the “FAL Employment
23 Application”), which was approved by entry of an order of the Court on November 19,
24 2012 [ECF No. 96];

25 ²⁴ On September 11, 2012, Debtor filed its *Amended List of Equity Holders* [ECF No. 18]. Additionally, on
26 September 20, 2012, Debtor filed its *Amended Schedule F* [ECF No. 27]. In addition, on October 4, 2012, Debtor
filed its further *Amended Schedule F* [ECF No. 36].

27 ²⁵ On September 24, 2012, Debtor filed its *Errata to Application for Order Approving Employment of Gordon Silver*
28 *as Attorneys for Debtor* [ECF No. 30] (the “GS Employment Errata”) and the *Supplemental Declaration of Gerald*
M. Gordon in support of the GS Employment Application [ECF No. 31].

1 b. *Application to Employ Withey Morris PLC as Special Real Estate, Zoning, and*
2 *Land Use Counsel for Debtor Pursuant to 11 U.S.C. §§ 327 (e) and 328(a)* [ECF No. 40]
3 (the “Withey Morris Employment Application”), which was approved by entry of an
4 order of the Court on November 19, 2012 [ECF No. 97];

5 c. *Application for Order Approving the Retention of Kenneth B. Funsten of FamCo*
6 *Advisory Services as Debtor’s Interest Rate and Feasibility Expert* [ECF No. 79]
7 (“Funsten Employment Application”), which was approved by entry of an order of the
8 Court on November 19, 2012 [ECF No. 98];

9 d. *Application to Employ Sklar Williams PLLC as Special Securities Counsel* [ECF
10 No. 53] (the “Sklar Williams Employment Application”), which was approved by entry
11 of an order of the Court on December 4, 2012 [ECF No. 111];

12 e. *Motion for Order Authorizing Debtor to Employ and Compensate Certain*
13 *Professionals in the Ordinary Course of Business* [ECF No. 55] (the “Ordinary Course
14 Professionals Motion”), which was approved by entry of an order of the Court on
15 December 4, 2012 [ECF No. 112]; and

16 f. *Application for Entry of an Order Authorizing the Employment and Retention of*
17 *Munger Chadwick PLC Nunc Pro Tunc as Special Utilities Counsel for Debtor Pursuant*
18 *to 11 U.S.C. §§ 327(e) and 328(a)* [ECF No. 261] (the “Munger Chadwick Employment
19 Application”), which was approved by entry of an order of the Court on May 8, 2013
20 [ECF No. 287].

21 On October 9, 2012, Global filed its *Motion to Dismiss Bankruptcy Case* [ECF No. 45]
22 (the “Motion to Dismiss”).

23 Additionally, on November 15, 2012, Debtor filed its *Motion to Assume Option to*
24 *Purchase Leasehold Interests in Arizona Land Leases and Authority to Use Property of the*
25 *Estate Outside the Ordinary Course of Business* [ECF No. 89] (“Option Assumption Motion”),
26 thereby seeking authority to assume the Option and, in turn, permit Debtor to purchase the
27 leasehold interests in the Arizona Land Leases, which motion was granted by entry of this
28 Court’s order on December 26, 2012 [ECF No. 137].

1 On December 21, 2012, Global filed the *Motion to Set a Date by Which the Debtor Must*
2 *Either Reject, or Assume and Cure its Executory Contract with Global Water Resources, Inc.*
3 [ECF No. 134] (the “Motion to Compel Assumption”).

4 On November 19, Debtor filed its *Debtor’s Plan of Reorganization* [ECF No. 99] and
5 *Disclosure Statement to Accompany Debtor’s Plan of Reorganization* [ECF No. 100] (the “Initial
6 Disclosure Statement”), and in connection therewith, Debtor filed its *Motion for Order*
7 *Approving the (I) Adequacy of Disclosure Statement to Accompany Debtor’s Plan of*
8 *Reorganization, (II) Form, Scope, and Nature of Solicitation, Balloting, Tabulation, and Notices*
9 *with Respect to the Plan of Reorganization and (III) Related Confirmation Procedures,*
10 *Deadlines and Notices* [ECF No. 105] (the “Disclosure Statement Motion”) on November 20,
11 2012. The initial hearing on the Disclosure Statement Motion occurred on February 8, 2013, at
12 which time, this Court also heard the Motion to Compel Assumption and the Motion to Dismiss
13 for the first time. Based on the determination of the Court at the time of the hearing on February
14 8, 2013, the hearings of the Disclosure Statement Motion, the Motion to Compel Assumption
15 and the Motion to Dismiss were continued to April 9, 2013.

16 At the time of the hearing held April 9, 2013, the Disclosure Statement Motion was
17 dismissed. Debtor was ordered to file *Debtor’s Second Amended Plan of Reorganization* [ECF
18 No. 288] Plan and its *Second Amended Disclosure Statement to Accompany Debtor’s Second*
19 *Amended Plan of Reorganization* [ECF No. 289], as well as the *Motion for Order Approving the*
20 *(I) Adequacy of the Second Amended Disclosure Statement to Accompany Debtor’s Second*
21 *Amended Plan of Reorganization, (II) Form, Scope, and Nature of Solicitation, Balloting,*
22 *Tabulation, and Notices with Respect to the Plan of Reorganization and (III) Related*
23 *Confirmation Procedures, Deadlines and Notices* [ECF No. 296] (the “Second Disclosure
24 Statement Motion”), and further continued the hearings of the Motion to Dismiss and Motion to
25 Compel Assumption also for July 11, 2013.

26 At the time of the July 11, 2013 hearing, Debtor was ordered to file its Plan and this
27 Disclosure Statement. Hearing on the Second Disclosure Statement Motion has been continued
28 to August 21, 2013. Meanwhile, the Motion to Compel Assumption was granted and the Motion

1 to Dismiss was further continued to October 22, 2013, the date of the hearing scheduled to
2 consider confirmation of the Plan.

3 Finally, since the filing of its Petition, Debtor: (1) is current on all of its post-petition
4 operating expenses and taxation obligations; (2) has fulfilled its reporting duties by filings its
5 Monthly Operating Reports for the period of August 2012 through June 2013; and (3) is in
6 compliance with all of its reporting requirements under the Bankruptcy Code and Bankruptcy
7 Rules. See ECF Nos. 28, 66, 104, 125-28, 181, 219, 240, 260, 299, 326 & 345.

8 **VI.**
9 **ADDITIONAL PLAN PROVISIONS**

10 In addition to the terms of the Plan described in Section IV above, the Plan contains the
11 following provisions. The description contained herein is qualified in its entirety by reference to
12 the remainder of this Disclosure Statement and the Plan itself.

13 **A. Means for Implementation of the Plan.**

14 **1. Revesting of Assets.**

15 On and after the Effective Date, all of Debtor's assets shall vest in Reorganized Debtor
16 and Reorganized Debtor shall continue to exist as a separate entity in accordance with applicable
17 law. Debtor's existing articles of organization, by-laws, and operating agreements (as amended,
18 supplemented, or modified) will continue in effect for Reorganized Debtor following the
19 Effective Date, except to the extent that such documents are amended in conformance with the
20 Plan or by proper corporate action after the Effective Date. As permitted by Section
21 1123(a)(5)(B), on the Effective Date, all of Debtor's Assets, including the Litigation Claims and
22 right, title, and interest being assumed by Reorganized Debtor in the assumed Executory
23 Contracts shall vest in Reorganized Debtor. Thereafter, Reorganized Debtor may operate its
24 business and may use, acquire, and dispose of such property free and clear of any restrictions of
25 the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. Except as specifically
26 provided in the Plan or the Confirmation Order, as of the Effective Date, all property of
27 Reorganized Debtor shall be free and clear of all Claims and Interests.

1 **2. Obligations Due Under the Plan.**

2 In order to satisfy the monetary obligations due under the Plan, including Cure amounts,
3 together with operational and working capital needs of the Reorganized Debtor, Reorganized
4 Debtor shall use Sale Proceeds, proceeds from leases of the Real Property and the proceeds of
5 the Offering.

6 a. Proceeds from the Offering.

7 The Reorganized Debtor shall conclude the Offering not later than the second to last
8 Business Day prior to the Payoff Date for the purpose of funding the Distributions contemplated
9 to the Creditors herein, the Cure amounts and operational and working capital needs of the
10 Reorganized Debtor.

11 b. Sale of the Real Property.

12 From and after the Effective Date and prior to the Payoff Date, Reorganized Debtor is
13 entitled sell all or portions of the Real Property free and clear of the Lien of the Recorded
14 Judgment; provided, however, that the proceeds of such sale are utilized to fund the Cure
15 amount, subject to orders of the Commission regarding such payments.

16 c. EDU Credit.

17 Subject to the terms and conditions herein, on the closing of a sale transaction, Debtor
18 shall receive EDU Credit, which amount is to be applied to the Cure amount, in the sole
19 discretion of Reorganized Debtor.

20 d. Cooperation.

21 Subject to the terms and conditions herein, the Reorganized Debtor and Global shall use
22 their commercially reasonable best efforts to cooperate and to consummate each such proposed
23 Parcel sale, including any reasonable requests for information or execution of applicable
24 documents, including releases and reconveyances from the Lien of the Recorded Judgment that
25 are needed to effectuate such a Parcel sale.

26 e. Court Jurisdiction.

27 In the event of a dispute regarding the operation or satisfaction of any terms regarding a
28 Parcel sale, the parties shall be required to meet and confer in a good faith attempt to resolve any

1 such disputes; if the parties are unable to resolve such disputes, the Bankruptcy Court shall retain
2 jurisdiction to determine the satisfaction of the conditions in this subsection governing Parcel
3 sales and each of the Reorganized Debtor and Global hereby consents to an order shortening
4 time for the adjudication such issues. Notwithstanding, to the extent issues regarding the
5 Infrastructure Agreement, Global, WUGT or HUC are within the regulatory authority of the
6 Commission, the Bankruptcy Court shall not exercise jurisdiction with regard to such matters.

7 **3. Articles of organization, by-laws, operating agreement.**

8 The articles of organization, by-laws, and/or operating agreement, as applicable, of
9 Debtor shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy
10 Code and shall include, among other things, pursuant to Section 1123(a)(6), a provision
11 prohibiting the issuance of non-voting equity securities, but only to the extent required by
12 Section 1123(a)(6).

13 **4. Effectuation of transactions.**

14 On and after the Effective Date, the appropriate managers or members of Debtor are
15 authorized to issue, execute, deliver, and consummate the transactions contemplated by or
16 described in the Plan in the name of and on behalf of Debtor or Reorganized Debtor, as the case
17 may be, without further notice to or order of the Bankruptcy Court, act or action under applicable
18 law, regulation, order, rule, or any requirements of further action, vote, or other approval or
19 authorization by any Person.

20 **5. Notice of effectiveness.**

21 When all of the steps for effectiveness have been completed, Reorganized Debtor shall
22 file with the Bankruptcy Court and serve upon all Creditors and all potential Holders of
23 Administrative Claims known to Reorganized Debtor (whether or not disputed), a notice of the
24 Effective Date of the Plan. The notice of the Effective Date of the Plan shall include notice of
25 the Administrative Claim Bar Date.

26 **6. No governance action required.**

27 As of the Effective Date: (i) the adoption, execution, delivery, and implementation or
28 assignment of all contracts, leases, instruments, releases, and other agreements related to or

1 contemplated by the Plan; and (ii) the other matters provided for under or in furtherance of the
2 Plan involving corporate action to be taken by or required of Debtor shall be deemed to have
3 occurred and be effective as provided herein, and shall be authorized and approved in all respects
4 without further order of the Bankruptcy Court or any requirement of further action by the
5 members or managers of Debtor.

6 **7. Filing with the Nevada Secretary of State.**

7 To the extent applicable, in accordance with NRS 78.622, on or as soon as practical after
8 the Effective Date, a certified copy of the Plan and the Confirmation Order shall be filed with the
9 Nevada Secretary. Again, to the extent applicable, Debtor, from the Confirmation Date until the
10 Effective Date, is authorized and directed to take any action or carry out any proceeding
11 necessary to effectuate the Plan pursuant to NRS 78.622.

12 **8. Proposed post-Effective Date management of Reorganized Debtor.**

13 From and after the Effective Date, Reorganized Debtor will continue to be managed by
14 Debtor's pre-petition manager, SNR Management, which management may subsequently be
15 modified to the extent provided by Reorganized Debtor's articles of organization, by-laws, and
16 operating agreement (as amended, supplemented, or modified). On and after the Effective Date,
17 the appropriate managers or members of Reorganized Debtor are authorized to issue, execute,
18 deliver, and consummate the transactions contemplated by or described in the Plan in the name
19 of and on behalf of Reorganized Debtor without further notice to or order of the Bankruptcy
20 Court, act or action under applicable law, regulation, order, rule, or any requirements of further
21 action, vote, or other approval or authorization by any Person.

22 The continuation of management post-confirmation is consistent with the interests of
23 Creditors, Holders of Equity Securities, and public policy pursuant to Section 1129(a)(5) because
24 the principals of SNR Management are intimately knowledgeable about Debtor's Real Property,
25 and the Arizona real estate market and thus, are uniquely qualified to effectuate Debtor's Plan
26 and thereby maximize the value for all Creditors of the Estate.

27 ...

28 ...

1 **B. Executory Contracts And Unexpired Leases.**

2 **1. Executory contracts.**

3 Except for Executory Contracts and Unexpired Leases specifically addressed in the Plan
4 or set forth on the schedule of Rejected Executed Contracts and Unexpired Leases attached as
5 Schedule 6.1 hereto (which may be supplemented and amended up to the date the Bankruptcy
6 Court enters the Confirmation Order), all Executory Contracts and Unexpired Leases that exist
7 on the Confirmation Date shall be deemed assumed by Debtor on the Effective Date.

8 **2. Approval of assumption or rejection.**

9 Entry of the Confirmation Order shall constitute as of the Effective Date: (i) approval,
10 pursuant to Bankruptcy Code Section 365(a), of the assumption by Reorganized Debtor of each
11 Executory Contract and Unexpired Lease to which Debtor is a party that is not listed on Schedule
12 6.1, not otherwise provided for in the Plan, and neither assigned, assumed and assigned, nor
13 rejected by separate order of the Bankruptcy Court prior to the Effective Date; and (ii) rejection
14 by Debtor of each Executory Contract and Unexpired Lease to which Debtor is a party that is
15 listed on Schedule 6.1. Upon the Effective Date, each counter party to an assumed Executory
16 Contract or Unexpired Lease listed shall be deemed to have consented to an assumption
17 contemplated by Section 365(c)(1)(B) of the Bankruptcy Code, to the extent such consent is
18 necessary for such assumption. To the extent applicable, all Executory Contracts or Unexpired
19 Leases of Reorganized Debtor assumed pursuant to this Article 6 shall be deemed modified such
20 that the transactions contemplated by the Plan shall not be a “change of control,” regardless of
21 how such term may be defined in the relevant Executory Contract or Unexpired Lease and any
22 required consent under any such Executory Contract or Unexpired Lease shall be deemed
23 satisfied by confirmation of the Plan.

24 **3. Cure of defaults.**

25 Reorganized Debtor shall Cure any defaults respecting each Executory Contract or
26 Unexpired Lease assumed pursuant to Section 6.1 of the Plan upon the latest of: (i) the Effective
27 Date or as soon thereafter as practicable; (ii) such dates as may be fixed by the Bankruptcy Court
28 or agreed upon by Debtor, and after the Effective Date, Reorganized Debtor; or (iii) the

1 fourteenth (14th) Business Day after the entry of a Final Order resolving any dispute regarding:
2 (a) a Cure amount; (b) the ability of Debtor or Reorganized Debtor to provide “adequate
3 assurance of future performance” under the Executory Contract or Unexpired Lease assumed
4 pursuant to the Plan in accordance with Section 365(b)(1) of the Bankruptcy Code; or (c) any
5 matter pertaining to assumption, assignment, or the Cure of a particular Executory Contract or an
6 Unexpired Lease.

7 **4. Calculation of Global Cure Amount.**

8 On the Effective Date, the Global Cure amount shall be determined as follows:

9 a. Principal Balance.

10 Subject to Bankruptcy Court determination, the Global Cure Amount shall be the
11 principal component of the Arbitration Award together with attorneys’ fees and costs awarded
12 therein less the Credit Setoff together with fees and costs and interest allowed by the Bankruptcy
13 Court pursuant to Section 506(a) of the Bankruptcy Code.

14 b. Lien.

15 From and after the Confirmation Date, Global shall retain its Lien in the Real Property
16 consistent with the Recorded Judgment until the Global Cure amount is paid in full.

17 c. Payoff Date.

18 Debtor shall pay the unpaid balance of the Cure amount within four months of the
19 Effective Date, which will be on or before March 21, 2014.

20 **5. Objection to cure amounts.**

21 Any party to an Executory Contract (excepting the Infrastructure Agreement the Global
22 Cure amount for which shall be determined at the Confirmation Hearing, pursuant to the terms of
23 the Omnibus Order) who objects to the Cure amount determined by Debtor to be due and owing
24 must file and serve an objection on Debtor’s counsel no later than thirty (30) days after the
25 Effective Date. Failure to file and serve a timely objection shall be deemed consent to the Cure
26 amounts paid by Debtor in accordance with Section 6.3 of the Plan. If there is a dispute
27 regarding: (i) the amount of any Cure payment; (ii) the ability of Reorganized Debtor to provide
28 “adequate assurance of future performance” under the Executory Contract or Unexpired Lease to

1 be assumed or assigned; or (iii) any other matter pertaining to assumption, the Cure payments
2 required by Section 365(b)(1) of the Bankruptcy Code will be made following the entry of a
3 Final Order resolving the dispute and approving the assumption.

4 **6. Confirmation order.**

5 The Confirmation Order will constitute an order of the Bankruptcy Court approving the
6 assumptions described in this Article 6 pursuant to Section 365 as of the Effective Date.
7 Notwithstanding the forgoing, if, as of the date the Bankruptcy Court enters the Confirmation
8 Order, there is pending before the Bankruptcy Court a dispute concerning the cure amount or
9 adequate assurance for any particular Executory Contract or Unexpired Lease, the assumption of
10 such Executory Contract or Unexpired Lease shall be effective as of the date the Bankruptcy
11 Court enters an order resolving any such dispute and authorizing assumption by Debtor.

12 **7. Post-Petition date contacts and leases.**

13 Executory Contracts and Unexpired Leases entered into and other obligations incurred
14 after the Petition Date by Debtor shall be assumed by Debtor on the Effective Date. Each such
15 Executory Contract and Unexpired Lease shall be performed by Debtor or Reorganized Debtor,
16 as applicable, in the ordinary course of its business.

17 **8. Bar date.**

18 All proofs of Claims with respect to Claims arising from the rejection of any executory
19 contract or unexpired lease shall be filed no later than 30 days after the Effective Date. Any
20 Claim not filed within such time shall be forever barred.

21 **C. Manner Of Distribution Of Property Under The Plan.**

22 Reorganized Debtor shall be responsible for making the Distributions described in the
23 Plan. Except as otherwise provided in the Plan or the Confirmation Order, the Cash necessary
24 for Reorganized Debtor to make payments pursuant to the Plan may be obtained from existing
25 Cash balances and Debtor's operations.

26 Reorganized Debtor shall maintain a record of the names and addresses of all Holders of
27 Allowed General Unsecured Claims as of the Effective Date and all Holders as of the Record
28 Date of Equity Securities of Debtor for purposes of mailing Distributions to them. Reorganized

1 Debtor may rely on the name and address set forth in Debtor's Schedules and/or proofs of Claim
2 and the ledger and records regarding Holders of Equity Securities as of the Record Date as being
3 true and correct unless and until notified in writing.

4 **D. Conditions To Confirmation Of The Plan.**

5 **1. Conditions to confirmation.**

6 The Confirmation Order shall have been entered and be in form and substance reasonably
7 acceptable to Debtor.

8 **2. Conditions to effectiveness.**

9 The following are conditions precedent to occurrence of the Effective Date:

10 (1) The Confirmation Order shall be a Final Order, except that Debtor reserves the
11 right to cause the Effective Date to occur notwithstanding the pendency of an appeal of the
12 Confirmation Order, under circumstances that would moot such appeal;

13 (2) No request for revocation of the Confirmation Order under Section 1144 of the
14 Bankruptcy Code shall have been made, or, if made, shall remain pending, including any appeal;
15 and

16 (3) All documents necessary to implement the transactions contemplated by the Plan
17 shall be in form and substance reasonably acceptable to Debtor.

18 **3. Waiver of conditions.**

19 Debtor, in its sole discretion, may waive any and all of the other conditions set forth in
20 the Plan and specifically Sections 8.1 and 8.2 of the Plan without leave of or order of the
21 Bankruptcy Court and without any formal action.

22 **VII.**
23 **LIMITATIONS AND RISK FACTORS**

24 In addition to risks discussed elsewhere in this Disclosure Statement, the Plan and the
25 transactions contemplated by the Plan involve the following limitations and risks, which should
26 be taken into consideration.

27 **A. Debtor Has No Duty to Update.**

28

1 The statements in this Disclosure Statement are made by Debtor as of the date hereof,
2 unless otherwise specified herein. The delivery of this Disclosure Statement after that date does
3 not imply that there has been no change in the information set forth herein since that date.
4 Debtor has no duty to update this Disclosure Statement unless ordered to do so by the
5 Bankruptcy Court.

6 **B. Projections and Other Forward-Looking Statements Are Not Assured and Actual**
7 **Results Will Vary.**

8 Certain information in this Disclosure Statement is forward-looking, and contains
9 estimates and assumptions which might ultimately prove to be incorrect, and projections which
10 may differ materially from actual future results. Debtor believes that the projections of future
11 performance upon which the treatments under the Plan are based are reasonable and fairly
12 represent the future performance of Debtor's business operations. However, there are
13 uncertainties associated with all assumptions, projections, and estimates, and they should not be
14 considered assurances or guarantees of the amount of funds that will be distributed, the amount
15 of Claims in the various Classes that will be allowed, or the success or results of Reorganized
16 Debtor's business operations.

17 **C. No Admissions Made.**

18 Nothing contained herein shall constitute an admission of any fact or liability by Debtor
19 or any other party nor shall it be deemed evidence of the tax or other legal effects of the Plan on
20 Debtor or on Holders of Claims.

21 **D. No Waiver of Right to Object or Right to Recover Transfers and Estate Assets.**

22 Unless specifically provided in the Plan, a Creditor's vote for or against the Plan does not
23 constitute a waiver or release of any claims or rights of Debtor (or any other party in interest) to
24 object to that Creditor's Claim, or recover any preferential, fraudulent, or other voidable transfer
25 or Estate assets, regardless of whether any claims of Debtor or its Estate are specifically or
26 generally identified herein.

27 ...

28 ...

1 **E. Bankruptcy Law Risks and Considerations.**

2 **1. Confirmation of the Plan is Not Assured.**

3 Although Debtor believes the Plan will satisfy all requirements for Confirmation, the
4 Bankruptcy Court might not reach that conclusion. Confirmation requires, among other things, a
5 finding by the Bankruptcy Court that it is not likely there will be a need for further financial
6 reorganization and that the value of distributions to dissenting members of impaired classes of
7 creditors would not be less than the value of distributions such creditors would receive if Debtor
8 were liquidated under chapter 7 of the Bankruptcy Code.

9 Debtor believes that the future performance of the Real Property provides for the
10 payment in full of the obligations provided for under the Plan. Although Debtor believes that the
11 Plan will not be followed by a need for further financial reorganization and that dissenting
12 members of Impaired Classes of Creditors will receive distributions at least as great as they
13 would receive in a liquidation under Chapter 7, there can be no assurance that the Bankruptcy
14 Court will conclude that these tests have been met.

15 **2. The Projected Value of Estate Assets In the Event of Liquidation Might Not
16 be Realized.**

17 In the Best Interests Analysis discussed herein, Debtor has projected the value of the
18 Estate's assets that would be available for payment of expenses and Distributions to Holders of
19 Allowed Claims, as set forth in the Plan in the event of liquidation of the Assets. Debtor has
20 made certain assumptions in its Best Interests Analysis in arriving at a liquidation distribution,
21 which should be read carefully.

22 **3. Changes to Applicable Tax Laws Could Have a Material Adverse Effect on
23 Debtor's Financial Condition.**

24 From time to time, federal, state and local legislators and other government officials have
25 proposed and adopted changes in tax laws. With specific regard to federal tax laws, while
26 Debtor is a tax-reporting entity for federal tax purposes, it is not possible to determine the
27 likelihood of changes in tax laws or in the administration of those laws. If adopted, changes to
28 applicable tax laws could have a material adverse effect Debtor's business, financial condition,
and results of operations.

1 **F. Risks Related to Debtor's Business Operations.**

2 The following discussions of risks that relate to Debtor's business should be read as also
3 being applicable to the business of Reorganized Debtor on and after the Effective Date.

4 **1. Effect of the Chapter 11 Case.**

5 If the Chapter 11 Case continues for a prolonged period of time, the proceedings could
6 adversely affect Debtor's business and operations. The longer the Chapter 11 Case continues,
7 the more likely it is that Debtor's tenants and agents could lose confidence in Debtor's ability to
8 successfully reorganize its business and will seek to establish alternative commercial
9 relationships. Consequently, Debtor might lose valuable tenants and/or contracts in the course of
10 the Chapter 11 Case.

11 So long as the Chapter 11 Case continues, Debtor's management will be required to
12 spend a significant amount of time and effort dealing with Debtor's reorganization instead of
13 focusing exclusively on business operations. Furthermore, so long as the Chapter 11 Case
14 continues, Debtor will be required to incur substantial costs for professional fees and other
15 expenses associated with the proceedings.

16 **2. The volatility and disruption of the capital and credit markets and adverse**
17 **changes in the global economy have negatively affected Debtor.**

18 Beginning in 2007 to 2008, the United States economy, as well as virtually the entire
19 world economy, went into a severe recession. Arizona was no exception, with inordinately high
20 foreclosure and unemployment rates. The result has been reduced real estate values and a
21 surplus of undeveloped land, resulting in reduced land values throughout Arizona. While there
22 have been governmental responses to these economic hardships and Arizona is beginning to
23 recover from the recession, the extent and pace of its recovery is uncertain.

24 **3. Changes to applicable property tax laws could have a material adverse effect**
25 **on Debtor's financial condition.**

26 From time to time, state, and local legislators and other government officials have
27 proposed and adopted changes in property and related tax laws, or in the administration of those
28 laws affecting farm land and real property in the development stage. It is not possible to
determine the likelihood of changes in tax laws or in the administration of those laws. If

1 adopted, changes to applicable tax laws could have a material adverse effects on Debtor's
2 business, financial condition, and results of operations. Any increase in taxes may impact
3 Debtor's future profitability and sustainability.

4 **VIII.**
5 **POST-EFFECTIVE DATE OPERATIONS**

6 **A. Vesting of Assets.**

7 Subject to the provisions of the Plan, pursuant to Section 5.1 of the Plan and as permitted
8 by Section 1123(a)(5)(B), the Assets shall be transferred to Reorganized Debtor on the Effective
9 Date. As of the Effective Date, all such property shall be free and clear of all Liens, Claims, and
10 Equity Securities except as otherwise provided herein. On and after the Effective Date,
11 Reorganized Debtor may operate its business and may use, acquire, and dispose of property and
12 compromise or settle any Claim without the supervision of or approval of the Bankruptcy Court
13 and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than
14 restrictions expressly imposed by the Plan or the Confirmation Order.

15 **B. Preservation of Avoidance Actions and Litigation Claims.**

16 In accordance with Section 1123(b)(3), and except as otherwise expressly provided in the
17 Plan, all Litigation Claims shall be assigned and transferred to Reorganized Debtor pursuant to
18 Section 5.1 of the Plan. Notwithstanding the foregoing, on and after the Effective Date, the
19 prosecution of the Litigation Claims lies in the sole and absolute discretion of Reorganized
20 Debtor.

21 There may also be other Litigation Claims which currently exist or may subsequently
22 arise that are not set forth in this Disclosure Statement because the facts underlying such
23 Litigation Claims are not currently known or sufficiently known by Debtor. The failure to list
24 any such unknown Litigation Claim in the Disclosure Statement is not intended to limit the rights
25 of Debtor or Reorganized Debtor to pursue any unknown Litigation Claim to the extent the facts
26 underlying such unknown Litigation Claim become more fully known in the future.
27 Furthermore, any potential net proceeds from Litigation Claims identified in the Disclosure
28

1 Statement or any notice filed with the Bankruptcy Court, or which may subsequently arise or
2 otherwise be pursued, are speculative and uncertain.

3 Unless Litigation Claims against any individual or entity are expressly waived,
4 relinquished, released, compromised, or settled by the Plan or any Final Order, Debtor expressly
5 reserves for its benefit, and the benefit of Reorganized Debtor, all Litigation Claims, including,
6 without limitation, all unknown Litigation Claims for later adjudication and therefore no
7 preclusion doctrine (including, without limitation, the doctrines of res judicata, collateral
8 estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or
9 laches) shall apply to such Litigation Claims after the confirmation or consummation of the Plan.
10 In addition, Debtor expressly reserves for its benefit, and the benefit of Reorganized Debtor, the
11 right to pursue or adopt any claims alleged in any lawsuit in which Debtor is a defendant or an
12 interested party, against any individual or entity, including plaintiffs and co-defendants in such
13 lawsuits.

14 **C. Discharge.**

15 **On the Effective Date, unless otherwise expressly provided in the Plan or the**
16 **Confirmation Order, Debtor shall be discharged from any and all Claims to the fullest**
17 **extent provided in the Bankruptcy Code, including Sections 524 and 1141. All**
18 **consideration distributed under the Plan or the Confirmation Order shall be in exchange**
19 **for, and in complete satisfaction, settlement, discharge, and release of all Claims of any**
20 **kind or nature whatsoever against Debtor or any of its Assets or properties, and regardless**
21 **of whether any property shall have been distributed or retained pursuant to the Plan on**
22 **account of such Claims. Except as otherwise expressly provided by the Plan or the**
23 **Confirmation Order, upon the Effective Date, Debtor shall be deemed discharged and**
24 **released under and to the fullest extent provided under Section 1141(d)(1)(A) from any and**
25 **all Claims of any kind or nature whatsoever, including, but not limited to, demands and**
26 **liabilities that arose before the Confirmation Date, and all debts of the kind specified in**
27 **section 502(g), 502(h), or 502(i).**

28 ...

1 **D. Injunction.**

2 From and after the Effective Date, and except as provided in the Plan and the
3 Confirmation Order, all entities that have held, currently hold, or may hold a Claim or an
4 Equity Security or other right of an Equity Security Holder that is terminated pursuant to
5 the terms of the Plan are permanently enjoined from taking any of the following actions on
6 account of any such Claims or terminated Equity Securities or rights: (i) commencing or
7 continuing in any manner any action or other proceeding against Reorganized Debtor or
8 its property; (ii) enforcing, attaching, collecting, or recovering in any manner any
9 judgment, award, decree, or order against Reorganized Debtor or its property; (iii)
10 creating, perfecting, or enforcing any Lien or encumbrance against Reorganized Debtor or
11 its property; (iv) asserting a setoff, right of subrogation, or recoupment of any kind against
12 any debt, liability, or obligation due to Reorganized Debtor or its property; and (v)
13 commencing or continuing any action, in any manner or any place, that does not comply
14 with or is inconsistent with the provisions of the Plan or the Bankruptcy Code.

15 **E. Exculpation.**

16 From and after the Effective Date, neither Debtor, Reorganized Debtor, the
17 professionals employed on behalf of the Estate, nor any of their respective present or
18 former members, directors, officers, managers, employees, advisors, attorneys, or agents,
19 shall have or incur any liability, including derivative claims, but excluding direct claims, to
20 any Holder of a Claim or Equity Security or any other party-in-interest, or any of their
21 respective agents, employees, representatives, financial advisors, attorneys, or Affiliates, or
22 any of their successors or assigns, for any act or omission in connection with, relating to, or
23 arising out of (from the Petition Date forward), the Chapter 11 Case, Reorganized Debtor,
24 the pursuit of confirmation of the Plan, or the consummation of the Plan, except for gross
25 negligence and willful misconduct, and in all respects shall be entitled to reasonably rely
26 upon the advice of counsel with respect to their duties and responsibilities under the Plan
27 or in the context of the Chapter 11 Case.

28 ...

1 **F. Post-Confirmation Reporting And Quarterly Fees To The UST.**

2 Prior to the Effective Date, Debtor, and after the Effective Date, Reorganized Debtor,
3 shall pay all quarterly fees payable to the UST consistent with the sliding scale set forth in 28
4 U.S.C. § 1930(a)(6) and the applicable provisions of the Bankruptcy Code and Bankruptcy
5 Rules. These fees accrue throughout the pendency of the Chapter 11 Case, until entry of a final
6 decree. UST fees paid prior to confirmation of the Plan will be reported in operating reports
7 required by Sections 704(8), 1106(a)(1), and 1107(a), as well as the UST Guidelines. All UST
8 quarterly fees accrued prior to confirmation of the Plan will be paid on or before the Effective
9 Date pursuant to Section 1129(a)(12). All UST fees accrued post-confirmation will be timely
10 paid on a calendar quarterly basis and reported on post-confirmation operating reports. Final
11 fees will be paid on or before the entry of a final decree in the Chapter 11 Case.

12 **IX.**
13 **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

14 THE FOLLOWING SUMMARY DOES NOT CONSTITUTE EITHER A TAX
15 OPINION OR TAX ADVICE TO ANY PERSON. NO REPRESENTATIONS REGARDING
16 THE EFFECT OF IMPLEMENTATION OF THE PLAN ON INDIVIDUAL CREDITORS
17 ARE MADE HEREIN OR OTHERWISE. RATHER, THE TAX DISCLOSURE IS
18 PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL CREDITORS ARE URGED
19 TO CONSULT THEIR RESPECTIVE TAX ADVISORS REGARDING THE TAX
20 CONSEQUENCES OF THE PLAN.

21 Creditors, Equity Security Holders, and any Person affiliated with the foregoing are
22 strongly urged to consult their respective tax advisors regarding the federal, state, local, and
23 foreign tax consequences which may result from the confirmation and consummation of the Plan.
24 This Disclosure Statement shall not in any way be construed as making any representations
25 regarding the particular tax consequences of the confirmation and consummation of the Plan to
26 any Person. This Disclosure Statement is general in nature and is merely a summary discussion
27 of potential tax consequences and is based upon the Internal Revenue Code of 1986, as amended
28 (the "IRC"), and pertinent regulations, rulings, court decisions, and treasury decisions, all of

1 which are potentially subject to material and/or retroactive changes. Under the IRC, there may
2 be federal income tax consequences to Debtor, its Creditors, its Equity Security Holders, and/or
3 any Person affiliated therewith as a result of confirmation and consummation of the Plan.

4 Upon the confirmation and consummation of the Plan, the federal income tax
5 consequences to Creditors and their affiliates arising from the Plan will vary depending upon,
6 among other things, the type of consideration received by the Creditor in exchange for its Claim,
7 whether the Creditor reports income using the cash or accrual method of accounting, whether the
8 Creditor has taken a “bad debt” deduction with respect to its Claim, whether the Creditor
9 received consideration in more than one tax year, and whether the Creditor is a resident of the
10 United States. If a Creditor’s Claim is characterized as a loss resulting from a debt, then the
11 extent of the deduction will depend on whether the debt is deemed wholly worthless or partially
12 worthless, and whether the debt is construed to be a business or nonbusiness debt as determined
13 under the 26 U.S.C. § 166, and/or other applicable provisions of the Internal Revenue Code.

14 CREDITORS SHOULD CONSULT THEIR TAX ADVISOR REGARDING THE TAX
15 TREATMENT (INCLUDING FEDERAL, STATE, LOCAL, AND FOREIGN TAX
16 CONSEQUENCES) OF THEIR RESPECTIVE ALLOWED CLAIMS. THIS DISCLOSURE IS
17 NOT A SUBSTITUTE FOR TAX PLANNING AND SPECIFIC ADVICE FOR PERSONS
18 AFFECTED BY THE PLAN.

19 **X.**
20 **CONFIRMATION OF THE PLAN**

21 **A. Confirmation of the Plan.**

22 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will hold a
23 hearing regarding confirmation of the Plan at the United States Bankruptcy Court for the District
24 of Nevada, Southern Division, 300 Las Vegas Boulevard South, Las Vegas, NV 89101,
25 commencing on _____, 2013, commencing at _____.m. (Pacific).

26 **B. Objections to Confirmation of the Plan.**

27 Section 1128(b) provides that any party-in-interest may object to confirmation of a plan.
28 Any objections to confirmation of the Plan must be in writing, must state with specificity the

1 grounds for any such objections, and must be timely filed with the Bankruptcy Court and served
2 upon counsel for Debtor at the following address:

3 GORDON SILVER
4 Attn: Candace C. Clark, Esq.
5 3960 Howard Hughes Parkway, 9th Floor
6 Las Vegas, Nevada 89169
7 (702) 796-5555 Telephone / (702) 369-2666 Facsimile
8 Email: cclark@gordonsilver.com

9 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section
10 1129. In this regard, the Plan must satisfy, among other things, the following requirements.

11 **C. The Best Interest Test and Feasibility of the Plan.**

12 For the Plan to be confirmed, it must satisfy the requirements discussed below.

13 **1. Best Interest of Creditors.**

14 Pursuant to Section 1129(a)(7), for the Plan to be confirmed, it must provide that
15 Creditors and Holders of Equity Securities will receive at least as much under the Plan as they
16 would receive in a liquidation of Debtor under Chapter 7 of the Bankruptcy Code (the "Best
17 Interest Test"). The Best Interest Test with respect to each impaired Class requires that each
18 Holder of an Allowed Claim or Equity Security of such Class either: (i) accepts the Plan; or (ii)
19 receives or retains under the Plan property of a value, as of the Effective Date, that is not less
20 than the value such Holder would receive or retain if Debtor was liquidated under Chapter 7 of
21 the Bankruptcy Code. The Bankruptcy Court will determine whether the value received under
22 the Plan by the Holders of Allowed Claims in each Class of Creditors or Equity Securities equals
23 or exceeds the value that would be allocated to such Holders in a liquidation under Chapter 7 of
24 the Bankruptcy Code. Debtor believes that the Plan meets the Best Interest Test and provides
25 value which is not less than that which would be recovered by each such holder in a Chapter 7
26 bankruptcy proceeding.

27 Generally, to determine what Holders of Allowed Claims and Equity Securities in each
28 impaired Class would receive if Debtor were liquidated, the Bankruptcy Court must determine
what funds would be generated from the liquidation of Debtor's Assets and properties in the
context of a Chapter 7 liquidation case, which for unsecured creditors would consist of the

1 proceeds resulting from the disposition of the Assets of Debtor, including the unencumbered
2 Cash held by Debtor at the time of the commencement of the liquidation case. Such Cash
3 amounts would be reduced by the costs and expenses of the liquidation and by such additional
4 Administrative Claims and Priority Claims as may result from the termination of Debtor's
5 businesses and the use of Chapter 7 for the purpose of liquidation.

6 In a Chapter 7 liquidation, Holders of Allowed Claims would receive distributions based
7 on the liquidation of the non-exempt assets of Debtor. Such assets would include the same assets
8 being collected and liquidated under the Plan. However, the net proceeds from the collection of
9 property of the Estate available for distribution to Creditors would be reduced by any
10 commission payable to the Chapter 7 trustee and the trustee's attorney's and accounting fees, as
11 well as the administrative costs of the Chapter 11 estate (such as the compensation for Chapter
12 11 professionals). The Estate has already absorbed much of the cost of realizing upon Debtor's
13 Assets. In a Chapter 7 case, the Chapter 7 trustee would be entitled to seek a sliding scale
14 commission based upon the funds distributed by such trustee to creditors, even though Debtor
15 has already incurred some of the expenses associated with generating those funds. Accordingly,
16 there is a reasonable likelihood that Creditors would "pay again" for the funds accumulated by
17 Debtor because the Chapter 7 trustee would be entitled to receive a commission in some amount
18 for all funds distributed from the Estate.

19 It is further anticipated that a Chapter 7 liquidation would result in significant delay in the
20 payment, if any, to Creditors. Among other things, a Chapter 7 case could trigger a new bar date
21 for filing Claims that would be more than 90 days following conversion of the Chapter 11 Case
22 to Chapter 7. Hence, a Chapter 7 liquidation would not only delay distribution, but raises the
23 prospect of additional claims that were not asserted in the Chapter 11 Case. Moreover, Claims
24 that may arise in the Chapter 7 case or result from the Chapter 11 Case would be paid in full
25 from the Assets before the balance of the Assets would be made available to pay pre-Chapter 11
26 Allowed Priority Claims, Allowed General Unsecured Claims, and Equity Securities.

27 The distributions from the Assets would be paid Pro Rata according to the amount of the
28 aggregate Claims held by each Creditor. Debtor believes that the most likely outcome under

1 Chapter 7 would be the application of the “absolute priority rule.” Under that rule, no junior
2 Creditor may receive any distribution until all senior Creditors are paid in full, with interest, and
3 no Equity Security holder may receive any distribution until all Creditors are paid in full.

4 As set forth in the Liquidation Analysis²⁶ and accompanying notes annexed hereto as
5 **Exhibit “7,”** Debtor has determined that confirmation of the Plan will provide each Holder of a
6 Claim in an Impaired Class²⁷ with no less of a recovery than he/she/it would receive if Debtor
7 were liquidated under Chapter 7.

8 In a Chapter 7 case, the Chapter 7 trustee must liquidate the Debtor’s Assets and
9 distribute the proceeds thereof to Holders of Allowed Claims. In that scenario, the Holders of the
10 General Unsecured Claims would likely receive full repayment of their Claims, which is
11 equivalent to what they will receive through effectuation of the Plan.

12 In addition, under the Plan, the Infrastructure Agreement is assumed by the Reorganized
13 Debtor. In connection therewith, the terms of the Plan contemplate payment in full of the Global
14 Cure Amount to effectuate the assumption of the Infrastructure Agreement. In the event of a
15 Chapter 7, it is almost certain that the Chapter 7 Trustee also would assume and assign the
16 Infrastructure Agreement to the prospective purchaser of the Real Property. In such scenario,
17 Global also would receive payment in full of the Global Cure Amount. Thus, in the context of a
18 liquidation, Global would receive an amount equivalent to what it would receive through the
19 effectuation of the Plan.

20 Thus, as evidenced by the Liquidation Analysis and the accompanying notes annexed
21 hereto as **Exhibit “7,”** the value provided under the Plan to the Holders of Claims in the
22 Impaired Classes is equal to or better than what they would receive under a Chapter 7
23 liquidation. *Specifically, as has been explained herein, if the Plan is confirmed, all Claims in*
24 *Class 3 will be paid in full and the Holders of Class 4 Equity Securities will retain all of their*
25

26 _____
27 ²⁶ The Liquidation Analysis sets forth Debtor’s best estimates as to value and recoveries in the event that the Chapter
28 11 Case is converted to a case under Chapter 7 of the Bankruptcy Code and Debtor’s Assets are liquidated.

²⁷ The Impaired Class is Class 3 (General Unsecured Claims).

1 *rights thereunder. Thus, Debtor strongly encourages all Impaired Classes to vote in favor of*
2 *confirmation of the Plan.*

3 **2. Feasibility.**

4 The Bankruptcy Code requires that in order to confirm the Plan, the Bankruptcy Court
5 must find that Confirmation of the Plan is not likely to be followed by liquidation or the need for
6 further financial reorganization of Debtor (the “Feasibility Test”). For the Plan to meet the
7 Feasibility Test, the Bankruptcy Court must find by a preponderance of the evidence that Debtor
8 will possess the resources and working capital necessary to meet its obligations under the Plan.

9 As demonstrated by the previous discussion of Debtor’s financial condition, the Equity
10 Contribution and the Sale Proceeds combined with Debtor’s operations provide sufficient cash
11 flow for Debtor to meet its payment obligations under the Plan. Thus, Debtor will be able to
12 satisfy its obligations under the Plan through the Payoff Date. Provided the foregoing, Debtor is
13 confident that it can establish, and the Bankruptcy Court will find, that the Plan is feasible within
14 the meaning of Section 1129(a)(11).

15 **3. Confirmation of the Plan Without Acceptance by All Impaired Classes: the**
16 **“Cramdown” Alternative.**

17 Section 1129(b) of the Bankruptcy Code provides that a plan of reorganization may be
18 confirmed even if it has not been accepted by all impaired classes, as long as at least one
19 impaired class of claims has accepted it. Consequently, the Bankruptcy Court may confirm the
20 Plan at Debtor’s request notwithstanding the Plan’s rejection by Impaired Classes, as long as at
21 least one Impaired Class has accepted the Plan and the Plan “does not discriminate unfairly” and
22 is “fair and equitable” as to each Impaired Class that has not accepted it.

23 A plan will be deemed fair and equitable as to a class of secured claims that rejects the
24 plan if the plan provides: (i)(a) that the holders of claims in the rejecting class retain the lien
25 securing those claims, whether the property subject to those liens is retained by the debtor or
26 transferred to another entity, to the extent of the allowed amount of such claims, and (b) that
27 each holder of a claim in such class receives on account of that claim deferred cash payments
28 totaling at least the allowed amount of that claim of a value, as of the effective date of the plan,

1 at least equal to the value of the holder's interest in the estate's interest in such property; (ii) for
2 the sale, subject to Section 363(k) of the Bankruptcy Code, of any property that is subject to the
3 liens securing the claims included in the rejecting class, free and clear of the liens, with the liens
4 to attach to the proceeds of the sale, and the treatment of the liens on such proceeds as described
5 under clause (i) or (ii) of this paragraph; or (iii) for the realization by such holders of the
6 indubitable equivalent of such claims.

7 A plan is fair and equitable as to a class of unsecured claims that rejects the plan if the
8 plan provides: (i) for each holder of a claim included in the rejecting class to receive or retain on
9 account of such claim property that has a value, as of the effective date of the plan, equal to the
10 allowed amount of such claim; or (ii) that the holder of any claim or interest that is junior to the
11 claims of such rejecting class will not receive or retain on account of such junior claim or interest
12 any property at all.

13 **4. Accepting Impaired Class.**

14 Since at least one Class of Claims is Impaired under the Plan, in order for the Plan to be
15 confirmed, the Plan must be accepted by at least one Impaired Class of Claims (not including the
16 votes of Insiders of Debtor). For an Impaired Class of Claims to accept the Plan, those
17 representing at least two-thirds in amount and a majority in number of the Allowed Claims voted
18 in that Class must be cast for acceptance of the Plan.

19 **5. Voting Procedures.**

20 a. **Submission of Ballots.**

21 All Creditors entitled to vote will be sent a ballot, together with instructions for voting,
22 and a copy of this approved Disclosure Statement which includes a copy of the Plan. You should
23 read the ballot carefully and follow the instructions contained therein. Please use only the ballot
24 that was sent with this Disclosure Statement.

25 ...

26 ...

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1 You should complete your ballot and return it to Debtor's Counsel as follows:

2 Gordon Silver
3 Attn: Candace C. Clark, Esq.
3960 Howard Hughes Parkway, 9th Floor
4 Las Vegas, NV 89169
Fax: (702) 369-2666 / E-mail: cclark@gordonsilver.com

5 **TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS**
6 **LISTED ABOVE BY 5:00 P.M., PREVAILING PACIFIC TIME, ON _____, 2013.**

7 b. Incomplete Ballots.

8 Unless otherwise ordered by the Bankruptcy Court, ballots which are signed, dated and
9 timely received, but on which a vote to accept or reject the Plan has not been indicated, will be
10 counted as a vote for the Plan.

11 c. Withdrawal of Ballots.

12 You may not withdraw or change your ballot after it is cast unless the Bankruptcy Court
13 permits you to do so after notice and a hearing to determine whether sufficient cause exists to
14 permit the withdrawal or change.

15 d. Questions and Lost or Damaged Ballots.

16 If you have questions concerning these voting procedures, if your ballot is damaged or
17 lost, or if you believe you should have received a ballot but did not receive one, you may contact
18 Debtor's counsel as listed above regarding submission of ballots.

19 **XI.**
20 **ALTERNATIVES TO THE PLAN**

21 Debtor believes that the Plan provides Creditors the best and most complete form of
22 recovery available. As a result, Debtor believes that the Plan serves the best interests of all
23 Creditors and parties-in-interest in the Chapter 11 Case.

24 In formulating and developing the Plan, Debtor explored numerous alternatives. Debtor
25 believes not only that the Plan fairly adjusts the rights of various Classes of Creditors and
26 enables the Creditors to realize the greatest sum possible under the circumstances, but also that
27 rejection of the Plan in favor of some theoretical alternative method of reconciling the Claims of
28

1 the various Classes would require, at the very least, an extensive and time-consuming negotiation
2 process and would not result in a better recovery for any Class.

3 **A. Alternative Plans of Reorganization.**

4 Under the Bankruptcy Code, a debtor has an exclusive period of 120 days and an
5 additional vote solicitation period of 60 days from the entry of the order for relief during which
6 time, assuming that no trustee has been appointed by the Bankruptcy Court, only a debtor may
7 propose a plan of reorganization. After the expiration of the initial 180-day period and any
8 extensions thereof, the debtor or any other party-in-interest may propose a different plan, unless
9 the Bankruptcy Court has extended the exclusivity periods. Debtor timely filed its Plan within
10 the 120-day exclusivity period. To the extent necessary, Debtor will seek an extension of the
11 plan acceptance exclusivity period to provide sufficient time for Debtor to obtain acceptance of
12 its Plan.

13 If a plan of reorganization cannot be confirmed, a Chapter 11 case may be converted to a
14 Chapter 7 case, in which a trustee would be elected or appointed to liquidate the assets of the
15 debtor for distribution to creditors in accordance with the priorities established by the
16 Bankruptcy Code. For a discussion of the effect that a Chapter 7 liquidation in the Chapter 11
17 Case would have on recovery by Creditors, see Section X.C and the Liquidation Analysis at

18 **Exhibit “7.”**

19 As previously stated, Debtor believes that liquidation under Chapter 7 would result in no
20 better recovery by Debtor’s creditors because of: (i) the risk that Debtor may cease or lose
21 business; (ii) additional administrative expenses involved in the appointment of a trustee for
22 Debtor and attorneys and other professionals to assist such trustee; and (iii) additional expenses
23 and Claims, some of which would be entitled to priority, which would be generated during the
24 liquidation and from the rejection of leases and other executory contracts in connection with a
25 cessation of Debtor’s operations. Accordingly, Debtor believes that Holders of Claims will not
26 receive a better distribution in a Chapter 7 liquidation than they will receive under the Plan.

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XII.
PREFERENCE AND OTHER AVOIDANCE ACTIONS

A bankruptcy trustee (or the debtor as a debtor-in-possession) may avoid as a preference a transfer of property made by a debtor to a creditor on account of an antecedent debt while a debtor was insolvent, where that creditor receives more than it would have received in a liquidation of the entity under Chapter 7 had the payment not been made, if: (i) the payment was made within 90 days before the date the bankruptcy case was commenced; or (ii) the creditor is found to have been an “insider,” as defined in the Bankruptcy Code, within one year before the commencement of the bankruptcy case. A debtor is presumed to have been insolvent during the 90 days preceding the commencement of the case.

A bankruptcy trustee (or the debtor as a debtor-in-possession) may avoid as a fraudulent transfer a transfer of property made by a debtor within two years (and under applicable Nevada law, four years) before the date the bankruptcy case was commenced if the debtor: (i) received less than reasonably equivalent value in exchange for such transfer; and (ii) was insolvent on the date of such transfer or became insolvent as a result of such transfer, such transfer left the debtor with an unreasonably small capital, or the debtor intended to incur debts that would be beyond the debtor’s ability to pay as such debts matured.

Although Debtor has not fully analyzed various potential preference or other avoidance actions, it is possible that some pre-Petition transactions may be avoidable. Debtor thus hereby expressly reserves its right to commence any appropriate actions pursuant to Chapter 5 of the Bankruptcy Code.

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XIII.
RECOMMENDATION AND CONCLUSION

The Plan provides the best possible recovery for all parties-in-interest. Accordingly, Debtor strongly recommends that all Creditors who are entitled to vote on the Plan should vote to accept the Plan.

DATED this 9th day of August, 2013.

SIERRA NEGRA RANCH LLC
A Nevada limited liability company,



By: ~~SNR Management, LLC~~
By: Becker SNR, LLC
By: Barry W. Becker
Its: Manager

PREPARED AND SUBMITTED BY:

By: /s/ Candace C. Clark
GERALD M. GORDON, ESQ.
CANDACE C. CLARK, ESQ.
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