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**IN THE UNITED STATES BANKRUPTCY COURT FOR THE
DISTRICT OF ARIZONA**

In Re:

TRIESTE INVESTMENTS, L.L.L.P., an
limited liability limited partnership,

Debtor.

Chapter 11

Case No. 2:08-BK-13674 - RJH

**AMENDED DISCLOSURE STATEMENT OF DEBTOR
DATED APRIL 27, 2009**

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- EXHIBIT 1 PLAN**
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ARTICLE I. INTRODUCTION

Debtor and Debtor-in-possession, Trieste Investments, L.L.L.P.(the “Debtor” or “Trieste”) filed its petition for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) on October 6, 2008 (“Petition Date”), with the United States Bankruptcy Court for the District of Arizona (the “Bankruptcy Court”). As debtor-in possession under the Bankruptcy Code §§ 1107 and 1108, Debtor prepared this Disclosure Statement pursuant to Bankruptcy Code § 1125 and Rules 3016, 3017 and 3017.1, Fed. R. Bankr. P. in connection with the solicitation of acceptances for the First Amended Plan of Reorganization proposed by Debtor dated contemporaneously (the “Plan”). A copy of the Plan is attached hereto as **Exhibit “1”** and is incorporated herein.

Capitalized terms used in this Disclosure Statement have the same meanings ascribed to those terms in the Plan and the Bankruptcy Code. Terms defined in this Disclosure Statement that are also defined in the Plan are defined herein solely for convenience, and the Debtor does not intend to change the definitions of those terms from the Plan. If there is any inconsistency between the Plan and this Disclosure Statement, the Plan is, and will be, controlling.

ARTICLE II. THE PLAN AND DISCLOSURE STATEMENT

The object of a Chapter 11 case is the confirmation (*i.e.*, approval by the Bankruptcy Court) of a plan of reorganization. A plan describes in detail (and in language appropriate for a legal contract) the means for satisfying the claims against and interests in a debtor. After a plan has been filed, the holders of such claims and interests are permitted to vote to accept or reject the plan. Before a proponent can solicit acceptance of its plan, however, Bankruptcy Code § 1125 requires the proponent to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail to enable those parties entitled to vote on the plan to make an informed judgment about the plan and about whether they should accept or reject the plan.

1 **This Amended Disclosure Statement amends and supersedes the Debtor’s**
2 **Disclosure Statement filed March 13, 2009 in order to provide additional information as**
3 **directed by the Bankruptcy Court at the hearing on Debtor’s Disclosure Statement held**
4 **April 9, 2009 (hereinafter “Disclosure Statement”).** The purpose of this Disclosure Statement
5 is to provide the Debtor’s Creditors with adequate information to make an informed judgment
6 about the Plan. This information includes among other matters, a brief history of the Debtor, a
7 summary of its Chapter 11 Case, a description of the Debtor’s assets and liabilities, a description
8 of the terms under which Debtor’s assets will be administered in accordance with the Plan, and
9 an explanation of how the Plan will function.

10 It is important that Creditors read and carefully consider this Disclosure Statement and
11 the Plan, and that such Creditors vote promptly on the acceptance of the Plan.

12 **YOU SHOULD READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY**
13 **BEFORE VOTING ON THE PLAN. THIS DISCLOSURE STATEMENT**
14 **SUMMARIZES CERTAIN TERMS OF THE PLAN, BUT THE PLAN ITSELF IS THE**
15 **GOVERNING DOCUMENT. IF ANY INCONSISTENCY EXISTS BETWEEN THE**
16 **PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN**
17 **CONTROL.**

18 **If you have questions concerning your treatment under the Plan, please contact**
19 **legal counsel to the Debtor:**

20 **Franklin D. Dodge**
21 **RYAN RAPP & UNDERWOOD, P.L.C.**
22 **3101 North Central Avenue, Suite 1500**
23 **Phoenix, Arizona 85012**
24 **Telephone (602) 280-1000**
25 **Facsimile (602) 728-0422**
 E-mail tdodge@rwrplc.com

24 **A SUMMARY DESCRIPTION OF THE CLASSIFICATION OF YOUR CLAIM**
25 **AND THE TREATMENT PROPOSED UNDER THE PLAN ARE CONTAINED UNDER**

1 **SUMMARY OF CLASSIFICATION AND TREATMENT UNDER THE PLAN**
2 **BEGINNING ON PAGE 23. A COMPLETE COPY OF THE PLAN IS ATTACHED TO**
3 **THIS DISCLOSURE STATEMENT AS EXHIBIT “1”.**

4 The Debtor reserves the right to amend, modify or supplement the Plan at any time before
5 the confirmation of the Plan, provided that such amendments or modifications do not materially
6 alter the treatment of, or distributions to, Creditors under the Plan.

7 **THE FINANCIAL PROJECTIONS AND ESTIMATED RECOVERIES**
8 **CONTAINED IN THIS DISCLOSURE STATEMENT REPRESENT THE DEBTOR’S**
9 **ESTIMATES OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS MORE**
10 **FULLY DESCRIBED BELOW, SOME OR ALL OF WHICH MAY NOT BE REALIZED.**
11 **NONE OF THE FINANCIAL ANALYSES CONTAINED IN THIS DISCLOSURE**
12 **STATEMENT ARE CONSIDERED TO BE A FORECAST OR PROJECTION AS**
13 **TECHNICALLY DEFINED BY THE AMERICAN INSTITUTE OF CERTIFIED**
14 **PUBLIC ACCOUNTANTS. THE USE OF THE WORDS FORECAST, PROJECT, OR**
15 **PROJECTION WITHIN THIS DISCLOSURE STATEMENT RELATE TO THE BROAD**
16 **EXPECTATIONS OF FUTURE EVENTS OR MARKET CONDITIONS AND**
17 **QUANTIFICATIONS OF THE POTENTIAL RESULTS OF OPERATIONS UNDER**
18 **THOSE CONDITIONS.**

19 **ALL FINANCIAL INFORMATION PRESENTED IN THIS DISCLOSURE**
20 **STATEMENT WAS PREPARED BY THE DEBTOR. EACH CREDITOR IS URGED TO**
21 **REVIEW THE PLAN IN FULL BEFORE VOTING ON THE PLAN TO ENSURE A**
22 **COMPLETE UNDERSTANDING OF THE PLAN AND THE DISCLOSURE**
23 **STATEMENT.**

24 **THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF**
25 **CREDITORS AND OTHER PARTIES-IN-INTEREST, AND FOR THE SOLE PURPOSE**

1 OF ASSISTING THEM IN MAKING AN INFORMED DECISION ABOUT THE PLAN.
2 NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE
3 ANY REPRESENTATIONS IN CONJUNCTION WITH THE SOLICITATION OF
4 VOTES TO ACCEPT OR REJECT THE PLAN OTHER THAN THE INFORMATION
5 AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR
6 IN THE BALLOTS. IF GIVEN OR MADE, ANY SUCH INFORMATION OR
7 REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN
8 AUTHORIZED BY THE DEBTOR.

9 THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE
10 BANKRUPTCY COURT. THE COURT WILL CONSIDER ANY OBJECTIONS TO
11 DETERMINE THE LEGAL ADEQUACY OF THIS DISCLOSURE STATEMENT IN
12 CONJUNCTION WITH CONFIRMATION OF THE PLAN. APPROVAL OF THE
13 LEGAL ADEQUACY OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY
14 COURT IS NOT A CERTIFICATION BY THE BANKRUPTCY COURT AS TO THE
15 TRUTH OR ACCURACY OF THE FACTUAL MATTERS THAT ARE CONTAINED IN
16 THIS DISCLOSURE STATEMENT.

17 DEBTOR STRONGLY URGES YOU TO VOTE FOR THE PLAN AS IT
18 BELIEVES THAT THE PLAN WILL PROVIDE THE OPPORTUNITY FOR A
19 GREATER DISTRIBUTION TO HOLDERS OF CLAIMS THAN WOULD
20 OTHERWISE RESULT IF AN ALTERNATIVE RESTRUCTURING PLAN WERE
21 PROPOSED AND NO LESS THAN IF THE DEBTOR'S ASSETS WERE LIQUIDATED
22 UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

23 ARTICLE III. REPRESENTATIONS

24 This Disclosure Statement has not been subject to a certified audit but has been prepared
25 in its entirety from the information compiled by the Debtor, through its equity owners and

1 President of its General Partner, David Maniatis, with the assistance of Debtor's professionals
2 approved by the Court, from records maintained by it in the ordinary course of business or from
3 information received by the Debtor from third parties. Debtor utilizes the cash method of
4 accounting. Every effort has been made to be as accurate as possible in the preparation of this
5 Disclosure Statement.

6 Other than is stated in this Disclosure Statement, Debtor has not authorized any
7 representations or assurances concerning the Debtor, its operations or the value of its assets.
8 Therefore, in deciding whether to accept or reject the Plan, you should not rely on any
9 information relating to the Debtor or the Plan other than that contained in this Disclosure
10 Statement or in the Plan itself. You should report any unauthorized representations or
11 inducements to counsel for the Debtor, who may present such information to the Bankruptcy
12 Court for action as may be appropriate.

13 This is a solicitation by the Debtor only. It is not a solicitation by its affiliates, attorneys,
14 agents, financial advisors, accountants or any other professionals employed by the Debtor. This
15 Disclosure Statement and the Plan supercede and replace any and all prior disclosure statements
16 and plans of the Debtor, if any, proposed in this Bankruptcy Case.

17 **ARTICLE IV. CLASSIFICATION AND TREATMENT UNDER THE PLAN**

18 This Section summarizes the classification and treatment of Claims under the Plan.¹

19 The Plan divides the Claims of Creditors into Classes and sets forth the treatment
20 afforded to each Class. The classification of Claims and the distributions to be made under such
21 classification takes into account the relative priorities of Claims. The Proponent believes it has
22 classified all Claims in compliance with the provisions of Section 1122 of the Bankruptcy Code.

23
24 ¹ This summary contains only a brief and simplified description of the classification and
25 treatment of Claims under the Plan. This summary does not describe every provision of the Plan.
Accordingly, you should refer to the entire Disclosure Statement and the Plan for a complete
description of the classification and treatment of Claims.

1 If the Plan is confirmed by the Bankruptcy Court, each holder of an Allowed Claim will
2 receive the same treatment as all holders of other Allowed Claims in the same Class, regardless
3 of whether a particular holder voted to accept the Plan. Moreover, upon confirmation, the Plan
4 will be binding on all Creditors regardless of whether such Creditors voted to accept the Plan.

5 All post-Petition Date ordinary and necessary administrative fees, costs and expenses of
6 the Debtor's bankruptcy estate, except Class 1 Administrative Claims, shall have been paid or
7 will be paid by the Debtor on or before the Effective Date. Such fees, costs and expenses are
8 reflected on the Monthly Operating Reports filed by the Debtor with the U. S. Trustee.

9 The Plan creates various Classes of Claims against the Debtor. The following sets forth
10 the specific classification and treatment under the Plan of each of the Classes:

11 **ARTICLE V. VOTING AND CONFIRMATION PROCEDURES**

12 This Disclosure Statement is accompanied by copies of the following:

- 13 1. The Plan, attached as **Exhibit "1"** to this Disclosure Statement.
- 14 2. The Bankruptcy Court's Order (the "Solicitation Order):
 - 15 a. Setting hearing on Approval of Adequacy of Disclosure Statement and
16 Plan Confirmation;
 - 17 b. Setting Objection Deadlines thereon;
 - 18 c. Setting Record Date;
 - 19 d. Approving Ballots and Solicitation Protocol;
 - 20 e. Setting Ballot Deadlines; and
 - 21 f. Related Matters.
- 22 3. A Ballot to accept or reject the Plan.
- 23 4. A list of Proofs of Creditors' Claims Objected to by Debtor, as set forth in
24 **Exhibit "2"**, attached hereto and incorporated herein.

1 5. A description of the subject property that is the single asset of this Bankruptcy
2 Case, as set forth on **Exhibit “3”**, attached hereto and incorporated herein (the
3 “Property”).

4 6. A liquidation analysis, attached hereto as **Exhibit “4”** and incorporated herein.

5 7. Feasibility Analysis (Financial Analyses), attached hereto as **Exhibit “5”** and
6 incorporated herein.

7 Appropriate forms of the Ballots must be used by the holders of Claims in Classes 2, 3, 4
8 and 6. Holders of Claims in Class 1 and 5 are unimpaired under the Plan are deemed to have
9 accepted the Plan without voting. Class 7 is deemed to have rejected the Plan.

10 **A. WHO MAY VOTE**

11 Under the Bankruptcy Code, impaired Classes of Claims are entitled to vote to accept or
12 reject a Plan of Reorganization. A Class that is not impaired under a Plan is deemed to have
13 accepted a Plan and does not vote. A Class is impaired under the Bankruptcy Code when the
14 legal, equitable and contractual rights of the holders of Claims or Equity Interests in that Class
15 are modified or altered. For purposes of the Plan, holders of Claims in Classes 2, 3, 4 and 6 are
16 impaired and entitled to vote on the Plan. Holders of Claims in Class 1 and 5 are unimpaired for
17 voting purposes since they will be paid in full pursuant to §§ 503(b), 507(a)(8) and 1129(a)(9)(C)
18 and are deemed to have accepted the Plan without voting. Class 7 is deemed to have rejected the
19 Plan.

20 If the Debtor files an objection to your claim, you are responsible to request that the
21 Bankruptcy Court temporarily allow your claim for voting purposes. Rule 3018 of the Federal
22 Rules of Bankruptcy Procedure provides that the Bankruptcy Court, after notice and hearing,
23 may temporarily allow the Claim in an amount, which the Bankruptcy Court deems proper for
24 the purpose of voting. If the Debtor files an objection to your claim, you should seek an
25 attorney’s assistance with respect to this matter. Attached hereto as **Exhibit “2”** is a list of the

1 claims to which Debtor objects as of the time of this filing. Debtor may file additional objections
2 to claims if and when it deems appropriate. A Motion for an Order to fix the date of the
3 confirmation hearing as the final date for the filing of any claims in this case has been filed with
4 the Court. No claims filed after that date shall be considered for purposes of receiving
5 distributions under the Plan.

6 **B. VOTING INSTRUCTIONS**

7 All votes to accept or reject the Plan must be cast by using the appropriate form of Ballot
8 enclosed with the Disclosure Statement. Only votes using such Ballots will be counted, except
9 to the extent the Bankruptcy Court orders otherwise.

10 **For your vote to count, your Ballot must be properly completed according to the**
11 **voting instructions on the Ballot and received no later than the Voting Deadline by the**
12 **Debtor's counsel. Any Ballot not indicating an acceptance or rejection will be deemed an**
13 **acceptance of the Plan. If you are a beneficial holder of a Bond held by a nominee or**
14 **record holder, your Ballot must be returned to your nominee or record holder in time for**
15 **the nominee or record holder to include a summary of your Ballot on the Master Ballot to**
16 **be submitted to the Voting Agent by the Voting Deadline.**

17 If you have any questions concerning the Plan, please contact Debtor's counsel:

18 Franklin D. Dodge, Esq.
19 **RYAN RAPP & UNDERWOOD, P.L.C.**
3101 North Central Avenue, Suite 1500
Phoenix, Arizona 85012
20 Telephone: (602) 280-1000
Facsimile: (602) 728-0422
21 Email: tdodge@rwrplc.com

22 **C. ACCEPTANCE OR REJECTION OF THE PLAN**

23 Under the Bankruptcy Code, a Class of Claims entitled to vote is deemed to have
24 accepted the Plan if it is accepted by creditors in such Class who, of those actually voting on the
25

1 Plan, hold at least two thirds in amount and more than one-half in number of the Allowed Claims
2 of such Class.

3 If the Plan is not accepted by all impaired Classes of Allowed Claims, the Plan may still
4 be confirmed by the Bankruptcy Court under Section 1129(b) of the Bankruptcy Code, if: (1) the
5 Plan has been accepted by at least one impaired Class of Claims; and (2) the Bankruptcy Court
6 determines, among other things, that the Plan does not discriminate unfairly and is fair and
7 equitable with respect to each non-accepting impaired Class (the “Cramdown Provisions”). If
8 the Plan is not accepted by all impaired Classes of Allowed Claims, then Debtor reserves the
9 right to ask the Bankruptcy Court to confirm the Plan under the Cramdown Provisions.

10 **D. CONFIRMATION HEARING AND OBJECTIONS**

11 Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice to
12 hold a Confirmation Hearing. Section 1128(b) of the Bankruptcy Code provides that any party-
13 in-interest may object to Confirmation of the Plan. Under Section 1128 of the Bankruptcy Code
14 and Rule 3017(e) of the Bankruptcy Rules, **the Bankruptcy Court has scheduled the**
15 **Confirmation Hearing before the Honorable Randolph J. Haines, United States**
16 **Bankruptcy Judge, at the United States Bankruptcy Court, District of Arizona, 230 North**
17 **First Avenue, 6th Floor, Courtroom 603, Phoenix, Arizona 85003, for _____, 2009 at**
18 **__:___.m.**

19 The Solicitation Order setting forth the time and date of the Confirmation Hearing has
20 been included along with this Disclosure Statement. Pursuant to the Solicitation Order, the
21 Confirmation Hearing has been set to consider the Confirmation of the Plan. The Confirmation
22 hearing may be adjourned from time to time by the Bankruptcy Court without further notice,
23 except for an announcement of such adjourned hearing date by the Bankruptcy Court in open
24 court at such hearing.

25

1 **ARTICLE VI. GENERAL BACKGROUND OF DEBTOR**

2 **A. SUMMARY OF DEBTOR’S BUSINESS**

3 Trieste was formed for the purpose of purchasing the subject Property for investment.
4 The subject Property consists of approximately 7,488 acres of vacant unentitled land in Liberty
5 County, Texas in the greater Houston metroplex.² It has been the Debtor’s business plan to sell
6 off the Property in parcels over time in order to realize its greatest profit potential.

7 On December 5, 2005, Debtor purchased the Property from Secured Creditor, Weldon
8 Alders, the former owner (“Alders”), for \$2,750.00 per acre (“Purchase Price”). Debtor paid a
9 25% down payment on the Purchase Price (and an additional \$600,000.00 in extensions) to
10 Alders and Alders financed the remainder of the Purchase Price by carrying back a Promissory
11 Note for \$15,366,837.75 (the “Note”) secured by a Deed of Trust on the Property (the “Deed of
12 Trust’). The Deed of Trust contained a provision for the release of parcels to Trieste upon its
13 making certain payments.

14 The Note required semi-annual principal payments to be made on June 5th and December
15 5th each year subsequent to the date of purchase together with interest at the prime rate (as
16 defined in the Note) plus 200 basis points. The semi-annual payment amounts for principal are
17 \$512,622.55. The semi-annual payments were made by Trieste until the June 5, 2008 semi-
18 annual payment was due. Due to a lawsuit between Debtor and Alders, no semi-annual payments
19 were made thereafter.

20 **B. LAWSUIT WITH SELLER/LENDER ON THE PROPERTY**

21 A dispute arose between Trieste and Alders as to the parcel release provision of the Deed
22 of Trust, each side claiming the other to be in default. Because of the claimed default by Alders,
23 Trieste ceased making payments. A legal action was filed by Alders in the Texas District Court
24

25 ² See also, Debtor’s Schedules and Statements Of Financial Affairs, as amended, filed in this
bankruptcy case) for Debtor’s other assets located on the Property.

1 for Liberty County, Texas (“Texas State Court”) seeking, *inter alia*, that Trieste was in default
2 and that Alders could proceed with a foreclosure on the Property pursuant to his Deed of Trust.
3 Trieste filed counterclaims alleging that Alders was in default under the Deed of Trust parcel
4 release provisions. The Texas State Court entertained Alders’ motion for a summary judgment
5 and entered judgment thereon for Alders and against Trieste (“Texas Judgment”). Pursuant to the
6 Texas judgment, a Writ was issued providing for Alders to conduct a foreclosure sale on the
7 Property on October 7, 2008. This Bankruptcy Case was filed on October 6, 2008. The Texas
8 Judgment is being appealed by the Debtor and a motion for stay of the Texas Judgment is
9 pending before the Texas State Court.

10 **C. OWNERSHIP OF DEBTOR**

11 The ownership of the Debtor is comprised of the following persons/entities in the
12 percentages set forth:

- | | | |
|----|-----------------------------------|-------------------|
| 13 | North Ft. Worth Management, L.L.C | (1% of L.L.L.P.) |
| 14 | Greenplex Investments, L.L.C. | (99% of L.L.L.P.) |

15 The foregoing entities have also made unsecured loans to the Debtor and are classified as
16 unsecured creditors in Class 6 of the Plan. By definition, pursuant to 11 U.S.C. §§101(2) and
17 101(31), the foregoing entities are insiders/affiliates of the Debtor. Debtor’s representatives have
18 reviewed such provisions of the Code and its creditor body and determined that no other person
19 or entity that is a creditor meets the definitions set forth in such provisions of the Code.

20 **D. HISTORY OF DEBTOR**

21 Trieste Investments, L.L.L.P. was formed on July 12, 2005, in Arizona. It was formed
22 for the sole purpose of acquiring, holding title, investment and sale of the Property for profit. The
23 location of the company is 7218 E. Redfield Road, Suite 102, Scottsdale, Arizona. 85260.

24 The Company continues to actively market the sale of the Property and has had and
25 continues to have proposals for the purchase and sale of the Property or parcels thereof. In June

1 2008, the Company had the Property under contract for \$3,300/acre with WIGI Grayson; the
2 transaction failed to be consummated. Currently, there is an unwritten proposal to purchase 100
3 acres at \$3,500.00 per acre.

4 **E. FACTORS LEADING TO BANKRUPTCY**

5 The following, which includes a discussion of the four (4) below identified factors,
6 discusses the leading and/or contributing causes of Debtor's Bankruptcy:

- 7 1. Timing
- 8 2. Lawsuit With Seller/Lender
- 9 3. Failure To Pay Debts and Operating Expenses
- 10 4. The U. S. economy

11 1. **Timing and the U. S. Economy**

12 ***Timing and the U. S. Economy:*** As evident from the national media, and the Debtor's
13 monthly operating reports filed with the Bankruptcy Court, land sales nationally have been
14 negatively impacted. When the economy started its downward spiral last spring, banks rapidly
15 quit lending, and, in particular, on real estate transactions. The Company, like almost all
16 companies in the real estate business, was squeezed from all sides: no alternative financing was
17 available to service Alders' Note or payoff Alders and potential purchasers' financing sources to
18 purchase the Property or parcels thereof were shrinking.

19 2. **Lawsuit With Seller/Lender**

20 ***Lawsuit with Seller/Lender:*** As discussed herein (Article VI.B.), the Company had a
21 contract dispute with its Seller/Lender (Alders), which resulted in litigation before the Texas
22 State Court. The Texas State Court entered the Texas Judgment against Trieste and in favor of
23 Alders allowing him to proceed to foreclosure on the Property.

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3. Failure to Pay Debts

Failure to Pay Debts: While there was no dispute between Alders and Trieste, the payments required by the Alders’ Note were paid. Once the dispute between Alders and Trieste ensued, Trieste ceased making the payments under the Note and Deed of Trust based upon the claimed default by Alders of the parcel release provision of the Deed of Trust. The Debtor has introduced testimony in this Bankruptcy Case that Alders represented that after certain payments were made, Debtor was to submit the surveys for the parcels sought to be released and they would be released; that Debtor made the payments to Alders; that Alders traveled to Phoenix, Arizona where the banks upon which the check payments were drawn were located and cashed the checks; and that thereafter, Alders failed and refused to release any parcels to Trieste as previously represented he would do. Without parcel releases, Trieste was severely and adversely impacted. It is the Debtor’s position that all the parties had known and agreed, as it was an industry custom, that the plan and intention of Debtor was to sell off the Property in parcels in order to service the debt owed to Alders.

The Debtor has the best, most experienced and capable individual with expertise to implement and carry out the provisions of Debtor’s Plan in David Maniatis whose qualifications were presented in his testimony to the Bankruptcy Court at the hearing on Alders’ Motion to Lift Stay. The Company’s support staff, which provides accounting, book keeping, clerical and related services, is allocated from affiliated entities and consists of:

Maria Couvillion, Controller

Lindsay Rials, Assistant Controller

Annette Anghel, Project Manager

Further, with the assistance of the Debtor’s Court-approved professionals, Debtor now has the personnel needed to achieve the implementation and consummation of the Plan with the best possible yields for the benefit of the bankruptcy estate and its creditors. David Maniatis will

1 continue to be present and watching over daily operations of the Debtor to insure that the
2 objectives of the Plan are fulfilled.

3 **F. OVERVIEW OF THE DEBTOR'S STRATEGY**

4 Debtor's Plan is a 100% payment plan of reorganization. The proposed Plan is to pay all
5 creditors in full over the term of the Plan, in the manner set forth in the Plan. Debtor's expert
6 professionals, Burke Hansen, Phoenix, Arizona (William Dominick), approved by Order of the
7 Court, utilizing the services of Bolton Baer Appraisers, Houston, Texas (Wayne Baer), together
8 with Mr. Maniatis, as an expert in investing, purchasing and selling large commercial tracts such
9 as the Property, and/or other person qualified as an expert to testify as to feasibility of the Plan
10 and the proposed Property and parcel sales, will testify at the Confirmation Hearing to the
11 feasibility of the Plan based upon the analyses set forth on **Exhibit "5"**, attached hereto and
12 incorporated herein ("Feasibility Analysis"). The Debtor may also utilize the services of an
13 expert to rebut any attempt by a creditor at the Confirmation Hearing to challenge the interest
14 rate(s) provided by the Debtor under the Plan or otherwise attempt to prove that such interest
15 rate(s) is/are not a market rate of interest under a cramdown plan.

16 Debtor's objective in its Plan is to pay its creditors no less than they would receive in a
17 Chapter 7 liquidation. A liquidation analysis is attached hereto as **Exhibit "4"** and incorporated
18 herein. Debtor's means of execution and implementation of its Plan are set forth on page 29 *et*
19 *seq.*

20 **G. EQUITY MEMBERS**

21 Debtor's Equity holders (Class 7) will receive no dividends or distributions during the
22 life of the Plan, unless all senior classes have been paid in accordance with the Plan or as
23 otherwise agreed in writing or a Court order. Following payment in full of all senior classes,
24 Equity holders will continue to retain their current ownership interests in Debtor.

25

1 **ARTICLE VII. SIGNIFICANT EVENTS DURING BANKRUPTCY CASE**

2 **A. COMMENCEMENT OF THE CHAPTER 11 CASE**

3 On the Petition Date, Debtor filed a voluntary petition for relief under Chapter 11 of the
4 Bankruptcy Code. The captioned bankruptcy case was assigned to the Honorable Randolph J.
5 Haines, United States Bankruptcy Judge for the District of Arizona.

6 On December 10, 2008, Alders filed his Motion to Dismiss this Bankruptcy case (Dkt.
7 #42) (“Motion to Dismiss”); such motion was opposed by Debtor and a hearing was held on the
8 Motion to Dismiss on January 13, 2009. By Minute Entry Order entered on January 13, 2009, the
9 Court denied the Motion to Dismiss (Dkt. #78).

10 On December 31, 2008, Debtor filed its Motion for Authority to Enter Into Settlement
11 Agreement With Louis Dreyfus Pipeline Co. (Dkt. #59)(“Motion for Authority”). Alders
12 opposed the Motion for Authority. A hearing was held on February 12, 2009 at which the Court
13 granted Debtor’s Motion for Authority, but declined to determine whether Alders had to release
14 his lien on the portion of the Property that was the subject of the Settlement Agreement with
15 Louis Dreyfus Pipeline or how the proceeds from such settlement were to be disbursed vis-à-vis
16 Debtor and Alders (Dkt. #104).

17 On December 29, 2008, Debtor filed its Motion for Authority to Enter Into Timber
18 Agreement With Carl Kleinman (Dkt. #51) (“Motion for Timber Contract”). Alders opposed the
19 Motion for Timber Contract. A hearing was held on February 12, 2009, at which the Court
20 requested legal briefs from the parties on Texas law relating to a secured creditor’s rights in
21 timber located on the Property and whether Texas law required such a secured creditor to allow
22 timber on its collateral property to be cut and removed in exchange for the money equivalent.
23 Debtor was given the right to submit its legal brief when it deemed appropriate to do so.

24 Since the Petition Date, Debtor has continued to operate its business as Debtor-in-
25 possession under Sections 1107(a) and 1108 of the Bankruptcy Code.

1 Ilene Lashinsky is the U. S. Trustee in this case.

2 **B. RETENTION OF PROFESSIONALS**

3 On October 8, 2008, Debtor applied to the Court to engage Ryan Rapp & Underwood,
4 P.L.C. as bankruptcy and reorganization counsel (Dkt. #5). On October 14, 2008, the
5 Bankruptcy Court entered an order, *nunc pro tunc*, authorizing Debtor to retain Ryan Rapp &
6 Underwood, P.L.C., as bankruptcy and reorganization counsel (Dkt. #13).

7 Debtor also moved the Court to employ the law firm of Brown McCarroll, Austin, Texas
8 as special appeals counsel to pursue Debtor's appeal of the Texas State Court Judgment (Dkt.
9 #26) ("Texas Appeal Counsel"). On November 10, 2008, the Bankruptcy Court entered its order
10 authorizing Debtor to retain Texas Appeal Counsel (Dkt. #32).

11 On October 31, 2008, Debtor also moved the Court to employ Womack, McClish, Wall
12 & Foster, P.C., Austin, Texas ("WMWF") to serve as Debtor's special counsel for the settlement
13 of an ongoing condemnation lawsuit with Louis Dreyfus Pipeline Co. (Dkt. #18). On November
14 3, 2008, the Bankruptcy Court entered its order authorizing Debtor to retain WMWF (Dkt. #22).

15 On February 3, 2009, Debtor also moved the Court to Employ William Dominick of
16 Burke Hansen, LLC to serve as its valuation expert of Debtor's real property (Dkt. #86); On
17 February 5, 2009, the Bankruptcy Court entered its order authorizing Debtor to retain Mr.
18 Dominick (Dkt. #93).

19 On December 22, 2008, Debtor filed its Motion To Modify Automatic Stay for the sole
20 purpose of lifting the automatic stay to allow Debtor to pursue its appeal of the Texas State Court
21 Judgment (Dkt. #49). On January 26, 2009, the Bankruptcy Court entered its order modifying the
22 automatic stay to permit Debtor to pursue an appeal of the Texas State Court Judgment (Dkt.
23 #83).

24

25

1 **C. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

2 **1. Assumed Contracts and Leases**

3 To date, the Court has approved Debtor’s assumption of or authorization to enter into the
4 following executory contracts and unexpired leases:

5 Settlement Agreement with Louis Dreyfus Pipeline.

6 **2. Rejected Contracts and Leases**

7 To date, the Court has approved Debtor’s rejection or authorization to enter into the
8 termination of the following executory contracts and unexpired leases: None

9 Any additional contract or lease to be assumed or rejected by Debtor will be the subject
10 of a Motion to Assume or Reject filed on or before the conclusion of the Confirmation Hearing.

11 Any contract or lease not specifically assumed on or before the conclusion of the Confirmation
12 Hearing or otherwise assumed or rejected pursuant to the Plan shall be deemed rejected.

13 In connection with the purchase of the Property by Debtor from Alders, the parties
14 entered into the Agricultural Lease that is attached hereto as **Exhibit “6”** and incorporated herein
15 (“Agricultural Lease”). The Agricultural Lease incorporates the provision for parcel releases
16 contained in the Alders’ Deed of Trust on the Property. The Plan contemplates the release of
17 parcels in a manner different from that contained in the Alders’ Deed of Trust. Therefore, Debtor
18 must reject the Agricultural Lease because if it assumes the lease unchanged, i.e., with the parcel
19 release provision in the Deed of Trust, it conflicts with Debtor’s ability to carry out the
20 provisions of its Plan. Debtor has proposed to Alders that the Lease continue to be honored, i.e.,
21 not terminated, in accordance with its terms with the exception of the parcel release provision,
22 which would change to accommodate the Plan’s provisions. To date, Alders has not responded to
23 such proposal.

24 Upon a rejection of the Agricultural Lease, Alders has the right to claim rejection
25 damages attributable to the rejection. 11 U.S.C. §365(g)(h). Alders pays no rent to Debtor under

1 the Agricultural Lease. Alders plants, grows and harvests crops on portions of the Property.
2 Under the Plan, Debtor proposes to continue to allow Alders to plant, grow and harvest his crops
3 on the Property until a parcel upon which there are crops is released, as contemplated under the
4 Plan, at which time that parcel will be free of Alders' Deed of Trust lien and any tenant rights
5 that are contemplated under the Agricultural Lease (not unlike what is presently provided under
6 the existing terms of the Agricultural Lease). Further, Debtor will takes steps to insure that any
7 parcel that is sold upon which Alders has growing crops, is sold subject to Alders' crops being
8 harvested in order to mitigate any damages to Alders.

9 **D. MOTION TO LIFT STAY**

10 On December 4, 2008, Alders filed his Motion to Lift Stay (Dkt. #37) ("Lift Stay
11 Motion"); such motion was opposed by Debtor and a final evidentiary hearing was held on the
12 Lift Stay Motion on February 9 and 11, 2009. On February 11, 2009, the Bankruptcy Court
13 denied Alders' Lift Stay Motion, but held that if Debtor did not have its Plan confirmed within
14 ninety (90) days, the automatic stay of 11 U.S.C. §362(a) would be lifted as requested by Alders'
15 Lift Stay Motion.

16 **E. POST-PETITION DIP FINANCING**

17 Debtor proposes to obtain post-petition DIP financing. The terms and conditions of such
18 DIP financing are set forth on **Exhibit "7"** attached hereto and incorporated herein. Debtor will
19 seek authority for such DIP financing from the Court at the Confirmation Hearing as part of its
20 Plan.

21 **F. DEBTOR'S CLAIMS AGAINST THIRD PARTIES**

22 Debtor has claims against the following third persons/parties that it anticipates pursuing
23 post-confirmation: its secured creditor seller/lender, Weldon Alders, in conjunction with
24 Debtor's appeal of the Texas State Court Judgment.

25

1 **ARTICLE VIII. DESCRIPTION OF THE PLAN**

2 A copy of the Plan accompanies the Disclosure Statement as **Exhibit “1”**. The following
3 summary of the material provisions of the Plan is qualified in its entirety by the specific
4 provisions of the Plan, including the Plan’s definitions of certain terms used below. The
5 following is intended to provide a general description of the Plan. For more specific
6 information, please refer to the attached Plan. Please note that the Debtor has attempted to
7 minimize the use of defined terms in describing the Plan. However, any capitalized terms that
8 are not defined in this section of the Disclosure Statement are defined in the Plan. It is
9 recommended that one refer to those definitions when reading this document.

10 **A. BRIEF EXPLANATION OF THE CHAPTER 11 PLAN**

11 Debtor is being reorganized pursuant to the Plan that is proposed under Chapter 11 of the
12 Bankruptcy Code (“Chapter 11”). Under Chapter 11, a debtor is authorized to reorganize or
13 liquidate in an orderly fashion its business for the benefit of itself and its creditors and equity or
14 shareholders. Confirmation of a plan is the principal objective of a Chapter 11 case.

15 In general, a Chapter 11 plan (1) divides Claims into separate Classes; (2) specifies the
16 property that each Class is to receive under the plan; and (3) contains other provisions necessary
17 to the reorganization or liquidation of the debtor.

18 A Chapter 11 plan may provide that certain Classes of Claims are either (1) to be paid in
19 full upon the effective date of the plan; (2) reinstated; or (3) their legal, equitable and contractual
20 rights are to remain unchanged by the reorganization effectuated by the plan. These Classes are
21 referred to under the Bankruptcy Code as unimpaired, and, because of such favorable treatment,
22 are deemed to accept the plan. Accordingly, it is not necessary to solicit votes from the holders
23 of Claims in such unimpaired Classes. A Chapter 11 plan may also provide that certain Classes
24 will not receive any distributions of property. Such Classes are deemed to reject the plan.

25

1 All other Classes of Claims contain impaired Claims. An impaired Class is generally a
2 Class that will receive something less than their Claim under the plan of reorganization or
3 liquidation. Before a plan can be confirmed by the Bankruptcy Court, Chapter 11 generally
4 requires that each impaired Class of Claims votes to accept a plan. Acceptances must be
5 received from the holders of Claims in each impaired Class of Claims that have voted on the
6 plan. However, even if an impaired Class rejects the plan, the Bankruptcy Court may confirm
7 the plan if certain minimum treatment standards are met with respect to such Class or Classes.
8 This is discussed more fully herein at pages 38, 45-46.

9 Chapter 11 does not require each holder of a Claim to vote in favor of a plan in order for
10 the Bankruptcy Court to confirm the plan. However, the Bankruptcy Court must find that the
11 plan meets a number of tests (other than the voting requirements described in this section) before
12 it may confirm, or approve, the plan of reorganization or liquidation. Many of these tests are
13 designed to protect the interests of holders of Claims who do not vote to accept the plan, but who
14 will nonetheless be bound by the plan's provisions if it is confirmed by the Bankruptcy Court.

15 **B. SOLICITATION OF ACCEPTANCE OF THE PLAN**

16 Debtor is seeking acceptance of the Plan from holders of the Allowed Claims in Classes
17 2, 3, 4 and 6, which are the only Classes entitled to vote under the Plan. Classes 1 and 5 are
18 unimpaired and are deemed to accept the Plan. Class 7 will not receive any distribution of
19 property and is deemed to reject the Plan. If the requisite acceptances are received, Debtor will
20 use the acceptances as evidenced by the Ballots solicited in connection with this Disclosure
21 Statement and the Solicitation Order to seek confirmation of the Plan under Chapter 11.

22 If any impaired Class is determined to have rejected the Plan in accordance with Section
23 1126 of the Bankruptcy Code, Debtor may use the provisions of Section 1129(b) of the
24 Bankruptcy Code to satisfy the requirements for confirmation of the Plan.

1 Debtor believes that the Plan complies with applicable bankruptcy and non-bankruptcy
2 law. Debtor believes that this Disclosure Statement contains adequate information for all holders
3 of Impaired Claims to cast an informed vote to accept or reject the Plan. Furthermore, Debtor
4 believes that under the Plan the holders of Impaired Claims will receive no less than they would
5 otherwise obtain if the Debtor's assets were immediately liquidated under Chapter 7 of the
6 Bankruptcy Code.

7 If the Plan is confirmed by the Bankruptcy Court, each holder of an Impaired Claim will
8 receive the same pro-rata consideration as other holders of Claims in the same Class, whether or
9 not such holder voted to accept the Plan. Moreover, upon Confirmation, the Plan will bind all
10 Creditors regardless of whether or not such Creditors voted to accept the Plan.

11 **C. CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS**

12 Section 1122 of the Bankruptcy Code provides that a plan of reorganization must classify
13 Claims against the Debtor. Under Section 1122 of the Bankruptcy Code, a plan must classify
14 Claims into Classes that contain substantially similar Claims. The Plan divides the Claims of
15 known Creditors into Classes and sets forth the treatment offered each Class. The Debtor
16 believes it has classified all Claims in compliance with the provisions of Section 1122 of the
17 Bankruptcy Code, but it is possible that a Creditor may challenge such classification of Claims
18 and that the Bankruptcy Court may find that a different classification is required for the Plan to
19 be confirmed. If so, the Debtor intends, to the extent permitted by the Bankruptcy Code and the
20 provisions of the Plan, to amend or revoke the Plan and file an amended or different Plan that
21 would make modifications to the classifications of Claims required by the Bankruptcy Court for
22 confirmation.

23 The Classes under the Plan take into account the differing nature and priority of Claims
24 against the Debtor. Section 101(5) of the Bankruptcy Code defines Claim as a right to payment,
25 whether or not such right is reduced to judgment, liquidated, fixed, contingent, matured,

1 unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or a right to an equitable
2 remedy for breach of performance if such breach gives rise to a right to payment matured,
3 unmatured, disputed, undisputed, secured or unsecured. A Claim against the Debtor also
4 includes a Claim against the Debtor's property as provided in Section 102(2) of the Bankruptcy
5 Code.

6 For the holder of a Claim to participate in a reorganization plan and receive the treatment
7 offered to the Class in which it is classified, its Claim must be allowed. Under the Plan, an
8 Allowed Claim is defined as a Claim: (a) proof of which, requests for payment of which, or
9 application for allowance of which, was filed or deemed filed on or before any applicable Bar
10 Date for filing proofs of claims or request for payment of claims of such type against the Debtor,
11 unless disputed, in which case the Claim must be determined by the Bankruptcy Court to be an
12 Allowed Claim; (b) if no proof of claim is filed, which is listed by Debtor in the Schedules as
13 liquidated in amount and not disputed or contingent; or (c) a claim that is allowed or provided for
14 in any contract, instruments, indenture, or other agreement entered into in connection with the
15 Plan, and, in any case, a Claim as to which no objection to its allowance has been interposed
16 within the applicable period of limitation fixed by the Plan, the Bankruptcy Rules, or the
17 Bankruptcy Court.

18 **D. DESCRIPTION OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN**

19 The following describes the Plan's classification of Claims against the Debtor and the
20 treatment the holders of Allowed Claims would receive under the Plan. The treatment of Claims
21 set forth below is consistent with the requirements of Section 1129 (a)(9)(A) of the Bankruptcy
22 Code.

23 **1. Unclassified Claims**

24 As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and
25 Priority Tax Claims against the Debtor are not classified for purposes of voting on or receiving

1 Distributions under the Plan. Holders of such Claims are not entitled to vote on the Plan because
2 they must be paid 100% before any junior claims. All such Claims are treated separately in
3 accordance with the requirements set forth in Section 1129(a)(9)(A) of the Bankruptcy Code.

4 **2. Classification of Claims and Equity Interests**

5 Summary of Classification: In accordance with Section 1123(a)(1) of the Bankruptcy
6 Code, all Claims of Creditors are placed in the Classes described below for all purposes,
7 including voting on, confirmation of, and distribution under, the Plan.

8 Class 1 - Administrative Claims	Unimpaired, not entitled to vote, deemed to accept
9 Class 2 - Secured Claim of Weldon Alders	Impaired, entitled to vote
10 Class 3 – Secured Claim of AHK Texas	Impaired, entitled to vote
11 Holdings, L.L.C.	
12 Class 4 –Secured Claim of MW2	Impaired, entitled to vote
13 Investments, L.L.C	
14 Class 5 - Priority Tax Claims	Unimpaired, not entitled to vote, deemed to accept
15 Class 6 - General Unsecured Claims	Impaired, entitled to vote
16 Class 7 - Equity Interest Holders	Impaired, not entitled to vote, deemed to reject

17 Specific Classifications:

18 **Class 1 - Administrative Claims:** This Class consists of all Allowed Claims that arose during
19 the pendency of the Chapter 11 Case in the ordinary course of Debtor’s business and those
20 Allowed Claims subject to Bankruptcy Court approval, which are entitled to priority under
21 Section 503(b) of the Bankruptcy Code.

22 **Class 2 - Secured Claim of Weldon Alders:** This Class consists of the Allowed Claim of
23 Secured Creditor Weldon Alders, secured by Debtor’s Property, to the extent that it is deemed
24

1 secured under § 506 of the Code, with validly perfected and recorded lien(s), which are
2 determined not preferential or otherwise voidable.

3 **Class 3 – Secured Claim of AHK Texas Holdings, L.L.C.:** This Class consists of the Allowed
4 Claim of Secured Creditor AHK Texas Holdings, L.L.C. (“AHK”), secured by Debtor’s
5 Property, to the extent that it is deemed secured under § 506 of the Code, with validly perfected
6 and recorded lien(s), which are determined not preferential or otherwise voidable.

7 **Class 4 – Secured Claim of MW2 Investments, L.L.C.:** This Class consists of the Allowed
8 Claim of Secured Creditor MW2 Investments, L.L.C. (“MW2”), secured by Debtor’s Property,
9 to the extent that it is deemed secured under § 506 of the Code, with validly perfected and
10 recorded lien(s), which are determined not preferential or otherwise voidable.

11 **Class 5 - Priority Tax and Related Claims:** This Class consists of all Allowed Claims entitled
12 to priority under Sections 507(a)(1) through 507(a)(8).

13 **Class 6 - – General Unsecured Claims:** This Class consists of all Allowed General Unsecured
14 Claims and any unsecured deficiency claim of Classes 2, 3 and/or 4, if any.

15 **Class 7 - Equity Interest Holders:** This Class contains all Debtor’s equity interest holders.

16 **ARTICLE IX. TREATMENT OF ALLOWED CLAIMS AND INTERESTS,
17 IMPAIRMENT, VOTING AND DISTRIBUTIONS**

18 **Class 1 - Costs of Administration and Court-Approved Professionals Claims—*Unimpaired***

19 **Class 1:** Allowed Administrative claims are generally Claims that arose during the pendency of
20 the Chapter 11 Cases which were incurred in the ordinary course of business or are subject to
21 Bankruptcy approval under §§ 503(b), 507 and 330(a) of the Code. Under the Plan, each holder
22 of an Allowed Administrative Claim shall be paid in full in cash upon the latter of either (a) the
23 Effective Date; (b) such date as may be fixed by the Bankruptcy Court; or (c) the eleventh (11th)
24 Business Day after the entry of an order providing that such Claim is Allowed; provided that a
25 later date may be substituted if mutually agreed to by the holder of such Claim and the Debtor’s

1 estate representative. Professional Fees are the Claims approved by the Bankruptcy Court for
2 compensation and reimbursement of expenses submitted by the professionals who have been
3 retained by the Debtor pursuant to an Order of the Bankruptcy Court. Under the Plan, the
4 Professional Fees will be paid in full in cash by the Debtor's estate representative, in such
5 amounts as are allowed by the Bankruptcy Court.

6 Impairment and Voting. Class 1 is unimpaired by the Plan; consequently, all holders of Allowed
7 Claims in Class 1 are deemed to accept the Plan and are not entitled to vote on the Plan. Debtor
8 estimates there are 4 holders of Class 1 claims: (a) Debtor's court-approved bankruptcy attorneys
9 (b) Debtor's court-approved special counsels (appeal and condemnation), and (c) Debtor's court-
10 approved experts/professionals for financial, accounting, valuation, feasibility and liquidation
11 analysis and related activities for the confirmation, implementation and consummation of the
12 Plan (currently Messrs. Dominick and Baer).

13 Distributions. Each holder of an Allowed Administrative Claim shall be paid in full in cash
14 upon the latter of either (a) the Effective Date; (b) such date as may be fixed by the Bankruptcy
15 Court; (c) the eleventh (11th) Business Day after such Claim is Allowed; or (d) such date as the
16 holder of such Claim and the Debtor's estate representative may mutually agree. Professional
17 Fees are the Claims approved by the Bankruptcy Court for compensation and reimbursement of
18 expenses submitted by the professionals who have been retained by the Debtor pursuant to an
19 Order of the Bankruptcy Court. Under the Plan, the Professional Fees will be paid in full in cash
20 by the Debtor's estate representative, in such amounts as are allowed by the Bankruptcy Court.
21 Such claims will be paid from operating revenues of the Debtor, sale of the Property (or revenues
22 realized therefrom) or partial parcel sales thereof, debtor-in-possession financing, or, if such
23 funds are insufficient, from third party non-debtor sources; and, except as otherwise provided
24 hereinbefore, any other source of revenues realized by the Debtor without surcharge to the
25

1 collateral security of the Class 2 Allowed Claim, unless otherwise allowed by an order of the
2 Court.

3 This class is estimated at the Effective Date to be approximately \$145,000.00 (bankruptcy
4 counsel), \$125,000.00 (special counsels for condemnation settlement and appeal) and \$50,000.00
5 (financial/appraisal/experts and professionals).

6 **CLASS 2 – Secured Claim of Alders – *Impaired***

7 Alders holds a Promissory Note dated December 5, 2006 in original principal balance of
8 \$15,366,837.75, with regular contract interest accruing at the rate of the prime rate of interest
9 per annum then most recently announced or published by major U.S. money center commercial
10 banks as published in the Wall Street Journal from time to time as its prime rate for commercial
11 loans, plus two hundred (200) basis points above the prime rate in effect from day to day on the
12 basis of actual days elapsed over a year composed of 365 days (the “Alders’ Note”). The
13 collateral securing Alders’ Note is the Property pursuant to a first position Deed of Trust and
14 Vendor’s Lien (“Alders’ Deed of Trust”) (collectively with the Note, the “Alders Loan
15 Documents”). Alders’ Note is a seller carry back note which is non-recourse and fully assumable
16 with no prepayment penalty.

17 *Impairment and Voting.* Class 2 is impaired by the Plan, and the holder of an Allowed
18 Secured Claim is therefore entitled to vote on the Plan.

19 *Distributions.* Debtor proposes to pay the principal and all accrued and accruing interest
20 under the Alders Loan through (1) payments from the condemnation proceeds received from the
21 Louis Dreyfus lawsuit settlement, approved by the Court on February 12, 2009, in accordance
22 with the Alders’ Deed of Trust on the Property (2) proceeds for the timber contract with Carl
23 Kleimann, currently before the Court for authority to accept, (3) credit for the proceeds of
24 \$127,000.00 received directly by Alders from Chevron Pipeline for its easement on the Property
25 prior to the Bankruptcy Case (but not yet acknowledged or credited by Alders), (4) proceeds to

1 be realized from the Texas Dept. of Transportation for its condemnation and/or taking of a
2 widened highway easement along Texas State Highway 146, which runs contiguous to the
3 Property, (5) sales of released parcels from the Property and/or the sale of the entire Property,
4 and (6) post-petition Debtor-in –possession financing from third parties in any amount(s)
5 required, in conjunction with the foregoing sources of funding, to insure that Alders’ Note is
6 reinstated as of the Effective Date as to the principal and the contract rate of interest then due and
7 owing, and thereafter to pay semi-annual installments of accrued interest due under the Plan on
8 the Alders’ Note, as well as the remaining amounts to be applied to the reduction of the Alders’
9 Note as provided by the Plan such that the Alders’ Note is paid in full at the Final Distribution
10 Date, or as otherwise mutually agreed by the Debtor and Alders.

11 As set forth in the proposed DIP financing reflected on **Exhibit “7”** attached hereto
12 (“DIP Financing”), the Alders’ Deed of Trust will be primed by the DIP Financing facility debt
13 obligation, which shall be provided a first position priming lien on the Property for the amount
14 loaned to the reorganized Debtor; provided further that from and after the priming of Alders’
15 Deed of Trust lien by DIP Financing, Alders shall receive and Debtor shall pay (i) the contract
16 rate of interest under the Alders’ Note on each June 5th and December 5th commencing in 2009
17 through the earlier of the payment in full of the Alders’ Note or Final Distribution Date, and (ii)
18 Fifty Percent (50%) of net proceeds from the sale of released parcels of the Property, provided
19 that such amount is capped at such time as Alders’ has realized a simple annual return of twenty
20 percent (20%) on his indebtedness under the Alders’ Note, until the Alders’ Note is paid in full,
21 and provided further that said twenty percent (20%) yield shall not exceed the yield realized by
22 the DIP Financing entity(ies) on its indebtedness by more than five percent (5%), such that if the
23 DIP Financing entity’s(ies’) yield is five percent (5%) then Alders’ yield moves from twenty
24 percent (20%) down to ten percent (10%) ; provided further that parcels of the Property shall be
25 released by Alders and/or the DIP Financing entity(ies) releasing their respective liens as to such

1 parcels (“Released Parcels”) to Debtor for sales of portions of the Property at the price of
2 \$2,750/acre, the net proceeds of which shall be paid first to the DIP Financing entity(ies), on any
3 amounts then due under that credit facility, and then to the Alders’ Note on its outstanding
4 indebtedness owed by Debtor at the time such net proceeds are received. The Plan provides for a
5 100 acre minimum for releases with initial releases from either end of the Property (one end
6 being contiguous with SH146 and the other the opposite side of the Property), then proceeding
7 therefrom toward the middle. The Released Parcels shall also no longer be subject to the
8 currently existing Agricultural Lease dated December 1, 2006, by and between Alders and the
9 Debtor, on the Property that is identified in Debtor’s Schedules filed in this Case(“Alders’
10 Lease”) (provided that Debtor assumes the Alders’ Lease).

11 Except as otherwise provided in or amended by the Plan, all rights, duties, obligations,
12 liens and security interests created by the Alder Loan Documents shall continue in full force and
13 legal effect and this Allowed Claim shall be governed according to the terms thereof.

14 **CLASS 3 – Secured Claim of AHK Texas Holdings, L.L.C. – *Impaired***

15 AHK holds a Note in the amount of \$10,000.00, dated October 3, 2008, which is secured
16 by a Deed of Trust on the Property of the same date.

17 *Impairment and Voting.* Class 3 is impaired by the Plan, and the holder of an Allowed
18 Secured Claim is therefore entitled to vote on the Plan.

19 *Distributions.* Debtor proposes to pay the principal and all accrued and accruing interest
20 under the AGK Note in full from the same sources that Debtor intends to pay the Class 2
21 Allowed Secured Claim, after payment in full of the Class 2 Allowed Secured Claim and the DIP
22 Financing entity(ies)(unless such entity otherwise agrees in writing), on or before the Final
23 Distribution Date. Interest shall be paid from and after the Effective Date at the contract rate of
24 interest or the rate determined by the Court to be the current market rate of interest for such debt
25 obligation if higher.

1 **CLASS 4 – Secured Claim of MW2 Investments, L.L.C. - *Impaired***

2 MW2 holds a Note in the amount of \$5,000.00, dated October 3, 2008, which is secured
3 by a UCC-1 Lien on the Property's improvements of the same date.

4 *Impairment and Voting.* Class 4 is impaired by the Plan, and the holder of an Allowed
5 Secured Claim is therefore entitled to vote on the Plan.

6 *Distributions.* Debtor proposes to pay the principal and all accrued and accruing interest
7 under the MW2 Note from the same sources that Debtor intends to pay the Classes 2 and 3
8 Allowed Secured Claims, after payment in full of the Class 2 Allowed Secured Claim and the
9 DIP Financing entity(ies)(unless such entity otherwise agrees in writing), and pro rata with Class
10 3, until paid in full on or before the Final Distribution Date. Interest shall be paid from and after
11 the Effective Date at the contract rate of interest or the rate determined by the Court to be the
12 current market rate of interest for such debt obligation if higher.

13 **CLASS 5 - Priority Claims - *Unimpaired***

14 Class 5 consists of the Allowed Claim of Liberty County, Texas Tax Collector/authorities
15 for unpaid and due real property taxes on the Property. Tax Claims are afforded priority
16 treatment under Section 507(a)(8) of the Bankruptcy Code.

17 *Impairment and Voting.* Class 5 is unimpaired by the Plan; consequently, holders of
18 Allowed Claims in Class 5 are deemed to accept the Plan and are not entitled to vote on the Plan.

19 *Distributions.* An Allowed Priority Claim in Class 6, under Section 507(a)(8) of the
20 Bankruptcy Code, is to be paid in full in cash by Debtor. Debtor shall make payments, as
21 required by state law, from proceeds of sales of parcels of the Property or sale of the entire
22 Property, when making payments to Class 2 and/or the DIP Financing entity(ies), as provided in
23 the Plan, if required to sell a parcel or the entire Property free and clear of a tax lien (if any),
24 from and after the Effective Date with interest per annum at the Federal Judgment Rate on any
25 outstanding amounts due after such date, or otherwise, in compliance with Section 1129 (a)(9)(c)

1 of the Code. Such payments shall be made before any distributions are made to junior classes of
2 creditors unless the Class Claim holder otherwise agrees.

3 **CLASS 6 – Unsecured – Impaired**

4 Class 6 consists of all Allowed Unsecured Claims of unsecured creditors and any
5 unsecured deficiency claim of an Allowed Secured Claim in Classes 2, 3 and/or 4.

6 Impairment and Voting. Class 6 is impaired by the Plan and therefore all holders of
7 Allowed Unsecured Claims are entitled to vote on the Plan.

8 Distributions. Debtor shall pay the Class 6 claim holders of an Allowed Unsecured
9 Claim, in full, commencing on or before thirty (30) days after the payment of all senior classes,
10 Classes 2 through 5 Allowed Claims, based on the value of each Allowed Unsecured Claim until
11 all such claims have been paid One Hundred Percent (100%) of their Allowed Claim, unless
12 otherwise mutually agreed in writing by and between Debtor and the Holder of an Allowed
13 Unsecured Claim, after payment in full of all Allowed Claims which are senior to Class 6, on or
14 before the Final Distribution Date. Debtor will pay a rate of interest per annum at the Federal
15 Judgment Rate or the rate determined by the Court to be the current market rate, if higher, from
16 and after the Effective Date on any outstanding balances owed on an Allowed Unsecured Claim,
17 until paid in full.

18 **CLASS 7 — Equity Interest Holders - Unimpaired**

19 Class 7 consists of all the Allowed Equity Claims of Debtor's Equity Interest Holders (its
20 "Members").

21 Impairment. Class 7 shall receive no distributions, is impaired and deemed to reject the
22 Plan.

23 Distributions. While Debtor's Members will technically retain their ownership position
24 in Debtor, Members will receive no dividends or distributions (other than compensation for
25

1 services rendered as provided in the Plan) during the life of the Plan, unless all senior classes
2 have been paid in full, or as provided in the Plan, or otherwise agreed in writing.

3 The condition that a plan be fair and equitable with respect to a rejecting Class of
4 Allowed Unsecured Claims includes the requirement that either (a) such Class receive or retain
5 under the Plan property of a value as of the Effective Date of the Plan equal to the allowed
6 amount of such Claim or (b) if the Class does not receive such amount, no Class junior to the
7 non-accepting Class will receive a payment distribution under the plan. Debtor proposes to pay
8 all of the Allowed Unsecured Claims of its Creditors in full, will not receive a payment
9 distribution under the Plan, and, therefore, it will retain its equity ownership in this single asset
10 bankruptcy estate, but only if all senior classes of claims are paid in full.

11 **ARTICLE X.**

12 **MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN**

13 **I. Means For Execution**

14 *A. Sale of Property.*

15 Debtor believes that the value of the Property and proceeds to be realized from
16 sales of the Property, as a whole or in separate parcels, exceeds the total amount of all the valid
17 secured debts against the Property (including the proposed DIP Financing). See **Exhibits “4”**
18 **and “5”** attached hereto. Debtor’s appraisal report and feasibility analysis reflect that there is
19 considerable equity in the Property over and above all the valid secured debts against the
20 Property, including the DIP Financing proposed in **Exhibit “7”** attached hereto.

21 *B. DIP Financing.*

22 Debtor anticipates obtaining a \$4,000,000.00 loan at a minimum, with interest at an
23 annual rate of 15%, payable over a 4-year loan period.

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1 C. *Income from Property.*

2 Debtor proposes to pay the principal and all accrued and accruing interest under the
3 Alders Loan, AHK Loan, MW2 Loan, the priority tax claim and the Class 6 Allowed Unsecured
4 Claims through (1) payments from the condemnation proceeds received from the Louis Dreyfus
5 lawsuit settlement, approved by the Court on February 12, 2009, in accordance with the Alders’
6 Deed of Trust on the Property (2) proceeds for the timber contract with Carl Kleimann, currently
7 before the Court for authority to accept, (3) credit for the proceeds of \$127,000.00 received
8 directly by Alders from Chevron for its easement on the Property prior to the Bankruptcy Case
9 (but not yet acknowledged or credited by Alders), (4) proceeds to be realized from the Texas
10 Dept. of Transportation for its condemnation and/or taking of a widened highway easement
11 along Texas State Highway 146, which runs contiguous to the Property, (5) sales of released
12 parcels from the Property and/or the sale of the entire Property, and (6) the post-petition DIP
13 Financing from third parties in any amount(s) required, in conjunction with the foregoing
14 proceeds, to insure that Alders’ Note is reinstated as of the Effective Date as to the principal and
15 the contract rate of interest then due and owing, and thereafter to pay semi-annual installments
16 of accrued interest due under the Plan on the Alders’ Note, as well as the remaining amounts to
17 be applied to the reduction of the Alders’ Note as provided by the Plan such that the Alders’
18 Note is paid in full at the Final Distribution Date, or as otherwise mutually agreed by the Debtor
19 and Alders.

20 As set forth in the proposed DIP financing reflected on **Exhibit “7”** attached hereto
21 (“DIP Financing”), the Alders’ Deed of Trust will be primed by the DIP Financing facility debt
22 obligation, which shall be provided a first position priming lien on the Property for the amount
23 loaned to the reorganized Debtor; provided further that from and after the priming of Alders’
24 Deed of Trust lien by DIP Financing, Alders shall receive and Debtor shall pay (i) the contract
25 rate of interest under the Alders’ Note on each June 5th and December 5th commencing in 2009

1 through the earlier of the payment in full of the Alders' Note or Final Distribution Date, and (ii)
2 Fifty Percent (50%) of net proceeds from the sale of released parcels of the Property, provided
3 that such amount is capped at such time as Alders' has realized a simple annual return of twenty
4 percent (20%) on his indebtedness under the Alders' Note, until the Alders' Note is paid in full,
5 and provided further that said twenty percent (20%) yield shall not exceed the yield realized by
6 the DIP Financing entity(ies) on its indebtedness by more than five percent (5%), such that if the
7 DIP Financing entity's(ies') yield is five percent (5%) then Alders' yield moves from twenty
8 percent (20%) down to ten percent (10%) ; provided further that parcels of the Property shall be
9 released by Alders and/or the DIP Financing entity(ies) releasing their respective liens as to such
10 parcels ("Released Parcels") to Debtor for sales of portions of the Property at the price of
11 \$2,750/acre, the net proceeds of which shall be paid first to the DIP Financing entity(ies), on any
12 amounts then due under that credit facility, and then to the Alders' Note on its outstanding
13 indebtedness owed by Debtor at the time such net proceeds are received. The Plan provides for a
14 100 acre minimum for releases with initial releases from either end of the Property (one end
15 being contiguous with SH146 and the other the opposite side of the Property), then proceeding
16 therefrom toward the middle. The Released Parcels shall also no longer be subject to the
17 currently existing Agricultural Lease dated December 1, 2006, by and between Alders and the
18 Debtor, on the Property that is identified in Debtor's Schedules filed in this Case("Alders'
19 Lease") (provided that Debtor assumes the Alders' Lease).

20 After payment of the DIP Financing entity(ies) and the Alders' Note in full, payments
21 shall be made to Classes 3, 4 and 6 from the foregoing sources of funding until paid in full as
22 provided by the Plan.

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1 **II. Implementation Of Plan**

2 A. Management/Plan Reorganization Officer

3 David Maniatis (“Maniatis” or “PRO”) shall be responsible for administering and
4 implementing the Plan as Plan Reorganization Officer of the Debtor. Maniatis will continue to
5 work with the Debtor’s professionals and any other persons needed to carry out his duties under
6 the Plan. Maniatis will be paid by the Debtor as its Reorganization Officer at a monthly
7 compensation of \$5,000.00. The customary services of Debtor’s affiliates shall continue to be
8 utilized by the Debtor to continue accounting/tax/financial/administrative duties and contract
9 administration and title work on behalf of the Debtor, as has been performed historically. For
10 those services, the Debtor will pay an allocated amount of \$1,000.00 a month.

11 Subject to the provisions of this Plan, and in accordance with Section 1123(b)(3)(B) of
12 the Bankruptcy Code, Maniatis shall continue to serve as the President of the Manager-Member
13 that is the General Partner of the Reorganized Debtor. Subject to the provisions of this Plan,
14 Maniatis will have the power to take any and all such actions as are, in Maniatis’ judgment,
15 necessary to fulfill the obligations under the Plan. Maniatis will pursue any litigation on behalf
16 of the Debtor where it is cost-effective and reasonably likely to generate a payment for creditors,
17 as well as any settlement in connection therewith over which he shall have sole discretion. He
18 will also pursue claims objections where necessary to achieve fair treatment of all creditors.

19 B. Compensation.

20 Maniatis shall receive the compensation as Reorganization Officer set forth hereinabove,
21 to fulfill the foregoing duties and to administer the Plan. Maniatis shall serve as the Debtor’s
22 Reorganization Officer, until all claims have been paid pursuant to the Plan.

23 C. Distribution.

24 On the Effective Date, the Class 1 Allowed Administrative Claims of Debtor’s Court-
25 approved professionals shall be paid in full from cash, net revenues from Property sales, the DIP

1 Financing or third party non-debtor sources.

2 On the Effective Date, Debtor shall pay the Class 2 Allowed Secured Claim that amount
3 required to reinstate such Allowed Claim by bringing all then due and outstanding principal and
4 contract rate of interest payments current pursuant to the Alders Note. On the net proceeds from
5 the sale of the Property or any parcel(s) thereof after the Effective Date and from DIP Financing,
6 the proceeds shall be distributed: first to pay any amounts then due and owing to the DIP
7 Financing entity(ies) under its credit facility and to pay the Class 2 Allowed Secured Claim until
8 the DIP Financing entity (ies) credit facility and Alders' Note are paid in full in accordance with
9 their terms, except as modified by the Plan; then pro rata to the Allowed Secured Claims of
10 Classes 3 and 4 with interest from the Effective Date, as provided in the Plan, until paid in full;
11 and lastly, pro rata to the Allowed Unsecured Claims of Class 6 with interest from the Effective
12 Date, as provided in the Plan, until paid in full.

13 D. Limitations on Maniatis' Liability.

14 Subject to applicable law, Maniatis shall not be liable for any act or omission in carrying
15 out the Plan except for such act or omission arising from his gross negligence, willful fraud, or
16 other willful misconduct. The foregoing limitation of liability shall apply equally to the agents,
17 employees, or professionals of the Debtor, who are acting on behalf of the Debtor's bankruptcy
18 estate in discharge of their duties hereunder.

19 E. Board of Directors/Management.

20 There is no Board of Directors of the Debtor. The general manager of the Debtor shall
21 have no power or authority to act in any manner that is not consistent with this Plan.

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1 F. Other Provisions Affecting Implementation of Plan

2 **1. Executory Contracts**

3 Debtor has already assumed or rejected all of its executory contracts or will do so by the
4 hearing on confirmation. If an executory contract or unexpired lease is not assumed by the
5 Confirmation Hearing, it is deemed rejected. See, treatment of Alders' Agricultural Lease, pp.
6 17-18, *infra*.

7 **2. Time Bar to Cash Payments**

8 Checks issued on account of Allowed Claims shall be null and void if not negotiated
9 within thirty (30) days from and after the date of issuance thereof. Requests for re-issuance of
10 any check shall be made directly to the PRO by the holder of the Allowed Claim with respect to
11 which such check originally was issued. Any claim in respect of such a voided check shall be
12 made on or before the earlier of (a) the fifth anniversary of the Effective Date, or (b) ninety (90)
13 days after the issuance of such check, if such check represents a Distribution under the Plan on
14 account of such Claim. After such date, all Claims in respect of voided checks shall be
15 discharged and forever barred.

16 **3. Post-Effective Date Distribution**

17 Distributions made after the Effective Date to holders of Claims that are not Allowed
18 Claims as of the Effective Date, but which later become Allowed Claims, shall be deemed to
19 have been made on the Effective Date. Notwithstanding any provision in any contract or other
20 document that may relate to a Claim, all Distributions made pursuant to the Plan shall be made as
21 if paid on the Effective Date, without the additional accrual of interest, fees, or penalties, unless
22 otherwise provided by the Plan.

23 **4. Discharge**

24 Except as provided in the Plan or the Confirmation Order, the rights afforded under the
25 Plan and the treatment of Claims under the Plan are in exchange for and in complete satisfaction,

1 discharge, and release of, all Claims, including any interest accrued on Allowed Secured Claims,
2 Administrative Claims, and General Unsecured Claims from the Petition Date. Except as
3 provided in the Plan or the Confirmation Order, confirmation of the Plan discharges the Debtor
4 from all Claims or other debts that arose before the Confirmation Date, and all debts of the kind
5 specified in Sections 502(g), 502 (h), or 502(i) of the Bankruptcy Code, whether or not: (i) a
6 proof of claim based on such debt is filed or deemed filed under Section 502 of the Bankruptcy
7 Code; (ii) a Claim based on such debt is Allowed under Section 502 of the Bankruptcy Code; or
8 (iii) the holder of a Claim based on such debt has accepted the Plan.

9 **5. Injunction**

10 Except as provided in the Plan or the Confirmation Order, as of the Confirmation Date,
11 all entities that have held, currently hold, or may hold a Claim or other debt or liability that is
12 discharged are permanently enjoined from taking any action or other proceeding against the
13 Debtor (including any officer or director acting as representative of the Debtor, but not
14 personally) or property of the Debtor, arising from or relating thereto.

15 **6. Preservation of Insurance**

16 The Debtor's discharge and release from Claims as provided in the Plan, except as
17 necessary to be consistent with the Plan, do not diminish or impair the enforceability of any
18 insurance policy that may cover Claims against the Debtor or any other Person.

19 **7. Section 1146 Exemption**

20 In accordance with Section 1146(c) of the Bankruptcy Code: (a) the distribution,
21 transfer or exchange of Estate property; (b) the creation, modification, consolidation, or
22 recording of any deed of trust or other security interest, the security of additional indebtedness by
23 such means or by other means in furtherance of, or connection with, the Plan or the Confirmation
24 Order; (c) the making, assignment, modification, or recording of any lease or sublease; or (d) the
25 making delivery, or recording of a deed or Order, or any transaction contemplated above, or any

1 transactions arising out of, contemplated by, or in any way related to, the foregoing shall not be
2 subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax,
3 mortgage tax, stamp act or real estate transfer act, mortgage recording tax or other similar tax or
4 governmental assessment and the appropriate state or local government officials or agents shall
5 be directed to forego the collection of any such tax or assessment and to accept for filing or
6 recordation any of the foregoing instruments or other documents without payment of such tax or
7 assessment.

8 **8. Withholding and Reporting Requirements**

9 In connection with the Plan and all instruments issued in connection with the Plan, the
10 PRO, when and where applicable and appropriate, shall comply with all withholding and
11 reporting requirements imposed by federal, states, local or foreign taxing authority, and all
12 Distributions under the Plan remain subject to any such withholding and reporting requirements.
13 Maniatis, where and when applicable and appropriate, shall be authorized to take all actions
14 necessary to comply with such withholding and recording requirements. Notwithstanding any
15 other provision of the Plan, each holder of an Allowed Claim that has received a Distribution of
16 cash, shall have sole and exclusive responsibility for the satisfaction or payment of any tax
17 obligation imposed by any governmental unit, including income, and other tax obligation on
18 account of such Distribution. For tax purposes, Distributions received in respect of Allowed
19 Claims will be allocated first to the principal amount of such Claims, with any excess allocated
20 to unpaid accrued interest.

21 **9. Full and Final Satisfaction, Penalties and Fines**

22 In accordance with the Plan, all payments and all distributions are in full and final
23 satisfaction, settlement, release and discharge of all Claims and Equity Interests, except as
24 otherwise provided in the Plan. Except as expressly provided for in the Plan, no distribution
25 shall be made under the Plan on account of, and no Allowed Claim (whether Secured,

1 Unsecured, Priority, or Administrative) shall include any fine, penalty, assessments or exemplary
2 or punitive damages relating to or arising from any default or breach by the Debtor, and any
3 claim on account of such fine, penalty, assessment, prepayment provision or exemplary or
4 punitive damages shall be deemed to be disallowed.

5 **10. Impaired Classes to Vote**

6 Each holder of an Allowed Claim in an Impaired Class shall be entitled to vote
7 separately to accept or reject the Plan unless such holder is deemed to reject the Plan.

8 **11. Acceptance by Class of Creditors and Holders of Interest**

9 An Impaired Class of holders of Allowed Claims shall have accepted the Plan if the
10 Plan is accepted by at least two-thirds in dollar amount and more than one-half in number of the
11 Allowed Claims of such Class that have voted to accept or reject the Plan. A class of holders of
12 Allowed Claims shall be deemed to accept the Plan in the event that no holder of an Allowed
13 Claim within that Class submits a Ballot by the Voting Deadline.

14 **12. Cramdown**

15 If any impaired Class of Claims entitled to vote does not accept the Plan by the requisite
16 statutory majorities provided in Section 1126(c) or 1126(d) of the Bankruptcy Code as
17 applicable, or if any impaired Class is deemed to have rejected the Plan, the Debtor reserves the
18 right to request that the Bankruptcy Court confirm the Plan under Section 1129(b) of the
19 Bankruptcy Code (See below “Acceptance and Confirmation of the Plan”) and to amend the
20 Plan, in accordance with the applicable provisions of the Plan governing amendments or
21 modifications, to the extent necessary to obtain entry of the Confirmation Order.

22 **13. Disbursement of Funds**

23 Any payment of Cash required to be made under the Plan will be made by check drawn
24 on a domestic bank or by wire transfer from a domestic bank at the election of the PRO or
25 otherwise the person making such payment. Any payment or distribution required to be made

1 under the Plan on a day other than a Business Day will be made on the next succeeding Business
2 Day, without interest.

3 Payments of fractions of dollars will be made, but payments of fractions of cents will
4 not be made. Whenever any payment of a fraction of a cent under the Plan would otherwise be
5 called for, the actual payment made will reflect a rounding of such fraction to the nearest cent
6 (up or down) with half-a-cent being rounded down.

7 After the Effective Date, any objections to Administrative Claims and all other Claims
8 may be made and objections to Administrative Claims and other Claims made before the
9 Effective Date may be pursued by the PRO or any other Person properly entitled to do so after
10 notice to the holders of such Administrative Claims and such other Claims, and approval by the
11 Bankruptcy Court. Any objections to the Administrative Claims and other Claims made after the
12 Effective Date shall be filed and served on the holders of such Administrative Claims and other
13 such Claims not later than 30 days after the Effective Date or such later date as may be approved
14 by the Bankruptcy Court.

15 From and after the Effective Date, the PRO may litigate to Final Order, propose
16 settlement of, or withdraw objections to, all pending or filed Disputed Claims or Litigation
17 Claims and may settle or compromise any Disputed Claim or Litigation Claim without notice
18 and a hearing and without approval of the Bankruptcy Court.

19 **14. Retention of Jurisdiction**

20 Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective
21 Date, the Bankruptcy Court retains broad jurisdiction over the Chapter 11 Cases after the
22 Effective Date, to the extent legally permissible.

23 **15. Amendment of the Plan**

24 At any time before the Confirmation Date, the Debtor may alter, amend, or modify the
25 Plan under Section 1127(a) of the Bankruptcy Code *provided* that such alteration, amendment, or

1 modification does not materially or adversely affect the treatment and rights of holders of
2 Allowed Secured Claims, Administrative Claims, Insider Unsecured Claims or General
3 Unsecured Claims under the Plan. After the Confirmation Date and before substantial
4 consummation of the Plan, as defined in Section 1101(2) of the Bankruptcy Code, Debtor may,
5 under Section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to
6 remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure
7 Statement, or the Confirmation Order, and such matters as may be necessary to carry out the
8 purposes and effects of the Plan so long as such proceedings do not materially and adversely
9 affect the treatment of holders of Allowed Claims under the Plan; *provided however*, that prior
10 notice of such proceedings shall be served in accordance with the Bankruptcy Rules or
11 applicable order of the Bankruptcy Court.

12 **16. Revocation or Withdrawal of the Plan**

13 The Debtor reserves the right to revoke or withdraw the Plan at any time before the
14 Confirmation Date. If the Plan is withdrawn or revoked, then the Plan shall be deemed null and
15 void and nothing contained in the Plan shall be deemed a waiver of any Claims by or against the
16 Debtor or any other Person in any further proceedings involving the Debtor or an admission of
17 any sort, and the Plan and any transaction contemplated by the Plan shall not be admitted into
18 evidence in any proceeding.

19 **17. Post-Confirmation Fees**

20 The PRO will be responsible for ensuring the payment of any fees payable to the Office
21 of the United States Trustee for the Debtor after Confirmation consistent with applicable
22 provisions of the Bankruptcy Code, Bankruptcy Rules, and 18 U.S.C. § 1930(a)(6). The Debtor
23 plans to seek an order closing the case as soon as it is substantially consummated, so that free
24 cash flow can be used to pay creditors without the burden of ongoing fees assessed against the
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1 Debtor's expenditures, provided that no closing shall be sought which would prejudice the
2 Court's jurisdiction over an ongoing or pending adversary proceeding of and by the Debtor.

3 **18. Conditions to Confirmation and Effective Date**

4 Conditions to Confirmation. The following are conditions precedent to confirmation of
5 the Plan:

6 a. The Bankruptcy Court shall have entered a Final Order approving the Disclosure
7 Statement with respect to the Plan;

8 b. The Confirmation Order has been entered in form and substance reasonably
9 acceptable to the Debtor and contains specific provisions as set forth in the Plan.

10 Conditions to Effectiveness. The following are conditions precedent to the occurrence
11 of the Effective Date:

12 a. The Confirmation Date has occurred;

13 b. The Confirmation Order is a Final Order, except that the Debtor reserves the right
14 to cause the Effective Date to occur notwithstanding the pendency of an appeal of the
15 Confirmation Order, under circumstances that would render moot such an appeal;

16 c. No request for revocation of the Confirmation Order under Section 1144 of the
17 Bankruptcy Code has been made, or, if made, remains pending;

18 d. The Bankruptcy Court, in the Confirmation Order, has approved the retention of
19 jurisdiction provisions of the Plan; and

20 e. All documents necessary to implement the transactions contemplated by the Plan
21 are made in form and substance reasonably acceptable to the Debtor.

22 Waiver of Conditions. The Conditions to Confirmation and the Effective Date may be
23 waived in whole or in part by the Debtor at any time without notice, an order of the Bankruptcy
24 Court, or any further action other than proceeding to confirmation and consummation of the
25 Plan.

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ARTICLE XI. ACCEPTANCE AND CONFIRMATION OF THE PLAN

The following is a brief summary of the provisions of the Bankruptcy Code relevant to acceptance and confirmation of a plan of reorganization. Holders of Claims are encouraged to review the relevant provisions of the Bankruptcy Code with their own attorneys.

A. ACCEPTANCE OF THE PLAN

This Disclosure Statement is provided in connection with the solicitation of acceptances of the Plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a Class of Claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the Allowed Claims of that Class that have actually voted or are deemed to have voted to accept or reject a plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a Class of Interests as accepted by at least two-thirds in amount of the allowed interests of that Class that have actually voted or are deemed to have voted to accept or reject a plan.

If one or more impaired Classes reject the Plan, Debtor may, in its discretion, nevertheless seek confirmation of the Plan if the Debtor believes that the requirements of Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan (which are summarized below) will be met, despite the lack of acceptance by all Impaired Classes.

B. CONFIRMATION OF THE PLAN

1. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. Notice of such hearing is being provided to all known holders of Claims or their respective representatives along with this Disclosure Statement. The hearing may be adjourned from time to time by the Bankruptcy Court without further notices except for an announcement of the adjourned date made at such hearing or any subsequent adjournment thereof.

1 Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to
2 confirmation of a plan. Any objection to confirmation of the Plan must be in writing, must
3 conform with the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, must set forth
4 the name of the objecting party, the nature and amount of Claims or Equity Interests held or
5 asserted by that party against the Debtor's Estate or property, and the specific basis for the
6 objection. Such objection must be filed with the Bankruptcy Court, with a copy forwarded
7 directly to the chambers of the Honorable Randolph J. Haines, together with a proof of service,
8 and served on all parties and by the date set forth on the notice of the confirmation hearing in
9 accordance with the Local Rules of the Bankruptcy Court.

10 **2. Statutory Requirements for Confirmation of the Plan**

11 At the confirmation hearing, Debtor will request the Bankruptcy Court to determine that the Plan
12 satisfies the requirements of Section 1129 of the Bankruptcy Code. If the Bankruptcy Court so
13 determines, the Bankruptcy Court will enter an order confirming the Plan.

14 The applicable requirements of Section 1129 of the Bankruptcy Code are as follows:

- 15 a. The Plan must comply with the applicable provision of the Bankruptcy Code;
- 16 b. Debtor must have complied with the applicable provisions of the Bankruptcy
17 Code;
- 18 c. The Plan must have been proposed in good faith and not by any means forbidden
19 by law;
- 20 d. Any payment made or promised to be made by the Debtor under the Plan for
21 services or for costs and expenses in, or in connection with, the Chapter 11 Cases,
22 or in connection with the Plan, must have been disclosed to the Bankruptcy
23 Court, and any such payment made before Confirmation of the Plan must be
24 reasonable, or if such payment is to be fixed after Confirmation of the Plan, such
25 payments must be subject to the approval of the Bankruptcy Court as reasonable;

1 e. The Debtor must have disclosed the identity and affiliates of any individual
2 proposed to serve, after Confirmation of the Plan, as a director, officer, or voting
3 trustee of the Debtor under the Plan. Moreover, the appointment to, or
4 continuance in, such office of such individual, must be consistent with the
5 interests of holders of Claims and with public policy, and the Debtor must have
6 disclosed the identity of any insider that the Debtor will employ or retain, and the
7 nature of any compensation for such insider.

8 f. Best Interests of Creditors Test:

9 With respect to each Class of Impaired Claims, either each holder of a Claim of
10 such Class must have accepted the Plan, or must receive or retain under the Plan
11 on account of such Claim, property of a value, as of the Effective Date of the
12 Plan, that is not less than the amount that such holder would receive or retain if
13 the Debtor were liquidated on such date under Chapter 7 of the Bankruptcy Code.
14 In a Chapter 7 liquidation, creditors and interest holders of a debtor are paid from
15 available assets generally in the following order, with no lower Class receiving
16 any payments until all amounts due to senior Classes have either been paid in full
17 or payment in full is provided for: (i) first to secured creditors (to the extent of the
18 value of their collateral); (ii) next the liquidation trustee's and his attorney's fees
19 and expenses, and other liquidations costs; (iii) next to priority creditors; (iv) next
20 to unsecured creditors - insider creditors share equally if they hold a valid
21 Allowed Claim and in the absence of proof of their wrongdoing; (v) next to debt
22 expressly subordinated by its terms or by order of the Bankruptcy Court; and (vi)
23 last to holders of equity interests;

24 g. Each Class of Claims must have either accepted the Plan or not be Impaired
25 under the Plan;

- 1 h. Except to the extent that the holder of a particular Claim has agreed to a different
2 treatment of such Claim, the Plan provides that Allowed Administrative and
3 Priority Claims (other than Allowed Priority Tax Claims) will be paid in full on
4 the Effective Date and that Allowed Priority Tax Claims will receive on account
5 of such Claims deferred Cash payment, over a period not exceeding six years
6 after the date of assessment of such Claim, of a value, as of the Effective Date,
7 equal to the Allowed amount of such Claim; and
- 8 i. At least one Impaired Class of Claim must have accepted the Plan, determined
9 without including any acceptance of the Plan by any insider holding a Claim of
10 such Class.

11 **3. Confirmation Without Acceptance by All Impaired Claims---Cramdown**

12 Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan,
13 even if such plan has not been accepted by all impaired Classes entitled to vote on such plan,
14 provided that such plan has been accepted by at least one Impaired Class. If any Impaired Class
15 rejects or are deemed to have rejected the Plan, the Debtor reserves its right to seek the
16 application of the requirements set forth in Section 1129(b) of the Bankruptcy Code for
17 Confirmation of the Plan despite the lack of acceptance by the Impaired Classes.

18 Section 1129(b) of the Bankruptcy Code provided that notwithstanding the failure of any
19 Impaired Class to accept a plan of reorganization, the plan must be confirmed, on request of the
20 plan proponent, in a procedure commonly known as “cramdown”, so long as the plan does not
21 discriminate unfairly and is fair and equitable with respect to each Class of Impaired Claims or
22 Interests that has not accepted the plan.

23 The condition that a plan be fair and equitable with respect to a rejecting Class of Secured
24 Claims include the requirements that (a) the holders of Secured Claims retain the liens securing
25 such Claims to the extent of the allowed amount of the Claims, whether the property subject to

1 the liens is retained by the Debtor or transferred to another entity under the Plan; and (b) each
2 holder of a Secured Claim in the Class receives deferred cash payments totaling at least the
3 allowed amount of such Claims with a present value, as of the effective date of the Plan, at least
4 equivalent to the value of the secured claimant's interest in the Debtor's property subject to the
5 liens.

6 The condition that a plan be fair and equitable with respect to a rejecting Class of
7 Unsecured Claims includes the requirement that either (a) such Class receive or retain under the
8 Plan property of a value as of the effective date of the Plan equal to the allowed amount of such
9 Claim or (b) if the Class does not receive such amount, no Class junior to the non-accepting
10 Class will receive a payment distribution under the plan.

11 XII. INCOME TAX CONSEQUENCES

12 **SUBSTANTIAL UNCERTAINTY EXISTS WITH RESPECT TO THE TAX**
13 **CONSEQUENCES OF THE PLAN. NO RULINGS HAVE BEEN REQUESTED FROM**
14 **THE INTERNAL REVENUE SERVICE WITH RESPECT TO ANY OF THE TAX**
15 **ASPECTS OF THE PLAN. TAX CONSEQUENCES OF THE PLAN ARE COMPLEX**
16 **AND, IN MANY AREAS, UNCERTAIN. THEREFORE, EACH HOLDER OF A CLAIM**
17 **IS STRONGLY URGED TO CONSULT HIS OWN TAX ADVISOR REGARDING SUCH**
18 **FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES.**

19 **DEBTOR HAS NOT SOUGHT THE ADVICE OF A TEXAS PROPERTY TAX**
20 **EXPERT, BUT TO THE BEST OF ITS KNOWLEDGE SUBMITS THAT BECAUSE**
21 **THE DEBTOR'S PLAN CONTEMPLATES THE SALE(S) OF ITS ASSEMBLAGE OF**
22 **UNENTITLED AGRICULTURAL PROPERTY PARCELS THROUGH SALES OF**
23 **SIMILAR UNENTITLED AGRICULTURAL PARCELS TO PURCHASERS WHO**
24 **WILL THEN DEVELOP AND/OR SUBDIVIDE SUCH PURCHASED PARCELS,**
25 **DEBTOR IS UNAWARE OF ANY ADVERSE TAX CONSEQUENCES OF SUCH**

1 SALES UPON THE BANKRUPTCY ESTATE AND/OR ITS CREDITORS UNDER THE
2 PLAN. UNDER THE PLAN, DEBTOR CONTEMPLATES NO CHANGE IN TAX
3 STATUS FOR THE PROPERTY; IT WILL CONTINUE TO HAVE THE SAME TAX
4 CLASSIFICATION. THE PLAN DOES NOT CONTEMPLATE ANY DEVELOPMENT,
5 IMPROVEMENTS OR SEGREGATION OF THE PROPERTY THAT WOULD
6 RESULT IN ADVERSE TAX CONSEQUENCES, I.E., BEING TAXED ON ANY BASIS
7 OTHER THAN IT IS PRESENTLY. IF, WHEN AND TO THE EXTENT THAT
8 DEBTOR DETERMINES TO DEVELOP AND/OR SUBDIVIDE ANY PARCEL OF THE
9 PROPERTY, IT WILL SEEK THE ADVICE OF TAX EXPERTS AND ONLY
10 PROCEED WITH SUCH AN UNDERTAKING IN A MANNER THAT WILL HAVE NO
11 ADDITIONAL ADVERSE IMPACT ON THE PLAN OR CREDITORS UNDER THE
12 PLAN DUE TO THE TAX CONSEQUENCES, IF ANY, RESULTING FROM SUCH A
13 COURSE OF ACTION.

14 XIII. RISK FACTORS

15 In this section, the Debtor has attempted to identify the potential material risks of the
16 Plan. **CREDITORS SHOULD CONSIDER CAREFULLY THE FOLLOWING FACTORS**
17 **IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS**
18 **DISCLOSURE STATEMENT, BEFORE SUBMITTING A VOTE TO ACCEPT OR**
19 **REJECT THE PLAN.**

20 A. VALUE OF DEBTOR'S ASSETS

21 The Debtor has engaged the services of Burke Hansen, Bolton Baer and David Maniatis
22 as its professionals for financial, liquidation and plan feasibility purposes. These Professionals
23 will review and analyze the Property of Debtor and confer with Debtor and its legal counsel on
24 the financial condition of the Debtor and the feasibility of the Plan. It is anticipated the value of
25 the Debtor's assets will be at least as set forth in the Debtor's most current Balance Sheet, as

1 amended and supplemented, attached hereto as **Exhibit “8”**. It should be noted that in the
2 present U. S. economic climate, it is virtually impossible to attribute what the current true fair
3 market value of Debtor’s assets is. Property values have declined precipitously because banks
4 have repossessed and are selling “lender owned” properties confusing the valuation concept of a
5 willing buyer and a willing seller in an arm’s length transaction. Traditional customary financing
6 sources for purchasing real property have curtailed or stopped lending or are no longer in
7 business. Debtor has attempted to be as conservative as appropriate under existing
8 circumstances, but do not represent that its values necessarily represent the true fair market value
9 for its assets.

10 **B. DISTRIBUTIONS**

11 Based upon projected cash flows from Debtor’s sales of the Property that have been
12 determined by the PRO and Debtor’s feasibility and valuation experts, Debtor has determined
13 that the distributions under the Plan can be accomplished as set forth therein.

14 **C. ALLOWANCE OF DISPUTED CLAIMS**

15 Debtor has or will challenge, object to and dispute certain claims. While disallowance of
16 claims will increase the amount of funds available for distribution to other allowed claims of
17 creditors, there is no assurance that Debtor will be successful in challenging such claims and it
18 will have to expend resources of the bankruptcy estate to do so. This may adversely impact Plan
19 payments to creditors. The pursuit of disputed claims will not take place if there are insufficient
20 funds in the estate to do so or unless there is otherwise the mutual agreement of a creditor
21 allowing the expense of such pursuit to be surcharged to its collateral.

22 Although creditors’ claims may be disputed by Debtor, it will still be necessary to reserve
23 funds for such disputed claims, and, in the event that the Bankruptcy Court determines that such
24 disputed claims are valid allowed claims which must be paid, then the amount of funds available
25 for distribution to the other creditors will be reduced, i.e., the creditor pool will be increased and

1 the amount available for distribution will be decreased resulting in a longer time for payment
2 because of less funds to pay out claims in full.

3 **D. RISK OF NON-CONFIRMATION OF THE PLAN**

4 Although the Debtor believes that the Plan will satisfy all requirements necessary for
5 confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will
6 reach the same conclusion. Amendments to the Plan may also be required by the Bankruptcy
7 Court for confirmation, and these amendments could adversely affect the creditors' rights to
8 receive any money and other property under the Plan. Any amendment may also necessitate the
9 re-solicitation of votes. If the Plan is not confirmed, a fire sale (i.e., immediate liquidation) of the
10 Debtor's assets may occur.

11 **XIV. ALTERNATIVES TO THE PLAN**

12 If the Plan is not timely confirmed, the most likely alternative is a Chapter 7 liquidation
13 proceeding. In a Chapter 7 liquidation proceeding, a liquidation trustee would be appointed by
14 the Bankruptcy Court to oversee the liquidation of the Debtor's assets. Such trustee would be
15 entitled to retain a new set of professionals, including lawyers and accountants, to review and
16 analyze all of the Claims and the Debtor's assets. In addition, the Chapter 7 liquidation trustee
17 would be entitled to request a fee equal to 3% of all distributions made to the Creditors. Debtor
18 believes that the conversion to a Chapter 7 liquidation proceeding and the appointment of a new
19 trustee and new estate professionals would substantially increase professional fees and result in
20 further delays and a reduction in distributions. As reflected in Debtor's liquidation analysis,
21 Debtor believes that many creditors will receive less in a Chapter 7 liquidation than the full
22 payment that they will realize under Debtor's Plan.

23 Debtor can continue in this Chapter 11 proceeding with the same professionals and
24 without the duplication required by a Chapter 7 liquidation proceeding while Debtor's assets are
25 being liquidated and distributed under the Plan. In a Chapter 11 proceeding, the Debtor's assets

1 would be sold at higher prices and/or subject to higher and better bids under Bankruptcy Court
2 supervision. However, the professionals would continue to be retained and their services would
3 be necessary in preparing any necessary motions and applications and advising the Debtor. In
4 addition, the Debtor would continue to be subject to the retained jurisdiction of the Court under
5 the Plan provisions, including motions and/or objections by creditors or parties-in-interest. This
6 may further delay the receipt of distributions under the Plan by the holders of Allowed Claims.

7 Notwithstanding, Debtor believes in the exercise of best business judgment that its Plan is
8 in the best interests of its bankruptcy estate and creditors, and, is the most timely, efficient and
9 cost-effective method of providing the highest return to its creditors.

10 DATED this April 27, 2009.

11 **RYAN RAPP & UNDERWOOD, P.L.C.**

12 /s/ Franklin D. Dodge, Esq.
13 FRANKLIN D. DODGE
14 *Attorneys for Debtor*

15 Filed this April 27, 2009 and copy of the foregoing mailed to:

16 U.S. Trustee
17 OFFICE OF THE U.S. TRUSTEE
18 230 North First Avenue, Ste 204
19 Phoenix, Arizona 85003-1706

20 To all creditors of the Debtor and Equity Security Holders

21 /s/ Vicki K. LeMoine
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VERIFICATION

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I, David Maniatis, being the President of the General Manager of the Debtor and authorized representative of the Debtor named hereinbefore, have read, understand and accept the foregoing Disclosure Statement of the Debtor, and to the best of my knowledge state that the information contained therein, which has been provided to Debtor’s legal professionals, is true and correct based upon the Debtor’s books and records, my own personal knowledge, and information and belief, of the Debtor’s operating and financial/accounting practices and history, as well as information supplemented by the Debtor’s financial and accounting and legal professionals.

/s/ David Maniatis
David Maniatis, President
North Ft. Worth Management, L.L.C.
Debtor’s General Manager