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ATTORNEYS FOR DEBTOR

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
SAN ANGELO DIVISION

IN RE:	§	
	§	
ROBINSON PREMIUM BEEF, LLC,	§	**Case No. 16-60092-RLJ-11**
	§	
Debtor.	§	

SECOND DISCLOSURE STATEMENT

Robinson Premium Beef, LLC files this *Second Disclosure Statement* (the "**Disclosure Statement**"), pursuant to Section 1125 of the Bankruptcy Code for the purpose of providing adequate information to all holders of Claims against, and Interests in, the Debtor from which such holders may make an informed judgment about the *Second Plan of Reorganization* (the "**Second Plan**").

I. PURPOSE OF THE DISCLOSURE STATEMENT

On January 5, 2018, the *Second Plan of Reorganization* was filed by the Debtor providing for the reorganization of its financial affairs in accordance with the Bankruptcy Code[1]. This Disclosure Statement has been prepared by the Debtor, for the purpose of disclosing information which, in the Debtor's opinion, is material, important, and necessary for persons who are entitled to vote on the Second Plan to arrive at an informed decision whether to accept or reject the Second Plan. The material contained in this Disclosure Statement is intended for that purpose and solely for use by known Creditors and may not be relied on for any other purpose.[2]

This Disclosure Statement describes various transactions contemplated under the Second Plan, including how Creditors will be paid. The treatment of all Classes of Claims in the Cases is described in Article V of this Disclosure Statement. **You are urged to study the Second Plan**

[1] The Debtor's prior filed Plan and Disclosure Statement were withdrawn on June 21, 2017 (see Dkt. No. 202). The current filed Plan and Disclosure Statement wholly replaces same.

[2] Capitalized terms which are not defined herein shall have the meaning ascribed in the Plan or Section 101 of the Bankruptcy Code.

and to consult your counsel about the Second Plan and its impact upon your legal rights before voting on the Second Plan.

II. DISCLAIMERS

THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTOR FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE, TO THE BEST OF THE DEBTOR'S KNOWLEDGE, INFORMATION AND BELIEF. THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO AN AUDIT. TO THE EXTENT THAT THEY WERE RELIED UPON, THE RECORDS KEPT BY THE DEBTOR ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT INACCURACY. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE SECOND PLAN BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT ALSO CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE SECOND PLAN, CERTAIN TRANSACTIONS CONTEMPLATED UNDER THE SECOND PLAN AND CERTAIN CLAIMS ASSERTED BY CREDITORS OF THE DEBTOR. ALTHOUGH THE DEBTOR BELIEVES THAT THESE SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF DOCUMENTS REFERRED TO OR CLAIMS DESCRIBED THEREIN. REFERENCE IS HEREBY MADE TO THE SECOND PLAN AND THE OTHER AGREEMENTS AND DOCUMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT FOR A COMPLETE STATEMENT OF THE TERMS AND PROVISIONS THEREOF. ALL TERMS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE SECOND PLAN HAVE THE SAME MEANING UNLESS OTHERWISE STATED. IN THE EVENT THAT THE TERMS OF THIS DISCLOSURE STATEMENT ARE INCONSISTENT WITH THE TERMS OF THE SECOND PLAN, THE TERMS OF THE SECOND PLAN SHALL CONTROL.

THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF CREDITORS OF THE DEBTOR TO ENABLE SUCH CREDITORS TO MAKE AN INFORMED DECISION IN VOTING ON THE SECOND PLAN. THIS DISCLOSURE STATEMENT MAY NOT BE USED OR RELIED ON FOR ANY OTHER PURPOSE, AND NOTHING CONTAINED IN IT SHALL BE DEEMED AN ADMISSION OF FACT OR CONCLUSIVE ADVICE ON THE LEGAL EFFECT OF THE SECOND PLAN AND THE ADMINISTRATION OF THE DEBTOR'S ASSETS ON HOLDERS OF CLAIMS OR EQUITY INTERESTS.

NO REPRESENTATIONS CONCERNING THE DEBTOR'S ASSETS OR LIABILITIES, OR FINANCIAL CONDITION ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT MAY NOT BE USED BY ANY PERSON OR ENTITY, INCLUDING WITHOUT LIMITATION, THE PARTIES HERETO, IN ANY LEGAL PROCEEDING TO PROVE OR DISPROVE ANY MATTER

DEALT WITH HEREIN. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE SECOND PLAN, AND NOTHING CONTAINED IN IT SHALL CONSTITUTE, OR BE DEEMED CONCLUSIVE ADVICE ON, THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON HOLDERS OF CLAIMS.

III. BRIEF EXPLANATION OF CHAPTER 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, the Debtor is authorized to reorganize their financial affairs for their own benefit and that of their creditors. Attempts at collection of pre-petition Claims are automatically stayed during the pendency of the Cases. Formulation of a Second Plan of reorganization is the principal purpose of a Chapter 11 Reorganization Case. The Second Plan is the vehicle for satisfying the holders of Claims against the Debtor. Unless a Trustee is appointed, the Debtor has the exclusive right to file a Second Plan during the first one hundred and twenty (120) days of the Chapter 11 Case. Section 1121(c) of the Code provides for an automatic extension of the exclusivity period to one hundred and eighty (180) days after the commencement of the Case if a Debtor files a Second Plan during the initial one hundred and twenty (120) day exclusivity period. Exclusivity may be extended, as it was in this case. The Debtor filed its initial Second Plan within the exclusive period extended by the Court; however, the current Second Plan is filed outside of the exclusive period.

IV. BRIEF DESCRIPTION OF THE DEBTOR AND STATUS OF THE CASE

A. Historical Background of the Debtor – Pre-Petition

The Debtor was formed as a Texas limited liability company on August 23, 2013 with the functional intention to acquire the former operating, but then idled assets of San Angelo Packing and Four S Foods Holding (two (2) slaughterhouse facilities with surrounding acreage [either owned or under long-term lease] to address cattle (the "Main Processing Facility") and calves, goats and sheep (the "Ancillary Processing Facility") as well as various meat processing lines) along with significant farm acreage (the Farm Facility") owned by the Decedent's Estate of Jimmy Stokes that had been utilized when the Main and Ancillary Facilities were previously operating. The Debtor's opinion at the time was that the collection of assets it was trying to acquire had significant appreciation upside, both as to the equipment at both locations which was acquired at what the Debtor felt was a significant discount on the long-term value of same and the real property, as San Angelo continued to grow towards Farm Facility. Predecessors/assignors to the Debtor (C-Trade, Inc. and HW Funds, Inc.) in February and the Debtor in May of 2014 entered into Asset Purchase Agreements ("APAs") with SAP and SAP/Four S and the Estate of Jimmy Stokes, respectively, and then later Bills of Sale and Assignments as to APAs in July of 2014 in order to acquire all of the assets and rights SAP, SAP/Four S and the Decedent's Estate of Jimmy Stokes had that comprised the Main Processing Facility, the Ancillary Processing Facility and the Farm Facility. The Debtor executed notes, deeds of trust and security agreements regarding the $8,100,000.00 cost for their acquisition. The Debtor had, prior to July 2014, begun to contract for

necessary improvements to the Main Processing Facility. The Debtor had principally borrowed funds or sold equity interests to make those payments.

B. Problems that Led to Filing the Petition for Relief

Very shortly after the acquisition of the assets and rights SAP, SAP/Four S and the Decedent's Estate of Jimmy as noted above, C-Trade Group, Inc. (an initial member of the Debtor whose interest will be subject to objection) wholly failed to produce the financing it had obligated itself to secure for the Debtor for the purposes of upgrading and securing operating status in order to reopen the Main Processing Facility and the Ancillary Processing Facility. This happened after third party work begun in anticipation of the financing and before the first subsequent quarterly payment was due to SAP, SAP/Four S and the Decedent's Estate of Jimmy Stokes.

Jeremy Robinson, the other initial member, along with other parties who had been involved in the July 2014 closing or who were anticipating the reopening of the Main Processing Facility and the Ancillary Processing Facility had scramble to secure funding to pay for the first quarterly note obligations of $259,057.61, on the $8,100,000.00 acquisition indebtedness. The next almost two (2) years were spent securing funds from investors/lenders (principally the Yorton Parties) in order to fund the referenced quarterly payments as well as explaining to other creditors the nature of the problems the Debtor was having. However, the payment of these $259,057.61 quarterly payments caused the Debtor to constantly scramble to find necessary funding for the next payment while keeping the acquired assets insured and in reasonably good order by whatever means the Debtor could reasonably employ after C-Trade Group, Inc. failed its referenced funding obligations.

The Debtor's requirement to raise funding for those quarterly payments always left the Debtor at a disadvantage as to raising the additional necessary capital to get at least the Main Processing Facility operational. Small projects would begin but never get very far. Equipment, which was contractually subject to SAP or Four S's security interests was sold to raise funds for operations or traded for different equipment that the Debtor felt would be more appropriate for where the Debtor wanted future operations to head. No proceeds from the sales of such equipment were paid over to SAP or Four S, notwithstanding the existing security interests mentioned. Other persons and entities who comprise the Debtor's interest owners on the Petition Date, as well as the Yorton Parties, could not justify continuing to fund the $259,057.61 quarterly payments and other minimal ancillary obligations and not see any substantial progress towards getting the Main Processing Facility up and running. The eighth quarterly installment was not able to be raised and SAP, Four S and the Decedent's Estate of Jimmy Stokes posted their deeds of trust for foreclosure.

During the subsequent years since the purchase of the Main Processing Facility, the Ancillary Processing Facility and the Farm Facility the Debtor believed that market conditions previously suspected as being a significant basis for upside appreciation, continued to justify the acquisition. When this asserted appreciation is coupled with reductions in the amount owed on the acquisition on account of the $1,813,403.27 in total payment by at least $1,200,000.00 in principal, as of the Petition Date, the Debtor was compelled to seek relief under Chapter 11 of the

Bankruptcy Code to utilize that value that both the payments noted, and the appreciation generated. The Chapter 11 was filed on September 2, 2016 just prior to the posted foreclosure date.

C. Events in the Chapter 11 Proceeding.

Since filing for bankruptcy, Debtors have remained in possession of their property and have prepared the idled Main Processing Facility for authorized slaughterhouse operations which began in late May 2017 and which continue to date, now at a level which can reach as high as over 515 head per day (more on operations later). Normal course filings such as extensions of time to file schedules and statements of affairs, addressing utility usage and deposits and getting insurance payments addressed were completed. The course this case would take was also influenced by what Debtor's counsel, in reviewing the myriad of documents and filings that occurred prior to the Petition Date, discovered. That discovery was that UCC-1's as to the equipment liens granted to SAP and Four S were never filed of record, leaving SAP and Four S's secured status as to that significant amount of equipment (not only what was heretofore used to operate the two slaughterhouses described above, but significant excess equipment of substantial value in storage) potentially subject to a lien avoidance action under Section 544(a) of the Code. This provided the Debtor with the prospect of a potential benefit for the non-acquisition creditors of this Chapter 11 estate as well as for the prospects of a reorganization of the Debtor's affairs.

An adversary proceeding regarding this issue was drafted and forwarded to counsels for Four S and SAP and then shortly after the Petition Date, AP No. 16-06001 was filed (the "**544 AP**"). The principal contentions in the 544 AP and the risks presented to Four S and SAP's collateral positions would become the basis for the Debtor and SAP and Four S securing a functional 1st lien priority carve out by means of noticed interim and final borrowing motions and an appropriate Rule 4001(d) stipulation to enable the Debtor utilize the equipment as collateral for post-petition financing of up to $790,000 in principal, as was then believed to be necessary to enable the Debtor to finally work towards getting the Main Processing Facility up and running.

The first post-petition borrowing was funded by one of the Yorton Parties, in the noted amount of $290,000.00 (DIP Loan-1). Such was never intended to be all that would be necessary to get the Main Processing Facility up and running nor provide the necessary working capital to begin actual operations. Mr. Yorton only funded $240,000 of the $290,000 with the balance of the $290,000 being supplied by Hart Financial Investors, LLC ("**Hart**") as part of DIP Loan -2.

Additionally, during the early phases of this Chapter 11 case, the issue of the failure, pre-petition, to complete the assignment of the long-term lease as to the City of San Angelo owned real property and improvements (but not the significant amounts of equipment the Debtor contained therein) that constitutes the Ancillary Processing Facility became a focus in the case. The issues and concerns that the assignment of the lease of the Ancillary Processing Facility generated became the subject of two interrelated documents, detailed in the prior filed Disclosure Statement which describe and give the rationale for the agreements that address the problems that then existed. Prior to the withdrawal of the Debtor's First Second Plan and First Disclosure Statement [Dkt. No. 202], the claims of Four S, SAP and the Estate of Jimmy Stokes were purchased by Gray County Dairy, Inc. an insider or affiliate of Hart (DIP Lender 2 and 3 and PSA,

as revised, participant with the Debtor.)

This acquisition of those claims [See Dkt. Nos. 196-200] required that the Sundown Bank asserted lien issues with regard to the Ancillary Processing Facility be resolved as part of those claims purchases so that the chain of title as to the leasehold which forms the basis for the Debtor's rights vis-à-vis the Ancillary Processing Facility, were resolved and clear leasehold title (with City of San Angelo consent and conditions) into the Debtor would be established. This end was achieved and enabled the Debtor to address dealing with the Ancillary Processing Facility as a leasehold interest for the Debtor to generally assume or reject (with due regard for agreed upon revisions to that lease going forward) without issues of any asserted liens upon same by Sundown State Bank.

Second Plan Sections 5.01 (Second Plan Exhibits 5.01A and 5.01B) resolve the leasehold issue. Note that in Second Plan Exhibit 5.01A, the approved resolution as to the assignment issue (on the conditions noted) allowed for the Debtor and the City Manager or his designee to resolve issue regarding the compensation rates for the rental of the Ancillary Processing Facility during specific periods of time (i) pre-petition cure, (ii) post-petition rental rates; and (iii) post confirmation rates over time or level/type of activity, as well as a future application of the fair market standard for rental rate determination for the balance of the remaining original term, to 2046 as well as with regard to term extension options contained therein. The latter document Second Plan Exhibit 5.01B addresses all necessary cure requirements and revisions to the APF Leasehold and has been executed by the City of San Angelo's City Manager's designee (Roland Pena – Economic Development Director). Second Plan Exhibit 5.01B is also conditioned upon the Second Plan being confirmed and the Second Plan Closing Date occurring for the amendments to the APF Leasehold to become operative.

The Debtor previously secured both its first level and second level Section 365(d) extensions (three times as to the second level) on the date to determine whether to assume or reject the important lease of the Ancillary Processing Facility until the confirmation process has run its course to enable this resolution to occur, assuming the conditions noted are met.

The Debtor in its press to bring the Main Processing Facility back on line and to begin to generate operating income, secured the approval of a Plan Support Agreement ("**PSA**") that provided for roughly $2,900,000 of a mix of debt financing (roughly $1,500,000 via proper Section 364 motion and order – see listed below), an equity capital infusion of $1,400,000 and how that mix of equity and debt are to be addressed in the now withdrawn Plan.

Additionally, the Debtor and SAP, Four S and the Decedent's Estate of Jimmy Stokes (prior to the noted assignment to Gray County Dairy), in order to address: a) SAP, Four S and the Decedent's Estate of Jimmy Stokes' stated position that they would seek to secure Jeremy Robinson's membership interests by means of its post-petition, otherwise properly filed guaranty suit in state court in Tom Green County, Texas; and b) the Debtor's counter measure of seeking temporary injunctive relief from the Bankruptcy Court via a second Adversary Proceeding (AP No. 17-0600-rlj) to prevent any such intended interference with the Debtor's reorganization efforts, entered into a stipulation that pushed any action taken in the state court matter until after

the Debtor has had its opportunity to secure the confirmation of its then anticipated to be filed Plan and provided for the dismissal of the just noted adversary proceeding without prejudice in the near future. The second Adversary Proceeding has been dismissed without prejudice in the interim.

On account of the Debtor receiving its Grant of Operations from the USDA on May 3, 2017 and on account of the Debtor posting its Packers and Stockyards Act bond equivalent on May 11, 2017, the Debtor, on May 10, 2017, filed its *Motion for Interim and Final Orders Authorizing Third Post-Petition Financing* [Dkt. No. 159] to enable the Debtor to secure accounts receivable and inventory financing in the amount of up to $4,000,000. The financing provides capital to: a) acquire harvestable cattle (whether for cash or for normal term payments structures in the industry) for sale as processed meat products or otherwise; b) indemnity coverage for Spandet Dairy, LLC, at Texas LLC (Laurens Schilderink and wife, Ilona Van Vliet act as guarantors as well); and c) to provide startup funding for operations while accounts are generated and begin to come into the Debtor's cash flow. The Debtor secured approval for $2,000,000 on an interim basis from the Bankruptcy Court on May 17, 2017, then the balance at the final hearing being on May 25, 2017.

As previously referenced, the acquisition of the Four S, SAP and Estate of Jimmy Stokes secured claims by Gray County Dairy, Inc. (an insider or affiliate of Hart, DIP Lender 2, DIP Lender 3 and Plan Support Agreement participant) the approval of the prior Disclosure Statement for the purposes of soliciting acceptances or rejections of the prior Second Plan brought a new dynamic to this case which required the withdrawal of the prior Second Plan.

That change in secured creditors presented opportunity for other plan alternatives, which required a new Second Plan and Disclosure Statement to be filed. Additionally, the referenced acquisitions and post-petition financing gave the Debtor more time to ramp up its operations.

Operational issues and concerns regarding the putting cattle through the Main Processing Facility were able to be addressed and the vitality of the reworked Main Processing Facility was put to the test. In many ways the test was more strenuous than anticipated. The Debtor had to spend significant additional funds on equipment and maintenance related issues than the Debtor had projected in its prior models. Those costs affected net revenue, but the Main Processing Facility continued to improve its operational profile.

Additionally, there were four specific circumstances, which in combination, further affected operations and the ability to first make the Debtor cash flow neutral as to costs and then to head to net income sufficient to service the then proposed plan debt service requirements.

The first circumstance was the inability to get a bond without a fully funded letter of credit. That took $700,000 out of the Debtor's model as useable funds. This effectively increased the Debtor's administrative obligations from late July forward.

The second circumstance was the inability to have the Main Processing Facility meet grandfathering requirements regarding an important third-party audit (FSNS Certification Audit) of its processes and procedures for harvesting cattle which enables the Debtor to sell a larger portion of its output as fresh meat versus frozen. The mix of fresh versus frozen was more skewed

to frozen than had been modeled. That mix caused the Debtor to have to increase its operating costs to add additional refrigeration capacity beyond what the Main Processing Facility already had in place. The equipment issues noted above added pressure here as well. The Debtor did get the FSNS Certification Audit in late September and the fresh/frozen mix would begin to shift (and continues to shift) to a higher fresh portion. The problem with a heavier frozen mixture and a lack of FSNS Certification is that the prices at which the frozen non-certified output is sold is less than fresh and less when coming from a non-certified slaughter house, making the operational break-even point much harder to meet.

The third circumstance was the lack of a significant cattle purchasing credit line. Even though it was initially anticipated that the borrowings would be sufficient to set aside some funds for that purpose, the requirement that the cattle be paid for on terms, further added pressure on the cost side and increased the need for more through put of cattle to be able to reach a breakeven point. That through put level was not achievable at that time and because the Debtor was acquiring cattle on short term credit, the supply of cattle was much more tenuous.

The fourth circumstance was the lack of sales as projected. There was an assumption as to the kind of buyer and the needs of those buyers (same being more non-domestic buyers) would be sufficient to consume all of the Debtor's output and enable cash flow to be better and to then increase production to feed that very demand. But that did not play out as planned and that contributed to the Debtor's problems. Sales efforts were redirected to more domestic consumers and to domestic further processors.

The cumulative effect of these four circumstances was to generate significant post-petition accounts payables obligations to cattle purchasers and to the IRS for post-petition payroll tax obligations. These circumstances put significant pressure on the relationship between the parties to the now expired first PSA (the Debtor and the Schilderink/Hart/GCD/Yorton Parties) and caused significant review and assessment by the non-Debtor parties as to their intentions regarding reorganizing the Debtor.

Nevertheless, the Debtor continued to attract attention in the market and kept plugging away at improving its operating profile and tying to address as many of the issues above noted as possible. After extensive and detailed discussions, in depth reviews by the non-Debtor PSA parties of operations and serious reflection, an alternate proposal from what was contemplated to be done in early September emerged in late October and into early November. That process generated the Amended and Restated Plan Support Agreement a/k/a PSA-2nd which took into account the non-Debtor PSA parties assertions that there was no basis for pre-petition equity to receive anything on account of their interests. The Debtor's operational capacity grew, to over 500 head per day, though having over 400 head processed per day was an infrequent occurrence due to cattle input acquisition issues. PSA-2nd proposed to revise and restate the structure of the Second Plan and provided for the infusion of $2,000,000 in a mix of debt ($1,500,000) and equity ($500,000) at confirmation. PSA-2nd has been approved by the Bankruptcy Court (freeing up $100,000 from the last approved DIP borrowing) and the debt portions funded, with $400,000 going toward IRS past due admin claims and $1,100,000 going to paydown cattle suppliers. All of the other DIP lending's have been extended to mid-February 2018.

The Debtor, in light of the referenced points, has improved its accounts payable balances with the IRS (which it continues to reduce almost weekly) and has made progress with its cattle AP circumstances. Nevertheless, certain of the problems vexing the Debtor remain, albeit in a less threatening manner. The mix of fresh to frozen, better communications and safeguards for the DIP Lenders as well as the stated interests of third party entities of acquiring the Debtor outright, in cash to equity (See Section Subsection E for more details) and increasing sales has helped but the Debtor needs to get to normalized operating status in the next month or so. The Debtor feels certain that those goals have a reasonable chance of being met.

Detailed information regarding the improvements, revisions and funds expended to get the Main Processing Facility to authorized slaughterhouse operations through November 30, 2017 can be found in the latest Monthly Operating Report filed in Debtor's case and same is included as Exhibit VIII.B to this Disclosure Statement. Additionally, information regarding Debtors' projected post-petition operations is set forth in Exhibit VIII.B.2.

1. Entered Orders of Note in this Case

a. *Order Approving Motion to Determine Adequate Assurance of Payment of Utilities Required Under* 11 U.S.C §366 [Dkt. No. 30]

b. *Interim Order Approving Motion for Interim and Final Orders Authorizing Post–Petition Financing* [Dkt. No. 31]

c. *Order Approving Application to Employ Coats | Rose, P.C., as Counsel for the Debtor* [Dkt. No. 46]

d. *Final Order Approving Motion for Interim and Final Orders Authorizing Post–Petition Financing* [Dkt. No. 48]

e. *Order Regarding Amended Motion for Distribution of Retainer* [Dkt. No. 57]

f. *Order Approving 4001(d)(1)(A)(v) Agreement to Modify and Expand Prior Interim and Final Orders Authorizing Post-Petition Financing* [Dkt. No. 58]

g. *Order Extending Debtor's Exclusive Right to File a Second Plan of Reorganization and Solicit Acceptances* [Dkt. No. 76]

h. *Agreed Order Granting Motion to Approve Compromise with San Angelo Packing Company, Inc.* [Dkt. No. 78]

i. *Order Granting Agreed Emergency Motion to Extend the Deadline to Assume or Reject Unexpired Lease of Non-residential Real Property* [Dkt.

No. 88]

j. *Order Regarding Employment of Accountants* [Dkt. No. 92]

k. *Interim Order Approving Motion for Interim and Final Orders Authorizing Second Post–Petition Financing* [Dkt. No. 110]

l. *Order Authorizing Second Plan Support Agreement* [Dkt. No. 126]

m. *Order Approving Debtor Entering into Custom Kill and Cattle Supply Contracts* [Dkt. No. 127]

n. *Final Order Authorizing Second Post–Petition Financing* [Dkt. No. 128]

o. *Order Regarding Application to Approve Funding of Post-Petition Retainer and Approve Post Petition Retainers Previously Funded* [Dkt. No. 136]

p. *Order Extending Deadline to Assume or Reject Unexpired Non-Residential Real Property Lease* [Dkt. No. 145]

q. *Interim Order Approving Motion for Interim and Final Orders Authorizing Third Post-Petition Financing* [Dkt. No. 175]

r. *Final Order Authorizing Third Post-Petition Financing* [Dkt. No. 184]

s. *Order Authorizing Debtor to Enter in to Premium Financing Agreement with IPFS Corporation* [Dkt. No. 201]

t. *Order Extending Deadline to Assume or Reject Unexpired Non-Residential Property Lease* [Dkt. No. 222]

u. *Order Extending Deadline to Assume or Reject Unexpired Non-Residential Real Property Lease* [Dkt. No. 234]

v. *Interim Order Approving Motion for Interim and Final Orders Authorizing Amended Third Post–Petition Financing* [Dkt. No. 256]

w. *Final Order Authorizing Amended Third Post–Petition Financing* [Dkt. No. 268]

x. *Order Approving Amended and Restated Plan Support Agreement* [Dkt. No. 270]

y. *Order Regarding Expedited Application to Approve Funding of Second Post-Petition Retainer* [Dkt. No. 271]

D. Possible Market Risks Related to the Second Plan

The processing of cattle into the various types of beef related products consumed both domestically and for export is subject to multiple risk factors common to any agricultural economic activity. First off, there are weather and climate issues that can affect herd sizes and the rate at which cattle are brought in for processing. The Debtor will also focus on a mixture of supply sources from ranch beef cattle and dairy cattle. Dairy cattle are not affected by localized drought conditions to the same degree as ranch beef cattle due to the operating norms that require dairies to always feed the dairy cattle harvested feed, whereas ranch beef cattle typically graze in pastures where the grass is more reliant on naturally occurring rain fall where the ranch beef cattle are located. The acquisition of the Main Processing Facility and the Ancillary Processing Facility was largely facilitated by a quite significant multi-year drought that affected the western Texas cattle raising industry. Predicting when or whether a similar long-term weather pattern may occur is virtually impossible.

There are also more prosaic market risks such as dietary trends away from beef as a protein supply to consumers. Notwithstanding such concerns, there is the countervailing increase, worldwide, on increased protein consumption, which the Debtor feels will buffer, if not actually enhance total beef consumption. When refrigeration and transportation issues are borne in mind and the ability to export generally is considered, the overall growing market for protein consumption should buoy or increase the anticipated levels of cattle processing.

The Debtor's intended market niche is two-fold. First is the concentration on the use of dairy cattle stock as an input into the Debtor's main processing facility. The Debtor's connections to the dairy industry are evident from its lead post-petition lender and potential investor, Hart, whose affiliates and connections are deep in the dairy industry. Additionally, the Yorton Parties are significantly involved in the dairy cattle industry and both of those connections should help the Debtor's operating prospects for the long-term. The use of dairy cattle as a slaughterhouse input sets the Debtor into a lower cost niche and enables the Debtor to focus on full utilization of all of the cattle inputs, with the export market being tapped for shipment of cattle parts not generally consumed in the United States but which has a large following in other areas of the world.

The second aspect is the ability of the Debtor to address specialized custom kill end users. There are various religious customs that require different butchering and storage requirements, as well as appropriate religious procedures that both halal and kosher kill require that the Debtor is well suited to address. These inputs are at less operating cost to Debtor as the cattle are not acquired by the Debtor but rather the Debtor serves as more of a service provider.

The principal risk for the Debtor is keeping the Main Processing Facilities' input nearer to its capacity so that both operational and Second Plan obligations can be meet as projected. When this Disclosure Statement was approved on January ___, 2018, that per day head rate was at ____. The Debtor's projections generally require 400 plus per head per day to operate and fund Second

Plan obligations and address all operating needs and requirements, but that number varies as the input (cattle supply) prices and output (sales) prices also vary and this affect the plan servicing sufficient levels as well. Notwithstanding that general processing rate statement factors such as price of inputs, fat content, labor utilization, machinery and equipment maintenance and repair and sales prices means that the head per day rate is a rough estimate and on account of those factors the required per day processing levels may vary.

Long-term the Debtor must also move to utilize the assets of the Ancillary Processing Facility in the relative short term so that those assets are put into productive use. Now that the murky pre-petition Leasehold positions are resolved the value of the Ancillary Processing Facility should show itself soon after it is able to come online. Notwithstanding these assessments, the Debtor could run into further supply problems or other issues regarding processing of cattle inputs. Competitive pressure from being on of now two slaughterhouses in San Angelo, Texas will be a factor, but historically, over a significant period of time there have been two operating slaughterhouse companies in San Angelo. The overall decline in the number of slaughterhouses that closed in Texas due, partially to the prior drought, when coupled with Texas' increasing population and the worlds increasing need and demand for protein means that this risk is acceptable in the Debtor's view.[3]

However, the value of the Debtor's estate will benefit from going from a shuttered, mothballed state to an operating state with the incumbent increase in value that a going concern normally generates. The Second Plan also provides for the creation of a Successor Holding Company and the addition of San Angelo Agricultural Services, LLC "SAAS" as a sister entity to the Debtor. Ownership interests in the Successor Holding Company will be issued in exchange for partial conversion of certain administrative claims, a cash infusion by Hart, applicable pre-petition claims, and to certain parties who are also Allowed Pre-Petition Interests Holders (but not on account of such interests). SAAS will remain a stand-alone entity whose finances will not be blended with the Debtor nor will the Debtor's assets be used as collateral for any SAAS debt. SAAS's operations are also not being used to enhance or benefit the Debtor's operations. All income able to be reasonably disbursed by either entity beyond its respective obligational requirements, will be made to the Successor Holding Company.

E. Inquiries from Third Parties as to the Debtor.

During the period leading up to the filing of the Debtor's First Second Plan and First Disclosure Statement word of the progress being made on the reopening of the Main Processing Center began to percolate through the local cattle business in Western Texas, and beyond. In

[3] Please see the following reports regarding world protein demand issues:

a) http://www.who.int/nutrition/topics/3_foodconsumption/en/index4.html (World Health Organization);

b) http://www.fao.org/docrep/005/y4252e/y4252e07.htm (Food and Agricultural Organization of the United Nations); and

c) http://www.cnn.com/2017/05/11/politics/china-us-beef-imports-trade-deal/ (CNN).

addition to the somewhat normal inquiries from third party financiers and reorganization specialists that as Chapter 11 filing can generate, the Debtor discussed, and as to certain suitors, met with principals and their advisors who were interested in lending or investing in or helping the Debtor's effort to reorganize. The net result was the execution of the Second Plan Support Agreement and DIP Loan 2 which brought $2,900,000.00 of convertible debt equity and capital to the reorganization process.

After these referenced events had been approved by orders of the Bankruptcy Court a creditor of the Debtor and a pre-petition broker to the Debtor brought another entity (then undisclosed) to Debtor's counsel's attention on February 10, 2017. Thereafter, on February 15, 2017, discussions with the still undisclosed entity began with their counsel. On February 21, 2017, a site visit was setup for February 24, 2017 and the potential suitor EcoArk Holdings, Inc. or an affiliate ("**EcoArk**") was identified.

The Debtor spent over a half day meeting with multiple representatives of EcoArk, touring the Debtor's facilities. Thereafter, on March 6, 2017, a written proposal was submitted to Debtor's counsel by EcoArk. Debtor had done some due diligence on EcoArk in the interim prior to the written offer and ascertained that they were involved in agricultural endeavors, but did not seem to have any presence or activities pending in any aspect of the cattle business. Prior to the arrival of the written proposal Debtor's counsel and EcoArk's counsel discussed the coming proposal and the circumstances of the case.

The proposal was complicated and detailed with various conditions noted with regard to financing the proposed offer of $9,000,000.00 and the assumption of unspecified liabilities. The proposal required termination of the existing PSA with Hart while EcoArk did due diligence and raised the funds via securities markets or secured appropriate securities related approvals as to already raised funds (the particulars of such requirements were not noted). The letter required a response within forty-eight (48) hours or it lapsed. Debtor's counsel had told EcoArk's counsel that such a deadline was untenable in light of the circumstances of the case and the content of the proposal.

As required by the PSA the proposal was sent to Hart and the Debtor proceeded to formulate a reply to send out prior to the EcoArk imposed deadline of March 8, 2017. The Debtor responded timely, refusing the offer as the total amount bid was less than all of the claims in the case, did not recognize the Debtor's perception of value and equity and upside to its Interest Holders and most importantly that it jeopardized the Debtor's reorganization 12 days prior to its exclusivity period terminating while requiring the existing PSA with its long negotiated benefits and debt conversion features to be terminated without any assurance that EcoArk would in fact move from a "letter of intent" status to either a 363 sale or a viable Second Plan alternative. The Debtor noted that while the offer was rejected as it stood, that the "fiduciary out" requirements of the PSA required the Debtor to be open to any counter by EcoArk that addressed the problems with the offer. The Debtor remains, as it noted in its response, open to consider any revisions to the initial unsolicited offer that would reasonably cause the Debtor to reconsider EcoArk's proposal.

After the date of filing of the initial Disclosure Statement, a somewhat revised offer was tendered by EcoArk. On April 5, 2017, counsel for the Debtor was contacted by EcoArk's counsel by e-mail and via voice mail. A conversation regarding EcoArk's continued interest was initiated and a follow-up e-mail was received which detailed EcoArk's intentions. The e-mail, edited for length, stated the following generally:

> EcoArk is considering a transaction that will fully pay all allowed claims and administrative expenses in cash at closing. EcoArk will provide evidence of ability to close without a financing contingency. EcoArk has completed much of its diligence concerns regarding a diligence out can be addressed. Documentation, regulatory approvals, and any other third-party consents required will be done to not hurt the debtor's efforts to emerge from chapter 11.
>
> EcoArk expects existing equity holders and management would like to remain involved and EcoArk is willing to discuss arrangements to keep all or part of existing management and employees in place while maintaining the debtor as a going concern without disruption to operations. EcoArk understands the Debtor and its equity holders believe that sufficient value exists to justify equity maintaining a stake in the Debtor going forward. EcoArk requests the Debtor's thoughts as to what management and existing equity holders' interests are in pursuing a transaction with EcoArk along the lines described above.
>
> EcoArk acknowledged the Debtor has obligations under the Second Plan Support Agreement and is moving forward in the case and EcoArk is not asking, at this time, to suspend or terminate negotiations or transactions with Hart Financial Investors and other parties in interest in connection with the Debtor's filed Second Plan. EcoArk is seeking internal approval for a transaction along the lines outlined above and expects by the end of the month of April to know whether it would like to move forward with the Debtor. EcoArk requests information on what management and equity holders would seek in connection with an EcoArk investment intended to pay all of Debtor's allowed claims and administrative expenses in cash on closing. If EcoArk receives its internal approval in the next few weeks, and the information requested will help, given the timing of the Chapter 11 case.

Debtor's counsel passed on the information and informed Hart in accordance with the PSA of EcoArk's inquiry. EcoArk was informed that supplements to the Disclosure Statement and Second Plan would be filed (filed on April 10, 2017) which would address some of the issues they needed data regarding. Additionally, consistent with the request, the Debtor and equity holders proceeded to address the inquiry and expression of interest made by EcoArk that would not be addressed by the noted supplements. The most difficult to pull together, in light of the continued metamorphosis of the Main Processing Facility into a fully operational cattle harvesting facility and all of the time and effort needed to get the Debtor to that state with management, staff and other operational requirements of a functional start up, was coming up with an estimated enterprise value based upon a Second Plan consistent with EcoArk's proposal and in light of the fact that the

Debtor intended to be operating at some pace before confirmation. Additionally, the Debtor had to consider that all post-petition financing would have to be paid in cash. The Debtor's management and equity also considered, from what they knew of EcoArk's intentions marketwise, as to what subsection of the cattle harvesting and processing market they suspected would be EcoArk's goal in coming up with an enterprise value and thus the value of their interests.

The Debtor and equity proceeded to model that circumstance as time would allow and forwarded a timely response to EcoArk on April 25, a bit less than three weeks after EcoArk resurfaced. EcoArk was supplied with a discounted cash flow (15% discount) based assessment, after payment of all obligations of the Debtor, to come to an equity value of the Debtor under that circumstance of roughly $22,000,000.

On April 26, 2017 EcoArk responded by phone and e-mail noting principally:

> "…EcoArk is now focused on other transactions and no longer able to dedicate the bandwidth to getting this deal done. While EcoArk has not presented the debtor with a firm, binding offer, it formally withdraws all offers and is currently terminating discussions with the debtor. We may be able to revisit in several weeks, but I expect that you will be further down the road toward confirmation at that point. If, for some reason, the debtor's reorganization efforts hit a road bump or stall, we would like to have a chance to revisit a transaction with Robinson Premium Beef….

As of the date of the filing of the prior Amended Disclosure Statement, no additional inquiries have been made by EcoArk.

However, EcoArk never fully went away. EcoArk continued to monitor the Debtor's operations by reviewing publicly filed data. Additionally, due to the withdrawal of the initial Plan and Disclosure Statement (and resultant loosening of the PSA's no-chop clause's effect as the PSA proposal detailed was no longer a viable plan blue print) EcoArk made note to continue to monitor the Debtor's operations and progress. In early to mid-October EcoArk's interest began to show. Contacts between the Debtor, Debtor's counsel, EcoArk's personnel and EcoArk's counsel began to increase. The prior levels of interest have increased and insofar as discussions of value and what it might take for an outright acquisition of the Debtor to occur, EcoArk was coming much closer to the $22,000,000 valuation that the Debtor had proposed in April. These discussions proceeded at the same time as discussions between the Debtor and the non-Debtor PSA parties were in full swing. The Debtor, mindful of the spirit of the prior PSA, informed Schilderink/Hart/GCD/Yorton Parties of EcoArk's continued seemingly significant interest in acquiring the Debtor. These discussions and their affect are seen in provisions of PSA-2nd that includes the "Fiduciary Event" (wherein Hart shares in upside that specific interest holders may be entitled to, equal to 35% of the cumulative amount paid to interest holders if any sale does occur).

Moreover, the requirements as to any third party, then particularly EcoArk, was that no offer would be entertained by the Debtor in the form of dropping pursuit of the Second Plan unless

that offer met the functional requirement of being a clearly better opportunity for the Debtor and its creditor and equity constituencies (the fiduciary out), unless an acquiring party unconditionally (no financing contingencies or other due diligence outs) promised to pay in writing at the close of a prompt Bankruptcy Court sanctioned transaction, a sum that would cause more than a nominal distribution to equity in addition to paying all of the Debtor's pre-petition claims with interest and attorney's fees where applicable, as well as all of the Debtor's post-petition non OCB operating level claims (i.e. administrative claims beyond normal credit term levels), including assuming those OCB operating claims and other executory contracts, cure requirements detailed in the Second Plan, and full payment of all sums due Hart under its post-petition loan facilities.

Additionally, just prior to the approval of the PSA-2nd, in late November/early December J2Bar LLC, associated with Crystal River Meats out of Colorado (initially brought in as a potential capital partner for EcoArk) has shown significant interest in acquiring the Debtor as well, and even thought the time requirement to make a qualified and sufficient offer significantly prior to the likely scheduled confirmation hearing is no small feat to achieve, J2Bar LLC is continuing forward and may well make a qualifying offer. Other persons and entities continue to signal interest in the Debtor, most informally though. The Debtor has made it known that the above referenced requirements apply to any and all potential suitors. This Second Disclosure Statement, now being sent to creditors and parties in interest, shows that as of the date of the approval by the Bankruptcy Court of the Second Amended Disclosure Statement that neither EcoArk nor J2Bar LLC have made the requisite qualified and fully funded proposal. Until the Second Plan is confirmed, a prospect remains that such a qualified proposal could occur.

V. GENERAL OUTLINE OF THE SECOND PLAN

THE PRINCIPAL PROVISIONS OF THE SECOND PLAN ARE SET FORTH BELOW. THIS IS A BROAD OVERVIEW OF THE SECOND PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE SECOND PLAN, WHICH IS ATTACHED HERETO AS EXHIBIT "A". AS NOTED ABOVE, ALL CAPITALIZED TERMS USED HEREIN AND NOT OTHERWISE DEFINED IN THE BANKRUPTCY CODE SHALL HAVE THE MEANINGS ASSIGNED TO THEM IN THE SECOND PLAN ATTACHED HERETO.

A. Classification and Treatment of Claims and Equity Interests

1. **Class 1: Allowed Secured Claims of Ad Valorem Taxing Authorities**: The Allowed Secured Claims of Ad Valorem Taxing Authorities against the Debtor as set forth in Amended POC # 7 in the amount of $158,441.00 upon confirmation will be deemed allowed as a fully secured claim, and be paid by the Debtor as follows: a) $25,000.00 on the Second Plan Closing Date with the remaining [4] being paid in equal monthly installments of $3,996.11 by the

[4] The Debtor asserts that the balance after the payment of the initial payment detailed above on the Plan Closing Date is $161,410.28 and was calculated as follows: $158,129.01, plus accumulated per diem interest since the Petition Date of $28,281.27 (assuming a March 1, 2018, Second Plan Closing Date) for a total secured claim of $186,410.28. After payment of $25,000 on the Plan Closing Date. The resulting balance is $161,410.28. If the Plan Closing Date

Reorganized Debtor beginning on the first of the month following the Second Plan Closing Date and continuing every month thereafter until the date that is fifty-two (52) months thereafter until all amounts are paid in full. The Allowed Secured Claims of Ad Valorem Taxing Authorities shall receive pre-confirmation (to establish the Allowed Amount) and post-confirmation interest on that Allowed Amount at the rate of 1% per month pursuant to Code §§ 1129(a)(9), 506 and 511. The holders of the Allowed Secured Claims of Ad Valorem Taxing authorities shall retain their liens with first priority lien position until paid in full. This class is impaired and entitled to vote.

2. Class 2: Allowed Secured Claims of GCD: Class 2 shall consist of the Allowed Secured Claims of GCD that were acquired by GCD post-petition from: a) Four S Food Holding Co., LLC and San Angelo Packing Company, Inc. [See DKT #197 and 200]; (b) San Angelo Packing Company, Inc. [See DKT #196 and 199]; (c) Estate of Jimmy Stokes, Deceased [See DKT #195 and 198]; (d) and Doucet Plumbing, Inc. [See DKT #158]. Each of these acquired secured claims will be treated as sub classes of Class 2. As provided for in PSA-2nd, all obligations owed by the Debtor to each of the referenced acquired Allowed Secured Claims are each a separate claim pre-petition, are to be combined into one obligation and all are secured by the collateral that each of the underlying four (4) claims assert is security for each of those pre-petition claims, as that security was modified per the PSA-2nd. The holder of the Allowed Secured Claims of GCD, consists of the four (4) secured claims acquired by GCD post-petition from: a) Four S Food Holding Co., LLC and San Angelo Packing Company, Inc. [See DKT #197 and 200]; (b) San Angelo Packing Company, Inc. [See DKT #196 and 199]; (c) Estate of Jimmy Stokes, Deceased [See DKT #195 and 198]; (d) and Doucet Plumbing, Inc. [See DKT #158] in the cumulative principal amount, based upon the filed proofs of claims referenced in the transfers noted as to each underlying claim, of $7,122,645.41 as of the Petition Date with a cumulative balance as of the projected Second Plan Closing Date noted, of $7,544,700.75[5], as each acquired secured claim is over-secured.

Each of the four (4) acquired secured claims is entitled to its own ballot for voting and each acquired secured claim is an independent sub-classified claim.

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varies from the projected, the per diem rate of interest accrual is $51.99 and the amortized number for payments will be modified accordingly

5 The cumulative amount of the GCD Allowed Secured Claim is calculated (assuming a March 1, 2018 Second Plan Closing Date) as follows: a) Four S Food Holding Co., LLC and San Angelo Packing Company, Inc. portion $2,857,304.38 (POC #6), plus accumulated per diem interest since the Petition Date at the contract rate of 5% of $207,932.64 for a total Allowed Secured Claim of $2,954,932.64; b) San Angelo Packing Company, Inc. portion $3,432,000 (POC #5), plus accumulated per diem interest since the Petition Date at the contract rate of 5% of $259,783.33 for a total Allowed Secured Claim of $3,691,783.33; c) Estate of Jimmy Stokes, Deceased portion: $730,000.00 (POC #4) plus accumulated per diem interest since the Petition Date at the contract rate of 5% of $55,256.94 for a total Allowed Secured Claim of $785,256.94; and d) Doucet Plumbing portion: $103,341.03 (POC #2), plus accumulated per diem interest since the Petition Date at the statutory rate of 6% of $9,386.81 for a total Allowed Secured Claim of $112,727.84. The resulting total estimate of all four (4) Allowed Secured Claims is $7,544,700.75, exclusive of GCD's costs and attorneys' fees. The cumulative per diem rate of interest accrual is $976.81 and the amortized number for payments will be modified accordingly. Note: This is the Debtor's estimate which has not been verified by GCD.

Insofar as the treatment of the four (4) acquired secured claims, post confirmation, the accumulated total claim as of the Second Plan Closing Date, consistent with the requirements of PSA-2nd shall be secured by every type of collateral that each of those specific acquired secured claims had or could have asserted pre-petition as per their pre-petition documentation[6] or pre-petition statutory rights, as applicable.

Notwithstanding same, as to any equipment of the Debtor, whether acquired pre-petition or post-petition, the lien on equipment provided herein, is inferior and subordinate to the liens on equipment granted to the pre-confirmation financings that constitute the Hart Exit Financing[7].

The cumulative total projected debt of approximately $7,544,700.75 shall bear interest at 6% per annum and shall be paid as follows: through maturity (post maturity interest at ten percent (10%) per annum), payable in consecutive equal monthly installments of principal and interest of $61,220.56, based upon an approximate 16 year amortization, beginning on the first day of the month following the Second Plan Closing Date, and continuing on the same day of each following month, until December 31, 2022, when the GCD Allowed Secured Claims will mature and be due and payable in full. GCD will be under no obligation to renew or extend the remaining debt, if any, at maturity. There is no penalty or yield premium for any pre-payment of the GCD Allowed Secured Claims. This class is impaired and each of the subclasses of claims is entitled to vote in its subclass.

3. <u>Class 3: Secured Claim of Notroy Kids, LLC</u>: The Secured Claim of Notroy Kids, LLC is subject to a recharacterization dispute and is a Disputed Claim. If the Global Yorton Parties CSA is accepted by all of the Yorton Parties (by noting same on their respective ballots) then the Class 3 claim will have cleared the Debtor's noted objection and will become an Allowed Claim on the Effective Date entitling Notroy Kids, LLC to receipt of the treatment detailed in Second Plan Section 4.03 in full satisfaction of its then Allowed Secured Claim. This class is impaired and is entitled to vote.

4. <u>Class 4: General Unsecured Claims of Affiliates or Insiders</u>: General Unsecured Claims of Affiliates or Insiders that are Allowed shall receive the treatment detailed in Second Plan Section 4.03. The only qualified holder of a claim in this class that may become an Allowed Claim is that of Dean Yorton (POC #9). If such claimant designates on its ballot acceptance of the Global Yorton Parties CSA, then such acceptance makes that claim an Allowed Claim on the Effective Date, entitling its holder to the treatment detailed in Second Plan Section 4.03 in full satisfaction of his asserted general unsecured claim against the Debtor. This class is impaired and is entitled to vote.

5. <u>Class 5: Allowed General Unsecured Claims</u>: Allowed General Unsecured

6 Please see Section 4.04 of the Second Plan regarding the dismissal with prejudice of *Robinson Premium Beef, LLC v. Gray County Dairy* Adversary Proceeding No. 16-06001-rlj consistent with the terms of the PSA-2nd.

7 None of the acquired secured claims had any lien rights to many of the collateral types that the constituent pre-confirmation financings that make up the Hart Exit Financing, including but not limited to inventory and accounts.

Claims, which total $142,805.10 prior to any objections, shall be entitled to pro-rata distribution of 50,0000 on the Second Plan Closing Date in full satisfaction of those claims. This class is impaired and is entitled to vote.

6. **Class 6: Allowed Interests:** Interests in the Debtor consist of those interest holders who are Yorton Parties, Jeremy Robinson and all other holders of pre-petition interests in the Debtor ("Other Interest Holders). All Interests in the Debtor will be cancelled, and such holders will receive nothing on account of those Interests. This class is deemed to reject and is not entitled to vote.

B. Treatment of Unclassified Claims

1. **Title 28 U.S.C. Section 1930 Fees:** All fees required pursuant to 28 U.S.C. § 1930 shall, if not previously paid in full, be paid in cash as and when those fees are normally due, by the Debtor from its post-petition cash flow. To the extent that the Debtor owes pre-confirmation United States Trustee fees required to be paid in accordance with 28 U.S.C. § 1930(a)(6), such fees shall be paid when due or shortly after the Effective Date in accordance with 11 U.S.C. § 1129(a)(12). If paid after the Effective Date, such fees shall be paid by the Reorganized Debtor. The United States Trustee is not required to file an application for payment of Administrative Expense for such pre-confirmation United States Trustee fees.

2. **Allowed Administrative Expenses of Professionals:** Each holder of an Allowed Administrative Expenses of Professionals, if not previously paid in full pursuant to a Final Order of the Bankruptcy Court, shall receive cash equal to the unpaid amount of such Allowed Administrative Expense of Professionals from the Reorganized Debtor on the first business day after an Order is entered regarding such Allowed Administrative Expense of Professionals, unless a holder of an Allowed Administrative Expense of Professionals agrees otherwise. All Administrative Expenses of Professionals for work performed through the Effective Date shall be filed with the Court within thirty (30) days of the Effective Date or be barred.

3. **Allowed Administrative Expenses Incurred in the Debtor's Ordinary Course of Business:** Each holder of an Allowed Administrative Expense incurred in the Debtor's ordinary course of business shall be paid in accordance with the customary terms and conditions of said vendor in its dealings with the Debtor without any further Order of the Court. If an Allowed Administrative Expense Incurred in the Debtor's Ordinary Course of Business is required to be paid on or after the Effective Date under such creditor's usual terms, it will be paid by the Reorganized Debtor. Administrative Expenses, other than: (a) those incurred in the ordinary course of business of the Debtor; and (b) those described in Sections, 3.02 and 3.04 of the Second Plan, must be filed by the Administrative Expense Bar Date or they shall be forever barred. If the Debtor (or the Reorganized Debtor) objects to an Administrative Expense, the Debtor (if prior to the Effective Date) or the Reorganized Debtor (if on or after the Effective Date) shall pay the amount allowed as an Allowed Administrative Expense (if any), in full within twenty (20) days of entry of an order allowing such Administrative Expense by the Bankruptcy Court. Notwithstanding the above, no requirement to fund post-petition accrued payroll taxes as to any governmental entity shall be required to file any administrative claim, as the Debtor must have all such post-petition accrued payroll taxes funded in accordance with ordinary compliance requirements set by such

applicable governmental entity.

4. Allowed Administrative Expenses of Ad Valorem Taxing Authorities: Allowed Administrative Expenses of Ad Valorem Taxing Authorities shall be paid by the Reorganized Debtor, or from any escrows held on behalf of the Reorganized Debtor, prior to being past due under applicable state law.

5. Allowed Unsecured Priority Claims of Taxing Authorities: Each holder of an Allowed Unsecured Priority Claim of Taxing Authorities that is **not** also a Class 1 Allowed Secured Claims of Ad Valorem Taxing Authorities, shall be paid in equal monthly installments by the Reorganized Debtor beginning on the Effective Date and continuing every month thereafter until the date that is fifty-one (51) months after the Effective Date. The Allowed Unsecured Priority Claims of Taxing Authorities shall receive pre-confirmation and post-confirmation interest at the rate of that is required as to said Taxing Authority pursuant to Code §§ 1129(a)(9), 506 and 511.

6. Allowed Yorton DIP Loan-1 Secured Administrative Claim: The Allowed Yorton DIP Loan-1 Secured Administrative Claim shall receive the treatment detailed in Second Plan Section 4.03 in full satisfaction of the Yorton DIP Loan-1 Secured Administrative Claim.

7. Allowed Hart DIP Loan-2 Secured Administrative Claim: The Allowed Hart DIP Loan-2 Secured Administrative Claim shall receive the treatment detailed in Second Plan Section 4.01 in full satisfaction of the Hart DIP Loan-2 Secured Administrative Claim.

C. Key Definitions, Settlement Proposals and Implementation of the Second Plan

1. Key Definitions

a) Ancillary Processing Facility shall mean the Debtor's interest in 28 acres of land (see Second Plan Exhibit 1.13 for a full legal description of the leasehold premises) with permanent improvements which is a blended livestock processing facility (with lamb/goat processing capacity) with all necessary equipment as well as storage facilities with significant amounts beef processing equipment stored on site after the approval, as part of the Second Plan, of the Ancillary Processing Facility.

b) APF Leasehold shall mean the leasehold premises descried in the April 2, 1996 Lease Agreement between the City of San Angelo and Ranchers Lamb of Texas, Inc. as same was later assigned from Crockett National Bank to San Angelo Packing Company, Inc. per the unrecorded lease assignment dated September 19, 2006, which APF Leasehold San Angelo Packing Company, Inc. contracted to transfer to the Debtor pursuant to the Assigned APA. Post-petition, the chain of transactions, both recorded and unrecorded has been clarified by virtue of the release of any claim of Sundown State Bank to any rights to the APF-Leasehold, executed by Sundown State Bank and which release has been filed of record in real estate records of Tom Green County, Texas at 201715618 and by virtue of the City of San Angelo Resolution, as well as the APF Lease Assumption Requirements

c) **APF Lease Assumption Requirements** shall mean those specifically detailed provisions regarding pre-petition cure requirements, pre-confirmation rental rates and when they must be paid ($16,250 on March 1, 2018) and post confirmation rental rates and provisions and conditions for rate increases, as well as a two (2) twenty-five (25) year renewal options at the end of the original initial term that were able to be negotiated on account of the City of San Angelo Resolution.

d) **City of San Angelo Resolution** shall mean the resolution of any issues or concerns by and between the City of San Angelo and the Debtor with regard to the pre-petition assignment of the real property lease with regard to the Ancillary Processing Facility, as detailed in Second Plan Exhibits 5.01A.

e) **Effective Date** shall mean the date which is the fifteenth (15^{th}) day following the Confirmation Date, unless a stay of the Confirmation Order is obtained. In the event a stay is obtained, the Effective Date will be the fifteenth (15^{th}) day after an order dissolving the stay is entered. If the Effective Date would fall on a weekend or federal holiday, the Effective Date shall be the next business day.

f) **Farm Facility** shall mean 564 acres of real property in two (2) contiguous tracts (see Second Plan Exhibit 1.13 for the legal description) used for leased farming operations (partially irrigated), which provides appropriate governmental approvals as a waste water facility for the Debtor pre-confirmation and post confirmation operations at the Main Processing Facility.

g) **GCD** shall mean Gray County Diary, Inc., a Kansas corporation, the entity which acquired the asserted secured debts of: (a) Four S Food Holding Co., LLC and San Angelo Packing Company, Inc. [See DKT #197 and 200]; (b) San Angelo Packing Company, Inc. [See DKT #196 and 199]; (c) Estate of Jimmy Stokes, Deceased [See DKT #195 and 198]; (d) and Doucet Plumbing, Inc. [See DKT #158], as well as guarantees of each of same issued by Jeremy Robinson and Nick Kontonicolas.

h) **Global Yorton Parties CSA** shall describe the compromise and settlement agreement between applicable Yorton Parties as detailed in Second Plan Exhibit 4.03.

i) **Hart DIP Loan-2** shall mean the post-petition financing extended by Hart in accordance with the Second Plan Support Agreement and approved by the Bankruptcy Court (See [Dkt. No. 95] (Motion) and [Dkt. No. 128] (Final Order)).

j) **Hart Exit Financing** shall mean the pre-confirmation financing under Section 364 of the Code secured by the Debtor per orders of the Court [DKT # 184 DIP-3 Final and DKT#268 DIP 3.1 Final] that, per the terms of PSA-2 are intended to remain as a post confirmation obligation of the Debtor in the original combined principal amount of $5,500,000 with interest at the rates detailed in the referenced orders or motions that preceded them with a due date of November 30, 2018.

k) **Hart/Schilderink Capital Account** shall mean the beginning capital account and distribution preference as to the Interests Post Petition received on account of the transaction detailed in Plan Section 4.02 of $2,465,000 (with a six percent (6%) annual preferred rate of return accruing on the undistributed balance) with regard to any distributions to holders of Interests Post Confirmation. Distributions from the Debtor to Successor Holding Company must take into account operating obligations and debt service requirements set forth in the Second Plan.

l) **Interests Post Confirmation** shall mean newly issued membership interest in the Successor Holding Company (an equity security of the successor to the Debtor), pursuant to either: a) an exchange for an allowed claim against or a claim for an administrative expense in the case concerning the Debtor consistent with Section 1145(a) of the Code; or b) in exchange for cash to Hart as an "accredited investor" under Sections 501 through 506 of Regulation D, which was promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Issued Interests are made subject to and are governed by Title 1, Chapter 8 of the Texas Business and Commerce Code as an uncertificated security.

m) **Main Processing Facility** shall mean 69.787 acres of real property in eight (8) contiguous tracts (see Second Plan Exhibit 1.45 for the legal descriptions) with a permanent cow kill and beef processing and packing center (that is convertible to blended kill and processing) with necessary ancillary facilities for such an operation and all necessary equipment.

n) **PSA-2nd** shall mean the Second Plan Support Agreement executed by: a) Hart; b) GCD; c) Yorton Parties; d) Jeremy Robinson; and e) the Debtor, which is attached as Exhibit "1" to the Expedited Motion to Approve Amended and Restated Second Plan Support Agreement [DKT # 241] and which was approved by the Bankruptcy Court by order entered on December 18, 2017 [DKT #270] and which requires the Second Plan to be consistent with its applicable terms.

o) **San Angelo Agricultural Services, LLC** ("**SAAS**") shall mean a Texas limited liability company principally owned by Laurens Schilderink, which, as a part of the Second Plan Closing Date Transactions, will be thereafter owned by the Successor Holding Company. Laurens Schilderink agreement to transfer his interests in SAAS to the Successor Holding Company on the Second Plan Closing Date is attached as Second Plan Exhibit 1.50.

p) **Successor Holding Company** shall mean _____, LLC (or such similar name as possible that is available for a Texas entity), a Texas entity created on or after the Confirmation Date pursuant to § 1123(a)(5)(b) and/or (c) the § 1145(a) successor to the Reorganized Debtor. The Successor Holding Company will be the sole owner of the Reorganized Debtor and SAAS. The form of the Company Agreement, compliant with Section 1123 (a)(6) of the Code, that will be adopted by the Successor Holding Company, is attached as Second Plan Exhibit 1.52.

q) **Yorton Parties** shall mean Dean Yorton, Yorton Enterprises, LLC and Notroy Kids, LLC.

r) **Yorton Parties Capital Account** shall mean the beginning capital account and distribution preference as to the Interests Post Petition received on account of the transaction detailed in Plan Section 4.03 of $1,800,000 (with a six percent (6%) annual preferred rate of return accruing on the undistributed balance) with regard to any distributions to holders of Interests Post Confirmation. Distributions from the Debtor to Successor Holding Company must take into account operating obligations and debt service requirements set forth in the Second Plan.

2. Implementation of the Second Plan and Rule 9019 Settlements Proposed in the Second Plan with Rationale for Same

a) **Creation of Successor Holding Company and Transfer of Ownership of Reorganized Debtor and SAAS to Successor Holding Company**. On or after the Confirmation Date, but prior to the Second Plan Closing Date, the Debtor and Laurens Schilderink (as the owner of SAAS) will cause all necessary documents to be filed with the State of Texas to create the Successor Holding Company. The Successor Holding Company will, on the Second Plan Closing Date, issue all Interests Post-Confirmation, per applicable provisions of the Second Plan in exchange for: (a) the Reorganized Debtor issuing a single membership interest to the Successor Holding Company; and (b) Laurens Schilderink transferring his 100% ownership of equity securities in SAAS to the Successor Holding Company.

The Reorganized Debtor and SAAS will operate independently of each other, each relying on their own respective operations income and bearing in mind each entity's operational obligations and requirements. With regard to proper distributions of operating income upstream to the Successor Holding Company, the Reorganized Debtor must prudently and properly address its Second Plan based debt structure before any distribution can be made to the Successor Holding Company

b) **PSA-2nd Implementation**: The PSA-2nd provides for specific treatments of both the Allowed Hart DIP Loan-2 Secured Administrative Claim as well as Hart's position of DIP Loan 1 Secured Administrative Claim and Hart's equity infusion obligations upon the confirmation of a Second Plan consistent with its terms as stated in the PSA-2nd. On the Second Plan Closing Date the following shall occur:

Hart shall provide:

(a) an equity infusion of $500,000.00 on the Second Plan Closing Date;

(b) Hart will release, discharge and exchange the Allowed Hart DIP Loan-2 Secured Administrative Claim (up to $1,500,000 in principal indebtedness, plus interest

and any attorney's fees associated with same) and the $50,000.00 portion of DIP Loan 1 (plus interest and attorney's fees associated with same);

(c) cause the transfer 100% of the ownership interests in SAAS.

in exchange for 74.7059832% of the newly issued equity securities of Successor Holding Co., LLC which shall be entitled to the Hart/Schilderink Capital Account distribution priorities and provisions. In addition, on or after the Second Plan Closing Date, Hart shall transfer 8.2352941% of the total initial issuance of equity securities in the Successor Holding Company under the Second Plan (prior to any earn-ins or other employee related provisions set forth in Section 4.05 of the Second Plan that may occur in the future) to Underway Six, LLC, leaving Hart with 66.470606882% of the equity securities in the Successor Holding Company. Such transfer to Underway will not transfer any portion of the created Hart/Schilderink Capital Account, however, Underway LLC's equity securities will be paid a continuing, ongoing preferred distribution based on a ratio proportionate to the initial preferred 6% return available to the Yorton Parties per Plan Section 4 (assuming the voting conditions required are met by the Yorton Parties as to the Global Yorton Parties CSA).

All liens and encumbrances granted to secure DIP Loan 2 and the portion of DIP Loan 1 shall be deemed released and of no force or effect thereafter on the Second Plan Closing Date. The combination of items (a) – (c) are in exchange for fifty-seven and one-half percent (57.5%) of the Interests Post Confirmation.

c) Gray County Dairy Release of Acquired Guarantees and Dismissal of State Court Litigation and Dismissal of Adversary Proceeding No, 16-06001-rlj: On the Second Plan Closing Date, GCD agrees to execute the release Jeremy Robinson from any and all liability on any guarantee acquired by GCD from Four S, SAP, and Stokes Estate (See Plan Exhibit 4.04A) and shall, if such has not incurred prior to the Second Plan Closing Date, dismiss the litigation styled *San Angelo Packing Co., Inc., Four S. Foods Holding Co., LLC, and the Estate of Jimmy Stokes, Deceased vs. Jeremy Robinson,* Case No. B160435C, pending in the 119th District Court of Tom Green County, Texas, with prejudice.(see Second Plan Exhibit 4.04B). The Reorganized Debtor will cause the adversary proceeding styled *Robinson Premium Beef, LLC v. Gray County Dairy* Adversary Proceeding No. 16-06001-rlj to be dismissed with prejudice on or about the Second Plan Closing Date.

d) Earn In Provisions: The Successor Holding Company may offer earn-in provisions for key employees of the Debtor, on account of their services rendered to the Debtor either post-petition or to the Reorganized Debtor post confirmation, in amount equal to up to 15% of the total equity in the Successor Holding Company. Such earn-in provisions for key employees, if they occur, will be subject to the payments due on account of the Hart/Schilderink Capital Account and the Yorton Parties Capital Account, as well as reasonable vesting requirements and potential loss of further rights on account of

termination or other goals based measures not being met. Proportionate payments to holders of equity securities in Successor Holding Company will only be made to those equity securities holders without a capital account (other than Underway, which will be paid a similar proportionate 6% preferred return, coincident with that paid to Hart), once those equity securities holders with a capital account are paid their preferential amount in full. In compliance with 1123(b)(6) all vested equity security interests will be able to vote on issues per Successor Holding Company's regulations detailed in the Second Plan.

e) Amended and Restated Company Agreement. The Reorganized Debtor will be governed by an Amended and Restated Company Agreement that complies with Section 1123 (a)(6) of the Code. The Amended and Restated Company Agreement is attached as Second Plan Exhibit 4.06. The Reorganized Debtor will file an Amended and Restated Certificate of Formation and Change of Name of the Reorganized Debtor to Texas Packing, LLC and to the extent necessary to assure that the Certificate of Formation complies with Section 1123 (a)(6) of the Code. The Amended and Restated Certificate of Formation and Change of Name of Reorganized Debtor is attached as Second Plan Exhibit 4.06-A and will be filed with the Secretary of State of Texas on or after the Effective Date.

f) Settlements Proposed in Second Plan with Rationale

i) Global Yorton Parties CSA: One or more of the Yorton Parties have transferred funds to the Debtor, pre-petition and per orders of the Bankruptcy Court allowing same, post-petition, as detailed hereinafter:

Pre-Petition: The Yorton Parties were transferred Interests in the Debtor thirteen percent (13% cumulatively) and granted a deed of trust in the Main Processing Facility to secure their funding roughly $1,800,000 to the Debtor in the form of secured indebtedness[8] plus interest and fees asserted both pre and post-petition. Also, there is an asserted $310,000 claim for money loaned to the Debtor as referenced in POC #9.

Post-Petition: The Yorton Parties agreed to subordinate the security interest in the Main Processing Facility to enable the Debtor to secure DIP financing that generates the Yorton DIP Loan-1 Secured Administrative Claim and the Hart DIP Loan-2 Secured Administrative Claim as well as funding $240,000 of the Yorton DIP Loan-1.

In order to accept the proposed satisfaction of all of the claims of the Yorton Parties each Yorton Party who may vote a Claim must designate on their respective ballots that they each accept the Global Yorton CSA detailed in Second Plan Exhibit 4.03 and thus agree to exchange those Claims for the treatment set forth in the Global

[8] Dean Yorton had also taken a Second Lien Deed of Trust on August 30, 2016 against the Ancillary Processing Facility, but said lien was stipulated to be avoidable and the debt noted in the Second Lien Deed of Trust was also stipulated that there is only one claim for $2,000,000 on the Petition Date held by Notroy Kids, LLC as noted in the recordable Stipulation as to Avoidance of Transfer and Holder of Claim [Dkt. No. 23-1 pp. 4 and 5].

Yorton CSA. The Yorton DIP Loan-1 Secured Administrative Claim is not a claim that can vote and has already agreed to its distinct treatment detailed in the Global Yorton CSA in writing. The Global Yorton Parties CSA generally exchanges all of the Yorton Parties claims and interests for 25.941176% of the Interests Post Confirmation which shall have the benefit of the Yorton Parties Capital Account.

Rationale

Notwithstanding such important and critical support of the Debtor pre-petition, there are issues of whether both a secured loan for the full amount lent plus interest, as well as thirteen percent (13%) of the ownership interest in the Debtor is appropriate or justified or if securing the advances made, plus transferring and Interest should be, in large part, recharacterized as the funding to acquire the noted thirteen percent (13%) Interests. Weighing on this point is the fact that there are both Class A and Class B membership interests and it cannot clearly be ruled out that the Yorton Parties were not Class A financial members of the Debtor which absent that position, such lack of status would not enable the loan and the 13% interest to both be properly held. These issues and conclusions are disputed as between the Debtor and The Yorton Parties and such litigation over these issues would be costly and in many respects, counter-productive to the Debtor's reorganization efforts. Furthermore, there are issues as to whether the now twice subordinated secured status, is nevertheless subject to avoidance under §547 on account of insider status and the Debtor's then equitable insolvency. Nevertheless, the burden of showing both insider status and insolvency per Section 101(32)(A) falls upon the Debtor and the valuations of the Debtor's assets in early 2016 and at that time the asset mix may have been sufficient to defeat an attack by the Debtor, The treatment proposed further enables the Reorganized Debtor to show a strong balance sheet and strong cash flow to service both Second Plan obligations and post-confirmation operating expenses with an adequate capital cushion.

ii) <u>City of San Angelo Resolution and the APF Lease Assumption Requirements</u>:

The Second Plan provides for the resolution of a problem with the APF Leasehold that was generally noted in Section IV.C. above. The resolution involved the clarifying of the chain of transactions, both recorded and unrecorded that by virtue of the release of any claim of Sundown State Bank to any rights to the APF-Leasehold, executed by Sundown State Bank and which release has been filed of record in real estate records of Tom Green County, Texas at 201715618. The remaining aspects are detailed in the City of San Angelo Resolution, as well as the APF Lease Assumption Requirements (the latter two being Second Plan Exhibits 5.01A and 5.01B) approved and executed by the City of San Angelo which enables the Debtor to become operative lessee of the Ancillary Processing Facility. The functional effect is to provide the Debtor with clear and unambiguous rights to the long-term APF Leasehold on the Second Plan Closing Date. In the Debtor's estimation, this proposal harms no party, clearly grants security, to the party who is understood to assert that a direct lien continues to exist.

Rationale

The proposed resolution details the cure and assumption requirements necessary for the Debtor to assume the lease which controls the APF Leasehold and sets forth the requirements for the Debtor's use of the APF Leasehold and modifies certain provisions of the underlying lease.

3. Ongoing Operations at the Main Processing Facility.

The Debtor has secured all necessary permits, bonds, licenses and governmental authority approvals required to operate a slaughterhouse in the United States. The Main Processing Facility has now been operating for almost eight (8) months as of the approval of the Disclosure Statement.

The Debtor secured the required Packers and Stockyard bond equivalent in the amount of $700,000. The bond equivalent was secured with the aid of financial accommodations by Spandet Dairy, LLC, at Texas LLC (Laurens Schilderink and wife, Ilona Van Vliet act as guarantors as well) to provide the necessary credit accommodation for the bond equivalent's issuance.

The Debtor, as noted in its projections, is providing health insurance options (4 levels) for its newly hired employees in accordance with otherwise applicable non-bankruptcy law. The Debtor has roughly 300 employees (though there is always some variation in that number and nominal turnover). They are skilled employees in the industry who have experience in packing houses.

The Debtor's HACCP Second Plan was developed by Mark Myers, Ron Tackett, Jana Hale, and Juan Garcia.

Most of the product that the Debtor intends to sell, will be sold fresh, which lowers the amount of refrigeration space needed at higher per head per day levels of harvesting. If the market indicates the need to sell more frozen product, the Debtor will utilize companies that provide cold storage and logistics for those types of clients, who will provide services in the metropolitan areas nearest the customers or transportation as most frozen meat that the Debtor generates will be headed out of the country. The Debtor does not anticipate any substantial increase in costs or need to build out additional cold storage space to meet these requirements.

D. Executory Contracts and Unexpired Leases

1. Assumption or Assumption and Assignment of Certain Executory Contracts and Unexpired Leases. The Confirmation Order will act as an order of assumption or of

assumption and assignment under Section 365 of the Code with respect to the following pre-petition[9] executory contracts and unexpired lease.

(i) The Lease Agreement dated April 2, 1996, originally between the City of San Angelo and Rancher's Lamb of Texas, Inc., a fifty (50) year lease with its primary term ending on February 28, 2046, as assigned to the Debtor pre-petition and as modified by the City of San Angelo Resolution and the City of San Angelo Agreement attached as Second Plan Exhibits 5.01A and 5.01B regarding the APF Leasehold. The ability to assume the Lease Agreement (see orders extending deadlines consistent with Section 365(d) of the Code – DKT # 88, 145, 222 and 234) requires the reorganized Debtor to meet the APF Lease Assumption Requirements, including the cure requirements detailed in Plan Exhibit 5.01B.

If a counter party to an executory contract or unexpired lease disagrees with the asserted cure amount, such party must file a notice of cure amount setting forth the amount such counter party asserts is due for cure not later than the Effective Date. Debtor has thirty (30) days after a notice of cure amount is filed to object to the cure asserted by a contract or lease counter party. Unless otherwise noted in the tables above, all cure amounts will be paid in cash on the Second Plan Closing Date or on the date the cure amount is set by the Bankruptcy Court if the counter party has filed a notice of cure claim.

2. Rejection of Certain Executory Contracts and Unexpired Leases. The Confirmation Order will act as an order of rejection under Section 365 of the Code with respect to any pre-petition Executory Contract or Unexpired Leases that was not assumed by prior order of the Court or by this Second Plan.

3. Claims Based on Rejection of Executory Contracts and Unexpired Leases. All proofs of claim with respect to Claims arising from the rejection of an executory contract or unexpired leases, unless a prior order specifically directs otherwise, must be filed with the Bankruptcy Court by the Rejection Claims Bar Date. Any Claims arising from rejection an Executory Contract or Unexpired Lease which are not filed on or prior to the Rejection Claims Bar Date will be forever barred.

E. Entity Governance – Post Confirmation

1. Persons to Serve as Managers or Officers of the Debtor - compensation levels of insiders

Jeremy Robinson. CEO of the Debtor: Salary : $8,500 monthly salary with health and other existing group benefits common to full time employees (at will employment). Mr. Robinson brings management experience to the overall operation and

[9] Any post-petition, pre-confirmation executory contracts or leases entered into by the Debtor in the ordinary course of the Debtor's pre-confirmation business, including those allowed to be entered into per the order of the Bankruptcy Court (see Dkt. No. 127) and not detailed herein shall remain with and be assumed by the Reorganized Debtor.

vision of Robinson Beef. Mr. Robinson also enjoys many strategic relationships within the cattle supply community. Mr. Robinson has served as the Debtor's CEO during the Debtor's efforts to reorganize[10]. Mr. Robinson is not affiliated with any other entity that has or will do any business with the Debtor.

Weber Costa. Director of Sales and Marketing; Salary: $8,500 monthly salary with health and other existing group benefits common to full time employees (at will employment). Mr. Costa has worked for the sixth (6th) largest beef harvest facility in Brazil for several years in operations and international sales. Mr. Costa has intimate knowledge and experience in the inner workings of beef processing Second Plant, from Second Plant management, employees, accounting and payment systems, and overall management organization. He also maintains numerous relationships with purchasing customers around the world and is a regular attendee of all the major international food conventions and trade shows. Mr. Costa's experience in beef sales domestically and internationally will be key to maximizing the company's profit on each head of cattle processed.

Carlos Pitta. CFO; Salary: $6,000 monthly salary with health and other existing group benefits common to full time employees (at will employment). Mr. Pitta has served as CFO for two major beef processing facilities in Brazil for several years and brings the specific knowledge of accounting systems and finance particular to the beef processing industry. His experience will assure Robinson Beef operates efficiently and cost effectively. Mr. Pitta will be moving to San Angelo on a permanent basis and will be employed on a full-time basis by the Debtor. Mr. Pitta is not affiliated with any other entity that has or will do any business with the Debtor.

Laurens Schilderink. Laurens Schilderink is the manager and principal of Hart Investors, LLC, as well as GCD, and he is the controlling principal of Spandet Dairy. LLC

[10] The following additional information regarding Jeremy Robinson's personal financial and legal concerns is added to this Disclosure Statement within the context of Section 1129(a)(5)(A)(ii). In July of 2014, a no appearance default judgment was entered against Jeremy Robinson in the County Court at Law No. 3 in Tarrant County, Texas (Case No. 2014 -002047-3) in the amount of $32,658 in favor of George Douglas Sanders on the asserted basis of breach of contract and for actual fraud and conspiracy in the same. According to Mr. Robinson this matter was resolved pre-petition.

Additionally, in October of 2016, post-petition, another no appearance default judgment was entered against Mr. Robinson in the County Court at Law No. 2 in Tarrant County, Texas (Case No. 2015-00130-2) in the amount $128,900 in favor of Matthew Snow on the asserted basis of fraudulent inducement, common law fraud, negligent misrepresentation and breach of fiduciary duty. Collection efforts have occurred with regard to the Snow judgment and the Debtor has made efforts to accommodate the rights of turnover receiver for the Snow judgment. Specific reference is made to V.C.2.B.III of this Disclosure Statement as well as Plan Section 4.05.

The Debtor does not perceive any specific risk to the Debtor's management or to its operations by virtue of this no appearance default judgment.

(Spandet). Spandet and its affiliates are cattle suppliers to the Debtor. Mr. Schilderink is a member of the board of the Reorganized Debtor and a member of the board and the majority owner/member of the Successor Holding Company. Mr. Schilderink is also a principal in and controls SAAS, which processes beef and related by-products into pet food. SAAS will most likely acquire beef or beef by-products for the purpose of pet food related processing from the Debtor at market prices. Spandet sells cull animals from its dairy-related herd to the Debtor from time to time as conditions warrant, at market prices. Spandet also facilitated the issuance of the USDA letter of credit for the Debtor. GCD, a transferee of Doucet Plumbing's secured claim, as well as the owner of the secured claims formerly held by Four S Food Holding Co., LLC and San Angelo Packing Company, Inc., San Angelo Packing Company, Inc. and the Estate of Jimmy Stokes, Deceased, is also owned and controlled by Mr. Schilderink, though no other business transactions between GCD and the Debtor other than as a secured creditor, are contemplated in the foreseeable future.

Dean Yorton. Dean Yorton will be a member of the Board of the Reorganized Debtor and of the Successor Holding Company.

Alan Rhodes. Mr. Rhodes will be a member of the Board of the Reorganized Debtor and of the Successor Holding Company. He will also be the controlling principal and a manager of Underway Six, LLC, which may acquire a membership interest in the Successor Holding Company. Mr. Rhodes is also a member of the Underwood Law Firm, which has been counsel to Hart and GCD in this case. Underwood may provide services to the reorganized Debtor post-confirmation.

2. Amended and Restated: Certificate of Formation and Company Agreement – Debtor and Proposed Company Agreement for Successor Holding Company

a) **Amended and Restated Company Agreement.** The Reorganized Debtor will be governed by an Amended and Restated Company Agreement that complies with Section 1123 (a)(6) of the Code. The Amended and Restated Company Agreement is attached as Second Plan Exhibit 4.06.

b) **Amended and Restated Certificate of Formation and Change of Name of Reorganized Debtor**. The Reorganized Debtor will be file an Amended and Restated Certificate of Formation and Change of Name of the Reorganized Debtor to Texas Packing, LLC and to the extent necessary to assure that the Certificate of Formation complies with Section 1123 (a)(6) of the Code. The Amended and Restated Certificate of Formation and Change of Name of Reorganized Debtor is attached as Second Plan Exhibit 4.06-A.

c) **Proposed Company Agreement for Successor Holding Company**. The Successor Holding Company's proposed Company Agreement is attached as Plan Exhibit 4.01.

VI. VOTING

A. Ballots and Voting Deadline. A Ballot to be used for voting to accept or reject the Second Plan in each case, together with a postage prepaid addressed return envelope is enclosed relative to the case in which your claim is situated. The Bankruptcy Court has established **January ___, 2018, at 4:00 p.m., Central Standard Time** as the date that, in order for ballots to be counted for voting purposes, ballots for acceptance or rejection of this Second Plan must be received by counsel for the Debtor by that record date for voting at the following address:

Attn: RPB Ballots
E. P. Keiffer
ROCHELLE MCCULLOUGH, LLP
325 North Saint Paul St., Suite 4500
Dallas, Texas 75201

THE DEBTOR URGES ALL CREDITORS TO VOTE TO ACCEPT THE SECOND PLAN.

YOUR BALLOT MUST BE RECEIVED BY COUNSEL FOR THE DEBTOR ON OR BEFORE 4:00 P.M., CENTRAL STANDARD TIME, ON JANUARY___, 2018, IN ORDER FOR YOUR VOTE TO BE CONSIDERED IN DETERMINING WHETHER THE SECOND PLAN HAS BEEN ACCEPTED OR REJECTED BY YOUR CLASS.

IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD VOTE A BALLOT FOR EACH CLAIM YOU HOLD IN EACH CASE, AS APPLICABLE.

IF A BALLOT IS DAMAGED OR LOST OR IF YOU HAVE ANY QUESTIONS REGARDING THE PROCEDURES FOR VOTING ON THE SECOND PLAN, CONTACT COUNSEL FOR THE DEBTORS AT THE FOLLOWING ADDRESS:

E. P. Keiffer
ROCHELLE MCCULLOUGH, LLP
325 North St. Paul Street, Suite 4500
Dallas, TX 75201
Phone: (214) 953-0182
Fax: (214) 953-0185
Email: pkeiffer@RoMcLaw.com

B. Impairment. Pursuant to the requirements of Section 1126 of the Code, each Class of Impaired Claims or Equity Interests is entitled to vote on acceptance or rejection of the Second Plan. Any Creditor of the Debtors whose Claim is in an impaired Class under the Second Plan is

entitled to vote, unless their class has been deemed to reject on account of the treatment afforded that class. Under Section 1124(2) of the Bankruptcy Code, a Class is impaired under a Second Plan unless, with respect to each Claim or Equity Interest of such Class, such Second Plan:

1. Leaves unaltered the legal, equitable, and contractual rights of the holder of such Claim or Equity Interest; or

2. Notwithstanding any contractual provision or applicable law that entitled the holder of a Claim or Equity Interest to receive accelerated payment of its Claim or Equity Interest after the occurrence of a default:

    a. Cures any such default that occurred before or after the commencement of the Case under the Bankruptcy Code, other than a default of the kind specified in Section 365(b)(2) of the Bankruptcy Code;

    b. Reinstates the maturity of such Claim or Equity Interest as it existed before the default;

    c. Compensates the holder of such Claim or Equity Interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and

    d. Does not otherwise alter the legal, equitable, or contractual rights to which such Claim or Equity Interest entitles the holder of such Claim or Equity Interest.

C. Impaired Classes. Claims in 1, through 5 are impaired as defined in Section 1124 of the Bankruptcy Code. Such classes and persons holding such Claims in such Classes are entitled to vote to accept or reject the Second Plan, unless disputed or subject to an objection as set forth above. The Debtor acknowledge that certain classes are comprised solely of insiders cannot be used as "cram down" classes pursuant to Code § 1129(a)(10). Class of Interests 6 are deemed to reject the Second Plan as they are receiving nothing on account of their Interests.

D. Persons Entitled to Vote. In order to simplify the voting procedure, ballots have been sent to all known holders of all Claims in this case. Holders of Allowed Claims and Interests and holders of Disputed Claims and Interests which have been temporarily allowed for voting purposes are entitled to vote on the Second Plan. For purposes of the Second Plan, an Allowed Claim is a Claim against a Debtor which (a) has been scheduled by the Debtor pursuant to the Bankruptcy Code as undisputed, non-contingent, and liquidated and as to which no objection has been filed within the time allowed for the filing of objections, (b) as to which a timely proof of claim or application for payment has been filed and as to which no objection has been filed within the time allowed for filing of objections and which is not deemed to be Disputed, (c) has been Allowed by Final Order, or (d) has been Allowed under the Second Plan. Therefore, although the holders of Disputed Claims will receive ballots, these votes will not be counted unless such claims become Allowed Claims as provided under the Second Plan or are temporarily allowed for voting

purposes by the Bankruptcy Court. A holder of a Disputed Claim that has not been temporarily allowed for purposes of voting on the Second Plan may vote the Disputed Claim in an amount equal to the portion, if any, of the Claim shown as fixed, liquidated and undisputed in a Debtor's Schedules, only after having sought to have their Claim allowed for voting purposes pursuant to the Rules.

E. Class Acceptance of the Second Plan. As a condition to Confirmation, the Bankruptcy Code requires that each impaired Class of Claims or Equity Interests accept the Second Plan. At least one impaired Class of Claims must accept the Second Plan. Section 1126 of the Bankruptcy Code defines acceptance of a Second Plan by a Class of Claims as acceptance by holders of two thirds in dollar amount and a majority in number of Claims of that Class actually voting to accept or reject the Second Plan. Holders of Claims which fail to vote are not counted as either accepting or rejecting the Second Plan. Classes of Claims that are not impaired under the Second Plan are deemed as a matter of law to have accepted the Second Plan and therefore are not permitted to vote for such Second Plan. Classes of Claims and Equity Interests that do not receive or retain any property under the Second Plan on account of such Claims or Equity Interests are deemed to have rejected the Second Plan. **ACCEPTANCES OF THE SECOND PLAN ARE BEING SOLICITED ONLY FROM IMPAIRED CLASSES OF CLAIMS.**

F. Allowance Solely for Voting. Solely for purposes of voting to accept or reject the Second Plan, without prejudice to the rights of the Debtors in any other context, each Claim within a class of Claims is entitled to vote to accept or reject the Second Plan only as provided by Section 1126 of the Code. The amount entitled to vote shall be equal to the Allowed amount of such Claim as set forth in a timely filed proof of claim, or, if no proof of claim was filed, the allowed amount of such Claim as set forth in the Schedules, provided the Claim is not listed as disputed, unliquidated or contingent. A holder of a Disputed Claim that has not been temporarily allowed for purposes of voting on the Second Plan may vote the Disputed Claim in an amount equal to the portion, if any, of the Claim shown as fixed, liquidated and undisputed in a Debtor's Schedules, only after having sought to have their Claim allowed for voting purposes pursuant to the Rules. Any Claim to which the Debtor has objected for allowance or voting purposes shall not be entitled to vote unless the Court enters an order prior to the Confirmation Date Allowing such claim for allowance or voting purposes.

VII. ACCEPTANCE AND CONFIRMATION OF THE SECOND PLAN

A. Requirements for Confirmation. At the Confirmation hearing, the Bankruptcy Court will determine whether the provisions of Section 1129 of the Code have been satisfied. The requirements of Section 1129 of the Code are set forth in Exhibit VII.A. attached hereto and fully incorporated herein. If all of the provisions of Section 1129 are met, the Bankruptcy Court may enter an order confirming the Second Plan. The Bankruptcy Court may confirm only one Second Plan. If the requirements of Section 1129(a) and (b) are met with respect to more than one Second Plan, the Bankruptcy Court shall consider the preferences of creditors and equity security holders in determining which Second Plan to confirm.

B. The Second Plan Meets All of the Requirements for Confirmation. The Debtor believes that the Second Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code and therefore should be confirmed. More specifically: (1) the Second Plan complies with all of the applicable provisions of the Bankruptcy Code; (2) the Debtor has complied with the Bankruptcy Code and has proposed the Second Plan in good faith; (3) all disclosure requirements concerning (a) payments made or to be made for services rendered in connection with the Chapter 11 case or the Second Plan, and (b) the identity and affiliations of individuals who will serve the Debtor and the Successor Holding Company after confirmation have been, or will be met prior to the confirmation hearing; and (4) Administrative Claims, Priority Claims, and fees required to be paid under the Bankruptcy Code are appropriately treated under the Second Plan. The Second Plan also meets the "best interest of creditors" test and is "feasible."

1. The Second Plan Meets the "Best Interest of Creditors" Test. The "best interest of creditors" test requires that the Bankruptcy Court find that the Second Plan provides to each non-accepting holder of a Claim or Interest treated under the Second Plan a recovery which has a present value at least equal to the present value of the distribution that such person would receive from Debtor if Debtor was liquidated under Chapter 7 of the Code. A liquidation analysis is set forth in section IX of this Disclosure Statement, which shows that a Chapter 7 liquidation would result in no distributions to unsecured creditors.

2. The Second Plan is "Feasible". The Bankruptcy Code requires that, as a condition to Confirmation of a Second Plan, the Bankruptcy Court find that Confirmation is not likely to be followed by liquidation or a need for further financial reorganization, except as proposed in the Second Plan. At least five (5) days prior to the objection deadline regarding the hearing to consider approval of the Disclosure Statement, Debtor will file four (4) year projections that show that the Second Plan is not likely to be followed by liquidation or further reorganization as Exhibit VII.B.2. Debtor reserves the right to file additional projections and to replace filed objections at a later date, as circumstances warrant.

VIII. FINANCIAL INFORMATION

A. Pre-Confirmation Financial Information.

1. ASSETS. The following is a summary description of the Debtor's assets based on the Debtor's November 2017 Monthly Operating Reports,[11] current estimates of cash on hand and schedules, with numbers modified as appropriate and as reflected in the footnotes. These summaries are based upon the Debtor's principal assets being sold at a non-liquidation sale pace, utilizing the values set forth in the Debtor's schedules or other documentation. These values do not take into account any Second Plan detailed resolutions, *but accepts for disclosure statement purposes only,* proofs of claim filed or claims not listed as contingent, unliquidated or disputed in

[11] The final Disclosure Statement will revise applicable variable amounts (cash, accounts and inventory) through its last filed Disclosure Statement prior to the hearing to approve same.

the schedules, as being functionally valid. The Debtor contends that these values, except as where noted, will generally hold through the Effective Date.

Cash and Checking Accounts	($233,412.52)
Accounts Receivable	$ 2,013,029.55
Deposits (Pre-Petition)	$8,528.00
Vehicles	207,400.00
Office Furniture and Equipment	$63,850.00
Machinery, Fixtures and Equipment	$6,439,533.00
Inventory	$ 2,422,615.68
Real Property	$8,618,500.00
Causes of Action[12]	$50,800.00
TOTAL	**$17,168,228.03**

2. **LIABILITIES.** The following is a summary description of the Debtor's liabilities as of November 30, 2017,[13] unless otherwise noted.

a) **Administrative Expenses.**

(1) Statutory Fees. Unpaid statutory fees of up to $13,000.00, under 28 U.S.C. §1930 are estimated to be due on or before the Effective Date.

(2) Ordinary Course of Business Expenses. Debtor generally pays its Ordinary Course of Business Expenses as they come due. In the event that this case were to be converted, the Debtor anticipates that it would incur approximately $2,363,400[14] of Ordinary Course of Business Expenses[15] based upon the Debtor operating at a harvest rate of 370 head per day.

(3) Ad Valorem Taxing Authorities. The Debtor estimates that Allowed *Ad Valorem* Taxing Authority Administrative Expense shall total

[12] The Debtor has a claim against DePrisa on account of that entity's failure, despite having been paid to deliver a Cattle Restrainer which was paid for in draws approved during DIP-1 and DIP-2 lending time frames as well as the costs to acquire an alternate restrainer and to remove same, secure its delivery and to rig same at the Main Processing Facility. The claim of $50,800 does not note any right to attorney's fees or consequential or other damages and the Debtor does not waive any of same herein

[13] Various administrative and ordinary course of business expenses will change and same will be updated through the last filed Disclosure Statement prior to the hearing to approve same.

[14] See Disclosure Statement Exhibit VIII C where WARN Act or similar liabilities and OCB Post Closing and IRS payment costs are calculated and how those sums were arrived at is detailed.

[15] Ordinary Course of Business Expenses excludes amounts owed on DIP Loans 1 – 3.1 of $7,338,257 as of March 1, 2018 (including the bond coverage). See the projections for their resulting treatment.

$42,326.18 as of the Effective Date but same will have been paid on or prior to January 31, 2018.

(4) Professional Fees. Upon Bankruptcy Court approval, the Debtor has employed Debtor's counsel and accountant in this case. Counsel for the Debtor, Rochelle McCullough, LLP has incurred approximately $399,523.25 in fees and expenses between the Petition Date through November 30, 2017. The total, unpaid attorneys' fees and expenses remaining after application (on an interim basis) of pre-petition and post-petition retainers available through that period is $319,643.25 as of November 30, 2017. The Debtor anticipates that Rochelle McCullough, LLP's fees and expenses that will be incurred from December 1, 2017, up to the Second Plan Closing Date (anticipated in late February or early March of 2018), inclusive of any implementation costs, will average approximately $25,000.00 per month for three months, although this amount will be dependent upon the degree to which the Second Plan is opposed. Accountants for the Debtor, Barg & Henson, P.C. has incurred $68,189.42 in fees and expenses between the Petition Date through November 30, 2017. The total, unpaid fees and expenses remaining after application (on an interim basis) of post-petition retainer available through November 30, 2017 of $20,500.01 is $47,680.41. The Debtor anticipates that Barg & Henson, P.C.'s fees and expenses that will be incurred from December 1, 2017 up to the Second Plan Closing Date (anticipated in late February or early March of 2018), inclusive of any implementation costs, will total approximately $10,000, although this amount will be dependent upon the degree to which the Second Plan is opposed, and projections have to be revised and vetted. The professionals have secured approval for a Second Retainer of $100,000 split $85,000 to Rochelle McCullough and $15,000 to Barg & Henson P.C. The amount set aside to be drawn down was approved per the local rules of the Bankruptcy Courts of Northern District of Texas on December 28, 2017 on account of no party filing objections to the interim draws requested. The total Professional Fees of all professionals as of the Effective Date is estimated to be $552,712.67, with $352,323.66 being unpaid as of the Second Plan Closing Date after application of all retainers irrespective of when held.

(5) DIP Loan-1, DIP Loan-2, DIP Loan-3 and DIP Loan 3.1. The Debtor owes $290,000 plus interest of $11,991.93 as of March 1, 2018 on DIP Loan-1 and $1,450,000.00 plus interest of $89,356.99 as of March 1, 2018 on DIP Loan-2. Liability on DIP Loan-3 as of December 22, 2017 equals $4,000,000 (interest on DIP Loan 3 is paid monthly, but $42.466.67 has accrued on the bond portion of the that loan). Liability on DIP Loan-3.1 as of December 22, 2017 equals $1,500,000 (interest on DIP Loan 3.1 is paid monthly);[16]

[16] All of these estimates are exclusive of costs and attorneys' fees incurred by Hart, which are payable by the Debtor under the applicable loan agreements. This sum exceeds $100,000.00.

(6) Assumed Executory Contract and Unexpired Lease Cure Amounts. The Debtor estimates that Assumed Executory Contract and Unexpired Lease Cure Amounts shall total $16,250 as of the Effective Date.

b) **Claims of Secured Creditors.** The secured claims per the schedules or proofs of claim are listed below with interest (but not as to attorney's fees) are as reflected in any filed proof of claim as adjusted per the footnotes in the description of secured class treatments. The Debtor does not waive any right to object to any of these claims (unless they are resolved by an order of the Court) by listing this data:

Tom Green County Appraisal District[17]	$187,244.45
Gray County Dairy	$7,544,700.75
Notroy Kids, LLC	$2,181,666.67
TOTAL	$9,913,601.87

c) **Claims of Priority Creditors**. The total Priority Claims amount to $0.00.

d) **Unsecured Claims.** The total amount of general unsecured claims (combing both those of members, officers, directors, insiders and affiliates) listed in the schedules or the claims register in the case, after eliminating any of same that were listed contingent, unliquidated or disputed in the schedules and did not file a proof of claim. The Debtor does not waive any right to object to any of these claims by listing the data is estimated to be $453,231.96.

A. Post-Petition Financial Information. The Debtor's post-petition financial status is set forth in its monthly operating statements required to be filed during the period of time that the Debtor has been in Chapter 11. Monthly Operating Reports which have been filed in Debtor's case (the most recent ones which show all activity post-petition are included as Exhibit VIII.B to this Disclosure Statement). Additionally, information regarding Debtor's projected post-petition operations is set forth in Exhibit VIII.B.2. In addition, at Exhibit VIII.B-2, the Debtor has provided projections for four (4) years for the anticipated operations of the Reorganized Debtor which details post-confirmation revenue and expenses based upon anticipated operations. Debtor reserves the right to file additional projections and to replace filed projections at a later date, as circumstances warrant. All of this data will be sufficient for the creditors of the Debtor who are entitled to vote, to determine whether to vote for or against the Second Plan.

B. Liquidation Analysis Attached as Disclosure Statement Exhibits VIII C is a liquidation analysis for the Debtor.

IX. TAX ISSUES

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT

[17] For all relevant taxing authorities as to *ad valorem* taxes on real and business personal property.

CIRCULAR 230, HOLDERS OF CLAIMS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED UPON, BY HOLDERS OF CLAIMS OR INTERESTS OR ANY OTHER PERSONS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF CLAIMS OR ANY OTHER PERSONS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF U.S. TREASURY DEPARTMENT CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

A. Introduction. The following discussion summarizes certain material U.S. federal income tax consequences of the Second Plan to the Debtor and holders of Claims and Interests. The summary is provided for general informational purposes only and is based on the United States Internal Revenue Code of 1986, as amended (IRC), the treasury regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all as in effect as of the date hereof (except as otherwise noted below with regard to the American Recovery and Reinvestment Act of 2009), and all of which are subject to change, possibly with retroactive effect. Changes in any of these authorities or in their interpretation could cause the United States federal income tax consequences of the Second Plan to differ materially from the consequences described below. The United States federal income tax consequences of the Second Plan are complex and in important respects uncertain. No ruling has been requested from the Internal Revenue Service (IRS); no opinion has been requested from Debtor's counsel concerning any tax consequence of the Second Plan; and no tax opinion is given by this Disclosure Statement.

The following discussion does not address all aspects of federal income taxation that may be relevant to a particular holder of a Claim or Interest in light of its particular facts and circumstances or to particular types of holders of Claims subject to special treatment under the Tax Code. For example, the discussion does not address issues of concern to broker-dealers or other dealers in securities, or foreign (non-U.S.) persons, nor does it address any aspects of state, local, or foreign (non-U.S.) taxation, or the taxation of holders of Interests in a Debtor. In addition, a substantial amount of time may elapse between the Confirmation Date and the receipt of a final distribution under the Second Plan. Events subsequent to the date of this Disclosure Statement, such as the enactment of additional tax legislation, court decisions or administrative changes, could affect the federal income tax consequences of the Second Plan and the transactions contemplated hereunder.

THE DISCUSSION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX SECOND PLANNING AND PROFESSIONAL TAX ADVICE BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT WITH ITS TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE SECOND PLAN.

B. Certain Definitions. For purposes of this Article IX, except as expressly otherwise provided or unless the context otherwise requires, all capitalized terms not otherwise defined herein or in the Second Plan shall have the respective meanings assigned to them in this Article IX.

C. Certain Material Federal Income Tax Consequences to a Debtor. The Debtor has elected to be treated as a Partnership, which is a pass-through entity, for federal income tax purposes and, as such is not subject to federal income taxes. Rather, all items of income, deductions and tax credits are passed through to and are reported by the members on their respective income tax returns.

Cancellation of a debtor's debt (COD) is generally taxable income to the debtor or passed through to the owners of a partnership. In context, COD is the amount by which the indebtedness of a debtors' discharge exceeds any consideration given in exchange therefore. The Internal Revenue Code (IRC) requires COD income to be a separately stated item allocable to each member. IRC Section 108 provides for certain exclusions for COD. The statutory exclusion for COD in a title 11 case generally excludes COD from gross income if the discharge is granted by a court to a debtor under its jurisdiction in a title 11 case. However, for an entity classified as a Partnership for federal income tax purposes, those exclusions are applied at the partner level. To the extent any partner is not in a title 11 case or does not meet other exclusion requirements of Section 108 then that partner will be required to pay federal income tax on COD income. There are certain mitigating elections under Section 108 that may be made by the partners and by the partnership if applicable. The Debtor will be subject to Texas Franchise Tax on COD income at a rate of 0.75%. As a result of the implementation of the Second Plan, the Debtor may have COD income.

The Farm Facility Transfer and related Farm Facility Lease Back with Option may be considered as a financing arrangement or a sale and lease-back agreement for tax purposes. Sale-leaseback transactions have been the subject of IRS litigation for decades. A discussion of the topic is beyond the scope of this document. If it is deemed the transaction is considered a financing agreement the lease payments will be non-deductible except for a small portion of implied interest and the Debtor will retain the benefits of depreciation. If the transaction is considered a sale and a lease agreement the Debtor will recognize approximately $250,000 of long-term capital gain and the lease payments will be deductible.

The transaction herein referred to as Infusion of Cash and Exchange of Remaining DIP Loan -2 Debt for Issued Interests and Global Yorton Parties CSA may give rise to COD income. Under IRC Section 108(e)(8) if a debtor partnership transfers a capital interest to a creditor in satisfaction of its indebtedness, such partnership shall be treated as having satisfied the indebtedness with an amount of money equal to the fair market value of the interest. In the case of a partnership, any discharge of indebtedness income recognized shall be included in the distributive shares of taxpayers which were the partners in the partnership immediately before such discharge. However, there is considerable debate and tax litigation surrounding loans of equity holders that is beyond the scope of this document. Generally, the IRS will not respect loan transactions if the loan is more characteristic of an equity purchase rather than a bona fide debt.

Debtor's operating agreement requires an IRC Section 754 Election anytime there is a transfer of interest as described in IRC Section 743. Transactions herein referred to as Infusion of Cash and Exchange of Remaining DIP Loan–2 Debt for Issued Interests and Global Yorton Parties CSA will create a required Section 754 Election. A Section 754 Election generally allows the partnership to adjust the basis of partnership property when property is distributed or when a partnership interest is transferred. The purpose of a Section 754 Election is to reconcile a new partner's outside and inside basis in the partnership. This election allows the new partner to receive the benefits of depreciation or amortization that they may not otherwise have received. In the case of appreciating assets such an election will generate additional tax basis in partnership assets that will be allocated to the partners or partner thus affected.

D. United States Federal Income Tax Consequences of Payment of Allowed Claims Pursuant to the Second Plan. The federal income tax consequences of payment of Allowed Claims pursuant to the Second Plan will depend on, among other things, the consideration received, or deemed to have been received, by the holder of the Allowed Claim, whether such holder reports income on the accrual or cash method, whether such holder receives distributions under the Second Plan in more than one taxable year, whether such holder's Claim is allowed or disputed at the Effective Date, whether such holder has taken a bad debt deduction or worthless security deduction with respect to its Claim.

In general, a holder of a Claim should recognize gain or loss equal to the amount realized under the Second Plan in respect of its Claim less the amount of such holder's basis in its Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Claim and the holder, the length of time the holder held the Claim and whether the Claim was acquired at a market discount. If the holder realizes a capital loss, its deduction of the loss may be subject to limitations under the IRC. The holder's aggregate tax basis for any property received under the Second Plan generally will equal the amount realized. The amount realized by a holder generally will equal the sum of the cash and the fair market value of any other property received (or deemed received) by the holder under the Second Plan on the Effective Date and/or any subsequent distribution date, less the amount (if any) allocable to Claims for interest.

E. Certain Other Tax Consequences for Holders of Allowed Claims. In general, a holder of a Claim that was not previously required to include in its taxable income any accrued but unpaid pre-Effective Date interest on the Claim may be required to take such amount into income as taxable interest. A holder of a Claim that was previously required to include in its taxable income any accrued but unpaid pre-Effective Date interest on the Claim may be entitled to recognize a deductible loss to the extent that such interest is not satisfied under the Second Plan. Each such holder is urged to consult its tax advisor regarding the tax treatment of its distributions under the Second Plan and the deductibility of any accrued but unpaid interest for federal income tax purposes.

Because certain holders of Allowed Claims, including Disputed Claims that ultimately become Allowed Claims, may receive cash distributions subsequent to the Effective Date of the Second Plan, the imputed interest provisions of the IRC may apply to treat a portion of subsequent

distributions as imputed interest. Additionally, because holders may receive distributions with respect to an Allowed Claim in a taxable year or years following the year of the initial distribution, any loss and a portion of any gain realized by the holder may be deferred. All holders of Allowed Claims are urged to consult their tax advisors regarding the possible application of (or ability to elect out of) the "installment method" of reporting with respect to their claims.

A holder of a Claim constituting an installment obligation for tax purposes may be required to recognize currently any gain remaining with respect to the obligation if, pursuant to the Second Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold or otherwise disposed of within the meaning of IRC Section 453B.

A holder who, under the Second Plan, receives in respect of a Claim an amount less than the holder's tax basis in the Claim may be entitled in the year of receipt (or in an earlier or later year) to a bad debt deduction in some amount under IRC Section 166(a) or a worthless securities deduction under IRC Section 165(g). The rules governing the character, timing and amount of bad debt or worthless securities deductions place considerable emphasis on the facts and circumstances of the holder, the obligor and the instrument with respect to which deduction is claimed. Holders of Claims and Equity Interests, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

F. Importance of Obtaining Professional Tax Assistance. The foregoing discussion is intended only as a summary of certain U.S. federal income tax consequences of the Second Plan, and is not a substitute for careful tax Second Planning with a tax professional. The above discussion is for general information purposes only and is not tax advice. The tax consequences are in many cases uncertain and may vary depending on a holder's individual circumstances.

G. The Debtor's IRS Foot Print (Pre-Confirmation and Post-Confirmation). Tax counsel believes Debtor was not required to file federal income tax returns or payroll tax returns for years 2014 thru 2016.

Because Debtor has spent a considerable time in the startup phase there will be significant startup expenses eligible for amortization over a 15-year period pursuant to IRC Section 195. Debtor will also have significant depreciation available related to the original acquisition of the Farm Facility, Main Processing Facility and Ancillary Processing Facility, which has yet to be put into service. Debtor will have a range of options available on the method of which to depreciate the facilities and equipment including accelerated depreciation, IRC Section 179 expensing, 50% bonus depreciation, straight line depreciation, and the use of cost segregation analysis. The Tax Distributions included in the Post-Confirmation Projections assumes straight line treatment of depreciable assets. The actual tax depreciation and amortization methods and amounts may vary, and the variance may be significant.

H. Expedited Tax Determination. The Debtor may request an expedited determination of federal and state taxes under Bankruptcy Code Section 505(b) for all returns filed for or on behalf of such Debtor for any tax incurred during the administration of the case. Unless such return is fraudulent, or contains a material misrepresentation, the debtor are discharged from any liability for such tax upon payment of the tax shown on such return if such governmental unit

does not notify the Debtor within 60 days after such request, that such return has been selected for examination; or such governmental unit does not complete such examination and notify the Debtor of any tax due within 180 days after such request or within such additional time as the court, for cause, permits.

HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE SECOND PLAN. DUE TO THE PASSAGE AND SIGNING OF THE SWEEPING "TAX CUTS AND JOBS ACT" IN LATE DECEMBER 2017, ALL PARTIES ARE URGED TO CHECK WITH THEIR TAX ADVISORS AS THE EFFECTS OF THE TAX CUTS AND JOBS ACT ARE NOT ABLE TO BE ASSESSED AT THIS TIME.

X. RECOMMENDATION

The Debtor believes the Second Plan is superior to the recovery risks and delays under a Chapter 7 liquidation because the total value provided by the Debtors to all creditors is more under the Second Plan, where the Debtor is able to operate their business as a consolidated, reorganized entity, than what creditors would receive under Chapter 7 liquidation. The Second Plan also provides the Debtor the opportunity to pay all of its creditors in full, over time. The Debtors strongly encourages you to vote to accept the Second Plan by January ___, 2018, at 4:00 p.m. Central Standard Time.

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Dated: January 5, 2018

Submitted by:

Robinson Premium Beef, LLC

By: */s/ Jeremy Robinson*
Jeremy Robinson, Manager

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