IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re	Chapter 11
WESTWIND MANOR RESORT ASSOCIATION, INC., *et al.*,[1]	Case No. 19-50026 (DRJ)
Debtors.	Jointly Administered

DEBTORS' DISCLOSURE STATEMENT FOR THE JOINT PLAN OF REORGANIZATION PROPOSED BY THE DEBTORS AND THE COMMITEE PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE

IMPORTANT DATES

Voting Deadline: May __, 2020, 5:00 p.m., Central Time

Confirmation Objection Deadline: May __, 2020, 5:00 p.m., Central Time

Confirmation Hearing: May __, 2020, _____ _.m., Central Time

DISCLAIMERS AND IMPORTANT NOTICES

This Disclosure Statement is qualified by and subject to multiple disclaimers and important notices contained in Section 10. You are strongly encouraged to read these provisions.

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Westwind Manor Resort Association, Inc. (7533); Warrior ATV Golf, LLC (3420); Warrior Acquisitions, LLC (9919); Warrior Golf Development, LLC (5741); Warrior Golf Management, LLC (7882); Warrior Golf Assets, LLC (1639); Warrior Golf Venture, LLC (7752); Warrior Premium Properties, LLC (0220); Warrior Golf, LLC, a Delaware limited liability company (4207); Warrior Custom Golf, Inc. (2941); Warrior Golf Equities, LLC (9803); Warrior Golf Capital, LLC (5713); Warrior Golf Resources, LLC (6619); Warrior Golf Legends, LLC (3099); Warrior Golf Holdings, LLC (2892); and Warrior Capital Management, LLC (8233). The address of the Debtors' corporate headquarters is 15 Mason, Suite A, Irvine, California 92618.

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SECTION 1
INTRODUCTION

Westwind Manor Resort Association, Inc. and its affiliated debtors and debtors in possession (collectively, "**Warrior**" or the "**Debtors**" – are identified in **Table 3**) with the Official Committee of Unsecured Creditors (the "**Committee**") in the above-referenced chapter 11 cases (the "**Chapter 11 Cases**") propose the plan of reorganization (as may be amended or supplemented from time to time, the "**Plan**") attached as **Exhibit 1** and generally described below. In addition to the Plan the Debtors and the Committee anticipate filing a Plan Supplement on April __, 2020, and will serve the same on appropriate parties.

The Plan results in the consolidation of all of the Debtors into two business units: the golf club manufacturing and sales business (the "**Golf Equipment Business**") and the golf course ownership and operation business (the "**Golf Course Business**"). The Plan creates a Creditor Trust for the benefit of certain classes of creditors and interest holders, and the Creditor Trust will hold all the equity of both business units.

The Plan represents a series of comprises and settlements of specific claims and issues among the Debtors and the Committee; while other claims and issues held by the Debtors against third parties are preserved for resolution later by the Creditor Trust.

The Debtors' history is addressed in Section 3; the compromises and settlements are addressed in Section 4; preserved claims to be pursued following confirmation are addressed in Section 5; events during the Chapter 11 Cases are addressed in Section 6; the Plan's general structure is addressed in Section 7; and other important details are addressed in Sections 8, 9 and 10.

An Executive Summary of the Plan immediately follows this Introduction in Section 2.

The operations of these Chapter 11 Cases and the current focus of the Plan is to rectify what appears to have been decades long fraud involving securities offerings, through the use of a large internal *boiler room* salesforce, to over 2000 individuals, that ultimately raised in excess of $110 Million, to support multi-million-dollar distributions to insiders, and the purchase of golf courses that had no opportunity to become profitable.

The Plan is designed to simplify and streamline the corporate structure of the Debtors, to create recoveries for creditors, and to avoid significant litigation among creditors.

The Debtors and the Committee urge you to vote in favor of the Plan.

The Debtors and the Committee believe that that compromises and settlements in the Plan are fair and equitable and maximize the recoveries for stakeholders. The Debtors and the Committee evaluated alternative structures and believe the Plan contains the best available structure.

Voting Instructions are addressed in Section 9 of this Disclosure Statement.

SECTION 2
EXECUTIVE SUMMARY

A review of this Executive Summary should not be a substitute for a full review of the Plan and this Disclosure Statement. **You are strongly encouraged to review both the Plan and this Disclosure Statement completely.** To the extent that the following Executive Summary conflicts in any way with any statement or term of the Plan or the Disclosure statement, the Plan shall control.

The Plan is being proposed jointly by the Debtors and the Committee. The Debtors and Committee expect an Effective Date for the Plan in the second quarter of 2020.

The Debtors businesses, consisting of the Golf Equipment Business and the Golf Course Business, will have new equity issued to the Creditor Trust for the benefit of certain classes of creditors with allowed claims. All existing equity interests will be extinguished and will not receive a distribution under the Plan.

The businesses will continue to be operated, improved, and either operated or sold for the benefit of the creditors having an interest in the Creditor Trust, as determined by the newly created Boards of Directors. It is the objective of the Plan that Allowed General Unsecured Creditors, LLC Investors and Convertible Noteholders will all be treated equitably. To do so, the Plan proposes that a dollar invested with any of the Debtors will be treated as a dollar claim (rather than the reduced amount in the Pro Rata Notes received by the LLC Investors); the Convertible Noteholders will also be treated as having a claim in the amount of the investment; and finally vendors to the Debtors will also be treated based upon the amount owed by the Debtors.

The distributions to Allowed General Unsecured Creditors, LLC Investors and Convertible Noteholders will come from the sale of golf courses, and the operating improvements and the efficient management of the Golf Equipment Business. The golf courses will be operated for a period to improve values and ultimately will be sold. The Golf Equipment Business will continue to be improved with an intention to ultimately sell the business as a going concern.

The Debtors' creditors generally fall into five groups, called classes, and will generally be treated as follows:

- **Secured Creditors** with liens on golf courses:
  - The Debtors estimate that there are approximately $3.77 Million of claims in this class (approximately $3.6 Million in mortgages and deeds of trust secured by real estate - referred to in the Plan as Pre-Petition Secured Claims at addressed in Class 3), and approximately $117,000 in real property tax claims also secured by real estate (referred to in the Plan as Priority Tax Claims – which are not assigned a Class number). The estimate of claims in this Class excludes claims the Debtors anticipate will be deemed unsecured and/or disallowed.
  - Each Secured Creditor will have a separate treatment, which can include the reinstatement of the claim with continued payments over time, surrender of the collateral in full satisfaction of the claim, or restructured payment terms.
  - The tax claims secured by liens against golf course properties will either be paid overtime in accordance with the Bankruptcy Code or at the time of the Effective Date of the Plan.
- **Tax Creditors**
  - The Debtors estimate that there are approximately $316,000 of priority tax claims in this class.
  - This class excludes tax claims secured against real estate as they are addressed above. The priority tax claims are entitled to a priority distribution from the Creditor Trust prior to distributions to holders of Allowed General Unsecured Claims.
- **Creditors** - suppliers of goods and services to the Debtors' businesses
  - The Debtors estimate that there are approximately $4 Million of claims in this class. The estimate of claims in this Class excludes claims the Debtors anticipate will be deemed disallowed.
  - Trade Creditors will receive a *pro rata* interest in the Creditor Trust along with the LLC Investors and the holders of the Convertible Notes.
  - As distributions are made by the Creditor Trust – in the Determined Distribution Amount - Trade Creditors, as a class, will receive 10% of the Determined Distribution Amount until Trade Creditors have received 100% of the amount of their Allowed Claims, without interest (the remaining 90% will be distributed to LLC Investors and Convertible Noteholders).
- **LLC Investors in the LLCs** created to own and operate golf courses
  - The Debtors estimate that there are approximately $101 Million of claims in this class.

- As part of the Failed 2017 Restructuring by Warrior, the $101 Million LLC Investors received Pro Rata Notes from Warrior Golf, LLC in exchange for their investment. The Pro Rata Notes are in the original amount of approximately $40 Million and were unsecured.

- LLC Investors will receive a *pro rata* interest in the Creditor Trust along with the Trade Creditors and the holders of the Convertible Notes.

- LLC Investors will assign to the Creditor Trust claims they hold based upon their investments with Warrior.

- The LLC Investors' *pro rata* amount of the Creditor Trust will be based upon the amount of their original investment less any distributions and interest received and not the amount of the Pro Rata Note they received.[2]

- As distributions are made by the Creditor Trust – in the Determined Distribution Amount – LLC Investors and Convertible Noteholders, each as a class, will share, on a *pro rata* basis, in 90% of the Determined Distribution Amount (and 100% of the Determined Distribution Amount after Trade Creditors have been paid 100% of their Allowed Claims).

- LLC Investors and Convertible Noteholders will receive all net value of the Creditor Trust (after Trade Creditors have been paid 100% of the Allowed Claims).

- The Pro Rata Notes and the LLC Interests will be extinguished.

➢ **Holders of Convertible Notes** issued by Warrior Acquisitions, LLC ("**Acquisitions**")

- The Debtors estimate that there are approximately $5.5 Million of claims in this class.

- Convertible Noteholders will assign to the Creditor Trust claims they hold based upon their purchase of the Convertible Notes.

- The Convertible Notes are convertible into equity of Acquisitions at the Debtors' option. The Convertible Notes will not be converted to equity pursuant to the Plan and will be extinguished.[3]

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[2] Investors will have the **option of not assigning to the Creditor Trust their claims based upon their investments with Warrior**, in which case, such Investor's interest in the Creditor Trust will be based upon the amount of the Pro Rata Note(s), rather than their original investment amount. **This concept is detailed in Section 4.03 – which should be carefully reviewed**.

[3] Convertible Noteholders will have the **option of not assigning to the Creditor Trust their claims based upon their purchase of the Convertible Notes**, in which case, the conversion feature of the Convertible Notes will be deemed automatically exercised, prior to the Effective Date of the Plan, by the Debtors, and such Convertible Noteholder will be treated as holding Equity in Acquisitions, and will be provided the treatment of Class 8 – **No distributions will be made from the Creditor Trust to such former Convertible Noteholder. This concept is detailed in Section 4.03 – which should be carefully reviewed.**

- The Convertible Noteholders will receive a *pro rata* interest in the Creditor Trust along with the Trade Creditors and the LLC Investors.

- Convertible Noteholders' *pro rata* amount of the Creditor Trust will be based upon the amount of their original investment less any distributions and interest received.

- As distributions are made by the Creditor Trust – in the Determined Distribution Amount – LLC Investors and Convertible Noteholders, each as a class, will share, on a *pro rata* basis, in 90% of the Determined Distribution Amount (and 100% of the Determined Distribution Amount after Trade Creditors have been paid 100% of the Allowed Claims).

- LLC Investors and Convertible Noteholders will receive all net value of the Creditor Trust (after Trade Creditors have been paid 100% of the Allowed Claims).

The distributions to General Unsecured Creditors, LLC Investors and Convertible Noteholders are described in greater detail in Section 7.03.

LLC Investors and Convertible Noteholders will, by the Bankruptcy Court's approval of the Plan (confirmation), automatically transfer to the Creditor Trust all their respective Direct Causes of Action. LLC Investors and Convertible Noteholders can exercise their right to not transfer such Direct Causes of Action, and instead retain such Direct Causes of Action. This Direct Opt Out Right is addressed in detail in Section 4.03 below. This provision is extremely important for all parties to consider. The Opt Out Right is exercised by the Ballot you will receive and return.

The Debtors anticipate obtaining financing for the entirety of their operations on the Effective Date from their existing bankruptcy lender – by converting the financing provided during the Bankruptcy Cases to long term arrangements; or new financing may be obtained and implemented upon the Effective Date from a third-party lender. Any exit financing will be junior to pre-petition valid and preserved existing liens on the Debtors' property, except to the extent addressed in other orders of the Bankruptcy Court. The terms of the exit financing will be detailed in the Plan Supplement.

The Plan accomplishes multiple objectives:

- **Simplify and Streamline the Corporate Structures to Improve Creditor Recoveries Through the Consolidation and Restructuring of all 16 Debtors** into two new focused and separate legal entities, for various reasons, including:

  - Warrior's twenty-plus years of history demonstrates that all the Warrior entities operated as one enterprise, capitalizing on each other's assets, operations, management, employees, generated cash (whether from operations or third-party investments), name, marketing methods, and goodwill

  - Warrior comingled their assets to such an extent that unwinding the 20 years of historical transactions would be an unreasonable and unfair result for some

creditors while arbitrarily benefiting other creditors, due in part to certain legal limitations on reverting to previously existing structures and arbitrary decisions made by prior management regarding how invested capital and proceeds from the sale of golf courses were utilized to support the entire enterprise

- Prior to the Bankruptcy filings, Warrior lacked significant operational and financial controls and failed to uniformly and accurately maintain the Debtors books and records

- Unsecured Creditors, LLC Investors and Warrior itself, generally consider the sixteen Debtors as one enterprise without meaningful legal or factual distinctions

- Warrior, supported by the votes of more than 50% of the membership interests in each LLC, attempted to consolidate all the golf courses into one entity owned by Brendan Flaherty. The attempted consolidation is the Failed 2017 Restructuring described below. The Failed 2017 Restructuring tried to create one single owner for the golf courses and instead created a confusing and inconsistent tangle of legal and corporate mistakes and inconsistencies. These mistakes and inconsistencies are best address by the Bankruptcy Court and the Plan

- The structure of the golf course owning entities appears to have been designed to perpetrate a fraud on LLC Investors and Convertible Noteholders. As such, these unnecessarily complicated arrangements do not have a business function and are not needed for the Reorganized Debtors to manage the Golf Course Business

- Implementing a streamlined organizational structure will simplify the management and operation of the Debtors' businesses, the efficient sale of golf course assets and the ultimate disposition of the Golf Equipment Business. A simplified structure will also result in more efficient financing and accounting and will permit the Golf Course Business to use its larger platform to acquire goods and services at scale for use across all golf courses

➢ **Preserve and Improve Operations** of the Debtors' existing business, which will be owned by the Creditor Trust and managed by the Creditor Trustee (the Creditor Trustee will be Force 10 Agency Services LLC, an affiliate of Force Ten Partners, LLC), by

- Retaining and reorganizing around economically viable and profitable golf courses while ultimately selling all the golf courses in value maximizing transactions designed to capitalize on market conditions while attempting to minimize operating losses

- Continuing to operate, improve, and expand the Golf Equipment Business for the benefit of all creditors receiving an interest in the Creditor Trust. The Debtors anticipate that the Golf Equipment Business will be able to make periodic distributions to the Creditor Trust out of its operating profit and that following the successful operational turnaround of the Golf Equipment Business that it can be sold to a strategic or financial buyer and the proceeds can be distributed to the

Creditor Trust for the benefit of the Debtors' Creditors, LLC Investors and Convertible Noteholders

- The allowed claims of Creditors, LLC Investors and Convertible Noteholders will be addressed in the Plan by distributing interests in the Creditor Trust to them. The holders of allowed claims will be the beneficiaries of the Creditor Trust and ultimately benefit from the operating profits and sale value of the Golf Course Business and the Golf Equipment Business

- **Preserve and pursue claims** held by the Debtors

  - The Creditor Trust created for the benefit of Trade Creditors, LLC Investors and Convertible Noteholders will also hold all the Debtors' litigation claims against its former management and employees, equity holders, former attorneys and accountants and other third-parties. The net recoveries from litigation claims brought by the Creditor Trust will be used to further the goals of the Creditor Trust and make distributions to the beneficiaries of the Creditor Trust

  - The Creditor Trust will also hold and pursue direct claims of LLC Investors and Convertible Noteholders (defined in the Plan as "**Direct Causes of Action**") - to the extent that an LLC Investor or Convertible Noteholder does not exercise the Direct Opt Out Right provided on the Ballot (as well as WGP Causes of Action)

  - The Creditor Trust's pursuit of the litigation claims will be supervised by the Creditor Trustee of the Creditor Trust

  - The Creditor Trustee, working with counsel and other advisors, will evaluate and pursue causes of action against Mr. Flaherty, his entities and others, including those Persons listed on Exhibit A to the Plan

- **Avoid significant litigation between creditors, LLC Investors and Convertible Noteholders**, which if pursued would result in substantial costs and delays and would frustrate the Debtors' goal of efficiently reorganizing and maximizing the recoveries for all Creditors

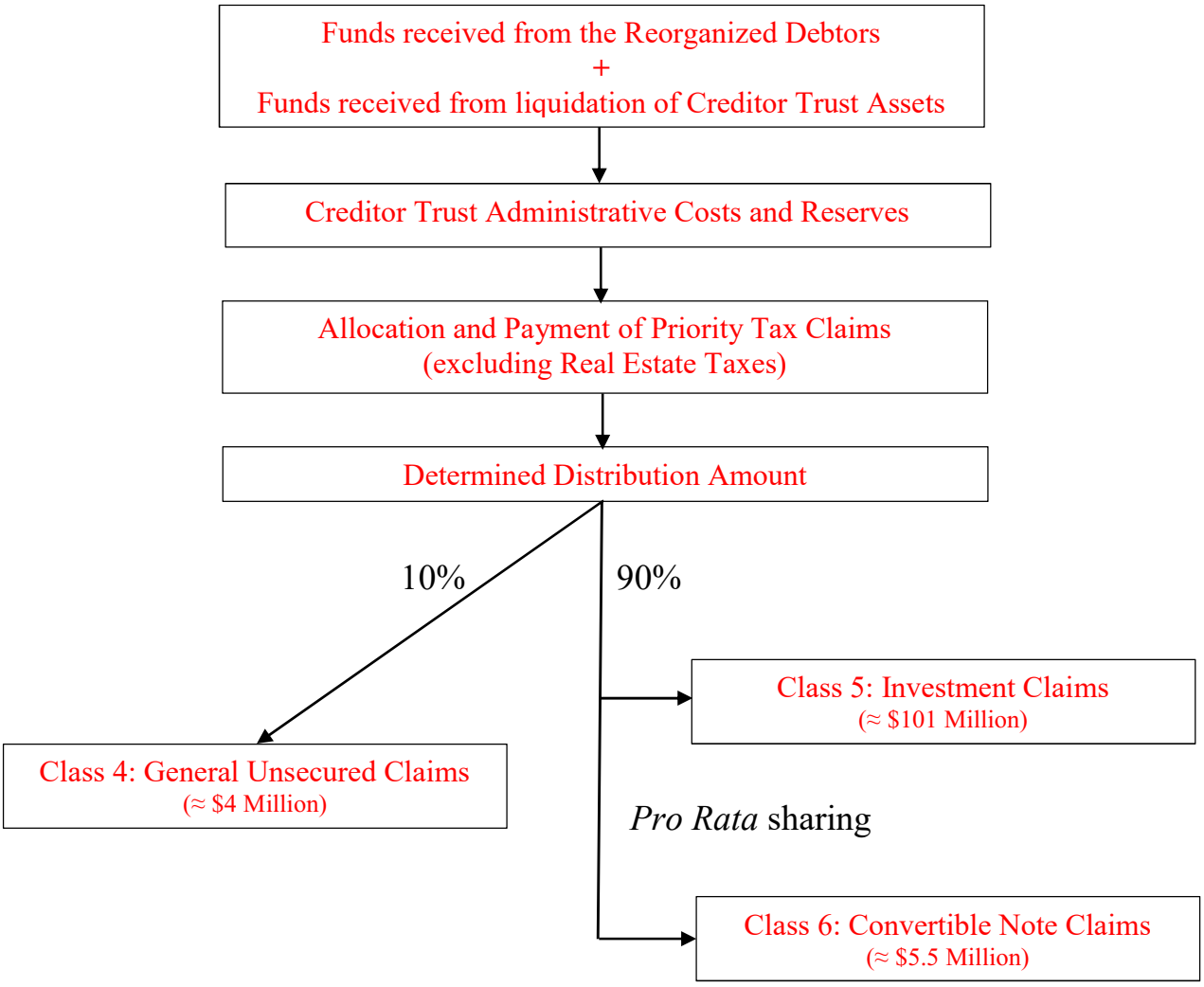
Distributions to Creditors Pursuant to the Plan:

The Plan provides for certain Claims to be paid by the Reorganized Debtors and other Claims to be paid by the Creditor Trust. The following **Table 1** and **Table 2** provide high-level summaries of distributions and rough estimates of the Claims in each category, as of December 31, 2019.

TABLE 1
DISTRIBUTIONS BY THE REORGANIZED DEBTORS

Administrative Claims in the Chapter 11 Cases
The DIP Loan - Secured Chapter 11 Financing
Secured Real Estate Taxes (≈ $117,000)
Class 1: Priority Claims – Goods Sold within 20 days (≈ $19,000)
Class 2: Claims Secured by Equipment
Class 3A: Broadmoor Real Estate Lien (≈ $1.3 Million)
Class 3B: Lakota Real Estate Lien (≈ $1 Million)
Class 3C: Cimarron Real Estate Lien (≈ $1.3 Million)
Class 3D: St. Augustine Real Estate Lien (held by Mellinger believed to be avoidable)

TABLE 2
DISTRIBUTIONS BY THE CREDITOR TRUST



SECTION 3
THE DEBTORS AND THEIR HISTORY[4]

3.01 The Debtor Entities

On March 4, 2019, April 4, 2019 and May 30, 2019, an aggregate of 16 entities each filed a voluntary bankruptcy petition (the "**Bankruptcy Filings**", which created the "**Bankruptcy Cases**") in the United States Bankruptcy Court for the Southern District of Texas (the "**Bankruptcy Court**") seeking relief under Chapter 11 of the Bankruptcy Code.

The Debtors are listed in **Table 3**, which also provides the Bankruptcy Case numbers, filing dates, the state of incorporation, and the date the entity was formed:

TABLE 3
THE DEBTORS

DEBTOR	CASE NUMBER	DATE PETITION FILED	STATE OF FORMATION	DATE FORMED
Warrior Custom Golf, Inc.	19-50027	3/4/19	CA	11/19/98
Warrior Acquisitions, LLC	19-50028	3/4/19	CA	8/22/07
Warrior ATV Golf, LLC	19-50033	3/4/19	CA	6/22/05
Warrior Golf Development, LLC	19-50029	3/4/19	CA	10/9/07
Warrior Golf Management, LLC	19-50032	3/4/19	CA	12/17/09
Warrior Golf Equities, LLC	19-31953	4/4/19	CA	3/2/11
Warrior Golf Capital, LLC	19-31954	4/4/19	CA	6/11/12
Warrior Golf Assets, LLC	19-50030	3/4/19	CA	8/30/12
Warrior Golf Resources, LLC	19-31955	4/4/19	CA	9/3/13
Warrior Golf Venture, LLC	19-50031	3/4/19	CA	1/3/14
Warrior Premium Properties, LLC	19-50034	3/4/19	CA	8/6/14
Warrior Golf Legends, LLC	19-31957	4/4/19	CA	2/17/15
Warrior Golf Holdings, LLC	19-31958	4/4/19	CA	9/8/15
Warrior Capital Management, LLC	19-32951	5/30/19	CA	2/18/16
Warrior Golf, LLC (DE)	19-50035	3/4/19	DE	7/24/17
Westwind Manor Resort Assoc., Inc.	19-50026	3/4/19	TX	3/4/85

3.02 The CRO and the Independent Board

Immediately prior to the first Bankruptcy Filing, Jeremy Rosenthal, of Force Ten Partners, was retained by the Debtors as their Chief Restructuring Officer (the "**CRO**"). In addition, entirely new Boards of Director for the corporate Debtors and Boards of Managers for the limited liability company Debtors were appointed, consisting of Russell F. Nelms, Kevin Lantry, and David

[4] Throughout this Disclosure Statement there are references to documents that are part of the Debtors' books and records. Although these documents are referenced, they are not attached to the Disclosure Statement due, in part, to their voluminous size. Upon appropriate request and implementation of reasonable protections for the Debtors, such documents can be made available to interested parties. Capitalized terms used in this Disclosure Statement, and not defined herein, shall have the meanings ascribed to them in the Plan.

Gordon (collectively, the "**Independent Board**"). Following the Bankruptcy Filings, the Bankruptcy Court approved the CRO's retention and the Independent Board's appointment. [Docket Nos. 127 and 128, respectively]. Since the Bankruptcy Filings, the CRO has managed the business operations of the Debtors under the supervision of the Independent Board.

The CRO and his professionals pieced together the historical background leading up to the Bankruptcy Filings through a significant review of historic documents, Warrior's financial records, interviews with LLC Investors and former executives and employees, and formal and informal discovery. The CRO addressed the historical background with the Committee. The historical background is summarized in this Disclosure Statement. The historical context is the basis for the settlements created and embodied in the Plan. The Debtors and the Committee believe that the Debtors' history warrants the settlements provided in the Plan, including the plan treatment for Creditors and LLC Investors and the efforts to avoid significant litigation, costs, expenses, time, and uncertainty among the victims of the apparent misconduct described below. Section 4 addresses the plan settlements and compromises and the many legal and factual justifications for the settlements.

3.03 The Golf Equipment Business

In 1998, Mr. Brendan M. Flaherty ("**Mr. Flaherty**") decided that custom built golf clubs could be sold *via* telephone directly to consumers. Out of this concept, Mr. Flaherty created Warrior Custom Golf, LLC ("**Custom Golf**").

From its inception to the Bankruptcy Filings, Mr. Flaherty was the controlling shareholder of Custom Golf, and Mr. Flaherty and his nephew, Henry Peter Wheelhan, Jr., were the only two Members of the Board of Directors until the appointment of the Independent Directors, at which time both resigned. At all times prior to the Bankruptcy Filings, Mr. Flaherty controlled the operations of the Golf Equipment Business, the Golf Course Business, and most importantly the Investment Raising Business (discussed below). For a short period following the Bankruptcy Filings, Mr. Flaherty remained an employee of the Debtors tasked with providing historical information and input to the CRO, while the CRO managed the business operations. Mr. Flaherty's employment was terminated on June 6, 2019.

Custom Golf operates the Golf Equipment Business and focuses on the manufacturing and sales of custom golf clubs and related accessories. Custom Golf develops, manufactures, markets and sells affordable custom golf clubs and related equipment to golfers. The Golf Equipment Business' products are custom built to the specifications of each customer. Potential customers are generally identified through direct response advertising, including email, television, and direct mail advertising.

On the date of the Bankruptcy Filings, the Golf Equipment Business employed approximately 70 individuals, including a team of golf club builders, customer service representatives, and sales personnel. Since the inception of its business, the Golf Equipment Business generated approximately $310 million in sales.

The rise of Custom Golf is not particularly relevant to Warrior's history or the Plan, except to focus on the sales side of the business and how insiders diverted sales leads and took advantage of

the Golf Equipment Business for other purposes. While the initial business of Custom Golf was to generate revenue from the sale of golf clubs and accessories, Custom Golf also generated a massive "Rolodex" of sales leads and "pre-existing relationships" which became crucially important for the next stages of Warrior's businesses. The customer database contained the contact information for the people that made telephone calls to the Golf Equipment Business about promotional offers for golf clubs and golf balls, people that purchased golf clubs or promotional items, and, most importantly, people that loved golf and could be persuaded into investing in golf courses.

Eventually, the customer database exceeded a million individual contacts. These contacts were mined for potential golf course investors in what became the Golf Course Business. In many ways the sales engine of the Investment Raising Business was fueled by the sales of golf equipment and it ultimately destroyed both the Golf Course Business and the original Golf Equipment Business, leading to the Bankruptcy Filings. Custom Golf's customer database is an extremely valuable asset of the Debtors and continues to be preserved and used in the Golf Equipment Business.

Since the Bankruptcy Filings, the CRO has made significant changes in the Golf Equipment Business, including:

- Establishing reliable and comprehensive recordkeeping practices, including revising and updating accounting and inventory management
- Improving and streamlining facilities to maximize employee efficiency and reduce related expenses
- Implementing responsible management practices, including working with manufacturers with fair labor standards and overall improving employee working conditions and compensation
- Improving the procedures and systems related to sales, marketing, customer service and procurement
- Implementing the transition of the Golf Equipment Business to a Netsuite, modern technology platform for accounting and order management
- Beginning the transition of the Golf Equipment Business to an e-commerce business

These operational changes to the Golf Equipment Business mitigated the ongoing deterioration of the business, stabilized its operations and positioned it for significant improvements to its financial performance in 2020.

Financial projections for the Golf Equipment Business are addressed in Section 8.02 and will be included in the Plan Supplement.

3.04 The Investment Raising Business and Golf Course Business

With the success of the Golf Equipment Business well in hand, Mr. Flaherty determined that the next stage for the *Warrior Family* would be raising capital from third parties to develop and operate

golf courses owned by a series of affiliated limited liability companies (each an "**LLC**", and collectively, the "**LLCs**") controlled directly or indirectly by Mr. Flaherty.

Commencing in 2004, Mr. Flaherty created a business model around the Golf Equipment Business' customer list focused on selling securities to Custom Golf's customers and contacts (the "**Investment Raising Business**"). Ultimately, the Investment Raising Business appears to be ***a fraudulent business designed to raise money*** and not a business to profitably invest in golf courses. It does not appear that the LLCs were reasonably expected to result in a meaningful return for LLC Investors. In fact, the Investment Raising Business appears to have been intentionally undertaken without any business plan, without legitimate or reasonable budgets for the use of the raised funds, and without any reasonable projections for the enterprise. The strategy may also have violated federal and state securities laws, and completely ignored all corporate formality and legitimate business practices and structures.[5]

Over the course of 15 plus years, Warrior, through the Investment Raising Business, raised more than $107 Million from more than 1,700 individuals and entities, many of which invested their hard-earned retirement funds. The Investment Raising Business utilized systematic boiler room structure for obtaining money from individuals and families with no plausible intended return to LLC Investors. One of the most important components of the Investment Raising Business was the promise of non-existent high rates of return to unsophisticated golf aficionados.

Upon the CRO's retention, the Investment Raising Business was terminated. The Investment Raising Business will not be revived by the Debtors. What came from the Investment Raising Business was the acquisition of 21 golf courses throughout California, Florida, Colorado, Iowa, Indiana, Alabama, North Carolina, South Carolina, Tennessee and Georgia – the acquired golf course became the Golf Course Business.

The Investment Raising Business utilized the customer list of the Golf Equipment Business, in a boiler room structure of highly controlled and managed sales people.[6] As part of this sales method, Mr. Flaherty created detailed call scripts to be used by Warrior's employees pitching the investments in the LLCs and the golf courses (the "**Scripts**"). Warrior's employees were continually instructed to strictly follow the Scripts. Mr. Flaherty's control and micromanagement of the Investment Raising Business is evidenced by his continual refinement of the Scripts and his requirement that sales people not deviate from the Scripts. One Script contained instructions at the top that provided:

> Two simple rules …
>
> 1. Smile and Dial!
>
> 2. Read word for word just like an actor in a play!
>
> Make $1,000+ per week following these two simple rules!

[5] Some of the Debtors filed SEC Form Ds, although it is suspected that much of the disclosures were inaccurate at the time or will be proven to be inaccurate in the future.

[6] In addition to Mr. Flaherty, the key sales team included Messers. Ryan Rodney and Wayne Deloney – both of whom are significantly involved in Custom Storage (addressed in Section 3.08).

The Investment Raising Business infiltrated all the Warrior entities - as calls came into the Golf Equipment Business for the purchase of golf clubs and golf balls, the sales person also gathered detailed information about the caller for use in the Investment Raising Business. The investment sales people were tasked with "vetting" accredited investors and confirming the existence of a fictitious historical relationship with the prospective investor. In this regard, Scripts often included questions about the financial wherewithal of the target investor and involved handoffs to alleged "managers" that would continue the vetting and sales process, in an apparent effort to skirt securities laws.

Warrior's sales staff focused on building rapport and relationships with their targets – the hallmarks of a confidence scheme - so that the investment pitch could trade on this purported relationship. Mr. Flaherty, and other senior sales people, went out of their way to befriend LLC Investors and encouraged other sales people to do so as well. One Script instructed that "people buy from those they like". Warrior exploited these relationships as a core element of the Investment Raising Business. One Script exhorted the sales team to:

> Be Dynamic, excited, bold – be the fire truck with lights flashing and sirens blaring
>
> The phrase "from those they like" does not mean to be come [sic] a friend, they already have plenty of friends – be an enthusiastic story teller and the prospect will pay to hear the ending and become a client.
>
> The story -------- Greed

The sales team for the Golf Equipment Business initially received incoming calls from potential golf equipment buyers. Once the golf equipment customer kept their clubs past the return window, a new sales person from the Investment Raising Business would call to "qualify" the potential investor and begin the process of turning them into an actual investor. The Scripts used the name "Warrior Custom Golf" or abbreviated the same as "WCG" when selling golf balls and golf clubs. Sometimes the Investment Raising Business would be touted as *Warrior Custom Golf's Special Projects Division*. When it became time to introduce the concept of the golf courses and investments, the sales people would transition to the generic name "Warrior" without distinguishing between the various members of the Warrior family. In this way, Warrior used and encouraged the universal name "Warrior" as the generic, standard, and consistently used name for every Warrior entity (including, as discussed below, the non-Debtor entity, Warrior Custom Storage). Although the Golf Equipment Business and the Investment Raising Business may have appeared to have been conducted through separate entities, it appears that the Investment Raising Business utilized the relationships created in the Golf Equipment Business to not only generate leads, but in an attempt to satisfy the "pre-existing relationship" requirement for certain registration exemptions under federal securities laws.

One of the Scripts used by the sales people started with, "This is _____ with Warrior Acquisitions. We are the golf course management arm for Warrior Custom Golf."

All marketing by the Debtors, including the Golf Equipment Business, the Investment Raising Business, and the Golf Course Business, was done under the umbrella of:

The sales funnel worked as follows: after the return window passed for a golf equipment customer, their contact information would be passed to the sales team from the Investment Raising Business; then a "Front Liner" would call them and gauge their interest in becoming an investor and attempt to "qualify" them as a potential investor in unregistered securities; if the "Front Liner" was successful, they would transfer the customer to a "Closer" (the person with the job of closing the investment) who was given a title such as "Senior Vice President" or "Manager." It does not appear that these titles reflected actual managerial, executive roles, or qualifications, rather they were designed to satisfy Mr. Flaherty's view of the requirements for registration exemptions under the federal securities laws.[7]

Further, Mr. Flaherty attempted to circumvent the prohibitions on the payment of commissions on the sale of securities by regularly adjusting salaries of employees to equal approximately 10% of the generated investments so that they would have receive compensation that mirrored a commission structure. This fact was intentionally hidden from LLC Investors. The private placement memoranda (defined in the next paragraph) for Warrior Premium Properties, LLC stated *We are offering the Units for sale by agents and employees of the Managers without sales commission or other remuneration on a "best efforts" basis.* This public written statement appears false and was apparently designed to evade federal securities laws.

Upon any expression of interest in investing in a golf course, Warrior mailed-out Private Placement Memoranda (each a "**PPM**") purporting to provide additional details and information about the specific LLC being offered to the potential investor. Like the Scripts, the PPMs also intentionally blurred the line between the LLCs and Custom Golf by touting Custom Golf's financial success and, most importantly, Mr. Flaherty's business prowess. The PPM for Warrior Premium Properties, LLC stated:

> Mr. Flaherty has been in the golf equipment manufacturing business for more than 10 years. Mr. Flaherty is the (i) sole owner of Warrior Acquisitions, LLC, a California limited liability company, and (ii) majority owner of Warrior Custom Golf, Inc., a California corporation, the entities serving as the Managers for the Company. Warrior Custom Golf, Inc. was established for the purpose of developing, manufacturing and marketing affordable custom golf clubs for golfers worldwide. Warrior Custom Golf, Inc. has become one of the fastest growing golf club companies in the U.S. with a customer base of nearly one million Golfers, and almost one quarter billion dollars in sales. Warrior Custom Golf, Inc.'s corporate headquarters are located in Irvine, California, where its 20,000 square foot manufacturing facility employs more than 110 individuals.
>
> When he began startup operations for Warrior Custom Golf, Inc., Mr. Flaherty owned U.S. Baseball in San Juan Capistrano, California. There he engaged in the sale of investment grade sports cards and memorabilia. Previously, Mr. Flaherty owned Evergreen Securities (also in San Juan Capistrano), a full-service broker/dealer firm principally involved in the sale of limited partnership interests

[7] Some of the investment team employees gave themselves titles to provide an appearance of authority.

> in oil and gas wells. Earlier, In Irving, California he owned Oxford Financial, a commodities firm that traded in precious metals and before that, Mr. Flaherty served as Registered Representative for American Financial Group, a precious metals and currency trading firm, also in Irvine, California.

The PPMs intentionally failed to provide any business plans, budgets, good faith estimates of operations, or any financial information or projections for the LLCs, or the proposed Managers of the LLC – this was true even though the proposed Managers were touted as well established and successful entities (as shown in the quote above). The PPM for Warrior Premium Properties, LLC stated There are no financial statements available for the Company or either of the Managers.

The Debtors had no experience or expertise in acquiring, developing, improving or operating Golf Courses. The actual efforts of the Debtors completely contradicted the boisterous touting of the efforts of Mr. Flaherty and his companies contained in the PPMs. In reality, the core focus of the Investment Raising Business was to find distressed golf courses when needed to fill out the portfolio for each LLC. During much of this period Warrior was the dominant purchaser of distressed public courses outside of metropolitan areas as Warrior was not focused on the fundamentals of the courses or their ability to be run profitably. Rather, Warrior was focused on buying low price and low-quality assets that they could conveniently place into their LLCs. The PPM for Warrior Premium Properties, LLC contained the following:[8]

> **Our Perspective – Golf is Alive and well in the U.S.A.**
>
> We believe that now is a great time to acquire golf course properties in selective geographic markets. A golf course is an income producing real estate asset. Location, location, location. A well maintained and managed golf course in the right location should be able to provide positive cash flow and equity appreciation, as the U.S. emerges from the current economic situation. Supply and demand, as well as location, are important factors when considering the potential for cash flow and equity growth. That is why we conduct exhaustive searches to locate properties that benefit from strong and growing economic markets. It is not enough to just "buy low", to make a good investment. The real potential for profit must, also, include demographic and economic growth patterns and that are real

[8]This statement was as of August 22, 2014 – after the acquisition of 17 Golf Courses in other LLCs, nearly all of which were incurring significant operating losses. Further, the PPM failed to provide any financial details on the previous LLCs, the Golf Courses they acquired or their aggregate negative financial performance. The details of the prior LLC's were limited to:

> **Prior Performance**
>
> Warrior Acquisitions, LLC serves as the manager of several manager-managed limited liability companies. Warrior Custom Golf, Inc. and Brendan M. Flaherty have the following experience in managing limited liability companies and related offering of units. Warrior ATV Golf, LLC, a California limited liability company, was formed in 2004 for the purpose of financing the acquisition of unimproved real estate, on which to build an all-terrain golf course, construct that golf course, and operate that golf course. Warrior ATV Golf, LLC raised sufficient funds to acquire that real estate and, accordingly, that real estate was purchased. The proposed plans for the development of that golf course, however, are still being reviewed by local governmental agencies. The development process has extended beyond the original timetable due to zoning considerations.
>
> Warrior Acquisitions, LLC, is, also, currently operating seventeen (17) golf course properties acquired by Warrior Golf Development, LLC; Warrior Golf Properties, LLC; Warrior Golf Management, LLC; Warrior Golf Equities, LLC; Warrior Golf Capital, LLC; Warrior Golf Assets, LLC: Warrior Golf Resources, LLC; and Warrior Golf Venture, LLC, … .

> and sustainable. The process of property selection includes government agencies and the vast amount of data they continually update. We also use private business organizations, as well as current and retired PGA professionals and our own large data base of golf customers, to help identify prospective properties for acquisition.

Once the potential investor received the PPM, the investment sales person would follow-up with the potential investor with a new Script, one such Script stated:

> Create the desire to buy!!!
>
> Hello _____, this is _____ _____ with Warrior's ATV Golf. How's your good health today? Great!!!
>
> What are you going to do with all the money you're going to make with us?
>
> (This will give you a little idea of where you sit with this prospect)
>
> _____, I've got some exciting information to share with you about our [sic] Golf Course we're building. Grab that Offering Memorandum I want to show you a couple of things.

While the financial successes of Custom Golf and Mr. Flaherty were emphasized in the PPMs, the PPMs failed to provide operating projections or financial statements for the LLCs or the underlying golf courses. The PPMs also failed to provide financial statements for the proposed Managers of the LLC. Many of the PPMs stated – as an additional inducement to LLC Investors – that financing for the golf courses, if necessary, could be provided by Custom Golf, further linking the Warrior entities together.

The story of the rise and fall of Warrior is not unique. Warrior was a confidence scheme driven by greed, arrogance, and high-pressure sales tactics. The sales tactics of the Investment Raising Business preyed on vulnerable investors by falsely stroking their egos, playing on the passions of its often-elderly targets, creating the appearance of "personal" relationships with LLC Investors, and ultimately capitalizing on the vulnerabilities of unsophisticated investors.

3.05 The ATV Land Transactions

Beginning in 2004, Mr. Flaherty launched the first of the LLC's which would become a Debtor in these Cases: Warrior ATV Golf, LLC ("**ATV Golf**"). Mr. Flaherty's idea for ATV Golf was to purchase raw land to be developed into a golf course on which golfers would use all-terrain vehicles rather than golf carts to travel between rugged holes. To pursue the alleged purpose of ATV Golf, the Investment Raising Business raised in excess of $13.7 Million from various LLC Investors. The early pitch materials for ATV Golf were sent by Western Union Messaging Services (*via* United States Mail) and contained the following:

> **FIRST ALL TERRAIN GOLF COURSE IN THE WORLD!**
>
> Imagine the excitement of riding in specially designed All Terrain Vehicles as you navigate over desert flatlands, rolling hills or extreme elevations with spectacular tee box views. Or riding an amphibious ATV to the island green of our signature hole.

Then, in a series of transactions in April 2005, non-Debtor Warrior Development, Inc. ("**Development, Inc.**") (an entity owned and controlled by Mr. Flaherty), rather than ATV Golf, acquired approximately 300 acres of raw land in Moreno Valley, California (the "**ATV Land**") from four different third-party sellers. Development, Inc. acquired the ATV Land for a purchase price of $2.2 Million.

On October 21, 2005, Development, Inc. transferred title to the ATV Land to ATV Golf. Concurrently, ATV Golf granted Development, Inc., a lien in the amount of $2,237,500. Following the Bankruptcy Filings, at the insistence of the CRO, the lien in favor of Development, Inc., was released by Mr. Flaherty (as Mr. Flaherty controls Development, Inc.).

Despite the actual $2.2 Million purchase price, the ATV Golf investors were advised that the ATV Land was acquired for $3 Million. In other words, the ATV Land was acquired by one of Mr. Flaherty's entities and *flipped* to an affiliate with an internal *mark-up* of $800,000. The ATV transaction can be summarized as:

Total ATV LLC investment raise:	$13,728,750
Initial Purchase Price of the ATV Land:	$ 2,200,000
Internal mark-up by "seller":	$ 800,000
Purported Purchase Price by ATV Golf, LLC as "buyer":	$ 3,000,000
Excess capital raise: (much of which appears to have been used for improper purposes)	$11,528,750

The Debtors are not aware of any good faith budgets for the development of the ATV Land that would have justified raising over $11.5 Million beyond the "purchase price" and Warrior's books and records do not reflect any significant expenditures to try to develop the ATV Land. It appears that this acquisition set up a common practice for the acquisitions, one affiliated entity would acquire property and then *flip* title to another of its affiliates with a *mark-up*. These two-step acquisition processes were unabashedly disclosed in the PPMs as one of the ways Warrior would profit from the investment (although the amount of the markups was not disclosed).[9] See Section 3.07 and **Table 7**.

The ATV Land project was unequivocally rejected by numerous government agencies and the CRO is not aware of any serious attempt to determine the feasibility of the development or governmental approval before funds were raised from investors or the ATV Land was purchased. In 2010, after it became abundantly clear that the ATV Land could not be developed into a golf course, the project was scrapped, investors were never informed of this fact and their remaining investments in ATV Golf were never returned. In fact, for years to come Warrior touted the existence and potential development of the ATV Land as a success in its PPMs, Scripts and other

[9] The Warrior Premium Properties, LLC's PPM contained the following statement: *Warrior Acquisitions, LLC shall acquire and improve the Golf Course and surrounding real estate and then sell the Golf Course and the surrounding real estate to the Company and may realize a profit; however, the amount of that profit cannot be determined as of the date of this Memorandum*.

marketing materials. Today, 15 years after its acquisition, the ATV Land remains vacant and undeveloped.[10]

The success and ease by which Warrior raised money for ATV Golf and the difficulty of actually building a golf course led Warrior to pivot into a simpler business model that is behind the other LLCs: (1) raise significant equity capital untethered to any underlying investment objectives; and (2) purchase already built and operating (but distressed) golf courses in secondary and tertiary markets typically without debt (other than seller financing) to avoid bank oversight.

3.06 The Serial Investments

Recognizing that buying raw land for developing future golf "concepts" like an ATV golf course was unnecessarily cumbersome and risky, Warrior pivoted to purchasing distressed golf courses, often out of bankruptcy. Generally, these acquisitions were made entirely with equity (thereby significantly reducing the potential returns to LLC Investors but keeping the LLCs and the golf courses away from the prying eyes of lenders), but periodically they were financed through seller provided financing. Using seller financing allowed Warrior to avoid having banks interfere with its transactions or investigate their operations and conduct. It also allowed Warrior to retain more of the funds raised by its investment sales team for the various improper purposes described in Section 3.09.

From 2007 through 2015, Warrior created at least eleven additional LLCs, raising in excess of an additional $87 Million after the first ATV Golf raise of $13.7 Million by utilizing the solicitation process described above. In total, Investment Raising Business raised over $101 million (not including the Convertible Note funds discussed below).

Warrior operated the Investment Raising Business in a serial fashion, creating one LLC, raising funds from LLC Investors, and then purchasing property and keeping the excess capital for itself. Once the intended acquisitions were made, notwithstanding the fact that all funds raised were not spent on the acquisitions, Warrior then generally proceeded to issue the next PPM, create the next LLC and then started the entire process all over, using the excess capital from one LLC to pay for the fundraising apparatus for the next LLC.

[10] It should be no surprise that the ATV Land project has never materialized. Beyond the ludicrous idea of playing on a golf course that required driving all-terrain vehicles, the county and city planning commission of Riverside, California would not grant permits to significantly alter the landscape of the ATV Land for development of the golf course, something that should have been considered well in advance of both the marketing of the ATV investments and the purchasing of the ATV Land. As of September 30, 2015, 10 years after its acquisition, Warrior continued to tell Investors that "The proposed plans for the development of that golf course, however, are still being reviewed by local governmental agencies." The *Investment Update Year End 2014* and the *Investment Update Year End 2015*, were both devoid of any discussion of the ATV Land but did continue to suggest that the Assets of ATV Golf were valued at $11.8 Million (attributing most of the value to "capitalized costs").

Table 4 details the dates of the various PPMs for the LLCs demonstrating the serial fashion in which the Investment Raising Business operated and the solicitation periods for each PPM.

TABLE 4 THE PRIVATE PLACEMENT MEMORANDUMS		
DEBTOR	**PPM DATE**	**SOLICITATION PERIOD**
Warrior ATV Golf, LLC	9/14/04	2004 – 2007
Warrior Golf Development, LLC	8/23/07	2007 – 2009
Warrior Golf Properties, LLC[11]	3/18/09	2009 – 2010
Warrior Golf Management, LLC	10/23/09	2009 – 2011
Warrior Golf Equities, LLC	1/3/11	2011 – 2012
Warrior Golf Capital, LLC	6/4/12	2012
Warrior Golf Assets, LLC	9/20/12	2012 – 2014, 2015
Warrior Golf Resources, LLC	9/2/13	2013 – 2014
Warrior Golf Venture, LLC	4/5/14	2014
Warrior Premium Properties, LLC	8/22/14	2014 – 2015
Warrior Golf Legends, LLC	2/23/15	2015
Warrior Golf Holdings, LLC	9/30/15	2015 – 2016
Warrior Capital Management, LLC	4/8/16	2017 - 2018

From 2004 to 2015, the LLCs acquired 21 golf courses and related land scattered throughout the country, spending only $35 Million of the over $101 Million raised from LLC Investors plus incurring an additional $5.2 Million in third party secured financing.

Table 5 details the aggregate funds raised from LLC Investors in the various LLCs, in comparison to the initial funds spent to acquire properties (before the flip mark-ups address in Section 3.07). In excess of 65% of the funds raised from LLC Investors was not utilized in the initial acquisitions of properties.[12]

[11] Warrior Golf Properties, LLC ("**WGP**") is not a Debtor because Mr. Flaherty refused to agree to authorize the filing of a bankruptcy petition for the entity. Nevertheless, pursuant to the Failed 2017 Restructuring discussed below, the asset of WGP (the Reems Creek golf course), as authorized by the WGP Investors, was transferred to Warrior Golf, LLC, a Delaware limited liability company ("**Golf-Delaware**"). In this regard, the property acquired by WGP, was administered and operated pre-Petition and post-Petition along with all the other golf courses purchased through the Investment Raising Business. Accordingly, Investors in WGP are treated in the Plan, if such Investors do not exercise the WGP Opt Out Right, as if the entity were a Debtor in the same fashion as all Investors in all the other LLCs are treated. Notwithstanding the foregoing treatment, nothing is intended to waive claims held by the Debtors, Investors and/or others against, *inter alia*, WGP and WGP Related Persons. Pursuant to the Plan, Investors in WGP are provided the option to opt out of treatment under the Plan. Absent exercising the right to opt out of the Plan's treatment of Investors, all claims against WGP Related Persons and all WGP Investments held by WGP Investors will be transferred to the Creditor Trust. Nothing in the assignment of WGP Causes of Action by WGP Investors is intended to affect any claims that may be asserted by governmental entities.

[12] Most, if not all, the Real Property acquired by the Warrior entities, was without the benefit of a Title Report, a survey or formal due diligence, as Warrior determined that the cost was not justified. As a result, several of acquired properties have defective title recordings, and other title issues, which have impacted the value of the golf courses and the Debtors' ability to sell them efficiently.

TABLE 5 THE EQUITY "RAISE" AND THE "SPEND"			
DEBTOR	**"EQUITY RAISE"**	**"GOLF COURSE PRICE"**	**"EXCESS CAPITAL"**
Warrior ATV Golf, LLC	$13,728,750	$2,200,000	$10,728,750
Warrior Golf Development, LLC	$10,137,200	$7,450,000	$2,687,200
Warrior Golf Properties, LLC[13]	$3,450,000	$1,915,000	$1,535,000
Warrior Golf Management, LLC	$9,879,000	$5,533,500	$4,345,500
Warrior Golf Equities, LLC	$17,981,040	$6,787,000	$11,194,040
Warrior Golf Capital, LLC	$3,853,200	$1,240,000	$2,613,200
Warrior Golf Assets, LLC	$16,596,300	$2,100,000	$14,496,300
Warrior Golf Resources, LLC	$6,879,600	$2,375,000	$4,504,600
Warrior Golf Venture, LLC	$2,913,675	$1,385,000	$1,528,675
Warrior Premium Properties, LLC	$7,470,565	$2,000,000	$5,470,565
Warrior Golf Legends, LLC	$4,753,430	$1,100,000	$3,654,430
Warrior Golf Holdings, LLC	$3,760,100	$1,350,000	$2,410,100
Warrior Capital Management, LLC	$1,178,000	N/A	N/A
Totals:[14]	**$101,402,860**	**$35,435,500**	**$65,167,360**

In many instances, the amount raised by the Debtors significantly exceeded the PPM stated maximum proceeds to be raised by the LLC – thus misleading LLC Investors without explanation. By way of example **Table 6** identifies some of the excessive raised proceeds:

TABLE 6 THE PPM RAISE VS. THE ACTUAL RAISE		
DEBTOR	**PPM STATED MAXIMUM PROCEEDS**	**ACTUAL PROCEEDS "RAISED"**
Warrior Golf Development, LLC	$9,291,000	$10,137,200
Warrior Golf Management, LLC	$8,900,000	$9,879,000
Warrior Golf Equities, LLC	$14,700,000	$17,981,040
Warrior Golf Assets, LLC	$13,720,000	$16,596,300
Warrior Golf Resources, LLC	$5,880,000	$6,879,600
Warrior Premium Properties, LLC	$6,265,000	$7,470,565
Warrior Golf Legends, LLC	$3,950,000	$4,753,430
Warrior Golf Holdings, LLC	$3,325,000	$3,760,100

3.07 Internal Flips for Profit

Properties were routinely acquired by one Warrior entity and subsequently transferred to another Warrior entity. The first entity received a profit or mark-up for the transfer at the expense of LLC Investors. **Table 7** details those parcels acquired by one Warrior entity (in some instances a non-

[13] Non-Debtor entity. See Footnote 11.

[14] The totals provided in **Table 3** do not include the funds raised in Warrior Capital Management, LLC because such funds were redistributed to Investors and others, as discussed in Section 3.08, when that entity ceased raising Investor funds.

Debtor), and then *flipped* to a different Warrior entity at a marked-up price. These *flips* facilitated the transfer of money away from LLC Investors to entities controlled by Mr. Flaherty.[15]

TABLE 7
THE INTERNAL "FLIPS"

COMMON NAME OF PROPERTY	INITIAL ACQUIRING ENTITY	ULTIMATE ACQUIRING ENTITY	ORIGINAL PURCHASE PRICE	*FLIP* PRICE	INTERNAL *MARK-UP*
ATV Land	Warrior Development, Inc.[16]	Warrior ATV Golf, LLC	$2,200,000	$3,000,000	$800,000
Asheboro	Warrior Acquisitions, LLC	Warrior Golf Equities, LLC	$642,000	$700,035	$58,035
St. Augustine	Warrior Acquisitions, LLC	Warrior Golf Equities, LLC	$850,000	$1,375,000	$525,000
Baneberry	Warrior Acquisitions, LLC; & Warrior Golf Capital, LLC[17]	Warrior Golf Capital, LLC	$1,240,000	$2,077,968	$837,968
Lakota	Warrior Acquisitions, LLC	Warrior Golf Assets, LLC	$2,100,000	$6,000,000	$3,900,000
Wolf Creek	Warrior Acquisitions, LLC	Warrior Golf Resources, LLC	$975,000	$1,053,532	$78,532
Limestone	Warrior Acquisitions, LLC	Warrior Golf Premium Properties, LLC	$2,000,00	$2,950,000	$950,000
Old Still	Warrior Acquisitions, LLC	Warrior Golf Holdings, LLC	$1,024,000	$1,740,000	$716,000
Quail Crossing	[TBD]	Warrior Golf Resources, LLC	$1,400,000	$1,414,221	$14,221
Totals:			**$12,431,000**	**$20,310,756**	**$7,879,756**

3.08 The Last Created LLC

In 2016, having raised more than $101 Million *via* the Investment Raising Business, Warrior attempted to raise another $19 Million through Warrior Capital Management, LLC ("**Capital Management**"). However, as Warrior was raising investments in Capital Management, they were concurrently selling, a new product, Convertible Notes, through Acquisitions and were unable to raise enough funds from LLC Investors for Capital Management to meet its minimum targets. These two simultaneous attempts to raise money competed not only with one another but the growing investor unease at over a decade of investments with no meaningful return. The ultimate result was:

- Capital Management raised only $1.1 Million of a $19 Million target; and
- Acquisitions raised only $5.5 Million of a $15 Million target (for the Convertible Notes).

[15] Claims against the non-Debtor entities, as well as distributions by the Debtors of the proceeds of these *flips*, are intended to be preserved by the Plan.

[16] Non-Debtor entity; the Plan is intended to preserve claims against the Non-Debtor entity.

[17] Specific parcels were purchased by each entity.

The inability to raise more than $1.1 Million for Capital Management led Warrior to dissolve the investment vehicle. Warrior circulated various documents to the LLC Investors in Capital Management, providing them a choice as to how their investments should be treated upon dissolution:

- Receive a return of only 85% of their investment (the 15% discount was allegedly to take into account purported management fees – an amount far in excess of the structure provided for in the PPM for Capital Management); or

- Transfer the entire original face value (without deduction for purported management fees) of the investment into a newly created entity - Warrior Custom Storage & RV, LP, a Delaware limited partnership ("**Custom Storage**"). Custom Storage is not a Debtor and purports to be engaged in ongoing development work near Lake Havasu, Arizona; however, it appears that a substantial amount of its capital comes from LLC Investors.

The Warrior investment sales team convinced a majority of the LLC Investors in Capital Management to transfer their investment to Custom Storage using recycled versions of the same Scripts used to raise the initial Investments. Of the 56 LLC Investors investing $1.1 Million in Capital Management, only $373,520 was returned in cash and the balance was rolled into Custom Storage on behalf of 34 LLC Investors.

During its initial capital raise, Custom Storage was touted as being tied to Warrior.[18] The PPM created for Custom Storage directly tied itself to Custom Golf and the golf courses by offering both free golf clubs manufactured by Custom Golf and the free use of the Warrior golf courses – as an inducement to invest in Custom Storage. Furthermore, the CRO understands that Custom Storage used Custom Golf's contact list and relationship with its LLC Investors to cultivate investors for Custom Storage and attempt to satisfy the requirement of a pre-existing relationship with its investors.[19]

Under the Plan, LLC Investors in Capital Management will not be treated as other LLC Investors in the other LLCs due to the return/re-distribution provided by Warrior.

3.09 Misappropriations and Inappropriate Uses of the Raised Funds[20]

Of the $101 Million raised from LLC Investors for the LLCs, only approximately $35 Million was spent on the acquisition of golf courses and property. The Debtors have identified numerous highly

[18] At the time of formation and the filing of its SEC Form D (November 3, 2017), Custom Storage's principal place of business was the same location as the Debtors'-15 Mason, Suite A, Irvine, California 92618, and Custom Storage listed the Debtors' former personnel as its executives (Mr. Flaherty, Mr. Deloney and Mr. Rodney).

[19] Custom Storage's use of, *inter alia*, Warrior's contact list, Warrior's employees, and the names of Warrior entities may give rise to claims against Custom Storage. Further, Employee Confidentiality, Unfair Competition, Non-Solicitation, and Inventions Agreements by and among the Debtors and certain former employees, such as Mr. Rodney, may give rise to claims.

[20] Nothing in this discussion is intended to limit any claims or causes of action preserved by the Debtors, pursuant to the Plan.

questionable transactions and distributions by Warrior entities that warrant further review, and if appropriate, pursuit in litigation by the Creditor Trust.[21] Some of the larger transactions including:

- Potentially illegal sale commissions to employees equal to 10% of the funds raised (disguised as wages) from the sale of LLC interests.

- Self-described Management Fees of approximately $25.5 Million paid out of the LLCs and/or Acquisitions to other entities controlled by Mr. Flaherty or to pay non-business expenses on Mr. Flaherty's behalf. This diversion of funds in amount almost equal to the total purchase price of the Golf Courses was comprised of:

    - Approximately $13.3 Million paid by to or on behalf of non-Debtor entities owned/controlled by Mr. Flaherty, including Wholesale Golf Supply & Services, Inc.

    - Approximately $9.4 Million paid to Custom Golf

    - Approximately $2.78 Million paid to American Express, Bank of America and others for apparently personal expenses that appear to have been for the personal benefit of Mr. Flaherty and his family members

- The *flip mark-ups* addressed in Section 3.07 and **Table 7** ($7.9 Million)

- The distributions to LLC Investors based upon artificial profit calculations as addressed in Section 3.11 ($3.5 Million)

- The transfer to employees and LLC Investors, either for no or minimal consideration, undeveloped lots acquired by the LLCs as part of the larger acquisition of the golf courses

Exhibit A to the Plan is a schedule of Excluded Parties, which schedule may be updated as part of the Plan Supplement. Persons on Exhibit A to the Plan, may be subject to litigation.

3.10 The Convertible Notes

Beginning in 2013, Mr. Flaherty created a new variation on future sales pitches and proposed that Custom Golf and existing and future LLCs would be structured with the objective of "*going public" (i.e. Warrior would issue publicly traded stock to its Investors)*. In April 2016, the Investment Raising Business set out to raise $15 Million of alleged working capital, on an unsecured basis, for the express purpose of going public. The Convertible Promissory Notes (the "**Convertible Notes**") were the new investment product Mr. Flaherty designed to raise these funds from LLC Investors. In disregard of any economic or legal realities, the Convertible Notes were

[21] The following analysis was performed against incomplete books and records. It appears that certain officers and employees of the Debtors intentionally destroyed the Debtors' electronic records. The Debtors are seeking to recover copies of that information that may be stored in devices that Mr. Flaherty has acknowledged are owned by the Debtors, but which were seized by federal agents while in his possession. If the Debtors are ultimately able to analyze the complete books and records of the Debtors', the following analysis could change dramatically.

issued by Acquisitions and were convertible, at a later date, into equity in Acquisitions - an entity that was only supposed to hold minimal assets. Acquisitions was not supposed to own any (i) golf courses (but did hold title to some due to title errors[22]), (ii) valuable contract rights (it did not even have a management agreement to manage the LLCs), or (iii) LLCs (it was just their Managing Member but not a significant equity holder).[23]

Acquisitions ultimately issued fifty-nine Convertible Notes in the aggregate amount of $5.5 Million – a far cry from the $15 Million target. Acquisitions stated that the proceeds from the Convertible Notes would *be used for general working capital purposes*.[24] All the Convertible Notes were purchased by existing LLC Investors. Not surprisingly, the Convertible Notes were unsecured, not guaranteed and issued by an insolvent entity. The irregularities did not end there. For instance, the Convertible Notes are convertible at the option of the issuer (Acquisitions) and not the holder. This means that Acquisitions, then controlled by Mr. Flaherty, could have unilaterally decided not to pay any of holders of the Convertible Notes and just give them equity in Acquisitions and would not be in default under the Convertible Notes. The Convertible Notes remain outstanding and it is believed that no interest or principal payments were made by Warrior.

To date the Debtors have elected not to exercise their conversion rights and at the Debtors' request the Bankruptcy Court entered an Order extending the time in which the Debtors could exercise the conversion rights under the Convertible Notes, through the effective date of a plan of reorganization. [Docket No. 253].[25]

To address the existence of the Convertible Notes and treat all LLC Investors equitably, the Plan contains a series of compromises and settlements that are described in Section 4. As part of the Compromises and Settlements, the Plan provides that the holders of the Convertible Notes will receive the Convertible Note Claims in the face amount of the Convertible Notes issued (without interest), less any Investment Benefits. Subject to the Plan's confirmation, the conversion feature in the Convertible Notes will expire and the Convertible Notes will be canceled.

As part of the treatment of the Convertible Notes, Convertible Noteholders will automatically assign to the Creditor Trust all their claims (defined as Direct Causes of Action) arising out of their transactions with the Debtors. Convertible Noteholders will have the option (as part of the Ballot process) to retain their Direct Causes of Action. If the option is exercised, the Convertible Note conversion provisions, will be deemed automatically exercised by the Debtors and the Convertible

[22] As of the Petition Date, the title to three golf courses (Huntington, Marion Oaks and Whispering Woods) were still in the name of Acquisitions due to the apparently inadvertent failure by Acquisitions to transfer title to the appropriate LLC under the relevant PPM. Notwithstanding the foregoing, at the time of the issuance of the Convertible Notes, it is highly doubtful Warrior, Mr. Flaherty or any of Warrior's other personnel knew of the title defects.

[23] The Debtors' records and interviews with the Debtors' personnel demonstrate that Warrior never had a serious path to becoming a publicly traded company, not least of which because that would have required audited financial statements and extensive financial disclosures that would have likely exposed the apparent fraud occurring in the Investment Raising Business. The Debtors intend to preserve claims, Causes of Action and Avoidances Actions, against various third-parties related to the efforts undertaken by Warrior to "go public".

[24] Acquisitions issued a Convertible Note Financing Summary of Terms dated April 2016.

[25] To the extent that a Holder of a Convertible Note exercises its Direct Opt Out Right (as detailed in the Plan and addressed in Section 4.03 of this Disclosure Statement), then Acquisitions will be deemed to have exercised the Conversion Right, prior to the Effective Date. See Plan Section 3.02(3).

Noteholder will be deemed an Equity Holder of Acquisitions (holding a claim in Class 8 – LLC Interests) – **No distributions will be made by the Reorganized Debtors, nor the Creditor Trust on Class 8 – LLC Interests**.

3.11 Pacifying Efforts

During the course of 15 years of the Investment Raising Business, Warrior made minor distributions of claimed "profit" to LLC Investors to give the appearance that the LLCs were operating profitably. At times, Warrior gave away or made gifts of various parcels of raw land in and around golf courses (which were assets of the LLCs) to LLC Investors and Warrior personnel to induce LLC Investors to make investments and as "bonuses" to employees. By way of example, one lot in Alabama adjacent to the Limestone Springs Golf Course was transferred *via* a Limited

Warranty Deed from Warrior Premium Properties, LLC (the Grantor), listing the value of the property at $38,500 and the words "This property was a gift from Grantor to Grantee."[26]

Furthermore, **Table 8** details an aggregate of $3.57 Million distributed on interests (both Member and Manager Interests) in the LLCs over a 15-year period. **Table 8** lists only the cash distributions made. Under the Plan LLC Investors and/or Purchasers of the Convertible Notes who received distributions (cash or otherwise) will have the values of such distributions (referred to in the Plan as Investment Benefits) deducted from their Allowed Claims.[27]

TABLE 8
PRE-PETITION DISTRIBUTIONS BY THE DEBTORS

DEBTOR	CASH DISTRIBUTIONS ON MEMBER INTERESTS	CASH DISTRIBUTIONS ON MANAGER INTERESTS[28]
Warrior ATV Golf, LLC	--	--
Warrior Golf Development, LLC	$311,552	$11,606
Warrior Golf Properties, LLC[29]	$237,420	$16,900
Warrior Golf Management, LLC	$734,552	$181,638
Warrior Golf Equities, LLC	$1,288,108	$305,626
Warrior Golf Capital, LLC	$20,000	$5,000
Warrior Golf Assets, LLC	$40,000	$10,000
Warrior Golf Resources, LLC	$80,000	$16,000
Warrior Golf Venture, LLC	--	--
Warrior Premium Properties, LLC	--	--
Warrior Golf Legends, LLC	$217,998	$54,500
Warrior Golf Holdings, LLC	--	--
Total:	**$2,929,629**	**$601,270**

3.12 The 2017 Failed Restructuring

Over time, LLC Investors in the LLCs made increasing demands for a return on their investments. Warrior undertook a series of one-off transactions whereby complaining LLC Investors would have their LLC interests purchased for approximately 20% of the original investment amount.[30]

Ultimately, in an effort to allegedly pacify LLC Investors through current payments of interest and to clean up the convoluted LLC structure, Mr. Flaherty designed a scheme to have an entity owned by him, Golf-Delaware, acquire all of the then remaining golf courses and land in exchange for

[26] These types of transfers are the subject of claims, Causes of Action and Avoidance Actions, intended to be preserved by the Plan.

[27] **Table 8** only addresses cash distributions. Other distributions were made to Investors, including transfers of real property. The Debtors are aware that various undeveloped lots were transferred to Investors, and the value of the same will be addressed in considering the offsets to Investor Claims, as "Investment Benefits". In addition, the Debtors are aware that some lots were transferred to employees, which will also be considered by the Creditor Trust.

[28] Some "Manager Interests" were sold to Investors as part of the investment scheme. Others were held either by Mr. Flaherty, an entity controlled by Mr. Flaherty, or another Debtor.

[29] Non-Debtor entity. See Footnote 11.

[30] At times, the re-purchases of investments made by Investors were made with Warrior funds, and the investment became the property of one of the Debtors and carried on the books of Warrior.

approximately $40 Million of notes (the "**Failed 2017 Restructuring**").[31] The Failed 2017 Restructuring transformed LLC Investors from owners of separate LLCs into creditors of a single entity. The notes issued as part of the Failed 2017 Restructuring were not secured and had few (if any) practical remedies to allow a holder to enforce repayment. However, the notes were guaranteed by Custom Golf and were interest bearing. Two semi-annual interest payments were made prior to the First Petition Date. The elements of the Failed 2017 Restructuring are complicated but are described in more detail in this Section. In many ways the Failed 2017 Restructuring was Warrior's first attempt to consolidate their entities and recognize the Golf Equipment Business' role as the sponsor and implicit guarantor of the entire Investment Raising Business.

The Failed 2017 Restructuring commenced when LLC Investors were requested to vote to dissolve the LLCs. Initial correspondence from Warrior regarding the Failed 2017 Restructuring stated, "Therefore, Mr. Flaherty, in an effort to protect the existing remaining equity of the investors is calling for a vote to liquidate the LLCs and return as much money as possible back to the investors." These initial communications stated that the golf courses held by the LLCs *would be liquidated and the proceeds distributed to Investors* in the specific LLC. Notwithstanding the words used in communications with LLC Investors, Warrior's history shows that it never seriously intended to liquidate golf courses and return the funds. Instead, the proceeds from any golf course sold during this period were used to fund expenses and prolong the apparent fraud. Even at this late stage, Warrior's communications with LLC Investors appear misleading and contradictory from one paragraph to another and one sentence to another:

> The manager is recommending the dissolution of the LLCs and to distribute the proceeds to the members prorated in accordance with the Operating Agreements.
>
> We are asking you to vote to dissolve the LLCs and receive payments totaling 120% of appraised value. The current business model is unsustainable. We are faced with a stagnant golf market, major expenses incurred by managing multiple LLCs, lower than expected or non-existent cash distributions, all compounded by the fact that loses from some courses exceed the profits made on other courses. This decision to sell the properties is disappointing for all of us and was concluded after months of due diligence. The often-discussed possibility of combining the LLCs into a single entity that could then become a publicly listed company is not economically feasible. Numerous consultations with qualified accounts, attorneys, brokerage companies and market makers have confirmed we are not in a position to launch an IPO.

Subsequent correspondence not only created more confusion but changed the playing field to provide that the golf courses would be sold, first to Custom Golf, and then to Golf-Delaware, and instead of receiving a cash distribution from the liquidation of the LLCs' assets, the LLC Investors would receive five-year unsecured promissory notes. Finally, to obtain consents from more than 50% of the members of each LLC to the Failed 2017 Restructuring, Warrior issued a notice entitled *Final Note[sic] to Vote – Approval of Sale of Assets and Dissolution of the Company*.

This notice repeated the misleading concept that LLC Investors would receive a distribution of proceeds from the sale of the golf courses even though the structure of the Failed 2017

[31] The 2017 Failed Restructuring did not involve Capital Management or the Investors in Capital Management.

Restructuring had already been finalized to be a transfer of the properties to Golf-Delaware in exchange for a promissory note.

Voting by LLC Investors was conducted from May 2017 through July 2017. Warrior used its sales team and investor relations personnel to drive votes in favor of the Failed 2017 Restructuring at each LLC. Once more than 50% of the membership interests of an LLC voted in favor of the Failed 2017 Restructuring, Warrior stopped canvassing that LLC's members and moved on to the next LLC. Ultimately it appears that a majority of the members of each LLC voted in favor of the Failed 2017 Restructuring and Warrior began the process of substantively consolidating the assets of the LLCs and the LLC Investors into Golf-Delaware. Although the solicitation of LLC Investors was questionable, ultimately a majority of each LLC's members voted in favor of the Failed 2017 Restructuring and the consolidation of the Warrior entities.

Table 9 details the voting percentages to effectuate the Failed 2017 Restructuring as of September 13, 2017.[32] The column marked "Approval %" identifies the percentage of the total outstanding investor membership interests that voted affirmatively for the Failed 2017 Restructuring, by LLC. Pursuant to the LLC agreements, more than 50% of the quantity of membership interests were required to vote affirmatively to undertake the Failed 2017 Restructuring. Thus, once Warrior held votes from more than 50% of the membership holders, Warrior ceased following up with the balance of the investors. The "Disapproval %" is the percentage of membership interests that voted against the 2017 Restructuring, as of the time Warrior ceased *chasing* additional votes.

[32] The figures in **Table 9** are repeated from internal Warrior documents and have not been independently verified by the CRO.

TABLE 9 VOTING ON THE FAILED 2017 RESTRUCTURING		
LLC	**APPROVAL %**	**DISAPPROVAL %**
Warrior ATV Golf, LLC	53.62%	1.77%
Warrior Golf Development, LLC	56.38%	0.96%
Warrior Golf Properties, LLC[33]	56.72%	0.58%
Warrior Golf Management, LLC	57.98%	1.62%
Warrior Golf Equities, LLC	58.65%	0.87%
Warrior Golf Capital, LLC	58.74%	1.73%
Warrior Golf Assets, LLC	54.73%	1.49%
Warrior Golf Resources, LLC	68.50%	0.41%
Warrior Golf Venture, LLC	60.70%	0.00%
Warrior Premium Properties, LLC	52.62%	2.45%
Warrior Golf Legends, LLC	61.30%	3.08%
Warrior Golf Holdings, LLC	66.88%	2.48%

Once it was determined that a majority of LLC Investors approved the Failed 2017 Restructuring, Warrior issued a host of inconsistent and misleading documents to LLC Investors, including: (a) the *Notice to Members*; (b) the August 28, 2017 *Important Notice Re LLC Dissolution and Winding Up*; (c) the *Progress Report August 23, 2017*; and (d) the August 31, 2017 *Action by Written Consent of the Mangers*, executed by Mr. Flaherty for each of the LLCs.

The Debtors' understanding of the steps of the Failed 2017 Restructuring are:

Step 1: **The Valuation**

The Failed 2017 Restructuring started with Warrior obtaining an opinion of value of the then existing twenty-one golf courses owned by the LLCs. For this purpose, the Debtors retained Marcus & Millichap ("**M&M**") in February 2017 for a flat fee of $6,000. M&M created a presentation stating the value of the twenty-one golf courses was collectively $33,875,000 (the "**M&M Report**").[34]

[33] Non-Debtor entity; see Footnote 11.

[34] While the purpose of the M&M Report was to value the golf courses as part and parcel of the Failed 2017 Restructuring, the M&M Report did not take into account, and Warrior never considered, the economic reality that some of the golf courses had existing secured debt and therefore the "equity" value in the golf courses should have been reduced by the amount of the secured debt. In this regard, the values that were provided in the M&M Report were M&M's belief of gross market values rather than net values. The Plan reserves all claims, Causes of Action and Avoidance Actions against M&M. The secured debt against the golf courses is addressed in Section 3.13, and **Table 15**. The Debtors stated that the engagement of M&M was *to provide an analysis of the transactional value of the real estate assets owned by the Company …* . See Action by Written Consent of the Mangers of Warrior ATV Golf, LLC, dated August 31, 2017.

Step 2: **The Senior Notes**

Using the M&M Report, Warrior decided to arbitrarily multiply the gross value attributed to each golf course by 120%, then issue one master unsecured promissory note from Golf-Delaware to each of the LLCs (the "**Senior Notes**"). The twelve Senior Notes that were issued by Golf-Delaware, were in the aggregate amount of $40,650,000 (the M&M valuation of $33,875,000 multiplied by 120%). The Senior Notes dated August 31, 2017 were identical to each other, except for the amount and the LLC's name. The individual amount of each Senior Note was calculated based on 120% of the value of the golf courses and land that Warrior thought each LLC owned.[35]

Table 10 details the M&M Report valuation by LLC (based upon the golf courses and land Warrior thought each LLC owned), and the amount of the Senior Notes issued by Golf-Delaware to each LLC. **Table 11** details the M&M Report valuations on an individual golf course by golf course basis.

TABLE 10
THE M&M "VALUATIONS" BY DEBTOR

DEBTOR	M&M "VALUE"	SENIOR NOTES 1.2x OF M&M "VALUE"
Warrior ATV Golf, LLC	$2,100,000	$2,520,000
Warrior Golf Development, LLC	$3,125,000	$3,750,000
Warrior Golf Properties, LLC[36]	$1,200,000	$1,440,000
Warrior Golf Management, LLC	$5,257,000	$6,330,000
Warrior Golf Equities, LLC	$7,150,000	$8,580,000
Warrior Golf Capital, LLC	$870,000	$1,044,000
Warrior Golf Assets, LLC	$4,850,000	$5,820,000
Warrior Golf Resources, LLC	$2,500,000	$3,000,000
Warrior Golf Venture, LLC	$1,900,000	$2,280,000
Warrior Premium Properties, LLC	$2,305,000	$2,766,000
Warrior Golf Legends, LLC	$1,750,000	$2,100,000
Warrior Golf Holdings, LLC	$850,000	$1,020,000
Totals:	**$33,875,000**	**$40,650,000**

[35] In reality certain of the golf courses were still owned by Acquisitions, but the Senior Notes were structured as if each LLC held the assets it was supposed to hold pursuant to the PPMs. This fact is further evidence that Mr. Flaherty and the other senior employees of Warrior were unaware of the title defects as address in Footnote 22.

[36] Non-Debtor entity. See Footnote 11.

TABLE 11 THE M&M "VALUATIONS" BY PROPERTY			
COMMON NAME OF PROPERTY	**PURPORTED TITLE HOLDER AS OF DATE OF THE M&M REPORT**	**M&M "VALUE"**	**1.2x OF M&M "VALUE"**
ATV Land	Warrior ATV Golf, LLC	$2,100,000	$2,520,000
Huntington	Warrior Golf Development, LLC[37]	$1,050,000	$1,260,000
Marion Oaks	Warrior Golf Development, LLC[38]	$1,400,000	$1,680,000
Reems Creek	Warrior Golf Properties, LLC	$1,200,000	$1,440,000
Broadmoor	Warrior Golf Management, LLC	$3,780,000	$4,536,000
Heddles	Warrior Golf Management, LLC	$1,120,000	$1,344,000
Whispering Woods	Warrior Golf Equities, LLC[39]	$500,000	$600,000
Cimarron	Warrior Golf Equities, LLC	$4,400,000	$5,280,000
Asheboro	Warrior Golf Equities, LLC	$900,000	$1,080,000
St. Augustine	Warrior Golf Equities, LLC	$1,350,000	$1,620,000
Baneberry	Warrior Golf Capital, LLC	$870,000	$1,044,000
Lakota	Warrior Golf Assets, LLC	$4,850,000	$5,820,000
Wolf Creek	Warrior Golf Resources, LLC	$1,350,000	$1,620,000
Rio Vista	Warrior Golf Venture, LLC	$1,450,000	$1,740,000
Bos Laden	Warrior Golf Venture, LLC	$450,000	$540,000
Limestone	Warrior Golf Premium Properties, LLC	$2,305,000	$2,766,000
Kings Creek	Warrior Golf Legends, LLC	$1,750,000	$2,100,000
Old Still	Warrior Golf Holdings, LLC	$850,000	$1,020,000
Quail Crossing	Warrior Golf Resources, LLC	$1,150,000	$1,380,000
Runaway Bay	Warrior Golf Development, LLC	$675,000	$810,000
Nocona Hills	Warrior Golf Management, LLC	$375,000	$450,000
Totals:		**$33,875,000**	**$40,650,000**

Step 3: **The Title Transfers**

In exchange for the Senior Notes, the LLCs were supposed to transfer title to their respective golf courses to Golf-Delaware[40] through separate *Asset Purchase Agreement and Assumption of Liabilities* by and between Golf-Delaware and each of the LLCs. The title transfer step was only partially completed for several reasons:

> (a) title to eight golf courses were transferred to an entity named Warrior Golf, LLC without identifying the entity as either a **Delaware** limited liability company or a **California** limited liability company;[41]

[37] As noted in Footnotes 22 and 35, this property was titled in the name of Acquisitions at the time of the M&M Report; notwithstanding that the Senior Notes were issued to the entities addressed in **Table 11**.

[38] See Footnote 37.

[39] See Footnote 37.

[40] In the early correspondence from Warrior to the Investors with respect to the Failed 2017 Restructuring, the title transfers were intended to go to Custom Golf.

[41] While Golf-Delaware is a Debtor, Warrior Golf, LLC, a California limited liability company ("**Golf-California**") is not a Debtor – but is an entity Mr. Flaherty formed, never operated, and then filed dissolution papers with the State of California. Notwithstanding that the *Asset Purchase Agreement and Assumption of Liabilities* recites that Golf-Delaware is the Purchaser and the identified LLC as the Seller, some of the recorded *Quitclaim Deeds* provide that the Grantee is "Warrior Golf, LLC, a limited liability company". The properties in question were: Reems Creek, Heddles, Whispering Woods, Asheboro, St. Augustine, Baneberry, Wolf Creek, and Kings Creek. Thus, based solely

(b) three golf courses were sold prior to transferring title to Golf-Delaware;

(c) while title to three golf courses was intended to be transferred to Golf-Delaware, the LLC executing the Quitclaim Deed to Golf-Delaware, did not have legal title to the properties as they were titled in the name of Acquisitions, so the recorded title transfers were ineffective;[42] and

(d) title to five golf courses were never transferred to Golf-Delaware and remained in the respective LLCs as of the Petition Date generally due to the failure to get consents from the secured creditors or due to the return of the applicable Quitclaim Deed on account of an error in the filing with the country recorders.

As noted in (b) above, to raise money to fund: (i) their mounting losses; (ii) interest payments on the Notes; and (iii) potentially for other improper purposes, including distributions to or on behalf of Mr. Flaherty, Warrior, sold 3 Golf Courses. Notwithstanding the sale of these Golf Courses, the LLCs owning these golf courses did not distribute the proceeds to their LLC Investors, instead the LLC Investors received Senior Notes as if their courses remained part of the portfolio and were sold to Golf-Delaware.

Table 12 addresses the 3 sold properties, and the significant disparity among not only the original purchase prices and the sales Prices, but also the M&M valuations – demonstrating the lack of reasonableness in the valuations.

TABLE 12
PRE-PETITION SALES OF PROPERTY

PROPERTY	PURCHASE PRICE	M&M VALUES	SALE PRICE
Quail Crossing	$1,400,000	$1,150,000	$600,000
Runaway Bay	$3,950,000	$675,000	$950,000
Nocona Hills	$947,000	$375,000	$650,000

The Golf Course known as Rio Vista, in Northern California in not on **Table 12**. This property was in the process of being sold immediately prior to the CRO's retention, at what appeared to be a *fire sale* price (approximately $600,000). Following the filing of the Bankruptcy Cases, the CRO took over the marketing efforts for Rio Vista, which was sold for $1 Million.

Table 13 details the title holder of the various golf courses owned by the Debtors at the time of the Failed 2017 Restructuring and the title transfers or purported transfers by date.

on the Quitclaim Deeds, there is an ambiguity as to which entity is the title holder to the property. Other documents dispel the ambiguity and confirm that Golf-Delaware should be the current title holder. The order confirming the Plan will constitute a finding of the Bankruptcy Court, that all the Real Property (to be identified in the Plan Supplement), including the properties referenced in this Footnote, were owned by one of the Debtors, as of the First Petition Date.

[42] See Footnotes 22 and 35.

TABLE 13 TITLE HOLDERS OF REAL PROPERTY		
COMMON NAME OF PROPERTY	**TITLE HOLDER AS OF THE FAILED 2017 RESTRUCTURING**	**TITLE TRANSFERS & NOTES**
ATV Land	Warrior ATV Golf, LLC	Not Transferred
Huntington	Warrior Golf Development, LLC	Ineffective Transfer
Marion Oaks	Warrior Golf Development, LLC	Ineffective Transfer
Reems Creek	Warrior Golf Properties, LLC	Transferred 10/10/18
Broadmoor	Warrior Golf Management, LLC	Transferred
Heddles	Warrior Golf Management, LLC	Transferred 2/23/18
Whispering Woods	Warrior Golf Equities, LLC	Ineffective Transfer
Cimarron	Warrior Golf Equities, LLC	Transferred 12/5/18
Asheboro	Warrior Golf Equities, LLC	Transferred 11/30/18
St. Augustine	Warrior Golf Equities, LLC	Transferred 4/6/18
Baneberry	Warrior Golf Capital, LLC	Transferred 2/27/19
Lakota	Warrior Golf Assets, LLC	Not Transferred
Wolf Creek	Warrior Golf Resources, LLC	Transferred 12/31/18
Rio Vista	Warrior Golf Venture, LLC	Not Transferred
Bos Laden	Warrior Golf Venture, LLC	Not Transferred
Limestone	Warrior Golf Premium Properties, LLC	Not Transferred
Kings Creek	Warrior Golf Legends, LLC	Transferred 12/27/17
Old Still	Warrior Golf Holdings, LLC	Transferred 11/28/18
Quail Crossing	Warrior Golf Resources, LLC	Sold 9/6/17
Runaway Bay	Warrior Golf Development, LLC	Sold 4/6/18
Nocona Hills	Warrior Golf Management, LLC	Sold 9/11/17

Step 4: **Exchanging the Senior Notes for Pro Rata Notes**

Following the attempted title transfers from the LLCs to Warrior-Delaware, the Senior Notes were to be extinguished and thereafter each of the LLC Investors were to be provided an unsecured Pro Rata Promissory Note (collectively, the "**Pro Rata Notes**") in an amount based upon the ratio created by dividing the amount of the Investor's membership interest in the LLC by the amount of that LLC's Senior Note.[43] Custom Golf then guaranteed the payment of the Pro Rata Notes.

There were a few significant issues with this stage of the Failed 2017 Restructuring. First, the Senior Notes were cancelled by their terms before any Pro Rata Notes were issued, begging the question of what the Pro Rata Notes actually represented.[44] Second, each LLC

[43] The Senior Notes were in the aggregate of $40,650,000. The Pro Rata Notes were in the aggregate of $40,306,810. The difference is attributable to certain Pro Rata Notes that were not issued due to previous re-purchases by Acquisitions of investments previously held by Investors.

[44] On August 31, 2017, the Debtors executed Dissolution Agreements for each LLC, which demonstrate the gap in time between the issuance and extinguishment of the Senior Notes, and the issuance of the Pro Rata Notes to the Investors – thus demonstrating one of the many infirmities in claims pursuant to the Pro Rata Notes:

> The undersigned desire to wind up and dissolve the Company in accordance with the provisions of the Operating Agreement and the California Revised Limited Liability Company Act (the "Act") and, in the course thereof, the Company will cancel the Note [the Senior Note] and distribute pro rata shares of the Note to the Members in accordance with their respective capital interests… . [Emphasis added].

that received a Senior Note did not distribute the value to its LLC Investors *after* addressing for all their liabilities and dissolving. Instead, the Pro Rata Notes were issued to LLC Investors and no provisions were made for the LLCs to address their liabilities (other than through a purported assumption of liability by Golf-Delaware) and no provisions were made for dissolution. Third, the actual maker of each Pro Rata Note is subject to potential dispute. While Golf-Delaware is referenced in the Pro Rata Notes as the Maker, the Pro Rata Notes also name Golf-California as the Maker. Furthermore, Golf-Delaware did not execute the Pro Rata Notes, Golf-California did.[45] Ultimately, each Pro Rata Note was identical to the others, other than the amount of the note and payee's name. Each Pro Rata Note contained the following language identifying both Golf-Delaware and Golf-California as the Maker and Golf-California as the entity that executed each Pro Rata Note, portions of which are copied below:

PRO RATA PROMISSORY NOTE

$6,829.27

September 1, 2017
Irvine, California

This Pro Rata Promissory Note is one of a duly authorized series of obligations (individually, the "**Note**" and collectively, the "**Notes**") issued by Warrior Golf, LLC, a Delaware limited liability company ("**Maker**") in connection with Maker's purchase of all of the assets of Warrior Golf Legends, LLC, a California limited liability company (the "**Company**") pursuant to an Asset Purchase Agreement and Assumption of Liabilities dated August 14, 2017 (the "**Purchase Agreement**"), and the Company's subsequent dissolution and distribution of all of its sole remaining asset, a promissory note issued by Maker to the Company (the "**Senior Note**"), pursuant to a Dissolution Agreement dated August 14, 2017 (the "**Dissolution Agreement**").

For value received, Warrior Golf, LLC, a California limited liability company ("**Maker**"), promises to pay to Equity Trust, ('**Company, Custodian**), at FBO:Todd Zaremba 188240, PO Box 451159, Westlake, OH. 44145 or such other place as Holder may designate in writing, the principal sum of Six Thousand Eight Hundred Twenty Nine Dollars and Twenty Seven Cents ($6,829.27) (the "**Principal Sum**"). Interest shall accrue on the Principal Sum from the date of this Note at a rate of two and 45/100 percent (2.45%) per annum, simple interest, payable in

In witness whereof, Maker has caused this Note to be executed effective as of the date first written above.

Maker:

Warrior Golf, LLC
a California limited liability company

By

Brendan Flaherty, Manager

The July 2017 form Notice to Members contained similar language – disclosing the break in the obligations:

> The Company will be dissolved, and in connection with such dissolution, the Company will cancel the note [the Senior Note] issued by the Acquiror and the Acquiror will, in turn issue a Pro Rata Note to each of the Members … . [Emphasis added].

[45] The facts and evidence in the Debtors possession demonstrate that the Pro Rata Notes are obligations of, *inter alia*, Golf-Delaware. The order confirming the Plan will constitute a finding of the Bankruptcy Court, that, as of the First Petition Date, the obligations pursuant to the Pro Rata Notes are those of, *inter alia*, Golf-Delaware. Nothing in this Footnote affects the Guarantee of the Pro Rata Notes issued by Custom Golf, nor any claims, including Causes of Action, Direct Causes of Action, or WGP Causes of Action asserted or that could be asserted as a result of, *inter alia*, the transactions, events, and documents involved in the Failed 2017 Restructuring.

Table 14 details the amount of the funds raised for the LLCs, the Senior Notes issued to the LLCs, and the Pro Rate Notes issued to the LLC Investors.

TABLE 14 FUNDS "RASIED" VERSUS THE PRO RATA NOTES			
DEBTOR	**"RAISE"**	**SENIOR NOTES**	**PRO RATA NOTES**
Warrior ATV Golf, LLC	$13,728,750	$2,520,000	$2,535,552
Warrior Golf Development, LLC	$10,137,200	$3,750,000	$3,706,327
Warrior Golf Properties, LLC[46]	$3,450,000	$1,440,000	$1,425,813
Warrior Golf Management, LLC	$9,879,000	$6,330,000	$6,243,148
Warrior Golf Equities, LLC	$17,981,040	$8,580,000	$8,462,663
Warrior Golf Capital, LLC	$3,853,200	$1,044,000	$1,031,596
Warrior Golf Assets, LLC	$16,596,300	$5,820,000	$5,816,795
Warrior Golf Resources, LLC	$6,879,600	$3,000,000	$2,975,138
Warrior Golf Venture, LLC	$2,913,675	$2,280,000	$2,262,825
Warrior Premium Properties, LLC	$7,470,565	$2,766,000	$2,736,953
Warrior Golf Legends, LLC	$4,753,430	$2,100,000	$2,100,000
Warrior Golf Holdings, LLC	$3,760,100	$1,020,000	$1,020,000
Totals:	**$101,402,860**	**$40,650,000**	**$40,306,810**

Step 5: The Dissolution of the LLCs

Upon completion of the title transfers, and the exchange of the Senior Notes for the Pro Rata Notes, each of the twelve LLCs were supposed to formally dissolve as entities. However, despite Warrior's intent, some of the LLCs were dissolved under state law, while others were not. Notwithstanding the dissolution of some of the LLCs, state law permitted the filings of the Bankruptcy Petitions.

3.13 The Golf Course Business

On the date of the Bankruptcy Filings, the Golf Course Business employed approximately 270 individuals, including golf course general managers, food and beverage staff, retail sales staff, grounds keepers, and golf instructors. Many of the golf courses have additional amenities including golf pro shops, driving ranges, clubhouses, restaurants, bars, swimming pools, hotels, and banquet facilities. The Golf Course Business generated approximately 267,500 rounds of golf in 2018. While the Golf Course Business generated gross revenue pre-bankruptcy, it consistently generated an operating loss and continued to do so in 2019.

As noted, some of the golf courses, have secured third party debt, summarized in **Table 15**. Those golf courses not identified in **Table 15** are nevertheless likely to have secured tax debt (estimated at $117,000) but not third-party financing debt.

[46] Non-Debtor Entity. See Footnote 11.

TABLE 15 LIENS AGAINST REAL PROPERTY			
COMMON NAME OF PROPERTY	**SECURED LIEN HOLDER**	**≈ ORIGINAL PRINCIPAL**	**≈ BALANCE AT PETITION DATE**
Huntington[47]	Marion Oaks Country Club, Inc.	$625,000	$510,000
Marion Oaks[48]	Marion Oaks Country Club, Inc.	$625,000	$510,000
Broadmoor	The Broadmoor Group, Inc., et al., etc.	$2,000,000	$1,300,000
Cimarron	Citizen Business Bank	$2,000,000	$1,500,000
Lakota	ANB Bank	$1,500,000	$1,000,000
Bos Laden[49]	Leighton State Bank	$450,000	$262,200
Totals:		**$7,200,000**	**$5,582,200**

Table 15 only addresses the consensual secured debt against the Real Property.[50] Not identified in **Table 15** is the December 20, 2018 recorded judgement lien of Cecil Mellinger against the Real Property known as the Royal St. Augustine Golf & Country Club.[51]

3.14 The Intentional Comingling of the Debtor Entities

The Golf Equipment Business, the Investment Raising Business, and the Golf Course Business were intentionally comingled with one another. It is clear from Warrior's history that Warrior, their creditors, and their LLC Investors all treated Warrior as one massive operation and not as separate entities. Warrior projected a singular identity to the world. The history and operational realities of Warrior reflect their interrelationships such that it would be very difficult and costly to distinguish the assets, liabilities and operations of each Debtor. Furthermore, the name "Warrior" was intentionally and continuously touted to refer collectively to the entire enterprise – one big Warrior family. Indeed, Warrior exploited the name "Warrior" at every level of their business operations.

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[47] By agreement of the Debtors and the lienholder this property is in the process of being foreclosed, as its value is less than the debt against it. This agreement was approved by the Bankruptcy Court.

[48] By agreement of the Debtors and the lienholder this property is in the process of being foreclosed, as its value is less than the debt against it. This agreement was approved by the Bankruptcy Court.

[49] The Debtors held a long-term lease in this property, and by agreement with the lessor (the City of Pella, Iowa), the lease was terminated, as the property was not profitable, and the Debtors were not able to comply with the obligations under the lease. The secured lender, Leighton State Bank was a party to the agreement. This agreement was approved by the Bankruptcy Court.

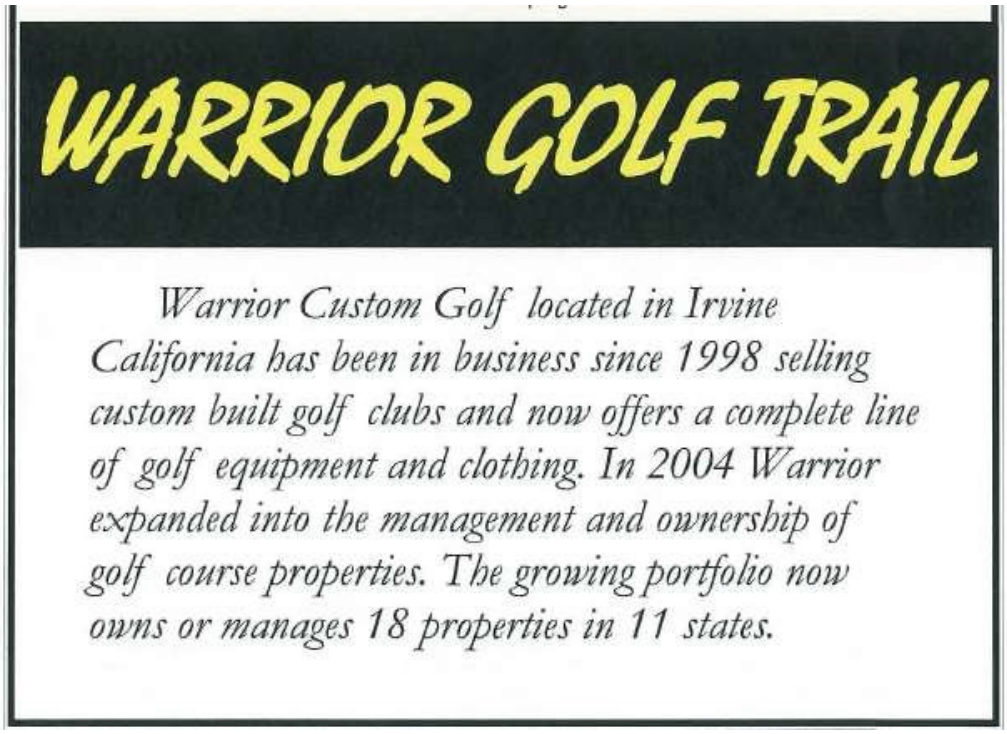
[50] Notwithstanding the identification of the secured debt in **Table 15**, nothing here in waives the Debtors rights to object to the validity, priority, or extent of any debt and/or lien against Real Property or any other asset of the Debtors, and all such rights are preserved.

[51] The Debtors assert that the judgement lien, resulting from a default judgement, is, among other things, avoidable as a preferential transfer. The Debtors have filed the Mellinger Litigation (an Adversary Proceeding in the Bankruptcy Court) against Mr. Mellinger, to, among other things, avoid the recorded judgement lien. If the litigation against Mr. Mellinger is successful, Mr. Mellinger will be treated as holding an interest in the LLCs (a Class 8 LLC Interests), which interest will be extinguished under the Plan – since Mr. Mellinger has asserted that he is an equity holder of certain of the Debtors. If the Mellinger Lien is determined valid and enforceable, Mr. Mellinger will receive a secured promissory note with terms as detailed in the Plan Supplement.

It is clear that Warrior:

- Held themselves out as one entity;
- Openly shared confidential information;
- Had one set of management controlling all operations;
- Completely intertwined their business operations;
- Comingled cash flows;
- Comingled the proceeds of equity investments;
- Disregarded corporate formalities;
- Routinely transacted business among affiliates on a non-arm's length basis; and
- Obligated themselves on liabilities of each other and covered such liabilities.

For example, the following extract from the *Investment Update Year End 2014* issued to the existing and future investors in the Debtors reflects that the Debtors held themselves out to the world as one singular operation and entity:



WARRIOR GOLF TRAIL

Warrior Custom Golf located in Irvine California has been in business since 1998 selling custom built golf clubs and now offers a complete line of golf equipment and clothing. In 2004 Warrior expanded into the management and ownership of golf course properties. The growing portfolio now owns or manages 18 properties in 11 states.

3.15 Events Leading to the Bankruptcy Filings

The Debtors, like many other entities in the golf industry, have faced a very challenging environment over the last several years. In general, the golf industry experienced a near-universal downturn caused by, among other things, an overall decline in the number of players, an increase in cost of water and labor to operate golf courses, an overabundance of golf courses, escalating labor costs and the increasing price of equipment. Complicating matters further, poor weather and flooding across the United States in 2018 and the beginning of 2019 resulted in significantly fewer rounds of golf played across all of Warrior's golf courses and the closure of significant portions of the Debtors' most profitable golf course, Cimarron Golf Resort, at its most profitable time of the year. These poor market and environmental conditions led to significant losses at the Golf Course Business and may have, on their own, driven them to insolvency. In addition, the lack of management depth, golf course expertise and professional financial support compounded the distress of the Golf Course Business.

However, the financial distress at the Golf Course Business was compounded by the issuance of the Pro-Rata Notes. By converting the LLC Investors into noteholders, Warrior imposed on itself approximately $1,000,000 of annual interest payments. Warrior did not have enough profits to service the Pro-Rata Notes and the existence of the Pro-Rata Notes ensured that Warrior was unable to meet its liabilities in the ordinary course and that its liabilities far exceeded its assets on a balance sheet basis.

Management attempted to mask its insolvency by moving funds between entities and utilizing the liquidity generated from selling the Convertible Notes to fund operating losses and interest payments. However, even these efforts came to an end, in the face of growing investor litigation and the entry of a Default Judgment against three of the Debtors, in the Twelfth Judicial Circuit Court in and for Manatee County, Florida. The Default Judgment required the Debtors to post collateral in the aggregate amount of $1.3 million by March 4, 2019 to allow a stay of execution of the Default Judgment while the Debtors sought to vacate the judgment. The Debtors lacked enough funds to post the full amount of the $1.3 million while they challenged the default judgment. Thus, the appropriate option was to file bankruptcy to address its broader insolvency and to prevent the preferential execution on the Default Judgment in favor of an Investor while preserving the Debtors' businesses as going concerns.

3.16 Post-Petition Efforts to Stabilize the Golf Course Business

Since the Bankruptcy Filings and the operations under the direction of the CRO, the Golf Course Business has improved, through a series of events, including:

- Retaining Green Golf Partners to manage the golf courses on a tailored, golf course by golf course basis, professionalizing operations and improving profitability

- Coordinating a plan with Green Golf Partners to conduct maintenance and make critical capital improvements disregarded by former management, including coordinating the rebuilding of Cimarron Golf Resort following a catastrophic flood

- Coordinating with Green Golf Partners and Chris Charnas, the Debtors' golf course broker, to develop a comprehensive marketing plan for the golf courses to position the golf courses for sale

- Marketing and selling golf courses as prudent to maximize the profitability of the golf course portfolio and maximize the sales values reasonably recoverable from the golf courses – the Debtors are actively pursuing the sale of many of the remaining golf courses

- Working with Green Golf Partners to implement regulatory compliance at each Golf Course

SECTION 4
SETTLEMENTS AND COMPROMISES

4.01 Introduction

The Plan, once confirmed by the Bankruptcy Court, is a *contract* among the Debtors and all interested parties in the Bankruptcy Cases. The terms of that contract have been heavily negotiated among the Debtors and the Committee. As with any contract, the parties have weighed their respective positions and have considered numerous subjects to create the agreements in the Plan. Even more central to the Plan is the concept that its terms are settlements and compromises (solely for purposes of this Section 4, collectively, the "**Settlements**"), created based upon the Debtors' current understanding of the facts, potential litigation that could be asserted by the Debtors (the "**Litigation**" – Section 4.02), and the positive and negative considerations described below.

4.02 The Litigation

The Debtors hold significant claims against LLC Investors and insiders. The Settlements resolve some of the claims related to LLC Investors,[52] but not claims against insiders.

The Debtors anticipate that pursuit of the claims will result in significant litigation involving the Debtors, the Committee, individual LLC Investors and equity holders. The Debtors believe that this litigation will be very expensive and inefficient and will likely significantly reduce the assets available for distribution and significantly delay the distribution of any assets to creditors.

The following paragraphs are a high-level summary of some of the claims held by the Debtors.[53] This summary reflects the Debtors' understanding of events and the Debtors' assume that the potential defendants will have their own positions.

[52] Claims, including Causes of Action and Avoidance Actions, against Investors relating to certain pre-petition transfers, primarily related to property transfers as part of the investment process, are not settled by the Plan.

[53] There is no intention to articulate all the theories and Claims that could be asserted. Rather, the following is to demonstrate the efforts undertaken and issues considered by the Debtors and the Committee to reach the Settlements. The Debtors reserve all claims, Causes of Action and Avoidance Actions not otherwise settled under the Plan and no claims are released, waived or forfeited by virtue of not being described in the Disclosure Statement.

When considering the claims and the Litigation, creditors should keep in mind the Bankruptcy Code's priority and distribution scheme (the "**Waterfall**"), which is generally outlined as follows:

- Under Chapter 11 and Chapter 7 the Waterfall is generally the same.
- The Waterfall is set by statute and governs the order creditors receive distributions from a debtor's estate. The Waterfall reflects the following order of priority:[54]

First: Administrative Claims are claims which arise during the bankruptcy case. The legal fees and costs that could be incurred if the claims were litigated would be significant administrative claims that would be paid before any other claims or interests.

In addition, if the Debtors are unable to confirm a plan of reorganization, these Bankruptcy Cases could be converted to Chapter 7 cases. Upon conversion an additional layer of administrative claims would be imposed in these Bankruptcy Cases. The expenses related to a Chapter 7 trustee, and his or her team of professionals (attorneys, accountants, and other advisors) are also treated as administrative claims and they are paid ahead of Chapter 11 administrative claims.

Next: General Unsecured Claims are claims which arose prior to the Bankruptcy Filings and are primarily held by suppliers of goods and services to the Golf Equipment Business and the Golf Course Business and unsecured lenders to those businesses.

Without the Settlements (and specifically the consolidation provided for in the Plan) each holder of a General Unsecured Claim could only get a recovery from the assets of the Debtor entity that is liable on that claim. This can often create litigation over which of the many Debtors is liable on that claim. The Settlement addresses this issue by consolidating the Debtors' assets for the benefit of all creditors.

In addition to general trade creditors (suppliers of goods and services), there are two types of "creditors" that could assert general unsecured claims even though the Debtors' have defenses to those claims. These potential unsecured claims are: (i) the Pro Rata Notes issued to the LLC Investors; and (ii) the $5 million of Convertible Notes issued by Acquisitions. The Settlements avoids the need to litigate this issue.

Last: Equity Interests are stock or membership interests which are held by the owners (as opposed to creditors) of the debtor. In these Bankruptcy Cases they are the LLC Investors that hold membership interests in the LLCs, they are potentially the Convertible Noteholders if their notes are converted to equity, and they are Mr. Flaherty and any other equity holders of Warrior Golf and Warrior Custom Golf.

Generally, Equity Interests are the last to be paid, if at all, and the holders are at the bottom of the Waterfall and only receive a distribution after all other claims are paid in full.

[54] The *ordering* that follows is not the complete structure provided by the Bankruptcy Code, but rather specific provisions govern the priority among the Investors and other creditors. As the Settlement does not impact "senior" classes such as secured claims, wage claims, and priority tax claims, they are not addressed herein. Nevertheless, all claims are addressed in the liquidation analysis (see Section 8.01).

Without the Settlements, and depending on the results of the Litigation, it is possible that the Holders of the Pro Rata Notes and the Convertible Notes will be classified as holders of Equity Interests and be junior to all holders of General Unsecured Claims. If this were to occur the LLC Investors would not receive any distributions until all creditors are paid in full. They may even have to share their recoveries with insiders, like Mr. Flaherty.

The following is an outline of some of the claims that could be asserted. The outline also illustrates why the Debtors and the Committee believe that the Settlements and the confirmation of the Plan are in the best interest of General Unsecured Creditors and Equity Holders.

Litigation # 1: Conversion of the Convertible Notes:

- The Debtors could assert that the $5.5 Million of Convertible Notes issued by Acquisitions, should be converted to membership interests in Acquisitions. The Debtors would assert that they have an absolute right to convert the Convertible Notes to equity;

- By converting the Convertible Notes to equity in Acquisitions, the holders of the Convertible Notes would become Equity Interest holders of Acquisitions. Acquisitions has limited assets and substantial liabilities to the other LLCs. As holders of Equity Interests, they would be in the last position of the Waterfall for Acquisitions; and

- The Settlements recognize the $5.5 million in loans the Convertible Note Holders believed they were making and respects that amount (less payment received) on a ratable basis with the investments made by the LLC Investors now holding Pro Rata Notes. The Convertible Note Holders and the LLC Investors would then be treated as holders of General Unsecured Claims with a right to distribution from all the assets of all the Debtors.[55]

Litigation # 2: Invalidation of the Pro Rata Notes:

- While the Pro Rata Notes may be obligations of Golf-Delaware (as opposed to Golf-California – see Litigation # 3), the Debtors could assert that the Pro Rata Notes were

    - issued in exchange for a failed equity investment warranting subordination of the Pro Rata Notes to General Unsecured Creditor; and/or

    - issued as part of an avoidable fraudulent transfer because they were issued for 20% more than even a highly optimistic gross valuation of the golf courses.

[55] Under the Plan, Convertible Noteholders will automatically assign to the Creditor Trust all their claims (defined as Direct Causes of Action) arising out of their transactions with the Debtors – in exchange they will receive the treatment outlined. Convertible Noteholders will have the option (as part of the Ballot process) to retain their Direct Causes of Action. If the option is exercised, the Convertible Note conversion provision, will be deemed automatically exercised, prior to the Effective Date, by Acquisitions and the Convertible Noteholder will be deemed an Equity Holder of Acquisitions (holding a claim in Class 8 – LLC Interests) – **No distributions will be made by the Reorganized Debtors, nor the Creditor Trust on Class 8 – LLC Interests**.

- For LLCs that still own golf courses (due to the failed transfers to Golf-Delaware), the receipt of Pro-Rata Notes is avoidable as no consideration was exchanged for the Pro Rata Notes;

- If these claims are successful, the Pro Rata Notes could be extinguished, and the members in the LLCs would become merely holders of Equity Interests in the LLCs (even if their LLC no longer holds any golf courses) and subordinate in payment to all General Unsecured Creditors and only receive payment out of the assets of their LLC; and

- The Settlements recognize the over $100 million invested by the LLC Investors and treat the holders of the Pro Rata Notes on a ratable basis with the Convertible Note Holders. In fairness to the approximately $100 million invested and the arbitrary nature of the $40 million of Pro Rata Notes issued by the Debtors, the LLC Investors will receive claims under the Settlement equal to their original investment with the LLCs (less distributions and other assets received).[56]

Litigation # 3: The Pro Rata Notes are Obligations of a Non-Debtor Entity:

- The Debtors could assert that the Pro Rata Notes were executed by Golf-California, a non-Debtor entity, and that Golf-Delaware has no liability for the debt;

- As part of the assertion that Golf-California owes the obligations under the Pro Rata Notes, the Debtors would also assert that the membership interests in the LLC were extinguished by the issuance of the Pro Rata Notes;

- If these claims are successful, the holders of the Pro Rata Notes would be neither General Unsecured Creditor nor Equity Holders of the Debtors (having to look solely to Golf-California for a recovery – an entity that may not have any assets and is not a Debtor); and

- The Settlements provide holders of the Pro Rata Notes with General Unsecured Creditor Status, in the amount of their original investment with the LLCs.

Litigation # 4: The Custom Golf Guarantee is an Avoidable Fraudulent Transfer:

- The Debtors could assert that the guarantee issued by Custom Golf, of the Pro Rata Notes, was a fraudulent transfer, as Custom Golf did not receive reasonably equivalent value;

- Whether or not the guarantee was avoided, the estates and holders of the Pro Rata Notes would likely assert significant intercompany claims against Custom Golf related to its sale and marketing of the LLC interests, its mismanagement of the LLCs and their golf courses, and its receipt of potential fraudulent transfers.

[56] Under the Plan, Investors holding Pro Rata Notes will automatically assign to the Creditor Trust all their claims (defined as Direct Causes of Action) arising out of their transactions with the Debtors – in exchange they will receive the treatment outlined. Investors holding Pro Rata Notes will have the option (as part of the Ballot process) to retain their Direct Causes of Action. If the option is exercised, the Investors Claim will be based upon the amount of the Pro Rata Note received (less distributions received), **and not the original investment amount**.

- There are likely to also be various claims seeking to make Custom Golf liable for all the claims against the Debtors by piercing the corporate veil and/or substantively consolidate Custom Golf with the other Debtors;

- The Settlements provide the holders of the Pro Rata Notes will be provided General Unsecured Creditor Status. In addition, the value of Custom Golf will be shared with all the creditors of all the Debtors' estates.

Litigation # 5: The Failed 2017 Restructuring Transfers Should be Unwound

- The Debtors could assert that the transfers of title of properties from the LLCs to Golf-Delaware or Golf-California should be unwound, restoring the title to the specific LLC that owned the property, as such transfers were intentionally fraudulent and for less than reasonably equivalent value;

- If such claims were asserted, certain LLCs would be left with no property (as their golf courses were sold pre-petition and the proceeds spent) and LLC Investors in those LLCs would be deprived of the property that formed the basis of their original investments. However, all the entities would have substantial intercompany claims against each other, considering the comingling of funds and lack of corporate formalities in the Warrior family;

- The Settlements provide holders of Unsecured Claims, holders of Pro Rata Notes and holders of Convertible Notes with the same treatment as General Unsecured Creditors, with a recovery from all assets of the Debtors.

Litigation # 6: Each Debtor Should Stand Alone

- The Debtors could assert that each estate should be administered independently of the other Debtors (not consolidated as proposed in the Plan), such that creditors and equity holders are forced to focus on and recover from the assets of the specific entity they had business dealings with;

- Standing alone some of the Bankruptcy Cases are likely to have no assets other than significant claims against other Debtors, while others may have minimal creditors and significant assets. Unfortunately, the distribution of assets and liabilities under these scenarios will be somewhat random based on how Warrior managed the golf courses, shifted money between LLCs and ultimately used the proceeds from the sale of golf courses;

- The Settlements provide that all assets and all claims and interests will be consolidated into a single pool for distribution to all creditors.

A CAREFUL REVIEW OF SECTION 4.03 SHOULD BE MADE

4.03 Special Treatment of Pro Rata Note Holders and Convertible Noteholders, that Exercise the Direct Opt Out Right on the Ballot

- The Settlements outlined in this Disclosure Statement and specifically provided for in the Plan result in the LLC Investors and the Convertible Noteholders receiving an interest in the Creditor Trust **equal to their original Investment or Convertible Note purchase amount** (less certain distributions received).

- In exchange for the treatments under the Settlements, the LLC Investors and the Convertible Noteholders will transfer all their Direct Causes of Action to the Creditor Trust (for possible pursuit by the Creditor Trust, as it deems appropriate).

- Direct Causes of Action are defined in the Plan at Section 1.01(62), as follows:

> **Direct Causes of Action** means all actions, causes of action, liabilities, obligations, rights, suits, damages, judgments, remedies, demands, setoffs, defenses, recoupments, crossclaims, counterclaims, third-party claims, indemnity claims, contribution claims, or any other claims whatsoever, whether known or unknown, matured or unmatured, fixed or contingent, liquidated or unliquidated, disputed or undisputed, asserted or unasserted, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act or omission or other event occurring through the Effective Date relating to any of the Debtors, or the actions or omissions of any of the Debtors' present or former employees, officers or directors or any of the Debtor's present or former advisors, attorneys, accountants, investment bankers, brokers, consultants, agents or other professionals, held directly by Investors and/or Convertible Noteholders that have not, as of the Voting Deadline, exercised the Direct Opt Out Right. Direct Causes of Action include, but are not limited to, claims of breach of fiduciary duty, aiding and abetting breach of fiduciary duty, bad faith, willful misconduct, Securities Violations, Commercial Tort Claims, fraudulent transfer, preferential transfer, subordination, recharacterization of debt to equity, malpractice, constructive trust, disgorgement and counterclaims, breach of contract, breach of the implied covenant of good faith and fair dealing, common law and statutory conspiracy, civil remedies against racketeer influenced and corrupt organizations under Chapter 96 of Title 18 of the United States Code, overpayment, unjust enrichment, fraud, negligent misrepresentation, tortious interference with contract or prospective

economic advantage, civil conspiracy, whether under feral law or the laws of any state, equitable subordination, including under Bankruptcy Code Section 510(c), aiding and abetting any act or omission of any Person or Entity, objections to fees, and interest or other charges paid by the Debtors. Notwithstanding the forgoing definition of Direct Causes of Action, nothing herein is intended to or shall be construed to confirm that the Debtors, the Reorganized Debtors, the Creditor Trust or the Creditor Trustee takes the position that a type or structure of claim listed herein is a direct claim of an Investor or Convertible Noteholder.

- Both the LLC Investors and the Convertible Noteholders can exercise their individual right to **not assign their Direct Causes of Action to the Creditor Trust**, in which case they will retain their Direct Causes of Action, and their treatment under the Plan will be different than provided in the Settlements. Their treatment under the Plan will be as follows:
  - Alternative Treatment of LLC Investors that Exercise their Direct Opt Out Right and thereby elect to not transfer their Direct Causes of Action to the Creditor Trust:
    - The Investor will receive an interest in the Creditor Trust **equal to the amount of the Pro Rata Note received** (less distributions received), instead of the higher amount of their original investment.
    - An Investor that exercised their Direct Opt Out Right to not transfer their Direct Causes of Action, can still vote "yes" or "no" on the Plan.
  - Alternative Treatment of Convertible Noteholders that Exercise their Direct Opt Out Right and thereby elect to not transfer their Direct Causes of Action to the Creditor Trust:
    - The Convertible Noteholder will be treated as an **Equity Holder in Acquisitions and will receive no distribution from the Reorganized Debtors or the Creditor Trust.** Under the Plan Acquisitions will exercise its conversion rights to convert the Convertible Noteholders that exercise their Direct Opt Out Right into equity holders prior to the Effective Date of the Plan. As a result of this conversion, their interest will be treated under the Plan in Class 8 (Equity Holders in the LLCs), rather than in Class 6 (Convertible Noteholders, who are treated as creditors), and all Class 8 interests are extinguished on the Effective Date and receive no interest in the Creditor Trust.
    - Class 8 holders will be deemed to have voted "no" on the Plan pursuant to the Bankruptcy Code as they are equity holders not receiving any distribution.
- To exercise the Direct Opt Out Right, the Pro Rata Noteholder or the Convertible Noteholder, must affirmatively check the box [X] on the Ballot.

- If the Plan is Confirmed, failure to check the box will be deemed to be the affirmative acceptance of the Settlements and the benefits and burdens of the Settlements, including the Plan provision assigning and transferring all of the Direct Causes of Action to the Creditor Trust.

- The Debtors and the Committee believe that by assigning the Direct Causes of Action to the Creditor Trust, the Creditor Trust will be in a better position to efficiently and effectively pursue all the Debtors' and the Debtors Estates' Causes of Action. Further, recoveries, if any, on the Direct Causes of Action will benefit all beneficiaries of the Creditor Trust equitably.[57]

4.04 Other Considerations

In addition to the various Litigation considerations outlined above, the Debtors and the Committee carefully considered the following positive considerations about the settlements described in this Disclosure Statement and the Plan and the following negative considerations about the Litigation that would occur without the settlements. The list that follows is not exhaustive, as numerous other considerations were part of the deliberations of the parties. The following considerations are not ranked in order of importance, as each consideration was a significant element of the negotiations over the Settlements in its own right.

- Positive Considerations

    - The Plan's structure treats all LLC Investors and purchasers of the Convertible Notes equally. Each will receive an interest in the Creditor Trust, based upon the original investment amount or the purchase price paid for the Convertible Notes (less, distributions received). LLC Investors will not be reduced to their Pro Rata Note amount, and purchasers of the Convertible Notes will not become equity holders in Acquisitions.

    - These treatments provide an equitable result where every dollar invested in various schemes is treated equally. These treatments are designed to efficiently resolve the Litigation, avoid significant costs, and expedite potential recoveries for General Unsecured Creditors, LLC Investors and purchasers of the Convertible Notes.

    - Without the Settlements, the Debtors fear that the litigation will waste much of the states' assets and prevent any meaningful distributions to creditors and LLC Investors.

- Negative Considerations

    - **Litigation Outcome Risks –** the following issues have been considered in connection with the Litigation:

[57] Nothing in the assignment of Direct Causes of Action by Investors or Convertible Noteholders, is intended to affect any claims that may be asserted by governmental entities.

- The likelihood of success or failure (neither of which is an absolute, as there is a continuum of results) on the litigation;
- The benefit of a successful outcome on the claims, versus, the potential detriments of a failure in the pursuit of the claims;
- The legal positions that might be asserted based upon the currently known facts and evidence. Formal discovery has not been conducted and the facts might differ from those known to date and the facts could significantly change (or potentially cloud) the assumptions of the parties;
- The availability of admissible evidence and the impact of witnesses;
- The court in which the claims would be asserted, and the impact of a judge or jury trial; and
- The impact of an appeal (including on timing, cost and which court).

- Litigation Costs
  - In litigation, the Debtors would accrue significant administrative claims related to its and the Committee's professionals, including fees related to attorneys, financial advisors, accountants, experts, document production services, and others;
  - Individual creditors and LLC Investors could become directly involved in litigation as they would be defendants under many of the claims. This risk's imposing substantial additional costs on creditors and LLC Investors and risks inconsistent results depending on whether the creditor or Investor has the resources to defend against the claims; and
  - While it is impossible to estimate the costs of the Litigation that might be incurred by the Debtors, the Committee and third parties, it should be no surprise that several million dollars could be expended in these matters, much of which would be administrative claims with a priority of payment over all unsecured creditor and Investor claims.

- Litigation Timeframe
  - If Litigation is pursued, it could significantly delay any distributions on account of allowed claims or Investor interests; and
  - The Litigation could require years to purse, and significant elements of the Litigation may need to be resolved before a plan of reorganization would be considered by the Bankruptcy Court.

4.05 Summary of the Settlements

Based upon the Waterfall, claims, Litigation and Other Considerations, which (i) treat each dollar invested by an Investor or Convertible Noteholder, no matter when or where, equally, and (ii) use all the assets of all the Debtors to create recoveries for all creditors, LLC Investors and Convertible Noteholders. The Debtors and the Committee believe that the Settlements are in the best interests of all parties and the Plan should be confirmed and the Settlements consummated.

SECTION 5
PRESERVED CLAIMS

IN REVIEWING THIS DISCLOSURE STATEMENT AND THE PLAN, AND IN DETERMINING WHETHER TO VOTE IN FAVOR OF OR AGAINST THE PLAN, HOLDERS OF CLAIMS AND INTERESTS (INCLUDING PARTIES THAT RECEIVED PAYMENTS FROM THE DEBTORS WITHIN NINETY (90) CALENDAR DAYS PRIOR TO THE PETITION DATE) SHOULD CONSIDER THAT A CAUSE OF ACTION MAY EXIST AGAINST THEM, THAT THE PLAN PRESERVES CAUSES OF ACTION, AND THAT THE PLAN AUTHORIZES THE REORGANIZED DEBTORS AND THE CREDITOR TRUST TO PROSECUTE CLAIMS.

The Plan specifically preserves certain claims that could be asserted by the Debtors and their Estates. Preserved Claims may be pursued by either the Reorganized Debtors or the Creditor Trust. The claims fall into multiple categories, including, but not limited to, claims against:

- Pre-Petition Insiders, Officers, Directors,[58] affiliates and other individuals in control of the Debtors prior to the Petition Date related to any transfers, breaches of fiduciary duties and any other misconduct
- Non-Debtor entities that participated in or facilitated any misconduct
- Professionals that provided services to the Debtors Pre-Petition
- Persons and Entities that received distributions from the Debtors in connection with Investments, including of cash and/or property
- Persons and Entities that engaged in theft or fraud with respect to the Debtors or their assets
- Persons and Entities that received transfers that are potentially avoidable as preferential transfers or fraudulent transfers under the Bankruptcy Code or State Laws
- Persons and Entities that provided advice, guidance and assistance in connection with the Debtors business operations, including the Failed 2017 Restructuring
- Persons and Entities that misappropriated property of the Debtors, including using Warrior's customer contact list, the Debtors' employees, and the Debtors' business relationships

[58]To the best of the Debtors' knowledge, there was no Officers or Directors insurance coverage, as of the First Petition Date.

- Persons and Entities that received transfers from the Debtors in connection with the sale or marketing of instruments to LLC Investors and/or Convertible Noteholders

- Persons and Entities that received distributions from the Debtors in connection with alleged management services provided to the Debtors and/or on account of their ownership or control over the Debtors

- Persons and Entities that received distributions from the Debtors in connection with the acquisition and subsequent transfer of properties

The preceding list is not exhaustive – and a failure to specifically list a class of Persons or Entities or a category of Claim, should not be considered a waiver of any Claims that the Debtors have, could assert or will transfer to the Creditor Trust.

Under the Bankruptcy Code and various state laws, the Debtors may recover certain transfers of property, including the grant of a security interest in property, made while insolvent, which rendered the Debtors insolvent, or made with actual intent to defraud. The Debtors, the Reorganized Debtors, the Creditor Trustee, and the Creditor Trust reserve the right to bring fraudulent conveyance claims. The Debtors has conducted a limited analysis of potential recoveries under Chapter 5 of the Bankruptcy Code and concluded that potential claims may exist. A list of the known payments is set forth in the Bankruptcy Schedules. This list is not exhaustive. In addition, all creditors scheduled as disputed, unliquidated, or contingent in the Bankruptcy Schedules, are subject to claims for fraudulent transfer and/or preference. Creditors and Interest Holders are advised that if they received a voidable transfer, they may be sued whether or not they vote to accept the Plan. All avoidance actions and rights pursuant to the Bankruptcy Code, including Sections 506(c), 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552(b), 553, and/or 724, and all causes of action under state, federal or other applicable law shall be retained and may be prosecuted or settled by the Reorganized Debtors or the Creditor Trustee, as provided in the Plan.

SECTION 6
THE CHAPTER 11 CASES

6.01 Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Chapter 11 authorizes a debtor to reorganize its business for the benefit of its creditors, equity interest holders, and other parties in interest. Commencing a chapter 11 case creates an estate that comprises all the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession." The Debtors in these Cases are each a Debtor in Possession.

The principal objective of a chapter 11 case is to consummate a plan of reorganization. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by a bankruptcy court binds a debtor, any issuer of securities thereunder, any person acquiring property under the plan, any creditor or equity interest holder of a debtor, and any other person or entity the bankruptcy court may find to be bound by

such plan. Chapter 11 requires that a plan treat similarly situated creditors and similarly situated equity interest holders equally, subject to the priority provisions of the Bankruptcy Code.

As addressed in Section 4, on Compromises and Settlements in the Plan, the Debtors and the Committee believe that the Plan does treat similarly situated creditors equally.

To certain limited exceptions, the bankruptcy court order confirming a plan of reorganization discharges a debtor from any debt that arose prior to the date of confirmation of the plan and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

Prior to soliciting acceptances of a proposed plan of reorganization, Bankruptcy Code Section 1125 requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the plan of reorganization. This Disclosure Statement is submitted for that purpose.

6.02 Administration of these Chapter 11 Cases – Matters Brought before the Bankruptcy Court

In addition to the matters addressed above, various other matters have been brought to the attention of the Bankruptcy Court. The following is not an exhaustive list of matters considered by the Bankruptcy Court. A complete listing can be obtained at:

https://www.donlinrecano.com/Clients/warrior/Dockets

- **First-day Motions**

Immediately following the Bankruptcy Filings, the Debtors filed numerous first-day motions (the "**First Day Motions**"), the object of which was to streamline the transition to operating under chapter 11, to stabilize operations, and to preserve their relationships with vendors, customers and employees. These First Day Motions requested, among other things, authority to: (i) jointly administer the Chapter 11 cases for procedural purposes only; (ii) continue to operate the Debtors' existing cash management system and continue the use of existing bank accounts and business forms; (iii) pay prepetition compensation, wages, salaries and other reimbursable employee expenses; (iv) pay certain taxes that the Debtors are required to collect and remit to appropriate taxing authorities; (v) continue prepetition insurance coverage and related practices; and (vi) continue to pay for utility services.

The First Day Motions and all Bankruptcy Court Orders can be viewed free of charge at https://www.donlinrecano.com/claims/warrior/FirstDayPleadings

- **Appointment of the Committee**

On March 19, 2019, the United States Trustee appointed a seven-member committee to represent the interests of unsecured creditors (the "**Committee**"). The members of the Creditors Committee are: (a) Raymond J. Kiefer; (b) Mark Price; (c) Susan A. Winchell; (d) Gregory A. Caretto; (e) Carla Synatschk; (f) David V. Walker; and (g) Charles Huss.

Cozen & O'Connor is counsel for the Committee and Silver Cygnet, LLC is forensic accountant for the Committee.

➢ **Debtor in Possession Financing**

The Debtors required immediate access to liquidity to ensure that they were able to continue operating during the Chapter 11 cases and preserve the value of their estates for the benefit of all parties in interest. As of the Petition Date, the Debtors' total cash available was insufficient to operate their businesses and continue paying their debts as they came due.

Before the Petition Date, the Debtors conducted a search to identify potential lenders to provide Debtor in Possession ("**DIP**") financing. After this search, the CRO concluded that no other party could provide financing on more favorable terms than those provided by Serene WG Loan Investors (the "**DIP Lender**").[59]

On the Petition Date, the Debtors filed their *Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing; etc.* (the "**DIP Motion**") [Docket No. 13]. As set forth in the DIP Motion, the DIP Lender agreed to provide the Debtors with a postpetition DIP loan in the maximum amount of $2,550,000 secured by a lien on substantially all the Debtors' assets including avoidance actions and proceeds.

On March 6, 2019, the Bankruptcy Court entered an *Interim Order* approving the DIP Motion [Docket No. 38] (the "**Interim DIP Order**"). Following entry of the Interim DIP Order and appointment of the Committee, the Debtors and the Committee negotiated final terms of the DIP loan that included: (a) an increased maximum financing commitment of $4.05 million; (b) avoidance actions, tort claims and proceeds thereof excluded from the DIP Lender's collateral and (c) no priming of existing lenders. On April 2, 2019, the Court entered a Final Order approving the DIP Motion [Docket No. 125].

On October 24, 2019, the Bankruptcy Court entered a further Order increasing the Debtor in Possession Financing by $1 million [Docket No. 529].

➢ **Filing of Schedules and Statement of Financial Affairs**

Among the challenges faced by the Debtors that the CRO identified pre-petition was the extreme lack of complete, accurate or readily accessible financial and other records. The Debtors' lack of a chief financial officer, and underlying personnel knowledgeable about proper record keeping and accounting practices only compounded those problems. As such, the Debtors' books and records contain a multitude of potential errors and omissions. While the CRO and the Debtors' professionals have worked to organize the Debtors' books and records, those efforts remain ongoing. Thus, it was impossible for the CRO to represent or verify, without qualification, that the information contained in the Schedules of Assets and Liabilities, as may be amended (the "**Schedules**") and Statements of Financial Affairs (the "**Statements**") were wholly accurate.

[59] The DIP Lender has no prior relationship to the Debtors or any former officer, director, shareholder or insider. The former name of the DIP Lender was strictly for identification purposes and did not signify any prior or current relationship.

On April 26, 2019, the Debtors filed their Schedules and Statements in compliance with Section 521 of the Bankruptcy Code and Rule 1007 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), subject to a Bankruptcy Court approved qualification. The Schedules and Statements set forth, among other things, the Debtors' assets and liabilities, current income and expenditures, and executory contracts and unexpired leases.

The Debtors' Schedules and Statements can be downloaded free of charge at:

https://www.donlinrecano.com/Clients/warrior/Static/SOALS

- **Establishment of the Bar Date**

The Bankruptcy Court entered an *Order (I) Setting Bar Dates for Filing Claims/Interest Forms, Including Requests for Payment under Section 503(b)(9), etc.* [Docket No. 333] (the "**Bar Date Order**"), on June 27, 2019. The Bar Date Order required, among other things, all persons and entities (except governmental units) holding or wishing to assert a claim/interests against the Debtors to file a proof of claim on or before August 30, 2019 (the "**General Bar Date**"). Governmental units had until November 15, 2019 to file proofs of claim.

In accordance with the Bar Date Order, the Debtors mailed notices to creditors and interested parties of the last date to timely file proofs of claim/interest and a "personalized" proof of claim/interest form.

- **Sales of Golf Courses**

  - **Rio Vista**: On August 1, 2019, the Bankruptcy Court approved the sale of the Golf Club at Rio Vista, for a gross sales price of $1,000,000. [Docket No. 391]. The sale closed in August 2019. The net proceeds of the sale have been used in the operations of the Debtors. No liens (other than real property taxes) existed against the property.

  - **Lakota Lots**: On August 4, 2019, the Bankruptcy approved the sale of 7 continuous undeveloped residential lots adjacent to the Lakota Canyon Ranch and Golf Club for a gross sales price of $175,000 [Docket No. 453]. The sale closed on October 10, 2019. The lots as well as the Lakota golf course are subject to the lien of ANB Bank (see Section 3.13, and **Table 15**). The net proceeds are currently being held in Trust, pending further Bankruptcy Court Order as to the use and distribution of such proceeds. It is expected that the proceeds will be used to pay down a portion of the secured debt owed to ANB Bank.

  - **Asheboro**: On December 10, 2019, the Bankruptcy Court approved the sale of this property for $625,000. The sale closed late December 2019.

  - **Reems Creek**: On December 10, 2019, the Bankruptcy Court approved the sale of this property for $750,000. The sale closed late December 2019.

  - **Limestone Springs**: On December 10, 2019, the Bankruptcy Court approved the sale of this property for $850,000. The sale closed late December 2019.

- **Properties in Negotiation**: As of the date of the filing of the Disclosure Statement, the CRO is in negotiations to sell the Wolf Creek Golf Course and the Broadmoor Golf Course.

- **Anticipated Future Sales**: The CRO anticipates that additional golf courses will be marketed and sold.

➢ **Foreclosures/Closures of Property**

- **Huntington Golf Course & Marion Oaks Golf Course**: At the time of the First Petition Date, the Huntington Golf Course and the Marion Oaks Golf Course, were both subject to the lien of Marion Oaks Country Club, Inc., in the separate amounts of approximately $510,000 against each property. See, **Table 15**. In addition, the properties were subject to the lien of Cecil Mellinger, which lien the Debtors assert is avoidable as, *inter alia*, a preferential transfer. Following negotiations among the Debtors and Marion Oaks Country Club, Inc., the Bankruptcy Court granted relief from the automatic stay to the senior lienholder to foreclosure on both properties. As of the date of the Disclosure Statement the state law foreclosure process is underway.

- **Bos Laden Golf Club**: The Bos Laden Golf Club in Pella, Iowa, was not owned by the Debtors but rather operated under a long-term lease with the City of Pella, Iowa. The lease was subject to a lien in favor of Leighton State Bank. The Debtors determined that the course was not profitable to continue operations, and thus an agreement was reached, which was approved by the Bankruptcy Court, whereby the lease was terminated, and the damage claims against the Debtors were mitigated.

SECTION 7
SUMMARY OF THE PLAN

7.01 Deemed Consolidation Of The Debtors & Resulting Entities

For purposes of voting and determining distributions under the Plan, the Debtors will be consolidated and treated as equivalent to a single legal entity. This consolidation means that claims scheduled or filed against individual Debtors will be considered to be a single claim against the consolidated Debtors. The Debtors believe that this Plan structure is beneficial to creditors as a whole and accomplishes a fair distribution of value among creditors. The deemed consolidation under the Plan shall not affect or impair any valid, perfected and unavoidable Lien to which the assets of any Debtors are subject in the absence of deemed consolidation under the Plan.

Pursuant to the Plan, Custom Golf will survive after the Effective Date; and at least two new entities will be formed on the Effective Date:

➢ **Prop.Co.** – one or more entities that will hold all the real property and related operating assets for the Golf Course Business; and

➢ **Op.Co.** – the entity that will operate the Golf Course Business.

All the new equity of Custom Golf, Prop.Co. and Op.Co. will be issued to the Creditor Trust, for the benefit of the beneficiaries (General Unsecured Creditors, LLC Investors, and Convertible Noteholders).[60]

7.02 Plan Classifications & Treatments

The Plan classifies certain claims and interests and provides for their treatment. **Table 16** provides a high-level summary – please review the Plan for the exact classifications and treatments.

TABLE 16
PLAN SUMMARY OF CLASSES AND TREATEMENTS

CLASS	TYPE OF CLAIM OR INTEREST	TREATEMENT	IMPARIMENT / VOTING	EST. RECOVERY
---	Administrative Expenses	Paid in full at Effective Date	No voting	100%
---	DIP Facility	Converted to Exit Facility or paid in full at Effective Date	No voting	100%
---	Priority Tax Claims	Paid in full at Effective Date or spread over time in accordance with statutory authority	No voting	100%
1	Other Priority Claims	Paid in full at Effective Date or spread over time in accordance with statutory authority	No voting	100%
2	Other Secured Claims	Paid in full at Effective Date or as otherwise agreed	No voting	100%
3A & 3B	Secured Claims (Broadmoor & Lakota)	Treatment such that the claims are deemed unimpaired	No voting	100%
3C	Secured Claim (Cimarron)	New Note Terms	Entitled to vote – impaired	100%
3D	Secured Claims (Mellinger)	Extinguished – no distribution; or New Note Terms	No voting (502(d))	Depends upon litigation
4	General Unsecured Claims	Pro Rata Share of the Class A Interests in the Creditor Trust	Entitled to vote – impaired	6% to 30%
5	Investment Claims	Pro Rata Share of the Class B Interests in the Creditor Trust[61]	Entitled to vote – impaired	2% to 10%
6	Convertible Note Claims	Pro Rata Share of the Class C Interests in the Creditor Trust[62]	Entitled to vote – impaired	2% to 10%
7	Custom Golf Interests	Extinguished – no distribution	No voting – deemed rejection	None
8	LLC Interests	Extinguished – no distribution	No voting – deemed rejection	None

[60] The New Custom Golf Stock, the Op.Co. Membership Interests and the Prop.Co. Membership Interests issued under the Plan will not be listed on or traded on any nationally recognized market or exchange. Accordingly, there can be no assurance that an active trading market for those interests will develop, nor can any assurance be given as to the prices at which such shares/membership interests might be traded.

[61] See Section 4.03 for discussion of the treatment of an Investor that exercises its Direct Claim Opt Out Right.

[62] See Section 4.03 for discussion of the treatment of a Convertible Noteholder that exercises its Direct Claim Opt Out Right.

7.03 Distributions to holders of Allowed General Unsecured Claims, Investment Claims, and Convertible Note Claims

- The holders of Allowed General Unsecured Claims will receive the Class A Interests in the Creditor Trust

- The holders of Allowed Pro Rata Note Claims shall receive on account of their initial Investments (prior to the 2017 Restructuring), Class B Interests in the Creditor Trust. Such Class B interests shall be equal to the holders initial Investment amounts (and not the Pro Rata Note Amounts) reduced by interest payments received on account of the Pro Rata Notes and any distributions the Investor received on account of their Investments.

- The holders of Allowed Convertible Note Claims shall receive on account of their purchase of the Convertible Notes, Class C Interests in the Creditor Trust. Such Class C interests shall be equal to the initial purchase price of the Convertible Notes, without accrued interest, reduced by any distributions the Convertible Noteholder received on account of their ownership of the Convertible Note.

- The Convertible Notes, the Pro Rata Notes, and the Investments represented by the Membership Interests in the LLCs, will each be extinguished.

- The Plan uses the term "Determined Distribution Amount" to define the amount that will be periodically distributed by the Creditor Trustee to the beneficiaries of the Creditor Trust. The Determined Distribution Amount will be determined based upon a host of factors, including the business operations of the Reorganized Debtors (Custom Golf, Prop.Co. and Op.Co.), the sale of assets held by the Creditor Trust (i.e. golf courses and the equity in Custom Golf), recoveries on the litigation claims held by the Creditor Trust, and the projected cash flow needs of the Creditor Trust and its business operations.

    - The Class A Interests shall receive, on a *pro rata* basis, an aggregate amount equal to 10% of the Determined Distribution Amount until the Class A Interests have been paid in full, without interest

    - The Class B Interests and the Class C Interests shall share, on a *pro rata basis*, in 90% of the Determined Distribution Amount

- The 10% of the Determined Distribution Amount, to be distributed to the holders of the Class A Interests, is based upon a settlement (as addressed by the Debtors and the Committee) of the competing interests of holders of Allowed Claims in Classes A, B and C, and provides General Unsecured Creditors with approximately 2.75 times the pro-rata share of 3.638% they would receive if Classes A, B and C were each treated ratably.

- The Debtors do not currently anticipate that the equity interests in the Reorganized Debtors will be distributed to the beneficiaries of the Creditor Trust. However, the Creditor Trustee, may determine that such distributions are in the best interests of the beneficiaries, later, subject to then applicable law.

SECTION 8
OTHER SIGNIFICANT PROVISIONS OF THE PLAN

8.01 The Best Interest Test - Liquidation Analysis:

Pursuant to Section 1129(a)(7) of the Bankruptcy Code, often called the "best interests test," holders of allowed claims must either (a) accept the plan of reorganization, or (b) receive or retain under the plan property of a value, as of the plan's assumed effective date, that is not less than the value such non-accepting holders would receive or retain if the debtors were to be liquidated under Chapter 7 of the Bankruptcy Code.

As part of the "best interests test" the Bankruptcy Court will consider an analysis of the potential recovery for parties in interest from the liquidation of the Debtors' assets. This analysis is presented in **Table 17** (the "**Liquidation Analysis**"). The Liquidation Analysis is based upon various assumptions, including:

- The process of liquidation will be under the direction and control of a third-party Bankruptcy Court appointed trustee, who will necessarily retain his/her own professionals (attorneys, accountants, real estate consultants and brokers), as opposed to using the professionals that have represented the Debtors during the Chapter 11 Cases
    - As noted in Section 4.02 (the Waterfall discussion), the fees, costs and expenses of the liquidating trustee and his/her professionals are administrative claims that will be paid in advance of any other payments
    - Generally, a trustee will be compensated at the rate of 3% of the amount of funds recovered and distributed by the trustee
- The process of liquidation would commence early, 2020, and would be conducted on an expedited basis, as the operations of the Golf Equipment Business and the Golf Course Business will likely be terminated or significantly curtailed, as operating funding is expected to be terminated upon the appointment of the trustee
    - Generally, conversion from Chapter 11 to Chapter 7 (the normal process of liquidation) results in the cessation of business operations, as the Bankruptcy Court appointed trustee is not typically authorized to operate going concern business, and does not have a source of working capital funding to maintain operations
- The Debtors primary assets to be liquidated are the Golf Equipment Business and the Golf Course Business
    - The Golf Equipment Business, if not operating as a going concern is expected to have minimal value – primarily its inventory, supplies, office equipment and customer list. No value is attributable to goodwill.
    - The Golf Course Business will likewise suffer from being closed or drastically reduced in operations, pending a sale. The value of the golf courses could be materially adversely affected if they cease operations, the golf courses are not

maintained, or the golf courses are allowed to "go brown". In addition, certain of the properties owned by the Debtors have pre-existing secured debt, as well as the DIP liens encumbering the golf courses. The applicable secured claims will have to be paid in full including accrued fees and interest prior to any proceeds being available for Chapter 7 or Chapter 11 administrative claims, let alone for distributions to general unsecured creditors pursuant to the Waterfall.

TABLE 17
CONSOLIDATED LIQUIDATION ANALYSIS

	12/31/19 Book Value	$ Recovery Low	$ Recovery High
Assets Available for Liquidation			
Warrior Custom Golf	$1,953,852	$984,893	$1,423,783
Golf Course Business (Excluding Courses)	$348,294	$417,020	$523,064
Golf Courses	$15,409,591	$10,786,714	$15,409,591
Litigation Claims	TBD	TBD	TBD
Total Assets[63]	**$17,711,738**	**$12,188,627**	**$17,356,438**
Secured Claims			
Outstanding DIP Loan		$3,250,000	$3,250,000
Accrued DIP Loan Interest		$352,698	$352,698
Mortgage on Golf Course Assets		$3,655,712	$3,655,712
Total Secured Claims		$7,258,410	$7,258,410
Proceeds Available for Admin. Claims & Ch. 7 Liquidation		**$4,930,217**	**$10,098,028**
Admin. Claims & Ch. 7 Liquidation Costs			
Ch. 11 Administrative Claims		$5,111,561	$5,111,561
Admin 503(b)(9) Claims		$18,887	$18,887
Secured Claims[64]		$116,965	$116,965
UST Fees for Q4 '2019		$65,000	$65,000
UST Fees for Q1 '20		$121,886	$173,564
Liquidating Trustee Fees/Expenses		$565,659	$720,693
Trustee Professionals' Fees/Expenses		$250,000	$250,000
Ch. 7 Custom Operating Expenses		$250,000	$250,000
Tax Preparation Fees		$50,000	$50,000
Liquidation & Wind-Down Contingency Reserve		$100,000	$100,000
Total Admin. Claims & Ch. 7 Liquidation Costs		**$6,649,958**	**$6,856,670**
Admin Claim Recovery		**74%**	**100%**
Priority Claims			
Tax Claims		$316,093	$316,093
Proceeds Available to Unsecured Creditors		N/A	$2,925,265
Est. General Unsecured Claims (Excluding Investors & Noteholders)		$4,020,353	$4,020,353
Est. Investor Claims		$101,000,000	$101,000,000
Est. Noteholder Claims		$5,500,000	$5,500,000
Total Unsecured Claims		**$110,520,353**	**$110,520,353**
Unsecured Creditor Recovery		**0%**	**2.6%**

[63] Excludes Intangible value of the business (e.g., customer lists, etc.).
[64] Estimated amount of secured claims after the successful resolution of planned estate litigation.

- The distribution of funds by a Chapter 7 trustee is made in accordance with the Waterfall described in Section 3. Under the Waterfall payments are first made on account of the administrative costs of the Chapter 7 liquidation and then the unpaid Chapter 11 administrative costs. Once these are paid in full, then payments are made to holders of priority claims (primarily tax obligations), and then general unsecured creditors

  - The Settlement discussion (Section 4) highlights the 3 groups of potential unsecured creditors — trade creditors, LLC Investors (as investors or as holders of Pro Rata Notes), and the Convertible Noteholders (potentially as noteholders and potentially as equity holders).

  - As noted in Section 4 there are significant potential issues related to determining whether the holders of Pro Rata Notes and Convertible Notes should be treated as general unsecured creditors or equity holders and if creditors, the proper amounts for their allowed claims.

  - For purposes of the Liquidation Analysis the Debtors have made two separate projections of recoveries. The first assumes that the claims of the LLC Investors and the holders of the Convertible Notes are allowed in the aggregate amount of $106,500,000, that all claims of insiders are disallowed and that all other general unsecured claims are allowed in full. Under that scenario, all general unsecured creditors would receive a distribution of between 0% and 2.6%.

  - The second Liquidation Analysis assumes that the claims of the LLC Investors and the holders of the Convertible Notes are disallowed, and both are treated as equity interests, that all claims of insiders are disallowed and that all other general unsecured claims are allowed in full. It also assumes that there are no increased administrative costs to litigate to this result. Under that scenario, the Class A general unsecured creditors would receive a distribution of between 0% and 72.8% and the LLC Investors and holders of the Convertible Notes in Classes B and C would receive a distribution of 0%.

  - Under both versions of the Liquidation Analysis the Debtors have assumed that the Chapter 7 trustee is not required to make distributions to creditors only out of the entity against which they hold a Claim. If this assumption is not correct, then the Chapter 7 trustee will have to expend more time and resources determining the assets and liabilities of each entity, the treatment of intercompany claims and obligations and ultimately how proceeds should be distributed among the different entities. Under such a scenario it is likely that the limited recoveries above would be significantly impacted by additional administrative expenses and the recovery of each specific creditor would be dictated by the distributable assets of the specific Debtor they have claims against (even if that Debtor has no assets due to the pre-petition consumption of that value by the Debtors and others).

- The potential Liquidation Analyses are numerous given the significant uncertain variables identified in Section 4 regarding the Litigation. However, the Debtors have evaluated the various potential assumptions and consider the above Liquidation Analysis to be

reasonable. However, the Liquidation Analysis is inherently subject to (i) the actual facts and relative rights developed through Litigation, and (ii) significant business, economic and competitive uncertainties and contingencies well beyond the control of the Debtors. Accordingly, there can be no assurance that the values reflected in the Liquidation Analysis would be realized if the Debtors were, in fact, to undergo a liquidation, and the actual results could materially differ from the projections above. The underlying financial information in the Liquidation Analysis was not compiled, examined or audited by any independent accountants.

Based upon the Liquidation Analysis the Debtors and the Committee assert that the Plan's treatment of interested parties not only meets the "best interests test" but will result in a significantly better outcome.

8.02 Financial Projections

The Debtors and the Committee believe that the Plan is feasible because Confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors. In connection with the planning and development of a plan of reorganization and for purposes of determining whether the Plan will satisfy this feasibility standard, the Debtors have analyzed their ability to satisfy their financial obligations while maintaining enough liquidity and capital resources.

In connection with the Disclosure Statement, the Debtors' management will prepare Financial Projections for the years 2020 through 2021(the "**Projection Period**") – the projections will be included in the Plan Supplement. The Financial Projections will be based on several assumptions made by management with respect to the future performance of the Reorganized Debtors' operations as well as assumptions regarding market conditions and available capital. These financial projections will not be prepared with a view towards compliance with published guidelines of the United States Securities and Exchange Commission or guidelines established by the American institute of Certified Public Accountants.

ALTHOUGH MANAGEMENT WILL PREPARE THE FINANCIAL PROJECTIONS IN GOOD FAITH AND BELIEVE THE ASSUMPTIONS TO BE REASONABLE, THE DEBTORS AND THE REORGANIZED DEBTORS CAN PROVIDE NO ASSURANCE THAT SUCH ASSUMPTIONS WILL BE REALIZED.

8.03 Certain Tax Matters

The Plan is subject to substantial uncertainties regarding the application of U.S. federal income tax laws, state laws, and local laws to various transactions and events. The U.S. federal income tax consequences of the Plan are complex and due to a lack of definitive judicial or administrative authority or interpretation, are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS, or an opinion of counsel, with respect to any of the tax aspects of the Plan. The Debtors also have not considered the effects of the Plan on creditors, interest holders and other interested parties.

THE DEBTORS STRONGLY ENCOURGE EACH CREDITOR AND INTEREST HOLDER TO CONSULT WITH ITS OWN COUNSEL AND ADVISORS AS TO THE TAX CONSEQUENCES OF THE PLAN. NO REPRESENTATIONS OR WARRANTIES ARE PROVIDED BY THE DEBTORS.

8.04 Treatment of Creditor Trust and its Beneficiaries

The Creditor Trust is intended to qualify as a "liquidating trust" for U.S. federal income tax purposes. In general, a Creditor Trust is not a separate taxable entity, but rather is treated for U.S. federal income tax purposes as a "grantor trust" (i.e., a pass-through type entity). However, merely establishing a trust as a Creditor Trust does not ensure that it will be treated as a grantor trust for U.S. federal income tax purposes. In Revenue Procedure 94-45, 1994-2 C.B. 684, the IRS set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a Creditor Trust under a chapter 11 plan. The Creditor Trust has been structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including, without limitation, the Debtors, the Creditor Trustee, and the Creditor Trust Beneficiaries) are required to treat, for U.S. federal income tax purposes, the Creditor Trust as a grantor trust of which the Creditor Trust Beneficiaries are the owners and grantors.

For all U.S. federal income tax purposes, all parties (including, without limitation, the Debtors, the Creditor Trustee, and the Creditor Trust Beneficiaries) must treat the transfer of the Assigned Estate Claims, New Custom Golf Stock, the Op.Co. Membership Interests, and the Prop.Co. Membership Interests, to the Creditor Trust in accordance with the terms of the Plan.

8.05 Continued Risk upon Confirmation

Even if the Plan is consummated, the Debtors will continue to face several risks, including certain risks that are beyond their control, such as further deterioration or other changes in economic conditions, changes in the industry, potential revaluing of their assets due to chapter 11 proceedings, changes in consumer demand and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that the Plan will achieve the Debtors' stated goals.

There can be no assurance that the golf industry conditions under with the Debtors operate will enable them to successfully implement new programs at Custom Golf, and achieve the revenues, or obtain the margins that the Debtors need to be successful. The future of the golf course businesses is also dependent on a host of issues beyond the control of the management, and thus there are no assurances that the courses can be sold for values that yield recovery to beneficiaries of the Creditor Trust.

The Debtors' financial projections are dependent upon the successful implementation of the business plan and the validity of the other assumptions. In addition, as with all businesses, notwithstanding managements' best efforts there are risks that extraneous events could cause the Debtors' businesses to not perform as projected.

Additionally, it is uncertain what effect, if any these Chapter 11 cases may have upon the Debtors' continued operations. Some entities are uncomfortable doing business with a company that has

sought protection under the Bankruptcy Code. Accordingly, it is uncertain whether these cases might have an adverse effect on the Debtors' relationships with customers and/or employees.

Furthermore, even if the Debtors' debts are reduced and/or discharged through the Plan, the Debtors may need to raise additional funds through debt or equity financing or other various means to fund the Debtors' businesses after the completion of the Chapter 11 Cases. Adequate funds may not be available when needed or may not be available on favorable terms.

8.06 Issuance of New Custom Golf Stock, the Op.Co. Membership Interests and the Prop.Co. Membership Interests

Bankruptcy Code Section 1145(a)(1) exempts the offer and sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws if three (3) principal requirements are satisfied: (1) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan; (2) the recipients of the securities must hold prepetition or administrative expense claims against the debtor or interests in the debtor; and (3) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in exchange for such claims or interests and partly for cash or property.

The Debtors believe that issuance of New Custom Golf Stock, the Op.Co. Membership Interests and the Prop.Co. Membership Interests to the Creditor Trust and the Creditors Trust's issuance of beneficial interests to holders of Allowed Claims would satisfy the requirements of Bankruptcy Code Section 1145(a)(1) and such issuances would be exempt from registration under the Securities Act and state securities laws.

8.07 Subsequent Transfers Under Federal and State Securities Laws

The Debtors believe that all resales and subsequent transactions in the New Custom Golf Stock, the Op.Co. Membership Interests and the Prop.Co. Membership Interests would be exempt from registration under federal and state securities laws, unless the holder thereof is an "underwriter" with respect to such securities.

To the extent that Op.Co., Prop.Co. or Custom Golf are deemed to be "underwriters," resales by the Creditor Trust of the Op.Co. Membership Interests, the Prop.Co. Membership Interests, or the New Custom Golf Stock would not be exempted by Bankruptcy Code Section 1145 from registration under the Securities Act or other applicable law.

SECTION 9
VOTING INSTRUCTIONS

On March __, 2020, the Bankruptcy Court approved the Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors typical of the Debtors' creditors and interest holders to make an informed judgment whether to accept or reject the Plan.

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

9.01 Holders of Claims Entitled to Vote

Pursuant to the Bankruptcy Code, only classes of claims or equity interests which (i) are "impaired" by a chapter 11 plan and (ii) are entitled to receive a distribution under such plan are entitled to vote to accept or reject a proposed plan. Classes of claims or equity interests which (a) are "impaired" by a chapter 11 plan and (b) are not entitled to receive a distribution under such a plan are not entitled to vote and are deemed to have rejected the Plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

Classes 4 (General Unsecured Claims), 5 (Investment Claims), 6 (Convertible Note Claims), 7 (Custom Golf Interests) and 8 (LLC Interests) are impaired under the Plan. To the extent claims in Classes 4, 5 and 6 are Allowed claims, the holders of such claims are entitled to vote to accept or reject the Plan. Classes 7 and 8 will not receive any distribution and are therefore deemed to reject the Plan. Classes 1 (Other Priority Claims), 2 (Other Secured Claims), Classes 3A (Broadmoor Group, Inc., et al.), and 3B (ANB Bank), are unimpaired by the Plan and the holders thereof are conclusively presumed to have accepted the Plan, Class 3C (Citizens Business Bank) is impaired under the Plan and is entitled to vote to accept or reject the Plan, and Class 3D (Mellinger) is impaired under the Plan, but is not entitled to vote to accept or reject the Plan pursuant to Bankruptcy Code Section 502(d).

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Thus, acceptance of the Plan by Classes 3C, 4, 5, and 6 will occur only if at least two-thirds in dollar amount and a majority in number of the holders of claims in each class that cast their ballots vote in favor of acceptance.

If one or more classes of claims entitled to vote on the Plan reject the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to Section 1129(b) of the Bankruptcy Code or both. Section 1129(b) permits confirmation of a plan of reorganization notwithstanding the non-acceptance of a plan by one or more impaired classes of claims or equity interests if the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class.

9.02 No Voting by LLC Investors in Warrior Golf Properties, LLC

Warrior Golf Properties, LLC (WGP) is not a Debtor (see Footnote 11). Therefore, LLC Investors in the entity are not entitled to vote on the Plan, with respect to such investment. The Plan treats the Investments in WGP as if the entity were a Debtor, along with the LLC Investors in the other LLCs. Therefore, if the Plan is Confirmed and becomes Effective, LLC Investors in WGP will be beneficiaries of the Creditor Trust and be treated as all other holders of allowed Investment Claims

in Class 5, unless such WGP Investor exercises the WGP Investor Opt Out Right addressed in the Plan. WGP Investors do not have a right to vote on the Plan.

9.03 No Voting by Convertible Noteholders that Exercise the Direct Opt Out Right

As noted in Section 4.03, Convertible Noteholders have the right to opt out of the transfer of Direct Causes of Action to the Creditor Trust, by exercising the Direct Opt Out Right. By exercising the Direct Opt Out Right, the Convertible Noteholder will be deemed to have automatically rejected the Plan, and is not entitled to vote on the Plan, pursuant to Bankruptcy Code Section 1126(g).

9.04 Solicitation Package

Accompanying this Disclosure Statement for the purpose of soliciting votes on the Plan are copies of (i) the Plan; (ii) the notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time, and place of the hearing to consider Confirmation of the Plan and related matters, and the time for filing objections to Confirmation of the Plan; and (iii) as applicable, a Ballot or Ballots (and return envelope(s)) that you may use in voting to accept or to reject the Plan, or a notice of non-voting status. Only holders eligible to vote in favor of or against the Plan will receive a Ballot(s) as part of their Solicitation Package. If you did not receive a Ballot and believe that you should have, please contact the Debtors' Voting Agent at the address or telephone number set forth in Section 9.05. You may also contact Debtors' counsel.

9.05 Voting Instructions

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold claims or interests in more than one class and you are entitled to vote such claims or interests, you will receive separate Ballots, which must be used for each separate class of claims.

Each Ballot has been coded to reflect the class of claims or interests it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement.

After carefully reviewing the Plan and this Disclosure Statement, and the Exhibits thereto, and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan on the enclosed Ballot. Please complete and sign your Ballot and return it in the envelope provided so that it is **RECEIVED** by Donlin, Recano & Company, Inc. (the "**Voting Agent**") on or before the Plan Voting Deadline set forth on the Ballot.

If you have any questions about the procedure for voting your eligible claim or interest or with respect to the Solicitation Package that you have received, please contact the Voting Agent:

Donlin, Recano & Company, Inc.
Re: Westwind Manor Resort Association, Inc., et al.
P.O. Box 199043
Blyhebourne Station
Brooklyn, NY 11219
1 (866) 745-0270

9.06 Voting Tabulation

Under the Bankruptcy Code, for purposes of determining whether the requisite acceptances have been received, only holders who actually vote will be counted. The failure of a holder to deliver an executed Ballot will be deemed to constitute an abstention by such holder with respect to voting on the Plan and such abstentions will not be counted as votes for or against the Plan.

Unless otherwise ordered by the Bankruptcy Court, Ballots that are signed, dated, and timely received, but on which a vote to accept or reject the Plan has not been indicated, will not be counted. The Debtors may request that the Voting Agent attempt to contact such voters to cure any such defects in the Ballots.

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another Party acting in a fiduciary or representative capacity, such Person should indicate such capacity when signing and, unless otherwise determined by Debtors, must submit proper evidence satisfactory to the Plan Proponents of authority to so act.

SECTION 10
DISCLAIMERS AND IMPORTANT NOTICES

UNLESS OTHERWISE DEFINED IN THIS DISCLOSURE STATEMENT, CAPITALIZED TERMS USED HEREIN HAVE THE MEANINGS ASCRIBED TO THEM IN THE PLAN.

THIS DISCLOSURE STATEMENT IS BEING DISTRIBUTED FOR THE PURPOSE OF SOLICITING ACCEPTANCES OF THE PLAN FROM THE PARTIES ENTITLED TO VOTE ON THE PLAN. ALL HOLDERS OF CLAIMS AGAINST OR INTERESTS IN THE DEBTORS THAT ARE ENTITLED TO VOTE ON THE PLAN ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THE DEBTORS AND THE COMMITTEE INTEND TO SEEK TO CONFIRM THE PLAN AND TO CAUSE THE EFFECTIVE DATE OF THE PLAN TO OCCUR PROMPTLY AFTER CONFIRMATION OF THE PLAN. HOWEVER, THERE CAN BE NO ASSURANCE AS TO WHETHER OR WHEN THE CONFIRMATION OR THE EFFECTIVE DATE OF THE PLAN ACTUALLY WILL OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE

BANKRUPTCY RULES AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NONBANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER REVIEWED NOR APPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), OR BY ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL, OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY OTHER SUCH STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE INFORMATION IN THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO SOLICITATION OF VOTES TO ACCEPT THE PLAN MAY BE MADE EXCEPT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER CAUSES OF ACTION OR THREATENED ACTIONS (REGARDLESS OF BEING ASSERTED PRE OR POST THE EFFECTIVE DATE), THIS DISCLOSURE STATEMENT WILL NOT CONSTITUTE, OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, OR AS A STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY BANKRUPTCY OR NONBANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY (OTHER THAN IN CONNECTION WITH APPROVAL OF THIS DISCLOSURE STATEMENT OR CONFIRMATION OF THE PLAN), NOR WILL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR INTERESTS IN THE DEBTORS. YOU ARE ADVISED TO OBTAIN INDEPENDENT EXPERT ADVICE ON SUCH SUBJECTS.

THE DISTRIBUTIONS OF NEW CUSTOM GOLF STOCK, THE OP.CO. MEMBERSHIP INTERESTS AND THE PROP.CO. MEMBERSHIP INTERESTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE "SECURITIES ACT") OR SIMILAR STATE SECURITIES OR "BLUE SKY" LAWS. THE DISTRIBUTIONS ARE BEING MADE IN RELIANCE ON THE EXEMPTION FROM REGISTRATION SPECIFIED IN SECTIONS 1125 AND 1145 OF THE BANKRUPTCY CODE, AS APPLICABLE. NONE OF THE NEW CUSTOM GOLF STOCK, THE OP.CO. MEMBERSHIP INTERESTS AND THE PROP.CO. MEMBERSHIP INTERESTS TO BE ISSUED UNDER OR IN CONNECTION WITH THE PLAN HAVE BEEN APPROVED OR DISAPPROVED BY THE SEC OR BY ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL, OR REGULATORY AUTHORITY.

THIS DISCLOSURE STATEMENT CONTAINS PROJECTED FINANCIAL INFORMATION REGARDING THE REORGANIZED DEBTORS AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS, ALL OF WHICH ARE BASED ON VARIOUS ESTIMATES AND ASSUMPTIONS. THE DEBTORS' MANAGEMENT PREPARED THE PROJECTIONS WITH THE ASSISTANCE OF THEIR

PROFESSIONALS. THE DEBTORS' MANAGEMENT DID NOT PREPARE THE PROJECTIONS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") OR TO COMPLY WITH THE RULES AND REGULATIONS OF THE SEC.

THE PROJECTIONS AND FORWARD-LOOKING STATEMENTS HEREIN ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE RISKS, INCLUDING, AMONG OTHERS, THOSE SUMMARIZED HEREIN. CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS, AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN. THEREFORE, THE PROJECTED FINANCIAL AND OTHER FORWARD-LOOKING STATEMENTS ARE NOT NECESSARILY INDICATIVE OF THE FUTURE FINANCIAL CONDITION OR RESULTS OF OPERATIONS OF THE REORGANIZED DEBTORS AND SHOULD NOT BE REGARDED AS REPRESENTATIONS BY THE DEBTORS OR THE REORGANIZED DEBTORS, THEIR ADVISORS, OR ANY OTHER PERSONS THAT THE PROJECTED FINANCIAL CONDITION OR RESULTS CAN OR WILL BE ACHIEVED. NO INDEPENDENT ACCOUNTANTS HAVE COMPILED, REVIEWED, EXAMINED, OR PERFORMED ANY PROCEDURES WITH RESPECT TO THE FINANCIAL PROJECTIONS AND THE LIQUIDATION ANALYSIS CONTAINED HEREIN, NOR HAVE THEY EXPRESSED ANY OPINION OR ANY OTHER FORM OF ASSURANCE AS TO SUCH INFORMATION OR ITS ACHIEVABILITY.

THE PROJECTIONS SET FORTH HEREIN ARE PUBLISHED SOLELY FOR PURPOSES OF THIS DISCLOSURE STATEMENT. THE PROJECTIONS ARE QUALIFIED IN THEIR ENTIRETY BY THE DESCRIPTION THEREOF CONTAINED IN THIS DISCLOSURE STATEMENT. THERE CAN BE NO ASSURANCE THAT THE ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS WILL PROVE CORRECT OR THAT THE DEBTORS' OR REORGANIZED DEBTORS' ACTUAL RESULTS WILL NOT DIFFER MATERIALLY FROM THE RESULTS PROJECTED IN THIS DISCLOSURE STATEMENT. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT; MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE DEBTORS PREPARED THE PROJECTIONS MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO OR HAVE BEEN OR WILL BE SEPARATELY FILED WITH THE BANKRUPTCY COURT. ALTHOUGH

THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER SUCH DOCUMENTS, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN AND CONTROL FOR ALL PURPOSES.

EXCEPT AS OTHERWISE EXPRESSLY INDICATED, THE PORTIONS OF THIS DISCLOSURE STATEMENT DESCRIBING THE DEBTORS, THEIR BUSINESSES, PROPERTIES AND MANAGEMENT, AND THE PLAN, HAVE BEEN PREPARED FROM INFORMATION OBTAINED FROM THE DEBTORS' HISTORICAL RECORDS, FORMAL AND INFORMAL DISCOVERY, WITHOUT PROFESSIONAL COMMENT, OPINION OR VERIFICATION. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO INDEPENDENTLY INVESTIGATE ANY SUCH THE MATTERS HEREIN PRIOR TO RELIANCE. AS HAS BEEN CONSISTENTLY STATED BY THE CRO, THE PRE-PETITION BOOKS AND RECORDS OF THE DEBTORS ARE INCOMPLETE, UNORGANIZED, AND INACCRUATE, AND THUS THE HISTORICAL INFORMATION PROVIDED HEREIN IS SUBJECT TO THE SAME INFIRMITIES.

CERTAIN OF THE MATERIALS CONTAINED IN THIS DISCLOSURE STATEMENT ARE TAKEN DIRECTLY FROM OTHER READILY ACCESSIBLE DOCUMENTS OR ARE DIGESTS OF OTHER DOCUMENTS. WHILE THE DEBTORS HAVE MADE EVERY EFFORT TO RETAIN THE MEANING OF SUCH OTHER DOCUMENTS OR PORTIONS THAT HAVE BEEN SUMMARIZED, THE DEBTORS URGE THAT ANY RELIANCE ON THE CONTENTS OF SUCH OTHER DOCUMENTS SHOULD DEPEND ON A THOROUGH REVIEW OF THE DOCUMENTS THEMSELVES. IN THE EVENT OF A DISCREPANCY BETWEEN THIS DISCLOSURE STATEMENT AND THE ACTUAL TERMS OF A DOCUMENT, THE ACTUAL TERMS OF SUCH DOCUMENT SHALL APPLY.

HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSES OF THE TERMS OF THE PLAN IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. IMPORTANTLY, PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM OR AN INTEREST IN A VOTING CLASS SHOULD REVIEW THE PLAN IN ITS ENTIRETY AND CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT AND ANY EXHIBITS HERETO, AND THE PLAN SUPPLEMENT, WHICH WILL BE FILED BY APRIL __, 2020.

NO STATEMENTS CONCERNING THE DEBTORS, THE VALUE OF THEIR ASSETS, OR THE VALUE OF ANY BENEFIT OFFERED TO THE HOLDER OF A CLAIM OR INTEREST IN CONNECTION WITH THE PLAN SHOULD BE RELIED UPON OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. IN ARRIVING AT YOUR

DECISION, YOU SHOULD NOT RELY ON ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION THAT IS CONTRARY TO INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS, COLE SCHOTZ, PC, 301 COMMERCE STREET, SUITE 1700, FORT WORTH, TEXAS 76102, ATTN: BENJAMINE L. WALLEN, ESQ.

Dated: February 12, 2020

Westwind Manor Resort Association, Inc.
Warrior Custom Golf, Inc.
Warrior Acquisitions, LLC
Warrior Golf, LLC
Warrior ATV Golf, LLC
Warrior Golf Development, LLC
Warrior Golf Management, LLC
Warrior Golf Assets, LLC
Warrior Golf Venture, LLC
Warrior Premium Properties, LLC
Warrior Golf Equities, LLC
Warrior Golf Capital, LLC
Warrior Golf Resources, LLC
Warrior Golf Legends, LLC
Warrior Golf Holdings, LLC
Warrior Capital Management, LLC

By:/s/ Jeremy Rosenthal
Jeremy Rosenthal
Chief Restructuring Officer

By: Michael D. Warner
Michael D. Warner (TX Bar No. 00792304)
Benjamin L. Wallen (TX Bar No. 24102623)
COLE SCHOTZ P.C.
301 Commerce Street, Suite 1700
Ft. Worth, TX 76102
(817) 810-5250
(817) 810-5255 (fax)
mwarner@coleschotz.com
bwallen@coleshotz.com

Counsel for the Debtors

EXHIBIT 1

Debtors' and Committee's Joint Plan of Reorganization

The Plan is filed on the Court's docket immediately following the entry of this Disclosure Statement and the Plan is available free of charge by visiting https://www.donlinrecano.com/warrior)