

1 STEVEN T. GUBNER – NV Bar No. 4624
SUSAN K. SEFLIN – CA Bar No. 213865 –*Pro Hac Vice* Granted
2 JESSICA WELLINGTON – CA Bar No. 324477 –*Pro Hac Vice* Granted
BG LAW LLP
3 300 S. 4th Street, Suite 1550
Las Vegas, NV 89101
4 Telephone: (702) 835-0800
Facsimile: (866) 995-0215
5 Email: ssubner@bg.law
sseflin@bg.law
6 jwellington@bg.law

7 Attorneys for Chapter 11 Debtor
and Plan Proponent

9 UNITED STATES BANKRUPTCY COURT
10 DISTRICT OF NEVADA

11 In re
12 Front Sight Management LLC,
13 Debtor.

Case No. 22-11824-abl
Chapter 11

Hearing Date: September 30, 2022
Hearing Time: 9:30 a.m.

19 **DEBTOR’S OMNIBUS REPLY TO OBJECTIONS TO FIRST AMENDED DISCLOSURE**
20 **STATEMENT AND RELATED PROCEDURES MOTION**

21 Front Sight Management LLC, the chapter 11 debtor in possession and plan proponent herein
22 (the “Debtor” or “Front Sight”), hereby submits its reply (“Reply”) to the objections (collectively,
23 the “Objections”) filed to the Debtor’s (i) *First Amended Disclosure Statement Describing Debtor’s*
24 *First Amended Chapter 11 Plan of Reorganization Dated September 9, 2022* [ECF No. 338] (the
25 “Disclosure Statement”); and (ii) motion to approve the Disclosure Statement and various
26 procedures related thereto [ECF No. 339] (the “Procedures Motion”).¹

27 _____
28 ¹ Any capitalized term not defined herein has the same meaning ascribed to it in the Disclosure Statement.

1 The following Objections were filed to the Disclosure Statement and/or Procedures Motion:

2 1. Objection and reservation of rights to the Disclosure Statement and Procedures
3 Motion [ECF No. 356] (the “UST Objection”) filed by the United States Trustee (“US Trustee”);

4 2. Objection and reservation of rights to the Disclosure Statement and Procedures
5 Motion [ECF No. 361] (the “Committee Objection”) filed by the Official Committee of Unsecured
6 Creditors (the “Committee”) appointed in this case;

7 3. Objection and reservation of rights to the Disclosure Statement [ECF No. 373] (the
8 “LVDF Objection”) filed by Las Vegas Development Fund LLC (“LVDF”); and

9 4. Objection and reservation of rights to the Disclosure Statement and Procedures
10 Motion [ECF No. 374] (the “Meacher Objection”) filed by Michael Meacher (“Meacher”) *dba*
11 Bankgroup Financial Services.

12 In support of the Reply, the Debtor respectfully represents as follows:

13 **INTRODUCTION**

14 While the Debtor’s bankruptcy case is considered a “mega” case due to the number of
15 members and interested parties, the Debtor has a flat organizational structure, a small administrative
16 office and minimal operations when compared to its operations pre-petition. As set forth ad
17 nauseum in other pleadings filed in this case, the Debtor’s protracted pre-petition litigation with
18 LVDF crippled its ability to (a) build out its facilities to become a vacation destination, (b) obtain
19 alternative financing due to the \$75 million deed of trust placed against the Front Sight Property by
20 LVDF, and ultimately (c) continue as a going concern. The Debtor’s original business plan was for
21 its vacation destination services to supplement membership income (which was limited as
22 memberships were lifetime memberships without annual or daily fees). In May of 2022, the Debtor
23 was faced with two choices: (i) allow LVDF to foreclose on the Front Sight Property (thus ending
24 Front Sight’s business and terminating all employees); or (ii) attempt to reorganize its business
25 through the chapter 11 process. Obviously, the Debtor chose the latter option.

26 The Debtor’s and its manager’s intention in this bankruptcy case was to propose new
27 membership terms with built in daily fees and annual fees which, if accepted by enough of its
28 members, would have allowed the Debtor to propose a Debtor/member based plan of reorganization

1 that retained memberships and member benefits. The Debtor and its manager were initially
2 confident that this could be accomplished. In order to have the evidence necessary to propose and
3 confirm a member based plan, the Debtor conducted a survey of approximately 240,000 of its
4 members in August 2022. The Debtor, through its manager Ignatius Piazza, emailed all members
5 repeatedly throughout a two week period with the survey, and the Debtor's claims and noticing
6 agent, Stretto, also emailed the same survey to the Debtor's members. The response was lackluster
7 at best, and was the first time that the Debtor, its professionals, and its manager realized that a
8 member based plan was likely not feasible (i.e., revenue from the proposed new member terms
9 would not support the Debtor's post-petition operations or the funding of the member based plan).

10 Since the Petition Date, the Debtor and its professionals have explored whether or not there
11 was an equity investor that would be willing to fund the plan and maintain the Debtor's business
12 operations including most of its employees in exchange for an equity investment in the Debtor.
13 After exploring all alternatives, the Debtor determined that the proposal that was in the best interest
14 of the Debtor's estate, creditors, employees and members came from Nevada PF, LLC ("Nevada
15 PF"), an affiliate of its post-petition DIP financing lender FS DIP, LLC. To be clear, the Debtor's
16 deal with Nevada PF was not the best deal for the Debtor's manager and results in the Debtor's
17 current equity holders losing 100% of their equity interest in the Debtor (which is not what they
18 wanted). However, there were no other better alternatives available to the Debtor and the Debtor **did**
19 **not have support from its members** as illustrated by the survey. The Objections have a recurring
20 theme that somehow the Debtor's members are being wronged by the current plan terms – but the
21 members had a choice in this and were given the opportunity to agree to annual and daily fees in
22 exchange for keeping their lifetime memberships and their member benefits. The majority chose not
23 to do so. See, **Exhibit 1** hereto (which is the survey sent to members).

24 The Debtor's proposed plan, based upon an agreement with Nevada PF (and related term
25 sheet) is by far better than all alternatives for the Debtor's estate, creditors and employees under the
26 time restrictions in this case (DIP financing expires on November 29, 2022), and given that there is
27 no viable, feasible alternative to support the Debtor's post-confirmation business operations or to
28 otherwise fund a plan.

1 In sum, if the Disclosure Statement is not approved on September 30th with a confirmation
2 hearing date of November 18, 2022, the Debtor will not be able to confirm its plan and obtain an
3 entered plan confirmation order by November 29, 2022 (as required by the DIP financing order –
4 ECF No. 288), and the Debtor will not have enough money to fund its operations or bankruptcy case
5 in December 2022. If the Debtor is not able to meet this timeline, then this case will revert to a 363
6 sale pursuant to the DIP financing order and accompanying asset purchase agreement [ECF No.
7 150], with a sale price of \$19 million (which is considerably less than the approximately \$24 million
8 provided by Nevada PF to acquire the shares of the Debtor through the plan).

9 Suffice it to say, the Debtor was surprised by the vitriol in the Committee Objection and the
10 misstatements of fact in all the Objections but has done its best to address the various legitimate
11 disclosure concerns as set forth below.

12 **I. The Confirmation Hearing Will Serve as an Auction**

13 To address the various parties' concern that the deal between the Debtor and Nevada PF is
14 somehow not the best possible deal for the Debtor's estate, creditors and employees, the Debtor and
15 Nevada PF have agreed that the purchase of the Debtor's equity shall be subject to overbid and
16 auction.

17 The Debtor proposes to add the following language to a further amended Disclosure
18 Statement and plan:

19 **Equity Interests of the Debtor**

20 Equity Holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor
21 and are classified here in Class 7. Upon the Effective Date of the Plan, all equity interests in the
22 Debtor will be eliminated and consequently, the Debtor's equity interest holders are conclusively
23 deemed to reject the Plan.

24 Subject to the allowance for overbidding as set forth herein, here, the New Equity Investor
25 (previously defined as Nevada PF) will receive the New Equity Interests in the Debtor (and all of the
26 Debtor's Assets including all claims, if any, against the Debtor's insiders) in exchange for
27 contributions (collectively, the "New Value Contribution") to the Debtor's estate as follows: (a) \$19
28 million in cash to fund the Plan including a \$3 million contribution to Class 6; (b) cause FS DIP's

1 approximately \$5.2 million secured claim to be contributed to the estate; and (c) offer all existing
2 members a free two year limited membership to the Reorganized Debtor (as set forth in Exhibit B to
3 the Disclosure Statement). It is currently estimated that the New Value will total approximately
4 \$24,275,000 (which includes the \$24 million set forth in the Debtor's First Amended Disclosure
5 Statement as well as an additional \$150,000 for the LVDF reserve and an additional \$125,000 to
6 fund solicitation to all 80,000 active members of the Debtor). In exchange for the New Value
7 Contribution, Nevada PF shall receive the New Equity Interests in the Reorganized Debtor, subject
8 to the allowance for overbidding as set forth herein.

9 In order to comply with the Bankruptcy Code and Ninth Circuit Court of Appeals case law,
10 the New Value Contribution must be: (1) new; (2) substantial; (3) money or money's worth; (4)
11 necessary for a successful reorganization; and (5) reasonably equivalent to the value of interest
12 received.

13 Here, the New Value Contribution satisfies these requirements because the New Value
14 Contribution to be submitted: (1) constitutes new contributions; (2) is substantial; (3) is money or
15 money's worth; (4) is necessary for a successful reorganization; and (5) is equal to or greater than
16 the value to be received.

17 **Overbidding**

18 On the Effective Date, the Reorganized Debtor shall issue the New Equity Interests to
19 Nevada PF pursuant to the terms set forth in the Plan. At the request of Nevada PF, and for tax
20 related purposes only and subject to an agreed upon tax purchase price allocation, it may be
21 necessary for New Equity Interests to initially be transferred to the old Equity Holders, with a
22 subsequent (and nearly simultaneous) transfer to Nevada PF in order to terminate the old Equity
23 Holders' interest in the S Corporation. For the avoidance of doubt, nothing set forth above would
24 change the treatments set forth in the Plan. The New Equity Interests to be issued to the New Equity
25 Investor will be issued without registration under the Securities Act or any similar federal, state or
26 local law in reliance upon the exemptions set forth in section 1145 of the Bankruptcy Code.

27 Pursuant to the Plan, the Debtor seeks to sell its equity in conjunction with the Plan
28 Confirmation process. Any proposed transaction respecting the sale of the Debtor's New Equity

1 Interests is subject to the prior approval of the Bankruptcy Court. Persons interested in acquiring
2 some or all of the New Equity Interests of the Debtor must submit a Qualifying Bid (as defined
3 herein) to the Debtor's counsel by 4:00 p.m., Prevailing Pacific Time, at least fourteen (14) Days
4 prior to the Confirmation Hearing (the "Initial Bid Deadline"), unless such date is extended in the
5 sole discretion of the Debtor and Nevada PF. The Confirmation Hearing will also serve as the
6 hearing to approve the sale of the New Equity Interests (the "Sale Hearing"). The transactions to be
7 implemented pursuant to the Plan are subject to a determination of the Debtor of which entity, or
8 entities, if any, has submitted the highest and best bid for the New Equity Interests/Assets.

9 A bid received by the Debtor for the New Equity Interests shall constitute a "Qualifying Bid"
10 if such bid includes the following, in form and substance reasonably satisfactory to the Debtor: (i) a
11 fully executed definitive purchase agreement for the New Equity Interests which sets forth all
12 material terms and conditions of the proposed acquisition including, without limitation, the New
13 Equity Interests to be acquired, liabilities to be assumed and proposed consideration to be paid by
14 the bidder, and such other terms as the bidder deems appropriate (the "Definitive Agreement), (ii)
15 evidence that the bidder has the necessary authorizations and approvals necessary to engage in the
16 transaction without the consent of any entity that has not already been obtained; (iii) a cashier's
17 check or wire transfer made payable in an amount equal to \$5 million (the "Deposit") and (iv)
18 evidence that the bidder can consummate the proposed transactions. Additionally, in order to
19 constitute a "Qualifying Bid", (i) the transaction proposed by the Definitive Agreement may not be
20 conditioned on the outcome of unperformed due diligence and (ii) the Definitive Agreement must
21 describe the bidder's intention with respect to Executory Contracts and/or Unexpired Leases of the
22 Debtor in order for the assumption, assignment and/or rejection of such Executory Contracts and
23 Unexpired Leases to be timely effectuated under the Plan. Finally, in order to be deemed a
24 "Qualifying Bid" the Definitive Agreement must be accompanied by a letter affirmatively: (i) setting
25 forth a full disclosure of the identity of the bidder (and any other person(s) subject to any agreement,
26 arrangement or understanding with such bidder in connection with the bid), the contact information
27 for such bidder and full disclosure of any affiliates or insiders of the Debtor involved in such bid; (ii)
28 stating that the bidder is prepared to purchase the business operations and New Equity Interests upon

1 the terms and conditions set forth its Definitive Agreement; (iii) summarizing the consideration
2 proposed under the Definitive Agreement (i.e., cash and assumed liabilities); (iv) stating the
3 aggregate value of the proposed consideration (which statement of value shall not be binding on the
4 Debtor or the Bankruptcy Court); and (v) stating the form of Deposit (i.e., cashier's check or cash)
5 made by the bidder.

6 Each Definitive Purchase Agreement shall provide for: (i) the allocation of certain expenses
7 in connection with the purchase of the Debtor's New Equity Interests, including but not limited to
8 real estate taxes, real property transfer taxes, recording and title fees, title insurance costs and other
9 similar expenses, and whether such expenses shall be paid by the bidder or Debtor; and (ii) any
10 specific due diligence period. The Debtor shall consider the allocation of these expenses and the
11 duration of the due diligence period when considering which bid is the highest and best offer. Each
12 Definitive Purchase Agreement, including the allocation of expenses associated with the transaction
13 and the duration of any due diligence period, shall be subject to approval by the Bankruptcy Court.
14 Within two (2) Business Days of each bidder's timely delivery of all required materials as detailed in
15 the preceding paragraph, the Debtor shall notify each bidder, in writing, as to whether its bid has
16 been deemed a Qualified Bid in accordance with bidding requirements listed herein. Each bidder
17 who submits a Qualified Bid shall be deemed a "Qualified Bidder". As indicated above, Nevada
18 PF's initial bid consists of the New Value Contribution.

19 The Confirmation Hearing shall also serve as an auction (the "Auction"), whereby Qualified
20 Bidders may submit subsequent bids for the New Equity Interests, provided (i) that the initial bid at
21 the Auction must exceed Nevada PF's bid by at least \$375,000.00,² (ii) each subsequent bid at the
22 Auction must exceed the previous bid by at least \$50,000.00 (the "Bidding Increment"), and (iii) any
23 Qualified Bidder which submits a subsequent bid at the Confirmation Hearing in excess of its
24 Qualifying Bid must provide evidence that it has the financial capability to purchase the New Equity
25 Interests at the new, higher purchase price as set forth in its subsequent bid. At the conclusion of
26

27 ² The \$375,000 initial overbid consists of: (a) a \$100,000 break up fee to Nevada PF; (b) estimated
28 expenses of Nevada PF related to the overbid process of approximately \$50,000; and (c) the
\$125,000 estimated costs of soliciting the Debtor's approximately 80,000 members (which Nevada
PF has agreed to pay in response to the various Objections).

1 Auction, the Bankruptcy Court (i) shall determine which bid constitutes the highest and best offer
2 and which bidder constitutes the winning bidder (respectively, the “Winning Bid” and the “Winning
3 Bidder”) and (ii) approve the Winning Bid at the Sale Hearing.

4 Promptly after the entry by the Bankruptcy Court of its order approving the sale of the New
5 Equity Interests, which may be the Confirmation Order, the Deposits submitted by all Qualified
6 Bidders (other than the bid of the Winning Bidder(s)) shall be returned to the respective Qualified
7 Bidders. The Deposit(s) of the Winning Bidder(s) shall be applied to the Cash portion of the
8 purchase price set forth in the Winning Bidder’s Definitive Agreement, as may be modified by the
9 Winning Bid. If a Winning Bidder fails to consummate the purchase contemplated under its
10 Definitive Agreement, as may be modified by the Winning Bid, and (i) such failure is the result of
11 the Winning Bidder’s breach of its Definitive Agreement and (ii) the Debtor has met all closing
12 conditions of the Winning Bidder’s Definitive Agreement, the Deposit of such Winning Bidder shall
13 be forfeited to the Debtor. Notwithstanding this forfeiture, the Debtor specifically reserves the right
14 to seek all available damages from any defaulting Winning Bidder.

15 Notwithstanding the foregoing, the Bankruptcy Court may hear any aspect of the proposed
16 sale of the New Equity Interests, including, controversies relating to any bidders’ due diligence and
17 to challenge any determination made in connection therewith. In the event the Winning Bidder does
18 not close on the purchase of the New Equity Interests as set forth in such Winning Bidder’s
19 Definitive Agreement, the Debtor shall next pursue a sale of the New Equity Interests to the
20 subsequent highest Qualified Bidders, until such time as the New Equity Interests are sold.

21 The Effective Date of the Plan shall not occur until the Winning Bidder closes on the New
22 Equity Interests and completes all obligations pursuant to the Definitive Purchase Agreement (as
23 approved by the Bankruptcy Court) including payment of the purchase price to the Debtor.

24 [End of Additional Proposed Language Regarding Auction]

25 The Debtor will also immediately begin to market the above proposal to known parties in
26 interest, including the approximately eight parties that the Debtor’s professionals have engaged with
27 post-petition regarding an equity investment or potential sale. The Debtor submits that the Auction
28

1 procedures set forth above address all concerns that the Debtor's Assets (including alleged insider
2 claims) have not been adequately marketed.

3 **II. The Debtor's Approximately 80,000 Active Members Will Receive Solicitation Packages**
4 **Via Email and the Ability to Vote Electronically**

5 In response to the Objections, Nevada PF has agreed to fund the approximately \$125,000
6 cost to the estate to send the Solicitation Package with an electronic ballot to the Debtor's
7 approximately 80,000 "active" members who have spent money with the Debtor. With respect to the
8 Debtor's "inactive" members, these are members who have not spent money directly with the Debtor
9 (i.e., they would have a difficult time proving any claim against the estate as they have no written
10 agreement with the Debtor, and they have not spent money with the Debtor). Therefore, the Debtor
11 does not believe under any circumstance that the "inactive" members are entitled to vote (though the
12 Debtor does intend on serving them via email with the Confirmation Hearing Notice as set forth in
13 the Procedures Motion).

14 With respect to the 80,000 "active" members, while the Debtor is not sure if these parties
15 would be able to successfully assert a claim against the estate (since many of them have been
16 provided many years of expensive services and training – the value of which far exceeds what they
17 have paid for their memberships), given the concerns of the US Trustee and the Committee in their
18 respective Objections, the Debtor and Nevada PF agreed to send the Solicitation Package to such
19 members, and as noted above, Nevada PF has agreed to fund this costly endeavor.

20
21 **III. LVDF Treatment and Reserve**

22 In the current plan and Disclosure Statement, the plan treatment for LVDF states that LVDF
23 retains its existing lien in the Front Sight Property. This was an error. LVDF will not retain any
24 lien(s) in the Front Sight Property as its lien will attach to the cash reserve to be maintained by
25 Stretto as of the Effective Date pending resolution of LVDF's disputed claim. In the Disclosure
26 Statement, the cash reserve for LVDF was to be equal to the amount of LVDF's claim, or
27 \$11,655,706.01. After discussions between LVDF and Nevada PF, Nevada PF has agreed to
28 increase the LVDF reserve to \$11,805,706.01 (or an additional \$150,000 on account of any increase

1 in attorneys' fees and interest from the date LVDF filed its claim).

2 The Debtor agrees with LVDF to the extent that it has asserted in the LVDF Objection that
3 LVDF is impaired due to the Debtor rejecting all EB-5 requirements. The Debtor will amend the
4 Disclosure Statement to reflect that LVDF is entitled to vote.

5 The Debtor disputes LVDF's recitation of events leading to the Debtor's bankruptcy filing
6 and does not think that LVDF has any standing or right to alter the Debtor's description of facts.
7 The Debtor is willing to add to its description of its history with LVDF that LVDF disputes the
8 Debtor's version of events.

9 **IV. Investigation of Insider Claims**

10 The Debtor agrees to add the following language to the Disclosure Statement:

11 In connection with its investigation of insider claims, the Debtor's financial advisor
12 prepared a detailed analysis which shows that in the four year period from before the Petition
13 Date (i.e., 5/24/2018 through 5/24/2022), the Debtor's insiders contributed over \$2 million
14 more to the Debtor than the amount that was distributed to them. While the Debtor's records
15 reflect that insider transfers occurred in the three years before that (i.e., 5/24/2015 through
16 5/23/2018), the Debtor's records also reflect that the Debtor was solvent at the time and that
17 significant income taxes were paid on the Debtor's profits from those distributions (i.e., \$1.3
18 million for the period from 5/24/2015 through 5/23/2016, \$4.9 million for the period
19 5/24/2016 through 5/23/2017 and \$2.5 million for the period from 5/24/2017 through
20 5/23/2018). Given the Debtor's solvency, profitability and the large amount of income tax
21 paid related thereto, the Debtor believes that any fraudulent transfer action initiated against
22 its insiders would be costly and ineffective.

23 The Debtor's financial advisor provided the Committee's financial advisor with its
24 detailed four year insider transfer analysis on June 20, 2022, and shortly thereafter the
25 Debtor's financial advisor and the Committee's financial advisor had an initial phone
26 conference. Neither the Committee nor its professionals contacted the Debtor's professionals
27 about any follow up questions related thereto until approximately two months later when
28 they requested the analysis be extended back another two years. The Debtor's financial

1 advisor and the Debtor's bankruptcy counsel have immediately responded to all document
2 and information requests from the Committee's professionals. The Debtor does not know
3 when or if the Committee will complete its investigation. To date, the Committee's
4 professionals have not provided the Debtor's professionals with any analysis of alleged
5 claims that the Committee believes exist.

6 **V. Service of Claim Bar Date Notice**

7 Despite the misstatements made in various Objections, the Debtor had all creditors, members
8 (active and inactive) and parties in interest served with a claim bar date notice and the notice of
9 chapter 11 filing [ECF No. 86] (which includes the claim bar date). See, Certificate of Service [ECF
10 No. 1.2] which states, among other things, that Stretto served a Notice of Bar Date for Filing Proofs
11 of Claims, The Notice of Chapter 11 Bankruptcy Case, Official Form 410 Proof of Claim and
12 Official Form 410 Instructions for Proof of Claim on: (a) 257,239 parties via email (which includes
13 all active and inactive members) on June 2, 2022; (b) 6,941 parties via first-class mail (which
14 included active and inactive members where the debtor did not have emails); and (c) on all
15 scheduled creditors, 2002 parties and parties requesting notice via first class mail and via email. In
16 other words, every creditor, member and party in interest has received actual notice of the Debtor's
17 bankruptcy filing and a proof of claim form.

18 In connection with termination of its memberships, the Debtor agrees to send an additional
19 notice which contains rejection language and instructions on filing a proof of claim.

20 **VI. Claim Analysis**

21 The Debtor proposes to add the following language regarding how the Debtor estimated
22 claims:

23 The Debtor served over 257,000 members, creditors and parties in interest with a
24 notice of claim bar date and proof of claim form. See, ECF No. 102. As of September 27,
25 2022, 334 proofs of claim have been filed. I.e., 0.13% of noticed parties have filed a proof of
26 claim in this case. In August of 2022, the Debtor conducted a survey of over 240,000
27 members, of which less than 4.5% responded. Therefore, the Debtor's professionals
28 estimated that it is unlikely that a large number of members would suddenly respond to an

1 additional claim bar date notice.

2 The Debtor scheduled general unsecured claims in the amount of \$6,884,698 [ECF
3 No. 137]. To date, over a billion dollars in general unsecured claims have been filed in this
4 case. However, \$1.12 billion of that amount was filed by one disputed creditor, Kenneth E.
5 Johnson [Claim No. 238], when Mr. Johnson has spent a total amount of \$14,860 for his
6 membership and membership upgrades (i.e., Mr. Johnson's maximum possible claim amount
7 against the Debtor is \$14,860). The next five largest disputed creditors filed claims for \$94
8 million while collectively only spending approximately \$20,000 with the Debtor (i.e., the
9 Debtor's maximum liability related to \$94 million in claims is \$20,000). Other member
10 creditors have also filed claims that are not tethered to reality as they are many multiples of
11 amounts actually spent by such member creditor, and the Debtor intends on objecting to such
12 claims. See, Exhibit A to the Disclosure Statement. Based on the number and amount of
13 proofs of claim filed to date, the Debtor's professionals estimated that general unsecured
14 claims would likely be at least \$10 million and up to \$30 million. The bar date for all
15 creditors other than members has passed.

16 The Debtor has provided hundreds of millions of dollars in services to its members,
17 and most, if not all, members have received services far in excess of their respective
18 membership fee. I.e., most members have received their "money's worth" in services from
19 the Debtor already. With respect to the other members, the Debtor will likely not object to
20 their claims that arise out of money actually spent by such member creditor for their
21 membership and member benefit.

22 **VII. Dr. Ignatius Piazza**

23 In its Objection, the Committee alleges that Dr. Piazza "stands to retain substantial value
24 under the plan" but this is not true. As set forth in the Disclosure Statement, Dr. Piazza and the
25 Debtor's other insiders (a) are not retaining any equity in the Reorganized Debtor, and (b) waive
26 their claims against the Debtor (and are therefore not receiving any value thereon).

27 With respect to the Consulting Agreement, it will be included in the Plan Supplement, which
28 will be filed ten (10) days before the Confirmation Hearing. As set forth in Section IV.D.3 of the

1 Disclosure Statement, Dr. Piazza will not hold a management position with the Reorganized Debtor
2 but will, among other things, assist with marketing, prosecuting objections to claims and certain
3 Causes of Action and will enter into a Consulting Agreement related thereto.

4 **VIII. Feasibility**

5 The Debtor does not have financial projections for the Reorganized Debtor and the New
6 Equity Investor is fully funding the plan on the Effective Date. Furthermore, the New Equity
7 Investor will fund the Reorganized Debtor's ongoing business operations if necessary.

8 **IX. The Meacher Objection**

9 In the Disclosure Statement, the Debtor proposes to set aside \$3.3 million in a reserve
10 account maintained by Stretto pending resolution of the Debtor's objection to claim / complaint
11 against Meacher, which the Debtor intends to file shortly. Irrespective of how the Debtor values
12 Meacher's alleged collateral, there will be a \$3.3 million reserve from which any allowed secured
13 claim by Meacher will be paid in full. Does Meacher want less of a reserve?

14 **X. The UST Objection**

15 The Debtor agrees with the US Trustee that quarterly fees do not require the filing of a claim
16 or motion. The Debtor or the Reorganized Debtor will pay any quarterly fees due to the US Trustee.

17 In the UST Objection, the US Trustee states that "Through the Notice/Bar Date Order,
18 membership holders who were not listed as creditors were told they did not have to file proofs of
19 claim." This is not true. Over 257,000 members, creditors and parties in interest were served with
20 the bar date notice and the Notice of Chapter 11 Filing (see, ECF No. 102). Attached hereto as
21 **Exhibit 2** is a true and correct copy of the bar date notice that was served on all parties in interest,
22 creditors and members. Members were not "told they did not have to file proofs of claim."

23 The Debtor will add additional language to the risk factors as set forth in Paragraph 43 of the
24 UST Objection.

25 The Debtor does not believe that there is an error in the Liquidation Analysis Chart.

26 **XI. The Committee Objection**

27 The Debtor has attempted to work consensually with the Committee throughout this case and
28 was disappointed by the tone of the Committee Objection, and by the Committee's attempt to deflect

1 from its own failure to complete its insider investigation(s) in a timely manner.

2 The Debtor believes that most, if not all, of the Committee's concerns are addressed
3 throughout this Reply. However, the Debtor notes that the treatment of its mechanic lien creditors is
4 the same as it was in the Debtor's original disclosure statement [ECF No. 271], and that the Debtor
5 did not structure the proposed treatment in bad faith. In fact, the Debtor did just the opposite and
6 acted in good faith in an attempt to negotiate up front payments for most of its creditors.

7 To reiterate, if the Debtor is unable to obtain Court approval of the Disclosure Statement at
8 the September 30, 2022 hearing because the Committee has failed to negotiate with the Debtor, its
9 insiders (based on unarticulated and unsubstantiated insider claims) and Nevada PF, the Debtor will
10 not be able to meet the plan confirmation deadlines in the DIP financing order and will be required
11 to move forward with a 363 sale with the \$19 million stalking horse agreement [ECF No. 150].

12 **XII. CONCLUSION**

13 Based on the foregoing, and for the reasons set forth above, the Debtor respectfully requests
14 that the Court approve the Disclosure Statement and grant the Procedures Motion as modified by
15 this Reply.

16 DATED: September 27, 2022

BG Law LLP

17 By: /s/ Susan K. Seflin

Susan K. Seflin

18 Attorneys for Chapter 11 Debtor
19 and Plan Proponent

Susan K. Seflin

From: ignatius@frontsight.com
Sent: Tuesday, August 23, 2022 10:26 AM
To: Susan K. Seflin
Subject: Your "Yes" of "No" Answer will Determine the Future and Fate of Front Sight... Read and Respond Immediately

CAUTION: This email originated from an external source.



Your "Yes" or "No" Answer Determines the Fate of Front Sight...



Dr. Ignatius Piazza

YOUR "YES" OR "NO" ANSWER ON THE SIMPLE FORM BELOW DETERMINES THE FATE OF FRONT SIGHT, YOUR MEMBERSHIPS, AND YOUR MEMBERSHIP BENEFITS MOVING FORWARD.

READ AND RESPOND TRUTHFULLY AND IMMEDIATELY.

WE HAVE NO TIME LEFT.

FRONT SIGHT NEEDS TO KNOW WHERE YOU STAND...

Monday, August 22, 2022

Dear Front Sight Member,

As you know, as part of the company's Chapter 11 Reorganization, I have continued to fight to protect your membership, your family members' memberships and Front Sight as a whole to avoid the foreclosure action that was wrongfully filed against Front Sight. Make no mistake, had the company not filed bankruptcy to avoid the wrongful foreclosure, you would have lost your memberships and all assets in your membership accounts (and Front Sight would have gone out of business).

I want you to know that once Front Sight filed the formal reorganization, numerous entities approached the company with offers to purchase Front Sight and/or to make a substantial equity investment in Front Sight. While these offers would make

it easier for the company to reorganize and some of them would result in a benefit to me personally, so far these offers are BAD for YOU, my loyal and supportive members and staff.

If the company were to proceed with these offers, it is almost certain that you would NOT retain your TBD Memberships, Certificates, Credits, Patronage Points, Front Sight Bucks or Front Sight Coins (in addition to new membership rates, etc.). There was also no guarantee that Front Sight's purpose to positively change the image of gun ownership by training private citizens to levels that far exceed law enforcement and military standards would remain. There was no guarantee that the great staff we have created at Front Sight, and Brad Ackman as your Operations Manager, would remain in place.

These offers have placed the company in a double bind -- meaning, at some point Front Sight may have to accept one of these offers if it turns out that the offer is in the best interests of creditors (even if the offer is not in the best interests of members). There are lots of bankruptcy rules that govern what the company's obligations are. Front Sight and I are attempting to navigate this reorganization in a way that is beneficial for creditors and for YOU, Front Sight's loyal and supportive members.

In order to comply with my fiduciary duty in this bankruptcy case, it would really help Front Sight if I can get feedback from YOU regarding whether or not you will remain an active member of Front Sight under new terms. In other words, if I know that Front Sight will have a certain and significant number of active members after bankruptcy, then it is much more likely that the company can structure a reorganization plan that is as beneficial for creditors as the offers I have received, but that is significantly more beneficial for YOU. The company is under a very tight time line so it is imperative that I receive a response from you IMMEDIATELY.

To say this Chapter 11 Reorganization process is expensive, complicated, extremely fluid, and dangerously uncertain is one of the biggest understatements you will ever read.

I am writing to you TODAY because I am at a personal crossroads in making a decision, an extremely important decision on what to do, and only YOU can help me in making the decision.

My request of you is really quite simple. Your immediate response and the decision YOU make will dictate the decision that the company will be required to make in order to meet its fiduciary obligations as a Chapter 11 Debtor in bankruptcy.

I only have a few days to make the decision so I need your truthful response IMMEDIATELY. The future of your membership with Front Sight as you have known it is at stake. This is not an exaggeration.

Here is what I am asking:

IF, through the bankruptcy, YOU RETAIN THE FOLLOWING MEMBERSHIP BENEFITS:

- Your membership and ability to attend Front Sight firearms training courses, (but Front Sight Alaska courses, Empty Hand/ Edged Weapons courses, Child/Youth Safety courses, Ropes courses are removed)
- All your TBD Memberships, but they are all converted to Patriot Memberships
- All your TBD Certificates, but they are converted to 2Day/4Day Defensive Handgun, Tactical Shotgun, Practical Rifle certificates good for a student's first course only
- All your Front Sight Credits, Patronage Points, Front Sight Bucks, and Front Sight Coins, but must use them for 50% toward any personal purchases in the pro shop, ammo bunker, armory, for food and beverage, background checks and memberships transfer fees (should you choose to pay a new member's transfer fee)
- Your ability to will your membership, and your account assets, to a deserving heir on your passing
- Receive credit for gun or gear bonuses from your purchases

- If you are a Champion Club Member, you will be paid back over time

IF the company provides what is listed above, WILL YOU agree to move forward with Front Sight, as an active member of Front Sight by agreeing to pay the following:

- Annual Membership Maintenance Fee of \$500 for the Head of Household who wants to remain an active member of Front Sight
- \$100 Annual Membership Maintenance Fee for Spouse of Head of Household who wants to remain an active member
- \$100 Annual Membership Maintenance Fee for each Child of Head of Household under the age of 25, who want to remain active members
- \$100 per person, Daily Fee per course day attended
- \$100 per day per person Private Training Fee for Platinum Members and Platinum Guests (includes Daily Fee)
- \$400 per day, per person Private Training Fee for Knight Members and Knight Guests (includes Daily Fee)
- \$600 per day, per person Private Training Fee for Founder Members and Founder Guests (includes Daily Fee)
- \$800 per day, per person Private Training Fee for Legacy Members and Legacy Guests (includes Daily Fee)
- \$1,000 per day, per person Private Training Fee for Patriot Members and Patriot Guests (includes Daily Fee)

Front Sight needs a YES or NO answer IMMEDIATELY in order to make very difficult and extremely important decisions regarding the future of Front Sight.

Meaning, "YES Dr. Piazza, I understand that there will be new fees but I am willing to pay them to keep the above-mentioned member benefits; to keep Front Sight's employees employed; to keep Front Sight in business; and to continue to participate in Front Sight's purpose to restore the Second Amendment by positively changing the image of gun ownership, through training responsible citizens to levels that far exceed law enforcement and military standards."

Or "NO Dr. Piazza, I am not willing to support the changes you have listed above. I understand that without my support and the support of a significant number of the members to the changes proposed above, it is likely that Front Sight will have no option but to accept a purchase or equity participation offer that provides for very little, if any, benefit to members and will likely result in the termination of all memberships and member benefits."

I am sorry it has come to this. As you know, I have fought for over four years to protect your membership, your family members' memberships and Front Sight as a whole. As I stated above, our Chapter 11 Reorganization process is expensive, complicated, extremely fluid, and dangerously uncertain. However, it has now come down to a "YES" or "NO" from YOU and your fellow members that will dictate the future of Front Sight. Without your support and the support of a significant number of the members to the changes required, it is likely that Front Sight will have no option but to accept an offer that provides for very little, if any, benefit to members and will likely result in the termination of all memberships and member benefits.

As you must now understand, this is a simple request, but EXTREMELY important and I need to know your truthful answer IMMEDIATELY in order to make the proper decision.

Please complete the Simple, Secure "Yes" or "No" Form below. Please do it TODAY.

[Secure, Online "Yes" or "No" Response Form](#)

First Name:*

Last Name:*

Membership Type:* (Current)

Membership Number:* (Including words/letters)

Email Address:

YES or NO:

- YES Dr. Piazza I support the changes listed above and will move forward with Front Sight.
- NO Dr. Piazza, I do not support the changes listed above and understand that it is almost certain that Front Sight will be required to accept an offer or partner that will provide for very little, if any, benefit to members and will likely result in the termination of all memberships and member benefits.

In completing this form, I am also representing Additional Members who would fall under the category of Spouse or Children under the age of 25.

Enter the information above and press the **Submit** button to submit your response securely.

*** Required**

Thank you in advance for your immediate response and your continued loyal support of the greatest firearms training institute in the world.

Sincerely,

Dr. Ignatius Piazza
Founder and Director
Front Sight Firearms Training Institute
#1 Front Sight Road
Pahrump, NV 89061
<https://www.frontsight.com>
info@frontsight.com
1.800.987.7719

1 STEVEN T. GUBNER – NV Bar No. 4624
SUSAN K. SEFLIN – CA Bar No. 213865 – *Pro Hac Vice* Pending
2 JESSICA WELLINGTON – CA Bar No. 324477 - *Pro Hac Vice* Pending
BG LAW LLP
3 300 S. 4th Street, Suite 1550
Las Vegas, NV 89101
4 Telephone: (702) 835-0800
Facsimile: (866) 995-0215
5 Email: ssubner@bg.law
sseflin@bg.law
6 jwellington@bg.law

7 Proposed Attorneys for Chapter 11 Debtor
and Debtor in Possession

8 **UNITED STATES BANKRUPTCY COURT**
9 **DISTRICT OF NEVADA**

<p>11</p> <p>12 In re</p> <p>13 Front Sight Management LLC,</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p>	<p>Case No. 22-11824-abl</p> <p>Chapter 11</p>
---	--

18 **NOTICE OF BAR DATE FOR FILING PROOFS OF CLAIMS**

19 **TO ALL PERSONS AND ENTITIES WITH CLAIMS AGAINST FRONT SIGHT**
20 **MANAGEMENT, LLC:**

21 Please take notice that, on June 2, 2022, the United States Bankruptcy Court for the District
22 of Nevada (the “Court”), having jurisdiction over the chapter 11 case of Front Sight Management
23 LLC (“Debtor”) entered an order [ECF No. 82] (the “Bar Date Order”) establishing (i) **August 8,**
24 **2022 at 11:59 p.m. (Pacific Time)** as the last date and time for each person or entity (including,
25 without limitation, individuals, partnerships, corporations, joint ventures, and trusts) to file a proof of
26 claim (“Proof of Claim”) based on prepetition claims against the Debtor (the “General Bar Date”);
27 and (ii) **October 8, 2022 at 11:59 p.m. (Pacific Time)** as the last date and time for each
28 governmental unit (as defined in section 101(27) of the Bankruptcy Code) to file a Proof of Claim
based on prepetition claims against Debtor (the “Governmental Bar Date” and, together with the
General Bar Date, the “Bar Dates”). The Bar Date Order, the Bar Dates, and the procedures set forth
below for the filing of Proofs of Claim apply to all claims against Debtor (other than those set forth

below as being specifically excluded) that arose prior to May 24, 2022, the date on which Debtor commenced its case under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”).

1. WHO MUST FILE A PROOF OF CLAIM

You MUST file a Proof of Claim to share in any distribution by Debtor if you have a claim that occurred prior to May 24, 2022, and it is not one of the other types of claims described in Section 2 below. Acts or omissions of Debtor that arose before May 24, 2022 may give rise to claims against Debtor that must be filed by the applicable Bar Date, notwithstanding that such claims may not have matured or become fixed or liquidated or certain prior to May 24, 2022. Pursuant to section 101(5) of the Bankruptcy Code and as used in this Notice, the word “claim” means: (a) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. Further, claims include unsecured claims, secured claims, and priority claims.

2. WHO NEED NOT FILE A PROOF OF CLAIM

You need *not* file a Proof of Claim if:

- a. any person or entity whose claim is listed on the Debtor’s Schedules D, E and/or F (the “Schedules”) and (i) whose claim is not described thereon as “disputed,” “contingent,” or “unliquidated,” (ii) who does not dispute the amount or classification of the claim set forth in the Schedules, and (iii) who does not dispute that the claim is an obligation of the Debtor against which the claim is listed on the Schedules;
- b. any person or entity whose claim has been paid in full;
- c. any person or entity that holds an interest in Debtor, which interest is based exclusively upon the ownership of common or preferred stock, membership interests, partnership interests, or warrants or rights to purchase, sell or subscribe to such a security or interest; provided, however, that interest holders that wish to assert claims (as opposed to ownership interests) against the Debtor that arise out of or relate to the ownership or purchase of an interest, including claims arising out of or relating to the sale, issuance, or distribution of the interest, must file Proofs of Claim on or before the applicable Bar Date, unless another exception identified herein applies;
- d. any holder of a claim allowable under sections 503(b) and 507(a)(2) of the Bankruptcy Code as an administrative expense (other than a holder of a 503(b)(9) Claim);
- e. any person or entity that holds a claim that has been allowed by an order of this Court entered on or before the applicable Bar Date;
- f. any holder of a claim for which a separate deadline is fixed by this Court;

- 1 g. any holder of a claim who has already properly filed a Proof of Claim with the Clerk
2 of the Court against Debtor, utilizing a claim form which substantially conforms to
3 the Proof of Claim Form or Official Form 410; or
4 h. any person or entity that relies on the Schedules has the responsibility to determine
5 that the claim is accurately listed in the Schedules.

6 **YOU SHOULD NOT FILE A PROOF OF CLAIM IF YOU DO NOT HAVE A CLAIM**
7 **AGAINST DEBTOR. THE FACT THAT YOU HAVE RECEIVED THIS NOTICE DOES**
8 **NOT MEAN THAT YOU HAVE A CLAIM OR THAT DEBTOR OR THE COURT**
9 **BELIEVE THAT YOU HAVE A CLAIM.**

10 **3. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

11 If you hold a claim arising from the rejection of an executory contract or unexpired lease,
12 you must file a Proof of Claim based on such rejection by the later of (i) the applicable Bar Date, and
13 (ii) the date which is thirty days following the entry of the order approving such rejection or you will
14 be forever barred from doing so. Notwithstanding the foregoing, if you are a party to an executory
15 contract or unexpired lease and you wish to assert a claim on account of unpaid amounts accrued and
16 outstanding as of May 24, 2022 pursuant to that executory contract or unexpired lease (other than a
17 rejection damages claim), you must file a Proof of Claim for such amounts on or before the
18 applicable Bar Date unless an exception identified above applies.

19 **4. WHEN AND WHERE TO FILE**

20 All Proofs of Claim must be filed so as to be actually received on or before the applicable
21 Bar Date at the following address:

22 If sent by first class mail, overnight mail, or hand-delivery:

23 Front Sight Claims Processing
24 c/o Stretto
25 410 Exchange, Suite 100
26 Irvine, CA 92602

27 If filed electronically:

28 <https://ecf.nvb.uscourts.gov/cgi-bin/autoFilingClaims.pl>

Proofs of Claim will be deemed timely filed only if actually received by the Debtor's
Noticing and Claims Agent, Stretto, on or before the applicable Bar Date.

5. WHAT TO FILE.

If you file a Proof of Claim, your filed Proof of Claim must: (i) be written in the English
language; (ii) be denominated in lawful currency of the United States; (iii) conform substantially to
Official Bankruptcy Form No. 410; (iv) set forth with specificity the legal and factual basis for the
alleged claim; (v) include supporting documentation or an explanation as to why such

documentation is not available; and (vi) be signed by the claimant or, if the claimant is not an individual, by an authorized agent of the claimant.

6. CONSEQUENCES OF FAILURE TO FILE A PROOF OF CLAIM BY THE APPLICABLE BAR DATE

Except with respect to claims of the type set forth in Section 2 above, any creditor who fails to file a Proof of Claim on or before the applicable Bar Date in the appropriate form in accordance with the procedures described in this Notice for any claim such creditor holds or wishes to assert against Debtor, will be forever barred, estopped and enjoined from asserting the claim against Debtor and its estate (or filing a Proof of Claim with respect to the claim), and Debtor and its estate, successors, and property will be forever discharged from any and all indebtedness or liability with respect to the claim, and the holder will not be permitted to participate in any distribution in Debtor’s Chapter 11 Case on account of the claim, or receive further notices with respect to the Chapter 11 Case.

If you have any questions relating to this Notice, please feel free to contact Jessica Wellington by e-mail at jwellington@bg.law or the Debtor’s Noticing and Claims Agent, Stretto, at (855) 553-9468 (toll-free) or (949) 271-6489 (international) or by email at TeamFrontSight@stretto.com

YOU SHOULD CONSULT AN ATTORNEY IF YOU HAVE ANY OTHER QUESTIONS, INCLUDING WHETHER YOU SHOULD FILE A PROOF OF CLAIM.

DATED: June 2, 2022

BG LAW LLP

By: /s/ Susan K. Seflin
Steven T. Gubner
Susan K. Seflin
Jessica Wellington
300 S. 4th Street, Suite 1550
Las Vegas, NV 89101
Proposed Attorneys for Chapter 11
Debtor and Debtor in Possession