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8
9 **IN THE UNITED STATES BANKRUPTCY COURT**
10 **FOR THE DISTRICT OF ARIZONA**

11 In re:	Case No. 4:09-bk-27946
12 Arizona Equipment Rental I, LLC,	Chapter 11
13 14 Debtor.	Hearing Date: Hearing Time:

15
16 **DISCLOSURE STATEMENT IN SUPPORT OF PLAN OF REORGANIZATION**
17 **FILED BY ARIZONA EQUIPMENT RENTAL I, LLC**
18 **DATED DECEMBER 4, 2009**
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I.
INTRODUCTION

Pursuant to 11 U.S.C. § 1125, Arizona Equipment Rental I, LLC (“AER” or the “Debtor”), the debtor in the above-referenced bankruptcy case, hereby submits its *Disclosure Statement in Support of Plan of Reorganization Filed by Arizona Equipment Rental I, LLC*, dated December 4, 2009 (the “Disclosure Statement”). The purpose of this Disclosure Statement is to provide adequate information to the holders of claims or interests in this matter so that they may make an informed judgment in exercising their right to vote for acceptance or rejection of the *Plan of Reorganization Filed by Arizona Equipment Rental I, LLC dated December 4, 2009* (the “Plan”), a copy of which is attached as Exhibit “A”. **THE DEBTOR RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN IN ORDER TO MAXIMIZE THE RECOVERY OF YOUR CLAIM.**

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

II.
OVERVIEW OF CHAPTER 11

A. Information Regarding the Plan and Disclosure Statement.

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

The purpose of this Disclosure Statement is to provide sufficient information about the Debtor and the Plan to enable you to make an informed decision in exercising your right to accept or reject the Plan. Therefore, this Disclosure Statement provides relevant information about the Debtor, its property and financial condition, and the Plan.

This Disclosure Statement will be used to solicit acceptances of the Plan only after the Bankruptcy Court has entered an order approving this Disclosure Statement. Approval by the Bankruptcy Court of this Disclosure Statement means only that the Bankruptcy Court has found that this Disclosure Statement contains sufficient information for the Debtor to transmit the Plan and Disclosure Statement to Creditors and to solicit acceptances of the Plan.

1 After the Bankruptcy Court has granted approval of this Disclosure Statement and there
2 has been voting on the Plan, the Bankruptcy Court will conduct a Confirmation Hearing
3 concerning whether the Plan should be approved. At the Confirmation Hearing, the Bankruptcy
4 Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code.
5 The Bankruptcy Court also will receive and consider a ballot report prepared by the Debtor that
6 will present a tally of the votes accepting or rejecting the Plan cast by those entitled to vote.
7 Accordingly, all votes are important because they can determine whether the Plan will be
8 confirmed. Once confirmed, the Plan is essentially a new contract between the Debtor and its
9 Creditors and is binding on all Creditors and other parties-in-interest in the Debtor's Bankruptcy
10 Case regardless of whether any particular Creditor voted to accept the Plan.

11 **THIS DISCLOSURE STATEMENT IS NOT THE PLAN.
12 FOR THE CONVENIENCE OF CREDITORS AND
13 HOLDERS OF EQUITY INTERESTS, THE PLAN IS
14 SUMMARIZED IN THIS DISCLOSURE STATEMENT.
15 ALL SUMMARIES ARE QUALIFIED IN THEIR
16 ENTIRETY BY THE PLAN ITSELF. IN THE EVENT OF
17 ANY INCONSISTENCY BETWEEN THIS DISCLOSURE
18 STATEMENT AND THE PLAN, THE PLAN WILL
19 CONTROL.**

20 **B. Representations.**

21 This Disclosure Statement has not been subjected to a certified audit; however, it has been
22 prepared in part from information compiled by the Debtor from records maintained by it in the
ordinary course of its business or from information received by the Debtor from third parties.
Every effort has been made to be as accurate as possible in the preparation of this Disclosure
Statement. Nevertheless, the inclusion of financial information in this Disclosure Statement and
exhibits is subject to adjustment, and the Debtor reserves all rights to object to or challenge any
Claims that are filed or asserted in the Case.

This is a solicitation by the Debtor only and is not a solicitation by its attorneys, agents,
financial advisors, or accountants.

III.
BACKGROUND & EVENTS LEADING TO FILING

Arizona Equipment Rental I, LLC ("AER") is an Arizona limited liability company
operating in Tucson, Thatcher, Miami, and Eloy, Arizona. AER was founded by Lance Evic and
Jeffrey Bleecker in 2004 as a Volvo Rents franchise construction equipment rental company
serving Arizona. AER is headquartered in Tucson, Arizona, and currently employs approximately
30 employees. Lance Evic possesses an extensive career background in the rental industry, with
over 25 years work experience. Prior to getting involved with AER, Jeffrey Bleecker owned a
local manufacturing business for 17 years.

AER experienced very rapid growth during the first 3 years of operation. Starting with a
fleet of approximately \$3.5MM in April of 2004, AER grew to a fleet of over \$30MM as of July

1 31, 2008. AER exceeded projected performance, as measured by its initial business plan, and
2 became profitable by month 6 of operation. By the end of the second year of operations, AER had
opened a second store and posted profits of well over \$1MM.

3 AER's successful business philosophy consists of several basic principles: (i) create a
4 business culture and environment to attract and retain the best performing professionals in the
5 market; and (ii) create a business atmosphere of excellence whereby company culture is based on
6 a desire to achieve a higher standard of service, provide better, newer equipment and have a more
extensive fleet than the competition. AER seeks to attract and retain business relationships with
A-level contractors in the community by surpassing competitors' offerings and exceeding the
expectations of customers. AER strives to set itself apart from all competitors in the marketplace
in critical areas including reliable equipment and selection, as well as friendly, responsive service.

7 In the fall of 2008, AER experienced a severe reduction in revenues due to the rapid and
8 dramatic slow down of construction and mining activity in the State of Arizona. This decreased
9 demand has resulted in severely reduced time utilization of equipment, as well as a sharp cut in
10 rental rates. Overall revenues since the Fall of 2008 have fallen by more than sixty percent (60%).
AER is seeking to effectuate a financial restructuring with its lenders in order to return to
profitability. For the year ending 2008, Debtor had total revenue less equipment sales of
\$14,339,928 and generated a net profit of \$1,625,956 based on the unaudited financial statements
of the company.

11 Volvo Financial Services ("Volvo") is the Debtor's largest secured creditor. As of October
12 1, 2009, Volvo claimed that the Debtor owed approximately \$9,817,037.25. The Volvo Loan
includes a master loan and security agreement, with separate notes for each piece of equipment
that is financed.

13 JLG Finance ("JLG") is also a secured creditor of Debtor, and has acquired various loans
14 from other secured lenders of Debtor. Pursuant to these various loan and security agreements,
JLG claims a secured interest in some of the equipment, receivables, cash, and other assets of the
Debtor's business. As of October 1, 2009, JLG claimed that the Debtor owed approximately
15 \$1,483,929.04 pursuant to the Wells Fargo loan agreement; approximately \$1,065,370.63 pursuant
to the US Bancorp loan agreement; and approximately \$479,400 pursuant to the GE
16 Capital/Ingersoll Rand loan agreement.

17 GE Commercial Distribution Finance ("GE CDF"), John Deere Credit ("JDC"), CNH
18 Capital ("CNH"), Huntington Equipment Finance ("Huntington") and Komatsu Financial Limited
Partnership ("Komatsu") are also secured creditors of Debtor, and each claim a secured interest in
19 some of the equipment, receivables, cash, and/or other assets of the Debtor's business. As of the
Petition Date, GE CDF claims that the Debtor owed approximately \$1,575,125.26; JDC claims
20 that over \$330,000 was owed; and Komatsu claims that approximately \$147,539.14 was owed.
The CNH loan agreement was purportedly transferred to PNCEF, LLC ("PNC"), and PNC claims
that the Debtor owes approximately \$125,728.80.

21 In addition, Debtor entered into lease agreements with People's Capital, National City
22 Commercial Capital, and Siemens Financial Services, Inc. Debtor will either assume or reject
those leases by January 4, 2010.

1 Over the course of the 2009 year, AER attempted to negotiate with its secured lenders to
2 obtain modified loan terms that would allow AER to continue to maintain profitable business
3 operations. Unable to reach agreements with many of its secured lenders and lessors, AER filed
4 the instant bankruptcy case on October 30, 2009 to assist the Debtor with restructuring certain
liabilities and maximizing its assets, so that the Debtor's business and cash flow can normalize
and continue to be profitable. Debtor has continued to provide equipment rentals and services to
its existing and future customers during the pendency of these proceedings.

5 **IV.**
POST-PETITION PROCEEDINGS AND EVENTS

6 **A. Summary of Key Events Related to the Bankruptcy Case.**

7 While more detailed information related to the events in the Bankruptcy Case can be
8 obtained by assessing the Bankruptcy Court's CM/ECF filing system and reviewing the pleadings
9 filed in Case No. 4:09-bk-27946-EWH, the following is a summary of certain key bankruptcy-
10 related proceedings and events associated with this Bankruptcy Case:

11 **1. Filing of Bankruptcy Petition.** On October 30, 2009 (the "Petition Date"), AER
12 filed a voluntary Chapter 11 bankruptcy petition with the United States Bankruptcy Court for the
13 District of Arizona. This bankruptcy case is currently being administered under Bankruptcy Case
14 No. 4:09-bk-27946-EWH.

15 **2. Retention of Professionals.** On October 30, 2009, the Debtor filed the *Application*
16 *for an Order Under 11 U.S.C. § 327(A) Authorizing the Employment of Gallagher & Kennedy,*
17 *P.A. as General Counsel to the Debtor* (Docket no. 2) seeking authorization for Gallagher &
18 Kennedy, P.A. ("G&K") to perform legal services for the Debtor which may be necessary and
19 proper in these proceedings, including provide legal advice with respect to the powers and duties
20 of a debtor-in-possession; to prepare necessary legal papers; to appear in court and to assist with
21 any disposition of assets by sale or otherwise. On or about November 5, 2009, Debtor was
22 authorized to retain G&K as its general counsel in connection with the bankruptcy case (Docket
no. 31).

Also on October 30, 2009, the Debtor filed the *Application for an Order Under 11 U.S.C.*
§ 327(A) Authorizing the Employment of Peritus Commercial Finance, LLC as Financial Advisor
to the Debtor (Docket no. 4) seeking authorization for Peritus Commercial Finance, LLC
("Peritus") to provide financial advice to the Debtor relating to this case. On or about November
5, 2009, Debtor was authorized to retain Peritus as its financial advisor in connection with the
bankruptcy case (Docket no. 32).

3. Cash Collateral. On October 30, 2009, the Debtor filed the *Emergency Motion for*
Interim Order to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363 (the "Cash Collateral
Motion"; Docket no. 8). Through the Cash Collateral Motion, the Debtor sought an interim order
authorizing it to pay necessary and essential post-petition operating expenses with certain cash and
cash equivalents in which various entities claimed or may claim an interest. The Bankruptcy
Court held a preliminary hearing on the Cash Collateral Motion on November 4, 2009 and entered

1 an interim order authorizing the Debtor's use of cash collateral (Docket no. 33). The Court also
2 set a final hearing on the matter for November 25, 2009.

3 The following objections were filed in response to Debtor's Cash Collateral Motion:
4 *Notice of Nonconsent to Use of Cash Collateral* filed by Volvo Commercial Finance (Docket no.
5 12); *Objection to Emergency Motion for Use of Cash Collateral and Motion for Adequate*
6 *Protection* filed by Volvo Commercial Finance (Docket no. 18); *Response of GE Commercial*
7 *Distribution Finance Corporation* (Docket no. 26); and *Objection to Proposed Interim Cash*
8 *Collateral Order* filed by People's Capital and Leasing Corp. (Docket no. 27). The Court entered
9 its final Order on the Cash Collateral Motion after arguments at the hearing on November 25,
10 2009 (Docket no. 78).

11 **4. Inventory Motion.** On November 10, 2009, the Debtor filed a *Motion for Entry of*
12 *an Order Confirming Authority of the Debtor to Sell Inventory in the Ordinary Course of Business*
13 (the "Inventory Motion"; Docket no. 40). Through the Inventory Motion, Debtor sought
14 confirmation to continue to sell certain inventory items in the ordinary course of its business
15 operations.

16 The following objections were filed in response to Debtor's Inventory Motion: *Limited*
17 *Objection of GE Fleet Services to Debtor's Motion* (Docket no. 47); *People's Capital and Leasing*
18 *Corp.'s Limited Objection to Debtor's Motion* (Docket no. 51); *Objection to Motion for Entry of*
19 *Order Confirming Authority of Debtor to Sell Inventory in the Ordinary Course of Business* filed
20 by John Deere Construction and Forestry Company (Docket no. 58); *Limited Objection to Motion*
21 *for an Order Confirming Authority of Debtor to Sell Inventory in the Ordinary Course of Business*
22 filed by Komatsu Financial Limited Partnership (Docket no. 59); *Limited Objection to Motion to*
Sell Inventory in the Ordinary Course filed by Siemens Financial Services (Docket no. 62);
Omnibus Limited Objection to (I) Entry of Final Order Authorizing Debtor to Use Funds Claimed
as Cash Collateral and (II) Debtors Motion for Entry of an Order Confirming Authority of the
Debtor to Sell Inventory in the Ordinary Course of Business filed by JLG Industries, Inc. (Docket
no. 65); *Limited Objection of GE Commercial Distribution to Debtor's Motion* (Docket no. 66);
and *Objection to Motion to Approve Sales in the Ordinary Course* filed by VFS US, LLC (Docket
no. 72).

Debtor filed an *Omnibus Response to Objections to Debtor's Motion for an Order*
Confirming Authority of the Debtor to Sell Inventory in the Ordinary Course of Business on
November 24, 2009 (Docket no. 77). After arguments at the hearing on November 25, 2009, the
Court entered its Order granting the Inventory Motion (Docket no. 79).

V.

DESCRIPTION OF ASSETS AND THEIR VALUE

A. Inventory and Personal Property of AER.

As set forth in Debtor's Amended Schedule B (Docket no. 68), Debtor maintains an
extensive inventory of owned and leased equipment. The value of the inventory and office
equipment in Debtor's possession, as of October 30, 2009, was approximately \$10,742,971.89.

An updated inventory list, dated November 30, 2009, is attached as Exhibit "B".

1 **B. Cash and Receivables.**

2 In addition to the property listed above, Debtor's accounts receivable were approximately
3 \$1,319,638.57 as of the Petition Date. Finally, as of the Petition Date, the Debtor had
4 unencumbered cash on hand in excess of \$550,000. Balance sheets and profit and loss statements
reflecting updated cash and receivables amounts from AER for the month of November 2009 are
attached to this Disclosure Statement as Exhibit "C".

5 **VI.**
FINANCIAL CONDITION AND ANALYSIS

6 **A. Present Operations.**

7 The Debtor's business is currently income producing. However, the recent economic
8 downturn, especially with regard to the construction and mining industries, has negatively
9 impacted the Debtor's cash flow and ability to service debt. Debtor is current on all ordinary
course post-petition obligations. Recently, the Debtor terminated certain leases and returned
equipment, thereby reducing its expenses and fleet size.

10 In addition, Debtor recently reached an agreement with Volvo Financial Services, its
largest secured lender, to restructure its debt obligation. Pursuant to the Term Sheet dated
11 November 23, 2009, a copy of which is attached to this Disclosure Statement as Exhibit "D", the
parties have agreed to an Approved Secured Claim for Volvo in the approximate amount of \$6.2
12 million, and an unsecured claim in the amount of approximately \$3.8 million. In addition, Volvo
has agreed to provide Exit Financing in the amount of \$3 million to allow Debtor to accomplish
restructuring and/or payoffs of its other secured debts.

13 **VII.**
SOURCES OF INFORMATION

14 The financial information contained in this Disclosure Statement is derived from a number
15 of sources. Values ascribed to AER's Assets were provided by the Debtor. Information on
Claims of Creditors was obtained from the financial records of the Debtor and the statements and
16 schedules on file in the Bankruptcy Case.

17 The information contained in this Disclosure Statement represents the Debtor's best
estimate in light of current market conditions and past experience. All the information provided is
18 subject to change and represents the best information available at the time, the actual results may
differ.

19 **VIII.**
SUMMARY OF THE PLAN

20 The following provides a summary of the overall structure and classification of claims
21 against or interests of or in the Debtor and is qualified in its entirety by reference to the Plan,
which is attached as Exhibit "A". The statements in this Disclosure Statement include summaries
of the provisions contained in the Plan. This summary does not purport to be a complete
22 statement of all terms in the Plan, and reference is made to the Plan for the full and complete

1 statement of such terms. The Plan controls the treatment of Claims against and Equity Interests of
and in the Debtor and other parties-in-interest.

2 **A. Classification and Treatment of Claims and Interests.**

3 1. **Class 1 (Administrative Expense Claims).** Class 1 consists of all Allowed
4 Administrative Expense Claims against AER.

5 2. **Class 2 (Priority Tax Claims).** Class 2 consists of all Allowed Priority Tax Claims
6 against AER.

7 3. **Class 3 (Secured Tax Claims).** Class 3 consists of all Allowed Secured Tax
8 Claims against AER.

9 4. **Class 4 (Secured Claims).** Class 4 consists of all Allowed Secured Claims against
10 AER, in the amounts set forth below for each respective creditor.

11 5. **Class 5 (Unsecured Claims).** Class 5 consists of all Allowed Unsecured Claims
12 held against AER by all Unsecured Creditors, including deficiency claims of secured creditors
13 against AER.

14 6. **Class 6 (Related Parties Unsecured Claims).** Class 6 consists of all Allowed
15 related Parties Unsecured Claims by all individuals or affiliated entities that have made unsecured
16 loans to AER.

17 7. **Class 7 (Membership Interest in AER).** Class 7 consists of the membership
18 interests of the members of AER.

19 **B. Summary of Treatment of Unimpaired Classes.**

20 1. **Class 1 (Administrative Claims).** Every Creditor holding an Allowed Class 1
21 Claim will be paid, in full satisfaction of the Allowed Class 1 Claim: (a) fully and in Cash on or
22 before the Effective Date if the Claim is then an Allowed Claim; (b) fully and in Cash when and if
the Claim becomes an Allowed Claim after the Effective Date; or (c) as otherwise agreed in
writing by the Creditor holding the Allowed Claim or ordered by the Bankruptcy Court. Allowed
Class 1 Claims will be paid from Cash held by AER. Class 1 Claims are unimpaired pursuant to
the Plan and votes to accept or reject the Plan will not be solicited from Creditors holding Class 1
Claims.

2. **Class 7 (Membership Interest in AER).** The members of AER will retain their
respective membership interest in AER. Class 7 Claims are unimpaired pursuant to the Plan and
votes to accept or reject the Plan will not be solicited from Creditors holding Class 7 Claims.

C. Summary of Treatment of Impaired Classes.

1. **Class 2 (Priority Tax Claims).** To the extent Priority Tax Claims exist on the
Effective Date, those holders of Priority Tax Claims will be paid from Cash held by the Estate

over a period not exceeding five (5) years after the Petition Date. Class 2 Claims are impaired, and holders of Allowed Class 2 Claims will be entitled to vote to accept or reject the Plan.

2. **Class 3 (Secured Tax Claims).** Allowed Class 3 Claims will be paid in full together with interest, over a period not exceeding five (5) years after the Petition Date. Interest will accrue, in accordance with § 511 of the Bankruptcy Code and § 42-18053 of the Arizona Revised Statutes, on the unpaid principal balance of the Class 3 Claims from and after the Effective Date. Class 3 Claims are impaired and holders of Allowed Class 3 Claims will be entitled to vote to accept or reject the Plan.

3. **Class 4 (Secured Claims)** Allowed Class 4 Claims¹ will be paid on a five year amortization period with interest at the rate of five percent (5%) per annum beginning thirty (30) days after the Effective Date of the Plan. Class 4 Claims are impaired, and holders of Allowed Class 4 Claims will be entitled to vote to accept or reject the Plan.

Class	Description	Allowed Amount(1)(2)(3)	Monthly Plan Payments	Annual Plan Payments
4a	Volvo Financial Services	\$ 6,200,000	\$ 120,585	\$ 1,447,020
4b	JLG Finance (formerly Wells Fargo)	\$ 872,000	\$ 16,455	\$ 197,460
4b	US Bancorp (JLG)	\$ 595,800	\$ 11,243	\$ 134,916
4b	GE Capital/Ingersoll Rand (JLG)	\$ 326,700	\$ 6,165	\$ 73,980
4c	John Deere Credit	\$ 393,300	\$ 7,422	\$ 89,064
4d	CNH Capital (formerly Case Capital)	\$ 72,000	\$ 1,358	\$ 16,296
4e	Ford	\$ 27,900	\$ 526	\$ 6,312
4f	GE CDF	\$ 1,163,278	\$ 21,952	\$ 263,424
4g	Huntington	\$ 144,900	\$ 2,734	\$ 32,808
4h	Komatsu	\$ 124,200	\$ 2,343	\$ 28,116
4i	National City Commercial Capital	\$ 325,170	\$ 6,136	\$ 73,632

(1) FMV less 10% cost of sale.

(2) AER reserves the right to return equipment to the secured lenders in exchange for a

¹ The treatment of Volvo's Secured Claim will be according to the Term Sheet attached as Exhibit "D" and is reflected in the table below.

1 credit against the debt equal to the fair market value of the returned equipment.
 2 (3) Subject to revision or adjustment as of the Effective Date based upon credits,
 payments, offsets, and/or sales of equipment.

3 As an alternative to the treatment provided to Class 4 under the Plan, and to the extent
 4 AER obtains financing, in full satisfaction of all Class 4 Claims against AER, holders of Allowed
 Class 4(b)-(i) Claims may elect a discounted payoff in a lump sum equal to eighty-five percent
 (85%) of the Allowed Class 4 Claims, payable on the Effective Date (the “Discounted Payoff”).

Class	Description	Allowed Amount(1)	Discounted Payoff Amount (85% Of Allowed Amount)
4b	JLG Finance (formerly Wells Fargo)	\$ 872,000	\$ 741,200
4b	US Bancorp (JLG)	\$ 595,800	\$ 506,430
4b	GE Capital/Ingersoll Rand (JLG)	\$ 326,700	\$ 277,695
4c	John Deere Credit	\$ 393,300	\$ 334,305
4d	CNH Capital (formerly Case Capital)	\$ 72,000	\$ 61,200
4e	Ford	\$ 27,900	\$ 23,715
4f	GE CDF	\$ 1,163,278	\$ 988,786
4g	Huntington	\$ 144,900	\$ 123,165
4h	Komatsu	\$ 124,200	\$ 105,570
4i	National City Commercial Capital	\$ 325,170	\$ 276,394

(1) Subject to revision or adjustment as of the Effective Date based upon credits, payments, offsets,
 and/or sales of equipment

4. **Class 5 (Unsecured Claims).**

a. **Class 5(a) (Volvo Deficiency Claims).** Class 5(a) consists of the Deficiency
 Claims of Volvo. Class 5(a) Claims are impaired and holders of Allowed Class 5(a) Claims will be
 entitled to vote to accept or reject the Plan.

(i) **Class 5(a)(i) (Volvo \$2 million Deficiency Claim).** Allowed Class 5(a)(i)
 Claims will be paid on a ten year amortization period with interest at the rate of seven percent
 (7%) per annum beginning thirty (30) days after the Effective Date of the Plan.

Class	Allowed Amount	Monthly Plan Payments	Annual Plan Payments
5(a)(i)	\$ 2,000,000	\$23,222	\$278,664

1 (ii) **Class 5(a)(ii) (Volvo \$1.8 million Deficiency Claim).** Allowed Class
 2 5(a)(ii) Claims will receive monthly payments of interest only at the rate of five and a half percent
 3 (5.5%) per annum beginning thirty (30) days after the Effective Date of the Plan for five years,
 4 with an option for an additional five years of monthly payments of interest only to Volvo if the
 5 payments under the Plan on year 5 are current. All unpaid principal and interest owing to the
 6 holders of Allowed Class 5(a)(ii) Claims will be paid on either the fifth (5th) or tenth (10th)
 7 anniversary of the Effective Date of the Plan.

<u>Class</u>	<u>Allowed Amount</u>	<u>Monthly Plan Payments</u>	<u>Annual Plan Payments</u>
5(a)(ii)	\$ 1,800,000	\$8,250	\$99,000

8 **b. Class 5(b) (Convenience Class).** Class 5(b) consists of Convenience Class Claims.
 9 Allowed Class 5(b) Claims, estimated in the aggregate amount of \$32,000, will be paid sixty (60)
 10 days following the Effective Date of the Plan. Holders of Class 5(b) Claims are impaired by the
 11 Plan.

12 (i) **Election for Convenience Class.** An Allowed General Unsecured Claim in
 13 an amount of \$10,000 or less, or any General Unsecured Claim that is reduced to \$10,000 by
 14 election of the holder thereof as provided on the Ballot; provided that, for these purposes, all such
 15 General Unsecured Claims held by an entity or by an entity and any Affiliate of such entity shall
 16 be aggregated and treated as one such General Unsecured Claim; provided further that if all or any
 17 part of a General Unsecured Claim was or is assigned, the General Unsecured Claim held by all
 18 assignees of such General Unsecured Claim shall be treated collectively as one such General
 19 Unsecured Claim for purposes of this definition.

20 **c. Class 5(c) (Other Deficiency Claims).** Class 5(c) consists of Deficiency Claims
 21 of the creditors listed in Classes 4(b)-(i), assuming that such creditors do not elect the alternative
 22 Discounted Payoff option. Allowed Class 5(c) Claims will receive monthly payments of interest
 only at the rate of five and a half percent (5.5%) per annum beginning thirty (30) days after the
 Effective Date of the Plan for five years, with an automatic option in favor of the Reorganized
 Debtor for an additional five years of monthly payments of interest only to the holders of Allowed
 Class 5(c) Claims if the payments under the Plan on year 5 are current. All unpaid principal and
 interest owing to the holders of Allowed Class 5(c) Claims will be paid on the fifth (5th) or tenth
 (10th) anniversary of the Effective Date of the Plan. Class 5(c) Claims are impaired and holders of
 Allowed Class 5(c) Claims will be entitled to vote to accept or reject the Plan.

<u>Description</u>	<u>Allowed Amount(1)</u>	<u>Monthly Plan Payments</u>	<u>Annual Plan Payments</u>
JLG Finance (formerly Wells Fargo)	\$ 721,762	\$ 3,308	\$ 39,696
US Bancorp	\$ 469,570	\$ 2,152	\$ 25,824
GE Capital/Ingersoll Rand	\$ 152,700	\$ 700	\$ 8,400
John Deere Credit	\$ 32,981	\$ 151	\$ 1,812
CNH Capital (formerly Case Capital)	\$ 53,728	\$ 246	\$ 2,952
Ford	\$ 9,900	\$ 45	\$ 540

GE CDF	\$ 470,000	\$ 2,154	\$ 25,848
Huntington	\$ 150,898	\$ 691	\$ 8,292
Komatsu	\$ 24,339	\$ 111	\$ 1,332
National City Commercial Capital	\$ 308,892	\$ 1,415	\$ 16,980

(1) Subject to revision or adjustment as of the Effective Date based upon credits, payments, offsets, and/or sales of equipment

d. Class 5(d) (Lease Rejection Claims). Class 5(d) consists of claims for damages relating to the rejection of various leases and executory contracts, if any. Allowed Class 5(d) Claims will receive monthly payments of interest only at the rate of five and a half percent (5.5%) per annum beginning thirty (30) days after the Effective Date of the Plan for five years, with an automatic option in favor of the Reorganized Debtor for an additional five years of monthly payments of interest only to the holders of Allowed Class 5(d) Claims if the payments under the Plan on year 5 are current. All unpaid principal and interest owing to the holders of Allowed Class 5(d) Claims will be paid on the fifth (5th) or tenth (10th) anniversary of the Effective Date of the Plan. Class 5(d) Claims are impaired and holders of Allowed Class 5(d) Claims will be entitled to vote to accept or reject the Plan.

e. Class 5(e) (General Unsecured Claims). Class 5(e) consists of General Unsecured Claims other than General Unsecured Claims in Classes 5(a) through 5(d). Allowed Class 5(e) Claims will receive monthly payments of interest only at the rate of five and a half percent (5.5%) per annum beginning thirty (30) days after the Effective Date of the Plan for five years, with an automatic option in favor of the Reorganized Debtor for an additional five years of monthly payments of interest only to the holders of Allowed Class 5(e) Claims if the payments under the Plan on year 5 are current. All unpaid principal and interest owing to the holders of Allowed Class 5(e) Claims will be paid on the fifth (5th) or tenth (10th) anniversary of the Effective Date of the Plan. Class 5(e) Claims are impaired and holders of Allowed Class 5(e) Claims will be entitled to vote to accept or reject the Plan.

5. Class 6 (Related Parties Unsecured). Allowed Class 6 Claims will receive monthly payments of interest only at the rate of five and a half percent (5.5%) per annum beginning thirty (30) days after the Effective Date of the Plan for five years, with an automatic option in favor of the Reorganized Debtor for an additional five years of monthly payments of interest only to the holders of Allowed Class 6 Claims if the payments under the Plan on year 5 are current. All unpaid principal and interest owing to the holders of Allowed Class 6 Claims will be paid on the tenth (10th) anniversary of the Effective Date of the Plan. Class 6 Claims are impaired and holders of Allowed Class 6 Claims will be entitled to vote to accept or reject the Plan.

IX.
OVERVIEW OF ADDITIONAL PLAN PROVISIONS

A. Implementation of the Plan & Conditions to Effectiveness.

The means of execution of the Plan are and will be as follows:

1. Conditions Precedent to Occurrence of Effective Date. It is a condition of the Effective Date that the Confirmation Order has been entered by the Bankruptcy Court and has become a Final Order. The Effective Date is expected to occur within eleven (11) calendar days of the entry of the Confirmation Order.

2. Implementation.

(a) Cash Flow and Volvo Exit Financing. Payments under the Plan will come from cash flow generated by the ongoing operation of the Debtor's business and from the \$3 million Exit Financing obtained from Volvo. The Debtor also anticipates that rentals and cash flow generated from the continued operation of its business will increase and stabilize in the coming months, thereby increasing the cash flow for the remaining payments under the Plan.

B. Resolution of Claims, Demands, and Causes of Action.

1. Preservation of Debtor' Claims, Demands, and Causes of Action. All claims, demands, and causes of action of any kind or nature whatsoever held by, through, or on behalf of the Debtor arising before the Effective Date and that have not been resolved or disposed of prior to the Effective Date, are preserved in full for the benefit of the Debtor and the Debtor will own and retain, and may prosecute, enforce, compromise, settle, release, or otherwise dispose of, any and all claims, defenses, counterclaims, setoffs, and recoupments belonging to the Debtor.

2. Procedure for Determination of Claims.

(a) Objections to Claims. Except as to any Claim that has been Allowed prior to the Effective Date, the Debtor may object to the allowance of any Claim against the Debtor or seek estimation on any Claim.

(b) Disputed Claims. No payments or other distributions will be made to holders of Claims unless and until such Claims are Allowed Claims pursuant to a Final Order. If a Claim is not an Allowed Claim by or on the Effective Date or when payment is otherwise due under the Plan, payment of the Allowed Claim will be made when a Claim becomes an Allowed Claim after the Effective Date or as otherwise specifically provided in the Plan.

(c) Treatment of Contingent Claims. Until such time as a contingent Claim or a contingent portion of an Allowed Claim becomes fixed or absolute or is Disallowed, such Claim will be treated as a Disputed Claim for all purposes related to distributions under the Plan. The holder of a contingent Claim will only be entitled to a distribution under the Plan when and if such contingent Claim becomes an Allowed Claim.

1 **3. Administrative Claims Bar Date.** Proofs of claim (or, for Professional Charges,
2 fee applications) requesting payment of administrative costs and expenses incurred prior to the
3 Effective Date pursuant to Sections 507(a)(1) and 503(b) of the Bankruptcy Code must be served
4 and filed with the Bankruptcy Court no later than thirty (30) days after the Effective Date;
5 provided, however, that proofs of claim will not be required with respect to any unpaid post-
petition operating expenses incurred in the normal course of the Debtor' businesses prior to the
Effective Date. Any such Claim that is not served and filed within this time period will be forever
barred. Any Claims for fees, costs, and expenses incurred by any Chapter 11 Professionals after
the Effective Date will be paid in the ordinary course of the Debtor' businesses.

6 **C. Treatment of Executory Contracts.**

7 **1. Rejection of Executory Contracts.** The Plan contemplates and provides for the
8 rejection, pursuant to Section 365 of the Bankruptcy Code, of any and all Executory Contracts of
the Debtor which are in force on the Confirmation Date, except those Executory Contracts which
were specifically assumed pursuant to an order of the Court.

9 **2. Assumption of Other Executory Contracts.** Before the Confirmation Hearing,
10 the Debtor may file one or more motions identifying any Executory Contracts that it intends to
assume as of the Effective Date; and such motions and the Bankruptcy Court's orders thereon will
11 be deemed incorporated in the Plan. All Executory Contracts not otherwise assumed will be
12 rejected as of the Confirmation Date.

13 **3. Rejection Claims Bar Date.** Every Claim asserted by a Creditor arising from the
14 rejection of an Executory Contract must be filed with the Bankruptcy Court no later than the first
Business Day that is thirty (30) days after the Effective Date. Every such Claim that is timely
filed will be treated under the Plan as a General Unsecured Claim. Every such Claim that is not
timely filed by the deadline stated above will be forever barred, unenforceable, and discharged,
and the Creditor holding the Claim will not receive or be entitled to any distribution under the Plan
on account of such Claim.

15 **D. Miscellaneous Plan Provisions.**

16 **1. Retention of Jurisdiction.** As described in detail in the Plan, the Plan provides for
17 the retention of jurisdiction by the Bankruptcy Court over various aspects of the Debtor'
Bankruptcy Case from and after the Effective Date.

18 **2. Exculpation and Limitation of Liability.** Neither the Debtor nor any of its
19 respective present or former members, managers, employees, advisors, attorneys, or agents will
have or incur any liability to any holder of a Claim or any other party-in-interest or any of their
20 respective agents, employees, representatives, advisors, attorneys, or affiliates, or any of their
successors or assigns, for any act or omission in connection with, relating to, or arising out of the
21 Bankruptcy Case, the extension of credit to the Debtor during the Bankruptcy Case pursuant to
debtor-in-possession financing or the use of cash collateral, efforts to obtain confirmation of the
22 Plan, the consummation of the Plan, or the administration of the Plan or the property to be
distributed under the Plan, except for their willful misconduct, and in all respects such parties will

1 be entitled to rely reasonably upon the advice of counsel with respect to their duties and
responsibilities under the Plan or in the context of the Bankruptcy Case.

2 **3. General Injunction.** Except as otherwise expressly provided in the Plan, the
3 Confirmation Order shall provide, among other things, that all parties-in-interest who have held,
4 hold, or may hold Claims are permanently enjoined on and after the Effective Date from: (a)
5 commencing or continuing in any manner any action or other proceeding of any kind with respect
6 to any such Claim against the Debtor or any successor-in-interest of the Debtor, against property
7 of the Debtor, or against property of any successor-in-interest of the Debtor; (b) the enforcement,
8 attachment, collection, or recovery by any manner or means of any judgment, award, decree, or
9 order against the Debtor or any successor-in-interest of the Debtor, property of the Debtor, or
10 against property of any successor-in-interest of the Debtor with respect to any such Claim; (c)
11 creating, perfecting, or enforcing any encumbrance of any kind against the Debtor or any
12 successor-in-interest of the Debtor, against property of the Debtor, or against property of any
13 successor-in-interest of the Debtor with respect to any such Claim; (d) from asserting any setoff,
14 right of subrogation, or recoupment of any kind against any obligation due the Debtor or any
15 successor-in-interest of the Debtor, against property of the Debtor, or against property of any
16 successor-in-interest of the Debtor, with respect to any such Claim; (e) conducting any form of
17 discovery from the Debtor with respect to any such Claim, or any successor-in-interest of the
18 Debtor; and/or (f) harassing the Debtor or any successor-in-interest of the Debtor.

11 **4. Vesting.** As of the Effective Date of the Plan, AER shall be vested with all of the
12 Assets of the Estate. All assets transferred to the AER shall be free and clear of all liens, claims,
13 and interest of creditors and parties-in-interest, except as specifically provided in the Plan. Upon
14 the Effective Date, except as provided in the Plan, the Debtor shall be free to borrow without
15 further Bankruptcy Court order, such sums of money upon such terms and conditions as it may, in
16 its sole discretion, determine, including the granting of liens and purchase money security
17 interests.

14 **5. Payment of Statutory Fees and Filing of Quarterly Reports.** All fees payable
15 pursuant to 28 U.S.C. § 1980, as determined by the Bankruptcy Court at or in conjunction with the
16 Confirmation Hearing, will be paid on or before the Effective Date and, thereafter, in accordance
17 with applicable bankruptcy law. All quarterly reports of disbursements required to be filed by
18 applicable bankruptcy law will be filed in accordance with applicable bankruptcy law.

17 **X.**
FEDERAL TAX CONSEQUENCES

18 **A. No Federal Tax Consequences.**

19 AER is an Arizona limited liability company (LLC). LLCs are pass-through entities for
20 federal income tax purposes and are not subject to federal income tax; the members are directly
21 taxed individually on the income, taking into account the member's share of the profits and losses.
22 Nevertheless, each holder of a claim is urged to consult with its own tax advisor regarding the
federal, state, local and other tax consequences of the Plan. No rules have been requested from the
Internal Revenue Service with respect to any of the tax aspects of the Plan.

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XI.
VOTING PROCEDURES AND REQUIREMENTS

A. Parties Entitled to Vote.

If you hold an Allowed Claim that is “impaired” under the Plan, you are entitled to vote to accept or reject the Plan. Accordingly, to be entitled to vote, your Claim must be “allowed” as set forth in Section 502 of the Bankruptcy Code or temporarily allowed as set forth in Bankruptcy Rule 3018(a). Additionally, Section 1126(f) of the Bankruptcy Code permits you to vote to accept or reject the Plan only if your Claim is “impaired.”

B. Procedures for Voting.

1. Submission of Ballots. After this Disclosure Statement has been approved by the Bankruptcy Court, all Creditors whose votes are solicited (as explained above) will be sent (a) a ballot, together with instructions for voting (the “Ballot”); (b) a copy of this Disclosure Statement as approved by the Bankruptcy Court; and (c) a copy of the Plan. You should read the Ballot carefully and follow the instructions. Please use only the Ballot sent with this Disclosure Statement. You should complete your Ballot and return it to:

GALLAGHER & KENNEDY, P.A.
Attn: John R. Clemency
2575 EAST CAMELBACK ROAD
Suite 1100
PHOENIX, ARIZONA 85016
Telephone: (602) 530-8000

TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS LISTED ABOVE BY 5:00 P.M., MOUNTAIN STANDARD TIME, ON _____, 2010. IF YOUR BALLOT IS NOT TIMELY RECEIVED, IT WILL NOT BE COUNTED IN DETERMINING WHETHER THE PLAN HAS BEEN ACCEPTED OR REJECTED.

A properly addressed, stamped return envelope will be included with your Ballot.

2. Procedures for Vote Tabulation. In determining whether the Plan has been accepted or rejected, Ballots will be tabulated in accordance with the Court’s Order approving this Disclosure Statement.

3. Withdrawal of Ballots. A Ballot may not be withdrawn or changed after it is cast unless the Bankruptcy Court permits you to do so after notice and a hearing to determine whether sufficient cause exists to permit the change.

4. Questions and Lost or Damaged Ballots. If you have any questions concerning voting procedures, if your Ballot is damaged or lost, or if you believe you should have received a Ballot but did not receive one, you may contact, Debtor’s counsel, John Clemency, at the address and telephone number listed above.

1 **C. Summary of Voting Requirements.**

2 In order for the Plan to be confirmed, the Plan must be accepted by at least one (1)
3 impaired Class of Claims. For a Class of Claims to accept the Plan, votes representing at least
4 two-thirds in claim amount and a majority in number of the Claims voted in that Class (not
5 including votes of insiders) must be cast to accept the Plan.

6 **IT IS IMPORTANT THAT HOLDERS OF ALLOWED
7 IMPAIRED CLAIMS EXERCISE THEIR RIGHTS TO
8 VOTE TO ACCEPT OR REJECT THE PLAN. THE
9 DEBTOR ASSERTS THAT THE TREATMENT OF
10 CREDITORS UNDER THE PLAN IS THE BEST
11 ALTERNATIVE FOR CREDITORS, AND THE DEBTOR
12 RECOMMENDS THAT THE HOLDERS OF ALLOWED
13 CLAIMS VOTE IN FAVOR OF THE PLAN.**

14 The specific treatment of each Class under the Plan is described in the Plan and is summarized in
15 this Disclosure Statement.

16 **XII.
17 LIQUIDATION ANALYSIS**

18 The table below reflects the estimated recoveries of creditors under the Plan and under a
19 Chapter 7 liquidation of the Debtor. The estimated recoveries are based largely on the Inventory
20 values ascribed by Debtor that are attached as Exhibit "B" to this Disclosure Statement.

21

22 Claimant/Class	Claim Amount	Plan Recovery	Chapter 7 Recovery
Administrative Claims (Class 1)	\$50,000	\$50,000	\$25,000
Priority Tax Claims (Class 2)	Unknown	Unknown	Unknown
Secured Tax Claims (Class 3)	\$34,000	\$34,000	\$34,000
Secured Claims (Class 4) ¹	\$8,154,498 ²	\$8,154,498 ²	\$8,154,498 ²
Unsecured Claims (Class 5)	\$6,272,833	\$6,272,833	\$0
Related Party Unsecured Claims (Class 6)	\$2,500,000	\$2,500,000	\$0
Member Interests (Class 7)	NA	Retained	Extinguished
Totals	\$17,011,331	\$17,011,331	\$8,213,498

¹ Plus accrued and accruing interest, and recoverable costs and expenses.

² The following discounts were applied based on Debtor's analysis: Equipment- 25%; Accounts Receivable- 25%; Miscellaneous Personal Property and Parts Inventory- 85%

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XIII.
CONFIRMATION OF THE PLAN

A. Confirmation Hearing.

Section 1128(a) of the Bankruptcy Code provides that the Bankruptcy Court, after notice, will hold a Confirmation Hearing on the Plan. The Confirmation Hearing will be held at the United States Bankruptcy Court in Courtroom 446, 38 South Scott Avenue, Tucson, Arizona, on _____, 2010, at 10:00 a.m. **THE HEARING MAY BE ADJOURNED FROM TIME TO TIME BY THE COURT WITHOUT FURTHER NOTICE EXCEPT FOR AN ANNOUNCEMENT MADE AT THE HEARING.**

B. Objections to Confirmation.

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan, regardless of whether it is entitled to vote. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. **IF AN OBJECTION TO CONFIRMATION IS NOT TIMELY MADE, THE COURT NEED NOT RECEIVE AND CONSIDER IT.** All objections to confirmation of the Plan must be filed with the Bankruptcy Court and served on the Debtor's counsel at the address set forth above, on the United States Trustee, and on any party-in-interest who has requested notice in the Debtor's Bankruptcy Case, by _____, 2010.

C. Requirements for Confirmation of the Plan.

1. Confirmation Under Section 1129(a) of the Bankruptcy Code. At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of Section 1129(a) of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. Such requirements include, among others:

(a) That the Debtor has complied with the applicable provisions of Chapter 11, including the provisions of Sections 1122 and 1123 of the Bankruptcy Code governing classification of claims and interests and contents of a plan of reorganization.

(b) That the Debtor has proposed the Plan in good faith and not by any means forbidden by law.

(c) That any payment made or promised by the Debtor to any Person for services, costs, or expenses in connection with the Bankruptcy Case or the Plan has been approved by or is subject to approval by the Bankruptcy Court as reasonable.

(d) That the Debtor has disclosed the identity and affiliations of Persons proposed to serve as officers after confirmation.

(e) That one or more of the impaired Classes of Claims has voted to accept the Plan.

(f) That the Plan is in the best interests of holders of Claims and Equity Interests; that is, each holder of an Allowed Claim or Allowed Equity Interest either has

1 accepted the Plan or will receive on account of its Claim or Equity Interest property with a
2 value, as of the Effective Date, that is not less than the amount that the holder of such
Claim or Equity Interest would receive if the Debtor was liquidated under Chapter 7 of the
Bankruptcy Code on the Effective Date.

3 (g) That the Plan is feasible; that is, confirmation is not likely to be followed by
4 the need for liquidation or further reorganization of the Debtor unless that is provided for
in the Plan. The Debtor's Plan so provides; thus, feasibility is not an issue.

5 **2. Debtor Believes the Plan Satisfies Bankruptcy Code Requirements.**

6 (a) **Best Interests Test and Liquidation Analysis.** Under the best interests
7 test, the Plan is confirmable if, with respect to each impaired Class of Claims or Equity
Interests, each holder of an Allowed Claim or Allowed Equity Interest in such Class either:
8 (i) has accepted the Plan; or (ii) will receive or retain under the Plan, on account of its
Claim or Interest, property of a value, as of the Effective Date, that is not less than the
9 amount such holder would receive or retain if the Debtor were liquidated under Chapter 7
of the Bankruptcy Code.

10 As set forth above, the Debtor believes the distributions to Creditors under the Plan
will meet or exceed the recoveries that Creditors would receive in a Chapter 7 liquidation
11 of the Debtor and its Estate. The Debtor believes that the Plan provides an equal or better
return to Creditors than they can otherwise receive under Chapter 7, and therefore the best
interests of creditors test is met.

12 (b) **Feasibility of the Plan.** Section 1129(a)(11) of the Bankruptcy Code
13 includes what is commonly described as the "feasibility" standard. In order for the Plan to
be confirmed, the Bankruptcy Court also must determine that the Plan is feasible - that is,
14 that the need for further reorganization or a subsequent liquidation of the Debtor is not
likely to result following confirmation of the Plan. As set forth in this Disclosure
15 Statement and in the Plan, the Debtor believes the Plan is feasible. Attached to this
Disclosure Statement as Exhibit "E" are cash flow projections prepared by AER which
16 reflects the ability of AER to make the payments called for under the Plan.

17 (c) **Acceptance by an Impaired Class.** Because the Plan impairs some
Classes of Claims, Section 1129(a)(10) of the Bankruptcy Code requires that, for the Plan
18 to be confirmed, at least one impaired Class must accept the Plan by the requisite vote
without counting the votes of any "insiders" (as that term is defined in Section 101(31) of
the Bankruptcy Code) contained in that Class. The Debtor believes that at least one
19 impaired Class will vote to accept the Plan.

20 (d) **Confirmation Under Section 1129(b) of the Bankruptcy Code.**
Although Section 1129(a)(8) of the Bankruptcy Code requires that the Plan be accepted by
21 each Class that is impaired by the Plan, Section 1129(b) of the Bankruptcy Code provides
that the Bankruptcy Court may still confirm the Plan at the request of the Debtor if all
22 requirements of Section 1129(a) of the Bankruptcy Code are met except for Section
1129(a)(8) and if, with respect to each Class of Claims or Equity Interests that (a) is

1 impaired under the Plan, and (b) has not voted to accept the Plan, the Plan “does not
2 discriminate unfairly” and is “fair and equitable.” This provision commonly is referred to
3 as a “cramdown.” The Debtor has requested cramdown confirmation of the Plan with
4 respect to any such non-accepting Class of Creditors as well as the deemed rejecting Class
of Equity Interests, who will receive nothing. **The Debtor believes that, with respect to
such Class or Classes, the Plan meets the requirements of Section 1129(b) of the
Bankruptcy Code.**

5 (1) **Unfair Discrimination.** A plan of reorganization “does not
6 discriminate unfairly” if: (i) the legal rights of a non-accepting class are treated in
7 a manner that is consistent with the treatment of other classes whose legal rights are
8 related to those of the non-accepting class; and (ii) no class receives payments in
9 excess of that which it is legally entitled to receive on account of its Claims or
Equity Interests. The Debtor assert that under the Plan: (i) all classes of impaired
Claims are being treated in a manner that is consistent with the treatment of other
similar classes of Claims; and (ii) no Class of Claims will receive payments or
property with an aggregate value greater than the sum of the Allowed Claims in the
Class. Accordingly, the Debtor believes that the Plan does not discriminate
unfairly as to any impaired Class of Claims or Equity Interests.

10 (2) **Fair and Equitable Test.** The Bankruptcy Code establishes
11 different “fair and equitable” tests for Secured Creditors, Unsecured Creditors, and
holders of Equity Interests, as follows:

12 (i) **Secured Creditors.** With respect to a secured claim, “fair
13 and equitable” means that a plan provides that either (A) the holder of the
14 secured claim in an impaired class retains the liens securing such claim,
15 whether the property subject to such liens is retained by the debtor or
16 transferred to another entity, to the extent of the amount of such allowed
17 claim, and that the holder of such claim receives on account of such claim
18 deferred cash payments totaling at least the amount of such allowed claim,
of a value, as of the effective date, of at least the value of such holder’s
interest in the estate’s interest in such property; (B) for the sale, subject to
Section 363(k) of the Bankruptcy Code, of any property that is subject to
the liens securing such claim, free and clear of such liens, with such liens to
attach to the proceeds of such sale, and the treatment of such liens on
proceeds under clauses (A) and (C); or (C) the realization by such holder of
the “indubitable equivalent” of such claim.

19 (ii) **Unsecured Creditors.** With respect to an unsecured claim,
20 “fair and equitable” means that a plan provides that either (A) each impaired
21 unsecured creditor receives or retains property of a value, as of the effective
22 date, equal to the amount of its allowed claim; or (B) the holders of claims
and equity interests that are junior to the claims of the dissenting class will
not receive or retain any property under the plan.

1 (iii) **Equity Interest Holders.** With respect to holders of equity
2 interests, "fair and equitable" means that a plan provides that either (A)
3 each holder will receive or retain under the plan property of a value, as of
4 the effective date, equal to the greater of: (1) the fixed liquidation
preference or redemption price, if any, of such interest; or (2) the value of
such interest; or (B) the holders of equity interests that are junior to the non-
accepting class will not receive any property under the plan.

5 The Debtor believes the Plan complies with the Claims priority established by the
6 Bankruptcy Code and thus the "fair and equitable" test of the Bankruptcy Code (including the
absolute priority rule) is met with respect to the Secured Creditors and the Equity Interest holders
under the Plan.

7 **XIV.**
ALTERNATIVES TO THE PLAN

8 If the Plan is not confirmed, several different events could occur: (1) the Debtor or a third
9 party could propose another plan providing for different treatment of certain Creditors; (2)
10 Secured Creditors, if any, could move for relief from the automatic stay to allow them to foreclose
their liens against their collateral, which may be granted by the Court if an alternative plan is not
11 confirmed in a reasonable period of time; (3) the Bankruptcy Court (after appropriate notice and
hearing) could dismiss the Bankruptcy Case or convert such to a case under Chapter 7 if an
12 alternative plan is not confirmed in a reasonable period of time; or (4) the Bankruptcy Court could
approve a sale of the Debtor's remaining assets to the highest and best bidder an auction sale
under Section 363 of the Bankruptcy Code.

13 **RECOMMENDATION AND CONCLUSION**

14 The Debtor believes that the Plan provides the best available alternative for maximizing
the recoveries that Creditors will receive from the Debtor's Assets. Therefore, the Debtor
15 recommends that all Creditors that are entitled to vote on the Plan vote to accept the Plan.

16 Date: December 4, 2009

17 Arizona Equipment Rental, I, LLC

18 By: /s/ Jeffrey S. Bleecker

19 Name: Jeffrey S. Bleecker

20 Title: Owner/Manager

21 PREPARED AND SUBMITTED BY:

22 GALLAGHER & KENNEDY, P.A.

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By: /s/ Lindsy M. Weber
John R. Clemency
Lindsy M. Weber
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Phoenix, Arizona 85016-9225
Attorneys for Arizona Equipment Rental I, LLC

COPIES of the foregoing were served
this 4th day of December, 2009, via
first-class, U.S. Mail, Email, and/or Facsimile
to the parties on the attached service list.

/s/ Maricella Nunez

Master Mailing List

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