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

10 In re:
11 CRYSTAL SPRINGS PHASE I, LLC
CRYSTAL SPRINGS INVESTORS, LLC
12
13 Debtors.

Chapter 11 Proceedings
Case No. 2:10-bk-14516-RJH
Case No. 2:10-bk-14519-RJH
Joint Administration under
Case No. 2:10-bk-14516-RJH

**DISCLOSURE STATEMENT
RELATING TO PLAN OF
REORGANIZATION
DATED AUGUST 10, 2010**

17 **I. INTRODUCTION**

18 Debtors Crystal Springs Phase I, LLC (“CSPI”) and Crystal Springs Investors, LLC (“CSI”),
19 debtors and debtors-in-possession in the above-referenced jointly administered cases (collectively
20 the “Debtors“), hereby submit to the Court and creditors of the Debtors’ estates the following
21 “Disclosure Statement Relating to Plan of Reorganization Dated August 10, 2010” (the “Disclosure
22 Statement”). This Disclosure Statement is submitted pursuant to 11 U.S.C. § 1125.

23 11 U.S.C. § 1125(b) prohibits the solicitation of acceptances or rejections of a Plan of
24 Reorganization unless such Plan is accompanied by a copy of the Disclosure Statement which has
25 been approved by the Bankruptcy Court.

26 The purpose of this Disclosure Statement is to provide creditors and interested parties in this
27 bankruptcy proceeding with such information as may reasonably be deemed sufficient to allow
28

1 creditors and interested parties to make an informed decision regarding the Debtors' "Plan of
2 Reorganization Dated August 10, 2010" (the "Plan").

3 Unless otherwise noted, those portions of the Plan and this Disclosure Statement providing
4 factual information concerning the Debtors, their assets and liabilities, have been prepared from
5 information submitted by the Debtors and their retained professionals.

6 This Disclosure Statement contains information that may influence your decision to accept
7 or reject the Debtors' proposed Plan. Please read this document with care.

8 The financial information contained in this Disclosure Statement has not been subjected to
9 an audit by an independent certified public accountant. For that reason, the Debtors are not able to
10 warrant or represent that the information contained in this Disclosure Statement is without any
11 inaccuracy. To the extent practicable, the information has been prepared from the Debtors'
12 financial books and records and great effort has been made to ensure that all such information is
13 fairly represented.

14 This Disclosure Statement and the Plan will classify all creditors into Classes. The
15 treatment of each Class of creditors will be set forth in this Disclosure Statement and in the Plan.
16 You should carefully examine the treatment of the Class to which your Claim will be assigned.

17 This Disclosure Statement requires approval by the Bankruptcy Court after notice and a
18 hearing pursuant to 11 U.S.C. §1125(b). Once approved, the Disclosure Statement will be
19 distributed with the Debtors' proposed Plan for voting. Approval of the Disclosure Statement by
20 the Bankruptcy Court does not constitute either certification or approval of the Debtors' Plan by the
21 Bankruptcy Court or that the Disclosure Statement is without any inaccuracy.

22 The Bankruptcy Court will confirm the Plan if the requirements of §1129 of the Bankruptcy
23 Code are satisfied. The Bankruptcy Court must determine whether the Plan has been accepted by
24 each impaired Class entitled to vote on the Plan. Impaired Classes entitled to vote on the Plan are
25 those Classes of claims whose legal, equitable, or contractual rights are altered, as defined under
26 §1124 of the Bankruptcy Code. An impaired Class of claims is deemed to have accepted the Plan if
27 at least two-thirds (2/3) in amount of those claims who vote and more than one-half (1/2) in number
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1 of those claims who vote have accepted the Plan. An impaired Class of interests is deemed to have
2 accepted the Plan if the Plan has been accepted by at least two-thirds (2/3) in amount of the allowed
3 interests who vote on the Plan.

4 Even if each Class of creditors does not accept the Plan, the Plan can be confirmed under
5 §1129(b) of the Bankruptcy Code, so long as one impaired Class of creditors accepts the Plan. This
6 is referred to as the “cram down” provision of the Bankruptcy Code. The failure of each Class to
7 accept the Plan could very well result in a conversion of this case to Chapter 7 or dismissal of the
8 Chapter 11.

9 Only the votes of those creditors or interested parties whose ballots are timely received will
10 be counted in determining whether a Class has accepted the Plan.

11 **II. DEFINITIONS**

12 The definitions set forth in Article I of the Plan apply in this Disclosure Statement except to
13 the extent other definitions are set forth in this Disclosure Statement.

14 **III. THE DEBTOR, BACKGROUND, AND EVENTS PRECIPITATING THE** 15 **CHAPTER 11**

16 **A. Background**

17 The Debtors are Arizona limited liability companies. Crystal Springs Phase I, LLC was
18 formed in September 2007 and Crystal Springs Investors, LLC in September 2006. The Debtors
19 are authorized to do business in Arizona. The Debtors’ manager is Crystal Springs Manager LLC.

20 The Debtors own and operate, through a third party property manager, Trillium Residential,
21 LLC (“Trillium”), that certain 400 unit apartment community in Avondale, Arizona known as the
22 Crystal Springs Apartments (the “Property”). The Property is currently approximately 94%
23 occupied. The management agreement with Trillium expires in September 2010, but the Debtors
24 intend to renew the management agreement.

25 Lenox Mortgage XII, LLC, (“Lenox”) has asserted a claim against the Debtors, allegedly
26 secured by the Property, in the aggregate amount of approximately \$28.5 million. The Debtors
27 have not determined whether the amount asserted by Lenox is accurate or not and reserve the right
28 to challenge the amount of Lenox’s asserted secured claims and any post-petition charges asserted

1 by Lenox.

2 Debtors have obtained an appraisal of the Property indicating that the value of the Property
3 is approximately \$34.8 million, as of the Petition Date (i.e., May 12, 2010). Any party desiring a
4 copy of the appraisals may contact the Debtors' counsel and Debtors' counsel will provide copies
5 as requested.

6 Prior to the Debtors' bankruptcy filing, Lenox sought the appointment of a receiver with
7 respect to the Property. The Debtors filed their voluntary bankruptcy petitions for the purposes of
8 (a) staying the state court proceedings for the appointment of a receiver, which would have
9 undermined and, likely destroyed, the positive momentum and achievements of Trillium in its
10 operations of the Property and (b) providing time to allow the Debtors to formulate a plan of
11 reorganization which will maximize distributions to all relevant parties.

12 **B. Operations**

13 The Debtors have operated, and intend to continue operating, the Property as a multi-family
14 apartment community. The Debtors continue to receive income from tenants to pay for the ordinary
15 and necessary operating expenses of the Property, as well as any necessary repairs. In fact, the
16 Debtors have obtained a Court Order authorizing the Debtors' use of Lenox's asserted cash
17 collateral pursuant to a budget, a copy of which is attached to the cash collateral Order dated June
18 22, 2010 (the "Budget"). The Budget reflects the current anticipated revenues and expenses relating
19 to the Property. The Debtors continue to market and rent vacant apartment units in the Property
20 and to renew existing leases when appropriate.

21 In order to provide for efficient and productive operations, and to keep the Debtors'
22 business competitive, the Debtors intend to retain the same management team and structure that
23 existed pre-petition. The issues confronted by the Debtors that led to the bankruptcy filings were
24 the product of market changes, not the Debtors' management or its structure. Thus, a change in
25 management structure is not in the best interests of the Debtors or their creditors because the
26 existing structure is appropriate to meet the needs of the Debtors.

27 By maintaining its current management and operational structure, the Debtors will avoid the
28

1 transactional costs associated with significant and unnecessary change. In addition, the institutional
2 knowledge of the management team will be preserved.

3 Attached hereto as Exhibit "A" are the Debtors' projections of cash flow through December
4 2010, reflecting the Debtors' sources and uses of cash for the operation of the Property.

5 **C. Preferences and Fraudulent Conveyances**

6 To the extent that a preference or fraudulent conveyance occurred before the bankruptcy
7 filings, such transfer may be recoverable by the bankruptcy estates for the benefit of the estates
8 under §§ 544, 547, or 548 of the Bankruptcy Code. To date, no complaints have been filed under
9 any of these theories, and the Debtors are not currently aware of any causes of action for the
10 recovery of preferences or fraudulent conveyances. To the extent any such claims exist, they will
11 be analyzed for their potential value to the estates. These potential claims are specifically
12 preserved for the benefit of the bankruptcy estates. Any recovery that is obtained will be obtained
13 for the benefit of the estates.

14 **D. State Court Construction Defect Litigation**

15 In December 2008, the Debtors and their predecessors initiated a lawsuit against the builder
16 of the Property and others, asserting that there are certain defects in the construction of the Property
17 and seeking damages for such construction defects. The lawsuit is pending in Maricopa County
18 Superior Court in the State of Arizona and is titled *Pacific Capital Investments, et al vs. Crystal*
19 *Springs 200 Apartments Limited Partnership*, Case No. 2008-055020 ("Lawsuit"). Currently, there
20 are more than twenty-seven (27) defendants and third-party defendants in the litigation, which
21 includes the claims of the general contractor against its subcontractors for indemnity for their
22 negligence in the creation of the construction defects. Importantly, the defendants have significant
23 insurance in place that likely will serve as the ultimate source of recovery in any settlement or upon
24 a judgment against the defendants.

25 The parties to the Lawsuit are scheduled to attend mediation in September or October 2010.
26 A Trial Setting Conference is scheduled for September 2010.

1 **IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE**

2 **A. Administrative Proceedings**

3 The Debtors filed their Petitions for Relief under Chapter 11 on May 12, 2010 (the “Petition
4 Date”), and a first meeting of creditors was held on June 8, 2010.

5 **B. Retention of Professionals**

6 The Debtors retained Polsinelli Shughart, P.C. (“PS”) to act as their bankruptcy counsel.
7 The Court signed an Order approving the retention of PS on May 14, 2010.

8 On June 8, 2010, at the Debtors’ request, the Court entered an Order authorizing the
9 Debtors to retain the law firm of Elliott & Elliott, as special counsel, to prosecute the Lawsuit on
10 behalf of the Debtors.

11 **C. Appointment of Unsecured Creditors Committee**

12 The United States Trustee’s Office filed a statement stating that, despite its efforts to contact
13 unsecured creditors, it was unable to appoint a Committee of Unsecured Creditors.

14 **D. Motion to Use Cash Collateral**

15 The Debtors filed a motion to use the revenues generated by the Property, which Lenox
16 asserts constitute its cash collateral, on May 13, 2010. Lenox filed an objection to the use of its
17 asserted cash collateral. The Court held an evidentiary hearing regarding Lenox’s objection on
18 June 21, 2010. Upon the evidence presented by the Debtors and Lenox at the hearing, the Court
19 entered an Order for the Debtors’ use of the asserted cash collateral, through August 31, 2010. An
20 evidentiary hearing for the continued use of cash collateral is scheduled for August 23, 2010.

21 **E. Operating Reports**

22 The Debtors’ monthly operating reports are current and copies can be obtained from the
23 Court’s electronic docket.

24 **F. Motion for Reconsideration of Order Authorizing Retention of Elliott & Elliott
25 as Special Counsel for the Debtors**

26 On July 8, 2010, Lenox filed a motion requesting that the Court reconsider its Order
27 authorizing the Debtors’ retention of Elliott & Elliott, alleging that the proceeds of the Lawsuit, if
28 any, constitute Lenox’s cash collateral, and that the Debtors cannot use such alleged cash collateral

1 to pay the contingency fee to Elliott & Elliott without either Lenox's consent or the Court's finding
2 that Lenox's alleged interests in the proceeds of the Lawsuit are adequately protected. The Debtors
3 have objected to the motion for reconsideration. On August 4, 2010, the Court held a hearing on the
4 motion, which has been continued to August 31, 2010.

5 **G. Motion for Turnover**

6 On July 8, 2010, Lenox filed a motion requiring Debtors' counsel to transfer funds from
7 counsel's retainer account into the Debtors' cash collateral account. The Debtors have objected to
8 the motion. After a hearing held on August 4, 2010, the Court took the matter under advisement.

9 **H. Stay Relief Motion**

10 On July 12, 2010, Lenox filed a motion seeking to terminate the automatic stay to allow it to
11 exercise its state law rights against the Property. The Debtors have objected to the motion for stay
12 relief. On August 9, 2010, the Court held a preliminary hearing on the motion for stay relief and
13 scheduled an evidentiary hearing for September 22, 2010.

14 **I. Plan of Reorganization**

15 On August 10, 2010, the Debtors filed their Plan of Reorganization.

16 **V. DESCRIPTION OF ASSETS AND LIABILITIES OF THE DEBTORS**

17 **A. Assets**

18 The values ascribed to the Debtors' assets below are based on the Debtors' best estimate
19 and other factors such as the purchase price, comparable sales, tax assessments, and appraisals.

20 **1. Real Property** – \$34.8 million, combined. Phase I is valued at
21 approximately \$17.2 million and Phase II at approximately \$17.6 million.

22 **2. Operating Bank Accounts** – Approximately \$700,871 as of the Petition
23 Date. The Debtors have accumulated, and continue to accumulate, net cash from operations of the
24 Property since the Petition Date. The current amount of cash held by the Debtors is reflected in the
25 most recent Monthly Operating Reports filed by the Debtors.

26 **3. Tenant Security Deposit Accounts** – Approximately \$143,270.
27 Security deposits received from tenants at the Property are held in a segregated bank account.
28

1 **4. Other Accounts and Deposits** – The Debtors also have an interest in
2 certain cash retainers held by professionals that provided services to the Debtors pre-petition. As
3 reflected in the Schedules, the law firm of Brier, Irish, Hubbard & Erhart is holding a retainer in
4 the amount of \$7,500 and the law firm of Jonathon Christianson is holding a retainer in the total
5 amount of \$30,000.

6 **5. Accounts Receivable** – The Debtors own certain accounts receivable
7 from tenants for unpaid rent in the total amount of approximately \$33,360.47.

8 **6. Personal Property** – The Debtors own certain personal property,
9 consisting primarily of office equipment, model unit furniture, fixtures and computer software. The
10 value of the personal property is currently unknown but is nominal in relation to the value of the
11 Debtors’ real property.

12 **B. Liabilities**

13 The following is an overview of the Debtors’ known liabilities.

14 **1. Priority Claims**

15 The Debtors are not aware of the existence of any pre-petition priority claims.

16 **2. Secured Claims**

17 a. The Debtors’ schedules list Lenox as a secured creditor with a first
18 position lien on the Property in the total amount of approximately \$27.3 million. In
19 its motion for stay relief, Lenox asserts that the amount owing on its secured claim
20 is approximately \$28.5 million as of the Petition Date. The Debtors dispute this
21 assertion.

22 b. CSPI’s schedules list the law firm of Jonathon Christianson as a
23 secured creditor with a claim of approximately \$6,216.50 secured by a cash retainer
24 held by Jonathon Christianson in the amount of \$15,000.

25 c. CSI’s schedules list the law firm of Jonathon Christianson as a
26 secured creditor with a claim of approximately \$6,216.50 secured by a cash retainer
27 held by Jonathon Christianson in the amount of \$15,000.
28

1 d. CSPI's schedules list the law firm of Brier, Irish, Hubbard & Erhart
2 as a secured creditor with a claim of approximately \$5,000 secured by a cash
3 retainer held by Brier, Irish, Hubbard & Erhart in the amount of \$7,500.

4 e. CSPI's schedules list Javier Vande Steeg as a secured creditor with a
5 claim of approximately \$4,000 secured by a lien on certain model unit furniture at
6 the Property.

7 f. CSI's schedules list Javier Vande Steeg as a secured creditor with a
8 claim of approximately \$6,000 secured by a lien on certain model unit furniture at
9 the Property.

10 g. The Debtors' schedules list the Maricopa County Treasurer as a
11 secured creditor with a claim in the aggregate amount of approximately \$147,908.

12 **3. Unsecured Claims**

13 According to the Debtors' Schedules of Assets and Liabilities, the total aggregate amount of
14 unsecured claims, not including any deficiency claims of secured creditors, is approximately
15 \$2,200,836. Of this amount, approximately \$1,909,410 is held by Lou Weinstein. Mr. Weinstein
16 acquired these claims against the Debtors from a party related to the Debtors prior to the Petition
17 Date. The Debtors are informed and believe that Mr. Weinstein has agreed to, and will,
18 substantially discount his claims against the Debtors.

19 **C. Administrative Expenses**

20 The Debtors' administrative expenses consist of the fees and costs of attorneys and other
21 professionals necessary to the Debtors' operations, bankruptcy case, and plan of reorganization.
22 The fees and costs of these professionals will not be precisely known until the Bankruptcy Case is
23 completed. However, as set forth below, the Debtors' professionals anticipate that either (a) the
24 retainers they presently have will be sufficient to cover the services they have rendered, and will
25 render, in the Bankruptcy Case, or (b) for those professionals that do not have retainers and will be
26 paid by some other manner, their projected anticipated fees and costs for their services will be
27 commensurate with their historical fees and costs incurred by the Debtors.

28 The Debtors' bankruptcy counsel is PS. PS is currently in possession of a retainer in the

1 amount of \$150,000. PS anticipates its fees will be less than the amount of the retainer. However,
2 to the extent that PS's fees and costs exceed the amount of the retainer, PS's fees and costs will
3 constitute administrative claims against the Debtors' Estates.

4 **VI. PLAN SUMMARY**

5 The following statements concerning the Plan are merely a summary of the Plan and are not
6 complete. The statements are qualified entirely by express reference to the Plan. Creditors are
7 urged to consult with counsel or each other in order to understand the Plan fully. The Plan is
8 complete, inasmuch as it proposes a legally binding agreement by the debtor, and an intelligent
9 judgment cannot be made without reading it in full.

10 **VII. CLASSIFICATION OF CLAIMS AND INTERESTS.**

11 **A. Class 1: Priority Claims**

12 1. Class 1-A consists of Allowed Priority Claims under 11 U.S.C. § 503 and
13 § 507(a)(2) (Administrative Claims).

14 2. Class 1-B consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(3)
15 (Wage Claims).

16 3. Class 1-C consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8)
17 (Tax Claims).

18 **B. Class 2: Secured Claims**

19 1. Class 2-A consists of the Allowed Secured Claim of Lenox secured by
20 CSPI's interest in Phase 1 of the Property.

21 2. Class 2-B consists of the Allowed Secured Claim of Lenox secured by CSI's
22 interest in Phase 2 of the Property.

23 3. Class 2-C consists of the Allowed Secured Claim of Javier Vande Steeg in
24 certain personal property owned by CSPI.

25 4. Class 2-D consists of the Allowed Secured Claim of Javier Vande Steeg in
26 certain personal property owned by CSI.

27 5. Class 2-E consists of the Allowed Secured Claim of Jonathon Christianson
28

1 against CSPI, secured by a cash retainer held by Jonathon Christianson.

2 6. Class 2-F consists of the Allowed Secured Claim of Jonathon Christianson
3 against CSI, secured by a cash retainer held by Jonathon Christianson.

4 7. Class 2-G consists of the Allowed Secured Claim of the law firm of Brier,
5 Irish, Hubbard & Eckert (“Brier Irish”) against CSI, secured by a cash retainer held by Brier Irish.

6 8. Class 2-H consists of the Allowed Secured Claim of the Maricopa County
7 Treasurer for real property taxes secured by Phase 1 of the Property.

8 9. Class 2-I consists of the Allowed Secured Claim of the Maricopa County
9 Treasurer for real property taxes secured by Phase 2 of the Property.

10 **C. Class 3: Tenant Security Deposit Claims**

11 1. Class 3-A consists of Allowed Claims by tenants of Phase 1 for the return of
12 tenant security deposits held by CSPI.

13 2. Class 3-B consists of Allowed Claims by tenants of Phase 2 for the return of
14 tenant security deposits held by CSI.

15 **D. Class 4: Unsecured Claims**

16 1. Class 4-A consists of the Allowed Unsecured Claims of Creditors holding
17 Allowed Unsecured Claims against CSPI that are not otherwise treated in the Plan.

18 2. Class 4-B consists of the Allowed Unsecured Claims of Creditors holding
19 Allowed Unsecured Claims against CSI that are not otherwise treated in the Plan.

20 **E. Class 5: Interest Holders**

21 1. Class 5-A consists of the Allowed Interests of the CSPI Interest Holders in
22 CSPI.

23 2. Class 5-B consists of the Allowed Interests of the CSI Interest Holders in
24 CSI.

25 **VIII. IMPAIRMENT OF CLASSES.**

26 Under the Plan, only Classes 2-H and 2-I, consisting of Maricopa County’s Allowed
27 Secured Claims for real property taxes are impaired. All other classes of claims are unimpaired
28 under the Plan.

1 **IX. TREATMENT OF CLASSES.**

2 **A. Class 1: Priority Claims**

3 **1. Class 1-A: Administrative Claims**

4 This Class consists of Allowed Priority Claims under 11 U.S.C. §§ 503 and 507(a)(2) –
5 administrative priority claims. Unless Claimants holding Claims in this Class agree to an
6 alternative form of treatment, the Allowed Claims of Class 1-A shall be paid in full, in cash, on or
7 before the Effective Date, or as the same are Allowed and ordered paid by the Court. Any Class 1-
8 A Claim not allowed as of the Effective Date shall be paid as soon thereafter as it is allowed by the
9 Court according to the terms of this Class. This Class is not impaired.

10 **2. Class 1-B: Wage Claims**

11 This Class consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(4) – wage claims.
12 As provided in 11 U.S.C. § 1129(a)(9)(B), unless Claimants holding Claims in this Class agree to
13 an alternative form of treatment, the Allowed Priority Claims of Class 1-B shall be paid in full, in
14 cash, on or before the Effective Date. The Debtor does not believe that any claims exist under this
15 Class. Any Class 1-B Claim not allowed as of the Effective Date shall be paid as soon thereafter as
16 they are allowed by the Court according to the terms of this Class. This Class is not impaired.

17 **3. Class 1-C: Tax Claims**

18 This Class consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) – tax Claims
19 which are not otherwise treated as secured claims herein. As provided in 11 U.S.C. §
20 1129(a)(9)(C), unless Claimants holding Claims in this Class agree to an alternative form of
21 treatment, the Allowed Priority Claims of Class 1-C shall be paid in full, in cash, on or before the
22 Effective Date, or, at the Debtor’s option, such Allowed Claims shall be paid, on account of such
23 Allowed Claim, deferred cash payments, over a period not exceeding six years after the date of
24 assessment of such Claim, of a value, as of the Effective Date of the Plan, equal to the allowed
25 amount of such Claim. Any Class 1-C Claims not allowed as of the Effective Date shall be paid as
26 soon thereafter as they are allowed by the Court according to the terms of this Class. This Class is
27 not impaired.
28

1 **B. Class 2: Secured Claims**

2 **1. Class 2-A – Allowed Secured Claim of Lenox secured by CSPI’s**
3 **Interests in Phase 1 of the Property**

4 This Class consists of the Allowed Secured Claim of Lenox secured by CSPI’s interests in
5 Phase 1 of the Property. The amount of Lenox’s Allowed Secured Claim in this Class shall be
6 subject to determination by the Court if Lenox files a proof of claim and the Debtors object to such
7 proof of claim. This Class is unimpaired.

8 On the Effective Date of the Plan (or as soon thereafter as the Court determines, by a Final
9 Order, the reinstatement amount to be paid to Lenox, if such amount has not been determined by a
10 Final Order of the Court prior to the Effective Date), CSPI will fully reinstate and deaccelerate
11 Lenox’s Allowed Secured Claim secured by Phase 1 of the Property by:

12 (a) making a cash payment to Lenox to pay and cure any existing monetary default under
13 the loan documents owned and held by Lenox and secured by Phase 1 of the Property, the amount
14 of which cure will be determined by the Court;

15 (b) reinstating the maturity of Lenox’s claim secured by Phase 1 of the Property;

16 (c) making a cash payment to Lenox to compensate Lenox for any damages, as determined
17 by the Court, incurred by Lenox as a result of Lenox’s reasonable reliance on any contractual
18 provisions in the loan documents between CSPI and Lenox (or Lenox’s predecessors) that entitled
19 Lenox to demand or receive accelerated payment of its Allowed Claim secured by Phase 1 of the
20 Property after the occurrence of a default;

21 (d) to the extent that any portion of Lenox’s Allowed Claim arises from CSPI’s failure to
22 perform a non-monetary obligation, making cash payment to Lenox to compensate Lenox for any
23 actual pecuniary loss, as determined by the Court, incurred by Lenox as a result of such failure;
24 and

25 (e) not otherwise altering the legal, equitable or contractual rights of Lenox under the loan
26 documents giving rise to Lenox’s Allowed Secured Claim secured by Phase 1 of the Property.

27 Notwithstanding any contractual provision or applicable law that entitles or entitled Lenox
28 to demand or receive accelerated payment of Lenox’s Allowed Secured Claim after the occurrence

1 of a default, CSPI's cure and reinstatement of Lenox's Allowed Secured Claim secured by Phase 1
2 of the Property will reinstate, without acceleration, the loan and existing loan documents between
3 CSPI and Lenox, and Lenox's legal, equitable or contractual rights against CSPI, pursuant to such
4 loan documents, will otherwise remain unaltered. Further, the maturity of Lenox's Allowed
5 Secured Claim shall be reinstated as it existed before any default by CSPI under the loan
6 documents.

7 **2. Class 2-B – Allowed Secured Claim of Lenox secured by CSI's Interests**
8 **in Phase 2 of the Property**

9 This Class consists of the Allowed Secured Claim of Lenox secured by CSI's interests in
10 Phase 2 of the Property. The amount of Lenox's Allowed Secured Claim in this Class shall be
11 subject to determination by the Court if Lenox files a proof of claim and the Debtors object to such
12 proof of claim. This Class is unimpaired.

13 On the Effective Date of the Plan (or as soon thereafter as the Court determines, by a Final
14 Order, the reinstatement amount to be paid to Lenox, if such amount has not been determined by a
15 Final Order of the Court prior to the Effective Date), CSI will fully reinstate and deaccelerate
16 Lenox's Allowed Secured Claim secured by Phase 2 of the Property by:

17 (a) making a cash payment to Lenox to pay and cure any existing monetary default under
18 the loan documents owned and held by Lenox and secured by Phase 2 of the Property, the amount
19 of which cure will be determined by the Court;

20 (b) reinstating the maturity of Lenox's claim secured by Phase 2 of the Property;

21 (c) making a cash payment to Lenox to compensate Lenox for any damages, as determined
22 by the Court, incurred by Lenox as a result of Lenox's reasonable reliance on any contractual
23 provisions in the loan documents between CSI and Lenox (or Lenox's predecessors) that entitled
24 Lenox to demand or receive accelerated payment of its Allowed Claim secured by Phase 2 of the
25 Property after the occurrence of a default;

26 (d) to the extent that any portion of Lenox's Allowed Claim arises from CSI's failure to
27 perform a non-monetary obligation, making cash payment to Lenox to compensate Lenox for any
28 actual pecuniary loss, as determined by the Court, incurred by Lenox as a result of such failure;

1 and

2 (e) not otherwise altering the legal, equitable or contractual rights of Lenox under the loan
3 documents giving rise to Lenox's Allowed Secured Claim secured by Phase 2 of the Property.

4 Notwithstanding any contractual provision or applicable law that entitles or entitled Lenox
5 to demand or receive accelerated payment of Lenox's Allowed Secured Claim after the occurrence
6 of a default, CSI's cure and reinstatement of Lenox's Allowed Secured Claim secured by Phase 2
7 of the Property will reinstate, without acceleration, the loan and existing loan documents between
8 CSI and Lenox, and Lenox's legal, equitable or contractual rights against CSI, pursuant to such
9 loan documents, will otherwise remain unaltered. Further, the maturity of Lenox's Allowed
10 Secured Claim shall be reinstated as it existed before any default by CSI under the loan documents.

11 **3. Class 2-C – Allowed Secured Claim of Javier Vande Steeg secured by**
12 **certain personal property owned by CSPI**

13 This Class consists of the Allowed Secured Claim of Javier Vande Steeg secured by certain
14 personal property owned by CSPI. This Class is unimpaired.

15 On the Effective Date of the Plan, to the extent that there are any existing defaults under
16 the loan documents between CSPI and Javier Vande Steeg as of the Effective Date of the Plan,
17 CSPI will fully reinstate and deaccelerate Javier Vande Steeg's Allowed Secured Claim secured by
18 certain personal property owned by CSPI by:

19 (a) making a cash payment to Javier Vande Steeg to pay and cure any existing monetary
20 default under the loan documents owned and held by Javier Vande Steeg and secured by the
21 personal property owned by CSPI, the amount of which cure will be determined by the Court;

22 (b) reinstating the maturity of Javier Vande Steeg's claim secured by the personal property
23 owned by CSPI;

24 (c) making a cash payment to Javier Vande Steeg to compensate him for any damages, as
25 determined by the Court, incurred by Javier Vande Steeg as a result of his reasonable reliance on
26 any contractual provisions in the loan documents between CSPI and Javier Vande Steeg that
27 entitled or may have entitled Javier Vande Steeg to demand or receive accelerated payment of its
28 Allowed Claim secured by certain personal property owned by CSPI after the occurrence of a

1 default, if any;

2 (d) to the extent that any portion of Javier Vande Steeg's Allowed Claim arises from
3 CSPI's failure to perform a non-monetary obligation, making cash payment to Javier Vande Steeg
4 to compensate him for any actual pecuniary loss, as determined by the Court, incurred by Javier
5 Vande Steeg as a result of such failure; and

6 (e) not otherwise altering the legal, equitable or contractual rights of Javier Vande Steeg
7 under the loan documents giving rise to Javier Vande Steeg's Allowed Secured Claim secured by
8 certain personal property owned by CSPI.

9 Notwithstanding any contractual provision or applicable law that entitles or entitled Javier
10 Vande Steeg to demand or receive accelerated payment of his Allowed Secured Claim after the
11 occurrence of a default, CSPI's cure and reinstatement of Javier Vande Steeg's Allowed Secured
12 Claim secured by certain personal property owned by CSPI will reinstate, without acceleration, the
13 loan and existing loan documents between CSPI and Javier Vande Steeg, and Javier Vande Steeg's
14 legal, equitable or contractual rights against CSPI, pursuant to such loan documents, will otherwise
15 remain unaltered. Further, the maturity of Javier Vande Steeg's Allowed Secured Claim shall be
16 reinstated as it existed before any default by CSPI under the loan documents, if any.

17 **4. Class 2-D – Allowed Secured Claim of Javier Vande Steeg secured by**
18 **certain personal property owned by CSI**

19 This Class consists of the Allowed Secured Claim of Javier Vande Steeg secured by certain
20 personal property owned by CSI. This Class is unimpaired.

21 On the Effective Date of the Plan, to the extent that there are any existing defaults under
22 the loan documents between CSI and Javier Vande Steeg as of the Effective Date of the Plan, CSI
23 will fully reinstate and deaccelerate Javier Vande Steeg's Allowed Secured Claim secured by
24 certain personal property owned by CSI by:

25 (a) making a cash payment to Javier Vande Steeg to pay and cure any existing monetary
26 default under the loan documents owned and held by Javier Vande Steeg and secured by the
27 personal property owned by CSI, the amount of which cure will be determined by the Court;

28 (b) reinstating the maturity of Javier Vande Steeg's claim secured by the personal property

1 owned by CSI;

2 (c) making a cash payment to Javier Vande Steeg to compensate him for any damages, as
3 determined by the Court, incurred by Javier Vande Steeg as a result of his reasonable reliance on
4 any contractual provisions in the loan documents between CSI and Javier Vande Steeg that entitled
5 or may have entitled Javier Vande Steeg to demand or receive accelerated payment of its Allowed
6 Claim secured by certain personal property owned by CSI after the occurrence of a default, if any;

7 (d) to the extent that any portion of Javier Vande Steeg's Allowed Claim arises from CSI's
8 failure to perform a non-monetary obligation, making cash payment to Javier Vande Steeg to
9 compensate him for any actual pecuniary loss, as determined by the Court, incurred by Javier
10 Vande Steeg as a result of such failure; and

11 (e) not otherwise altering the legal, equitable or contractual rights of Javier Vande Steeg
12 under the loan documents giving rise to Javier Vande Steeg's Allowed Secured Claim secured by
13 certain personal property owned by CSI.

14 Notwithstanding any contractual provision or applicable law that entitles or entitled Javier
15 Vande Steeg to demand or receive accelerated payment of his Allowed Secured Claim after the
16 occurrence of a default, CSI's cure and reinstatement of Javier Vande Steeg's Allowed Secured
17 Claim secured by certain personal property owned by CSI will reinstate, without acceleration, the
18 loan and existing loan documents between CSI and Javier Vande Steeg, and Javier Vande Steeg's
19 legal, equitable or contractual rights against CSI, pursuant to such loan documents, will otherwise
20 remain unaltered. Further, the maturity of Javier Vande Steeg's Allowed Secured Claim shall be
21 reinstated as it existed before any default by CSI under the loan documents, if any.

22 **5. Class 2-E – Allowed Secured Claim of Jonathon Christianson against**
CSPI secured by a cash retainer

23 This Class consists of the Allowed Secured Claim of Jonathon Christianson against CSPI
24 secured by cash retainer held by Jonathon Christianson. This Class is unimpaired.

25 On the Effective Date of the Plan, Jonathon Christianson will be entitled to, and shall,
26 apply the retainer currently held by Jonathon Christianson against the allowed amount of Jonathon
27 Christianson's claim against CSPI. To the extent that the amount of the retainer is insufficient to
28

1 pay Jonathon Christianson's Allowed Secured Claim in full on the Effective Date of the Plan,
2 CSPI will pay any remaining balance of such Allowed Secured Claim, in cash, on the Effective
3 Date of the Plan from the New Value contributed by the Contributing CSPI Interest Holders. To
4 the extent that the amount of the retainer exceeds the amount of Jonathan Christianson's Allowed
5 Secured Claim against CSPI, such excess will be delivered to CSPI and will be added to CSPI's
6 cash on hand.

7 **6. Class 2-F – Allowed Secured Claim of Jonathon Christianson against**
8 **CSI secured by a cash retainer**

9 This Class consists of the Allowed Secured Claim of Jonathon Christianson against CSI
10 secured by cash retainer held by Jonathon Christianson. This Class is unimpaired.

11 On the Effective Date of the Plan, Jonathon Christianson will be entitled to, and shall,
12 apply the retainer currently held by Jonathon Christianson against the allowed amount of Jonathon
13 Christianson's claim against CSI. To the extent that the amount of the retainer is insufficient to
14 pay Jonathon Christianson's Allowed Secured Claim in full on the Effective Date of the Plan, CSI
15 will pay any remaining balance of such Allowed Secured Claim, in cash, on the Effective Date of
16 the Plan from the New Value contributed by the Contributing CSI Interest Holders. To the extent
17 that the amount of the retainer exceeds the amount of Jonathan Christianson's Allowed Secured
18 Claim against CSI, such excess will be delivered to CSI and will be added to CSI's cash on hand.

19 **7. Class 2-F – Allowed Secured Claim of Brier Irish against CSI secured by**
20 **a cash retainer**

21 This Class consists of the Allowed Secured Claim of Brier Irish against CSI secured by
22 cash retainer held by Brier Irish. This Class is unimpaired.

23 On the Effective Date of the Plan, Brier Irish will be entitled to, and shall, apply the
24 retainer currently held by Brier Irish against the allowed amount of Brier Irish's claim against CSI.
25 To the extent that the amount of the retainer is insufficient to pay Brier Irish's Allowed Secured
26 Claim in full on the Effective Date of the Plan, CSI will pay any remaining balance of such
27 Allowed Secured Claim, in cash, on the Effective Date of the Plan from the New Value
28 contributed by the Contributing CSI Interest Holders. To the extent that the amount of the retainer
exceeds the amount of Brier Irish's Allowed Secured Claim against CSI, such excess will be

1 delivered to CSI and will be added to CSI's cash on hand.

2 **8. Class 2-G – Allowed Secured Claim of Maricopa County against CSPI**
3 **secured by Phase 1 of the Property**

4 This Class consists of the Allowed Secured Claim of Maricopa County, Arizona
5 (“Maricopa County”) that is secured by a real property tax lien on Phase 1 of the Property. This
6 Class is impaired.

7 Commencing on the Effective Date, the Allowed Secured Claim of Maricopa County
8 encumbering Phase 1 of the Property, will be paid in equal quarterly payments of principal and
9 interest over a term of 1 year. Interest will accrue and will be paid at the statutory rate plus 2%.
10 The County will retain its existing secured interest in the Phase 1 of the Property until its Allowed
11 Secured Claim in this class has been satisfied in full.

12 **9. Class 2-H – Allowed Secured Claim of Maricopa County against CSI**
13 **secured by Phase 2 of the Property**

14 This Class consists of the Allowed Secured Claim of Maricopa County that is secured by a
15 real property tax lien on Phase 2 of the Property. This Class is impaired.

16 Commencing on the Effective Date, the Allowed Secured Claim of Maricopa County
17 encumbering Phase 2 of the Property, will be paid in equal quarterly payments of principal and
18 interest over a term of 1 year. Interest will accrue and will be paid at the statutory rate plus 2%.
19 The County will retain its existing secured interest in the Phase 2 of the Property until its Allowed
20 Secured Claim in this class has been satisfied in full.

21 **C. Class 3: Tenant Security Deposits**

22 **1. Class 3-A – Allowed Claims of Tenants of Phase 1 of the Property for**
23 **the return of tenant security deposits**

24 This Class consists of all Allowed Unsecured Claims of tenants in Phase 1 of the Property
25 for pre-petition security deposits held by CSPI. This Class is unimpaired.

26 CSPI shall retain its right and ability to determine whether and what extent a tenant is
27 entitled to the return of its security deposit pursuant to the terms of the lease between CSPI and the
28 tenant and applicable state law. CSPI will pay any proper and authorized tenant deposit claims as
such claims become due and payable to such tenants pursuant to the terms of the lease between

1 CSPI and the tenant and applicable state law. Any allowed legal, equitable and/or contractual
2 rights or claims of tenants for a return of their tenant security deposits from CSPI will remain
3 unaltered.

4 **2. Class 3-B – Allowed Claims of Tenants of Phase 2 of the Property for the**
5 **return of tenant security deposits**

6 This Class consists of all Allowed Unsecured Claims of tenants in Phase 2 of the Property
7 for pre-petition security deposits held by CSI. This Class is unimpaired.

8 CSI shall retain its right and ability to determine whether and what extent a tenant is
9 entitled to the return of its security deposit pursuant to the terms of the lease between CSI and the
10 tenant and applicable state law. CSI will pay any proper and authorized tenant deposit claims as
11 such claims become due and payable to such tenants pursuant to the terms of the lease between
12 CSI and the tenant and applicable state law. Any allowed legal, equitable and/or contractual rights
13 or claims of tenants for a return of their tenant security deposits from CSI will remain unaltered.

14 **D. Class 4: Allowed Unsecured Claims**

15 **1. Class 4-A – Allowed Unsecured Claims against CSPI**

16 This Class consists of all Allowed Unsecured Claims of Creditors holding Allowed
17 Unsecured Claims against CSPI that are not otherwise specifically treated in this Plan. This Class
18 is unimpaired.

19 Unless Claimants holding Claims in this Class agree to an alternative form of treatment, the
20 Allowed Claims of Class 4-A shall be paid in full, in cash, on the Effective Date, or as the such
21 Claims are Allowed and ordered paid by the Court. Any Class 4-A Claim not Allowed as of the
22 Effective Date shall be paid, in full, within ten (10) business days of an Order by the Court
23 allowing such Claim.

24 **2. Class 4-B – Allowed Unsecured Claims against CSI**

25 This Class consists of all Allowed Unsecured Claims of Creditors holding Allowed
26 Unsecured Claims against CSI that are not otherwise specifically treated in this Plan. This Class is
27 unimpaired.

28 Unless Claimants holding Claims in this Class agree to an alternative form of treatment, the

1 Allowed Claims of Class 4-B shall be paid in full, in cash, on the Effective Date, or as the such
2 Claims are Allowed and ordered paid by the Court. Any Class 4-B Claim not Allowed as of the
3 Effective Date shall be paid, in full, within ten (10) business days of an Order by the Court
4 allowing such Claim.

5 **E. Class 5: Interest Holders**

6 **1. Class 5-A – Allowed Interests of CSPI Interest Holders**

7 Class 5-A consists of all Allowed Interests of CSPI Interest Holders. This Class is
8 impaired. The CSPI Interest Holders will be given the opportunity to contribute New Value to
9 CSPI in the form of a cash infusion in the amount of at least \$1.1 million. The New Value will be
10 used to:

11 (a) pay the amount necessary to pay all CSPI Class 1 Allowed Priority Claims as set forth
12 above;

13 (b) together with any cash on hand held by the Debtors as of the Effective Date of the Plan,
14 pay the amounts necessary to cure and reinstate/deaccelerate Lenox’s Allowed Secured Claims
15 against CSPI, as set forth above and as such amounts are determined by the Court;

16 (c) pay any deficiency amounts to Jonathan Christianson against CSPI, to the extent that his
17 retainer is insufficient to pay his Allowed Secured Claims in full;

18 (d) pay CSPI’s Allowed Unsecured Claims in Class 3 as set forth above; and

19 (f) fund a reserve account necessary to fund, among other things, (1) tenant improvements,
20 (2) any potential cash flow shortfalls to avoid any monetary defaults under Lenox’s reinstated loan
21 to CSPI, and (3) other necessary and appropriate capital expenses of Phase 1 of the Property to
22 ensure that the value of Phase 1 of the Property is maintained.

23 In the event a CSPI Interest Holder makes a contribution of New Value (a “Contributing
24 CSPI Interest Holder”), such Contributing CSPI Interest Holder will be entitled to receive a
25 priority return of any such contributed New Value, plus a premium of 20% per annum on such
26 contribution, before any distributions to CSPI Interest Holders that do not make a contribution of
27 New Value (a “Non-Contributing CSPI Interest Holder”). Furthermore, upon any sale of Phase 1
28 of the Property, Contributing CSPI Interest Holders will receive their pro rata distribution of 10%

1 of any net sale proceeds (after payment of costs of sale and any remaining claims against CSPI),
2 after return of the New Value contributions plus the 20% premium, but before any distributions to
3 Non-Contributing CSPI Interest Holders. Finally, Non-Contributing CSPI Interest Holders will be
4 entitled to receive their respective pro rata distributions from the sale of Phase 1 of the Property
5 upon payment in full of (i) all claims against CSPI, (ii) the return of the New Value contributions
6 made by Contributing CSPI Interest Holders, (iii) the payment of the 20% premium on the New
7 Value contributions made by Contributing CSPI Interest Holders, and (iv) the 10% priority return
8 to Contributing CSPI Interest Holders.

9 Upon Confirmation, the Operating Agreement of CSPI is, and will be, amended consistent
10 with the terms of this Plan.

11 **2. Class 5-B – Allowed Interests of CSI Interest Holders**

12 Class 5-B consists of all Allowed Interests of CSI Interest Holders. This Class is impaired.
13 The CSI Interest Holders will be given the opportunity to contribute New Value to CSI in the form
14 of a cash infusion in the amount of at least \$1.1 million. The New Value will be used to:

15 (a) pay the amount necessary to pay all CSI Class 1 Allowed Priority Claims as set forth
16 above;

17 (b) together with any cash on hand held by the Debtors as of the Effective Date of the Plan,
18 pay the amounts necessary to cure and reinstate/deaccelerate Lenox’s Allowed Secured Claims
19 against CSI, as set forth above and as such amounts are determined by the Court;

20 (c) pay any deficiency amounts to Jonathan Christianson and/or Brier Irish against CSI to
21 the extent that their respective retainers are insufficient to pay their Allowed Secured Claims in
22 full;

23 (d) pay CSI’s Allowed Unsecured Claims in Class 3 as set forth above; and

24 (f) fund a reserve account necessary to fund, among other things, (1) tenant improvements,
25 (2) any potential cash flow shortfalls to avoid any monetary defaults under Lenox’s reinstated loan
26 to CSI, and (3) other necessary and appropriate capital expenses of Phase 1 of the Property to
27 ensure that the value of Phase 1 of the Property is maintained.

28 In the event a CSI Interest Holder makes a contribution of New Value (a “Contributing CSI

1 Interest Holder”), such Contributing CSI Interest Holder will be entitled to receive a priority return
2 of any such contributed New Value, plus a premium of 20% per annum on such contribution,
3 before any distributions to CSI Interest Holders that do not make a contribution of New Value (a
4 “Non-Contributing CSI Interest Holder”). Furthermore, upon any sale of Phase 1 of the Property,
5 Contributing CSI Interest Holders will receive their pro rata distribution of 10% of any net sale
6 proceeds (after payment of costs of sale and any remaining claims against CSI), after return of the
7 New Value contributions plus the 20% premium, but before any distributions to Non-Contributing
8 CSI Interest Holders. Finally, Non-Contributing CSI Interest Holders will be entitled to receive
9 their respective pro rata distributions from the sale of Phase 1 of the Property upon payment in full
10 of (i) all claims against CSI, (ii) the return of the New Value contributions made by Contributing
11 CSI Interest Holders, (iii) the payment of the 20% premium on the New Value contributions made
12 by Contributing CSI Interest Holders, and (iv) the 10% priority return to Contributing CSI Interest
13 Holders.

14 Upon Confirmation, the Operating Agreement of CSI is, and will be, amended consistent
15 with the terms of this Plan.

16 **D. MEANS FOR EXECUTING THE PLAN.**

17 **1. Funding**

18 The Plan will be funded by (a) cash on hand held by the Debtors as of the Effective Date of
19 the Plan, (b) the New Value contributed to the Reorganized Debtors by the Contributing CSPI
20 Interest Holders and Contributing CSI Interest Holders, and (c) continued operations of the
21 Property.

22 To the extent that there are insufficient funds raised from Contributing CSPI Interest
23 Holders and/or Contributing CSI Interest Holders to satisfy the necessary New Value contribution,
24 the Debtors will solicit and raise funds from third parties who will contribute New Value
25 (“Contributing Third Parties”) to the Debtors. Contributing Third Parties, if any, will receive the
26 same treatment as Contributing CSPI Interest Holders and Contributing CSI Interest Holders,
27 respectively. To the extent that any Contributing Third Parties contribute New Value, then upon
28 Confirmation, the Debtor’s respective Operating Agreements are, and will be, amended consistent

1 with the terms of this Plan to include the Contributing Third Parties as members of the
2 Reorganized Debtors.

3 **2. Liquidation of Estate Property**

4 The Reorganized Debtors shall have the authority to retain such brokers, agents, counsel, or
5 representatives as it deems necessary to manage, market, and/or lease the Property.

6 **3. Management**

7 The Plan will be implemented by the retention of the Debtors' existing manager, Crystal
8 Springs Manager, LLC and by the Reorganized Debtors' retention of Trillium as property manager
9 for the Property upon terms and conditions mutually acceptable to the Debtors and Trillium. This
10 implementation will also include the management and disbursement of the funds infused by the
11 Contributing CSPI Interest Holders and Contributing CSI Interest Holders as set forth above and in
12 accordance with the terms of this Plan.

13 **4. Disbursing Agent**

14 The Reorganized Debtors shall act as the Disbursing Agent under the Plan.

15 **5. Documentation of Plan Implementation**

16 In the event any entity which possesses an Allowed Secured Claim or any other lien in any
17 of the Debtors' property for which the Plan requires the execution of any documents to incorporate
18 the terms of the Plan, fails to provide a release of its lien or execute the necessary documents to
19 satisfy the requirements of the Plan, the Debtors may record a copy of this Plan or the
20 Confirmation Order with the appropriate governmental agency and such recordation shall
21 constitute the lien release and creation of any necessary new liens to satisfy the terms of the Plan.
22 If the Debtors deem advisable, they may obtain a further Order from the Court that may be
23 recorded in order to implement the terms of the Plan.

24 **6. New Obligations**

25 Any Allowed Claims which are otherwise impaired herein, and which are paid in deferred
26 payments, shall be a New Obligation of the Reorganized Debtors under the terms described herein
27 and completely replace any pre-confirmation obligations of the Debtors.
28

1 **X. EFFECT OF CONFIRMATION.**

2 Except as otherwise provided in the Plan or the Confirmation Order, Confirmation acts as a
3 Discharge, effective as of Confirmation, of any and all debts of the Debtors that arose any time
4 before the entry of the Confirmation Order including, but not limited to, all principal and all interest
5 accrued thereon, pursuant to §1141(d)(1) of the Bankruptcy Code. The Discharge shall be effective
6 as to each Claim, regardless of whether a Proof of Claim thereon was filed, whether the Claim is an
7 Allowed Claim, or whether the Holder thereof votes to accept the Plan.

8 **XI. LIQUIDATION ANALYSIS**

9 The Plan provides for the reinstatement of Lenox's pre-petition claims and for the payment
10 of all claims in full. Consequently, all creditors will necessarily recover as much, if not more, under
11 the Plan than they would receive in a Chapter 7 liquidation of the Debtors' assets, and confirmation
12 of the Plan is the best interests of the creditors.

13 **XII. TAX CONSEQUENCES**

14 Pursuant to §1125(a)(1) of the Bankruptcy Code, the Debtors are to provide a discussion of
15 the potential material tax consequences of the Plan to the Debtors, any successor to the Debtors,
16 and a hypothetical investor typical of the holders of claims or interests in the case, that would
17 enable such a hypothetical investor of the relevant Class to make an informed judgment about the
18 Plan. However, the Debtors need not include such information about any other possible or
19 proposed plan. In determining whether the Disclosure Statement provides adequate information,
20 the Court shall consider the complexity of the case, the benefit of additional information to
21 creditors and other parties in interest, and the cost of providing additional information. The
22 following discussion summarizes certain considerations that may affect the anticipated federal
23 income tax consequences of the Plan's implementation to Creditors and to the Debtors. It does not
24 address all federal income tax consequences of the Plan nor does it address the state or local income
25 tax or other state or local tax consequences of the Plan's implementation to Creditors or to the
26 Debtors.

27 This description of the federal income tax consequences of implementing the Plan is based
28

1 on Debtors' interpretation of the applicable provisions of the Internal Revenue Code of 1986, as
2 amended (the "IRC"), the regulations promulgated thereunder, and other relevant authority.
3 Debtors' interpretation, however, is not binding on the IRS or any court. The Debtors have not
4 obtained, nor do they intend to obtain, a private letter ruling from the IRS, nor have the Debtors
5 obtained an opinion of counsel with respect to any of these matters. The discussion below is
6 general in nature and is not directed to the specific tax situation of any particular interested
7 taxpayer. **For these reasons, all Creditors and the Interest Holder should consult with their**
8 **own tax advisors as to the tax consequences of implementation of the Plan to them under**
9 **applicable federal, state, and local tax laws.**

10 **A. Tax Consequences to the Debtors**

11 In general, the amount of any debt of a business entity that is partially or totally discharged
12 pursuant to a Title 11 bankruptcy case is excluded from gross income. Generally, the amount of
13 debt discharge income ("DDI") that is excluded from gross income must be applied to reduce the
14 tax attributes of the Debtors. The Debtors' tax attributes are reduced in the following order: (1) net
15 operating losses ("NOLs"); (2) general business credits; (3) minimum tax credit; (4) capital loss
16 carryovers; (5) reduction in tax basis of the Debtors' property; (6) passive activity loss and credit
17 carryovers; and (7) foreign tax credit carryovers. The Debtors may elect to apply the debt
18 discharge exclusion first to depreciable property and thereafter to the tax attributes in the above-
19 prescribed order.

20 **B. Tax Consequences to the Secured and Unsecured Creditors**

21 Both the Secured Claimants and/or the Unsecured Claimants may be required to report
22 income or be entitled to a deduction as a result of implementation of the Plan. The exact tax
23 treatment depends on, among other things, each Claimant's method of accounting, the nature of
24 each Claimant's claim, and whether and to what extent such Claimant has taken a bad debt
25 deduction in prior taxable years with respect to the particular debt owed to it by one of the Debtors.
26 **Each Holder of a secured claim or an unsecured claim is urged to consult with his, her, or its**
27 **own tax advisor regarding the particular tax consequences of the treatment of his, her, or its**
28

1 **claim under the Plan.**

2 **XIII. OBJECTIONS TO AND ESTIMATIONS OF CLAIMS.**

3 **A. Objections and Bar Date for Filing Objections.**

4 As soon as practicable, but in no event later than 45 days after the Effective Date, objections
5 to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the
6 Claims to which objections are made pursuant to the Bankruptcy Code and the Bankruptcy Rules.
7 Objections filed after such date will be barred.

8 **B. Settlement of Claims.**

9 Settlement of any objection to a Claim not exceeding \$10,000 shall be permitted on the
10 eleventh (11th) day after notice of the settlement has been provided to the Debtors, the Creditors,
11 the settling party, and other persons specifically requesting such notice, and if on such date there is
12 no written objection filed, such settlement shall be deemed approved. In the event of a written
13 objection to the settlement, the settlement must be approved by the Court on notice to the objecting
14 party.

15 **C. Estimation of Claims.**

16 For purposes of making distributions provided for under the Plan, all Claims objected to
17 shall be estimated by the Disbursing Agent at an amount equal to (i) the amount, if any, determined
18 by the Court pursuant to §502(c) of the Bankruptcy Code as an estimate for distribution purposes;
19 (ii) an amount agreed to between the Debtors and the Claimant; or, (iii) that amount set forth as an
20 estimate in the Plan or Disclosure Statement. Notwithstanding anything herein to the contrary, no
21 distributions shall be made on account of any Claim until such Claim is an Allowed Claim.

22 **D. Unclaimed Funds and Interest.**

23 Distribution to Claimants shall be mailed by the Reorganized Debtors to the Claimants at
24 the address appearing on the master mailing matrix unless the Claimant provides the Reorganized
25 Debtors with an alternative address. For a period of one year from the date that a distribution was
26 to be made by the disbursing agent but has gone uncollected by the Claimant, the disbursing agent
27 shall retain any distributions otherwise distributable hereunder which remain unclaimed or as to
28

1 which the disbursing agent has not received documents required pursuant to the Plan. Thereafter,
2 the unclaimed funds shall be deposited in the appropriate distribution account for distribution to
3 other Claimants entitled to participate in such respective fund.

4 **XIV. NON-ALLOWANCE OF PENALTIES AND FINES.**

5 No distribution shall be made under the Plan on account of, and no Allowed Claim, whether
6 Secured, Unsecured, Administrative, or Priority, shall include any fine, penalty, exemplary or
7 punitive damages, late charges, default interest or other monetary charges relating to or arising
8 from any default or breach by the Debtors, and any Claim on account thereof shall be deemed
9 Disallowed, whether or not an objection was filed to it.

10 **XV. CLOSING OF CASE.**

11 Until these cases are officially closed, the Reorganized Debtors will be responsible for filing
12 pre- and post-confirmation reports required by the United States Trustee and paying the quarterly
13 post-confirmation fees of the United States Trustee, in cash, pursuant to 28 U.S.C. §1930, as
14 amended. Pursuant to 11 U.S.C. §1129(a)(12), all fees payable under §1930 of Title 28, as
15 determined by the Court at the hearing on confirmation of the Plan, will be paid, in cash, on the
16 Effective Date.

17 **XVI. MODIFICATION OF THE PLAN.**

18 In addition to its modification rights under §1127 of the Bankruptcy Code, the Debtors may
19 amend or modify the Plan at any time prior to Confirmation without leave of the Court. The
20 Debtors may propose amendments and/or modifications of the Plan at any time subsequent to
21 Confirmation with leave of the Court and upon notice to Creditors. After Confirmation of the Plan,
22 the Debtors may, with approval of the Court, as long as it does not materially or adversely affect
23 the interests of Creditors, remedy any defect or omission or reconcile any inconsistencies of the
24 Plan, or in the Confirmation Order, if any may be necessary to carry out the purposes and intent of
25 the Plan.
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1 **XVII. JURISDICTION OF THE COURT.**

2 The Court will retain jurisdiction until the Plan has been fully consummated for, including
3 but not limited to, the following purposes:

4 1. The classification of the Claims of any Creditors and the re-examination of
5 any Claims which have been allowed for the purposes of voting, and for the determination
6 of such objections as may be filed to the Creditor’s Claims. The failure by the Debtors to
7 object to or examine any Claim for the purpose of voting shall not be deemed to be a
8 waiver of the Debtors’ rights to object to or to re-examine the Claim in whole or in part.

9 2. To determine any Claims which are disputed by the Debtors, whether such
10 objections are filed before or after Confirmation, to estimate any Un-liquidated or
11 Contingent Claims pursuant to 11 U.S.C. § 502(c)(1) upon request of the Debtors or any
12 holder of a Contingent or Un-liquidated Claim, and to make determination on any objection
13 to such Claim.

14 3. To determine all questions and disputes regarding title to the assets of the
15 Estate, and determination of all causes of action, controversies, disputes or conflicts,
16 whether or not subject to action pending as of the date of Confirmation, between the
17 Debtors and any other party, including but not limited to, any rights of the Debtors to
18 recover assets pursuant to the provisions of the Bankruptcy Code.

19 4. The correction of any defect, the curing of any omission or any
20 reconciliation of any inconsistencies in the Plan, or the Confirmation Order, as may be
21 necessary to carry out the purposes and intent of the Plan.

22 5. The modification of the Plan after Confirmation, pursuant to the Bankruptcy
23 Rules and the Bankruptcy Code.

24 6. To enforce and interpret the terms and conditions of the Plan.

25 7. The entry of an order, including injunctions, necessary to enforce the title,
26 rights and powers of the Debtors, and to impose such limitations, restrictions, terms and
27 conditions of such title, right and power that this Court may deem necessary.

28 8. The entry of an order concluding and terminating this case.

1 **XVIII. RETENTION AND ENFORCEMENT OF CLAIMS.**

2 Pursuant to §1123(b)(3) of the Bankruptcy Code, the Reorganized Debtors shall retain and
3 may enforce any and all claims of the Debtors, except those claims specifically waived herein. Any
4 retained causes of action include, but are not limited to, all avoidance actions, fraudulent
5 conveyance actions, preference actions, and other claims and causes of action of every kind and
6 nature whatsoever, arising before the Effective Date which have not been resolved or disposed of
7 prior to the Effective Date, whether or not such claims or causes of action are specifically identified
8 in the Disclosure Statement.

9 Any recovery obtained from retained causes of action shall become an additional asset of
10 the Debtors, unless otherwise ordered by the Court, and shall be available for distribution in
11 accordance with the terms of the Plan.

12 **XIX. EXECUTORY CONTRACTS.**

13 The Debtors hereby expressly assume any and all tenant leases in existence as of the
14 Confirmation Date and all executory contracts listed in the Debtors' Schedules of Assets and
15 Liabilities. The Debtors specifically assume any property management agreements between the
16 Debtors and Trillium in existence on the Effective Date. Every other executory contract and/or
17 unexpired lease of the Debtors not expressly assumed by this Plan is hereby rejected.

18 Claims under § 502(g) of the Code arising as a result of the rejection of executory contracts
19 or unexpired leases shall be filed no later than 30 days after the Confirmation Date. Any such
20 Claims not timely filed and served shall be Disallowed.

21 **XX. REVESTING.**

22 Except as provided for in the Plan or in the Confirmation Order, on the Effective Date the
23 Reorganized Debtors shall be vested with all the property of the Estate free and clear of all claims,
24 liens, charges, and other interests of Creditors, arising prior to the Effective Date. Upon the
25 Effective Date, the Reorganized Debtors shall operate their business free of any restrictions.

26 **XXI. DISCLAIMER.**

27 Court approval of this Disclosure Statement and the accompanying Plan of Reorganization,
28

1 is not a certification of the accuracy of the contents thereof. Furthermore, Court approval of these
2 documents does not constitute the Court's opinion as to whether the Plan should be approved or
3 disapproved.

4 **XXII. PROPONENTS RECOMMENDATION/ALTERNATIVES TO THE PLAN.**

5 The Debtors recommend that all creditors entitled to vote for the Plan do so. The Debtors'
6 Plan will pay Lenox the full amount of its secured claim and provide funds to pay unsecured
7 creditors. The alternatives to confirmation of the Plan would be either conversion of this case to a
8 case under Chapter 7 of the Bankruptcy Code or its dismissal.

9 Dismissal of this case would result in the foreclosure of the Property by Lenox. In such a
10 case, Unsecured Creditors may receive nothing on account of their claims.

11 Conversion will result in the appointment of a Chapter 7 trustee and, most likely, the hiring
12 of an attorney by the trustee. Expenses incurred in administering the Chapter 7 case would take
13 priority in the right to payment over allowed, administrative expenses incurred in the Chapter 11
14 case. Both Chapter 7 and Chapter 11 administrative expenses take priority over the payment of
15 unsecured claims without priority. In other words, conversion would likely decrease the net
16 amount available to pay currently existing creditors.

17 The most likely effect of conversion of the case to a Chapter 7 would be a foreclosure on
18 the Property by Lenox, and, as a result, Unsecured Creditors would receive nothing.

19 For all these reasons, the Debtors urge you to vote to accept the Plan and to return your
20 ballots in time to be counted.

21 DATED: August 10, 2010.

22 POLSINELLI SHUGHART PC

23 By: 
24 _____

25 Mark W. Roth
26 Philip R. Rudd
27 Mary B. Martin
28 Security Title Plaza
3636 N. Central Ave., Suite 1200
Phoenix, AZ 85012

Attorneys for the Debtors

1 **COPY** of the foregoing mailed (or served via
2 electronic notification if indicated by an “*”) on August 10, 2010, to:

3 U.S. TRUSTEE’S OFFICE
4 230 N. 1st Avenue, Suite 204
5 Phoenix, AZ 85003

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By: /s/ Cathie Bernales

EXHIBIT A

June 30, 2010

Cur. Period: 07/10
 Sel. Period: 06/10

--- CURRENT MONTH INFORMATION ---

	JAN	FEB	MAR	APR	MAY	JUN	JUN	JUN	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	PER UNIT	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	ACTUAL	BUDGET	BUDGET	BUDGET	BUDGET	TOTAL	UNIT	
INCOME																		
Gross Potential Rent	399,024	399,024	399,024	399,024	399,024	399,024	399,024	0	2,394,144	2,388,144	6,000	399,024	399,024	399,024	399,024	399,024	4,788,288	11,971
Loss to Lease	67,458	63,343	59,550	57,315	55,673	50,079	51,000	921	353,418	338,700	14,718	45,000	30,000	25,000	20,000	20,000	546,418	1,371
Gross Scheduled Rent	331,566	335,681	339,474	341,709	343,351	348,945	348,024	921	2,040,726	2,049,444	8,718	354,024	369,024	374,024	379,024	379,024	4,239,870	10,600
RENT LOSSES																		
Vacancy Loss	49,178	35,221	27,298	17,341	15,038	18,349	13,921	4,428	162,425	190,671	28,246	14,161	14,761	14,961	15,161	15,161	250,391	626
Bad Debt	0	0	0	0	0	0	0	0	17,014	17,014	17,014	0	0	0	0	0	0	0
Model	985	985	985	985	985	985	985	0	5,910	5,910	985	985	985	985	985	985	11,820	30
Concessions	40,379	49,054	52,120	56,395	57,545	57,007	57,105	98	312,500	321,975	9,475	56,922	62,989	60,123	54,700	54,700	668,506	1,671
Employee Rent Allowance	1,944	1,944	859	859	859	859	859	0	7,324	10,579	3,255	859	859	859	859	859	12,478	31
TOTAL RENT LOSSES	92,486	87,204	81,262	75,580	74,427	77,200	72,870	4,330	488,159	546,148	57,989	72,927	79,594	76,928	71,705	71,705	943,195	2,358
TOTAL RENTAL REVENUE	239,080	248,476	258,212	266,130	268,924	271,745	275,154	3,409	1,552,567	1,503,296	49,271	281,097	289,430	297,096	307,319	307,319	3,296,675	8,242
OTHER REVENUE																		
Corporate Apartment Premium	1,722	1,722	2,230	4,135	2,767	1,865	2,200	335	14,439	2,200	12,239	2,200	2,200	2,200	2,200	2,200	27,639	69
Non-Refundable Fees	1,575	175	258	445	152	181	250	69	2,787	3,790	1,003	250	300	300	300	300	4,487	11
Lease Buyout Fees	4,500	12,600	2,600	5,100	1,200	10,800	2,500	8,300	36,800	52,500	15,700	3,200	3,200	3,200	3,200	3,200	56,000	140
Pet Rent	1,308	1,339	1,472	1,392	1,519	1,531	1,500	31	8,560	6,150	2,410	1,500	1,600	1,600	1,600	1,600	17,960	45
Storage	363	356	375	335	426	440	450	10	2,294	1,700	594	450	450	450	450	450	4,994	12
Late Fees	3,940	1,921	1,653	2,210	2,645	3,471	3,188	303	15,440	17,952	2,512	2,850	2,850	2,850	2,850	2,850	32,540	81
Month to Month Fees	319	167	0	137	259	438	250	188	1,321	1,600	279	230	300	300	300	300	3,021	8
NSF Fees	275	50	25	50	100	100	75	25	600	1,419	819	75	75	75	75	75	1,050	3
Application Fees	396	374	548	764	461	486	475	11	3,029	2,599	430	475	475	475	475	475	5,879	15
Move Out Fees	712	6,177	3,740	4,334	2,796	9,894	3,300	6,594	27,653	19,800	7,853	3,300	3,300	3,300	3,300	3,300	47,553	119
Utility Reimbursements	7,377	6,558	6,893	6,072	5,882	5,279	6,200	921	38,061	61,200	23,139	6,200	6,200	6,200	6,200	6,200	75,261	188
Bad Debt Recovery	4,139	13,441	5,744	9,402	1,605	15,790	6,500	9,290	50,120	66,500	16,380	6,500	6,500	6,500	6,500	6,500	89,120	223
Concession Pay Back	1,694	7,898	2,252	4,540	1,361	4,053	2,200	1,853	21,799	2,200	19,599	2,200	2,200	2,200	2,200	2,200	34,999	88
Clubhouse Rental	0	0	0	0	0	0	450	450	3,075	450	3,075	450	450	450	450	450	2,700	7
Revenue Share	0	570	0	0	588	0	600	600	1,158	1,200	42	0	0	0	0	0	2,358	6
Vending	81	12	28	274	0	79	30	49	474	180	294	30	30	30	30	30	654	2
Interest	0	0	0	0	0	0	0	0	0	750	750	0	0	0	0	0	0	0
Transfer Fees	0	0	0	1,000	0	0	0	0	1,000	400	600	200	200	200	200	200	1,600	4
Garage	2,470	2,347	2,417	2,831	2,819	3,072	2,800	272	15,955	15,300	655	2,800	2,800	2,800	2,800	2,800	32,755	82
Legal Fees	1,250	636	270	0	0	725	0	725	2,881	0	2,881	0	0	0	0	0	2,881	7
Miscellaneous Revenue	81	54	107	415	1,382	9	150	141	2,048	400	1,648	150	150	150	150	150	2,948	7
TOTAL OTHER REVENUE	23,524	29,515	19,123	24,631	22,752	26,632	20,098	6,534	146,178	127,915	18,263	19,880	20,280	20,080	20,880	20,880	268,058	670
TOTAL REVENUE	262,604	277,991	277,335	290,761	291,677	298,377	295,252	3,125	1,698,745	1,631,211	67,534	300,977	309,710	317,176	328,199	328,199	3,564,733	8,912

--- CURRENT MONTH INFORMATION --- /

	JAN ACTUAL	FEB ACTUAL	MAR ACTUAL	APR ACTUAL	MAY ACTUAL	JUN ACTUAL	JUN BUDGET	JUN VARIANCE	JUN ACTUAL	JUN BUDGET	JUN VARIANCE	JUL BUDGET	AUG BUDGET	SEP BUDGET	OCT BUDGET	NOV BUDGET	DEC BUDGET	TOTAL	PER UNIT	
																				YTD ACTUAL
PERSONNEL EXPENSES																				
Manager	4,041	5,020	5,020	4,703	4,703	5,045	4,722	322-	28,531	28,333	197-	4,722	4,722	4,722	4,722	4,722	4,722	4,722	56,864	142
Assistant Manager	2,683	3,672	1,344-	0	0	2,944	3,035	91	7,955	18,210	10,256	3,035	3,035	3,035	3,035	3,035	3,035	3,035	26,165	65
Leasing Consultants	6,412	7,341	7,235	6,518	6,699	5,677	7,016	1,340	39,881	42,098	2,217	7,016	7,016	7,016	7,016	7,016	7,016	7,016	81,279	205
Bookkeeper	0	192	4,152	2,941	2,845	148	0	148-	10,279	0	10,279-	0	0	0	0	0	0	0	10,279	26
Commissions	3,150	2,022	3,796	2,317	2,848	2,736	4,180	1,444	16,869	26,280	9,411	4,180	4,180	4,180	4,180	4,180	4,180	4,180	41,849	105
Admin 401K ER Contribution	1,181	126	72	61	72	146	150	4	659	900	241	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,559	4
Admin FICA	1,218	1,461	1,533	1,029	1,493	962	1,130	168	7,696	6,781	915-	1,130	1,130	1,130	1,130	1,130	1,130	1,130	14,478	36
Admin FUTA	147	129	30	24	8	9	148	139	346	886	540	148	148	148	148	148	148	148	1,233	3
Admin SVTA	603	516	124	98	35	36	148	112	1,413	886	526-	148	148	148	148	148	148	148	2,299	6
Admin Workman's Comp	298	303	393	273	225	449	392	57-	1,940	2,349	409	392	392	392	392	392	392	392	4,289	11
Admin Medical Insurance	879	2,465	1,787	1,499	1,531	878	1,750	872	9,038	10,500	1,462	1,750	1,750	1,750	1,750	1,750	1,750	1,750	19,538	49
Admin Uniforms	35	35	280	5	154-	125	0	125-	326	1,025	699	0	0	0	0	0	0	0	326	1
Maintenance Supervisor	3,194	3,698	3,938	3,778	3,458	3,108	3,571	463	21,176	21,424	248	3,571	3,571	3,571	3,571	3,571	3,571	3,571	42,600	107
Assistant Maintenance	5,942	7,251	7,396	6,622	6,762	7,520	6,784	736-	41,494	40,706	788-	6,784	6,784	6,784	6,784	6,784	6,784	6,784	82,199	206
Housekeeper	1,178	1,898	1,938	1,809	1,809	1,873	1,785	88-	10,507	10,712	205	1,785	1,785	1,785	1,785	1,785	1,785	1,785	21,219	53
Maintenance Utility Allowance	439	87	59	361-	54	90	0	90-	366	0	366-	0	0	0	0	0	0	0	366	1
Maint FICA	746	929	1,162	647	752	795	792	3-	5,031	4,890	142-	792	792	792	792	792	792	792	9,784	24
Maint FUTA	89	87	92	3	17	18	104	85	317	621	304	104	104	104	104	104	104	104	838	2
Maint SVTA	381	387	381	13	73	76	104	27	1,311	621	690-	104	104	104	104	104	104	104	1,832	5
Maint Workman's Comp	198	198	227	174	203	305	274	31-	1,306	1,646	341	274	274	274	274	274	274	274	2,952	7
Maint Medical Insurance	509	2,846	2,065	1,540	1,468	1,648	1,750	102	10,075	10,500	425	1,750	1,750	1,750	1,750	1,750	1,750	1,750	20,575	51
Maint Uniforms	0	316	0	5	0	0	0	0	322	400	79	0	0	0	0	0	0	0	722	2
Miscellaneous Personnel	110	152	347	92	126	136	100	36-	963	600	363-	100	100	100	100	100	100	100	1,563	4
TOTAL PERSONNEL	32,433	41,143	40,682	33,790	35,027	34,723	37,935	3,212	217,799	230,370	12,571	37,935	38,335	37,935	37,935	37,935	37,935	37,935	445,807	1,115
MANAGEMENT FEE	10,504	11,124	11,093	11,630	11,620	11,711	11,810	99	67,682	65,242	2,440-	12,040	12,122	12,276	12,388	12,688	13,128	13,128	142,324	356

--- CURRENT MONTH INFORMATION ---

	JAN	FEB	MAR	APR	MAY	JUN	JUN	JUN	YTD	YTD	VARIANCE	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	PER UNIT
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET		
ADMINISTRATIVE EXPENSES																			
Answering Service	66	66	131	66	66	66	66	1	459	396	63-	66	66	66	66	66	66	855	2
Bank Charges	291	401	317	285	311	353	250	103-	1,958	1,500	458-	250	250	250	250	250	250	3,458	9
Merchant Fees	995	959	974	1,331	1,118	1,442	0	1,442-	6,820	0	6,820-	0	0	0	0	0	0	6,820	17
Computer Supplies	0	0	0	0	0	0	350	350	0	800	800	25	25	350	25	25	350	800	2
Courier	18	16	25	0	0	20	75	55	80	450	370	75	75	75	75	75	75	530	1
Dues & Subscriptions	260	1,627	300	383	420	510	0	510-	3,498	3,213	285-	384	0	0	0	0	0	4,266	11
Employee Activities	0	0	29	0	137	50	0	50-	216	0	216-	0	0	0	0	0	0	216	1
Employee Training	0	0	0	0	178	0	0	178-	0	0	178-	0	0	0	0	0	0	178	0
Furnished Suites	2,727	2,466	2,444	4,319	4,640	3,492	3,200	292-	20,087	19,200	887-	3,200	3,200	3,200	3,200	3,200	3,200	39,287	98
Other Legal Per Month	0	0	0	0	0	28	0	28-	28	0	28-	0	0	0	0	0	0	28	0
Legal - Evictions	921	633	1,473	168	510	133	800	665	3,840	4,900	1,060	600	600	600	600	600	600	7,440	19
Licenses & Permits	153	153	153	253	153	153	0	153-	1,019	0	1,019-	0	0	0	0	0	0	1,765	4
Office Equipment Rental	393	290	290	289	289	300	155	145-	1,852	930	922-	155	155	155	155	155	155	2,782	7
Office Telephone	918	868	1,065	785	603	872	750	122-	5,112	4,500	612-	750	750	750	750	750	750	9,612	24
Other Administrative	0	88	80	66	98	0	75	75	332	450	118	75	75	75	75	75	75	782	2
Other Office Supplies	155	155	189	156	381	59	200	141	1,096	1,050	46-	150	200	150	150	200	200	2,146	5
Overnight Mail	0	0	0	0	4	0	0	4-	4	0	4-	0	0	0	0	0	0	4	0
Pagers	68-	71	2-	0	68	0	0	70-	70	0	70-	0	0	0	0	0	0	70	0
Postage	205	122	0	121	7	90	100	10	545	600	55	100	100	100	100	100	100	1,145	3
Printed Forms	0	0	0	0	0	0	0	0	0	450	450	150	0	150	0	150	0	450	1
Shopping Reports	0	0	0	0	0	0	215	215	0	430	430	0	0	215	0	0	0	215	1
Travel Reimbursement	0	0	0	0	0	20	75	55	20	450	430	75	75	75	75	75	75	470	1
TOTAL ADMINISTRATION	7,034	7,915	7,469	8,222	8,982	7,589	6,311	1,278-	47,211	39,319	7,892-	6,055	5,571	6,211	6,701	5,671	5,896	83,316	208

Cur. Period: 07/10
Sel. Period: 06/10

--- CURRENT MONTH INFORMATION ---

	JAN	FEB	MAR	APR	MAY	JUN	JUN	JUN	YTD	YTD	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	PER	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET		UNIT	
MARKETING & RETENTION EXPENSE																			
Apartment Guide	1,168	1,168	2,638	1,168	1,083	869	869	0-	8,095	5,214	2,881-	869	869	869	1,323	1,323	14,217	36	
Brochures	0	0	0	0	0	0	0	0	0	4,100	4,100	0	0	0	0	0	0	200	1
Business Cards	0	0	0	64	0	30	30	30	64	490	426	0	0	0	0	0	0	124	0
Direct Mail	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,500	6
For Rent	0	0	0	0	646	0	0	0	646	0	646-	0	0	0	0	0	0	646	2
Internet Advertising	862	216	1,015	860	299	1,159	1,190	31	4,410	7,140	2,730	1,190	1,190	1,190	1,190	1,190	11,550	29	
Locator/Referral Services	344	474	72	590	1,108	384	120	264-	2,972	1,230	1,742-	1,375	120	375	120	120	4,202	11	
Model Furn Rental	178	178	178	178	178	178	0	178-	1,067	0	1,067-	0	0	0	0	0	1,067	3	
Photography	350	155	125	0	0	0	0	0	630	350	280-	0	0	0	0	0	630	2	
Printing	19	0	0	220	96	0	500	500	335	750	415	0	500	0	0	0	835	2	
Resident Referrals	0	0	0	0	0	0	0	0	0	400	400	200	0	0	0	0	400	1	
Resident Hospitality	40	56	69	87	67	150	150	150	319	900	581	150	150	150	150	150	1,219	3	
Resident Screening	1,782	1,284	1,532	549	857	1,068	1,200	132	7,072	7,800	728	1,200	900	900	900	900	12,772	32	
Signs/Banners/Balloons	121	242	206	630	307	400	400	278	1,629	3,700	2,071	300	300	300	300	300	3,429	9	
Miscellaneous Marketing	629	630	616	663	322	527	570	43	3,388	3,420	32	570	570	570	570	570	6,808	17	
TOTAL MARKETING & RETENTION	5,492	4,403	6,451	5,010	4,963	4,307	5,029	722	30,628	35,494	4,866	7,354	4,229	4,599	4,584	4,553	60,600	132	

Cur. Period: 07/10
Sel. Period: 06/10

June 30, 2010

--- CURRENT MONTH INFORMATION ---

	JAN ACTUAL	FEB ACTUAL	MAR ACTUAL	APR ACTUAL	MAY ACTUAL	JUN ACTUAL	JUN BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE	JUL BUDGET	AUG BUDGET	SEP BUDGET	OCT BUDGET	NOV BUDGET	DEC BUDGET	TOTAL	PER UNIT	
CONTRACTS - MONTHLY SERVICES																				
Landscaping Contract Services	6,600	6,600	6,600	6,600	6,600	6,600	6,600	0	39,600	39,600	0	6,600	6,600	6,600	6,600	6,600	6,600	6,600	79,200	198
Landscaping Irrigation Supply	130	156	366	48	113	79	75	4-	894	1,275	381	75	275	75	75	275	75	75	1,744	4
Landscaping Irrigation Repair	502	0	0	380	0	0	0	0	882	0	882-	0	0	0	0	0	0	0	882	2
Landscaping Seasonal Supplies	0	0	0	96	0	0	0	0	96	1,000	904	0	0	0	0	0	0	0	1,096	3
Landscaping Seasonal Services	0	3,152	0	0	967	0	0	0	4,119	6,000	1,881	0	0	0	3,000	0	0	0	7,119	18
Landscaping Supplies	0	0	0	0	0	0	25	25	150	150	150	25	25	25	25	25	25	25	150	0
Alarm Service	123	123	224	55	110	55	260	205	689	1,560	871	260	260	260	260	260	260	260	2,249	6
Extinguisher Maintenance	3,883	312	0	208	208-	0	0	0	4,195	4,865	670	0	0	0	0	0	0	0	4,195	10
Pest Control Service	805	380	460	660	525	380	630	250	3,210	3,780	570	630	630	630	630	630	630	630	6,990	17
Security Contract Services	624	624	624	624	624	0	624	624	3,119	3,744	625	624	624	624	624	624	624	624	6,863	17
TOTAL CONTRACTS - MONTHLY SVCS	12,667	11,346	8,274	8,671	8,730	7,114	8,214	1,100	56,803	61,974	5,171	8,214	8,414	8,214	11,214	8,414	9,214	9,214	110,487	276

--- CURRENT MONTH INFORMATION ---

	JAN	FEB	MAR	APR	MAY	JUN	JUN	JUN	ACTUAL	VARIANCE	ACTUAL	JUN	JUN	JUN	AUG	SEP	OCT	NOV	DEC	TOTAL	PER UNIT	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	VARIANCE	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	UNIT	
REPAIRS & MAINTENANCE EXPENSE																						
Access Gate Supplies	0	0	12	0	0	0	0	0	0	0	0	12	150	138	0	0	150	0	0	0	312	1
Access Gate Repair Service	0	0	0	748	0	0	0	0	0	0	0	748	0	623-	0	0	0	0	0	0	873	2
Carpet Cleaning/Repairs	0	16	0	0	0	0	0	0	0	0	0	16	0	16-	0	0	0	0	0	0	16	0
Cleaning Supplies	38	0	315	0	39	148	0	0	0	0	0	540	900	360	150	150	150	150	150	1,440	4	
Equipment Supplies	0	0	0	233	0	0	0	0	0	0	0	233	625	392	75	75	75	75	75	858	2	
Equipment Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	80	0	
Glass & Screen Supplies	0	0	0	68	0	66	0	0	0	0	0	134	525	391	100	125	125	125	125	834	2	
Hardware Supplies	63	96	154	405	149	427	0	0	0	0	0	1,294	1,500	206	250	250	250	250	250	2,794	7	
Exterior Repairs	0	0	0	531	0	0	0	0	0	0	0	531	0	531-	0	0	0	0	0	531	1	
Key & Lock Supplies	0	104	106	88	42	111	0	0	0	0	0	451	675	224	75	75	75	75	75	901	2	
Paint Supplies	36-	0	0	208	0	0	0	0	0	0	0	172	1,050	878	100	100	100	100	100	772	2	
Parking Lot/Carport Supplies	0	0	0	0	0	0	0	0	0	0	0	450	0	450	0	100	0	0	0	350	1	
Pest Control Supplies	0	14	0	0	0	0	0	0	0	0	14	0	60	0	0	0	0	0	0	14	0	
Plumbing Supplies	135	553	1,050	790	766	738	0	0	0	0	0	4,031	1,950	2,081-	350	350	300	350	300	5,981	15	
Plumbing Service	0	0	113	0	0	0	0	0	0	0	0	312	900	588	150	150	150	150	150	1,212	3	
Recreational Supplies	0	0	0	288	24	0	0	0	0	0	0	43	0	43-	0	0	0	0	0	43	0	
Window Treatment Supplies	0	57	48-	34	0	0	0	0	0	0	0	43	0	43-	0	0	0	0	0	43	0	
Pool Supplies	491	311	0	829	717	769	0	0	0	0	0	3,118	3,200	82	600	600	500	500	500	6,418	16	
Pool Licenses	0	0	0	165	850	0	0	0	0	0	0	1,015	920	95-	0	0	0	0	0	1,015	3	
Pool Furn/Fixt/Equip	0	0	0	0	65	0	0	0	0	0	0	65	0	65-	0	0	0	0	0	65	0	
Appliance Supplies	0	175	69	140	98	215	0	0	0	0	0	696	1,800	1,104	300	300	300	300	300	2,496	6	
Appliance Service	0	0	0	0	0	0	0	0	0	0	0	225	0	225	0	0	0	0	0	225	1	
Carpet Cleaning Service	0	309	833	502	0	70	0	0	0	0	0	1,714	1,500	214-	250	250	250	250	250	3,214	8	
Vinyl/Mile Repair Service	0	0	0	0	98	0	0	0	0	0	0	98	0	98-	0	0	0	0	0	98	0	
Electrical Supplies	64	402	196	229	59	78	0	0	0	0	0	1,028	1,900	872	350	350	350	350	350	2,928	7	
HVAC Supplies	91	54	310	194	594	675	0	0	0	0	0	1,918	2,400	482	600	600	400	300	300	4,718	12	
HVAC Service	0	0	0	0	401	1,628	0	0	0	0	0	2,028	1,200	828-	400	300	200	100	100	3,528	9	
Roof Repair Supplies	0	0	26	0	50	0	0	0	0	0	0	26	100	74	0	50	0	0	0	126	0	
Roof Repair Service	715	0	0	1,175	240	0	0	0	0	0	0	2,130	300	1,830-	150	150	0	0	150	2,430	6	
TOTAL REPAIRS & MAINTENANCE	1,561	2,091	3,135	6,626	4,141	4,924	3,950	974-	22,478	22,705	227	4,100	4,100	3,890	3,150	3,600	3,150	3,315	46,633	112		

--- CURRENT MONTH INFORMATION ---

	JAN	FEB	MAR	APR	MAY	JUN	JUN	JUN	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	PER UNIT
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	TOTAL	UNIT
TURNOVER MAINTENANCE EXPENSES																	
T/O Cleaning Supplies	88	29	163	81	81	32	264	232	476	1,842	1,366	264	264	264	264	2,060	5
T/O Contract Cleaning	220	290	210	0	0	0	0	0	720	0	720	0	0	0	0	720	2
T/O Paint Supplies	523	802	785	885	983	747	990	243	4,725	5,940	1,215	990	990	990	990	10,665	27
T/O Carpet Cleaning/Repair	1,743	2,269	1,083	1,658	947	2,200	2,200	0	9,906	17,100	7,194	2,200	2,200	2,200	2,200	23,106	58
T/O Resurfacing	0	180	0	0	0	0	0	0	180	0	180	0	0	0	0	180	0
T/O Window Treatment Sup/Svc	202	199	77	0	82	239	150	89-	800	1,300	500	150	150	150	150	1,700	4
TOTAL	2,783	3,769	2,318	2,624	2,094	3,219	3,604	385	16,806	26,182	9,376	3,604	3,604	3,604	3,604	38,430	96
UTILITY EXPENSE:																	
Common Area Electric	3,253	3,366	3,315	3,388	6,029	3,065	5,500	2,435	22,416	33,000	10,584	5,500	5,500	5,500	5,500	55,416	139
Model Electric	247	68	66	55	105	66	350	284	607	1,175	568	350	300	150	150	2,237	6
Office/Cabana Electric	693	676	1,296	1,392	3,254	1,125	3,800	2,675	8,435	18,500	10,065	3,800	3,500	2,800	2,800	28,935	72
Turnover Electric	1,986	419	533	274	822	302-	1,800	2,102	3,733	9,480	5,747	1,800	1,400	1,400	1,400	13,333	33
Common Area Water	6,129	3,059	7,452	9,569	9,950	7,750	7,500	250-	43,910	41,500	2,410-	7,800	7,500	6,500	6,500	87,810	220
Sewer	4,910	3,454	6,141	9,077	5,626	4,820	5,400	580	34,027	31,800	2,227-	5,500	5,600	5,700	5,700	67,627	169
Common Area Gas	380-	0	0	0	0	0	125	125	380-	350	1,130	125	125	125	125	370	1
Pool & Spa Gas	2,140-	0	0	0	0	0	400	400	2,140-	6,900	9,040	400	400	2,100	2,100	4,760	12
Gas Tank Service	2,056	0	2,889	1,968	0	880	0	880-	7,793	3,800	3,993-	1,900	0	0	0	11,593	29
Waste Removal	3,339	3,335	3,350	3,344	3,360	3,380	3,315	65-	20,108	19,890	218-	3,315	3,315	3,315	3,315	39,998	100
TOTAL UTILITIES	20,094	14,376	25,040	29,066	29,146	20,786	28,190	7,404	138,509	166,795	28,286	30,490	28,590	27,590	27,590	312,099	780
TAXES & INSURANCE EXPENSE																	
Real Property Taxes	24,640	24,640	24,640	24,640	24,640	24,640	22,409	2,231-	147,841	134,454	13,387-	22,409	22,409	22,409	22,409	282,295	706
Property & Casualty Ins	3,041	3,041	3,041	3,041	3,041	3,041	2,906	135-	18,247	17,436	811-	2,906	2,906	2,906	2,906	35,683	89
TOTAL TAXES AND INSURANCE	27,681	27,681	27,681	27,681	27,681	27,681	25,315	2,366-	166,088	151,890	14,198-	25,315	25,315	25,315	25,315	317,978	795
TOTAL OPERATING EXPENSES	120,249	123,850	132,145	133,322	132,385	122,054	130,358	8,303	764,004	799,971	35,966	135,107	130,280	129,020	130,550	1,555,674	3,889
NET OPERATING INCOME/(LOSS)	142,355	154,141	145,190	157,439	159,292	176,322	164,894	11,428	934,740	831,240	103,500	165,870	172,769	173,729	189,156	2,009,058	5,023

--- CURRENT MONTH INFORMATION ---

	JAN	FEB	MAR	APR	MAY	JUN	JUN	YTD	JUN	JUN	YTD	JUL	AGU	SEP	OCT	NOV	DEC	TOTAL	PER
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	BUDGET	VARIANCE	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	UNIT
RECURRING REPLACEMENTS																			
Carpet Replacement	4,871	3,918	8,142	6,581	4,996	4,214	4,800	32,721	33,800	1,079	4,800	4,800	4,800	3,600	3,600	3,600	3,600	56,721	142
Vinyl/Tile Replacement	0	0	0	118	0	0	0	118	0	118-	0	0	0	0	0	0	0	118	0
Appliance Replacement	0	300	0	740	555	0	0	1,595	0	1,595-	0	0	0	0	0	0	0	1,595	4
TOTAL RECURRING REPLACEMENT	4,871	4,218	8,142	7,438	5,550	4,214	4,800	34,434	33,800	634-	4,800	4,800	4,800	3,600	3,600	3,600	3,600	58,434	146
OTHER EXPENSES																			
Mortgage Insurance	14,838	9,371	9,371	9,371	9,371	0	0	52,320	0	52,320-	0	0	0	0	0	0	0	52,320	131
Interest Expense- Senior	162,000	162,000	162,000	162,000	162,000	162,000	0	162,000	972,000	972,000-	0	0	0	0	0	0	0	972,000	2,430
Professional Fees	0	0	14,699	3,416	0	3,370	0	3,370	21,485	21,485-	0	0	0	0	0	0	0	21,485	54
Other Administration	0	0	0	800	24,845	0	0	25,645	0	25,645-	0	0	0	0	0	0	0	25,645	64
TOTAL OTHER EXPENSES	176,838	171,371	186,069	175,587	196,215	165,370	0	165,370	1,071,449	1,071,449-	0	0	0	0	0	0	0	1,071,449	2,679
NET OPERATING INCOME/(LOSS)	39,353-	21,448-	49,021-	25,586-	42,474-	6,738	160,094	153,356-	171,143-	797,440	968,583-	161,070	167,969	172,543	170,129	184,556	194,049	879,175	2,198