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IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF OREGON

In re: ARTHUR CRITCHELL GALPIN and EAGLE POINT DEVELOPMENTS, LLC, Debtors.	Case Nos. 12-60362-tmr11 12-60353-tmr11 (Jointly Administered) FIRST AMENDED DISCLOSURE STATEMENT REGARDING DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION DATED SEPTEMBER 18, 2012

THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF BANKRUPTCY CODE §1125. IF YOU HAVE REQUESTED AND RECEIVED A COPY OF THE DISCLOSURE STATEMENT IN CONNECTION WITH THE COURT'S HEARING TO CONSIDER APPROVAL OF THE DISCLOSURE STATEMENT, NOTHING CONTAINED HEREIN IS OR WILL BE DEEMED A SOLICITATION OF ACCEPTANCE OF THE JOINT PLAN OF REORGANIZATION.

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Arthur Critchell Galpin ("Galpin") and Eagle Point Developments, LLC ("EPD") submit this First Amended Disclosure Statement ("Disclosure Statement") in connection with the solicitation of acceptances of the Debtors' First Amended Joint Plan of Reorganization dated September 18, 2012 (the "Plan"). A copy of the Plan accompanies this Disclosure Statement.

I. INTRODUCTION AND STATEMENTS REGARDING REPRESENTATIONS, AND PLAN SUMMARY

A. Definitions.

All terms used in this Disclosure Statement that are not defined herein have the same meanings as used in the Plan. In the event of any inconsistency between the Plan and this Disclosure Statement, the Plan will control.

B. Introduction.

On February 1, 2012, EPD filed a petition under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). On February 2, 2012, Galpin filed a petition under Chapter 11 of the Bankruptcy Code. EPD and Galpin are referred to collectively herein as "Debtors". On March 5, 2012, an order was entered directing the joint administration and procedural consolidation of the EPD and Galpin cases. Since the respective Petition Dates, Debtors have remained as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

This Disclosure Statement summarizes Debtors' assets and liabilities and explains how creditors will be paid under the Plan. The purpose of the Disclosure Statement is to provide creditors with information about the Plan so they and other interested parties entitled to vote can make an informed decision to vote for or against the Plan. This Disclosure Statement is intended only as an aid to supplement the

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review of the Plan by creditors and other interested parties and is qualified in its entirety by reference to the Plan.

Pursuant to the terms of the Plan, certain classes of Claims are entitled to vote. If you belong to a Class that is entitled to vote, enclosed with this Disclosure Statement is a ballot and a pre-addressed envelope for return of the ballot. If you are entitled to vote but did not receive a ballot or if your ballot is lost or damaged, please contact Majesta P. Gruetzmacher at Sussman Shank LLP, 1000 SW Broadway, Suite 1400, Portland, OR 97205-3089, by telephone at (503) 227-1111, by fax at (503) 243-0130 or by email at *mgruetzmacher@sussmanshank.com*.

Debtors believe that confirmation of the Plan is in the best interests of Debtors and their creditors, and that creditors should vote to accept the Plan. Since the Petition Dates, Debtors have continued to operate their businesses in the ordinary course and have realized increased sales and development opportunities. Galpin's expertise in commercial and residential development and sales is well-known in Southern Oregon. Those factors, coupled with continued conservative and responsible management of his enterprises and continued improvement in the real estate market, have boosted the reorganization efforts to date and are anticipated to continue.

In addition, with respect to EPD, Debtors' have recently obtained an appraisal of the Eagle Collateral which, although still conservative in Debtors' opinion, establishes that transfer to US Bank/SAG of the Eagle Collateral will more than fully satisfy all indebtedness owed to US Bank/SAG and eliminate any basis for allowance of an unsecured deficiency or guaranty claim against the EPD and Galpin estates. Additional adjustments and modifications of loans of secured creditors are proposed in the Plan and are intended to track market conditions. The Plan also disallows disputed, contingent and unliquidated Guaranty Claims, except those as to which the Plan

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specifically provides the applicable secured creditor with different treatment and such secured creditor accepts such treatment by voting in favor of the Plan. Due to the value of the collateral for all guaranteed loans, Debtors do not believe any creditor will suffer financial loss as a result of modification of any loan and/or disallowance of a Guaranty Claim. Galpin and EPD anticipate, and the Plan provides, for payment in full of all Allowed Claims.

You may vote on the Plan by returning the ballot to Sussman Shank LLP, Attention: Majesta P. Gruetzmacher, at the address shown below prior to the voting deadline, **which is ________________________________at 5:00 p.m. Prevailing Pacific Time on _____________, 2013. Only ballots received by the voting deadline can be counted for purposes of Plan Confirmation.**

II. HISTORY OF DEBTORS AND EVENTS LEADING TO FILING THE PLAN

Galpin began his career as a developer in Southern Oregon in 1984, creating his first subdivision based in part upon prior experience as a worker building roads in logging camps in British Columbia, Canada. He continued to acquire and develop additional property after 1984 with the profits from lot sales. Galpin did not utilize bank financing for development until the mid-1990's, after a former business partner encouraged him to do so to expand his business. Galpin gradually grew his business in real estate and other ventures and by the year 2000 became one of the largest developers in Southern Oregon.

As is typical in the business of commercial and residential real estate development, Galpin usually formed a separate limited liability company for each development. In many cases, he is the 100% owner of these limited liability companies. In some cases, he owns a percentage of the membership interests along with other

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members, and manages the companies. In other cases, Galpin has retained ownership of development property in his individual capacity.

The types of residential subdivision developments in which he has been involved through 2011 included a planned community centered on a Robert Trent Jones designed golf course in Eagle Point, Oregon. Part of that development consists of lots and land owned by EPD. Other residential developments and subdivisions include Poppy Village Town Homes, Beebe Wood, Berkeley Hills, Bigham Brown, East McAndrews Village, Mountain Top Village, Westridge Village, Vista Pointe, Forest Heights Subdivision, Charter Oaks Subdivision and other lots and land suitable for similar development. Galpin also has significant ownership interests in entities which own or manage residential rental properties.

Galpin's commercial developments include the Eagle Point Golf Course, Jackson Creek Shopping Center, Klamath Falls Center, Delta Center, Terry Lane Center, and the Eagle Point Commercial Center. He also owns an interest in a company that owns hangars at the Medford Airport, and other commercial and industrial land.

Galpin's other significant business interests include operation of a rock pit and Johnny Cat, Inc., which is involved in paving roads and implementing other infrastructure for development, as well as a helicopter company.

Although Galpin and his entities own some unencumbered property, much of his business expansion was financed by loans made by Premier West Bank ("PWB"), Umpqua Bank ("Umpqua"), Evergreen Federal Bank ("Evergreen"), Washington Federal Savings & Loan Association ("WaFed") and others to Galpin or an entity in which he owns a membership interest, and secured by the development properties. US Bank

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was involved in financing EPD and US Bank/SAG has a lien on a substantial portion of the real property owned by EPD.

The trouble that struck the banking system and real estate industry beginning in 2007-2008 caused many developers to struggle or fail. Galpin, however, was able to manage his properties successfully without any payment defaults until early in 2011. At that time, EPD was unable to renegotiate its loans with US Bank in the original principal amount of approximately $8.9 million. In addition, Galpin was involved in a significant dispute with PWB involving total secured loans in excess of $37 million.

Ultimately, the dispute with PWB caused Galpin to seek Chapter 11 protection for Jackson Creek Center, L.L.C. ("JCC") on November 3, 2011, to preserve its value to its creditors and to Galpin as its 100% owner. PWB and Umpqua were secured lenders in that case. With the cooperation of Umpqua and protection of the bankruptcy automatic stay, PWB, JCC, Galpin and numerous entities in which Galpin owned membership interests that were borrowers on various loans made by PWB, were able to reach a comprehensive settlement that satisfied the outstanding indebtedness, without liability for any deficiency to Galpin. The PWB Settlement enabled Galpin to dismiss the JCC Chapter 11 case with the consent of PWB and Umpqua, and stabilized Galpin's financial situation with most of his remaining creditors.

Concurrently, however, US Bank had declared a default and commenced foreclosure and collection efforts against EPD and Galpin. Based upon the belief by Galpin and EPD as to the value of the Eagle Collateral, Galpin anticipated the litigation would be resolved without deficiency liability or a need for reorganization. Unfortunately, however, a settlement did not occur. To avoid incurring a deficiency after a judicial foreclosure sale at which US Bank was expected to submit a bid far below what Galpin and EPD believed was the market value of the Eagle Collateral, and to

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avoid what Galpin and EPD believed would be a significant tax liability in the form of cancellation of indebtedness income that would arise as a result of the foreclosure sale, Galpin was again forced to seek Chapter 11 bankruptcy protection, this time for EPD and himself.

Since filing the EPD and Galpin cases the Debtors have remained as debtors-in-possession and the cases are being jointly administered and have been procedurally consolidated. With the exception of US Bank/SAG, all secured lenders consented to Debtors' use of cash collateral without the necessity of a court order. There is also a Stipulated Cash Collateral Order in place for US Bank/SAG.

Debtors have continued to work towards settlement with US Bank/SAG, but settlement has not been reached. US Bank/SAG consented to extension of a plan deadline for EPD on several occasions over the past several months to allow the parties further time to negotiate. To facilitate those efforts, the parties mutually agreed upon and jointly hired an appraiser to determine the current fair market value of the Eagle Collateral. The recent appraisal, the conclusions of which US Bank/SAG disputes, shows that US Bank/SAG is oversecured by the Eagle Collateral. Accordingly, Debtors' have filed their Disclosure Statement and Plan, which contemplate satisfaction of the US Bank/SAG Secured Claim, and disallowance of a Deficiency Claim against EPD and Guaranty Claim against Galpin, by transferring the Eagle Collateral to US Bank/SAG by deed as provided in the Plan in complete satisfaction of all indebtedness owed to US Bank/SAG. Based upon the appraisal and evaluation of other relevant factors, Galpin does not anticipate any tax liability due to cancellation of indebtedness income to Galpin or his estate as a result of transfer of the Eagle Collateral to US Bank. See further discussion in Section VI of this Disclosure Statement.

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Debtors have otherwise continued to operate their businesses in the ordinary course and the improvement in the real estate market has boosted their reorganization efforts. Galpin's experience and expertise in commercial and residential development, the reduction of indebtedness and financial risk that resulted from the PWB Settlement prior to commencement of the Case, and further market restructuring of certain secured obligations as provided in the Plan will support a successful reorganization. Galpin and EPD anticipate, and the Plan provides, for payment in full to all of their creditors.

A. Limited Representations.

This Disclosure Statement is submitted in accordance with Bankruptcy Code § 1125 for the purpose of soliciting acceptances of the Plan from holders of certain Claims. The Court has approved this Disclosure Statement as containing information of a kind, and in sufficient detail, that is adequate to enable you to make an informed judgment whether to vote to accept or reject the Plan.

THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, SHOULD BE READ COMPLETELY. FOR THE CONVENIENCE OF CREDITORS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES AND OTHER STATEMENTS REGARDING THE PLAN ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY.

NO REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTORS, INCLUDING, WITHOUT LIMITATION, THE VALUE OF THEIR ASSETS, ARE AUTHORIZED BY THE PROPONENTS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. THIS IS A SOLICITATION BY THE DEBTORS ONLY AND IT IS NOT A SOLICITATION BY THE DEBTORS' ATTORNEYS OR ANY OTHER PROFESSIONALS EMPLOYED BY THE DEBTORS. THE REPRESENTATIONS MADE HEREIN ARE THOSE OF THE DEBTORS AND NOT OF THE DEBTORS' ATTORNEYS OR ANY OTHER PROFESSIONAL.

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UNLESS OTHERWISE EXPRESSLY STATED, PORTIONS OF THIS DISCLOSURE STATEMENT DESCRIBING THE DEBTORS' FINANCIAL CONDITION HAVE NOT BEEN SUBJECTED TO AN INDEPENDENT AUDIT, BUT PREPARED FROM INFORMATION COMPILED BY THE DEBTORS FROM RECORDS MAINTAINED IN THE ORDINARY COURSE OF THEIR OPERATIONS. REASONABLE EFFORTS HAVE BEEN MADE TO ACCURATELY PREPARE ALL FINANCIAL INFORMATION WHICH MAY BE CONTAINED IN THIS DISCLOSURE STATEMENT FROM THE INFORMATION AVAILABLE TO THE DEBTORS. HOWEVER, AS TO ALL SUCH FINANCIAL INFORMATION, THE PROPONENTS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ERROR.

THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE TO CREDITORS. CREDITORS SHOULD CONSULT THEIR OWN LEGAL COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS ABOUT TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON CREDITORS.

B. Voting.

Under the Bankruptcy Code, only holders of Claims and equity interests in "impaired" Classes and whose Claims or interests have been allowed (or have been temporarily allowed by the Bankruptcy Court pursuant to an order), are entitled to vote on the Plan. The specific treatment of each class under the Plan is set forth in the Plan and is summarized in this Disclosure Statement. In general, a Claim is "allowed," as that term is used in the Bankruptcy Code; if (i) the Claim is listed in the applicable Debtor's schedules of liabilities filed with the Bankruptcy Court as not disputed, contingent, or unliquidated; (ii) a proof of Claim has been timely filed with the Bankruptcy Court by the holder of the Claim, and no objection to the Claim has been filed; or (iii) the Bankruptcy Court has entered an order allowing the Claim. If a Claim is

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not allowed, but the holder thereof wishes to vote on the Plan, the holder must timely file a motion with the Bankruptcy Court requesting that the Claim be temporarily allowed.

For a class of Claims to vote to accept the Plan, votes representing at least two-thirds in amount and more than one-half in number of the Claims voting in that class must be cast in favor of acceptance of the Plan.

Section 1129(b) of the Bankruptcy Code provides that, if the Plan is rejected by one or more impaired classes of Claims, the Plan nevertheless may be confirmed by the Court if: (i) the Court determines that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting class(es) of Claims that are impaired under the Plan; and (ii) at least one class of impaired Claims has voted to accept the Plan.

A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE IS IMPORTANT. THE DEBTORS RECOMMEND THAT THE HOLDERS OF ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.

IN ORDER FOR A VOTE TO BE COUNTED, A BALLOT MUST BE PROPERLY FILLED OUT AND ACTUALLY RECEIVED ON OR BEFORE 5:00 P.M. PREVAILING PACIFIC TIME ON ________________ 2013, BY DEBTORS' ATTORNEYS AS SET FORTH IN THE BALLOT.

Debtors believe that confirmation of the Plan is in the best interests of the holders of Claims and urge you to vote to accept the Plan.

III. <u>THE DEBTORS' ASSETS AND LIABILITIES</u>

The estimated fair market value of EPD's assets and its estimated liabilities are listed on the Schedules filed in the EPD Case.

The estimated fair market value of Galpin's assets and his estimated liabilities are listed on the Schedules filed in the Galpin Case.

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The Plan projects payment of 100% of all claims of creditors in Chapter 11, so it meets the best interests of creditors test.

With respect to Galpin's estate, in the event of a Chapter 7 liquidation, unsecured creditors would receive only a minimal distribution on their claims, possibly under 5%. Galpin currently holds unencumbered, non-exempt real property (excluding property taxes) of an approximate value of $1,050,000.00, liquid personal property (i.e. property tax refund) of $114,000.00, and operating cash in the amount of $985,248.00 for total liquid or saleable assets of $2,149,248.00. It is anticipated a Chapter 7 Trustee would surrender encumbered property to the applicable secured creditor. After accounting for the Trustee's commission (approximately $83,000.00), costs of sale (approximately $200,000.00) and other administrative costs and professional fees (in excess of $250,000.00 (both in Chapter 11 and Chapter 7), the net proceeds available for distribution to unsecured creditors would be less than approximately $1,666,248.00. However, all or some of the existing contingent and unliquidated guaranty claims against Galpin held by creditors with liens on property that is not property of the estate would likely be liquidated in a Chapter 7 in the millions of dollars and become allowed unsecured claims, diluting any recovery to non-guaranty unsecured creditors. These creditors would share *Pro Rata*, and could preclude meaningful recovery to unsecured creditors in a Chapter 7, as opposed to their recovery under the Plan.

With respect to EPD's estate, EPD holds proceeds from sales of unencumbered real property in the amount of $221,361.02. It also holds unencumbered real property valued at approximately $500,000. Saleable personal property assets are valued at approximately $48,000, for a total of $769,361.02. It is anticipated a Chapter 7 Trustee would surrender the Eagle Collateral to US Bank/SAG in complete satisfaction of its claims, and disallow any deficiency. After accounting for the Trustee's commission

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(approximately $38,468.05), costs of sale (approximately $50,000) and other administrative costs and professional fees in excess of $150,000 (both in Chapter 7 and Chapter 11), the net proceeds available for distribution in Chapter 7 would be less than approximately $530,892.97. However, because the costs of liquidation in Chapter 7 are higher than administering the same assets under the Plan, the distribution to equity interests that inure to the benefit of the Galpin estate (Galpin is the 100% owner of EPD), would be reduced in Chapter 7. The overall recovery in a Chapter 7 liquidation of EPD would be less than the anticipated recovery under the Plan.

IV. GENERAL DESCRIPTION OF THE PLAN

The following general description of the Plan is for informational purposes only and does not contain all provisions of the Plan. Creditors should not rely on this description for voting purposes but should read the Plan in its entirety. All summaries contained in this Disclosure Statement regarding the Plan do not purport to be complete.

THE PLAN IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE CONTENTS OF THE PLAN AND THIS DISCLOSURE STATEMENT.

A. Introduction.

The following sections of the Disclosure Statement generally describe the classification and treatment of Claims and Interests. Debtors reserve the right to modify the Plan in accordance with section 1127 of the Bankruptcy Code, both prior to and after the Effective Date.

B. Classification and Treatment of Claims.

1. Administrative and Priority Claims. The Plan provides for payment in full of all Allowed Administrative Expense Claims on or as soon as reasonable

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practicable after the Effective Date, recognizing that certain assets may have to be sold or liquidated over time to pay such Claims. The Plan also provides for payment in full of all priority tax claims (excluding *ad valorem* real property tax claims which are classified in Class 22) by making regular installment payments for a period up to February 1, 2017.

2. <u>Classes of Claims</u>. The Plan then establishes 27 classes of Claims and Interests and sets out the Debtors' proposed treatment of each Class. The treatment of each class of Claims and Interests is described in the Plan. Classes 1-3, 6-18, and 20-26 are impaired and are entitled to vote. Classes 4, 5 and 19 are unimpaired and are deemed to have accepted the Plan.

a) <u>EPD Secured Claims.</u> Class 1 includes the Secured, Deficiency and Guaranty Claims of US Bank/ SAG against EPD and Galpin, as applicable. These Claims will be satisfied in full by, at US Bank/SAG's option, Debtors deeding the Eagle Collateral to US Bank and/or SAG either pursuant to the Plan or by the parties' execution of the Settlement Agreement attached as Exhibit A to the Plan. Class 2 (EPD HOA Secured Claim) will retain its lien on Eagle Collateral after the deed of the property to US Bank/SAG as described above, but will not receive a distribution under the Plan. Likewise, with respect to all real property assets covered by the Plan, the Class 22 Property Tax secured creditors shall retain their liens on such property with the same priority as such liens had on the Petition Dates.

b) <u>Property Tax Claims</u>. As to EPD or any other situation in which the property is being transferred or surrendered to the senior lienholder, the holder of the Property Tax Claim will not be entitled to receive a distribution under the Plan or proceed with collection against Reorganized Debtors, but its rights will otherwise remain

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unaltered. To the extent Debtors' interest in the property is being retained, the Claims will be paid in full with interest at the statutory rate as provided in the Plan.

c) <u>Galpin Secured Claims and Guaranty Claims</u>. Debtors' Plan provides for certain restructuring and modification of some existing loans between Debtors or borrower and the applicable secured lender in Classes 3, 6, 7, 8, 9, 10, 11, 18, 20 and 21, which adjust the loan terms to market conditions, but otherwise provide for Debtors to pay such obligations in full, as modified. Certain of the modifications pertain to secured obligations of entities that are not Debtors herein, but as to which Galpin has issued a guarantee. Contingent upon confirmation of the Plan and each such affected creditors' vote in favor of the modifications as provided in the Plan, Galpin's guarantees shall remain in effect to the extent provided in the Plan. To the extent such an affected creditor objects to the Plan or fails to timely return a ballot accepting the treatment and modifications of the loan documents as proposed in the Plan, the guarantee shall be disallowed under the Plan along with other Guaranty Claims that are not specifically provided for. To the extent the Plan provides for disallowance of such a Guaranty Claim, Debtors believe this is reasonable because all such creditors retain their liens on their collateral, which Debtors believe is sufficient to fully secure such creditors' claims, and creditors also retain their rights against any non-Debtor borrower.

d) <u>Claims Settled after the Petition Date</u>. The Classes 12-17 Claims of Evergreen have been resolved via a court approved settlement prior to submission of the Plan. The Plan contemplates performance of the Evergreen Settlement and disallowance of any other claims of Evergreen, including, without limitation, any Unsecured or Guaranty Claims.

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e) **General Unsecured Claims** The Plan further provides for payment in full of all allowed general unsecured claims in Classes 25 and 26, over time, with interest as provided in the Plan.

f) **Equity Interests.** Class 27 consists of Galpin's equity interest in EPD, which shall be retained by Galpin; however, no cash distributions on account of EPD assets will be made to creditors of the Galpin estate until Class 25 EPD Unsecured Creditors are paid in full.

C. Executory Contracts, Unexpired Leases and Rejection Claims.

Except as specifically provided for in the Plan, all pre-petition executory contracts and unexpired leases not previously assumed and assigned or rejected by Final Order shall be deemed rejected by the Debtors on the Effective Date. Those executory contracts and leases listed on Exhibit B to the Plan will be assumed upon the Effective Date. Any party to a rejected executory contract or unexpired lease shall be entitled to file a proof of claim as a result of the rejection. All proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases must be filed with the Bankruptcy Court within thirty (30) days after the Effective Date, or entry of an order of the Bankruptcy Court approving rejection of a specific executory contract or unexpired lease, whichever is later. Failure to file such a proof of claim within the time provided shall forever bar assertion of such a Claim.

V. TAX CONSEQUENCES

THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY, ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND LOCAL TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH HOLDER.

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NEITHER THE PROPONENTS NOR THEIR COUNSEL MAKE ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY DEBTOR OR ANY CREDITOR.

Under the Internal Revenue Code of 1986, as amended, there may be significant federal income tax issues arising under the Plan described in this Disclosure Statement that affect creditors in the case. It is not practicable to present a detailed explanation of every possible federal and state income tax ramification of the Plan.

The transfer of the Eagle Collateral to US Bank/SAG in complete satisfaction of all indebtedness of EPD, as Borrower, and Galpin, as Guarantor, to US Bank/SAG is a taxable event that will occur shortly after confirmation of the Plan upon signing and delivery of the deed. However, the Debtors do not anticipate the transfer to US Bank/SAG will result in any tax liability to either EPD or Galpin because they believe the Court will determine, based upon evidence submitted at an evidentiary hearing (the "Claim/Valuation Hearing") on allowance of US Bank's Claims and the value of the Eagle Collateral, which will take place before the hearing on confirmation of the Plan, that the value of the Eagle Collateral exceeds the total indebtedness of EPD to US Bank/SAG at the time the transfer is set to take place under the Plan. Moreover, EPD and Galpin believe the transfer will have a positive effect on feasibility and performance of the Plan because it will enable Galpin to preserve favorable tax attributes to minimize any potential future tax liability in the event of a post-confirmation sale or transfer of assets, which is not currently contemplated under the Plan, but which may occur in the future in the event it is in the best interests of creditors and the Reorganized Debtors.

EPD is 100% member-owned by Galpin, so it is a disregarded entity for federal and state income tax purposes, and not liable for income tax. Galpin is treated as the

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taxpayer for income tax purposes with respect to EPD. Galpin's income tax basis in the Eagle Collateral is approximately $9,300,000.00 The total indebtedness Galpin and EPD believe is due to US Bank/SAG is approximately $8,900,000.00. Thus, upon transfer of the Eagle Collateral to US Bank/SAG in complete satisfaction of the indebtedness owed to US Bank, there would be no taxable gain realized because Galpin's income tax basis is higher than the benefit Galpin will realize by the transfer (i.e. satisfaction in full of the indebtedness owed to US Bank/SAG). In addition, Galpin anticipates, based upon the appraisal recently obtained jointly by Galpin, EPD and US Bank/SAG, and other evidence to be presented at the Claim/Valuation Hearing, that the value of the Eagle Collateral at the time of the transfer to US Bank/SAG under the Plan will be not less than $9,900,000.00. Accordingly, there would not only not be a taxable gain realized by Galpin, there is no anticipated income from cancellation of any indebtedness by US Bank/SAG because the evidence will establish the transfer is being made in complete satisfaction of all indebtedness of EPD, as Borrower, and Galpin, as Guarantor, to US Bank/SAG. US Bank/SAG's Deficiency and Guaranty Claims against EPD and Galpin, respectively, will be disallowed, and the Secured Claim will be allowed and satisfied in full by the transfer to US Bank/SAG of the Eagle Collateral. Galpin intends to request that the Court make findings of fact regarding the valuation of the Eagle Collateral and include such findings in the Order confirming the Plan, binding upon all persons and entities, including US Bank/SAG, and will seek a provision in the Order prohibiting anyone from taking actions contrary to the Court's Order. This will protect the Debtors in the event US Bank/SAG attempts to improperly issue an IRS Form 1099 showing cancellation of indebtedness income to Galpin, as it might otherwise do if permitted to liquidate the Eagle Collateral (at an amount which is less than the indebtedness owed to US Bank/SAG and less than its value at confirmation) at

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some future point in a foreclosure proceeding or other disposition taking place after the transfer of the Eagle Collateral to US Bank/SAG contemplated by the Plan. US Bank/SAG has indicated that, "Although it recognizes that a conclusion of valuation by the Court must be considered in completing any form, US Bank/SAG disputes that the Court has the authority to issue orders compelling US Bank to fill out a tax form in any particular way based on the transfer of the Eagle Collateral to US Bank/SAG." From Debtors' standpoint, Debtors reserve their rights in the event of such action by US Bank/SAG. Debtors dispute there would be any factual or legal basis for US Bank/SAG to issue IRS Form 1099 indicating cancellation of indebtedness income in the event the Court finds at the Claim/Valuation Hearing that a transfer of the Eagle Collateral under the Plan will fully satisfy all indebtedness to US Bank/SAG based upon the value of the Eagle Collateral.

There is a risk US Bank/SAG will provide other evidence at the Claim/Valuation Hearing that is currently unknown to Galpin, in support of a lower valuation of the Eagle Collateral. If such evidence results in a valuation of the Eagle Collateral that is lower than the total indebtedness to US Bank, then US Bank/SAG would be able to seek recovery on its unsecured deficiency claims against EPD, as Borrower, and Galpin, as Guarantor. This may also result in EPD (and therefore Galpin) recognizing cancellation of indebtedness income or the loss of favorable tax attributes as a result of the application of the bankruptcy exception to cancellation of indebtedness income under the Internal Revenue Code. Galpin believes this is unlikely, given the recent evidence that US Bank is substantially oversecured by the Eagle Collateral. However, if this occurs, then Galpin and EPD would need to determine: (a) whether to revise the Plan projections to provide for payment of the US Bank/SAG Deficiency and Guaranty Claims to the extent they are Allowed; (b) surrender the Eagle Collateral in a settlement

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with US Bank/SAG that results in no distribution on US Bank/SAG's unsecured Deficiency and Guaranty Claims against EPD and Galpin; or (c) withdraw the Plan and further modify it prior to confirmation. Under scenario (a), there would be no cancellation of indebtedness income because the claims would be paid under the Plan and the taxable event would still occur upon the transfer after confirmation; however, there would be a greater burden on the Reorganized Debtors due to the increased amount of the unsecured claims required to be paid under the Plan. In scenario (b), there could be potential tax liability from cancellation of indebtedness income, or the bankruptcy exception would apply, decreasing Galpin's favorable tax attributes, but the amount would be known after the Claim/Valuation Hearing, without subjecting the Reorganized Debtors to the risks of US Bank/SAG's later decisions regarding disposition of the Eagle Collateral after it is transferred to US Bank/SAG. US Bank/SAG indicates: “US Bank again disputes that the Court has the authority to issue orders compelling US Bank to fill out a tax form in any particular way based on the transfer of the Eagle Collateral to US Bank/SAG.” There is no evidence to suggest what the amount of any such putative cancellation of indebtedness income might be, but Galpin believes it will be very limited, and he has net operating losses which may be used to offset it, unless the bankruptcy exception applies, in which case net operating losses do not offset income. In that case, there would be no taxable income, but net operating losses would be reduced as part of the bankruptcy exception. If required to use such losses, there will be an adverse effect on feasibility in the event of profitable sales of assets in the future, to the extent that Galpin's net operating losses must be utilized to either offset tax liability arising from cancellation of indebtedness income or to benefit from application of the bankruptcy exception.

VI. ACCEPTANCE AND CONFIRMATION

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A. Voting Procedures.

1. Generally.

Under the Bankruptcy Code, creditors holding impaired Claims have an opportunity to vote on the Plan prior to its confirmation. The Plan is deemed to be approved by creditors if each class of Claims impaired under the Plan votes to approve the Plan by a majority in number and two-thirds in amount of the Claims in that class which vote on the Plan. The Bankruptcy Court must also make certain findings to permit confirmation of the Plan. The Bankruptcy Court can confirm the Plan even if some classes do not accept it, so long as at least one impaired class votes in favor of the Plan and the Bankruptcy Court finds that the Plan does not discriminate unfairly and provides fair and equitable treatment to the class or classes rejecting it. Debtors will request that the Bankruptcy Court approve such a "cram down" confirmation if necessary.

Ballots will be sent to the known holders of impaired Claims whether or not such Claims are disputed, unliquidated or contingent. However, only the holders of Allowed Claims (or Claims that have been temporarily Allowed or have been estimated by the Bankruptcy Court) in one or more impaired classes are entitled to vote on the Plan. A Claim to which an objection has been filed is not an Allowed Claim unless and until the Bankruptcy Court rules on the objection and enters an order allowing the Claim. The holder of a Disputed Claim is not entitled to vote on the Plan unless the holder of such Claim requests that the Bankruptcy Court, pursuant to Bankruptcy Rule 3018, temporarily allow the Claim in an appropriate amount solely for the purpose of enabling the holder of such Disputed Claim to vote on the Plan, and the Bankruptcy Court does so.

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2. Incomplete Ballots.

Ballots which are signed, dated, and timely received, but on which a vote to accept or reject the Plan has not been indicated, will be counted as a vote to accept the Plan.

3. Submission Of Ballots.

The form of ballot for each of the classes entitled to vote on the Plan will be sent to all creditors along with a copy of the Court approved Disclosure Statement and a copy of the Plan. Creditors should read the Disclosure Statement, Plan, and ballot carefully. If any Creditor has any questions concerning voting procedures, it may contact Debtors' attorneys at:

SUSSMAN SHANK LLP
Attn: Majesta P. Gruetzmacher
1000 SW Broadway, Suite 1400
Portland, OR 97205
Telephone: 503-227-1111
Facsimile: 503-248-0130

Ballot(s) or withdrawals/revocations must be returned to Sussman Shank LLP by **5:00 p.m. Prevailing Pacific Time on _____________, 2013. Only ballots received by the voting deadline can be counted for purposes of Plan Confirmation.**

B. Confirmation Hearing and Plan Objection Deadline

The Bankruptcy Court will hold a hearing on Confirmation of the Plan commencing on _________________, 2013 at _____.m. Prevailing Pacific Time, in the United States Bankruptcy Court, Courtroom __, ______________________, Oregon _________. All objections, if any, to the confirmation of the Plan must be in writing; must state with specificity the grounds for any such objections; and must be filed with

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the Bankruptcy Court and served upon counsel for Debtors at the following address on or before ________________, 2013:

SUSSMAN SHANK LLP
Attn: Susan S. Ford
1000 SW Broadway, Suite 1400
Portland, OR 97205

C. Best Interests Of Creditors.

In the event any creditor objects to confirmation of the Plan, section 1129(a)(7) of the Bankruptcy Code requires that the Plan provide such creditor with as much as it would receive if the Debtors' assets were liquidated in a case under Chapter 7. In Chapter 7, creditors are entitled to receive no more than the allowed amount of their Claims. The Plan is anticipated to pay all Allowed Claims in full. Therefore, the Debtors believe the "best interests of creditors" test of section 1129(a)(7) of the Bankruptcy Code is satisfied. With respect to EPD, the payment of creditors in Chapter 7 would be less than under Chapter 11. Although a recent appraisal of the fair market value of the Eagle Collateral establishes it more than sufficient to satisfy the Claim of US Bank/SAG, further delay and the cost of conversion and liquidation costs would likely reduce the ultimate return to creditors of EPD. Because Galpin is the 100% owner of the equity in EPD, such a scenario would also be less favorable to Galpin's creditors as well.

With respect to Galpin's estate, creditors will fare far worse in a Chapter 7 liquidation than in Chapter 11 under the proposed Plan. Galpin would no longer be able to develop and sell his properties, and realize added value from such development and sales over time to maximize payments to creditors. Under the Plan, it is anticipated creditors will be paid in full over a period not longer than five years. If Galpin's assets were liquidated, large unsecured deficiency claims would severely dilute the distributions that will otherwise be available to Galpin's unsecured creditors. Moreover,

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such a scenario would destabilize lending relationships with secured lenders and Galpin's other companies, resulting in potentially widespread default and foreclosure activity, need for reorganization of those entities, and potentially huge deficiency claims against Galpin's estate that would seriously undermine Galpin's ability to pay creditors in full as the Plan proposes.

D. Feasibility.

The Bankruptcy Code requires, as a condition to confirmation, that the Bankruptcy Court find that liquidation of the Reorganized Debtors or the need for future reorganization is not likely to follow after confirmation. For the purpose of determining whether the Plan meets this requirement, the Debtors have prepared projections attached to this Disclosure Statement as Exhibits A and B, respectively, which show that the development and sales of property in the ordinary course of Galpin's business as provided in the Plan, and projected income from other sources, including the sale and development of other property in the ordinary course of Galpin's business as provided in the Plan, will be sufficient to make all payments required of the Debtors under the Plan over a 5-year period, without the need for further reorganization of Debtors.

Prior to the Petition Dates, EPD and Galpin had experienced severely depressed sales activity due to the economic crisis that began in 2007-08, which resulted in depressed prices and large inventories of unsold property. However, since the Petition Dates, the real estate market has been changing dramatically. During the past year, the lot sales in the Candlewood subdivision owned by EPD experienced an increase in residential lot prices of approximately sixty percent (60%), and Debtors anticipate prices will continue to increase as excess lot inventories are depleted and the market strengthens. Since the Spring of 2012, EPD and Galpin have sold eight (8) properties

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and collected payments on notes receivable that have provided cash to pay operating expenses and begin a building program. EPD had the opportunity to sell more properties (recent interest from serious buyers for in excess of 90 units) but its lender refused to release any of its collateral to permit sales to occur even where proceeds would be remitted to the lender. That position has significantly inhibited EPD's sales and building program to date. After confirmation, however, EPD will transfer the Eagle Collateral in complete satisfaction of all indebtedness to its lender, US Bank/SAG. Debtors' building program with respect to EPD assets other than the Eagle Collateral and certain of Galpin's other real property will allow the Reorganized Debtors to compete in the housing market in addition to the contractor lot market. As Debtors implement their building program, they will reinvest a portion of the profits to expand the program to meet the additional demand while they make payments to creditors, which in turn, is anticipated to generate additional profitable sales to facilitate performance of the Plan. Debtors have and will continue to closely monitor both the commercial and residential markets, including foreclosure and short sale activity, so that they are able to offer land for sale, buildings for rent or sale, and new homes that will effectively compete in the market place to generate future profits.

E. <u>Confirmation Over Dissenting Class</u>.

In the event any impaired class of Claims does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at Debtors' request if all other requirements under Section 1129(a) of the Bankruptcy Code, except for section 1129(a)(8), are satisfied, and if, as to each impaired class which has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such non-accepting class.

F. Discharge.

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Pursuant to 11 USC §1141(d)(5), with respect to Galpin, confirmation of the Plan will not discharge any debt of Galpin on account of any Allowed Claim provided for in the Plan until the Court grants a discharge to Galpin upon his completion of all payments under the Plan. However, after confirmation, upon his completion of all payments to holders of Allowed unsecured claims and the transfers contemplated at Closing on or before the Effective Date, Galpin may reopen the case and, subject to notice and hearing, seek entry of discharge pursuant to subsections (A) or (B) of §1141(d)(5), except that the holders of Guaranty Claims who timely vote to accept the Plan and holders of Allowed Secured Claims against Galpin in the following classes of claims shall retain their rights against Galpin, as the case may be, until such claims are fully paid: Classes 3, 4, 5, 6, 7, 8, 9, 10, 11, 18, 19, 20, and 21.

G. Exculpation And Limitation of Liability.

None of the Released Parties will have or incur any liability to, or be subject to any right of action by, any holder of a Claim, any other party in interest, or any of their respective agents, employees, representatives, financial 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 Case, including the exercise of their respective business judgment and the performance of their respective fiduciary obligations, the pursuit of confirmation of the Plan, or the administration of the Plan, except liability for their willful misconduct, negligence, or breach of fiduciary duty, and in all respects, such parties will be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan or in the context of the Case.

VIII. CONCLUSION.

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Debtors believe that confirmation of the Plan is in the best interests of Debtors and their creditors. Accordingly, Debtors ask that creditors entitled to vote do so in favor of the Plan on the enclosed ballot and timely return the ballot as described above.

DATED: December 7th, 2012.

DEBTORS:

/s/ Arthur Critchell Galpin

Arthur Critchell Galpin

EAGLE POINT DEVELOPMENTS, LLC

/s/ Arthur Critchell Galpin

By:____________________________
Arthur Critchell Galpin, Member

SUSSMAN SHANK LLP

/s/ Susan S. Ford

Susan S. Ford, OSB # 942203
Attorneys for Arthur Critchell Galpin and
Eagle Point Developments, LLC

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Eagle Point Developments LLC
5 Year Projection

	Sept-Dec 2012	2013 Annually	2014 Annually	2015 Annually	2016 Annually	2017 Annually	9/1/12 thru 12/31/2017	
Rent Income								
124 Bellerive	5,600	16,800	16,800	16,800	18,000	18,000	92,000	
Orindale		7,500	7,500	7,500	7,500	7,500	37,500	
Note Receivable								
David Patterson		44,757					44,757	
Total Income	5,600	69,057	24,300	24,300	25,500	25,500	174,257	
Operating Expenses								
Cleaning/Repairs/Mx		1,200	1,236	1,273	1,311	1,351	6,371	Assumes 3%/yr increase
HOA Dues	45	180	185	191	197	203	1,001	Assumes 3%/yr increase
Insurance		650	670	690	710	732	3,451	Assumes 3%/yr increase
Licenses		100	103	106	109	113	531	Assumes 3%/yr increase
Property Taxes	3,567	10,700	11,021	11,352	11,692	12,043	60,374	Assumes 3%/yr increase
Secured Claims	10,994						10,994	
Unsecured Claims		14,252	14,680				28,932	
Administration Expenses								
Appraisal Fees	7,650						7,650	
Legal Fees		108,060					108,060	Pay in January 2013
US Trustee Fees	325	1,625					1,950	
Total Expenses	22,581	136,767	27,894	13,611	14,020	14,440	229,313	
Projected Cash Flow	(16,981)	(67,710)	(3,594)	10,689	11,480	11,060	(55,056)	
Beginning Cash	221,373	204,392	136,682	133,088	143,777	155,257	221,373	
Ending Cash	204,392	136,682	133,088	143,777	155,257	166,317	166,317	

Assumes deed in lieu to US Bank so no payment to US Bank, property taxes or HOA dues for their collateral.

Assumes no land sales - wait to see effect of US Bank disposition before further development.

EXHIBIT A
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Eagle Point Developments LLC
Monthly Projection

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Rent Income																
124 Bellerive	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Orindale										7,500						
Note Receivable																
David Patterson							44,757									
Total Income	1,400	1,400	1,400	1,400	1,400	1,400	46,157	1,400	1,400	8,900	1,400	1,400	1,400	1,400	1,400	1,400
Operating Expenses																
Cleaning/Repairs/Mx									500		500		200			
HOA Dues		45			45			45			45			45		
Insurance								650								
Licenses								100								
Property Taxes			3,567			3,567			3,567						3,566	
Secured Claims			10,994													
Unsecured Claims					3,563			3,563			3,563			3,563		
Administration Expenses																
Appraisal Fees		7,650														
Legal Fees					108,060											
US Trustee Fees		325			650			975								
Total Expenses	0	8,020	14,561	0	112,318	3,567	0	5,333	4,067	0	4,108	0	200	3,608	3,566	0
Projected Cash Flow	1,400	(6,620)	(13,161)	1,400	(110,918)	(2,167)	46,157	(3,933)	(2,667)	8,900	(2,708)	1,400	1,200	(2,208)	(2,166)	1,400
Beginning Cash	221,373	222,773	216,153	202,992	204,392	93,474	91,307	137,464	133,531	130,864	139,764	137,056	138,456	139,656	137,448	135,282
Ending Cash	222,773	216,153	202,992	204,392	93,474	91,307	137,464	133,531	130,864	139,764	137,056	138,456	139,656	137,448	135,282	136,682

Arthur C. Galpin
5 Year Cash Flow Projection

	Sept-Dec 2012	2013 Annually	2014 Annually	2015 Annually	2016 Annually	2017 Annually	9/1/12 thru 12/31/2017	
Bank Interest Income	20.00	60.00	60.00	60.00	60.00	60.00	320.00	
Pension Distributions-Raymond James	5,499.00	5,499.00	5,499.00	5,499.00	5,499.00	5,499.00	32,994.00	
Pension Distributions-JCI	2,622.00	2,622.00	2,622.00	2,622.00	2,622.00	2,622.00	15,732.00	
Royalty Income	10,000.00	30,000.00	30,000.00	36,000.00	48,000.00	60,000.00	214,000.00	Now, 3,333 tons/month. By 2017 6,667 tons/month.
Social Security-net	9,204.00	27,612.00	27,612.00	27,612.00	27,612.00	27,612.00	147,264.00	
Wages-net	19,095.76	57,287.28	57,287.28	57,287.28	57,287.28	57,287.28	305,532.16	
Receivables								
Angie Galpin	0.00	2,030.00	2,030.00	2,030.00	2,030.00	2,030.00	10,150.00	
Christian Galpin	2,500.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	32,500.00	
CPG Construction	0.00	38,788.59	38,788.59	38,788.59	38,788.59	273,788.59	428,942.95	interest only + 2350000 of principal
Foster Creek	0.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	10,000.00	net rental cash flow used to pay note to Cris
John Holmes	6,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	66,000.00	
Kodiak	0.00	57,940.00	57,940.00	57,940.00	57,940.00	57,940.00	289,700.00	interest only-assumes no sales
Pacific Rim	0.00	12,000.00	24,000.00	24,000.00	24,000.00	24,000.00	108,000.00	Projected net cash flow to pay Cris' note
Saddle Springs Ranch	0.00	23,309.00	23,309.00	23,309.00	23,309.00	23,309.00	116,545.00	interest only-assumes no sales
Income Tax Refund		114,651.00					114,651.00	
Investments								
Butte Crest Ranch, Inc	0.00	12,000.00	24,000.00				36,000.00	Terminate company in 2014
Clover Creek Holdings	-3,000.00	-7,000.00	-7,000.00	-7,000.00	-7,000.00	-7,000.00	-38,000.00	Feb, May, Nov
Galpin Holdings	-70,000.00	15,000.00	18,000.00	20,000.00	20,000.00	20,000.00	23,000.00	(finish Elks construction, then rent)
GH-Charter Rental Group	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Assumes interest rate of 4%-4.5%, if no change then $24,000-27,600 needed from Cris to fund shortfall
GH-CLV	3,279.00	53,840.00	53,840.00	53,840.00	53,840.00	53,840.00	272,479.00	(need distr to pay KFC note payments)
GH-EPCC	0.00	0.00	0.00	0.00	-365,000.00	20,000.00	-345,000.00	sell SAC to John, payoff balance of BOTC note, rest of center debt free
Glen Abbey	0.00	0.00	5,070.00	0.00	0.00	0.00	5,070.00	Lot sales payoff John's loan, then to John & Mike for original investment
Klamath Falls Center LLC	0.00	-44,000.00	-44,000.00	-44,000.00	-44,000.00	-44,000.00	-220,000.00	Assume wil refinance & continue to hold
Kokanee Investments LLC	-50,000.00	-35,000.00	-15,000.00				-100,000.00	Assumes interest rate of 4%, int only pmts, balloon 2 yrs, $170,000 release price per unit
Poppy Village		-5,000.00	-5,000.00	-5,000.00	-5,000.00	-5,000.00	-25,000.00	Convert 4 unbuildable lots to 2 buildable lots and construct townhomes for sale in 2017-sales/cost below in construction budget
Terry Lane Comm'l Center LLC	-25,000.00	-45,000.00	-20,000.00				-90,000.00	Assumes interest rate of 4%, int only pmts, balloon 2 yrs.
Projected receipts w/o construction	-89,780.24	336,638.87	299,057.87	312,987.87	-40,012.13	591,987.87	1,410,880.11	
Sales of CAG lots/houses-net of selling costs	283,000.00	456,300.00	780,400.00	1,469,700.00	766,800.00	520,200.00	4,276,400.00	
Sales of Joint Venture/LLC houses		653,976.00	1,072,350.00	430,200.00	925,200.00	945,000.00	4,026,726.00	
Construction on Joint Venture/LLC lots		-1,443,300.00	-546,000.00	-528,000.00	-678,000.00	-326,000.00	-3,521,300.00	
Construction on CAG owned lots		-360,000.00	-440,000.00	-660,000.00	-450,000.00	-300,000.00	-2,210,000.00	
Net Projected Construction Sales	283,000.00	-693,024.00	866,750.00	711,900.00	564,000.00	839,200.00	2,571,826.00	
Expenses								
Accounting Fees		-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-15,000.00	
Auto (fuel & maintenance)	-2,520.00	-7,862.40	-8,176.90	-8,503.97	-8,844.13	-9,197.90	-45,105.29	Assume 4% increase per year
Bank Charges	-12.00	-36.00	-36.00	-36.00	-36.00	-36.00	-192.00	

EXHIBIT B
Page 2 of 3

Chase Bank (rent)	-4,537.07	-12,591.48	-12,684.43	-12,780.17	-12,878.77	-12,878.77	-68,350.69	Assumes interest rate reduced to 3.25% & 3% ins & prop tax increases
Chase Bank (Angie)							0.00	
Chase Bank (Christian)							0.00	
Food, Clothing, Household Maint.	-1,600.00	-4,944.00	-5,092.32	-5,245.09	-5,402.44	-5,564.52	-27,848.37	Assumes 3% per year increase
HOA Dues-Culver Loop	-140.00	-432.60	-445.58	-458.95	-472.71	-486.90	-2,436.73	Assumes 3% per year increase
HOA Dues-109 Sandridge (residence)	-560.00	-1,730.40	-1,782.31	-1,835.78	-1,890.85	-1,947.58	-9,746.93	Assumes 3% per year increase
Insurance	-302.40	-1,000.00	-1,030.00	-1,060.90	-1,092.73	-1,125.51	-5,611.54	Assumes 3% per year increase
Medical Expenses	-250.00	-425.00	-437.75	-450.88	-464.41	-478.34	-2,506.38	Assumes 3% per year increase
Miscellaneous Personal Exp	-1,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-16,000.00	
NWCU Note Payments	-3,125.44	-9,376.32	-8,594.96				-21,096.72	Note paid off according to terms
Property taxes	-14,000.00	-13,390.00	-13,791.70	-12,205.45	-5,571.61		-58,958.77	Assume 3% increase, but also have lots sales
Umpqua Bank Note Payments	-65,488.28	-196,464.84	-196,464.84	-196,464.84	-196,464.84	-3,098,232.42	-3,949,580.06	Pay off credit line by end of year
Utilities	-1,200.00	-3,708.00	-3,819.24	-3,933.82	-4,051.83	-4,173.39	-20,886.28	Assumes 3% per year increase
Total Projected Expenses	-94,735.19	-257,961.04	-258,356.02	-248,975.84	-243,170.34	-3,140,121.32	-4,243,319.75	
Prepetition secured creditors-not banks		-18,840.00					-18,840.00	no prop tax to mobile or crater lake land-let County have it; NWCU paid according to note terms above not here
Prepetition unsecured creditors-not banks		-60,407.40	-62,219.62	-64,086.21	-66,008.80	-67,989.06	-320,711.09	Umpqua gets paid according to note terms incl. above not here
Admin Expenses								
Appraisal fees	-12,650.00	-10,000.00					-22,650.00	
Attorney fees-in addition to retainer		-22,678.00					-22,678.00	
US Trustee Fees - Note 2	-975.00	-3,250.00					-4,225.00	
Projected Net Cash Flow	84,859.57	-729,521.57	845,232.22	711,825.82	214,808.74	-1,776,922.51	-649,717.74	
Beginning Cash	792,753.00	877,612.57	148,091.00	993,323.22	1,705,149.04	1,919,957.77	792,753.00	
Ending Cash	877,612.57	148,091.00	993,323.22	1,705,149.04	1,919,957.77	143,035.26	143,035.26	

Note 1: $2,428,593 net operating loss carryforward, $2,814,885 charitable contribution carryforward for income tax purposes. The income projected will not entirely use up the net operating loss due to high asset basis. Therefore, there is no income tax projected during the next 5 years.

Note 2: Assumes plan confirmed and Chapter 11 case closed by March 2013. So, no US Trustee fees payment projected beyond 3/13.

Arthur C. Galpin
12 Month Projection

	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013	Total 2013
Bank Interest Income	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	60.00
Pension Distributions-Raymond James				5,499.00												5,499.00	5,499.00
Pension Distributions-JCI				2,622.00												2,622.00	2,622.00
Royalty Income	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	30,000.00
Social Security-net	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	2,301.00	27,612.00
Wages-net	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	4,773.94	57,287.28
Receivables																	
Angie Galpin					2,030.00												2,030.00
Christian Galpin	1,000.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	6,000.00
CPG Construction					38,788.59												38,788.59
Foster Creek					2,000.00												2,000.00
John Holmes	1,500.00	1,500.00	1,500.00	1,500.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	12,000.00
Kodiak					57,940.00												57,940.00
Pacific Rim																12,000.00	12,000.00
Saddle Springs Ranch					23,309.00												23,309.00
Income Tax Refund						114,651.00											114,651.00
Investments																	
Butte Crest Ranch, Inc							6,000.00					6,000.00					12,000.00
Clover Creek Holdings			-3,000.00			-2,333.34			-2,333.33						-2,333.33		-7,000.00
Galpin Holdings	-5,000.00	-10,000.00	-50,000.00	-5,000.00								8,000.00		2,000.00		5,000.00	15,000.00
GH-CLV	819.75	819.75	819.75	819.75	3,819.75	6,487.50	3,819.75	3,819.75	6,487.50	3,819.75	3,819.75	3,819.75	3,819.75	3,819.75	6,487.25	3,819.75	53,840.00
Klamath Falls Center LLC					-3,000.00	-5,666.67	-3,000.00	-3,000.00	-5,666.67	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-5,666.66	-3,000.00	-44,000.00
Kokanee Investments LLC			-50,000.00			-15,000.00			-10,000.00						-10,000.00		-35,000.00
Poppy Village						-1,666.67			-1,666.67						-1,666.66		-5,000.00
Terry Lane Comm'l Center LLC			-25,000.00		-2,000.00	-9,000.00	-2,000.00	-2,000.00	-9,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-9,000.00	-2,000.00	-45,000.00
Projected receipts w/o construction	7,899.69	2,399.69	-115,600.31	15,520.69	133,967.28	98,551.76	15,899.69	9,899.69	-11,099.23	9,899.69	9,899.69	23,899.69	9,899.69	11,899.69	-11,099.46	35,020.69	336,638.87
Sales of CAG lots/houses-net of selling costs	283,000.00										107,100.00	107,100.00	242,100.00				456,300.00
Sales of Joint Venture/LLC houses											202,500.00	118,188.00	215,100.00	118,188.00			653,976.00
Construction on Joint Venture/LLC lots						-10,000.00	-10,000.00	-20,000.00	-100,000.00	-350,000.00	-350,000.00	-300,000.00	-250,000.00	-25,000.00	-25,000.00	-3,300.00	-1,443,300.00
Construction on CAG owned lots							-5,000.00	-5,000.00	-5,000.00	-100,000.00	-100,000.00	-50,000.00	-50,000.00	-35,000.00	-10,000.00		-360,000.00
Net Projected Construction Sales	283,000.00	0.00	0.00	0.00	0.00	-10,000.00	-15,000.00	-25,000.00	-105,000.00	-450,000.00	-140,400.00	-124,712.00	157,200.00	58,188.00	-35,000.00	-3,300.00	-693,024.00
Expenses																	
Accounting Fees								-3,000.00									-3,000.00
Auto (fuel & maintenance)	-630.00	-630.00	-630.00	-630.00	-655.20	-655.20	-655.20	-655.20	-655.20	-655.20	-655.20	-655.20	-655.20	-655.20	-655.20	-655.20	-7,862.40
Bank Charges	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	-36.00
Chase Bank (rent)	-1,389.20	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-1,049.29	-12,591.48
Food, Clothing, Household Maint.	-400.00	-400.00	-400.00	-400.00	-412.00	-412.00	-412.00	-412.00	-412.00	-412.00	-412.00	-412.00	-412.00	-412.00	-412.00	-412.00	-4,944.00
HOA Dues-Culver Loop	-35.00	-35.00	-35.00	-35.00	-36.05	-36.05	-36.05	-36.05	-36.05	-36.05	-36.05	-36.05	-36.05	-36.05	-36.05	-36.05	-432.60
HOA Dues-109 Sandridge (residence)	-140.00	-140.00	-140.00	-140.00	-144.20	-144.20	-144.20	-144.20	-144.20	-144.20	-144.20	-144.20	-144.20	-144.20	-144.20	-144.20	-1,730.40
Insurance	-75.60	-75.60	-75.60	-75.60	-83.33	-83.33	-83.33	-83.33	-83.33	-83.33	-83.33	-83.33	-83.33	-83.33	-83.33	-83.33	-1,000.00
Medical Expenses				-250.00					-200.00						-225.00		-425.00
Miscellaneous Personal Exp	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00	-3,000.00
NWCU Note Payments	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-781.36	-9,376.32
Property taxes			-14,000.00			-4,463.33			-4,463.33						-4,463.33		-13,390.00
Umpqua Bank Note Payments	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-16,372.07	-196,464.84
Utilities	-300.00	-300.00	-300.00	-300.00	-309.00	-309.00	-309.00	-309.00	-309.00	-309.00	-309.00	-309.00	-309.00	-309.00	-309.00	-309.00	-3,708.00
Total Projected Expenses	-20,376.23	-20,036.32	-34,036.32	-20,286.32	-20,095.50	-24,558.84	-20,095.50	-23,095.50	-24,758.84	-20,095.50	-20,095.50	-20,095.50	-20,095.50	-20,095.50	-24,783.83	-20,095.50	-257,961.04
Prepetition secured creditors-not banks					-18,840.00												-18,840.00
Prepetition unsecured creditors-not banks					-15,101.85			-15,101.85			-15,101.85			-15,101.85			-60,407.40
Admin Expenses																	
Appraisal Fees		-7,650.00	-5,000.00		-5,000.00	-5,000.00											-10,000.00
Legal Fees					-22,678.00												-22,678.00
US Trustee Fees	-975.00				-1,625.00			-1,625.00									-3,250.00
Projected Net Cash Flow	269,548.46	-25,286.63	-154,636.63	-4,765.63	50,626.92	58,992.93	-19,195.81	-54,922.66	-140,858.07	-460,195.81	-165,697.66	-120,907.81	147,004.19	34,890.34	-70,883.29	11,625.19	-729,521.57
Beginning Cash	792,753.00	1,062,301.46	1,037,014.83	882,378.20	877,612.57	928,239.49	987,232.42	968,036.61	913,113.94	772,255.88	312,060.06	146,362.40	25,454.59	172,458.77	207,349.11	136,465.82	877,612.57
Ending Cash	1,062,301.46	1,037,014.83	882,378.20	877,612.57	928,239.49	987,232.42	968,036.61	913,113.94	772,255.88	312,060.06	146,362.40	25,454.59	172,458.77	207,349.11	136,465.82	148,091.00	148,091.00