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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In Re:	Proceedings Under Chapter 11
FR 160, LLC,	Case No. 2:12-bk-13116- RTBP
Debtor.	

**FIRST AMENDED DISCLOSURE STATEMENT IN SUPPORT OF
DEBTOR'S PLAN OF REORGANIZATION
DATED SEPTEMBER 10, 2012**

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Attorneys for FR 160, LLC, Debtor and
Debtor-in-Possession

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1 **I. INTRODUCTION AND SUMMARY**

2 Capitalized terms used in this Disclosure Statement have the same meanings as defined in
3 the Plan and the Bankruptcy Code. Terms defined in this Disclosure Statement which are also
4 defined in the Plan are solely for convenience, and the Debtor does not intend to change the
5 definitions of those terms from the Plan. If any inconsistency exists between the Plan and this
6 Disclosure Statement, the Plan is, and will be, controlling.

7 UNLESS OTHERWISE DEFINED IN THIS DISCLOSURE STATEMENT, ALL
8 CAPITALIZED TERMS CONTAINED HEREIN WILL HAVE THE MEANINGS ASCRIBED
9 TO THEM IN THE PLAN.

10 **A. Purpose of Disclosure Statement**

11 Debtor FR 160, LLC (“Debtor”) is furnishing this Disclosure Statement to all impaired
12 Creditors who are entitled to vote to accept or reject the Plan. A copy of the Plan is attached to
13 this Disclosure Statement as Exhibit 1. In addition, the Debtor will file a supplement to the Plan
14 (the “Plan Supplement”), which will include, among other things Debtor’s Causes of Action, (but
15 in no event later than seven (7) days) before the deadline fixed for filing objections to
16 Confirmation of the Plan, or on such other date as the Bankruptcy Court may determine.

17 The Disclosure Statement is to be used by each such Creditor solely in connection with
18 evaluation of the Plan. Use of the Disclosure Statement for any other purpose is not authorized
19 by the Debtor or the Court. The purpose of this Disclosure Statement is to provide “adequate
20 information,” as that term is defined in § 1125 of the Bankruptcy Code, to enable Creditors whose
21 Claims are impaired under the Plan to make an informed decision regarding whether to accept or
22 reject the Plan. The Debtor believes that this Disclosure Statement contains information that is
23 material, important, and necessary for all such Creditors to arrive at an informed decision in
24 exercising their right to vote for acceptance of the Plan.

25 -----

1 **CREDITORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS**
2 **DISCLOSURE STATEMENT AS PROVIDING OR RENDERING ANY LEGAL,**
3 **BUSINESS, FINANCIAL, OR TAX ADVICE. EACH CREDITOR SHOULD CONSULT**
4 **WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS WITH**
5 **RESPECT TO ANY SUCH MATTERS CONTEMPLATED THEREBY.**

6 **B. Limitations on Information Contained in Disclosure Statement**

7 The statements contained in this Disclosure Statement are made as of the date hereof,
8 unless another time is specified, and the delivery of this Disclosure Statement will not, under any
9 circumstance, create any implication that the information contained herein is correct at any time
10 subsequent to the date hereof.

11 Any estimates of Claims and Equity Interests set forth in this Disclosure Statement may
12 vary from the amounts of Claims or Equity Interests ultimately allowed by the Bankruptcy Court.
13 The summaries of the Plan and other documents contained in this Disclosure Statement are
14 qualified in their entirety by reference to the Plan itself, the Exhibits thereto, and all documents
15 described therein. The information contained in this Disclosure Statement, including, but not
16 limited to, the information regarding the history, business, and operations of the Debtor, the
17 historical financial information of the Debtor, and the liquidation analysis relating to the Debtor,
18 is included herein for purposes of soliciting acceptances of the Plan. **AS TO CONTESTED**
19 **MATTERS, HOWEVER, THE INFORMATION IN THE DISCLOSURE STATEMENT IS**
20 **NOT TO BE CONSTRUED AS ADMISSIONS OR STIPULATIONS BUT RATHER AS**
21 **STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS.**

22 The financial information regarding the Debtor, including the assets and the liabilities of
23 the Debtor, has been derived from numerous sources including, but not limited to, the Debtor's
24 books and records, the Debtor's schedules of assets and liabilities and statements of financial
25 affairs, proofs of Claim, and other documents filed with the Bankruptcy Court. The information
26 contained herein has not been audited and is accurate to the best of the Debtor's knowledge,
27 information and belief. The Debtor cannot and does not warrant or represent that the information
28 contained in this Disclosure Statement is without inaccuracy.

1 The approval by the Bankruptcy Court of the Disclosure Statement does not constitute an
2 endorsement by the Bankruptcy Court of the Plan or a guaranty of the accuracy and completeness
3 of the information contained herein.

4 **C. Order Governing Plan Confirmation Process**

5 On _____, 2012, the Bankruptcy Court entered its order (i) approving this
6 Disclosure Statement as containing “adequate information” pursuant to § 1125 of the Bankruptcy
7 Code, (ii) fixing _____, **2012**, at **5:00 p.m.** M.S.T. (Arizona Time) as the deadline
8 for filing and serving any objections to Confirmation of the Plan, (iii) fixing _____,
9 **2012**, at **5:00 p.m.** M.S.T. (Arizona Time) as the deadline for voting to accept or reject the Plan,
10 and (iv) setting _____, at _____ **.m.** M.S.T. (Arizona Time) as the date and
11 time for a preliminary hearing on the confirmation of the Plan. The final hearing will be set by
12 the Bankruptcy Court at the preliminary hearing. No separate notice of the final hearing date
13 necessarily will be served unless otherwise ordered by the Court.

14 Bankruptcy Code § 1128(b) provides that any party in interest may object to confirmation
15 of a plan. Any objection(s) to confirmation of the Plan must be in writing, must state with
16 specificity the grounds for any such objections, and must be filed with the Bankruptcy Court and
17 served upon the following parties so as to be received on or before the time fixed by the
18 Bankruptcy Court:

19 United States Trustee:
20 OFFICE OF THE UNITED STATES TRUSTEE
21 230 N. First Avenue, Suite 204
22 Phoenix, AZ 85003-1706
23 Telephone Number: (602) 682-2600
24 Attn: Larry Lee Watson

25 The Debtor:
26 SNELL & WILMER L.L.P.
27 One Arizona Center
28 400 East Van Buren
Phoenix, AZ 85004-2202
Telephone Number: (602) 382-6000
Attn: Christopher H. Bayley

1 **II. INFORMATION REGARDING THE PLAN AND DISCLOSURE STATEMENT**

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

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

14 This Disclosure Statement will be used to solicit acceptances of the Plan only after the
15 Bankruptcy Court has entered an order approving this Disclosure Statement. Bankruptcy Court
16 approval of this Disclosure Statement means only that the Bankruptcy Court has found that this
17 Disclosure Statement meets the statutory requirement of Bankruptcy Code §1125 to provide
18 adequate information. Such approval by the Bankruptcy Court is not an opinion or ruling on any
19 other merits of this Disclosure Statement. It does not mean that the Plan has been approved, or
20 will be approved, by the Bankruptcy Court.

21 After this Disclosure Statement has been approved by the Bankruptcy Court and voting on
22 the Plan has completed, a hearing on the Plan will be held to determine whether the Plan should
23 be confirmed. At the hearing, the Bankruptcy Court will consider whether the Plan satisfies the
24 various requirements of the Bankruptcy Code. The Bankruptcy Court also will receive and
25 consider a ballot report prepared by the Debtor which will present a tally of the votes accepting or
26 rejecting the Plan cast by those entitled to vote. Once confirmed, the Plan is treated as a contract
27 and is binding on all Creditors, holders of Equity Interests and other parties-in-interest in the
28 Debtor's reorganization cases.

1 THIS DISCLOSURE STATEMENT IS NOT THE PLAN. FOR THE CONVENIENCE
2 OF CREDITORS AND HOLDERS OF EQUITY INTERESTS OF THE DEBTORS, THE PLAN
3 IS SUMMARIZED IN THIS DISCLOSURE STATEMENT. ALL SUMMARIES ARE
4 QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF. IN THE EVENT OF ANY
5 INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE
6 PLAN WILL CONTROL.

7 The Bankruptcy Court will hold a hearing on confirmation of the Plan, and, before that
8 hearing, the report of Ballots cast will be prepared and filed with the Bankruptcy Court.
9 Accordingly, all votes are important because they can determine whether the Plan will be
10 confirmed.

11 **III. REPRESENTATIONS**

12 Other than as stated in this Disclosure Statement, the Debtor has not authorized any
13 representations or assurances concerning the Debtor, its operations, or the values of its assets.
14 Therefore, in deciding whether to accept or reject the Plan, you should not rely on any
15 information relating to the Debtor or the Plan other than that contained in this Disclosure
16 Statement (or in the Plan itself). You should report any unauthorized representations or
17 inducements to counsel for the Debtor:

18 Christopher H. Bayley
19 Andrew V. Hardenbrook
20 Snell & Wilmer L.L.P.
21 One Arizona Center
22 400 E. Van Buren
23 Phoenix, Arizona 85004-2202

24 Debtor's counsel may present such information regarding representations and/or
25 inducements to the Bankruptcy Court for such action as may be appropriate.

26 This is a solicitation by the Debtor only and is not a solicitation by its attorneys, agents,
27 financial advisors, accountants, or any other professionals employed by the Debtor.
28

1 **IV. VOTING PROCEDURES AND REQUIREMENTS**

2 **A. Who Is Entitled To Vote**

3 If you are the holder of an Allowed Claim which is “impaired” under the Plan, you are
4 entitled to vote to accept or reject the Plan. Accordingly, to be entitled to vote, your Claim must
5 be both “allowed” and “impaired.”

6 1. **Allowed Claims**

7 You have an Allowed Claim if: (i) you timely filed a proof of claim and no objection has
8 been filed to your Claim; (ii) you timely filed a proof of claim and an objection was filed to your
9 Claim upon which the Bankruptcy Court has ruled and allowed your Claim; (iii) your Claim is
10 listed by the Debtor in its Schedules, which are on file with the Bankruptcy Court as a public
11 record, as liquidated in amount and undisputed and no objection has been filed to your Claim; or
12 (iv) your Claim is listed by the Debtor in its Schedules as liquidated in amount and undisputed
13 and an objection was filed to your Claim upon which the Bankruptcy Court has ruled and allowed
14 your Claim. If your Claim is not an Allowed Claim, it is a Disputed Claim, and you will not be
15 entitled to vote on the Plan unless the Bankruptcy Court temporarily or provisionally allows or
16 estimates your Claim for voting purposes pursuant to Bankruptcy Rule 3018. **IF YOU ARE
17 UNCERTAIN REGARDING THE STATUS OF YOUR CLAIM, YOU SHOULD CHECK
18 THE BANKRUPTCY COURT RECORD CAREFULLY, INCLUDING THE
19 SCHEDULES OF THE DEBTOR. YOU SHOULD SEEK APPROPRIATE LEGAL
20 ADVICE IF YOU HAVE ANY DISPUTE WITH THE DEBTOR. THE DEBTOR AND
21 ITS PROFESSIONALS CANNOT ADVISE YOU ABOUT SUCH MATTERS.**

22 2. **Impaired Claims**

23 Claims and holders of Equity Interests are “impaired” when the full amounts of the
24 Allowed Claims or Allowed Equity Interest will not be paid under the Plan, or when the holder’s
25 legal, equitable, or contractual rights are otherwise altered by the Plan. Creditors and holders of
26 Equity Interests who are not “impaired” under the Plan, are deemed to have accepted the Plan
27 pursuant to Bankruptcy Code § 1126(f), and their acceptances of the Plan need not be solicited.
28

1 **B. Procedures For Voting.**

2 1. **Submission of Ballots.**

3 All Creditors whose votes are solicited will be sent a Ballot, together with instructions for
4 voting, with a copy of this Disclosure Statement as approved by the Bankruptcy Court and a copy
5 of the Plan. You should read the Ballot carefully and follow the instructions contained therein.
6 Please use only the Ballot which was sent with this Disclosure Statement. You should complete
7 your Ballot and return it to **Snell & Wilmer, L.L.P., Attn: Christopher H. Bayley**, One
8 Arizona Center, 400 E. Van Buren, Phoenix, Arizona 85004-2202. Ballots returned by facsimile
9 or email are not valid and will not be counted.

10 **TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED**
11 **AT THE ADDRESS LISTED ABOVE BY 5:00 P.M., M.S.T.**
12 **(ARIZONA TIME), ON _____, 2012.**

13 **Ballots received after the Voting Deadline will not be counted. Ballots should not be**
14 **delivered directly to the Debtor, the Bankruptcy Court, or the Office of the United States**
15 **Trustee.**

16 2. **Incomplete Ballots**

17 Unless otherwise ordered by the Bankruptcy Court, Ballots which are signed, dated, and
18 timely received, but on which a vote to accept or reject the Plan has not been indicated, will not
19 be counted as a vote on the Plan.

20 3. **Withdrawal of Ballots**

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

24 4. **Questions and Lost or Damaged Ballots**

25 If you have any questions concerning voting procedures, if your Ballot is damaged or lost,
26 or if you believe you should have received a Ballot but did not receive one, you may contact
27 Melissa Weber at the address and telephone or facsimile numbers listed above.
28

1 **C. Summary Of Voting Requirements**

2 For the Plan to be confirmed, the Plan must be accepted by at least one impaired class of
3 Claims. For a class of Claims to vote to accept the Plan, votes representing at least two-thirds
4 (2/3) in amount and a majority in number of the Claims voted in that class must be cast for
5 acceptance of the Plan. As more fully described in Article VII of this Disclosure Statement, the
6 Debtor is seeking acceptances from holders of Allowed Claims in the following classes, which
7 are, or may be, “impaired” under the Plan, provided, however that the Debtor will have the right
8 to supplement this Disclosure Statement as to any other impaired classes, if any.

9	Class 1	Administrative Claims	Unimpaired No solicitation required
10			
11	Class 2	Priority Tax Claims	Unimpaired No solicitation required
12			
13	Class 3	Coconino County Tax Claims	Unimpaired No solicitation required
14			
15	Class 4	FRPOA Claims	Impaired Entitled to vote
16			
17	Class 5	Golf Club Secured Claim	Impaired Entitled to vote
18			
19	Class 6	Lease and Contract Rejection Claims	Impaired Entitled to vote
20			
21	Class 7	Golf Club Deficiency Claim	Impaired Entitled to vote
22			
23	Class 8	FRMWWC Claims	Impaired Entitled to vote
24			
25	Class 9	NWRA Claims	Impaired Entitled to vote
26			
27	Class 10	IMHFC Claims	Impaired Entitled to vote
28			
	Class 11	General Unsecured Claims	Impaired Entitled to vote
	Class 12	Equity Interests	Impaired Entitled to vote

1 **IT IS IMPORTANT THAT HOLDERS OF ALLOWED IMPAIRED CLAIMS**
2 **EXERCISE THEIR RIGHTS TO VOTE TO ACCEPT OR REJECT THE PLAN.**

3 The specific treatment of each Class under the Plan is described in the Plan and is
4 summarized in Article VII of this Disclosure Statement. A more detailed description of
5 confirmation requirements and related issues is discussed in Article XI of this Disclosure
6 Statement.

7 Bankruptcy Code §1129(b) provides that, if the Plan is rejected by one or more impaired
8 classes of Claims, the Plan (or any modification thereof) nevertheless may be confirmed by the
9 Bankruptcy Court if the Bankruptcy Court determines that the Plan does not discriminate unfairly
10 and is fair and equitable with respect to the rejecting class or classes of Claims impaired under the
11 Plan.

12 A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF A CLAIM
13 WHO ARE ENTITLED TO VOTE IS VERY IMPORTANT. THE DEBTOR ASSERTS THAT
14 THE TREATMENT OF CREDITORS UNDER THE PLAN IS THE BEST ALTERNATIVE
15 FOR CREDITORS AND THE DEBTOR RECOMMENDS THAT THE HOLDERS OF
16 ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.

17 **V. BACKGROUND AND EVENTS PRECIPITATING THE CHAPTER 11 FILING**

18 **A. Background of Flagstaff Ranch Golf Club**

19 On or about July 1, 2000, FRGC Development, LLC (“FRGC”) and Flagstaff Ranch
20 Development, LLC (“FRD”) entered into a Development Agreement in order to establish the
21 rights and obligations of the parties involved in the development of the Flagstaff Ranch Golf Club
22 community (“Golf Club Community”). The Golf Club Community was planned to be a private
23 residential community with approximately 525 proposed homes and an 18-hole golf course.
24 Management entities were formed to serve the community, like Flagstaff Ranch Golf Club, LLC
25 (“Golf Club”), Flagstaff Ranch Mutual Waste Water Company, LLC (“FRMWWC”), Flagstaff
26 Ranch Property Owners Association (“FRPOA”).

27 On or about March 30, 2006, an involuntary bankruptcy petition was filed against FRGC
28 under § 303 of the Bankruptcy Code, and an order for relief was entered on or about August 4,

1 2006. The Golf Club, FRMWWC, and FRPOA continued operations. During the bankruptcy
2 proceeding of FRGC, FRGC sold certain real property consisting of 51 residential lots and Tract
3 H (collectively, the “Real Property”) generally located in Coconino County, Arizona to Master
4 FRGC Estates Partners, LLC (“Master Estates”), an entity owned and/or controlled in part by
5 Vincent Goett.

6 IMH Secured Loan Fund, LLC (“Secured Loan Fund”), loaned Master Estates the sum of
7 \$19,300,000.00 secured by, among other things, the Real Property and guaranteed by Vincent
8 Goett and Melissa Goett, among others. On July 8, 2008, Secured Loan Fund assigned its interest
9 in the loan documents to Debtor.

10 Ultimately, Master Estates was unsuccessful at selling the Real Property, and Master
11 Estates and the guarantors defaulted under the loan documents. On July 9, 2008, a trustee’s sale
12 of the Real Property was held, and Debtor took title to the Real Property through a trustee’s sale.

13 Following the foreclosure, Golf Club claimed that the Debtor, as the owner of the Real
14 Property, was required to pay for the golf membership attributable for each lot at a cost of
15 \$60,000 (or \$90,000 if not paid within 60 days following the foreclosure date), under the
16 Declaration of Master Covenants, Conditions, and Restrictions for Flagstaff Ranch Golf Club
17 Residential Community (“CC&R’s”) and Restrictions for Declaration of Golf Club Easement and
18 Restrictions (“Declaration”) governing the Flagstaff Ranch Golf Club Community.

19 Debtor opposed these claims, and, on or about July 28, 2008, Debtor filed two
20 consolidated adversary proceedings in the bankruptcy proceeding of FRGC Development, LLC,
21 Case No. 2:06-bk-00842-RTBP, against, among others, Golf Club, under Adversary No. 2:08-ap-
22 00507-RTBP (“Adversary Proceeding”). In the Adversary Proceeding, Debtor sought declaratory
23 relief from certain requirements set forth in the CC&R’s and Declaration, which required all
24 owners of lots to purchase a golf club membership for each lot purchased or acquired.

25 On or about December 8, 2008, Golf Club’s motion for summary judgment filed in the
26 Adversary Proceeding was granted in which the Court found that the CC&R’s and Declaration
27 requiring all lot owners to acquire a golf club membership in Flagstaff Ranch were enforceable by
28 their terms.

1 Thereafter, the Golf Club initiated an action against Debtor in Coconino County Superior
2 Court seeking a judicial foreclosure of the Real Property, which subsequently was removed to the
3 bankruptcy court under Adversary No. 2:08-00151-RTBP.

4 On or about January 25, 2010, to resolve the disputes between Debtor and Golf Club, the
5 parties entered into that certain agreement entitled "Agreement and Release" ("Settlement
6 Agreement," attached hereto as Exhibit 2). Under the Settlement Agreement, among other
7 things, Debtor delivered to the Golf Club a promissory note in the amount of \$4,590,000 (the
8 "Lot Note"), a promissory note in the amount of \$720,000 (the "Tract H Note"), and a first
9 position deed of trust ("Deed of Trust") on the Real Property securing repayment of the Lot Note
10 and Tract H Note. The total agreed upon settlement amount of \$5,310,000 was calculated by
11 taking a \$60,000 price for fifty-nine (59) Golf Club Memberships for Debtor's 51 lots plus Tract
12 H (consisting of 2.24 acres that is contemplated for an additional 8 residential lots) plus a \$30,000
13 penalty for each Golf Club Membership. The Golf Club maintains that the Settlement
14 Agreement, Deed of Trust, Lot Note, Tract H Note, CC&R's and Declaration require Debtor to
15 make timely payments of all dues, fees and assessments associated with the Real Property.

16 In connection with the Settlement Agreement, a form of stipulated judgment ("Stipulated
17 Judgment") in the principal amount of \$7,218,982.53, plus attorneys' fees in the sum of
18 \$300,000, together with accrued interest at the rate of eighteen percent (18%) per annum was
19 agreed upon by the parties and entered against the Debtor on February 17, 2010 in the Adversary
20 Proceeding. Under the Settlement Agreement, the Golf Club was required to file a satisfaction of
21 the Stipulated Judgment if Debtor brought current all arrearages and membership dues from
22 September through January 31, 2010, together with default interest at the rate of eighteen percent
23 (18%) per annum for a total amount of \$406,621.00. Debtor timely paid the \$406,621 to the Golf
24 Club, and a satisfaction of Stipulated Judgment was recorded on June 7, 2010 in the Coconino
25 County Record's Office at Instrument No. 3563901.

26 Pursuant to the Settlement Agreement, the Golf Club placed the fifty-nine (59) Golf Club
27 Memberships in escrow for the benefit of the Debtor. The Lot Note and the Tract H Note
28 (collectively, the "Notes") were to be paid down as sales of individual lots were made by Debtor,

1 or paid in full by December 31, 2012. The Deed of Trust and Settlement Agreement contained a
2 release price provision obligating the Golf Club to release its lien on any particular lot for
3 \$90,000 or \$720,000 for Tract H. The Golf Club maintains that the partial release of the liens
4 under the Deed of Trust is conditioned upon the Notes not being in default. Additionally, in
5 exchange for such payments, a Golf Club Membership associated with each of the lots would be
6 delivered to the Debtor or its designee.

7 For approximately 2 years, from January 25, 2010 through January 1, 2012, Debtor
8 complied with the terms of the Settlement Agreement, Note and Deed of Trust. During this time,
9 Debtor paid approximately \$887,000 to the Golf Club, \$345,000 to FRPOA, and \$27,540 to
10 FRMWWC. Even though Debtor continued to pay membership dues to the Golf Club, Debtor did
11 not have title to the Golf Club Memberships as the Golf Club Memberships were (and are) being
12 held in escrow.

13 Thereafter, the Debtor failed to make certain payments to the Golf Club. The Golf Club
14 initiated a non-judicial foreclosure process against the Real Property, and a trustee's sale of the
15 Real Property was scheduled for June 13, 2012. The Debtor initiated this bankruptcy proceeding
16 to allow for the Debtor to pay its creditors in a commercially reasonable manner.

17 **B. Debtor's Assets**

18 1. **The Real Property**

19 Debtor's primary asset is the Real Property. The Real Property consists of 51 residential
20 lots and Tract H located in the Flagstaff Ranch community in Coconino County, Arizona. Based
21 on an appraisal prepared by Montandon Farley Valuation Services ("Montandon Valuation"),
22 Debtor is informed and believes that the "as is" bulk sale market value of the 51 lots and Tract H
23 presently is \$3,150,000. Debtor further is informed and believes that, based on an appraisal by
24 Scott Niebling Valuation Group ("Niebling Valuation") commissioned by the Golf Club, that
25 Tract H alone has an "as is" bulk sale market value of \$565,000.¹ The value of the Real Property
26

27 ¹ The Niebling Valuation was prepared as of August 16, 2012 and has an "as is" market
28 value of the Real Property of \$4,170,000 as of July 25, 2012. Tract H constitutes 13.5% of the
total Real Property owned by Debtor, resulting in an "as is" market value of Tract H of \$565,000
as of July 25, 2012.

1 assumes that a Golf Club Membership is included with the purchase of each lot and assumes an
2 exposure/marketing period for the bulk sale of twelve (12) months.

3 If Debtor is able to market and sell lots over time, Debtor believes that it will be able to
4 receive gross sale revenues in the amount of approximately \$8,500,000 to \$9,500,000. Based on
5 Montandon Valuation, the Debtor estimates that the average retail market value for the 51
6 individual lots is \$157,353 per lot with an average market value for the 8 lots planned for Tract H
7 at \$138,125 per lot. These average sale prices are expected to increase approximately three
8 percent (3%) per year beginning in about four (4) years. Debtor anticipates that selling the 51 lots
9 and the 8 lots planned for Tract H will take approximately seven (7) years, which assumes that
10 the lots in Tract H will be available to sell in approximately three (3) years. This equates to an
11 average of approximately eight (8) sales per year. To determine the present bulk sale “as is”
12 value of \$3,150,000, Debtor assumes a discount rate of twelve percent (12%).

13 The Golf Club has disclosed the Niebling Valuation, which estimates a bulk sale “as is”
14 market value of the Real Property at \$4,170,000. Many of the assumption in the Golf Club’s
15 appraisal are similar to that of the Debtor. For example, the Golf Club’s appraisal assumes that,
16 over time, Debtor would be able to receive gross sale revenues in the amount of approximately
17 \$8,500,000 for the sale of the 51 lots and Tract H. However, the Golf Club assumes an
18 absorption rate of five (5) years, with average sales of twelve (12) lots per year, and a discount
19 rate of fifteen percent (15%). The Golf Club’s valuation also assumes an average retail lot value
20 of \$137,000 with an annual appreciation for individual custom lots of four percent (4%)
21 beginning in approximately two (2) years.

22 **2. Judgment Against Master Estates and the Guarantors**

23 On or about August 29, 2008, Debtor initiated a state court action against Master Estates,
24 Vincent Goett, and the other guarantors of the loan documents (except Melissa Goett) for breach
25 of the loan documents, thereby commencing Case No. CV 2008-020980 in the Superior Court of
26 Arizona, Maricopa County. Debtor obtained a judgment against the Master Estates, Ronald and
27 Brittany Steinbrunner (“Steinbrunners”), and Gryffon Property Management on December 23,
28

1 2008 in the amount of \$12,214,091.24 and against Vincent Goett on January 22, 2009 in the
2 amount of \$12,213,896.21.

3 On or about July 28, 2009, Debtor, among others, initiated an adversary proceeding
4 against Melissa Goett in her personal bankruptcy case to determine that the debt of Melissa Goett
5 is non-dischargeable, thereby commencing Adv. Pro. # 2:09-ap-00839-GBN, U.S. Bankruptcy
6 Court, District of Arizona. On or about November 11, 2009, Debtor, among others, obtained a
7 judgment against Melissa Goett in the amount of \$28,185,008.32.

8 **C. Prepetition Efforts to Resolve Payment of Golf Club Indebtedness**

9 In 2011, the Debtor and Golf Club, among others, engaged in settlement negotiations in an
10 effort to resolve its disputes. These settlement negotiations resulted in a settlement agreement
11 dated as of November 29, 2011 ("2011 Settlement Agreement") and executed by the Golf Club
12 and the Debtor, among others. Under the 2011 Settlement Agreement, the Golf Club would
13 receive an immediate payment of \$2,750,000 and Tract H. The Second Settlement Agreement
14 was set to close on December 16, 2011 but was expressly predicated and conditioned upon the
15 Golf Club entering into an agreement with its current lender, RMS Family, LLC ("RMS
16 Family"), an entity owned and/or controlled by Robert Semple. If the Golf Club and RMS
17 Family did not reach an agreement on or before December 9, 2011, the 2011 Settlement
18 Agreement terminated on its own terms (unless extended by a writing signed by all parties).
19 Ultimately, the Golf Club and RMS Family did not reach an agreement on or before December 9,
20 2011. As a result, the 2011 Settlement Agreement terminated by its own terms.

21 In 2012, the Debtor and Golf Club, among others, again engaged in settlement
22 negotiations in an effort to resolve its disputes. Ultimately, the parties could not reach an
23 agreement, and Debtor filed the present Bankruptcy Proceeding. The parties also attempted to
24 continue settlement negotiations after the Petition Date, but no agreement has been reached.

25 **D. Debtor's Unsecured Claims**

26 One of Debtor's largest unsecured claims is held by IMHFC in the amount of \$2,815,192.
27 IMHFC is the parent company of the Debtor and owns 100% of Debtor's membership interests.
28 Since its inception in June 2008 through June 2012, IMHFC provided loans to Debtor to permit

1 Debtor to pay its operating expenses; primarily those asserted by the Golf Club. As of the
2 Petition Date, these loans totaled \$2,815,192.

3 Ultimately, IMHFC refused to loan additional amounts to continue to fund Debtor's
4 operating expenses. As a result, Debtor could no longer pay its necessary business expenses in a
5 timely manner.

6 Debtor's other large unsecured claim is held by NWRA Ventures I, LLC ("NWRA") in
7 the amount of \$50,000,000. On or about June 2011, Debtor guaranteed a loan provided by
8 NWRA to IMHFC in the amount of \$50,000,000. IMHFC is not in default on this loan, and the
9 loan has not matured.

10 Debtor also has unsecured claims to Smith-Roberts, Inc. and Vann Engineering Inc. in the
11 amount of \$9,891.67 and \$3,000.00, respectively. Prior to the Petition Date, Debtor obtained a
12 property survey from Smith-Roberts and an environmental site assessment from Vann
13 Engineering of its Real Property in connection with the anticipated settlement agreements with
14 the Golf Club described above (both the 2011 Settlement and those prepared prior to the Petition
15 Date) and a proposed sale of Lot 132, as described more fully below.

16 Debtor has an unsecured claim held by FRMWWC for waste water assessments in the
17 amount of \$6,842.50.

18 **E. CC&R's and Declaration**

19 The Flagstaff Ranch Golf Course is a master-planned community governed by the
20 CC&R's and the Declaration. The CC&R's establish a master homeowner's association with a
21 board of directors that oversees the management and maintenance for the community. This
22 association is funded by dues from each lot, which are currently \$182 per month. Lot owners also
23 pay waste water assessments for the waste water treatment facility in the amount of \$75 per
24 quarter. Except for a few exceptions, the CC&R's also require each owner of a lot in the
25 Flagstaff Ranch community to purchase Golf Membership and to pay dues that presently are \$410
26 per month.

27 Under the Declaration and CC&R's, the Declarant (as defined therein) is not obligated to
28 pay Golf Membership Dues. The Declarant is defined as, among other things, FRGC

1 Development, LLC, its successors and assigns, any person to whom the Declarant's rights are
2 assigned by recorded instrument, or "any Mortgagee of the Declarant which acquires title to or
3 succeeds to the interest of the Declarant in substantially all of the portions of the Property then
4 owned by the Declarant by reason of foreclosure . . . or trustee's sale under the Mortgage of such
5 Mortgagee; provided, however, that such Mortgagee shall agree by recorded instrument to
6 assume and discharge the obligations of the Declarant under this Master Declaration."
7 (Declaration § 1.11.)

8 As set forth above, FRGC sold substantially all of its real property to Master Estates.
9 Debtor had a secured interest in the Real Property of Master Estates and became owner of that
10 Real Property through a trustee's sale on July 9, 2008. Thus, to the extent that FRGC assigned its
11 rights as the Declarant to Master Estates, it appears that Debtor would be the Declarant under the
12 Declaration. If so, Debtor would not be obligated to pay Golf Club Membership Dues on an
13 ongoing basis, nor would Debtor have been required to pay Golf Club Membership Dues since
14 July 9, 2008.

15 In addition to the foregoing, Debtor is informed and believes that RMS Family or FRD
16 (both entities are owned and/or controlled by Robert Semple) are not presently paying Golf Club
17 Membership Dues by claiming that they are the Declarant, Joinder, or a Builder under the
18 Declaration and CC&R's. However, upon information and belief, neither RMS Family nor FRD
19 qualify as a Declarant, Joinder or Builder and should be required to pay the Golf Membership
20 Dues on an ongoing basis.

21 The Golf Club maintains that (i) FRGC never transferred Declarant rights to Maters
22 Estates, (ii) Debtor did not inherit the Declarant rights upon obtaining Master Estates, and
23 (iii) Declarant rights were transferred to the Golf Club through the FRGC bankruptcy proceeding
24 in 2009.

25 **F. Prepetition and Postpetition Management of the Debtor**

26 Prior to the Petition Date, Debtor has been (and currently is) managed by IMHFC.
27 IMHFC holds 100% of the Debtor's membership interests.
28

1 IMHFC is a real estate finance company based in the southwest with over thirteen (13)
2 years of experience. IMHFC generally targets purchasing commercial and other mortgage loans,
3 as well as originating first priority mortgage loans collateralized by real property located
4 anywhere in the United States. IMHFC also invests in real property, which includes outright
5 ownership or interests in entities that, directly or indirectly, own real property. Loans, projects,
6 properties or ventures that are targeted for purchase, loan origination or other investments
7 include, but are not limited to: commercial, retail, mixed-use, office, industrial, multi-family,
8 hospitality, self-storage, finished residential lots, residential lots in development, entitled land,
9 tenant improvements.

10 William Meris is the President and Chief Executive Officer of IMHFC. Mr. Meris is one
11 of the original architects of the IMHFC structure and oversees the relationships with broker-
12 dealers and major investors. Mr. Meris has been a member of the IMHFC board since its
13 inception in 2003 and also serves on the Investment Committee. Prior to IMHFC, Mr. Meris
14 opened and operated three branches of Pacific Coast Mortgage from 2002 to 2003, a residential
15 mortgage company. Prior to that, from 1996 to 2001, Mr. Meris managed private equity funds.
16 During that time, Mr. Meris served as chairman of the board and president of several small
17 growth companies, both privately held and publicly-traded on Nasdaq. Mr. Meris is a member of
18 Leadership 100 and the Urban Land Institute. Mr. Meris holds a Bachelor of Science degree in
19 Business Administration from Arizona State University. Mr. Meris has been appointed to the
20 IMHFC board of directors based on the business leadership, corporate strategy, industry
21 relationships and operating expertise he brings to the board of directors, including his extensive
22 experience in building, managing and raising capital through an extensive network of financial
23 advisors and other relationships.

24 Steven Darak is Chief Financial Officer of IMHFC. As Chief Financial Officer for
25 IMHFC, Mr. Darak is responsible for all accounting, financial reporting, and financial
26 management. He is a seasoned senior finance/information technology executive with diverse
27 public and private company experience including the successful completion of three public stock
28 offerings and nearly thirty securitization transactions. His prior experience includes six years as

1 CFO of a publicly held automobile finance and sales company with annual revenues in excess of
2 \$500 million; two years as CFO for a non-profit organization; ten years as a CPA with a Big 4
3 firm; and CEO responsibilities for a community bank. Mr. Darak holds a Bachelor of Science
4 degree in Business Administration from the University of Arizona.

5 Lawrence Bain is the Managing Director of ITH Partners, LLC and is a consultant to
6 IMHFC and the Debtor as well as the authorized representative of the Debtor in this Bankruptcy
7 Proceeding.

8 Following the Effective Date, IMHFC shall continue in its role as sole manager/member
9 of the Reorganized Debtor. IMHFC did not receive any compensation for its role as Manager of
10 the Debtor prior to the Petition Date, and IMHFC shall not receive any compensation for its role
11 as Manager of the Reorganized Debtor postconfirmation.

12 **VI. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE**

13 **A. Commencement of the Chapter 11 Case**

14 On June 12, 2012 (the "Petition Date"), the Debtor filed its voluntary petition for relief
15 under Chapter 11 of the Bankruptcy Code (D.E. No. 1). The Chapter 11 Case was assigned to the
16 Honorable Redfield T. Baum, United States Bankruptcy Judge for the District of Arizona. Since
17 the Petition Date, the Debtor has continued to operate its businesses as debtor-in-possession under
18 §§ 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the
19 Chapter 11 Case. No official committee of unsecured creditors has been appointed by the Office
20 of the United States Trustee.

21 **B. Employment of Professionals**

22 As of the date of this Disclosure Statement, the Bankruptcy Court has entered an order
23 authorizing the Debtor to retain Snell & Wilmer L.L.P. as counsel for Debtor's bankruptcy and
24 restructuring under § 327(a) of the Bankruptcy Code effective as of the Petition Date. (D.E. No.
25 15.) Prior to the Petition Date, Snell & Wilmer L.L.P. received a retainer in connection with their
26 representation of Debtor in this Chapter 11 Case. Debtor anticipates that if contested plan
27 confirmation is required, it will also have to retain an appraiser and a financial adviser to assist
28 with a feasibility analysis.

1 **C. Sale of Lot 132**

2 Prior to the Petition Date, Debtor entered into a purchase contract with Daniel B. Kaiser,
3 P.C. or its nominee (“Buyer”) for the sale of a golf membership and certain real property
4 generally located at 4555 S. Flagstaff Ranch Road, Flagstaff, AZ 86001 (“Lot 132”) in the
5 amount of \$235,000. On July 9, 2012, Debtor filed a “Motion to Assume Executory Contract for
6 Sale of Real and Personal Property” (“Motion to Assume,” D.E. No. 21), in which Debtor sought
7 to assume the purchase contract and proposed to pay the Golf Club \$99,582.22 in exchange for
8 the release of the Golf Club’s lien in Lot 132 and deposit the remaining funds received by the
9 Debtor for the sale of Lot 132 in the Debtor’s debtor-in-possession account free and clear of any
10 liens or any other interests claimed by the Golf Club. Alternatively, Debtor proposed to deposit
11 the net proceeds from the sale in the Debtor’s debtor-in-possession account; provided however,
12 that the Debtor cannot use said funds until either prior written agreement between the Golf Club
13 and the Debtor or order of the Court. The Golf Club opposed the Motion to Assume and would
14 only agree to the sale of Lot 132 only if Debtor paid the Golf Club in excess of \$740,000 for
15 claimed outstanding golf membership dues, homeowners’ association dues, waste water
16 assessments, default interest, and attorneys’ fees. (D.E. No. 46 at 13:12-20).

17 On August 8, 2012, the Bankruptcy Court held a hearing on the Motion to Assume. (D.E.
18 No. 86.) At the hearing, the Golf Club and Debtor agreed to the assumption of the purchase
19 contract for Lot 132 with the net proceeds being deposited into an interest bearing account subject
20 to any liens that the Golf Club may have as determined by the Court. The Debtor and the Golf
21 Club then agreed upon a proposed form of order, which the Court granted on August 13, 2012.
22 (D.E. No. 99.)

23 Shortly thereafter, on August 15, 2012, the Golf Club filed a motion for immediate
24 payment of all of the proceeds from the sale of Lot 132 to the Golf Club (“Motion for Payment of
25 Sale Proceeds,” D.E. No. 100), and the Golf Club also had filed an application seeking allowance
26 and immediate payment of the Golf Club’s claimed administrative expenses in the amount of
27 \$111,339 for claimed postpetition golf membership dues, homeowners’ association dues, and
28

1 waste water assessments as well as requiring Debtor to pay \$37,113 per month on an ongoing
2 basis (“Application for Payment of Administrative Claims,” D.E. No. 87).

3 Debtor opposed the Motion for Payment of Sale Proceeds on the grounds that, among
4 other things, the Golf Club should be required to release its liens in Lot 132 for the \$90,000
5 release price agreed upon in the Settlement Agreement and Deed of Trust. (D.E. No. 109.)
6 Debtor also opposed the Golf Club’s request for Application for Payment of Administrative
7 Claims on the basis that, among other things, the Golf Club’s request for payment of
8 administrative expense claims less approximately two (2) months into this bankruptcy proceeding
9 is premature, and the Golf Club’s asserted administrative expense claims did not provide a direct
10 benefit to the bankruptcy estate. (D.E. No. 108.)

11 The Golf Club sought an emergency hearing on both the Motion for Payment of Sale
12 Proceeds and Application for Payment of Administrative Claims. (D.E. No. 102.) On August 22,
13 2012, the Court held a hearing on the Motion for Payment of Sale Proceeds and Application for
14 Payment of Administrative Claims at which time the Golf Club and Debtor agreed that Debtor
15 would pay an agreed upon amount to the Golf Club at the close of escrow for Lot 132 or 50% of
16 the net sale proceeds with the other 50% to be held in a segregated, interest bearing account.
17 (D.E. No. 112.) The sale of Lot 132 closed on October 16, 2012.

18 **D. Motion for Relief from the Automatic Stay, Motion to Dismiss and Motion to**
19 **Terminate Exclusivity**

20 On August 8, 2012, the Golf Club filed “Flagstaff Ranch Golf Club’s Motion for Relief
21 from the Automatic Stay” (“Motion for Relief,” D.E. No. 90). In the Motion for Relief, the Golf
22 Club sought stay relief under § 362(d)(1) based on allegations that they are being harmed by the
23 bankruptcy filing because Debtor is not paying any accruing golf membership dues, homeowners’
24 association dues, and waste water assessments. The Golf Club also sought stay relief under
25 § 362(d)(2), arguing that Debtor lacks equity in the Real Property (without providing any
26 valuation evidence) and that Debtor cannot successfully reorganize. Debtor objected to the
27 Motion for Relief, arguing, among other things, that the Golf Club’s claimed harm is, in a word,
28 exaggerated, and the Debtor understands that its Plan will have to pay any allowed administrative

1 expense claims in full on the Effective Date. (D.E. No. 118.) Debtor also argued that the Golf
2 Club has not met its burden under § 362(d)(2) to establish lack of equity, and the Debtor can
3 reorganize (as evidenced through Debtor’s proposed Plan).

4 Also on August 8, 2012, the Golf Club filed its “Flagstaff Ranch Golf Club’s Motion to
5 Dismiss” (“Motion to Dismiss”) (D.E. No. 91). In the Motion to Dismiss, the Golf Club sought
6 to dismiss this Bankruptcy Proceeding, arguing that the Golf Club’s alleged administrative
7 expense claims of membership dues, homeowners’ association dues, and waste water assessments
8 are causing a continuing loss to the Estate, and Debtor has no ability to reorganize. The Golf
9 Club further argues that the Bankruptcy Proceeding was filed in bad faith. Debtor objected to the
10 Motion to Dismiss on the grounds that, among other things, the Debtor can successfully
11 reorganize (as evidenced by Debtor’s Plan) and the Golf Club has not established that the alleged
12 administrative expense claims provide any direct benefit to this Estate. (D.E. No. 119.) The
13 Debtor also argues that this case was not filed in bad faith, but with a sincere effort to
14 successfully reorganize (as evidenced by Debtor’s Plan).

15 On September 18, 2012, the Court held oral argument on the Motion to Dismiss and
16 Motion for Relief at which time it took these motions under advisement. On September 26, 2012,
17 the Court issued a minute entry ruling in which the Court denied the Motion to Dismiss. (D.E.
18 No. 142.) The Court granted, in part, the Motion for Relief on the condition that the Debtor
19 promptly makes the appropriate adequate protection payments to the Golf Club. The Golf Club
20 and Debtor have been in discussions regarding the amount of the adequate protection payment.
21 On October 4, 2012, Debtor made a proposal for the amount of adequate protection payments,
22 and, as of October 16, 2012, Debtor had not received a response from the Golf Club.

23 On October 9, 2012, the Golf Club filed a motion to terminate exclusivity (“Motion to
24 Terminate Exclusivity,” D.E. No. 144) prior to the statutorily proscribed period of December 10,
25 2012, arguing, among other things, that prematurely terminating the exclusivity period is justified
26 so that the Golf Club can file its own plan that would liquidate Debtor’s assets. Debtor has filed
27 an opposition to the Motion to Terminate Exclusivity on the grounds that the Debtor should be
28 given the, at a minimum, the exclusivity period contemplated under the Bankruptcy Code, no

1 cause exists to terminate exclusivity, and the Golf Club’s proposed plan appears to be patently
2 unconfirmable because it would only provide payments to some (but not all) of Debtor’s
3 creditors. (D.E. No. 155). The Motion to Terminate Exclusivity is pending before this Court and
4 scheduled for a hearing on October 17, 2012.

5 **E. The Settlement Agreement**

6 On or about August 23, 2012, Debtor filed a “Motion to Approve Settlement Agreement
7 Pursuant to Federal Rule of Bankruptcy Procedure 9019” (“Settlement Motion,” D.E. No. 117),
8 under which Debtor sought approval of a settlement agreement between the Debtor, among
9 others, and the Steinbrunners. On or about September 27, 2012, the Court approved the
10 Settlement Motion, (D.E. No. 143), and Debtor has receiving net proceeds from that settlement in
11 the amount of \$62,370 along with \$14,715 from a proof of claim filed in the Steinbrunners
12 bankruptcy proceeding, for a total of \$77,085.

13 Debtor has analyzed the judgments that Debtor holds against Master Estates, Gryffon
14 Property Management, and the Goetts and believes that these judgments likely will be
15 uncollectable or, at minimum, any funds received from these judgments will be of
16 inconsequential value. For example, Melissa Goett filed for bankruptcy protection on or about
17 June 29, 2008, thereby commencing case number 2:08-bk-07888-GBN in the United States
18 Bankruptcy Court, District of Arizona. Additionally, Vincent Goett provided Debtor with a
19 financial net worth statement indicating that he had no apparent assets that could be used to
20 satisfy his debt to Debtor.

21 **F. Ongoing Discovery**

22 On or about July 13, 2012, pursuant to Bankruptcy Rule 2004, Debtor filed requests for
23 documents production and oral examination (“Rule 2004 Motions”) of RMS Family, Robert
24 Semple, FRPOA, Flagstaff Ranch Realty Advisors (“FR Realty Advisors”), the Golf Club, Paul
25 Cyr, James Peyman, and David Garcia. (D.E. Nos. 27-34.) The Court granted Debtor’s Rule
26 2004 Motion as to the Golf Club on July 17, 2012. (D.E. No. 45.) The Court granted the
27 remaining Rule 2004 Motions on July 23, 2012. (D.E. Nos. 48-54.)
28

1 Debtor has received responses from FR Realty Advisors, RMS Family, Robert Semple,
2 FRPOA, the Golf Club, Paul Cyr, James Peyman, and David Garcia.

3 Debtor anticipates contesting some of the assertions of privilege that Debtor received in
4 response to its discovery requests from FRPOA, the Golf Club, Paul Cyr, James Peyman, and
5 David Garcia. As a result, Debtor reserves the right to supplement this Disclosure Statement and
6 Plan.

7 The Golf Club also filed, pursuant to Bankruptcy Rule 2004, requests for documents
8 production and oral examination of the Debtor, William Meris, Lawrence Bain, Steven Darak,
9 and IMHFC, which the Court granted. (D.E. Nos. 64, 66, 68, 70, 72, 80-84.) Debtor has
10 responded to the requests on behalf of the Debtor, William Meris, Lawrence Bain, and Steven
11 Darak. IMHFC has separate counsel to represent it in this Bankruptcy Proceeding, and Debtor
12 understands that IMHFC intends to respond to the Golf Club's request for production on or about
13 September 10, 2012.

14 To date, no oral examinations have been taken by the Golf Club or Debtor.

15 **G. Termination of FR Realty Advisors' Listing Agreement**

16 Under the terms of the January 12, 2010 Settlement Agreement with the Golf Club,
17 Debtor was obligated to list the Real Property with FR Realty Advisors. Thereafter, FR Realty
18 Advisors listed the Real Property on Debtor's behalf.

19 FR Realty Advisors is an entity owned and/or controlled by Robert Semple. To date, the
20 only sale of any of Debtor's lots is Lot 132, which is scheduled to close on September 21, 2012.

21 On or about August 13, 2012, FR Realty Advisors advised Debtor of its desire to
22 terminate the listing agreement between FR Realty Advisors and Debtor. Although the
23 termination of the listing agreement appears to constitute a violation of the automatic stay, Debtor
24 has contacted FR Realty Advisors and offered to enter into a stipulation to permit the Debtor to
25 reject the contract. This issue has not been resolved as of the date of the filing of this Disclosure
26 Statement.

27 In place of FR Realty Advisors, Debtor intends to retain representation in the market.
28 Currently, Debtor has had discussions with multiple agents, including Sotheby's International

1 Realty Inc. (“Sotheby’s”). Sotheby’s is a well-regarded international realty company with more
2 than 600 offices worldwide with an established presence in Flagstaff, Arizona. Debtor is
3 confident that Sotheby’s or one of the other agents being interviewed will be well-positioned to
4 market and sell the Real Property within the timeframe contemplated by Debtor’s Plan.

5 **VII. OVERVIEW OF THE PLAN**

6 The following is a general overview of the Plan and certain provisions of the Plan. This
7 overview has been prepared to describe the Plan and some of its more pertinent provisions in
8 basic terms. The Debtor does not offer it as a comprehensive analysis of the Plan, which is a
9 complicated legal document. If it is important to you to understand every nuance of the Plan as a
10 complicated and precise legal contract, you are urged to read the Plan in its entirety and to consult
11 with legal counsel to understand the Plan fully. A copy of the Plan accompanies this Disclosure
12 Statement as Exhibit 1.

13 **A. Brief Explanation of Chapter 11 Reorganization**

14 Chapter 11 of the Bankruptcy Code is the principal reorganization chapter of the
15 Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business for the
16 benefit of itself and its creditors and shareholders. Confirmation of a plan of reorganization is the
17 principal objective of a Chapter 11 case.

18 In general, a Chapter 11 plan of reorganization (a) divides claims and equity interests into
19 separate classes, (b) specifies the property that each class is to receive under the plan, and
20 (c) contains other provisions necessary to the reorganization of the debtor. A Chapter 11 plan
21 may specify that certain classes of claims or equity interests are either to be paid in full upon the
22 effective date of the plan, reinstated, or their legal, equitable and contractual rights are to remain
23 unchanged by the reorganization effectuated by the plan. Such classes are referred to under the
24 Bankruptcy Code as “unimpaired” and, because of such favorable treatment, are deemed to accept
25 the plan. Accordingly, it is not necessary to solicit votes from the holders of claims or equity
26 interest in such classes. A Chapter 11 plan also may specify that certain classes will not receive
27 any distribution of property. Such classes are deemed to reject the plan.

1 All other classes of claims and equity interests contain “impaired” claims and equity
2 interests entitled to vote on the plan. As a condition to confirmation, the Bankruptcy Code
3 generally requires that each impaired class of claims or equity interests votes to accept a plan.
4 Acceptances must be received (a) from the holders of claims constituting at least two-thirds in
5 dollar amount and more than one-half in number of the allowed claims in each impaired class of
6 claims that have voted to accept or reject the plan, and (b) from the holders of at least two-thirds
7 in amount of the allowed equity interests in each impaired class of equity interest that have voted
8 to accept or reject the plan. If any class or classes of claims or equity interests entitled to vote
9 with respect to the plan rejects the plan, upon request of the plan proponents, the Bankruptcy
10 Court may nevertheless confirm the plan if certain minimum treatment standards are met with
11 respect to such class or classes.

12 Chapter 11 of the Bankruptcy Code does not require each holder of a claim or equity
13 interest to vote in favor of a plan of reorganization in order for the Bankruptcy Court to confirm
14 the plan. However, the Bankruptcy Court must find that the plan of reorganization meets a
15 number of statutory tests (other than the voting requirements described in this section) before it
16 may confirm, or approve, the plan of reorganization. Many of these tests are designed to protect
17 the interest of holders of claims or equity interest that do not vote to accept the plan of
18 reorganization but who will nonetheless be bound by the plan’s provisions if it is confirmed by
19 the Bankruptcy Court.

20 **B. Solicitation of Acceptances of the Plan**

21 The Debtor is seeking acceptances of the Plan from holders of Allowed Claims classified
22 in Classes 4, 5, 6, 7, 8, 9, 10, 11, and 12 under the Plan, which are the only Classes entitled to
23 vote under the Plan. If the requisite acceptances are received, the Debtor will use the acceptances
24 as evidenced by Ballots solicited in accordance with this Disclosure Statement and the Disclosure
25 Statement Approval Order to seek confirmation of the Plan under Chapter 11 of the Bankruptcy
26 Code.

27 If any impaired Class is determined to have rejected the Plan in accordance with § 1126 of
28 the Bankruptcy Code, the Debtor may use the provisions of § 1129(b) of the Bankruptcy Code to

1 satisfy the requirements for confirmation of the Plan. See “ACCEPTANCE AND
2 CONFIRMATION OF THE PLAN–Confirmation Over Dissenting Class (Cram Down).”

3 The Debtor believes that this Disclosure Statement complies with applicable bankruptcy
4 and non-bankruptcy law. This Disclosure Statement and the Plan (along with the Plan
5 Supplement) are being transmitted to all known holders of impaired Claims. The Debtor believes
6 that this Disclosure Statement contains adequate information for all holders of impaired Claims to
7 cast an informed vote to accept or reject the Plan. Furthermore, the Debtor believes that holders
8 of impaired Claims will obtain a greater recovery under the Plan than they would otherwise
9 obtain if the Debtor’s assets were liquidated under Chapter 7 of the Bankruptcy Code and that the
10 Plan will enable the Debtor to emerge from Chapter 11 as a viable economic enterprise.

11 If the Plan is confirmed by the Bankruptcy Court, each holder of an impaired Claim will
12 receive the same pro rata consideration as other holders of Claims in the same Class, whether or
13 not such holder voted to accept the Plan. Moreover, upon Confirmation, the Plan will bind all
14 creditors regardless of whether or not such creditors voted to accept the Plan.

15 **C. Unimpaired Classes**

16 The following Classes of Claims are not impaired under the Plan, and under § 1126(f) of
17 the Bankruptcy Code, are conclusively deemed to accept the Plan, and are not entitled to vote on
18 the Plan:

- 19 Class 1 Administrative Claims
20 Class 2 Priority Tax Claims
21 Class 3 Coconino County Tax Claims

22 **D. Classification of Claims**

23 The Classes under the Plan take into account the differing nature and priority of Claims
24 against the Debtor. Section 101(5) of the Bankruptcy Code defines “claim” as a “right to
25 payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed,
26 contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured;” or
27 a “right to an equitable remedy for breach of performance if such breach gives rise to a right to
28 payment, whether or not such right to an equitable remedy is reduced to judgment, fixed,

1 contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.” A “claim” against
2 the Debtor also includes a Claim against the Debtor’s property as provided in § 102(2) of the
3 Bankruptcy Code.

4 For the holder of a Claim to participate in a reorganization plan and receive the treatment
5 offered to the class in which it is classified, its Claim must be Allowed. Under the Plan, an
6 Allowed Claim is defined as a Claim against the Debtor: (a) proof of which, requests for payment
7 of which, or application for allowance of which, was filed or deemed to be filed on or before the
8 Bar Date, Administrative Claim Bar Date, or the Professional Fee Bar Date, as applicable, for
9 filing proofs of claim or requests for payment for Claims of such type against the Debtor; (b) if no
10 proof of claim is filed, which has been or is ever listed by the Debtor in the Schedules as
11 liquidated in amount and not disputed or contingent; or (c) that is allowed under the Plan or in
12 any contract, instrument, indenture or other agreement entered into in connection with the Plan
13 and, in any case of a Claim described in (a) or (b) only, the portion of any such Claim as to which
14 no objection to the Claim’s allowance has been filed within the time fixed by the Plan, the
15 Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court.

16 **E. Treatment of Claims Under the Plan**

17 The following describes the Plan’s classification of Claims against the Debtor and the
18 treatment the holders of Allowed Claims would receive under the Plan. The treatment of Claims
19 set forth below is consistent with the requirements of § 1129(a)(9) of the Bankruptcy Code.

20 **1. Unclassified Claims**

21 In accordance with Section 1123(a)(1) of the Bankruptcy Code, the following Claims are
22 designated as unclassified under Article 2 of the Plan, and are treated as follows:

23 **a. Preserved Ordinary Course Administrative Claims**

24 Preserved Ordinary Court Administrative Claims include the operating expenses of the
25 Debtor incurred in the ordinary course of business after the Petition Date, liabilities incurred by
26 the Debtor in the purchase, lease, or use of goods and services in the ordinary course of its
27 business including, without limitation, Administrative Claims on account of services provided to
28 the Debtor after the Petition Date by its employees. Each Allowed Preserved Ordinary Course

1 Administrative Claim is to be paid by Reorganized Debtor in accordance with either: (a) the terms
2 and conditions under which such Claim arose; or (b) in the ordinary course of Reorganized
3 Debtor's business. Such payments are to be made by Reorganized Debtor without further action
4 by the holder of such Claim.

5 2. **Classified Claims.**

6 As additionally described below, the treatment of Claims (classified under Article 3 of the
7 Plan) and the provisions governing distributions on account of Allowed Claims are set forth in
8 Article 4 of the Plan. You should refer to the Plan itself for the complete provisions governing
9 the treatment of your particular Claim.

10 a. **Class 1 – Administrative Claims**

11 Class 1 Claims are all Allowed Claims that are entitled to priority under §§ 507(a)(2) or
12 503(b) of the Bankruptcy Code. Class 1 is unimpaired by the Plan; consequently, all holders of
13 Allowed Claims in Class 1 are deemed to have accepted the Plan and are not entitled to vote on
14 the Plan. Each Allowed Administrative Claim, other than Preserved Ordinary Course
15 Administrative Claims, is to be paid in full in Cash (or otherwise satisfied in accordance with its
16 terms) on the latest of: (a) the Effective Date; (b) such date as may be fixed by the Bankruptcy
17 Court, or as soon thereafter as practicable; (c) fourteen (14) days after the date on which an order
18 allowing such Claim becomes a Final Order, or as soon thereafter as practicable; and (d) such
19 date as is agreed upon by the holder of such Allowed Claim and Reorganized Debtor.

20 Class 1 Claims are anticipated to include the following:

21 (1) **U.S. Trustee Fees.** Fees owed to the U.S. Trustee's
22 program accrue monthly commencing in the month the Debtor filed bankruptcy and continue to
23 accrue monthly, even after confirmation of a plan of reorganization, until the case is closed. The
24 amount of the monthly fee is based on the applicable dollar amounts disbursed by the Debtor. The
25 fees, however, are paid to the UST's office on a quarterly basis.

26 (2) **Estate Professionals.** Estate Professionals include all
27 professionals whose employment was approved by the Bankruptcy Court, including but not
28 limited to Snell & Wilmer L.L.P. All final applications for allowance and disbursement of

1 Professional Fees must be filed by the Professional Fee Bar Date. Each Person seeking an award
2 by the Bankruptcy Court of Professional Fees: (a) must file its final application for allowance of
3 compensation for services rendered and reimbursement of expenses incurred through the
4 Confirmation Date by no later than the Professional Fee Bar Date; and (b) if the Bankruptcy
5 Court grants such an award, each such Person is to be paid in full in Cash in such amounts as are
6 allowed by the Bankruptcy Court (i) on the later of the Effective Date or fourteen days (14) after
7 the date such Claim becomes an Allowed Administrative Claim, or as soon thereafter as
8 practicable, (ii) upon such other terms as may be mutually agreed upon between the holder of
9 such Allowed Administrative Claim and the Debtor or Reorganized Debtor, or (iii) in accordance
10 with the terms of any applicable administrative procedures order entered by the Bankruptcy
11 Court. All such Professional Fee applications must be in compliance with all of the terms and
12 provisions of any applicable order of the Bankruptcy Court, including the Confirmation Order,
13 and all other orders governing payment of Professional Fees. Such applications are not required
14 to include Professional Fees actually incurred after the Confirmation Date.

15 All Professional Fees for services rendered in connection with the Chapter 11 Case and
16 the Plan after the Confirmation Date including, without limitation, those relating to the
17 occurrence of the Effective Date, the prosecution of Debtor Causes of Action preserved under the
18 Plan, the resolution of Disputed Claims, and the resolution of Debtor Causes of Action, are to be
19 paid by Reorganized Debtor in accordance with post-Confirmation Date retention agreements
20 upon receipt of an invoice for such services, or on such other terms as Reorganized Debtor may
21 agree to, without the need for further Bankruptcy Court authorization or entry of a Final Order. If
22 Reorganized Debtor and any Professional cannot agree on the amount of post-Confirmation Date
23 fees and expenses accrued through the time up to six (6) months after the Effective Date and to be
24 paid to such Professional, such amount is to be determined by the Bankruptcy Court.

25 (3) **Claims for Administrative Expenses.** Debtor anticipates
26 that some portion of the FRPOA Dues and FRMWWC Dues that have accrued after the Petition
27 Date and Pre-Confirmation shall be entitled to treatment as an administrative expense claim.
28 Each Person seeking an award by the Bankruptcy Court of an Administrative Claim: (a) must file

1 its final application for allowance of such Administrative Claim by no later than the
2 Administrative Claim Bar Date; and (b) if the Bankruptcy Court enters an order allowing the
3 Administrative Claim, each such Person is to be paid in full in Cash in such amounts as are
4 allowed by the Bankruptcy Court (i) the Effective Date or fourteen days (14) after the date such
5 Claim becomes an Allowed Administrative Claim, or as soon thereafter as practicable, (ii) upon
6 such other terms as may be mutually agreed upon between the holder of such Allowed
7 Administrative Claim and the Debtor or Reorganized Debtor, or (iii) in accordance with the terms
8 of any applicable administrative procedures order entered by the Bankruptcy Court. All such
9 Allowed Administrative Claim applications must be in compliance with all of the terms and
10 provisions of any applicable order of the Bankruptcy Court, including the Confirmation Order,
11 and all other orders governing payment of Administrative Claims. Payments of FRPOA Dues
12 and FRMWWC Dues actually incurred after the Confirmation Date shall be treated under Class 4
13 and Class 8, respectively.

14 The Debtor estimates that accrued and unpaid Administrative Claims through the
15 Confirmation Date, including the Professional Fees incurred by counsel for the Debtor, over and
16 above those Claims already paid on an interim basis and the retainers held by Snell & Wilmer,
17 will total approximately \$500,000.

18 **b. Class 2 – Priority Tax Claims**

19 Class 2 Claims are all Allowed Claims entitled to priority under § 507(a)(8) of the
20 Bankruptcy Code. Class 2 is unimpaired by the Plan; consequently, all holders of Allowed
21 Claims in Class 2 are deemed to have accepted the Plan and are not entitled to vote on the Plan.
22 Each holder of an Allowed Priority Tax Claim is to receive Cash in an amount equal to such
23 Allowed Claim on the later of: (a) the Effective Date; (b) such date as may be fixed by the
24 Bankruptcy Court, or as soon thereafter as practicable; (c) fourteen (14) days after the date on
25 which an order allowing such Claim becomes a Final Order, or as soon thereafter as practicable;
26 and (d) such date as is agreed upon by the holder of such Allowed Claim and Reorganized
27 Debtor.
28

1 The Debtor estimates that it is current on all prepetition and postpetition Priority Tax
2 Claims. Therefore, the Debtor does not believe that it will have any Allowed Priority Tax
3 Claims.

4 c. **Class 3 – Coconino County Tax Claims**

5 Class 3 Claims consists of the Allowed Coconino County Tax Claims. Class 3 is
6 unimpaired by the Plan; consequently, all holders of Allowed Claims in Class 3 are deemed to
7 have accepted the Plan and are not entitled to vote on the Plan. Under Class 3, Coconino County
8 is to receive deferred Cash payments equal to the Allowed Coconino County Tax Claims with an
9 interest rate of sixteen percent (16%) per annum amortized over five (5) years from the Petition
10 Date with such payments commencing on the first Business Day of the quarter after the Effective
11 Date and continuing each month thereafter with an unpaid amounts of the Allowed Coconino
12 County Tax Claim and interest fully due and payable on the date that is (5) five years after the
13 Petition Date.

14 The Debtor estimates that the total amount of the Allowed Coconino County Tax Claims
15 will be approximately \$48,397.

16 d. **Class 4 – FRPOA Claims**

17 Class 4 consists of the Allowed Secured Claims of the FRPOA. Class 4 is impaired by the
18 Plan; consequently, FRPOA is entitled to vote on the Plan. As of the Petition Date, Debtor
19 estimates that the total amount of the Allowed Secured Claims of FRPOA is approximately
20 \$69,799.25. Under Class 4, FRPOA is to receive on account of its Allowed Secured Claims the
21 following distributions:

22 (1) **Class 4A – FRPOA Secured Claims (No 1111(b)**
23 **Election).** If FRPOA does not timely make an election under § 1111(b) of the Bankruptcy Code,
24 FRPOA shall receive, in full and final satisfaction of its Allowed Secured Claim, payments in the
25 allowed amount of the Allowed FRPOA Secured Claim over a three year (36 month) period after
26 the Effective Date, with interest on the outstanding amount at a rate of five percent (5%) per
27 annum as follows: (i) Reorganized Debtor shall pay to FRPOA one percent (1%) of the Gross
28 Sale Price for any Lot sold with such payments applied to the principal balance of the Allowed

1 FRPOA Secured Claim, and Reorganized Debtor shall be entitled to obtain a partial release of
2 any Lot, on a per lot basis, for the release price of one percent (1%) of the Gross Sale Price; and
3 (ii) except as provided herein, FRPOA shall retain its security interest in the Real Property until
4 the Allowed FRPOA Secured Claim has been paid in full.

5 (2) **Class 4B – FRPOA Secured Claims (§ 1111(b) Election).**

6 If FRPOA timely makes an election under § 1111(b) of the Bankruptcy Code, FRPOA shall
7 receive, in full and final satisfaction of its Claim, deferred payments that total the Allowed
8 FRPOA Secured Claim and have a value on the Effective Date of the Plan equal to the value of
9 the Real Property on the Effective Date, as follows:

10 (a) Commencing on January 1, 2014, and continuing
11 until January 1, 2024, Reorganized Debtor shall pay FRPOA one percent (1%) of the Gross Sale
12 Price for any Lot sold for a three year (36 months) period in cash, and Reorganized Debtor shall
13 be entitled to obtain a partial release of any Lot, on a per lot basis, for the release price of one
14 percent (1%) of the Gross Sale Price; provided, however, that Reorganized Debtor may, in its sole
15 discretion, surrender and transfer title to FRPOA a Lot(s) selected by the Reorganized Debtor, in
16 its sole discretion, in an amount sufficient to satisfy the FRPOA Allowed Claim according to the
17 value of that Lot as set forth in the attached Exhibit A to the Plan. Should any shortfall continue
18 to exist after the transfer of one (1) Lot, Debtor shall either surrender and transfer additional
19 Lot(s) or use available cash to make up any shortfall. Should the Reorganized Debtor pay more
20 to FRPOA in cash or in kind more than the Allowed Secured Claim of FRPOA, then any amount
21 over the Allowed Secured Claim of FRPOA shall be applied to any FRPOA Dues accruing on
22 Lots owned by the Reorganized Debtor after the Effective Date;

23 (3) Any and all FRPOA Dues accruing on Lots owned by the
24 Reorganized Debtor after the Effective Date shall be paid as follows:

25 (a) If the Golf Club does not timely make an election
26 under § 1111(b) pursuant to subsection e(1) herein below, FRPOA shall receive a Pro Rata share
27 of eight percent (8%) of the Gross Sale Price for any Lot. FRPOA shall be paid on a Pro Rata
28 basis with FRMWWC under subsection h(i)(1), herein below;

1 (b) FRPOA shall continue to receive Pro Rata payments
2 until (1) all Lots are sold; and/or (2) all FRPOA Dues owed by the Reorganized Debtor are paid
3 in full.

4 (c) If the Golf Club timely makes an election under
5 § 1111(b) pursuant to subsection e(2) herein below, FRPOA shall receive a Pro Rata share of ten
6 percent (10%) of the Gross Sale Price for any Lot. FRPOA shall be paid on a Pro Rata basis with
7 FRMWWC under subsection h(i)(2), herein below. Should any shortfall exist between the post-
8 confirmation accrued FRPOA Dues and the amount paid to FRPOA at the end of each successive
9 calendar year following the Effective Date, Reorganized Debtor shall pay any outstanding
10 amounts owed in cash, or in kind, by surrendering and transferring title to a Lot or Lots to
11 FRPOA. Any surrendered Lot or Lots shall be selected by the Reorganized Debtor, in its sole
12 discretion, and the Reorganized Debtor shall receive a credit on any amounts owed according to
13 the value of the surrendered Lot as set forth in the attached Exhibit A to the Plan. Should the
14 Reorganized Debtor pay FRPOA (in cash or in kind) more than the accrued post-confirmation
15 FRPOA Dues in any given calendar year, the Reorganized Debtor shall receive a credit for any
16 FRPOA Dues that may be owed during the following calendar year.

17 (4) On the Effective Date, Reorganized Debtor shall be given
18 two (2) seats of the board of directors of the homeowner's association for the Flagstaff Ranch
19 community.

20 e. **Class 5 –Golf Club Secured Claim**

21 Class 5 consists of the Allowed Secured Claim of the Golf Club. Class 5 is impaired by
22 the Plan; consequently, all holders of Allowed Claims in Class 5 are entitled to vote on the Plan.
23 The Debtor alleges that the value of the Real Property is \$3,150,000. As a result, the value of the
24 Golf Club's lien in the Real Property is \$3,150,000 less the unpaid real property taxes and interest
25 accrued thereon (approximately \$48,397) and the Allowed Secured Claim of FRPOA
26 (approximately \$69,799). Thus, assuming no further adjustment to the real estate taxes or the
27 Allowed Secured Claim of FRPOA, Debtor estimates that the Golf Club shall have an Allowed
28 Secured Claim in the approximate amount of \$3,031,804 to be treated under this Class 5. Under

1 Class 5, the Golf Club shall receive on account of its Allowed Secured Claims the following
2 distributions:

3 (1) **Class 5A – Golf Club Secured Claim (No 1111(b)**
4 **Election).** If the Golf Club does not timely make an election under § 1111(b) of the Bankruptcy
5 Code, the Golf Club shall receive, in full and final satisfaction of its Allowed Secured Claim, the
6 following treatment:

7 (a) On the Effective Date, Reorganized Debtor shall
8 transfer title to Tract H to the Golf Club in partial satisfaction of the Allowed Golf Club Secured
9 Claim in the amount of \$565,000 or such other value as determined by the Court under 11 U.S.C.
10 § 506(a); and

11 (b) The Golf Club will receive payments in the
12 remaining amount of the Allowed Golf Club Secured Claim over a five year (60 month) period
13 after the Effective Date, with interest on the outstanding amount at a rate of five percent (5%) per
14 annum as follows:

15 (i) Reorganized Debtor shall pay to the Golf
16 Club thirty percent (30%) of the Gross Sale Price for any Lot sold with such payments applied to
17 the principal balance of the Allowed Golf Club Secured Claim, and Reorganized Debtor shall be
18 entitled to (i) obtain a partial release of any Lot, on a per lot basis, for the release price of thirty
19 percent (30%) of the Gross Sale Price, and (ii) the issuance by the Golf Club to Reorganized
20 Debtor or its assignee of one (1) Golf Membership in the Golf Club presently held in escrow per
21 each release payment of thirty percent (30%) of the Gross Sale Price;

22 (ii) Reorganized Debtor shall pay to the Golf
23 Club eight percent (8%) of the Gross Sale Price for any Lot sold with such payments applied first
24 to any and all accrued interest on the Allowed Golf Club Secured Claim and then to any principal
25 balance owing on the Allowed Golf Club Secured Claim;

26
27
28

1 (c) On the Effective Date, Reorganized Debtor shall have no
2 obligation to pay any post-petition Golf Membership Dues to the Golf Club unless the Debtor
3 actually owns such Golf Membership;

4 (d) On the Effective Date, Reorganized Debtor shall be given
5 voting rights for any and all Golf Memberships held in escrow for the benefit of the Golf Club
6 and one (1) seat on the board of directors of the Golf Club;

7 (e) Except as provided herein, the Golf Club shall retain its
8 security interest in the Real Property until the Allowed Golf Club Secured Claim has been paid in
9 full.

10 (2) **Class 5B – Golf Club Secured Claim (§ 1111(b)**
11 **Election).** If the Golf Club timely makes an election under § 1111(b) of the Bankruptcy Code,
12 the Golf Club shall receive, in full and final satisfaction of its Claim, deferred payments that total
13 the Allowed Golf Club Secured Claim and have a value on the Effective Date of the Plan equal to
14 the value of the Real Property on the Effective Date, as follows:

15 (a) On the Effective Date, Reorganized Debtor shall
16 transfer title to Tract H to the Golf Club in partial satisfaction of the Allowed Golf Club Secured
17 Claim in the amount of \$565,000 or such other value as determined by the Court under 11 U.S.C.
18 § 506(a); and;

19 (b) Commencing on January 1, 2014, and continuing
20 until January 1, 2024, Reorganized Debtor shall pay the Golf Club \$550,000 per year (the
21 “Annual Distribution”) for ten years (120 months) in cash, or in kind, as follows:

22 (i) Reorganized Debtor shall pay \$90,000 to the
23 Golf Club from the Gross Sale Price of any Lot sold, and Reorganized Debtor shall be entitled to
24 (i) obtain a partial release of any Lot, on a per lot basis, for the release price of \$90,000, and
25 (ii) the issuance by the Golf Club to Reorganized Debtor or its assignee of one (1) Golf
26 Membership in the Golf Club presently held in escrow per each release payment of \$90,000;

27 (ii) Should any shortfall exist between the
28 \$550,000 Annual Distribution and the amount paid to Reorganized Debtor during the prior

1 calendar year, on or before thirty (30) calendar days following the end of the calendar year,
2 Reorganized Debtor shall surrender and transfer title to a Lot(s) selected by the Reorganized
3 Debtor, in its sole discretion, in an amount sufficient to satisfy the \$550,000.00 Annual
4 Distribution to the Golf Club, and in partial satisfaction of the Allowed Golf Club Secured Claim
5 according to the value of that Lot as set forth in the attached Exhibit A to the Plan. Should any
6 shortfall continue to exist after the transfer of one (1) Lot, Debtor shall either surrender and
7 transfer additional Lot(s) or use available cash to make up any shortfall;

8 (iii) Should the Reorganized Debtor pay more
9 than \$550,000 to the Golf Club in cash or in kind during any calendar year, then any amount over
10 \$550,000 shall be applied to reduce the Allowed Golf Club Secured Claim and shall constitute a
11 credit toward the next calendar year's Annual Distribution obligation;

12 (c) On the Effective Date, Reorganized Debtor shall have no
13 obligation to pay any post-petition Golf Membership Dues to the Golf Club, unless the Debtor
14 actually owns such Golf Membership;

15 (d) On the Effective Date, Reorganized Debtor shall be given
16 voting rights for any and all Golf Memberships held in escrow for the benefit of the Golf Club
17 and one (1) seat of the board of directors of the Golf Club;

18 (e) Except as provided herein, the Golf Club shall retain its
19 security interest in the Real Property until the Allowed Golf Club Secured Claim has been paid in
20 full.

21 f. **Class 6 – Lease and Contract Rejection Claims**

22 Class 6 consists of all Lease and Contract Rejection Claims. Class 6 is impaired by the
23 Plan; consequently, all holders of Allowed Lease and Contract Rejection Claims are entitled to
24 vote on the Plan. Each holder of an Allowed Lease and Contract Rejection Claims will receive in
25 full satisfaction of such Allowed Claims its Pro Rata share of five percent (5%) of the Gross Sale
26 Price for any Lot. Allowed Lease and Contract Rejection Claims shall be paid on a Pro Rata
27 basis with all Allowed Claims of Classes 6, 7, 8, 9, 10, and 11. If the Golf Club does not timely
28 make an election under § 1111(b), such payments shall be made in annual installments on first

1 Business Day of the calendar year over a 5-year period commencing January 2, 2013. If the Golf
2 Club timely makes an election under § 1111(b), such payments shall be made in annual
3 installments on first Business Day of the calendar year installments over a 10-year period
4 commencing January 2, 2014.

5 The Debtor estimates that it does not have any Allowed Lease and Contract Rejection
6 Claims. In the event that Debtor has an Allowed Lease and Rejection Claim and the Debtor
7 estimates that each holder of an Allowed Lease and Rejection Claim will receive on account of its
8 Allowed Claims approximately 0.8% of the total amount of its Allowed Claims. Excluding the
9 \$50,000,000 claim of NWRA, Debtor estimates that each holder of an Allowed Lease and
10 Rejection Claim would receive on account of its Allowed Lease and Rejection Claim
11 approximately (i) 15% of the total amount of its Allowed Lease and Rejection Claim if the Golf
12 Club timely makes the § 1111(b) election and (ii) 8% of the total amount of its Allowed Lease
13 and Rejection Claim if the Golf Club does not timely make the § 1111(b) election.

14 g. **Class 7- Golf Club Deficiency Claim**

15 Class 7 consists of all Allowed Golf Club Deficiency Claim. Class 7 is impaired by the
16 Plan; consequently, the Golf Club is entitled to vote on the Plan on account of any Allowed Golf
17 Club Deficiency Claim. If the Golf Club fails to timely make an election under § 1111(b) of the
18 Bankruptcy Code, the Golf Club will receive in full satisfaction of such Allowed Claims its Pro
19 Rata share of five percent (5%) of the Gross Sale Price for any Lot. Allowed Golf Club
20 Deficiency Claims shall be paid on a Pro Rata basis with all Allowed Claims of Classes 6, 7, 8, 9,
21 10, and 11. Such payments shall be made in annual installments on first Business Day of the
22 calendar year over a 5-year period commencing January 2, 2013. If the Golf Club timely makes
23 an election under § 1111(b), then its entire Allowed Claim shall be treated as An Allowed
24 Secured Claim and will be provided for under Class 5B.

25 The Debtor estimates that the total amount of the Allowed Golf Club Deficiency Claim
26 will be approximately \$2,425,130.82. The Debtor estimates that the Golf Club will receive on
27 account of its Allowed Golf Club Deficiency Claim approximately .8% of the total amount of its
28 Allowed Golf Club Deficiency Claim. Excluding the \$50,000,000 claim of NWRA, Debtor

1 estimates that the Golf Club would receive on account of its Allowed Golf Club Deficiency Claim
2 approximately 8% of the total amount of its Allowed Golf Club Deficiency Claim.

3 h. **Class 8- FRMWWC Claims**

4 Class 8 consists of all Allowed FRMWWC Claims. Class 8 is impaired by the Plan;
5 consequently, FRMWWC is entitled to vote on the Plan on account of any Allowed FRMWWC
6 Claim. FRMWWC will receive in full satisfaction of such Allowed Secured Claims, if any, its
7 Pro Rata share of five percent (5%) of the Gross Sale Price for any Lot. FRMWWC shall be paid
8 on a Pro Rata basis with all Allowed Claims of Classes 6, 7, 8, 9, 10, and 11. Such payments
9 shall be made in annual installments on first Business Day of the calendar year over a 5-year
10 period commencing January 2, 2013.

11 (i) Any and all FRMWWC Dues accruing on Lots owned by
12 the Reorganized Debtor after the Effective Date shall be paid as follows:

13 (1) **No § 1111(b) Election:** If the Golf Club does not
14 timely make an election under § 1111(b) pursuant to subsection e(1), above, FRMWWC shall
15 receive a Pro Rata share of eight percent (8%) of the Gross Sale Price for any Lot. FRMWWC
16 shall be paid on a Pro Rata basis with FRPOA under subsection d(3)(a);

17 (2) FRMWWC shall continue to receive such Pro Rata
18 payments until: (a) all Lots are sold; and/or (b) all FRMWWC Dues owed by the Reorganized
19 Debtor are paid in full.

20 (3) **§ 1111(b) Election:** If the Golf Club timely makes
21 an election under § 1111(b) pursuant to subsection e(2), above, FRMWWC shall receive a Pro
22 Rata share of ten percent (10%) of the Gross Sale Price for any Lot. FRMWWC shall be paid on
23 a Pro Rata basis with FRPOA under subsection d(3)(b). Should any shortfall exist between the
24 post-confirmation accrued FRMWWC Dues and the amount paid to FRMWWC at the end of
25 each successive calendar year following the Effective Date, Reorganized Debtor shall pay any
26 outstanding amounts owed in cash, or in kind, by surrendering and transferring title to a Lot or
27 Lots to FRMWWC. Any surrendered Lot or Lots shall be selected by the Reorganized Debtor, in
28 its sole discretion, and the Reorganized Debtor shall receive a credit on any amounts owed

1 according to the value of the surrendered Lot as set forth in the attached Exhibit A to the Plan.
2 Should the Reorganized Debtor pay FRMWWC (in cash or in kind) more than the accrued post-
3 confirmation FRMWWC Dues in any given calendar year, the Reorganized Debtor shall receive a
4 credit for any FRMWWC Dues that may be owed during the following calendar year.

5 The Debtor estimates that the total amount of the Allowed FRMWWC Claims will be
6 approximately \$6,843. The Debtor estimates that FRMWWC will receive on account of its
7 Allowed FRMWWC Claims approximately 0.8% of the total amount of its Allowed Claims.
8 Excluding the \$50,000,000 claim of NWRA, Debtor estimates that the FRMWWC would receive
9 on account of its Allowed FRMWWC Claim approximately (i) 15% of the total amount of its
10 Allowed FRMWWC Claim if the Golf Club timely makes the § 1111(b) election and (ii) 8% of
11 the total amount of its Allowed FRMWWC Claim if the Golf Club does not timely make the
12 § 1111(b) election.

13 i. **Class 9- NWRA Claim**

14 Class 9 consists of all Allowed NWRA Claims. Class 9 is impaired by the Plan;
15 consequently, NWRA is entitled to vote on the Plan. NWRA will receive in full satisfaction of
16 such Allowed Claims its Pro Rata share of five percent (5%) of the Gross Sale Price for any Lot.
17 NWRA shall be paid on a Pro Rata basis with all Allowed Claims of Classes 6, 7, 8, 9, 10, and
18 11. Such payments shall be made in annual installments on first Business Day of the calendar
19 year over a 5-year period commencing January 2, 2013.

20 The Debtor estimates that the total amount of the Allowed NWRA Claims will be
21 approximately \$50,000,000. The Debtor estimates that NWRA will receive on account of its
22 Allowed NWRA Claims approximately 0.8% of the total amount of its Allowed Claims.

23 j. **Class 10- IMHFC Claims**

24 Class 10 consists of all Allowed IMHFC Claims. Class 10 is impaired by the Plan;
25 consequently, IMHFC is entitled to vote on the Plan. IMHFC will receive in full satisfaction of
26 such Allowed Claims its Pro Rata share of five percent (5%) of the Gross Sale Price for any Lot.
27 IMHFC shall be paid on a Pro Rata basis with all Allowed Claims of Classes 6, 7, 8, 9, 10 and 11.
28 Such payments shall be made in annual installments on first Business Day of the calendar year

1 over a 5-year period commencing January 2, 2013.

2 The Debtor estimates that the total amount of the Allowed IMHFC Claims will be
3 approximately \$2,815,192. The Debtor estimates that IMHFC will receive on account of its
4 Allowed IMHFC Claims approximately 0.8% of the total amount of its Allowed Claims.
5 Excluding the \$50,000,000 claim of NWRA, Debtor estimates that the IMHFC would receive on
6 account of its Allowed IMHFC Claim approximately (i) 15% of the total amount of its Allowed
7 IMHFC Claim if the Golf Club timely makes the § 1111(b) election and (ii) 8% of the total
8 amount of its Allowed IMHFC Claim if the Golf Club does not timely make the § 1111(b)
9 election.

10 k. **Class 11 General Unsecured Claims**

11 Class 11 consists of all Allowed General Unsecured Claims. Class 11 is impaired by the
12 Plan; consequently, holders of Allowed General Unsecured Claims are entitled to vote on the
13 Plan. Each holder of an Allowed General Unsecured Claim will receive in full satisfaction of
14 such Allowed Claims its Pro Rata share of five percent (5%) of the Gross Sale Price for any Lot.
15 Allowed General Unsecured Claims shall be paid on a Pro Rata basis with all Allowed Claims of
16 Classes 6, 7, 8, 9, 10 and 11. Such payments shall be made in annual installments on first
17 Business Day of the calendar year over a 5-year period commencing January 2, 2013.

18 The Debtor estimates that the total amount of the Allowed General Unsecured Claims will
19 be approximately \$21,471.67, which presently is comprised of the claims of Van Engineering Inc.
20 in the amount of \$3,000.00, Smith-Roberts, Inc. in the amount of \$9,981.67, and Paradigm Tax
21 Group, Inc. in the amount of \$8,490. The Debtor estimates that each holder of an Allowed
22 General Unsecured Claims will receive on account of its Allowed Claims approximately 0.8% of
23 the total amount of its Allowed Claims. Excluding the \$50,000,000 claim of NWRA, Debtor
24 estimates that each holder of an Allowed General Unsecured Claims would receive on account of
25 its Allowed General Unsecured Claim approximately (i) 15% of the total amount of its Allowed
26 General Unsecured Claim if the Golf Club timely makes the § 1111(b) election and (ii) 8% of the
27 total amount of its Allowed General Unsecured Claim if the Golf Club does not timely make the
28 § 1111(b) election.

1 1. **Class 12 – Equity Interests**

2 Class 12 consists of IMHFC. Class 12 is impaired by the Plan; consequently, IMHFC is
3 entitled to vote on the Plan on account of its Equity Interests. In exchange for the contribution of
4 “new value” to the Reorganized Debtor, IMHFC will retain its Equity Interests in the
5 Reorganized Debtor.

6 **F. Implementation of Plan—New Value Contribution**

7 Funds to be used to make Cash payments under the Plan have been or will be generated
8 from (i) the new value contributed by IMHFC in the amount of \$500,000 to be deposited with the
9 Debtor by no later than the Effective Date, (ii) the revenues derived from the sale of Lots by the
10 Debtor or the Reorganized Debtor; and (iii) the net proceeds from any Debtor Causes of Action.
11 Reorganized Debtor shall make distributions under the Plan to holders of Allowed Claims and
12 report on activity in this account in periodic reports to the Court.

13 Pursuant to the attached **Exhibit 3**, IMHFC has (or will have) sufficient funds available to
14 make the new value contribution of \$500,000.

15 Any sums recovered by Debtor Causes of Action brought by the Debtor or Reorganized
16 Debtor, net of the attorneys’ fees and costs associated with prosecuting the Debtor Causes of
17 Action, shall be used to fund the Plan; unless all payments required by the Plan have been made,
18 in which case, those sums shall accrue to the benefit of the Reorganized Debtor.

19 **G. Distributions on Account of Claims Allowed as of the Effective Date.**

20 Except as otherwise provided in the Plan, a Final Order, or as agreed to by the relevant
21 parties, initial Distributions under the Plan on account of Claims Allowed on or before the
22 Effective Date shall be made on the Distribution Date; provided, however, that: (1) Allowed
23 Administrative Claims with respect to liabilities incurred by the Debtor in the ordinary course of
24 business during the Chapter 11 Case or assumed by the Debtor prior to the Effective Date shall be
25 paid or performed in the ordinary course of business in accordance with the terms and conditions
26 of any controlling agreements, course of dealing, course of business, or industry practice; and
27 (2) Allowed Priority Tax Claims, unless otherwise agreed, shall be paid in accordance with
28 Article 4 of the Plan.

1 **H. Distribution on Account of Claims Allowed after the Effective Date.**

2 1. **Payments and Distributions on Disputed Claims.**

3 Except as otherwise provided in the Plan, a Final Order, or as agreed to by the relevant
4 parties, Distributions under the Plan on account of Disputed Claims that become Allowed after
5 the Effective Date shall be made on the Distribution Date that is at least thirty (30) days after the
6 Disputed Claim becomes an Allowed Claim; provided, however, that: (1) Disputed
7 Administrative Claims with respect to liabilities incurred by the Debtor in the ordinary course of
8 business during the Chapter 11 Case or assumed by the Debtor on or before the Effective Date
9 that become Allowed after the Effective Date shall be paid or performed in the ordinary course of
10 business in accordance with the terms and conditions of any controlling agreements, course of
11 dealing, course of business or industry practice, and (2) Disputed Priority Tax Claims, unless
12 otherwise agreed, shall be paid in accordance with Article 4 of the Plan.

13 2. **Special Rules for Distributions to Holders of Disputed Claims.**

14 Notwithstanding any provision otherwise in the Plan and except as otherwise agreed by
15 the relevant parties: (1) no partial payments and no partial Distributions shall be made with
16 respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have
17 been resolved by settlement or Final Order and (2) any Person that holds both an Allowed Claim
18 and a Disputed Claim shall not receive any distribution on the Allowed Claim unless and until all
19 objections to the Disputed Claim have been resolved by settlement or Final Order and all Claims
20 of such holder have been Allowed. In the event that there are Disputed Claims requiring
21 adjudication and resolution, the Reorganized Debtor shall in its sole discretion establish
22 appropriate reserves for potential payment of such Claims. All Distributions made pursuant to the
23 Plan on account of an Allowed Claim shall be made together with any dividends, payments, or
24 other Distributions made on account of, as well as any obligation arising from, the distributed
25 property as if such Allowed Claim had been an Allowed Claim on the dates Distributions were
26 previously made to holders of Allowed Claims included in the applicable Class.

1 3. **Reserve of Funds for Payment of Disputed Claims.**

2 On the Effective Date, after calculating Distributions to holders of Allowed Claims and
3 potential Distributions to holders of Disputed Claims under the Plan, the Reorganized Debtor
4 shall retain and set aside in a reserve fund an amount in cash sufficient to make all payments and
5 Distributions which may be subsequently required for payment to holders of Disputed Claims. As
6 Disputed Claims are Allowed, the Reorganized Debtor shall distribute, in accordance with the
7 terms of the Plan, Cash to holders of Allowed Claims, and the reserve fund shall be adjusted. The
8 Reorganized Debtor may (but is not required to) request estimation for any Disputed Claim that is
9 contingent or unliquidated.

10 4. **Limits on Distributions.**

11 Notwithstanding anything in the applicable holder's Proof of Claim or otherwise to the
12 contrary, the holder of a Claim shall not be entitled to receive or recover a Distribution under the
13 Plan on account of a Claim in excess of: (a) the amount stated in the holder's Proof of Claim, if
14 any, as of the Distribution Record Date, plus interest thereon to the extent provided for by the
15 Plan; (b) if the Claim is denominated as contingent or unliquidated as of the Distribution Record
16 Date, the amount identified on Debtor's Schedules for such Claim, or such other amount as may
17 be estimated by the Bankruptcy Court prior to the Confirmation Hearing; or (c) if a Claim has
18 been estimated, the amount reserved to satisfy such Claim after such estimation.

19 5. **Postpetition Management**

20 The postpetition management of the Reorganized Debtor as of the Effective Date shall be
21 IMHFC. IMHFC shall not receive any compensation for its role as Manager of the Reorganized
22 Debtor.

23 6. **Administration Pending Effective Date**

24 Before the Effective Date, the Debtor will continue to operate its business, subject to all
25 applicable requirements of the Bankruptcy Code and the Bankruptcy Rules. After the Effective
26 Date, Reorganized Debtor may operate its business, and may use, acquire, and dispose of
27 property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, but subject to
28 the continuing jurisdiction of the Bankruptcy Court.

1 7. **Post-Confirmation Fees; Final Decree**

2 Reorganized Debtor is to be responsible for paying any post-confirmation fees under 28
3 U.S.C. § 1930(a)(6) and the filing of post-confirmation reports, until a final decree is entered. A
4 final decree is to be entered as soon as practicable after distributions have commenced under the
5 Plan.

6 **I. Additional Implementation of Plan**

7 1. **Orders Granted Postpetition Regarding Motions to Assume or Reject**
8 **Executory Contracts and/or Unexpired Leases.** With respect to any Executory Contract or
9 Unexpired Lease rejected or assumed by the Debtor before the Confirmation Date by order of the
10 Bankruptcy Court, the deadline for filing any Claims arising from the rejection of any Executory
11 Contract or Unexpired Lease or asserting Cure amounts relating to the assumption of any
12 Executory Contract or Unexpired Lease are set forth in the order rejecting or assuming such
13 Executory Contracts or Unexpired Lease.

14 2. **Assumption or Rejection of Executory Contracts and Unexpired**
15 **Leases under the Plan.** The Executory Contracts and Unexpired Leases between the Debtor and
16 any Person (other than the Executory Contracts and Unexpired Leases already assumed or
17 rejected by the Debtor before the Confirmation Date) are dealt with as follows:

18 a. **Assumption of Executory Contracts and Unexpired Leases.** All
19 Executory Contracts and Unexpired Leases listed on Exhibit B to the Plan are assumed by the
20 Reorganized Debtor as of the Confirmation Date, except for any Executory Contract and
21 Unexpired Lease that already has been assumed by the Debtor in accordance with an order of the
22 Bankruptcy Court entered before the Confirmation Date.

23 b. **Rejection of Executory Contracts and Unexpired Leases.** All
24 Executory Contracts and Unexpired Leases listed on Exhibit C to the Plan are rejected by the
25 Reorganized Debtor as of the Confirmation Date, except for any Executory Contract or
26 Unexpired Lease that already has been rejected by the Debtor in accordance with an order of the
27 Bankruptcy Court entered before the Confirmation Date.

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1 c. **Effect if the Debtor Does Not Act Upon Certain Executory**
2 **Contracts and Unexpired Leases.** Despite the Debtor's best efforts to identify all Executory
3 Contracts and Unexpired Leases, some may be inadvertently omitted. If the Debtor does not act,
4 or has not acted, to assume or reject an Executory Contract or Unexpired Lease pursuant to the
5 Plan or a motion or a motion, such Executory Contract or Unexpired Lease will be deemed
6 rejected as of the Confirmation Date.

7 d. **Unexpired Leases and Executory Contracts Rejection Claims**
8 **Bar Date.** All proofs of claims relating to Claims arising from the rejection of any Executory
9 Contracts or Unexpired Lease under the Plan must be filed with the Bankruptcy Court no later
10 than the first Business Day that is twenty-one (21) days after the Confirmation Date. Every such
11 Claim which is timely filed, as and when it becomes an Allowed Claim, will be treated as a Lease
12 and Contract Rejection Claim under Class 6 of the Plan.

13 e. **Effect of Confirmation Orders on Executory Contract or**
14 **Unexpired Leases.** Entry of the Confirmation Order constitutes: (a) the approval under Section
15 365(a) of the Bankruptcy Code of the assumption of the Executory Contracts and Unexpired
16 Leases assumed under the Plan or otherwise during the Chapter 11 Case; and (b) the approval
17 under Section 365(a) of the Bankruptcy Code of the rejection of the Executory Contracts and
18 Unexpired Lease rejected under the Plan or otherwise during the Chapter 11 Case.
19 Notwithstanding anything contained in this Section VII to the contrary, the Debtor retains the
20 right to add to, or delete from, the any Executory Contract or Unexpired Lease that is initially
21 listed as an assumed or rejected Executory Contract or Unexpired Lease in Exhibit B or Exhibit C
22 prior to the Confirmation Hearing.

23 f. **Cure of Defaults.** On the Effective Date or as soon thereafter as
24 practicable, Reorganized Debtor must Cure any defaults under any Executory Contract or
25 Unexpired Lease assumed under the Plan in accordance with Section 365(b)(1) of the Bankruptcy
26 Code.

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1 ANY NON-DEBTOR PARTY TO AN EXECUTORY CONTRACT OR UNEXPIRED
2 LEASE THAT ASSERTS THAT IT IS ENTITLED TO PAYMENT OF A CURE
3 AMOUNT MUST ADVISE THE BANKRUPTCY COURT AND THE DEBTOR IN
4 WRITING OF SUCH CURE AMOUNT BY THE DEADLINE FOR FILING
5 OBJECTIONS TO CONFIRMATION OF THE PLAN. FAILURE TO SO ADVISE THE
6 BANKRUPTCY COURT AND THE DEBTOR BY SUCH TIME CONSTITUTES A
7 WAIVER OF ALL CURE AMOUNTS. THE DEBTOR RETAINS THE RIGHT TO
8 OBJECT TO ASSERTED CURE AMOUNTS AND TO HAVE SUCH AMOUNTS
9 DETERMINED BY THE BANKRUPTCY COURT.
10

11 Executory Contracts and Unexpired Leases entered into, and other obligations incurred,
12 after the Petition Date by the Debtor, are to be performed by the Debtor or Reorganized Debtor,
13 as applicable, in the ordinary course of business.

14 **VIII. BAR DATES FOR ALL CLAIMS**

15 Except as expressly provided in the Debtor's Plan or Confirmation Order, any Claims
16 (other than Claims for Professional Fees or Administrative Claims) asserted against the Debtor
17 that may have arisen prior to (or may have been deemed to have arisen prior to) or after the
18 Petition Date that fail to file a proof of Claim on or before _____, 2012 (the "Bar
19 Date") shall be forever barred, stopped and enjoined from asserting such Claims (or filing proofs
20 of claim with respect thereto) in any manner against the Debtor or its property or assets, and the
21 Debtor shall be forever discharged from any and all indebtedness or other liability with respect to
22 such unasserted Claims. Any Administrative Claims asserted against the Debtor that fail to file a
23 proof of Claim or requests for payment on or before the Administrative Claim Bar and any
24 Claims for Professional Fees that fail to file a proof of Claim or requests for payment on or before
25 the Professional Fee Bar Date shall be forever barred, stopped and enjoined from asserting such
26 Claims (or filing proofs of claim with respect thereto) in any manner against the Debtor or its
27 property or assets, and the Debtor shall be forever discharged from any and all indebtedness or
28 other liability with respect to such unasserted Claims. Further, any such unasserted Claims shall

1 not be permitted to vote on the Plan or to participate in any distribution in this Chapter 11 case on
2 account of such Claim, or to receive further notices regarding such Claims and shall be bound by
3 the terms of the Plan.

4 **IX. LIMITATION OF LIABILITY**

5 Neither the Debtor nor any of its officers, directors, employees, advisors, attorneys,
6 agents, or members, will have or incur any liability to any holder of a Claim or an Equity Interest
7 or any of their respective agents, employees, representatives, financial advisors, or attorneys, or
8 any of their successors or assigns, for any act, event, or omission occurring on or after June 12,
9 2012 and which directly relates to, or arises out of, their conduct or action taken or not taken with
10 respect to the Chapter 11 Case, the pursuit of confirmation of the Plan, the consummation of the
11 Plan, or the administration of the Plan or the property to be distributed under the Plan, except for
12 willful misconduct, and in all respects such parties will be entitled to reasonably rely upon the
13 advice of counsel with respect to their duties and responsibilities under the Plan.

14 This limitation of liability shall not apply to any act, event, or omission, including any
15 Debtor Causes of Action, accruing prior to June 12, 2012.

16 **X. DESCRIPTION OF OTHER PROVISIONS OF THE PLAN**

17 **A. Revesting of Assets**

18 Subject to the provisions of the Plan, the property of the Estate of the Debtor vests in
19 Reorganized Debtor on the Effective Date. As of the Effective Date, all such property is free and
20 clear of all liens, Claims, and interests, except as otherwise provided in the Plan. From and after
21 the Effective Date, Reorganized Debtor may operate its business, and may use, acquire, and
22 dispose of its property free of any restrictions of the Bankruptcy Code, including the employment
23 of, and payment to, Professionals, except as otherwise provided in the Plan or the Confirmation
24 Order.

25 **B. Discharge**

26 In accordance with Bankruptcy Code § 1141, and except as provided in the Plan or the
27 Confirmation Order, the rights afforded under the Plan and the treatment of Claims under the Plan
28 are in exchange for and in complete satisfaction, discharge, and release of, all Claims including

1 any interest accrued on Unsecured Claims from the Petition Date. Except as provided in the Plan
2 or the Confirmation Order, Confirmation discharges the Debtor and Reorganized Debtor from all
3 Claims or other debts that arose before the Confirmation Date, and all debts of the kind specified
4 in § 502(g), (h) or (i) of the Bankruptcy Code, whether or not: (i) a proof of claim based on such
5 debt is filed or deemed filed under § 501 of the Bankruptcy Code; (ii) a Claim based on such debt
6 is Allowed under § 502 of the Bankruptcy Code; or (iii) the holder of a Claim based on such debt
7 has accepted the Plan.

8 **C. Injunction**

9 Except as provided in the Plan or the Confirmation Order, as of the Confirmation Date, all
10 entities that have held, currently hold or may hold a Claim or other debt or liability that is
11 discharged under the Plan are permanently enjoined from taking any of the following actions on
12 account of any such discharged Claims, debts, or liabilities: (a) commencing or continuing in any
13 manner any action or other proceeding against the Debtor or Reorganized Debtor; (b) enforcing,
14 attaching, collecting or recovering in any manner any judgment, award, decree, or order against
15 the Debtor, Reorganized Debtor, or their respective property; (c) creating, perfecting, or enforcing
16 any lien or encumbrance against the Debtor, Reorganized Debtor, or their respective property;
17 (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability, or
18 obligation due to the Debtor, Reorganized Debtor, or their respective property; and
19 (e) commencing or continuing any action, in any manner, in any place, that does not comply with
20 or is inconsistent with the provisions of the Plan or the Bankruptcy Code.

21 **D. Exculpation**

22 The Debtor, Reorganized Debtor, and any of their respective trustees, officers, directors,
23 employees, advisors, attorneys, or agents, do not have or may not incur any liability to any holder
24 of a Claim, or any other party in interest, or any of their respective members or former members,
25 agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their
26 successors or assigns, for any act or omission in connection with, relating to, or arising out of, the
27 Chapter 11 Case, the negotiation and pursuit of Confirmation of the Plan, or the consummation of
28 the Plan, or the administration of the Plan except for their acts or omissions constituting willful

1 misconduct, as finally determined by a court of competent jurisdiction and in all respects are
2 entitled to reasonably rely upon the advice of counsel with respect to their duties and
3 responsibilities under the Plan or in the context of the Chapter 11 Case. In addition, as of the
4 Effective Date, the Debtor is deemed to have released its current and prior trustees and officers
5 from any claims or causes of action the Debtor may have against such parties, unless such claims
6 or causes of action arise out of acts or omissions by such parties constituting willful misconduct.

7 **E. Retention of Jurisdiction.**

8 Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective
9 Date, the Bankruptcy Court retains such jurisdiction over the Chapter 11 Case after the Effective
10 Date as is legally permissible including, without limitation, jurisdiction to:

11 1. Allow, disallow, determine, liquidate, classify, estimate, or establish the
12 priority or secured or unsecured status of any Claim, including the resolution of any request for
13 payment of any Administrative Claim and the resolution of any and all objections to the
14 allowance or priority of Claims;

15 2. Grant or deny any applications for allowance of compensation or
16 reimbursement of expenses authorized under the Bankruptcy Code or the Plan;

17 3. Resolve any matters related to the assumption, assumption and assignment,
18 or rejection of any Executory Contract or Unexpired Lease to which the Debtor is a party and to
19 hear, determine and, if necessary, liquidate, any Claims arising from, or cure amounts related to,
20 such assumption or rejection;

21 4. Ensure that distributions to holders of Allowed Claims are accomplished in
22 accordance with the Plan;

23 5. Decide or resolve any motions, adversary proceedings, contested or
24 litigated matters, and any other matters and grant or deny any applications or motions involving
25 the Debtor that may be pending on the Effective Date, including without limitation the Debtor
26 Causes of Action;

27 6. Enter such orders as may be necessary or appropriate to implement or
28 consummate the provisions of the Plan and all contracts, instruments, releases, and other

1 agreements or documents created in connection with the Plan or the Disclosure Statement, except
2 as otherwise provided in the Plan;

3 7. Resolve any cases, controversies, suits or disputes that may arise in
4 connection with the consummation, interpretation or enforcement of the Plan or any Person's
5 obligations incurred in connection with the Plan, including without limitation all Debtor Causes
6 of Action;

7 8. Modify the Plan before or after the Effective Date under Section 1127 of
8 the Bankruptcy Code or modify the Disclosure Statement or any contract, instrument, release, or
9 other agreement or document created in connection with the Plan or the Disclosure Statement; or
10 remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the
11 Plan, the Disclosure Statement, the Plan Supplement or any contract, instrument, release, or other
12 agreement or document created in connection with the Plan, the Disclosure Statement, or the Plan
13 Supplement in such manner as may be necessary or appropriate to consummate the Plan, to the
14 extent authorized by the Bankruptcy Code;

15 9. Issue injunctions, enter and implement other orders, or take such other
16 actions as may be necessary or appropriate to restrain interference by any entity with
17 consummation or enforcement of the Plan, except as otherwise provided in the Plan;

18 10. Enter and implement such orders as are necessary or appropriate if the
19 Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

20 11. Determine any other matters that may arise in connection with or relate to
21 the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release,
22 or other agreement or document created in connection with the Plan, the Disclosure Statement or
23 the Confirmation Order except as otherwise provided in the Plan;

24 12. Enter an order closing the Chapter 11 Case; and

25 13. Adjudicate the Debtor Causes of Action and any other cause of action or
26 claims of the Debtor.

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1 **F. Preservation of Debtor Causes of Action**

2 1. Debtor Causes of Action shall mean all rights, claims, torts, liens,
3 liabilities, obligations, actions, causes of action, Avoidance Actions, avoiding powers,
4 proceedings, debts, contracts, insurance contracts, judgments, offsets, insurance coverage,
5 insurance obligations of any type, Debtor Policies, damages and demands whatsoever in law or in
6 equity, whether known or unknown, contingent or otherwise, that the Debtor or the Estate may
7 have against any Person. Debtor Causes of Action shall specifically include, without limitation,
8 the following:

9 a. Any and all of the Debtor’s claims against the Golf Club related to
10 the origination, funding and servicing of the Lot Note, and Tract H Note;

11 b. Any and all causes of action against the Golf Club, officers and
12 directors, and/or board members, including, without limitation, David Garcia, James Peyman, and
13 Paul Cyr, for, among other things, breach of fiduciary for the failure to approve and authorize the
14 letter of credit financing that would have benefited the Golf Club by (i) permitting the Golf Club
15 to pay off its current lender, RMS Family, and receive a loan on more favorable terms; and (ii)
16 upon information and belief, causing RMS Family and/or FRD to begin to pay Golf Membership
17 Dues to the Golf Club, thereby increasing the Golf Club’s income stream.

18 c. Any and all causes of action against the RMS Family and/or FRD,
19 including, without limitation, declaratory relief to determine that RMS Family and/or FRD are not
20 the Declarant, Joinder, or Builder (as defined in the Declaration and CC&R’s) and are otherwise
21 obligated to pay, among other things, Golf Membership Dues to the Golf Club.

22 2. Debtor Causes of Action also include any and all claims or rights to offset
23 that Debtor may have in connection with its accounts receivables, which are listed on the
24 schedule of “Debtor Accounts Receivables” in the Plan. Following the Effective Date, the right
25 to offset is retained and reserved for the benefit of the Reorganized Debtor. Prior to the Petition
26 Date, Debtor, in the ordinary course of its business, exercised its rights to offset its accounts
27 receivable against money that Debtor may owe. Debtor identifies its accounts receivable in this
28

1 Disclosure Statement and Plan Supplement in an abundance of caution to ensure that the right to
2 offset is reserved and retained for the benefit of the Reorganized Debtor.

3 3. Failure to list a Debtor Cause of Action, including an account receivable,
4 does not constitute a waiver or release by the Debtor or Reorganized Debtor of such Debtor
5 Cause of Action. Discovery is ongoing in this case, and Debtor has not received document
6 production requests from FR Realty Advisors, and Debtor intends to contest some assertions of
7 privilege by the Golf Club. As a result, Debtor reserves the right to amend and supplement its
8 Causes of Action.

9 4. In accordance with Section 1123(b)(3) of the Bankruptcy Code, and except
10 as otherwise expressly provided in the Plan, all Debtor Causes of Action are retained and reserved
11 for the benefit of the Reorganized Debtor.

12 5. Reorganized Debtor will prosecute all preserved Debtor Causes of Action
13 not otherwise expressly compromised in the Plan in accordance with Section 1123(b)(3)(B) of the
14 Bankruptcy Code. The fees and costs to litigate such preserved Debtor Causes of Action will
15 come from the Reorganized Debtor. Reorganized Debtor will have sole discretion to determine in
16 its business judgment what Debtor Causes of Action to pursue, which to settle, and the terms and
17 conditions of those settlements.

18 6. All monetary judgments and awards resulting from the settlement or
19 prosecution of the preserved Debtor Causes of Action will be deposited into the Reorganized
20 Debtor general operating account(s) after deduction of the reasonable and necessary fees and
21 costs incurred by Reorganized Debtor in the prosecution and/or settlement of the preserved
22 Debtor Causes of Action.

23 7. Debtor's discharge and release from Claims as provided in the Plan, except
24 as necessary to be consistent with the Plan, do not diminish or impair the enforceability of any
25 insurance policy that may cover Claims against the Debtor or any other Person.

1 **G. Conditions to Confirmation and Effective Date**

2 1. **Conditions To Confirmation**

3 The following are conditions precedent to confirmation of the Plan:

4 a. The Bankruptcy Court enters a Final Order approving the
5 Disclosure Statement with respect to the Plan.

6 b. The Confirmation Order has been entered in form and substance
7 reasonably acceptable to the Debtor. If the Debtor is unable to reach an agreement with any party
8 regarding the form and substance of the Confirmation Order, the Bankruptcy Court will resolve
9 all such disputes between the parties.

10 c. The Confirmation Order contains the following:

11 (1) The provisions of the Confirmation Order are nonseverable
12 and mutually dependent;

13 (2) All Executory Contracts or Unexpired Leases assumed by
14 Reorganized Debtor during the Chapter 11 Case or under the Plan remain in full force and effect
15 for the benefit of Reorganized Debtor notwithstanding any provision in such contract or lease
16 (including those described in § 365(b)(2) and (f) of the Bankruptcy Code) that prohibits such
17 assignment or transfer or that enables, permits or requires termination of such contract or lease;

18 (3) Except as expressly provided in the Plan, the Debtor is
19 discharged as of the Confirmation Date from all Claims and any “debt” (as that term is defined in
20 § 101(12) of the Bankruptcy Code) that arose on or before the Confirmation Date, and the
21 Debtor’s liability in respect of such Claims and debts is extinguished completely, whether
22 reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or
23 unasserted, fixed or unfixd, matured or unmatured, disputed or undisputed, legal or equitable, or
24 known or unknown, or that arose from any agreement of the Debtor that has either been assumed
25 or rejected in the Chapter 11 Case or under the Plan, or obligation of the Debtor incurred before
26 the Confirmation Date, or from the Debtor’s conduct before the Confirmation Date, or that
27 otherwise arose before the Confirmation Date including, without limitation, all interest, if any, on
28 any such debts, whether such interest accrued before or after the Petition Date;

1 (4) The Plan does not provide for the liquidation of all or
2 substantially all of the Debtor's property and Confirmation is not likely to be followed by the
3 liquidation of Reorganized Debtor or the need for further financial reorganizations; and

4 (5) The Confirmation Order, in accordance with
5 § 1123(b)(3)(B) of the Bankruptcy Code, specifically appoints Reorganized Debtor as a
6 representative and agent of the Debtor to prosecute, compromise, or abandon the Debtor Causes
7 of Action in accordance with the Plan.

8 2. **Conditions To Effectiveness**

9 The following are conditions precedent to the occurrence of the Effective Date:

- 10 a. The Confirmation Date has occurred;
- 11 b. The Confirmation Order is a Final Order, except that the Debtor
12 reserves the right to cause the Effective Date to occur notwithstanding the pendency of an appeal
13 of the Confirmation Order, under circumstances that would moot such appeal;
- 14 c. No request for revocation of the Confirmation Order under § 1144
15 of the Bankruptcy Code has been made, or, if made, remains pending;
- 16 d. The Bankruptcy Court in the Confirmation Order has approved the
17 retention of jurisdiction provisions of the Plan;
- 18 e. All documents necessary to implement the transactions
19 contemplated by the Plan are made in form and substance reasonably acceptable to the Debtor;
- 20 f. Reorganized Debtor retains sufficient Cash on the Effective Date to
21 make required distributions to holders of Allowed Claims on the Distribution Date; and
- 22 g. Debtor or Reorganized Debtor has received the new value
23 contribution and capital contribution as set forth in Section VII.

24 3. **Waiver Of Conditions**

25 The conditions to Confirmation and the Effective Date may be waived in whole or in part
26 by the Debtor at any time without notice, an order of the Bankruptcy Court, or any further action
27 other than proceeding to Confirmation and consummation of the Plan.

28

1 **H. Non-Allowance of Penalties and Fines**

2 Except as otherwise expressly provided for in the Plan, no distribution will be made under
3 the Plan on account of, and no Allowed Claim (whether Secured, Unsecured, Priority or
4 Administrative) will include any fine, penalty, or exemplary or punitive damages, late charges,
5 default interest, or other monetary charge relating to or arising from any default or breach by the
6 Debtor, and any Claim on account of such fine, penalty, or exemplary or punitive damages is
7 deemed to be disallowed, whether or not an objection is filed to such Claim; provided, however,
8 if prior to the Confirmation Date any Creditor asserting an entitlement to such fine, penalty,
9 exemplary or punitive damages, late charges, default interest, or other monetary charge relating to
10 or arising from any default or breach by the Debtor has filed a motion with the Court specifically
11 seeking the allowance of such fine, penalty, exemplary or punitive damages, late charges, default
12 interest, or other monetary charge relating to or arising from any default or breach by the Debtor,
13 in which event the Court shall determine the extent of the Creditor's Allowed Claim.

14 **I. Amendment and Withdrawal of Plan**

15 At any time before the Confirmation Date, the Debtor may alter, amend, or modify the
16 Plan or the Plan Supplement under § 1127(a) of the Bankruptcy Code provided that such
17 alteration, amendment, or modification does not materially and adversely affect the treatment and
18 rights of the holders of any impaired Class of Creditors under the Plan. After the Confirmation
19 Date and before substantial consummation of the Plan as defined in § 1101(2) of the Bankruptcy
20 Code, the Debtor may, under § 1127(b) of the Bankruptcy Code, institute proceedings in the
21 Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan,
22 the Disclosure Statement, the Plan Supplement or the Confirmation Order, and such matters as
23 may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do
24 not materially and adversely affect the treatment of holders of Claims under the Plan; provided,
25 however, that prior notice of such proceedings must be served in accordance with the Bankruptcy
26 Rules or applicable order of the Bankruptcy Court.

27 The Debtor reserves the right to revoke or withdraw the Plan at any time before the
28 Confirmation Date. If the Plan is withdrawn or revoked, then the Plan is deemed null and void

1 and nothing contained in the Plan may be deemed a waiver of any Claims by or against the
2 Debtor or any other Person in any further proceedings involving the Debtor or an admission of
3 any sort, and the Plan and any transaction contemplated by the Plan may not be admitted into
4 evidence in any proceeding.

5 **J. Filing of Objections to Claims**

6 Notwithstanding the occurrence of the Effective Date, and except as to any Claim that has
7 been Allowed before the Effective Date, the Reorganized Debtor, or any other Person properly
8 entitled to do so after notice to Reorganized Debtor and approval by the Bankruptcy Court, may
9 (i) object to the allowance of any Claim against the Debtor or seek estimation of any Claim on
10 any grounds permitted by the Bankruptcy Code or (ii) pursue an objection to any Claim that has
11 been made before the Effective Date by the Debtor.

12 **K. Settlement of Objections After Effective Date**

13 From and after the Effective Date, Reorganized Debtor may litigate to Final Order,
14 propose settlements of, or withdraw objections to, all pending or filed Disputed Claims or Debtor
15 Causes of Action and Reorganized Debtor may settle or compromise any Disputed Claim or
16 Debtor Causes of Action without notice and a hearing and without approval of the Bankruptcy
17 Court.

18 **L. Distributions on Allowance or Disallowance of Disputed Claims.**

19 No distributions shall be made to any holder of a Claim unless and until the Claim
20 becomes an Allowed Claim. If a Claim is not an Allowed Claim as of the Effective Date,
21 distributions on account of that Claim shall commence only when the Claim becomes an Allowed
22 Claim after the Effective Date or as otherwise specifically provided in the Plan. If a Disputed
23 Claim becomes an Allowed Claim, the Reorganized Debtor shall make a distribution in
24 accordance with the terms of the Plan applicable to Claims of the Class in which that Claim
25 resides.

26 **M. Contingent Claims.**

27 Until a Contingent Claim becomes an Allowed Claim or is Disallowed, the Claim shall be
28 treated as a Disputed Claim for all purposes under the Plan. The holder of a Contingent Claim

1 shall be entitled to a distribution under the Plan only when the Contingent Claim becomes an
2 Allowed Claim. Any Contingent Claim for reimbursement or contribution held by a Person that
3 may be liable with a Debtor on a Claim of a Creditor is Disallowed as of the Effective Date if:
4 (a) that Creditor's Claim is Disallowed; (b) the Claim for reimbursement or contribution is
5 contingent as of the Effective Date; or (c) that Person asserts a right of subrogation to the rights of
6 the Creditor under Bankruptcy Code § 509.

7 **N. Effectuating Documents; Further Transactions; Timing**

8 The Debtor is authorized and directed to execute, deliver, file, or record such contracts,
9 instruments, releases, and other agreements or documents, and to take such actions as may be
10 necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan,
11 the Plan Supplement, and any securities issued in accordance with the Plan. All transactions
12 required to occur on the Effective Date under the terms of the Plan will be deemed to have
13 occurred simultaneously.

14 **O. Exemption From Transfer Taxes**

15 In accordance with Section 1146 of the Bankruptcy Code: (a) the issuance, distribution,
16 transfer, or exchange of Estate property; (b) the creation, modification, consolidation, or
17 recording of any mortgage, deed of trust or other security interest, the securing of additional
18 indebtedness by such means or by other means in furtherance of, or connection with, the Plan or
19 the Confirmation Order; (c) the making, assignment, modification, or recording of any lease or
20 sublease; or (d) the making, delivery, or recording of a deed or other instrument of transfer under,
21 in furtherance of, or in connection with, the Plan, the Confirmation Order, or any transaction
22 contemplated above, or any transactions arising out of, contemplated by, or in any way related to,
23 the foregoing are not subject to any document recording tax, stamp tax, conveyance fee,
24 intangibles or similar tax, mortgage tax, stamp act or real estate transfer tax, mortgage recording
25 tax or other similar tax or governmental assessment and the appropriate state or local government
26 officials or agents are directed to forego the collection of any such tax or assessment and to accept
27 for filing or recordation any of the foregoing instruments or other documents without the payment
28 of any such tax or assessment.

1 **P. Termination of Statutory Committees**

2 Any statutory committee or committees appointed in the Chapter 11 Case and the
3 appointment of any examiner terminate on the Effective Date and have no further responsibilities
4 in respect of the Chapter 11 Case, except with respect to preparation of filing of applications for
5 compensation and reimbursement of expenses.

6 **Q. Withholding And Reporting Requirements**

7 In connection with the Plan and all instruments issued in connection with the Plan,
8 Reorganized Debtor must comply with all withholding and reporting requirements imposed by
9 any federal, state, local or foreign taxing authority, and all distributions under the Plan remain
10 subject to any such withholding and reporting requirements. Reorganized Debtor is authorized to
11 take all actions necessary to comply with such withholding and recording requirements.

12 **R. Method Of Payment**

13 Payments of Cash required to be made under the Plan are to be made by check drawn on a
14 domestic bank or by wire transfer from a domestic bank at the election of the Person making such
15 payment. Whenever any payment or distribution to be made under the Plan is due on a day other
16 than a Business Day, such payment or distribution may instead be made, without interest, on the
17 immediately following Business Day.

18 **XI. ACCEPTANCE AND CONFIRMATION OF THE PLAN**

19 The following is a brief summary of the provisions of the Bankruptcy Code relevant to
20 acceptance and confirmation of a plan of reorganization. Holders of Claims are encouraged to
21 review the relevant provisions of the Bankruptcy Code with their own attorneys.

22 **A. Confirmation Hearing**

23 Pursuant to Bankruptcy Code §1128(a), the Bankruptcy Court will hold a hearing
24 regarding confirmation of the Plan at the United States Bankruptcy Court, Courtroom ____, 230 N.
25 First Ave., Phoenix, AZ 85003, commencing on _____, **2012**, at _____ **.m.,**
26 **M.S.T. (Arizona Time).**

27
28

1 **B. Objections To Confirmation Of The Plan**

2 Bankruptcy Code §1128(b) provides that any party in interest may object to confirmation
3 of a plan. Any objection(s) to confirmation of the Plan must be in writing; must state with
4 specificity the grounds for any such objections; and must be filed with the Bankruptcy Court and
5 served upon the following parties so as to be received on or before the time fixed by the
6 Bankruptcy Court:

7 Snell & Wilmer L.L.P.
8 Christopher H. Bayley (cbayley@swlaw.com)
9 Andrew V. Hardenbrook (ahardenbrook@swlaw.com)
10 One Arizona Center
11 400 E. Van Buren
12 Phoenix, AZ 85004-2202

11 **C. Requirements For Confirmation Of The Plan**

12 For a Plan to be confirmed, the Plan must satisfy the requirements stated in Bankruptcy
13 Code §1129. In this regard, the Plan must satisfy, among other things, the following
14 requirements:

15 1. **Best Interests Of Creditors And Liquidation Analysis**

16 Pursuant to Bankruptcy Code §1129(a)(7), for the Plan to be confirmed, it must provide
17 that Creditors will receive at least as much under the Plan as they would receive in a liquidation
18 of the Debtor under Chapter 7 of the Bankruptcy Code. As set forth in Section XIV.A, the Debtor
19 believes that the distributions to Creditors under the Plan will exceed the recoveries which
20 Creditors would receive in a Chapter 7 liquidation of the Debtor and its Estate.

21 Notwithstanding the Debtor’s belief that the Plan provides an equal or better return to
22 Creditors than they can otherwise receive under Chapter 7, there can be no assurances that the
23 Bankruptcy Court will conclude that the “best interests of creditors” test has been met. The test
24 will be the subject of evidence presented in conjunction with the Confirmation Hearing.

25 2. **Plan Feasibility**

26 Bankruptcy Code §1129(a)(11) includes what is commonly described as the “feasibility”
27 standard. When the feasibility standard applies, it requires that confirmation of a plan will not be
28 followed by liquidation or the need for further financial reorganization unless the plan provides

1 for that alternative. The Debtor believes that its Plan satisfies the feasibility requirements of
2 Bankruptcy Code §1129(a)(11).

3 Attached to this Disclosure Statement as **Exhibit 4** is the Debtor's projected cash flow as
4 of the Effective Date of the Plan (assumed to be approximately January 2, 2013) if the Golf Club
5 does not make the § 1111(b) election, and **Exhibit 5** is the Debtor's projected cash flow as of the
6 Effective Date of the Plan (assumed to be approximately January 2, 2013) if the Golf Club does
7 not make the § 1111(b) election. These projections were prepared by the Debtor and include
8 projections of the expected results of operations of the Debtor.

9 Based on the results of operations and cash flows, the Debtor believes that the Plan
10 complies with the financial feasibility standards for confirmation set forth in § 1129(a)(11) of the
11 Bankruptcy Code. The Debtor believes that the assumptions are reasonable, that the projections
12 are attainable by Reorganized Debtor on an operational basis and that Reorganized Debtor will
13 have sufficient funds available to meet its obligations under the Plan. Specifically, the Debtor has
14 projected its revenues based on the projected average sale of 51 Lots over five (5) years.
15 Debtor's current and forecasted expenses are based on historical average expenses.

16 THE PROJECTIONS AND ANALYSES CONTAINED HEREIN SHOULD NOT BE
17 REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTOR,
18 REORGANIZED DEBTOR, OR ANY OTHER PERSON, INCLUDING ANY
19 PROFESSIONALS EMPLOYED BY, OR ANY OFFICERS, DIRECTORS, EMPLOYEES OR
20 OTHER REPRESENTATIVES OF SUCH PARTIES, THAT ANY PROJECTED RESULTS OF
21 OPERATIONS OR RECOVERIES WILL BE REALIZED. ACTUAL RESULTS ACHIEVED
22 BY REORGANIZED DEBTOR MAY VARY MATERIALLY FROM THE PROJECTED
23 RESULTS. HOLDERS OF CLAIMS MUST MAKE THEIR OWN DETERMINATIONS AS
24 TO THE REASONABLENESS OF THE ASSUMPTIONS UNDERLYING THE
25 PROJECTIONS IN REACHING THEIR DECISION OF WHETHER TO ACCEPT OR REJECT
26 THE PLAN.

1 3. **Accepting Impaired Class**

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

6 **D. Confirmation Over Dissenting Class (Cram Down)**

7 Even if an impaired Class of Claims does not accept the Plan, the Bankruptcy Court
8 nevertheless may confirm the Plan at the Debtor's request. Bankruptcy Code §1129(b) provides
9 that if all other requirements of Bankruptcy Code §1129(a) are satisfied and if the Bankruptcy
10 Court finds that: (i) the Plan does not discriminate unfairly; and (ii) the Plan is fair and equitable
11 with respect to the rejecting Class(es) of Claims impaired under the Plan, the Bankruptcy Court
12 may confirm the Plan despite the rejection of the Plan by a dissenting impaired Class.

13 1. **No Unfair Discrimination**

14 A plan of reorganization "does not discriminate unfairly" if: (i) the legal rights of a non-
15 accepting class are treated in a manner that is consistent with the treatment of other classes whose
16 legal rights are related to those of the non-accepting class; and (ii) no class receives payments in
17 excess of those which it is legally entitled to receive on account of its Claims. The Debtor asserts
18 that under the Plan: (a) all Classes of impaired Claims are being treated in a manner which is
19 consistent with the treatment of other similar Classes of Claims; and (b) no Class of Claims will
20 receive payments or property with an aggregate value greater than the sum of the Allowed Claims
21 in the Class. The Debtor believes that the Plan does not discriminate unfairly as to any impaired
22 Class of Claims.

23 2. **Fair And Equitable**

24 The Bankruptcy Code establishes different "fair and equitable" tests for creditors as
25 follows:

26 a. **Secured Creditors**

27 Either: (i) each impaired Secured Creditor retains its lien and receives deferred cash
28 payments having a present value equal to the amount of its Allowed Secured Claim; (ii) each

1 hearing on confirmation of the Plan, the Bankruptcy Court will determine whether the Plan
2 satisfies the statutory requirements for confirmation of the Plan.

3 **XII. RISK FACTORS**

4 As with any restructuring, the restructuring of the Debtor involves a degree of risk, and
5 this Disclosure Statement and certain of its Exhibits contain forward-looking statements that
6 involve risks and uncertainty. The actual results of the Plan could differ significantly from those
7 anticipated as a result of a variety of factors, including those set forth in the following risk factors
8 and elsewhere in this Disclosure Statement. **HOLDERS OF CLAIMS SHOULD CONSIDER
9 CAREFULLY THE FOLLOWING FACTORS, IN ADDITION TO THE OTHER
10 INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, BEFORE
11 SUBMITTING A VOTE TO ACCEPT OR REJECT THE PLAN.**

12 **A. Reorganization Factors**

13 As with any plan of reorganization or other financial transaction, there are certain risk
14 factors that must be considered. All risk factors cannot be anticipated, some events will develop
15 in ways that were not foreseen, and many or all of the assumptions that have been used in
16 connection with this Disclosure Statement and the Plan may not prove correct in the future.
17 While efforts have been made to be reasonable in selecting assumptions, there can be no
18 assurance that subsequent events will match those assumptions. Holders of Claims should be
19 aware of some of the principal risks associated with the reorganization which include:

20 There is a risk that one or more of the required conditions or obligations under the Plan
21 will not occur, or not be satisfied and not waived, which will result in the Plan not being
22 confirmed.

23 The total amount of all Claims filed in this case may be significantly in excess of the
24 estimated amounts of Allowed Claims assumed when the Plan was developed and when the
25 valuation estimates were developed. The actual amount of all Allowed Claims in any Class may
26 differ significantly from the estimates provided in this Disclosure Statement. Accordingly, the
27 amount and timing of the distributions that will ultimately be received by any particular holder of
28

1 an Allowed Claim in any Class may be materially and adversely affected should the estimates be
2 exceeded as to any Class. See “OVERVIEW OF THE PLAN – Implementation of Plan –” above.

3 A number of other uncertainties may adversely affect the Debtor’s future operations,
4 including, without limitation, economic recession, increased competition, adverse regulatory
5 agency actions, acts of God, or similar circumstances. Many of these factors would be
6 substantially beyond the Debtor’s control, and a change in any factor or combination of factors
7 could have a material adverse effect on the Debtor’s financial condition, cash flows, and results of
8 operations.

9 There can be no assurance that the Debtor will be able to continue to generate sufficient
10 funds to meet its obligations and necessary capital expenditures. Although the Debtor’s financial
11 projections assume that the Debtor will generate sufficient funds to meet its working capital needs
12 for the foreseeable future, its ability to gain access to additional capital, if needed, cannot be
13 assured.

14 **B. Leverage**

15 The Debtor’s ability satisfy its debt obligations will depend upon its future operating
16 performance, which will be affected by prevailing economic conditions and financial, business
17 and other factors, certain of which are beyond the Debtor’s control. The Debtor believes that
18 cash flow from operations together with its other available sources of liquidity, will be adequate
19 to make required payments on Allowed Claims under the Plan, to fund anticipated capital
20 expenditures and to meet working capital requirements, although there is no assurance that this
21 will be the case. To the extent that cash flow from operations is insufficient to satisfy the
22 Debtor’s cash requirements, the Debtor may seek to raise additional cash through other methods
23 of financing. No assurance can be given that any such financing will be available to the Debtor at
24 the time or times needed or on terms acceptable to the Debtor.

25 **C. Projected Financial Information**

26 The financial projections attached as Exhibits 3 and 4 to this Disclosure Statement depend
27 on the successful implementation of the business plan and the validity of the other assumptions
28 contained in it and in the Plan. These projections reflect numerous assumptions, including

1 Confirmation of the Plan, and consummation of the Plan in accordance with its terms, the
2 anticipated future performance of the Debtor, general business and economic conditions, and
3 other matters, many of which are beyond the Debtor's control.

4 Included with Exhibit 4 is a specific fiscal year budget for fiscal years ending
5 December 31, 2012 through 2017 prepared by the Reorganized Debtor disclosing projected
6 budgeted expenses. Included with Exhibit 5 is a specific fiscal year budget for fiscal years ending
7 December 31, 2012 through 2017 prepared by the Reorganized Debtor disclosing projected
8 budgeted expenses.

9 These projected budgets set forth the specific assumptions that the Debtor makes on an
10 annual basis. The Debtor does not anticipate any immediate extraordinary expense to be suffered
11 at or about the time of confirmation because of deferred maintenance. In addition, unanticipated
12 events and circumstances occurring after the preparation of the projections may affect the actual
13 financial results ultimately achieved. Although the Debtor believes that the projections are
14 reasonably attainable, variations between actual financial results and those projected may occur
15 and be material.

16 The Debtor's budget for the current fiscal year ending December 31, 2012 is a balanced
17 budget on a cash flow basis. *See* Exs. 2, 3. The Debtor expects to meet this budget.

18 **D. Certain Bankruptcy-Related Considerations**

19 1. **Risk of Non-Confirmation of the Plan**

20 Although the Debtor believes that the Plan will satisfy all requirements necessary for
21 confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will
22 reach the same conclusion. Amendments to the Plan may also be required by the Bankruptcy
23 Court for confirmation, and these amendments could adversely affect the holders of Claims'
24 rights to receive money and other property under the Plan. Any amendment may also necessitate
25 the re-solicitation of votes.

1 2. **Nonconsensual Confirmation**

2 Some Classes could choose not to accept the Plan. The Bankruptcy Court could still
3 confirm the Plan even though that Class rejected the Plan in the following circumstances (in
4 accordance with § 1129(b) of the Bankruptcy Code):

5 at least one impaired Class accepts the Plan (without including the acceptance of any
6 “insider” in such Class) and

7 with respect to each impaired Class that has not accepted Plan, the Bankruptcy Court
8 determines that the Plan does not discriminate unfairly and is fair and equitable with respect to
9 rejecting impaired Classes.

10 If any Class fails to accept the Plan in accordance with § 1129(a)(8) of the Bankruptcy
11 Code, the Debtor reserves the right to request confirmation of the Plan in accordance with the
12 circumstances described above and § 1129(b) of the Bankruptcy Code.

13 **XIII. TAX CONSEQUENCES OF THE PLAN**

14 It is not practicable to present a detailed explanation of all of the possible federal income
15 tax ramifications of the Plan and the following is only a summary discussion of certain of the
16 significant consequences which may affect Creditors and others. This summary is based upon
17 laws, regulations, rulings, and decisions now in effect and upon proposed regulations, all of
18 which are subject to change (possibly with retroactive effect) by legislation, administrative action,
19 or judicial decision.

20 Under present law, there is uncertainty surrounding many of the tax consequences.
21 Further, this summary does not discuss all aspects of federal taxation which may be relevant to a
22 particular Creditor; and the federal income tax consequences to any particular Creditor may be
23 affected by special considerations not discussed below. For example, certain types of Creditors
24 (including non-resident aliens, foreign corporations, broker-dealers, financial institutions, life
25 insurance companies, and tax-exempt organizations) may be subject to special rules not discussed
26 herein. In addition to the federal income tax consequences, the transactions contemplated herein
27 may have significant state and local tax consequences which are not discussed in this Disclosure
28

1 Statement. Neither a ruling from the Internal Revenue Service nor an opinion of counsel has been
2 requested with respect to the federal income tax consequences of the Plan.

3 ACCORDINGLY, ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR
4 OWN INDIVIDUAL TAX ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL,
5 STATE, AND LOCAL TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO THEIR
6 CLAIM(S). NEITHER THE DEBTOR NOR THE DEBTOR'S COUNSEL OR OTHER
7 FINANCIAL ADVISORS MAKE ANY REPRESENTATIONS REGARDING THE
8 PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF
9 THE PLAN AS TO ANY CREDITOR, NOR ARE THE DEBTOR OR THE DEBTOR'S
10 COUNSEL RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX
11 CONSEQUENCES.

12 **XIV. ALTERNATIVES TO THE PLAN AND CONSEQUENCES OF REJECTION**

13 If the Plan is not confirmed or consummated, the alternatives include: (i) liquidation of
14 Debtor under Chapter 7 of the Bankruptcy Code; or (ii) confirmation of an alternative Chapter 11
15 plan.

16 **A. Liquidation Under Chapter 7**

17 In evaluating the Plan, the Debtor has considered the alternative of a liquidation of the
18 Debtor's assets under Chapter 7 of the Bankruptcy Code. The Debtor believes that the Plan will
19 significantly enhance the prospects for recovery, which may be achieved under the Chapter 11
20 Plan as opposed to a Chapter 7 liquidation.

21 In a Chapter 7, an independent trustee would be appointed to liquidate the estate. The
22 Chapter 7 trustee would make all of his or her own decisions with respect to the liquidation of the
23 estate, the hiring of professionals, the pursuit of any claims or litigation, the payment of or
24 objection to Claims, and the distribution of any ultimate dividend. The Chapter 7 trustee would
25 be paid pursuant to the provisions of the Bankruptcy Code, although, in certain circumstances, a
26 Chapter 7 trustee can apply to the Bankruptcy Court for a different type of compensation.

27 It is difficult to compare with any certainty what Creditors might receive under a
28 Chapter 7 liquidation versus what Creditors will receive under the Plan. The Debtor believes,

1 however, that the Plan will result in a timelier and greater ultimate recovery to Creditors than
2 would be the case under Chapter 7.

3 As set forth in the June, July, August, and September Monthly Operating Reports,
4 attached hereto as Exhibit 6, Debtor has approximately \$14,815.48 in its cash accounts.
5 Additionally, as set forth in Debtor's Schedules, the Debtor's primary asset is the Real Property,
6 which Debtor estimates has a value of approximately \$3,150,000. FRPOA and the Golf Club
7 assert a lien in the Real Property, and Debtor owes outstanding prepetition real property taxes in
8 the amount of approximately \$48,396.99.

9 The Debtor believes that the commission, closing costs and transaction fees associated
10 with selling the Real Property would total approximately \$681,000. Accordingly, the Debtor
11 projects an estimated liquidated value of \$2,469,000. The foregoing does not include the
12 additional administrative expenses associated with a Chapter 7 liquidation, which would further
13 reduce the potential distributions to holders of Allowed Claims.

14 Debtor's only other assets are the judgments it holds against Master Estates, the
15 Steinbrunners, and Gryffon Property Management, and the Goetts. The Court has approved
16 Debtor's motion seeking to settle the judgment against the Steinbrunners, (D.E. No. 143), and
17 Debtor has receiving net proceeds from that settlement in the amount of \$62,370 along with
18 \$14,715 from a proof of claim filed in the Steinbrunners bankruptcy proceeding, for a total of
19 \$77,085. Debtor has analyzed the judgments that Debtor holds against Master Estates, Gryffon
20 Property Management, and the Goetts and believes that these judgments likely will be
21 uncollectable or, at minimum, any funds received from these judgments will be of
22 inconsequential value.

23 In the event of a Chapter 7 Liquidation, the Debtor estimates that the secured creditors
24 would receive, at most, \$2,469,000, leaving approximately \$77,085.21 for Debtor's other
25 creditors. The Debtor anticipates that the \$77,085.21 would be used entirely to pay
26 administrative expense claims, such as Debtor's attorneys' fees and costs, Chapter 7
27 administrative expenses, and any other administrative expense claims accrued during the
28

1 pendency of this case.² Thus, under a Chapter 7 Liquidation, Debtor anticipates that the general
2 unsecured creditors would not receive any distributions

3 In light of the foregoing, the Debtor believes that the Plan provides a recovery, at least
4 equal to, if not better than, a Chapter 7 Liquidation for the holders of Claims and Equity Interests.

5 **B. Alternative Plans**

6 If the Plan is not confirmed, the Debtor could attempt to formulate a different plan of
7 reorganization. The Debtor believes, however, that significant additional costs, risks and delays
8 would be incurred in connection with an alternative plan, and that no party in interest has more
9 incentive to create the best possible plan for Creditors than the Debtor.

10 With this in mind, the Debtor believes that it is highly unlikely that any alternative plan
11 could be developed that would provide greater value or certainty of closure than the Plan prepared
12 by the Debtor.

13 **XV. RECOMMENDATION AND CONCLUSION**

14 The Debtor sincerely believes that the Plan is the best possible means of satisfying the
15 Claims of Creditors. Therefore, the Debtor recommends confirmation of the Plan and urges all
16 holders of Impaired Claims to vote to accept the Plan, and to indicate that acceptance by returning
17 their Ballots so that they are received by no later than the Voting Deadline.

18 [remainder of page intentionally left blank- signature page follows]
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25 ² For example, in its Application for Payment of Administrative Claims, the Golf Club has
26 asserted that it is owed administrative expenses in the amount of \$111,339 for claimed
27 postpetition golf membership dues, homeowners' association dues, and waste water assessments.
28 Debtor has objected to the Application for Payment of Administrative Claims. Debtor reserves
the right to contest the total amount of the administrative expense claim asserted by the Golf
Club. However, Debtor recognizes that some portion of these asserted expenses will be classified
as administrative expense claims.

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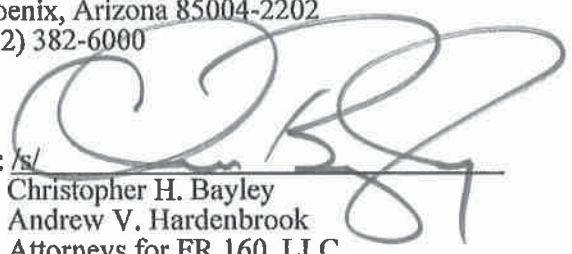
DATED this 19th day of October, 2012.

FR 160, LLC, an Arizona limited liability company,



By: Lawrence D. Bain
Managing Director
ITH Partners, LLC
Authorized Representative of Debtor FR 160, LLC

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