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

10 In re:
11 **GRANITE DELLS RANCH HOLDING,**
LLC, et al.,

12
13 **Debtor**
14

Chapter 11
Case No. 2:12-bk-04962-RTBP

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17 **DEBTOR'S CONSOLIDATED DISCLOSURE STATEMENT**
18 **TO ACCOMPANY PLAN OF REORGANIZATION**
19 **DATED SEPTEMBER 26, 2012**
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26 DISCLOSURE STATEMENT: SEPT 26, 2012

Case No. 2-12-BK-04962-RTBP

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EXHIBITS

Exhibit	Description
1	Plan of Reorganization
2	Property Map
3	Description of AED Claim Disputes
4	Debtor Financial Statements
5	Projected Cash Flows and Distributions
6	Biographical Summaries of Proposed Management
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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA**

In re:

**GRANITE DELLS RANCH
HOLDING, LLC.,**

Debtor

Chapter 11

Case No. 2:12-bk-04962-RTBP

**DEBTOR'S CONSOLIDATED DISCLOSURE
STATEMENT TO ACCOMPANY PLAN OF
REORGANIZATION
DATED SEPTEMBER 26, 2012**

GRANITE DELLS RANCH HOLDING, LLC, Debtor and Debtor in Possession in these chapter 11 proceedings ("**Debtor**"), files this Consolidated Disclosure Statement to Accompany Debtor's Plan of Reorganization, dated September 26, 2012 (the "**Plan**").

I. INTRODUCTION.

Debtor is disseminating this Disclosure Statement pursuant to § 1125 of the Bankruptcy Code to provide holders of claims against, and interests in, Debtor with sufficient information to permit them to cast votes to accept or reject the Plan. The Bankruptcy Court has approved this Disclosure Statement for use in this context and has also established a deadline for casting ballots on the Plan. These dates are set forth on the Order and Notice sent with this Disclosure Statement. The Plan is attached as Exhibit 1.

A. BACKGROUND SUMMARY.

Debtor was formed as an Arizona limited liability company in July 2004 and acquired approximately 15,000 acres in Yavapai County, Arizona, near the city of Prescott (the "**Property**") in May 2006, with cash and a seller carryback note for approximately \$83 million. The Property is depicted on Exhibit 2 hereof. Debtor

1 intended to obtain entitlements for the Property and then develop and subdivide the
2 Property for mixed residential and commercial use. Debtor's development plans were
3 significantly delayed by a sharp downturn in real estate values in the state and
4 nationwide occurring from 2007 through 2011. Debtor continued to develop
5 conceptual plans for the Property and obtained some entitlements, annexation of a
6 part of the Property by the City of Prescott, and a favorable alignment plan for future
7 Arizona Department of Transportation improvements for the SR 89A freeway
8 interchange to be placed entirely within the Property

9 In 2008, however, Debtor had insufficient funds to continue payments on the
10 seller carryback note. Debtor and the sellers thereafter negotiated a number of
11 extensions and restructuring of the note and successfully avoided legal action through
12 2010. In 2011, Debtor and the sellers continued their negotiations, seeking to agree
13 to a significant principal reduction that would permit Debtor to pay the sellers the
14 reduced amount through a re-financing.

15 In January 2012, the sellers instead sold the note to Arizona Eco Development,
16 LLC ("**AED**"), an Arizona limited liability company formed by Robert Stuart Swanson
17 for the purpose of acquiring the note. Thereafter, AED commenced proceedings for a
18 trustee sale and, shortly thereafter, commenced judicial proceedings for the
19 appointment of a receiver. These chapter 11 proceedings were commenced shortly
20 after AED initiated the judicial and trustee sale proceedings.

21 For reasons described hereafter, Debtor believes that AED is entitled to a Claim
22 against Debtor only in the amount that AED paid to acquire the note and claim, which
23 Debtor believes is approximately \$28.5 to \$31 million. AED is expected to contest
24 Debtor's position and instead assert that its claim should be allowed in the full amount
25

1 of all principal, interest and charges of over \$127 million, according to AED's Proof of
2 Claim (Claim # 9 in Claims Register).

3 In the accompanying Plan, Debtor proposes to re-structure the seller carryback
4 note and provide for the payment in full of the Allowed Secured Claim in quarterly
5 installments and in "partial release" payments from the proceeds of each sale of a
6 parcel or tract. The Plan provides for payment of the carryback note over eight (8)
7 years unless AED's Secured Claim is Allowed for the full amount asserted by AED, in
8 which case the claim would be paid out over no more than 25 years.

9 The Plan provides for payment to unsecured creditors (including any unsecured
10 claim of AED) in quarterly installments over eight (8) years aggregating \$5 million.
11 However, the Plan provides that a holder of an investment promissory note (estimated
12 to total approximately \$21 million) (an "**Investor Claim**") will be given the option of
13 participating in the funding of the Reorganized Debtor. A holder of an Investor Claim
14 who elects to participate in the funding shall become a member with a share of profits
15 pro rated among all new equity contributors. An electing holder of an Investor Claim
16 will also participate in distributions with other unsecured creditors, based on the
17 amount of accrued and unpaid interest such holder is owed.

18 The Plan provides that each existing member and holder of an interest in
19 Debtor (a "**Direct Equity Holder**") shall retain its interests in the Reorganized Debtor
20 only if such holder participates in the funding of additional equity.

21 The Plan also provides that each member (an "**Indirect Equity Holder**") of a
22 Direct Equity Holder shall be given the opportunity to participate in the funding of the
23 Reorganized Debtor to the extent its Direct Equity Holder does not elect to participate.
24 An Indirect Equity Holder who elects to participate will become a member of the
25

1 Reorganized Debtor with a share of profits pro rated among all new equity
2 contributors.

3 Thus, the Plan permits each **Direct Equity Holder, Indirect Equity Holder and**
4 **each holder of an Investor Claim** to elect to participate in new money funding in
5 exchange for a pro rata share of equity. **Direct Equity Holders and Indirect Equity**
6 **Holders** who elect not to participate, will receive nothing for their equity interests and
7 will have their interests cancelled.

8 Based upon Debtor's development plans and the projections prepared by
9 Debtor's staff and consultants, Debtor estimates that a maximum of \$10 million of new
10 money, over three years, will be sufficient to complete development and make
11 payments under the Plan. The Plan accordingly provides for raising up to this amount
12 through equity and investor participation and through third party loans or new equity
13 investments.

14 **B. CLAIMS AND INTERESTS.**

15 The Plan provides that each Claim against, or Interest in, Debtor will be placed
16 in one of several Classes. The Plan also specifies the treatment provided for each
17 such Class. The Classes and their treatment are described in the Plan and below, in
18 section IV.B.

19 **1. Unclassified Claims and Other Priority Claims.**

20 The Plan identifies Administrative Claims and Tax Claims as Claims that are not
21 classified in the Plan, in accordance with § 1123(a)(1) of the Bankruptcy Code. The
22 Plan provides for the payment in full of these Claims. Administrative Claims are
23 payable on or before the Effective Date of the Plan except as otherwise provided in
24

1 the Plan or as otherwise agreed. Tax Claims are payable with interest in quarterly
2 installments through the fifth (5th) anniversary of the Effective Date.

3 The Plan identifies a third class of possible Priority Claims, consisting of Wage
4 Claims (Class 1.01), although Debtor believes that no Wage Claims exist. Should a
5 Wage Claim be Allowed, it would be paid in full on the Effective Date.

6 **2. Secured Claims.**

7 The Plan identifies three general groups of Secured Claims, which may or may
8 not exist: Lessor Secured Claims (Class 2.01), Deposit Secured Claims (Class 2.02),
9 and Secured Tax Claims. (Class 2.03), treated as follows:

- 10 • Lessor Secured Claims (secured claims arising in the context of a "lease
11 agreement" that is re-characterized as a financing instrument will be paid
12 in the amount Allowed as a Secured Claim in monthly installments over
13 the term of the lease agreement (including any options to extend). Debtor
14 does not believe any such Claims exist.
- 15 • Deposit Secured Claims will be paid through permitting the holders of
16 such Claims to apply the deposit in payment of the Claim. Debtor
17 believes that no such Claims exist.
- 18 • Secured Tax Claims will be paid in full in quarterly installments, with
19 interest at the rate specified in the applicable statutes, over a period
20 concluding on the fifth (5th) anniversary of the Petition Date. Debtor
21 believes that pre-petition property taxes (whether treated as Priority Tax
22 Claims or Secured Tax Claims) aggregate about \$10,000.

23 The Plan further identifies the Secured Claim of Sonoran Pacific (Class 2.05)
24 and Claims of AED as the AED Secured Claim (Class 2.04). These Secured Claims

1 are treated separately so that the Secured Claim of each shall be paid in full in
2 installments as summarized below:

3 **Sonoran Pacific's Claim** is secured by a lien on certain equipment and other
4 personal property of the Debtor. Debtor believes that the value of Sonoran Pacific's
5 collateral significantly exceeds the amount of its Claim, estimated at \$7,500. The Plan
6 provides for the payment in full of the Allowed Amount of such Claim in equal quarterly
7 installments commencing as of the Payment Commencement Date and continuing
8 each quarter until the third (3rd) anniversary of the Effective Date with interest at the
9 Secured Claim Rate (defined in the Plan).

10 The amount and treatment of the **AED Secured Claim** will depend on (i)
11 whether the holder of the Claim makes a valid election to have the claim treated in
12 accordance with §1111(b) of the Bankruptcy Code, (ii) the amount of the total Allowed
13 Claim, (iii) the value of AED's interest in the Property (the "**Creditor Value**"), meaning
14 the lesser of (a) the Allowed Amount of AED's Secured Claim or (b) the value of
15 AED's collateral, and (iv) the rate of interest applied to the Creditor Value (the
16 "**Secured Claim Rate**").

17 The Plan provides for payment in full of the AED Secured Claim in through (i)
18 partial release payments as portions of the Property are sold, and (ii) minimum
19 quarterly payments.

20 **Partial Release Payments for AED Secured Claim.**

21 Beginning on the closing of the first sale of any parcel of the Property, the
22 Reorganized Debtor will be required to pay a portion of the proceeds to the holder of
23 the AED Secured Claim, based on a percentage of the Creditor Value. The applicable
24 percentages are set forth in Exhibit A to the Plan and have been calculated based
25

1 upon the relative value of each tract of the Property multiplied by 125% of the Creditor
2 Value as ultimately determined by the Bankruptcy Court.

3 **Minimum Quarterly Payments.**

4 If the §1111(b) election is not applicable, the amount of the AED Secured Claim
5 will be equal to the lesser of (i) the Allowed Amount of the AED total Claim, or (ii) the
6 Creditor Value. In this event, the Plan provides that, beginning ninety (90) days after
7 the Effective Date, the Reorganized Debtor will be required to make minimum
8 quarterly payments each equal to that amount which, if paid quarterly over eight (8)
9 years, would pay the full amount of the AED Secured Claim with interest. For
10 example, if the AED Allowed Claim is determined to be \$28 million and the Secured
11 Claim Rate is determined to be 5%, the minimum quarterly payment would be
12 \$1,076,021.

13 If the §1111(b) election is applicable, each minimum quarterly payment will be
14 equal to that amount which, if paid quarterly over twelve (12) years, would pay the full
15 amount of the Creditor Value with interest. For example, if the Creditor Value is
16 determined to be \$28 million and the Secured Claim Rate is determined to be 5%, the
17 minimum quarterly payment would be \$779,261. Payments at this rate would
18 continue until the date (the "**Creditor Value Payment Date**") upon which the
19 aggregate of all payments made equals the Creditor Value with interest at the
20 Secured Claim Rate.

21 After the Creditor Value Payment Date, the amount of the minimum quarterly
22 payment would be adjusted to be that amount which, if paid quarterly from the
23 Creditor Value Payment Date until the 25th anniversary of the Effective Date would
24 fully pay the balance of the AED Secured Claim (without interest) as such balance

1 existed on the Creditor Value Payment Date. These payments would continue until
2 the AED Secured Claim has been paid in full or, if earlier, until the 25th anniversary of
3 the Effective Date.

4 For example, if (i) the Creditor Value was determined to be \$28 million, (ii) the
5 Secured Claim Rate was determined to be five percent (5%), (iii) the AED Secured
6 Claim was determined to be \$130 million, and (iv) the Creditor Value Payment Date
7 occurs on the tenth (10th) anniversary of the Effective Date, the total payments as of
8 such date would have equaled approximately \$35,750,000 and the balance of the
9 AED Secured Claim would be \$94,250,000. The quarterly minimum payment after the
10 Creditor Value Payment Date would thus equal \$1,570,833 (\$94,250,000 divided by
11 the 60 quarters remaining until the 25th anniversary).

12 **Coordination of Minimum Quarterly Payments and Partial Release**
13 **Payments.**

14 Because the partial release payments and the minimum quarterly payments are
15 potentially duplicative, the amount the Reorganized Debtor is required to pay, in each
16 quarter and for each parcel sale, is subject to the following limitations: Each payment
17 shall be limited so that such payment, when added to all previous payments made,
18 shall result in total payments equal to the greater of (i) the minimum quarterly payment
19 amount multiplied by the number of quarters that have passed since the Effective
20 Date, or (ii) the cumulative total of partial release payments calculated under the
21 above provisions.

1 such Claim shall also receive distributions from the Unsecured Creditor fund *pro rata*
2 with holders of Investor Claims and General Claims.

3 General Claims (Unsecured Claims without priority not otherwise classified in
4 the Plan) shall be classified in Class 3.04. The holders of such Claims shall also
5 receive distributions from the Unsecured Creditor fund *pro rata* with holders of
6 Investor Claims and the AED Unsecured Claim.

7 The amount of distributions to holders of Allowed Unsecured Claims will vary
8 substantially based upon the amount, if any, of the AED Unsecured Claim. If AED
9 elects treatment under § 1111(b) of the Bankruptcy Code, no AED Unsecured Claim
10 would exist. If AED's Claim is limited to the amount AED paid to acquire the Claim, it
11 is likely that, again, no AED Unsecured Claim would exist. If no AED Unsecured
12 Claim exists, distributions to Unsecured Creditors from the Unsecured Creditors fund
13 would equal approximately 25% of the amount of the Allowed Claims. Otherwise, the
14 AED Unsecured Claim would likely be Allowed in an amount of approximately \$90
15 million. In such event, distributions to unsecured creditors would aggregate less than
16 5% of the Allowed Amount of such Claims.

17 The *pro rata* amount distributable to holders of Unsecured Claims can also be
18 affected to the extent that holders of Investor Claims elect to be Participating
19 Investors. For purposes of distribution from the Unsecured Creditor Fund, the *pro rata*
20 share of Participating Investors is limited to the amount of such Investor's Allowed
21 Claim that is attributable to accrued and unpaid interest as of the Petition Date. Thus,
22 for example, if holders of 50% of the Investor Claims elect to participate, the
23 aggregate amount of such Claims included in determining *pro rata* distributions would
24 be reduced by approximately \$10 million.

1 The Plan provides that the amount of the Unsecured Creditor Fund shall be
2 increased to the extent the Bankruptcy Court determines that the current market value
3 of Debtor's real property exceeds the sum of all Priority and Secured Claims by more
4 than \$5 million. If, for example, the Bankruptcy Court found that the value of the
5 Property equals \$40 million, the AED Secured Claim was limited to \$28.5 million and
6 Priority Claims totaled \$1.5 million, the amount of the Unsecured Creditors Fund
7 would be increased to \$10 million and the distributions estimated above would be
8 doubled.

9 **4. Equity Interests.**

10 Interests in Debtor are divided into two classes:

11 Direct Equity Interests (the Interests of the members of Debtor) are classified in
12 Class 4.01. Each holder of a Class 4.01 Interest will receive nothing on account of its
13 Interests unless, and to the extent, such holder elects to be a Participating Equity
14 Holder, contributes to the funding of the Reorganized Debtor in accordance with the
15 terms of the Plan, and agrees to the other terms provided in the Plan for Participating
16 Equity Holders. To the extent that a holder of a Direct Equity Interest does not elect to
17 be a Participating Equity Holder, each holder of an equity interest in such member,
18 referred to in the Plan as an Indirect Equity Holder, shall be entitled to become a
19 member of Debtor and receive an Interest in Reorganized Debtor if, and to the extent,
20 such holder elects to be a Participating Equity Holder and participates in the funding of
21 the Reorganized Debtor.

22 Equity Conversion Interests (the Interests of Investors who have a right to
23 conversion of their note to an equity interest in Debtor or a member of Debtor) are
24 classified in Class 4.02. Each holder of a Class 4.02 Interest will receive nothing on
25

1 account of its Interests unless, and to the extent, such holder elects to be a
2 Participating Equity Holder, contributes to the funding of the Reorganized Debtor in
3 accordance with the terms of the Plan, and agrees to the other terms provided in the
4 plan for Participating Equity Holders.

5 **C. PLAN FUNDING AND NEW EQUITY INTERESTS.**

6 The Plan provides that the operations of the Reorganized Debtor will be funded
7 from revenues from mining and grazing leases, sale of parcels of the Property, loans
8 from third parties, and equity contributions made by Participating Investors and
9 holders of Interests that elect to contribute additional capital and to participate on the
10 terms described in the Plan. The amount and terms of these contributions are
11 generally described below and provided for in detail in the Plan. Currently, Debtor
12 receives approximately \$1.5 million in funds from mining and grazing leases and
13 Debtor anticipates that this amount will continue for the next several years.

14 **1. Funding Amount and Timing.**

15 Based upon Debtor's analysis and projections for the development of the
16 Property, the Plan requires commitments for up to \$12 million in additional funds to be
17 contributed from third party loans and additional capital contributions from
18 Participating Investors and holders of Interests. Debtor anticipates that it will be able
19 to borrow approximately \$2 million of these funds. Borrowings prior to the Effective
20 Date will be subject to approval of the Bankruptcy Court under § 364 of the
21 Bankruptcy Code.

22 The balance of funds needed would be raised through new money contributions
23 of Participating Investors and holders of Interests. The Plan provides that these funds
24 would be payable as follows: \$5 million on the Effective Date of the Plan; and \$5
25

1 million on the first anniversary of the Effective Date. To the extent that additional
2 funds are required after the first anniversary of the Effective Date, Debtor anticipates
3 that such additional funds will be obtained through capital calls or additional loans..

4 Interests in the Reorganized Debtor would be allocated *pro rata* among
5 Participating Investors and participating holders of Interests based upon their
6 respective new money contributions, subject to any commitments made under loan
7 agreements approved by the Bankruptcy Court prior to the Effective Date. Should
8 equity interests be oversubscribed, equity interests would be allocated on the
9 percentages provided in Exhibit B to the Plan.

10 **D. VOTING ON PLAN AND MAKING ELECTIONS.**

11 Only holders of impaired Claims or Interests are entitled to vote on the Plan. A
12 holder of a Claim or Interest entitled to vote may do so by completing and delivering
13 the accompanying ballot form in the manner and within the time specified in the
14 accompanying notice. If you are the holder of a Claim or Interest entitled to vote, **your**
15 **vote on the Plan is important.**

16 The Plan also provides that holders of Interests and holders of Investor Claims
17 may elect the treatment of their Interest or Claim. The deadline for making these
18 elections is set for October 15, 2012 or such other date as may be subsequently
19 designated. **Your election is important and will affect your rights if the Plan is**
20 **approved.**

21 **E. CONTENT AND USE OF DISCLOSURE STATEMENT.**

22 This Disclosure Statement is designed to afford creditors and holders of equity
23 interests with adequate information to make an informed judgment about the Plan.
24 Creditors and Interest holders are urged to read the Plan in its entirety. In the event of
25

1 a conflict between the Plan and the Disclosure Statement, the terms of the Plan and
2 the Order of the Bankruptcy Court confirming the Plan shall control.

3 **1. Outline of Disclosure Statement.**

4 Section II of the Disclosure Statement provides historical information regarding
5 Debtor's organization, business, assets and liabilities, and the circumstances
6 surrounding the filing of these bankruptcy proceedings. Section III summarizes
7 developments during the course of the Chapter 11 case. Section IV summarizes the
8 provisions of the Plan, including the classification and treatment of Claims and
9 Interests. Section V contains financial information regarding Debtor and describes
10 projections of distributions under the Plan based upon the assumptions identified in
11 the projections. Section VI identifies the current and intended future management of
12 Debtor. Section VII discusses the legal requirements for approval and confirmation of
13 the Plan. Section VIII discusses tax consequences of the Plan. Section IX discusses
14 certain claims bar dates and Effective Date issues raised by the Plan. Section X
15 discusses possible alternatives to the Plan. Section XI contains Debtor's
16 recommendation with respect to the Plan.

17 **2. Defined Terms.**

18 Most words or phrases used in this Disclosure Statement have their usual and
19 customary meanings. Words or phrases with initial capital letters have the definitions
20 set forth in the Plan or in the Bankruptcy Code.

21 **3. Other Plan Provisions.**

22 The Plan also contains various provisions relating to the determination of
23 certain issues germane to Confirmation of the Plan, including interest rates and the
24 amounts of Secured Claims, the procedures for the allowance and determination of
25

1 claims, and provisions specifying the Effective Date of the Plan. Reference is made to
2 the more detailed description following and the Plan for a description of such
3 provisions.

4 **F. MATTERS MERITING SPECIAL ATTENTION.**

5 Creditors and other interested parties are urged to read the entire Disclosure
6 Statement and the Plan. The following matters are considered of special importance:

7 **DEADLINE FOR SUBMITTING BALLOTS**

8 **EXECUTED BALLOTS MUST BE RECEIVED NO LATER THAN 5:00**
9 **P.M., MOUNTAIN STANDARD TIME ON THE DUE DATE SET BY THE**
10 **COURT. SINCE MAIL DELAYS MAY OCCUR, BALLOTS SHOULD BE**
11 **MAILED OR DELIVERED WELL IN ADVANCE OF THE SPECIFIED**
12 **DATE. ANY BALLOTS RECEIVED AFTER THE DUE DATE MAY NOT**
13 **BE INCLUDED IN ANY CALCULATION TO DETERMINE WHETHER**
14 **THE CREDITORS HAVE VOTED TO ACCEPT OR REJECT THE PLAN.**

15 **IMPORTANCE OF VOTE**

16 **YOUR VOTE IS IMPORTANT AND MAY DETERMINE WHETHER THE**
17 **PLAN IS CONFIRMED. YOU ARE URGED TO STUDY THE PLAN**
18 **CAREFULLY AND TO CONSULT WITH YOUR COUNSEL ABOUT ITS**
19 **IMPACT UPON YOUR LEGAL RIGHTS BEFORE VOTING.**

20 **IMPORTANCE OF ELECTIONS**

21 **IF YOU ARE THE HOLDER OF AN INVESTOR CLAIM OR AN**
22 **INTEREST IN DEBTOR, THE PLAN PROVIDES FOR YOUR ELECTION**
23 **OF THE TREATMENT OF SUCH CLAIM OR INTEREST. YOU ARE**
24 **URGED TO STUDY THE PLAN CAREFULLY AND TO CONSULT WITH**
25 **YOUR COUNSEL ABOUT ITS IMPACT UPON YOUR LEGAL RIGHTS**
26 **BEFORE VOTING.**

27 **HEARING ON CONFIRMATION OF PLAN**

THE BANKRUPTCY COURT WILL HOLD A HEARING ON
CONFIRMATION OF THE PLAN COMMENCING AT THE TIME AND
PLACE STATED IN THE ACCOMPANYING ORDER AND NOTICE.
THE HEARING MAY BE CONTINUED FROM TIME TO TIME
THEREAFTER WITHOUT FURTHER NOTICE EXCEPT AS GIVEN IN

1 OPEN COURT. THE PLAN SHALL NOT BE EFFECTIVE UNLESS THE
2 COURT ENTERS AN ORDER CONFIRMING THE PLAN.

3 **NO OTHER REPRESENTATIONS AUTHORIZED**

4 NO REPRESENTATIONS CONCERNING DEBTOR OR THE PLAN
5 ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS
6 DISCLOSURE STATEMENT. YOU SHOULD NOT RELY ON ANY
7 ADDITIONAL REPRESENTATIONS OR INDUCEMENTS TO SECURE
8 YOUR VOTE ON THE PLAN.

9 **ABSENCE OF AUDITED FINANCIAL INFORMATION**

10 THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT
11 BEEN SUBJECTED TO A CERTIFIED AUDIT. SUCH INFORMATION
12 AND OTHER STATEMENTS ARE BASED UPON DEBTOR'S BOOKS
13 AND RECORDS AND THE ESTIMATES AND ASSUMPTIONS
14 STATED. ALL INFORMATION IS ACCURATE TO THE BEST
15 KNOWLEDGE, INFORMATION AND BELIEF OF DEBTOR,
16 ALTHOUGH DEBTOR IS UNABLE TO WARRANT THAT NO
17 INACCURACIES EXIST.

18 **NO OBLIGATION TO SUPPLEMENT**

19 THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT
20 ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS
21 SPECIFIED HEREIN. NEITHER DELIVERY OF THIS DISCLOSURE
22 STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN
23 CONNECTION WITH THE PLAN SHALL UNDER ANY
24 CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS
25 BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN
26 SINCE THE DATE OF THIS DISCLOSURE STATEMENT AND THE
27 MATERIAL RELIED UPON IN PREPARATION OF THIS DISCLOSURE
STATEMENT WERE COMPILED. DEBTOR ASSUMES NO DUTY TO
UPDATE OR SUPPLEMENT THE DISCLOSURES CONTAINED
HEREIN AND DO NOT INTEND TO UPDATE OR SUPPLEMENT THE
DISCLOSURES.

**NO INDEPENDENT VERIFICATION BY COURT OR
SECURITIES AND EXCHANGE COMMISSION**

THE COURT HAS NOT VERIFIED THE ACCURACY OF THE
INFORMATION, AND THE COURT'S APPROVAL OF THIS
DISCLOSURE STATEMENT MEANS ONLY THAT, IF THE

1 INFORMATION IS ACCURATE, IT IS SUFFICIENT TO PROVIDE AN
2 ADEQUATE BASIS FOR CREDITORS AND INTEREST HOLDERS TO
3 MAKE INFORMED DECISIONS WHETHER TO ACCEPT OR REJECT
4 THE PLAN. THIS DISCLOSURE STATEMENT HAS NOT BEEN
5 APPROVED OR DISAPPROVED BY THE SECURITIES AND
6 EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED
7 ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS IN IT.

8 **II. STRUCTURE, ASSETS AND LIABILITIES.**

9 **A. FORMATION AND EQUITY OWNERSHIP.**

10 Debtor is a limited liability company organized under the laws of Arizona,
11 formed on July 14, 2004. Its members are as follows: Cavan Management Services,
12 LLC ("**CMS**") as member and manager, and Tri-City Investment & Development, LLC
13 ("**Tri-City**"); Granite Dells Equity Group, LLC ("**GDEG**") and Granite Dells Investors,
14 LLC ("**GDI**"), as additional members. In September of 2009, CMS assigned its profit
15 distribution and liquidation rights in the Debtor to Cavan Management Company, LLC
16 ("**CMC**") and Debtor subsequently amended its Articles of Organization to reflect
17 CMC's interest in the profits of the Debtor. CMS remains the manager and a member
18 of Debtor. AED disputes the facts surrounding the assignment to CMC and also has
19 challenged the legal effect of such assignment.

20 Debtor has granted conversion rights to certain holders of promissory notes
21 issued by Debtor to Persons interested in investing in Debtor's business. The holders
22 of these conversion rights, if exercised, would be entitled to convert their notes to
23 equity interests through GDI and the resulting dilution of equity interests would be
24 divided among CMS and Tri-City. As a result, current equity interests and fully diluted
25 interests (assuming 100% exercise of conversion rights) are as follows:

MEMBERS OF DEBTOR		
Member	Current %¹	Diluted %
CMS	39.25%	31.50%
Tri-City	39.25%	31.50%
GDEG	6.00%	6.00%
GDI	15.50%	31.00%
Total	100.00%	100.00%

Tri-City is a limited liability company organized under the laws of Arizona, formed on September 12, 2001. In 2004, Tri-City entered into an agreement with the Original Owners to acquire the Property. Shortly thereafter, Tri-City was unable to make the payments provided for in the agreement or otherwise comply with the agreement and sought the assistance and participation of CMS to provide funding and other assistance in connection with the acquisition of the Property. CMS and its affiliates provided funds and expertise and, in 2005, the Tri-City operating agreement was modified to add Cavan Prescott Investors, LLC as a member of Tri-City. In May 2006, Tri-City assigned its rights under the Original Owner agreement to Debtor, which completed and closed the purchase of the Property in exchange for its equity interest in the Debtor. GDEG and GDI received equity interests in Debtor in exchange for funds provided to fund the acquisition of the Property. The members agreed that the equity share of CMS and Tri-City would be diluted in exchange for additional capital contributions to the extent made by GDI.

Currently, the members of Tri-City, and their respective equity interests in Tri-City are as follows:

MEMBERS OF TRI CITY	
Member	Current %

¹ The current percentage assumes that there will be no further GDEG or GDI contributions pursuant to section 2.2 of the Operating Agreement of Granite Dells Ranch Holdings, LLC.

MEMBERS OF TRI CITY	
Member	Current %
RKS Inc. or Robert Stewart Swanson	11.01635%
Nancy O. Swanson Family LP	13.09350%
Michael W. Fann ²	13.26979%
Tack Family LLC(Arnold)	13.26979%
Ranchvest, LLC	8.53839%
Madison Land Company, LLC	2.8830%
Erickson Family Trust	13.26979%
Othmar Iseli	9.65909%
John F. Whitney	1%
Hays Revocable Living Trust	1.5%
Sullins Revocable Trust	1.%
Levy Family Trust	1.%
Cavan Prescott Investors, LLC	10.5%
Total	100.00%

B. THE PROPERTY.

1. Acquisition and Description.

Debtor is the owner of the Property, which is depicted on Exhibit 2. The Property lies within an overall area approximately 4 miles wide by 10 miles long. The Property borders the City of Prescott on the west and southwest, the Town of Prescott Valley on the east and southeast, and Chino Valley on the north. The Property contains a variety of pristine views, including dramatic granite rock formations in the "Dells", located in the southwest area of the property.

The Property was purchased for \$107,000,000 in May of 2006. Debtor paid \$21,400,000 at closing and executed a purchase note in the amount of \$83,220,534 to the Sellers: Granite Dells Ranch of Yavapai County Arizona, Inc., and Point of Rocks

² Fann collaterally assigned his interest in Tri-City to the Debtor to secure Promissory Note in the original principal amount of \$2,199,490. The subject Promissory Note is in default.

1 Ranch Company, Inc. (the "Original Owners") for the balance of the purchase price
2 (the "Note"). The Note is secured by the Deed of Trust filed against the Property and a
3 Partial Collateral Assignment of License Agreement for the extraction of aggregates
4 with Hanson Aggregates of Arizona, Inc., referred to herein as the mining lease.

5 **2. Development Events.**

6 **a. The GDRH Interchange**

7 In 2007 the City of Prescott ("City") was prepared to design and construct a new
8 traffic interchange at the intersection of Highway 89A freeway and Side Road on the
9 western edge of the Property. Pursuant to an existing development agreement, the
10 City had an obligation to build the interchange to provide freeway access to a
11 development called Centerpoint East. Had the interchange been built where originally
12 planned, the Property would have had limited direct access to the interchange.

13 Through a series of meetings and negotiations with the City, the Manager of
14 Debtor convinced the City to move the interchange approximately one-half mile to the
15 east. This placed the interchange in the center of a section of the Property located a
16 short distance south and east of the Prescott Airport. As part of the negotiations,
17 Debtor agreed to donate the land that would be required for the interchange, rather
18 than paying a portion of the construction cost.

19 As a result of these efforts, Debtor was able to create significant additional
20 value on the Property consisting of the following elements:

- 21 • All four corners at the interchange lie within the Property;
22 • Property incurred virtually no out-of-pocket expense for an interchange
23 costing approximately \$20 million;

1 • An interior road connecting the interchange through the Property was
2 constructed at no cost to the Property;

3 • Several building pads in the vicinity of the interchange were graded at no
4 cost to the Property;

5 • Land surrounding the interchange was subsequently rezoned as
6 commercial property which will be very attractive to buyers because of the interchange
7 access.

8 ***b. Other Developments enhancing the Property***

9 Since 2006, the value of the Property has been enhanced by the following
10 developments:

- 11 • In 2009, an annexation, zoning and development agreement was
12 completed with the City of Prescott for a 500-acre commercial site;
- 13 • The initiation of actions to obtain final approval from the City of Prescott
14 to complete the transfer of Watson Lake surface water rights to assure
15 water rights that will service approximately 800 acres of land in the "Dells"
16 area;
- 17 • Negotiation of an option for Northern Arizona Healthcare to acquire 12
18 acres as a hospital site in the interchange area;
- 19 • Negotiations for annexation of a portion of the Property by the Town of
20 Prescott Valley anticipated to be complete in 2012 or 2013;
- 21 • Negotiations with the Arizona Department of Transportation to identify the
22 likely alignment of a limited access transportation corridor and
23 interchanges which will traverse the Property from the Glassford Hill area
24 of Prescott Valley in the south to Chino Valley in the north;

- The sale of 125 acres near Prescott Airport for use as solar farm, which sale closed in December 2010; and
- The sale of approximately 2 acres south of the Prescott Airport in early 2011.

C. DEVELOPMENT OBSTACLES.

1. General

Since Debtor's acquisition of the Property, Debtor has encountered a number of significant obstacles. Most importantly, Debtor has been confronted with the dramatic decline in real estate values in Arizona and particularly in the Prescott area. Sales of existing residential properties dropped dramatically beginning in late 2006 and have only begun a modest improvement beginning in the last quarter of 2011. Residential construction declined even more dramatically. Commercial development in the Prescott area has similarly been affected by double digit declines in volume and values.

The economic declines have contributed to additional obstacles, including an inability to refinance the Property, to make significant commitments to development expenses, and to obtain water rights and other essential entitlements.

In September 2011, Debtor obtained a restricted format appraisal of the Property from a reputable and qualified source indicating that the market value of the Property, as of August 19, 2011, was \$27,450,000. A copy of the appraisal was furnished to the Original Owners and to Stuart Swanson. Debtor believes that the Property is likely worth between \$27 million and \$35 million, based upon Debtor's parcel-by-parcel development plan, current market conditions, and current rates of return expected by property developers.

1 As the discussions with Mr. Swanson continued in September and October,
2 Debtor was continuing its negotiations with the Original Owners. The negotiations
3 with the Original Owners led to an exchange of proposals requiring the reduction of
4 the note balance to between \$30 to \$35 million and an immediate sale or payment of
5 the restructured note.

6 At the end of November 2011, Mr. Swanson insisted on meeting directly with
7 the Original Owners. At about the same time, Mr. Swanson withdrew from further
8 negotiations of his participation with Debtor in the note restructure. Instead, in
9 December 2011, Mr. Swanson met with the Original Owners and proposed to
10 purchase the note himself. Mr. Swanson eventually completed the purchase in
11 January 2012 and immediately commenced foreclosure proceedings. AED disputes
12 the factual background of these negotiations.

13 **D. REASONS FOR FILING CHAPTER 11**

14 Debtor was notified by AED (as successor to Mr. Swanson in the
15 purchase of the note) in January 2012 that AED had initiated action to foreclose on
16 the Property by trustee sale under the Deed of Trust. Shortly thereafter, AED
17 commenced receivership proceedings against Debtor.

18 These sudden events and the long term issue of restructuring the seller
19 carryback note caused Debtor to commence these chapter 11 proceedings.

20 **III. POST PETITION OPERATIONS AND DEVELOPMENTS.**

21 **A. DEVELOPMENTS IN THE CHAPTER 11 CASES.**

22 This Article III provides a summary of material developments during the course
23 of the bankruptcy proceedings. Interested parties may obtain additional information
24 regarding matters before the Bankruptcy Court by examination of the pleadings,
25

1 orders and notices listed on the docket sheets available for internet review through the
2 website for the Bankruptcy Court for the District of Arizona, at
3 <http://www.azb.uscourts.gov>. A separate docket sheet is maintained for activities and
4 pleadings in the case under the name and docket number for the Chapter 11 Case, *In*
5 *re Granite Dells Ranch LLC*, Case No. 2-12-04962-RTBP.³

6 **1. Bankruptcy Filings and Continuation of Operations.**

7 Debtor filed a voluntary Chapter 11 case on March 13, 2012 (the "**Petition**
8 **Date**"). Debtor has continued to operate its business as the Debtor In Possession, as
9 provided in §§ 1107(a) and 1108 of the Bankruptcy Code. Debtor has continued to be
10 managed by its manager and respective members in accordance with its
11 organizational documents and applicable state law, subject to the provisions of the
12 Bankruptcy Code and orders of the Bankruptcy Court.

13 **2. Schedules, Statement of Affairs.**

14 Debtor filed the required schedules and statements of affairs on April 5, 2012
15 (Dkt # 48).

16 **3. Use of Cash Collateral.**

17 On or about May 17, 2012, Debtor filed a Motion for Interim and Final Orders
18 Authorizing Use of Cash Collateral (Dkt #114) seeking court approval to use certain
19 revenues and proceeds to pay necessary expenses related to the Property. On May
20 22 and 23, 2012, AED filed "responses" to this motion and a hearing was conducted
21 by the Bankruptcy Court on May 23, 2012. On or about May 29, 2012, Debtor and
22 AED agreed to Debtor's use of collateral and the Court entered a Stipulated Order
23

24 _____
25 ³ References to the Docket Sheet are designated (Dkt # NNNN), corresponding to the docket number assigned
by the Clerk of the Bankruptcy Court.

1 Authorizing Use of Cash Collateral (Dkt # 131). The stipulated order authorized
2 Debtor to pay electric utility fees and deposits, monthly insurance premiums and fence
3 repair costs and miscellaneous expenses through July 31, 2012. The stipulated order
4 also authorized Debtor to pay the sum of \$3,200 to the Arizona State Land
5 Department relative to Debtor's ground lease.

6 **4. Estate Professionals.**

7 During the course of these proceedings, Debtor has employed attorneys, and
8 other professionals to assist in the management of these bankruptcy proceedings and
9 to provide other professional services. Sections 327 and 328 of the Bankruptcy Code
10 authorize Debtor, as representative of the bankruptcy estate, to employ attorneys,
11 accountants and other professionals, subject to various restrictions. In most
12 instances, Debtor may employ professionals, and agree to the terms of compensation,
13 only with approval of the Bankruptcy Court. Professionals must generally be
14 disinterested persons and must seek approval of their compensation through
15 applications after notice and hearing. Professionals employed by Debtor-in-
16 Possession provide their services to the bankruptcy estate. Debtor has been
17 authorized by the Court to employ certain "ordinary course" professionals and have
18 also requested, and received, court approval for the employment of the following
19 professionals:

20 On March 14, 2012, Debtor filed its application to approve the employment of
21 **Stinson Morrison Hecker, L.L.P.**, as bankruptcy counsel (Dkt # 5). On March 15,
22 2012, AED filed its "response" to the application (Dkt # 9). Thereafter, on April 24,
23 2012, the Bankruptcy Court approved of the application effective March 13, 2012 (Dkt
24 # 81).

1 On April 24, 2012, Debtor filed its application to employ **Gregory W. Huber,**
2 **P.C.**, as special real estate counsel (Dkt #80). On April 26, 2012, the Bankruptcy
3 Court approved of the application effective March 13, 2012 (Dkt # 93). On April 25,
4 2012, Debtor filed its application to employ Cohen Kennedy Dowd & Quigley as
5 special litigation counsel to evaluate and prosecute a lawsuit against AED and others
6 (Dkt #85). On May 2, 2012, the Bankruptcy Court approved of this application (Dkt
7 #99).

8 **5. AED Motions for Relief from Stay and to Dismiss Case.**

9 On March 16, 2012, AED filed a Motion For Relief From Stay (Dkt #11). This
10 stay relief motion argued, among other things, that Debtor did not have proper
11 authorization to file its bankruptcy petition and that the bankruptcy petition was filed in
12 bad faith. On March, 30, 2012, Debtor filed its objection to AED's first stay relief
13 motion denying the bad faith allegations of AED (Dkt # 35). The parties have
14 conducted extensive discovery and filed a Joint Pre-Trial Statement on May 25, 2012
15 (Dkt # 129). An evidentiary hearing on this matter occurred on August 28, 2012 at
16 9:00 a.m. and remains pending awaiting the completion of a briefing schedule.

17 On June 13, 2012, AED filed a second Motion For Relief From Stay (Dkt # 143).
18 The second stay relief motion alleges that Debtor does not have a reasonable
19 possibility of confirming a plan of reorganization within a reasonable time. Debtor
20 disputes these allegations. On June 27, 2012, Debtor filed its objection to AED's
21 second stay relief motion disputing AED's allegations (Dkt # 166). A hearing on this
22 matter and remains pending awaiting the completion of a briefing schedule.

23 On June 27, 2012, AED filed its Motion to Dismiss Case (DKT# 167). This
24 motion reiterated AED's argument in its first stay relief motion that Debtor did not have
25

1 proper authorization to file its bankruptcy petition and argued, among other things, that
2 CMS the Debtor's Manager, is incapable of managing the Debtor. On July 20, 2012,
3 Debtor filed its response to AED's motion to dismiss disputing AED's allegations (Dkt
4 # 187). A hearing on this matter occurred on August 28, 2012 at 9:00 a.m. After the
5 close of evidence, the Bankruptcy Court authorized the parties to submit written
6 argument on the issues presented. An initial round of briefs have been filed and a
7 reply round is scheduled to take place in the near future.

8 **6. Plans of Reorganization.**

9 Debtor filed its initial plan of reorganization on June 11, 2012 (Dkt # 139) and its
10 proposed disclosure statement to accompany its June 11, 2012 plan on June 18,
11 2012. AED filed the only objection to Debtor's proposed disclosure statement on July
12 20, 2012 (Dkt # 191). At the initial hearing on the adequacy of Debtor's disclosure
13 statement held on July 27, Debtor agreed to update and supplement various
14 disclosures as incorporated in this document. Also at the July 27 hearing Debtor
15 agreed to terminate Debtor's exclusive right to propose a plan pursuant to § 1121 of
16 the Bankruptcy Code. The termination of exclusivity allows any party to propose a
17 plan of reorganization in this case. Tri-City filed its competing plan of reorganization
18 (DKT# 220) and accompanying disclosure statement (DKT# 221) on August 3, 2012.

19 Since August 3, Debtor and Tri-City have submitted various supplements and
20 amendments to the plans and disclosure statements, with final versions for both
21 parties being submitted by September 26. The parties anticipate that the Bankruptcy
22 Court will consider approval of both disclosure statements sometime in October.

1 total revenue for the benefit of the Debtor. The Bankruptcy Court granted this motion
2 at its hearing on July 27, 2012 (Dck # 213).

3 **9. Possible Mediation Process.**

4 During the hearing on July 27, the Bankruptcy Court instructed Debtor, Tri-City
5 and AED to advise the Court whether mediation among these parties should be
6 ordered. Mediation took place and did not result in a settlement.

7 **10. AED Action Against CMS.**

8 On or about July 10, 2012, AED acquired the Claim against Debtor held
9 previously by Spruce Avenue Limited Partnership in the asserted amount of \$241,000.
10 Debtor has been informed that AED acquired such claim for \$40,000 in cash, without
11 recourse or warranty. The assignment of claim included rights asserted against CMS
12 as guarantor of the claim.

13 On or about July 25, 2012, AED commenced proceedings in an Arizona state
14 court seeking the appointment of a receiver of CMS, purportedly to enforce the
15 acquired claim. On August 2, 2012, CMS removed the proceedings to the Bankruptcy
16 Court.

17 Debtor believes that AED has acquired the claim and commenced the action to
18 interfere with CMS' management of Debtor and/or to create legal uncertainty as to
19 who is entitled to manage Debtor and direct these Chapter 11 proceedings.
20 Accordingly, CMS removed the state court proceeding to the Bankruptcy Court and
21 Debtor filed a complaint seeking injunctive relief. The Bankruptcy Court heard
22 argument on these matters and determined to remand the case against CMS to the
23 State Court with directions that any receiver appointed by the State Court would not
24 participate or interfere with the management of Debtor.

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11. CMS Chapter 11 Filing.

On September 11, CMS filed its own Chapter 11 case. Case No. 2-12-20222-
CGC. Debtor has asked that the CMS case be jointly administered with Debtor's case
because of a substantial overlap in factual and legal issues presented. AED opposed
the joint administration motion, which has been submitted to the Bankruptcy Court and
is currently under consideration.

12. Claim Objection.

On August 24, 2012, Debtor filed its Objection to AED's Claim and Complaint
for Equitable Subordination. (Adversary 2:12-ap-01515) (the "**Claim Objection**"). The
Claim Objection disputes AED's Claim for \$127,337,491.91 and requests that such
claim be limited to the amount AED paid to acquire the Claim. Exhibit 3 attached
hereto provides a summary of the factual and legal basis for the Claim Objection.

13. Complaint Against AED et al.

On August 24, 2012, Debtor filed a complaint against AED, Swanson and other
parties (the "**Constructive Trust Complaint**") seeking monetary recovery and
equitable relief based upon fraud, breach of fiduciary duty, constructive trust, tortious
interference with business expectancy, breach of contract, breach of the implied
covenant of good faith and fair dealing, aiding and abetting fraud, aiding and abetting
breach of fiduciary duty, and negligent misrepresentation. The Constructive Trust
Complaint also seeks a declaration that Swanson acquired the promissory note in
constructive trust for Debtor, and also seeks compensatory and punitive damages.

1 The factual basis for Debtor's contentions are summarized in the Claim Objection and
2 in the Constructive Trust Complaint. Exhibit 3 attached hereto provides a summary of
3 the factual and legal basis for the Constructive Trust Complaint.

4 5 **14. Tri-City Request for Recognition of Constructive Trust.**

6 On August 24, 2012, Tri-City filed a disclosure statement (Dkt # 249) to
7 accompany its amended plan of the same date (Dkt # 248). The Disclosure Statement
8 provides, in part, as follows:

9 Tri-City's Plan proposes a settlement with Arizona Eco and others,
10 recognizing that Arizona Eco's acquisition of the mortgage note was
11 accomplished as the agent and constructive trustee of the Debtor. (p. 6)

12 Debtor believes that the settlement proposed by Tri-City would be based on the
13 factual and legal assumptions set forth in the Claims Objection and the Constructive
14 Trust Complaint.

15 **IV. DESCRIPTION OF THE PLAN.**

16 The following section of the Disclosure Statement contains a description of
17 certain pertinent provisions of the Plan of Reorganization. The Plan itself is attached
18 hereto as Exhibit 1. Creditors and other parties in interest are encouraged to read the
19 Plan in its entirety. In case of a conflict between the description in this summary and
20 the terms of the Plan, the terms of the Plan control the interpretation of the Plan.

21 **A. GENERAL SUMMARY.**

22 The Plan provides for the continuation of the management and development of
23 the Property by Debtor under restructured debt terms and with additional equity being
24 contributed by Participating Investors and Equity Holders choosing to participate in the
25

1 funding of the Reorganized Debtor. Priority Claims will be paid in full on the Effective
2 Date or in installments over specified periods. Secured Claims will be paid in full in
3 accordance with the provisions of §1129(b)(2)(A) of the Bankruptcy Code, in
4 installments over time and as parcels of the Property are sold. Holders of Unsecured
5 Claims will receive installments payments over eight (8) years from the Unsecured
6 Creditor Fund, to be funded by Debtor in the aggregate amount of \$5 million, or
7 greater depending upon circumstances described herein. Holders of Investor Claims
8 and holders of equity interest will be provided an election to participate in the funding
9 of approximately \$10 million over two years, to cover payments to creditors and other
10 anticipated costs of development of the Property. The Interests of Equity Holders who
11 do not choose to participate in the funding of the Reorganized Debtor will be cancelled
12 and such Equity Holders will receive nothing on account of their Interests.

13 The amount to be paid to the holder of the AED Claims will be determined on
14 the basis of several key determinations, to be made by the Bankruptcy Court or to be
15 resolved by settlement subject to Bankruptcy Court approval:

16 The amount of the AED Claim is subject to Bankruptcy Court determination,
17 which may limit the amount of the Allowed Claim to the amount paid by AED to
18 acquire the Claim from the Original Owners, which Debtor believes to be
19 approximately \$28.5 million. Alternatively, the Claim may be Allowed in the full
20 amount of the Claim, with interest, fees and charges, in an amount asserted by AED
21 to equal or exceed \$127 million.

22 The amount of the Allowed AED Claim that is treated as an Allowed Secured
23 Claim is also subject to the determination of the Bankruptcy Court of the value of the
24 collateral for such Claim (referred to in the Plan and herein as the "**Creditor Value**").

1 The amount of the Secured Claim will be limited to the lesser of the Allowed Amount
2 of the AED Claim (as described in the preceding paragraph) or the Creditor Value.
3 Debtor estimates that the value of the collateral and, thus, the Creditor Value, could
4 be determined by the Court based upon evidence presented and could range from
5 \$25 million to \$40 million.

6 If the holder of the AED Claim elects treatment under §1111(b), the Claim would
7 become a non-recourse Claim in the full amount of the AED Claim and the holder
8 thereof would be entitled to receive installment payments over a specified period
9 aggregating the amount of the AED Secured Claim. Additionally, the holder of the
10 AED Claim would be entitled to require that the present value of these installment
11 payments equal at least the Creditor Value.

12 The determination of the Creditor Value depends, in part, upon the
13 determination by the Bankruptcy Court of a rate of interest that would assure that the
14 value of installment payments has the required present value. Debtor believes that an
15 interest rate of five percent (5%) would be appropriate but the holder of the AED
16 Secured Claim would be entitled to introduce evidence to support a different rate.

17 The Plan provides that the treatment of the AED Secured Claim shall comply
18 with the provisions of §1129(b)(2)(A) of the Bankruptcy Code in all possible
19 resolutions of these issues. If the Bankruptcy Court determines that the AED Claim
20 should be limited to the amount paid to acquire the Claim (estimated to be \$28
21 million), the Plan provides that the holder of the Claim will receive quarterly payments
22 and partial release payments over eight (8) years equal to the amount of such Claim
23 plus interest at the Secured Claim Rate. If the Bankruptcy Court determines that the
24 AED Secured Claim is equal to the Creditor Value, the Plan provides that the quarterly
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1 payments and partial release payments will be adjusted to insure that the amount of
2 the Secured Claim is paid with interest at the Secured Claim Rate. In this event, the
3 balance of the Allowed AED Claim would be treated as an Unsecured Claim and the
4 holder would be entitled to pro rata distributions from the Unsecured Creditor Fund. If
5 the Bankruptcy Court determines that the holder of the AED Secured Claim is entitled
6 to and has made the §1111(b) Claim and that the AED Secured Claim should be
7 Allowed in the amount asserted by AED, the Plan provides that the holder of such
8 Claim would receive quarterly payments and partial release payments over twelve
9 (12) years or less that have a present value equal to the Creditor Value of the AED
10 Claim plus interest at the Secured Claim Rate. Thereafter, the holder of the AED
11 Claim would continue to receive quarterly payments and partial release payments that
12 will result in total payments equal to the Allowed AED Claim over a period of twenty-
13 five) years. In such event, the holder of the AED Claim would not have an Allowed
14 Unsecured Claim and the Unsecured Creditor Fund would be prorated among other
15 holders of Unsecured Claims.

16 Equity Interests in the Reorganized Debtor shall be allocated among
17 Participating Investors and holders of existing equity interests solely on the basis of
18 their respective participation in the funding of the Reorganized Debtor. Persons
19 electing to participate in such funding will be required to fund their respective shares in
20 installments, commencing on the Effective Date, and then on the first anniversary of
21 the Effective Date. To the extent additional funds are needed after the first
22 anniversary date, the Reorganized Debtor may make capital calls to members or
23 borrow funds.

1 agrees to a less favorable treatment. Fees and expense payable to professionals
2 under §§ 330, 331, or 503(b)(4) of the Bankruptcy Code shall be paid only pursuant to
3 Court authorization.

4 The Plan provides that Cure Payments (payments to cure defaults under
5 assumed leases and executory contracts) will be paid on the Effective Date, or when
6 determined, or within a reasonable period of time.

7 The Plan provides that, except as otherwise ordered by the Bankruptcy Court or
8 as agreed with the Person entitled, Cure Payments on account of defaults under
9 assumed leases of non-residential real property will be paid in six monthly installments
10 beginning a month after the Effective Date.

11 Debtor estimates that Professional Fee Claims will approximate \$900,000 on
12 the Effective Date and that other Administrative Claims, including any Cure Payments,
13 shall not exceed \$20,000.

14 In accordance with § 1123(a)(1), Administrative Claims are not designated as a
15 class, their required treatment under the Plan is governed by § 1129(a)(9)(A), and
16 holders of such Claims are not entitled to vote on the Plan.

17 ***b. Priority Tax Claims.***

18 Tax Claims consist of unsecured Claims of governmental units entitled to
19 priority treatment under § 507(a)(8). Under § 1129(a)(9)(C), priority tax claims are
20 required to be paid in full on the Effective Date or within five years after the filing of the
21 bankruptcy petitions. The Plan complies with this provision by providing for payment
22 of Priority Tax Claims for property taxes in equal quarterly installments commencing
23 three months after the Effective Date and continuing thereafter for a period ending on
24 the fifth anniversary of the Petition Date. The Plan provides that such installments

1 shall include payment of interest at the rate specified by statute, which generally is
2 sixteen percent (16%) per annum. Debtor estimates that the only Tax Claims against
3 Debtor are Secured Tax Claims and that no Priority Tax Claims will be Allowed.

4 In accordance with § 1123(a)(1), Priority Tax Claims are not designated as a
5 class, their required treatment under the Plan is governed by § 1129(a)(9)(C), and
6 holders of such Claims are not entitled to vote on the Plan.

7 Debtor believes that Priority Tax Claims and Secured Tax Claims have been
8 paid during the course of these proceedings except as noted in the summary of
9 Claims for each Debtor Group previously provided.

10 **2. Other Priority Claims.**

11 Section 507 of the Bankruptcy Code identifies one additional Class of Claims
12 entitled to payment with priority over all other claims, consisting of Wage Claims.
13 Wage Claims be paid in full on the Effective Date of the Plan, pursuant to
14 § 1129(a)(9)(A) and (B) of the Bankruptcy Code, unless the holders of such Claims
15 agree to a different treatment. Debtor believes that no Wage Claims exist.

16 **3. General Secured Claims.**

17 Secured claims, as defined in §§ 506 and 1111 of the Bankruptcy Code, consist
18 of claims secured by liens or other security interests in property of the Estate. Under
19 § 506(a) of the Bankruptcy Code, a secured claim is ordinarily limited to the lesser of
20 (i) the amount of the claim secured, together with interest and costs, or (ii) the value of
21 the collateral, as determined by the Court. If the value of the collateral is less than the
22 amount of the claim, the balance of the claim is treated as an unsecured claim.

1 The Plan identifies and separately classifies three general classes of possible
2 Secured Claims. Debtor believes that no such Claims exist. The Plan also identifies
3 the AED Secured Claim and the Sonoran Pacific Secured Claim as Secured Claims.

4 **a. Class 2.01. Lessor Secured Claims.**

5 The Plan classifies claims arising from "equipment lease agreements" that are
6 re-characterized as secured transactions as Class 2.01 Claims. Debtor may have
7 interests in certain equipment through "equipment leases," some of which provide for
8 an option to acquire the equipment at the end of the lease term for a nominal amount.
9 Under applicable law, such agreements are often re-characterized as a purchase of
10 the equipment on terms.

11 Debtor does not anticipate that they will request re-characterization of any of
12 "equipment leases," which will be assumed or rejected on or before the Effective Date.
13 Nevertheless, the Plan provides that, if any such leases are re-characterized, the
14 holders of such claims will receive payment in the amount of the Allowed Secured
15 Claim, with interest at a rate determined in accordance with the Plan, in monthly
16 installments over the balance of the lease term.

17 The Class 2.01 Claims are impaired.

18 **b. Class 2.02. Deposit Secured Claims.**

19 The Plan classifies claims secured by deposits furnished to the holder thereof
20 as Class 2.02 Claims. The Plan provides that the holders of such claims will be
21 entitled, on the Effective Date, to apply the deposits in full payment of the secured
22 portion of their claims. In the event that the total claim exceeds the amount of the
23 deposit, the balance of the claim shall be treated as a Class 3.04 Claim. Debtor
24 believes that there are no Deposit Secured Claims.

1 If any Class 2.02 Claims exist, such Claims are impaired.

2 **c. Class 2.03. Secured Tax Claims.**

3 The Plan classifies claims of governmental authorities for taxes that are secured
4 by liens imposed as a matter of law as Class 2.03 Claims. The Plan provides that
5 these claims will be treated in the same manner as Tax Claims, except that the holder
6 will retain a lien on any collateral to secure payment of the amounts provided for in the
7 Plan. Debtor estimates that pre-petition property taxes on the Property are
8 approximately \$10,000.

9 The Class 2.03 Claims are impaired

10 **d. Class 2.04. AED Secured Claim.**

11 Debtor anticipates that the holder of the AED Claim, Debtor and other parties to
12 this case will actively seek to resolve disputes about the amount of the AED Claim.
13 These efforts are expected to include negotiations regarding the transfer of portions of
14 the Property to AED, or Persons designated by AED, in satisfaction or partial
15 satisfaction of an agreed-upon Secured Claim for AED. These negotiations are also
16 expected to include terms and provisions regarding the management of the
17 Reorganized Debtor and the development of the Property. If these efforts to resolve
18 disputes are successful (in whole or in part) and such resolutions are approved by the
19 Bankruptcy Court, the provisions of the Plan, particularly those relating to the
20 treatment of the AED Claim, shall be subject to substantial changes.

21 If Debtor is unable to reach agreement with AED or if an agreement is not
22 approved by the Bankruptcy Court, the Plan provides for determination and treatment
23 of the AED Secured Claim on terms consistent with the provisions of §1129(b)(2)(A) of
24 the Bankruptcy Code, as follows:

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- The Bankruptcy Court shall determine the Allowed Amount of the AED Secured Claim, the Creditor Value of the collateral for the Claim, and the Secured Claim Rate for the Allowed AED Secured Claim. To the extent necessary, the Bankruptcy Court may determine the method of calculating Partial Release Payments.
 - Based upon these determinations, the Reorganized Debtor will be required to make minimum quarterly payments to the holder of the Allowed AED Secured Claim commencing on the Payment Commencement Date and continuing for up to eight (8) years, or twenty-five (25) years if the election under § 1111(b) is applicable.
 - Also based on the above-determinations, the Reorganized Debtor will be required to make Partial Release Payments upon the sale of any portion of the Property. The amount per acre required to be paid on a sale will be determined based upon the percentage of the Creditor Value represented by the parcel to be sold, multiplied by 125%. Upon payment of the required amount, the lien for the holder of the AED Secured Claim shall be released as to the property to be sold.
 - The minimum quarterly payments and the partial release payments will be adjusted so that, with each payment, the amount of the payment is adjusted so that the aggregate amount paid through such payment will equal the greater of the cumulative minimum quarterly payment or the cumulative partial release payment.
 - Payments will continue until the earliest to occur of (i) the payment in full of the Allowed Secured Claim; (ii) the eighth (8th) anniversary of the

1 Effective Date, if the §1111(b) election is not applicable, or (iii) the twenty-
2 fifth (25th) anniversary of the Effective Date.

- 3 • The holder of the Claim will retain its security interest in existing
4 collateral.

5 As mentioned above in section III.A.7, Debtor has entered into an agreement to
6 sell approximately 1200 acres of the Property for \$12 million, subject to the approval
7 of the Bankruptcy Court. The Plan provides that, if such sale is approved for cash, \$5
8 million of the proceeds of such sale shall be paid on account of the AED Secured
9 Claim and treated as a Partial Release Payment under the Plan. The Plan also
10 provides that if the sale is made and AED exercises any right it may have to credit bid,
11 the credit bid shall be applied as a Partial Release Payment.

12 The AED Secured Claim is impaired.

13 **e. Class 2.05. Sonoran Pacific Secured Claim.**

14 The Plan separately classifies the secured claim of Sonoran Pacific Resources,
15 LLP. The Plan provides that the holder of the Sonoran Pacific Secured Claim shall
16 receive, on account of such Claim, equal quarterly cash payments over a period
17 commencing on the Payment Commencement Date and ending on the third (3rd)
18 anniversary of the Effective Date. The aggregate of all payments shall equal the
19 Allowed Amount of such Claim plus interest at the Secured Claim Rate. The holder of
20 the Sonoran Pacific Secured Claim shall retain its lien on the collateral to secure
21 payment of the amounts provided.

22 The Class 2.05 Sonoran Pacific Claim is impaired.

1 **4. Unsecured, Non-Priority Claims.**

2 The Plan designates four categories of unsecured claims not entitled to priority
3 (Inter-company Claims, Investor Claims, the AED Unsecured Claim, and General
4 Claims) and establishes their treatment.

5 **a. Class 3.01 -- Inter-Company Claims.**

6 The Plan provides that Inter-Company Claims (claims held by certain Affiliates
7 of Debtor) shall be classified as in Class 3.01 and paid in full, only after, and if, all
8 other unsecured, non-priority Claims are paid the full amount provided herein.

9 Inter-Company Claims are impaired.

10 **b. Class 3.02 -- Investor Claims.**

11 The Plan provides that Investor Claims (Claims held by Persons who received
12 promissory notes from Debtor as investments in Debtor's business) shall be paid a *pro*
13 *rata* portion of the Unsecured Creditor Fund on a quarterly basis for eight (8) years
14 commencing on the Payment Commencement Date.

15 The Plan also provides that each holder of an Investor Claim may elect to
16 participate in the funding of the Reorganized Debtor and receive a share of the equity
17 of the Reorganized Debtor based upon such funding. Holders of Investor Claims who
18 make this election shall also participate in distributions from the Unsecured Creditor
19 Fund, based upon the amount of the interest included in their Allowed Claims. For
20 these purposes, each holder shall be entitled to receive a share of the equity in the
21 Reorganized Debtor and shall be required to fund its *pro rata* share of (i) the total of all
22 Investors Claims, (ii) multiplied by 15.5%, of \$10 million.

23 Debtor estimates that Investor Claims aggregate approximately \$21 million, of
24 which \$11 million represents interest. Accordingly, the holder of an Allowed Investor
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1 Claim of \$1 million would be entitled to receive an interest in the Reorganized Debtor
2 of 15.5% multiplied by \$1 million divided by \$21 million (that is, the Investor's share of
3 all Investor Claims) would be required to fund that percentage of the new money of \$
4 5 million before the Effective Date and \$5 million on the first anniversary
5 (approximately \$74,000 in the aggregate).

6 Investor Claims are impaired.

7 **c. Class 3.03 – The AED Unsecured Claim.**

8 The Plan provides that the Allowed AED Unsecured Claim shall be classified in
9 Classes 3.03 and shall be entitled to pro rata distributions from the Unsecured
10 Creditor Fund. The amount of the AED Unsecured Claim is contingent upon a
11 number of the determinations described above in sections IV.A and IV.B.3.d hereof.

12 The Class 3.03 Claim is impaired.

13 **d. Class 3.04 -- General Claims**

14 The Plan provides that General Claims shall be classified in Class 3.04. Each
15 holder of an Allowed General Claim shall be entitled to pro rata distributions from the
16 Unsecured Creditor Fund, prorated among holders of Investor Claims, the AED
17 Unsecured Claim and other General Claims. Debtor estimates that General Claims
18 aggregate approximately \$68,000.

19 Class 3.04.03 through 3.04.05 Claims are impaired.

20 **5. Equity Interests.**

21 **a. Classes 4.01. Interests of Direct Equity Holders.**

22 The Plan classifies equity interests held by the four members of Debtor as
23 Class 4.01 Interests. The Plan provides that Class 4.01 Interests shall be cancelled
24 except to the extent a holder of such an Interest elects to participate in the funding of
25

1 the Reorganized Debtor. For these purposes, each holder shall be allocated the right
2 to participate in equity in the Reorganized Debtor by agreeing to fund its *pro rata*
3 share (based on the percentages set forth in the last column of the table set forth in
4 section II.A hereof of \$10 million, payable as described in section IC(1) hereof.

5 Class 4.01 Interests are impaired.

6 **b. Class 4.02. Indirect Equity Holder Interests.**

7 The Plan classifies the equity interests in Debtor of the members of Direct
8 Equity Holders as Class 4.02 Interests. The Plan provides that such Interests in
9 Debtor shall be cancelled except to the extent (i) the Direct Equity Holder of which
10 such holder is a member does not elect to participate in the funding of the
11 Reorganized Debtor, and (ii) the holder of such Interest elects to participate in such
12 funding. For these purposes, each holder shall be allocated the right to participate in
13 equity in the Reorganized Debtor by agreeing to fund its *pro rata* share (based on the
14 percentages set forth in the last column of the table set forth in section II.A, multiplied
15 by such holder's equity interest percentage in the Direct Equity Holder) of \$10 million,
16 payable as described in section IC(1) hereof.

17 Class 4.02 Interests are impaired.

18 **c. Class 4.03. Conversion Right Interests.**

19 The Plan classifies all Interest of a holder of conversion rights into equity of the
20 Debtor as Class 4.03 Interests. The Plan provides that such interests be cancelled
21 except to the extent the holder of such Interest elects to participate in the funding of
22 the Reorganized Debtor and agrees to contribute its share of the required funding
23 provided for herein. These Interests are essentially the same as the interests of
24

1 holders of Investor Claims and each holder of such an Interest shall be treated in the
2 fashion described for the treatment of a Participating Investor.

3 Class 4.03 Interests are impaired.

4 **C. OTHER PLAN PROVISIONS.**

5 **1. Funding for Reorganized Debtor.**

6 Based upon the projections attached to this Disclosure Statement, Debtor has
7 estimated that the Reorganized Debtor will require additional funding to pay operating
8 costs, make payments provided for under the Plan and make development
9 improvements on the Property. In general, the projections indicate that revenues from
10 the sale of parcels will not commence for over two years. Once sales commence, the
11 proceeds of sales are sufficient to cover debt service payments (including partial
12 release payments), sales costs and other expenses. Thus, for the first years of the
13 Plan, the Reorganized Debtor will need sufficient funding to cover all debt service and
14 expenses. Debtor estimates that the Reorganized Debtor's cash needs can be
15 comfortably met with \$7 million in loans and new equity funding received by the
16 Effective Date, and \$5 million on the first anniversary of the Effective Date. Debtor
17 believes that these funding levels are sufficient regardless of the outcome of the
18 issues affecting the amount and payment requirement for the AED Claim.

19 The Plan provides for reduction in the required payments if the sale referred to
20 in section III.A.7 is completed. Debtor anticipates that other material adjustments in
21 required funding levels would be proposed if all or a portion of the AED Secured Claim
22 were paid through a transfer of a portion of the Property.

23 The Plan provides for these funds to be obtained, in whole or in part, from cash
24 contributions made by existing equity holders and by holders of Investor Claims who

1 elect to participate in the funding in exchange for an interest in the Reorganized
2 Debtor. The Plan provides that Direct Equity Holders will be entitled to elect to
3 participate by funding their pro rata share of \$10 million, with their pro rata share being
4 based on their current equity share diluted by a 15.5% interest reserved for holders of
5 conversion rights. If a Direct Equity Holder does not elect to participate, its members
6 are afforded the right to obtain a direct interest in the Reorganized Debtor based upon
7 such members share of the Direct Equity holder.

8 These allocations would result in a total funding amount in excess of the
9 amounts required. If the interests are oversubscribed, each Person entitled to
10 participate will be afforded its pro rata share of the required funding.

11 **2. Allocation of Partial Release Prices.**

12 The Plan provides for payment of partial release prices to the holder of the
13 Allowed AED Secured Claim. The amount per acre of the partial release price (before
14 adjustments for cumulative payments) for each portion of the property is based upon
15 the amount of the Creditor Value, as determined by the Bankruptcy Court, multiplied
16 by a percentage factor assigned to each major tract of the Property, multiplied by the
17 percentage that the parcel to be sold represents of the major tract to which it is
18 assigned.

19 The major tracts and their relative percentages are set forth in Exhibit A of the
20 Plan.

21 **3. Disbursing Agent.**

22 The Plan provides for the appointment of a Disbursing Agent to make
23 disbursements on account of Unsecured Claims. The Plan provides that the
24 Reorganized Debtor may be appointed as the Disbursing Agent.

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4. Additional Provisions.

The Plan contains other provisions regarding the determination and allowance of Claims and the continuing jurisdiction of the Bankruptcy Court to make determinations relating to the Plan.

THE FOREGOING IS ONLY A SUMMARY OF THE PLAN. CREDITORS ARE URGED TO READ THE PLAN IN FULL AND TO CONSULT WITH THEIR COUNSEL AND/OR FINANCIAL ADVISERS REGARDING THE PLAN'S TERMS AND LEGAL EFFECT. CREDITORS ARE ADVISED THAT, SHOULD THE PLAN BE CONFIRMED, THE PLAN AND THE ORDER CONFIRMING PLAN SHALL BE BINDING ON CREDITORS, DEBTOR, AND THE REORGANIZED DEBTOR.

V. FINANCIAL INFORMATION AND PROJECTIONS.

A. CURRENT FINANCIAL CONDITION.

Debtor has prepared separate balance sheets and income statements commencing for the 2011 calendar year. These are attached as Exhibit 4.

B. PROJECTIONS OF SOURCES AND USES OF CASH.

Debtor has prepared projections of the source and use of funds for the consummation of the Plan. Such projections are included as Exhibit 5 to this Disclosure Statement.

VI. CURRENT AND PROPOSED MANAGEMENT.

A. EQUITY OWNERSHIP AND CONTROL.

Ownership of the equity of the Reorganized Debtor will be determined based upon the elections of various parties to participate in the funding of the Reorganized Debtor.

1 As part of the election to participate, each electing participant shall be required
2 to execute a revised operating agreement authorizing the assignment of membership
3 interests to electing participants, approving the relative shares of equity, authorizing
4 the Manager to manage the affairs of the Reorganized Debtor based upon the
5 authority assigned to the Manager, authorizing the sale of parcels based upon the
6 value assignments provided in the projections, and making such other modifications to
7 the operating agreement as may be described hereafter.

8 As discussed elsewhere, Debtor anticipates that it will enter into an agreement
9 providing for management and restructure services with Avion Holding. Debtor also
10 anticipates that Avion will be designated to manage the Property for a period of at
11 least one year after the Effective Date and that, thereafter, the members shall be
12 entitled to select a replacement manager by majority vote.

13 **B. MANAGEMENT TEAM.**

14 Debtor anticipates no changes in management personnel and management
15 structure for Debtor after the Effective Date. Debtor anticipates that it will enter into an
16 agreement with Avion Holding to provide management and restructuring services for
17 the Debtor prior to the Effective Date and that Avion Holding shall continue in a
18 primary management roll thereafter. To the extent authorized by members and the
19 Bankruptcy Court, Debtor also anticipates that Avion Holding may be designated the
20 manager of the Reorganized Debtor for a period of at least one year.

21 Biographical summaries for key management are included as Exhibit 6 to this
22 Disclosure Statement.

1 **VII. LEGAL REQUIREMENTS FOR CONFIRMATION.**

2 This Section of the Disclosure Statement discusses the legal requirements for
3 Confirmation of the Plan as established by § 1129 and other provisions of the
4 Bankruptcy Code.

5 **A. ACCEPTANCE OF PLAN BY CREDITORS.**

6 A Class of Claims impaired under the Plan "accepts" the Plan only if (a) more
7 than one-half of the holders who submit ballots for Claims in that Class vote to accept,
8 and (b) the holders of Claims accepting the Plan hold at least two-thirds, by dollar
9 amount, of the voted Claims within that Class. A Class of Interests impaired under the
10 Plan "accepts" the Plan only if two-thirds of the voted Interests in such Class have
11 voted to accept the Plan. If the requisite acceptances of each Class of Claims or
12 Interests are obtained and the Plan is confirmed, the Plan will be binding with respect
13 to all holders of Claims and Interests of each Class, including members who did not
14 vote or who voted to reject the Plan.

15 **B. BEST INTERESTS OF CREDITORS.**

16 Section 1129(a)(7) provides that, as a condition to confirmation, a Plan must
17 provide that any creditor not voting to accept the Plan must receive, under the Plan,
18 distributions of a value at least equal to that which such creditor would receive if
19 Debtor were liquidated under Chapter 7 of the Bankruptcy Code. This provision is
20 generally referred to as the "best interest test."

21 Debtor believes that the best interests test is satisfied by the Plan. For the
22 purpose of applying the "best interest" test, Debtor has prepared an estimate of the
23 results of a liquidation, which is attached as Exhibit 7 to this Disclosure Statement.
24 This estimate indicates that the liquidation of Debtor would likely result in sufficient
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1 funds to pay only some of the Secured Claim and Priority Claims with no funds being
2 available for non-priority secured claims or equity interests.

3 **C. FEASIBILITY OF PLAN.**

4 Section 1129(a)(11) of the Bankruptcy Code provides that a plan of
5 reorganization may be confirmed only if the Bankruptcy Court concludes that the
6 proposed reorganization will likely not be followed by the need for subsequent
7 liquidation (except to the extent that such liquidation is provided for in the Plan). The
8 standard set forth in this section of the Bankruptcy Code is generally referred to as the
9 "feasibility" requirement.

10 Proponents have formulated the terms of the Plan to provide for payment
11 obligations that are consistent with projected results of operations, as depicted in
12 Exhibit 5. The projections have been based on the best information available to
13 Debtor and its advisers and to the assumptions described herein, which Debtor
14 believes are reasonable.

15 Success in achieving the projected results, both during the period of installment
16 payments and overall as of the maturity dates, is not assured. Variations in overall
17 financing and market conditions, local economic conditions in the Prescott and
18 Phoenix area, and the pace with which water rights and other entitlements may be
19 acquired, may result in conditions that are worse than those assumed in the
20 projections. Debtor believes, however, that the projections are reasonable and
21 consistent with historical norms, making the results more likely than not achievable.
22 Moreover, management is knowledgeable of the underlying financial assumptions and
23 prepared to "manage to" the projections, with cost-cutting measures and responsive
24 changes to marketing and pricing assumptions.

1 At the Confirmation Hearing, Proponents will proffer testimony of management
2 and appropriate experts to support the feasibility of the projections and the relative
3 likelihood that Debtor will be able to perform its obligations under the Plan.

4 **D. CONFIRMATION POSSIBLE WITHOUT ACCEPTANCE BY ALL CLASSES.**

5 Proponents intend to request the Bankruptcy Court to confirm the Plan even if a
6 Class of Claims or Interests does not accept the Plan. To do so, the Bankruptcy Court
7 must find that the Plan is fair and equitable with respect to each Class of Claims or
8 Interests that is impaired and has not accepted the Plan. Proponents believe that the
9 Plan will satisfy the fair and equitable requirements of the Bankruptcy Code to the
10 extent such requirements are applicable based upon the vote of Creditors on the Plan.

11 **1. Fair and Equitable Treatment of Secured Claims.**

12 With respect to a Class of Secured Claims that does not accept the Plan, the
13 Bankruptcy Code's "fair and equitable" standard includes a requirement that the
14 holders of the Claims receive either (i) retain their liens on the collateral and receive
15 cash payments, on the Effective Date or in installments, of a value equal to the
16 amount of the Secured Claim, or (ii) the realization of the indubitable equivalent of the
17 Secured Claim. Debtor believes that this standard is satisfied by the Plan, which
18 provides that each holder of a Secured Claim will receive payment of the full amount
19 of its Claim, with interest at a rate to be determined by the Bankruptcy Court, and will
20 retain the holders' lien on the collateral to secure payment of the amounts specified by
21 the Plan.

22 **2. Fair and Equitable Treatment of Unsecured Claims.**

23 With respect to an unsecured, non-accepting Class of Claims, the Bankruptcy
24 Code's "fair and equitable" standard includes a requirement that either (i) the holders

1 of the Claims receive cash payments, on the Effective Date or in installments, of a
2 value equal to the amount of the Claim, or (ii) no Class of junior Claims or Interests
3 receives anything on account of such junior Claim or Interest. Debtor believes that this
4 standard is satisfied by the Plan, as no junior classes will receive anything under the
5 Plan on account of such claims and, instead, junior interests will be canceled and
6 holders of such claims and interests will receive value under the Plan only account of
7 their participation in the funding of the Reorganized Debtor.

8 **3. Acceptance by at Least One Impaired Class of Claims.**

9 Section 1129(a)(10) of the Bankruptcy Code requires that the Plan must be
10 affirmatively accepted by at least one impaired Class of Claims, excluding any
11 acceptances of any Insider. Debtor believes that each Class of Secured Claims and
12 each Class of Unsecured Claims is impaired under the Plan, and that, accordingly, the
13 acceptance of the Plan by any of such Classes will satisfy this requirement of the
14 Bankruptcy Code.

15 **VIII. TAX CONSEQUENCES OF PLAN.**

16 The filing of these Chapter 11 proceedings and/or the consummation of the
17 Plan may have significant federal and state insured tax consequences on Debtor, its
18 equity holders, and creditors. Some of the potential conveyances are summarized
19 below.

20 Since formation, Debtor has been a "flow through" entity for income tax
21 purposes. Accordingly, Debtor's income, expenses and tax attributes has, in general
22 been "passed through" to equity holders, and Debtor has not been obligated directly
23 as a federal income tax taxpayer. On the Effective Date of the Plan, the Reorganized
24 Debtor will continue to be a flow through entity.

1 Debtor anticipates that the consummation of the Plan of Reorganization may
2 result in some recognition of "discharge of indebtedness income," ordinarily taxable
3 under § 61(a)(12)) of the Tax Code. Debtor believes that such income may be
4 excluded from gross income pursuant to §1361(a)(1) depending upon the particular
5 circumstances of the equity holder. Debtor and other parties hereto have also
6 discussed other potential tax issues relating to the reorganization process and
7 restructuring of the AED Secured Claim and anticipate that they may be able to reach
8 agreements to minimize adverse tax impacts.

9 In general, creditors receiving cash under the Plan may recognize an ordinary
10 or capital loss based upon the difference between the amount of their claim and the
11 value of the assets received by them under the Plan.

12 **IN NO EVENT WILL DEBTOR, OR ANY AFFILIATE OF DEBTOR, OR**
13 **ANY PROFESSIONAL ADVISORS ENGAGED BY ANY OF THEM BE**
14 **LIABLE IF, FOR ANY REASON, THE FEDERAL TAX**
15 **CONSEQUENCES OF THE PLAN ARE OTHER THAN AS**
16 **ANTICIPATED. CREDITORS MUST LOOK SOLELY TO AND RELY**
SOLELY UPON THEIR OWN ADVISORS AS TO THE FEDERAL TAX
CONSEQUENCES OF THIS PLAN.

17 **IX. CLAIMS BAR DATES AND EFFECTIVE DATE**

18 **A. BAR DATE.**

19 The Court has established a last date for the filing of claims against Debtor,
20 other than Administrative Claims. The Court has not established a bar date for
21 Administrative Claims.

22 **B. PLAN EFFECTIVE DATE.**

23 "**Effective Date**" shall be that date, not less than 11 nor more than 90 days after
24 the entry of the Confirmation Order, upon which the events required for substantial
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1 consummation of the Plan occur. Debtor anticipates that they will establish October
2 31, 2012 as the Effective Date.

3 **X. ALTERNATIVES TO PLAN.**

4 Debtor believes that this Plan presents a superior approach to any available
5 alternative, including a liquidation of the Property by a trustee, the completion of a
6 trustee's sale by the holder of the AED Secured Claim, or the approval and
7 consummation of Tri-City's proposed plan of reorganization.

8 **XI. RECOMMENDATION OF DEBTOR.**

9 Debtor recommends that the Plan of Reorganization be approved. In light of
10 the alternatives, Debtor believes that the Plan is in the best interest of all creditors and
11 parties in interest.

12 DATED this 26th day of September, 2012.

13
14 By /s/ Gary Burton
For CMS, as Manager of Debtor

15
16 STINSON MORRISON HECKER LLP

17 By /s/ Alan A. Meda
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EXHIBIT 1

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6 **IN THE UNITED STATES BANKRUPTCY COURT**
7 **FOR THE DISTRICT OF ARIZONA**

8 In re:
9 **GRANITE DELLS RANCH HOLDINGS,**
10 **LLC,**
Debtor.

Chapter 11
Case No. 2:12-bk-04962-RTBP

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16 **DEBTOR'S AMENDED PLAN OF REORGANIZATION**
17 **DATED SEPTEMBER 26, 2012**
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PLAN EXHIBITS

Exhibit	Description
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B	Allocation of Equity Participation

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:

**GRANITE DELLS RANCH HOLDINGS,
LLC,**

Debtor

Chapter 11

Case No. 2:12-bk-4962-RTBP

**DEBTOR'S PLAN OF REORGANIZATION
DATED SEPTEMBER 26, 2012**

GRANITE DELLS RANCH HOLDINGS, LLC, Debtor and Debtor-in-Possession in these Chapter 11 proceedings ("**Debtor**"), files its Plan of Reorganization, as follows:

I. INTRODUCTION.

Debtor is an Arizona limited liability company organized in 2006 to acquire and develop approximately 15,000 contiguous acres in Yavapai County, Arizona (referred to herein as the "**Property**"). Debtor commenced these chapter 11 proceedings on March 13, 2012, and filed this proposed plan of reorganization on September 26, 2012, providing for the continuation of Debtor's development and sale of parcels of the property and the payment of its obligations to creditors on restructured terms.

A. PLAN SUMMARY.

The Plan provides for the continuation of Debtor's ownership and development of the property under current management as modified in accordance herewith. Operating expenses, additional property development costs, and debt service will be funded through additional equity contributions from current Equity Holders and third-party loans and also through the sale of parcels of the Property to home builders and end users.

The Plan provides that existing Equity Holders and the holders of certain investment promissory notes will be given the option of participating in the funding of the Reorganized Debtor. The Plan also contemplates that the Reorganized Debtor will borrow additional funds or accept additional equity investments from third parties

1 on terms specified herein or in agreements reached with such third parties prior to the
2 Confirmation Date. In the aggregate, the Plan provides for additional funding of \$12
3 million in total, consisting of \$2 million in loans, \$5 million to be provided before the
4 Effective Date of the Plan through equity contributions and an additional \$5 million on
5 the first anniversary of the Effective Date. If additional funds are needed thereafter,
6 the Reorganized Debtor may borrow such funds from third parties or issue capital
7 calls to equity holders.

8 The Plan provides for the restructuring of the AED Secured Claim, Debtor's
9 primary secured obligation, in accordance with provisions of the Bankruptcy Code.
10 The Plan provides for payment in full of the Allowed AED Secured Claim from
11 minimum quarterly payments and partial release payments from the proceeds of sale
12 of parcels of the Property. The amount of the payments and the duration thereof will
13 depend on the amount of the Allowed Claim and, if applicable, whether the holder of
14 the Claim makes the election provided in § 1111(b) of the Bankruptcy Code.

15 The Plan provides for separate classification of each Unsecured Claim into one
16 of four classes: Inter-Company Claims (claims against Debtor held by certain
17 affiliates); the AED Unsecured Claim, if any; Investor Claims (claims held by Persons
18 who advanced funds to Debtor and, in most cases, received promissory notes with
19 options to convert to equity interests); and General Claims (all other unsecured claims
20 without priority). The Plan provides for the establishment of an Unsecured Creditor
21 Fund of \$5 million to be funded by the Reorganized Debtor quarterly over eight (8)
22 years and to be distributed *pro rata* to the holders of Unsecured Claims except (i)
23 Inter-Company Claims, and (ii) Investor Claims held by Persons who elect to
24 participate in the funding of the Reorganized Debtor on the terms described herein.
25 Holders of Investor Claims who elect to participate in equity funding will receive an
26 interest in the Reorganized Debtor and will participate in distributions from the
27 Unsecured Creditor Fund based upon the amount of their Investor Claims based upon
28 accrued pre-petition interest.

1 The Plan further provides that the Interests of Equity Holders will be cancelled
2 except to the extent that an Equity Holder elects to participate in the funding of the
3 Reorganized Debtor on the terms described herein.

4 **1. Priority Claims.**

5 **a) Administrative Claims.**

6 Section III of the Plan specifies the treatment of Administrative Claims, including
7 Cure Payments. The Plan provides for payment of ordinary course administrative
8 operating expenses on the Effective Date of the Plan or, if later, when due in
9 accordance with their terms. Professional expenses and other administrative
10 expenses requiring court approval will be paid on the Effective Date or, if later, when
11 Allowed as Administrative Claims or as agreed to the holder of such Claims.

12 **b) Priority Tax Claims.**

13 Section V(B) identifies certain Priority Tax Claims and provides for their
14 treatment under the Plan. In general, Priority Tax Claims shall be payable in full in
15 quarterly installments over not more than five (5) years after the Petition Date, with
16 interest at the rate specified by statute.

17 **c) Wage Priority Claims.**

18 Debtor is not aware of any Claim entitled to priority under the Bankruptcy Code
19 other than Administrative Claims and Priority Tax Claims. Nevertheless, section VI(A)
20 of the Plan identifies Wage Priority Claims as a possible separate Class and section
21 V(A) provides for the treatment of any such claims, to the extent Allowed as Priority
22 Claims. In general, Wage Priority Claims shall be paid in full on the Effective Date, or,
23 if later when due or when Allowed as such claims.

24 **2. Secured Claims.**

25 Sections IV(B) and V(B) provide for the separate classification and treatment of
26 Secured Claims.

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a) Lessor Secured Claim.

Claims that arise from leases of equipment or other personal property, if the underlying agreement is, or becomes, re-characterized as a financing transaction, are classified in Class 2.01 to the extent such Claim is an Allowed Secured Claim. The Plan provides that the holder of such a Claim shall be entitled to receive equal monthly installments, over the period of the underlying agreement and any optional extensions thereof, and that each such monthly installment shall be in the amount that, if so paid over such term, would result in the payment of the total amount of the Allowed Secured Claim plus interest at the Secured Claim Rate.

b) Deposit Secured Claim.

Claims that are secured by a deposit of Debtor's funds held by the holder of the Claim are classified in Class 2.02 to the extent such Claim is an Allowed Secured Claim. The Plan provides that the holder of such a Claim shall be entitled to apply the deposit to payment of the Claim.

c) Secured Property Tax Claim.

Claims of taxing authorities, or their assignees, for taxes accruing prior to the Petition Date are classified in Class 2.03 to the extent such Claim is secured by a lien on Debtor's property. The Plan provides that such Claims shall be paid in full in equal quarterly installments commencing as of the Payment Commencement Date and continuing each quarter until the fifth (5th) anniversary of the Effective Date.

d) AED Secured Claim.

The Plan provides for the classification of the Allowed AED Secured Claim in Class 2.04. The Plan provides for the payment in full of the Allowed Amount of such Claim in installments. The installments shall include Minimum Quarterly Payments over eight (8) years and Partial Release Payments as parcels of the Property are sold. If the holder of the AED Secured Claim elects treatment under § 1111(b) of the Bankruptcy Code, provided such treatment is applicable, the Minimum Quarterly

1 Payments and the Partial Release Payments shall be adjusted accordingly and paid
2 over twenty-five (25) years.

3 **e) *Sonoran Pacific Secured Claim.***

4 The Plan provides for the classification of the Secured Claim of Sonoran Pacific
5 Resources, LLP ("Sonoran Pacific") in Class 2.05. Sonoran Pacific's Claim is secured
6 by a lien on the personal property of the Debtor. Debtors believes that the value of
7 Sonoran Pacific's collateral significantly exceeds the amount of its Claim. The Plan
8 provides for the payment in full of the Allowed Amount of such Claim in equal quarterly
9 installments commencing as of the Payment Commencement Date and continuing
10 each quarter until the third (3rd) anniversary of the Effective Date.

11 **3. Unsecured Non-Priority Claims.**

12 The Plan identifies the following groups of Unsecured Claims not entitled to
13 priority under the Bankruptcy Code:

14 **a) *Inter-Company Claims.***

15 Inter-Company Claims consist of Claims arising from ordinary course inter-
16 company transactions between Debtor and an Affiliate and are classified in Class 3.0.
17 These Claims will be paid in full with interest, but only after, and to the extent, all other
18 Unsecured Claims have been paid the amounts provided for herein.

19 **b) *Investor Claims.***

20 Investor Claims consist of Claims arising from promissory notes issued by
21 Debtor to Persons who invested in Debtor's business and are classified in Class 3.02.
22 Holders of these Claims who elect to do so shall become "Participating Investors" and
23 shall be entitled to receive an Equity Interest in the Reorganized Debtor based upon
24 their funding of the Reorganized Debtor and the amount of their Allowed Investor
25 Claim. Participating Investors shall also receive a pro rata share of distributions from
26 the Unsecured Creditor Fund, based on the amount of the Participating Investor's
27 Allowed Claim that represents interest accrued and unpaid as of the Petition Date.

1 Holders of Investor Claims that do not elect to be Participating Investors shall receive
2 a portion of the Unsecured Creditor Fund prorated among such Investor Claims, the
3 AED Unsecured Claim and General Claims, payable quarterly over eight (8) years.

4 **c) AED Unsecured Claim.**

5 The AED Unsecured Claim consist of that portion of the Allowed Claim of AED
6 not Allowed as a Secured Claim pursuant to § 506(a) of the Bankruptcy Code or
7 otherwise and is classified in Class 3.03. Except as otherwise determined by the
8 Bankruptcy Court, the holder of the AED Unsecured Claim shall be entitled to a
9 portion of the Unsecured Creditor Fund prorated among Investors Claims, the AED
10 Unsecured Claim and General Claims, payable quarterly over eight (8) years.

11 **d) General Claims.**

12 General Claims consist of all other non-priority and unsecured Claims and are
13 referred in Class 3.04. Holders of Ordinary Course Claims shall be entitled to a portion
14 of the Unsecured Creditor Fund prorated among Investors Claims, the AED
15 Unsecured Claim and General Claims, payable quarterly over eight (8) years.

16 **e) Equity Interests.**

17 Except to the extent provided elsewhere in the Plan, the holders of Interests in
18 Debtor shall receive nothing on account of their Interests and such Interests shall be
19 cancelled on the Effective Date.

20 Each member of Debtor, referred to in the Plan as a Direct Equity Holder, shall
21 be entitled to retain an Interest in the Reorganized Debtor if, and to the extent, such
22 member elects to be a Participating Equity Interest Holder and provides its pro rata
23 portion of the funding of the Reorganized Debtor. To the extent that a Direct Equity
24 Holder does not elect to be a Participating Equity Interest Holder, each holder of an
25 equity interest in such member, referred to in the Plan as an Indirect Equity Holder,
26 shall be entitled to receive an Interest in Reorganized Debtor if, and to the extent,

1 such holder elects to be a Participating Equity Interest Holder and participates in the
2 funding of the Reorganized Debtor.

3 The Interest of a holder of conversion rights into equity in Debtor or equity
4 Interests in a member of Debtor shall be entitled to exercise such conversion rights
5 only if such holder elects to be a Participating Investor and participates in the funding
6 of the Reorganized Debtor.

7 **4. Manner of Making Elections.**

8 The Plan provides that holders of Investor Claims, Direct Interest Holders and
9 Indirect Interest Holders shall be entitled to make an election as to their treatment
10 under the Plan. Section VI provides the timing for and making of such elections.

11 **5. Claim Allowance and Distribution Process.**

12 Claims shall be allowed or disallowed in accordance with the provisions of the
13 Bankruptcy Code and the Bankruptcy Rules. Section IX describes certain procedures
14 for determining the allowance of claims and the requirements for receiving
15 distributions provided for in the Plan. Except to the extent otherwise provided in such
16 section or as ordered by the Bankruptcy Court, no distributions shall be made on
17 account of Claims unless and until Allowed.

18 **II. DEFINED TERMS IN THE PLAN.**

19 The Plan, exhibits to the Plan, and the Disclosure Statement accompanying the
20 Plan employ certain words and phrases with specific meanings. The following
21 provisions provide definitions of these terms and/or references to other sources
22 providing the meaning of such terms.

23 **A. DEFINED TERMS.**

24 The following terms used in the Plan shall have the indicated meanings, except
25 as otherwise provided herein.
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1. §1111(b) Secured Claim Balance.

“§1111(b) Secured Claim Balance” means (i) the amount of Allowed AED Secured Claim, less (ii) the aggregate amount of all payments made on account of the Allowed AED Secured Claim as of the Creditor Value Payment Date. The §1111(b) Secured Claim Balance is applicable only if the §1111(b) election is applicable to the Allowed AED Secured Claim.

2. Administrative Claim.

“Administrative Claim” means a Claim or expense, or a portion of a Claim or expense, that is a cost or expense of the administration of the Estate allowed under § 503(b) of the Bankruptcy Code and entitled to priority under § 507(a)(2) of the Bankruptcy Code, including but not limited to (i) any actual and necessary cost and expense of preserving the Estate, or operating the business of Debtor, (ii) fees and expenses of professionals entitled to compensation pursuant to Sections 328, 330 and/or 503(b) of the Bankruptcy Code, (iii) Cure Payments payable by Debtor, and (iv) pre- and post-confirmation fees due to the U.S. Trustee. Administrative Claims are treated in the Plan in accordance with the provisions of section III.A of the Plan.

3. AED.

“AED” means Arizona Eco Development, LLC, an Arizona limited liability company under the control of R. Stewart Swanson. AED is the current holder of the AED Claim.

4. AED Claim.

“AED Claim” means the Claim currently held by AED arising from AED's acquisition of a promissory note issued by Debtor in 2006 payable to the Original Property Owners, including any security agreements assigned to AED by the Original Property Owners. The AED Claim consists of the AED Secured Claim and the AED Unsecured Claim.

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5. AED Secured Claim.

"AED Secured Claim" means that portion of the AED Claim that is Allowed as a Secured Claim pursuant to § 506(a) and § 1111(b) of the Bankruptcy Code. The AED Secured Claim is classified in Class 2.04.

6. AED Unsecured Claim.

"AED Unsecured Claim" means that portion of the AED Claim that is Allowed as an Unsecured Claim, if any, pursuant to § 506(a) of the Bankruptcy Code and applicable law. The AED Unsecured Claim is classified in Class 3.03.

7. Affiliate.

"Affiliate" of a Person refers to a person or entity that would be an "affiliate" of such Person under § 101(2) of the Bankruptcy Code, if such Person were a Debtor.

8. Allowed.

"Allowed" refers to a Claim or Interest that has been Timely Submitted, is Allowable, and has been Determined, as such terms are defined in sections II And IX of the Plan.

9. Allowed Amount.

"Allowed Amount" means the Allowed dollar amount of a Claim.

10. Assumed Lease or Assumed Contract.

"Assumed Lease or Contract" means an executory contract or lease, within the meaning of § 365 of the Bankruptcy Code that is assumed by the Reorganized Debtor.

11. Avoidance Action.

"Avoidance Action" means a claim or cause of action of the Estate to avoid transfers made by Debtor to the extent such claim arises under §§ 544-551 of the Bankruptcy Code.

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12. Bankruptcy Code.

"**Bankruptcy Code**" means the Bankruptcy Code, as set forth in Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as applicable to Chapter 11 cases filed on the Petition Date.

13. Bankruptcy Court.

"**Bankruptcy Court**" means the United States Bankruptcy Court for the District of Arizona (or such other court as may have jurisdiction over the Chapter 11 Case) and, with respect to any particular proceeding arising under Title 11 of the United States Code, or arising in or related to the Chapter 11 Case, any other court which has jurisdiction over such proceeding.

14. Bankruptcy Estate.

"**Bankruptcy Estate**" or "**Estate**" means the estate created upon the filing of the Chapter 11 Case pursuant to § 541(a) of the Bankruptcy Code.

15. Bankruptcy Rules.

"**Bankruptcy Rules**" mean the Rules of Bankruptcy Procedure and the Local Rules of Bankruptcy Procedure for the District of Arizona, including any applicable General Orders.

16. Case 1 Minimum Quarterly Payment.

"**Case 1 Minimum Quarterly Payment**" means that amount of money that, if paid in equal quarterly installments over eight (8) years, would equal the Creditor Value of the AED Secured Claim with interest at the Secured Claim Rate.

17. Case 2 Minimum Quarterly Payment.

"**Case 2 Minimum Quarterly Payment**" means that amount of money that, if paid in equal quarterly installments over twelve (12) years, would equal the Creditor Value of the AED Secured Claim with interest at the Secured Claim Rate.

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18. Case 3 Minimum Quarterly Payment.

“**Case 3 Minimum Quarterly Payment**” means that amount of money that, if paid in equal quarterly installments, commencing on the Creditor Value Payment Date and continuing thereafter until the twenty-fifth (25th) anniversary of the Effective Date, would be equal, in the aggregate, to the 1111(b) Secured Claim Balance. The Case 3 Minimum Quarterly Payment is applicable only if the §1111(b) election is applicable to the treatment of the AED Secured Claim.

19. Chapter 11 Case.

“**Chapter 11 Case**” means the bankruptcy proceedings before the Bankruptcy Court entitled “*In re Granite Dells Ranch Holdings, LLC*, Case No. 2-12-4962-RTBP.

20. Claim.

“**Claim**” has the meaning set forth in § 101(5) of the Bankruptcy Code.

21. Class.

“**Class**” means a category of classified Claims or Interests, as designated in section IV of the Plan.

22. CMC.

“**CMC**” refers to Cavan Management Company, LLC, an affiliate of Debtor.

23. CMS.

“**CMS**” refers to Cavan Management Services, LLC, the manager and a member of Debtor.

24. Confirmation.

“**Confirmation**” means the entry of the Confirmation Order.

25. Confirmation Date.

“**Confirmation Date**” means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

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26. Confirmation Hearing.

"Confirmation Hearing" means the hearing conducted by the Bankruptcy Court to consider confirmation of the Plan, as such hearing may be continued from time to time.

27. Confirmation Order.

"Confirmation Order" means the order of the Bankruptcy Court confirming the Plan pursuant to § 1129 of the Bankruptcy Code.

28. Conversion Right Holder.

"Conversion Right Holder" refers to the holder of a right to convert a Claim against Debtor, or a Direct Equity Holder, to an equity interest in Debtor.

29. Creditor Value.

"Creditor Value" means the "the value of [the creditor's] interest in the estate's interest in" creditor's collateral, as used in §1129(b)(2)(A)(II) of the Bankruptcy Code.

30. Creditor Value Payment Date.

"Creditor Value Payment Date" means the date upon which all payments made on account of the AED Secured Claim equal the Creditor Value of such Claim with interest at the Secured Rate.

31. Creditors' Committee.

"Creditors' Committee" refers to any Official Unsecured Creditors' Committee appointed in the Chapter 11 Case, as constituted from time to time.

32. Cumulative Minimum Payment Amount.

"Cumulative Minimum Payment Amount" means an amount, to be calculated on a quarterly basis, equal to the Minimum Payment Amount times the number of quarters completed after the Effective Date.

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33. Cumulative Partial Release Amount.

“Cumulative Partial Release Amount” means an amount, to be calculated from time to time as portions of the property are sold, equal to the aggregate amount of Partial Release payments paid to the date of such calculation.

34. Cure Payment.

"Cure Payment" means a payment required under § 365 of the Bankruptcy Code to cure defaults under an Assumed Lease or Contract. Claims for Cure Payments are considered Administrative Claims, and are treated in accordance with the provisions of section III(A)(2) hereof.

35. Debtor.

"Debtor" refers to GDRH, as Debtor and Debtor in Possession in the Chapter 11 Case.

36. Deposit Secured Claim.

"Deposit Secured Claim" refers to a Claim that is secured by a deposit provided for or on behalf of Debtor and currently held by, or for the benefit of, the holder of such Claim to the extent such claim is an Allowed Secured Claim under § 506 of the Bankruptcy Code. Deposit Secured Claims are classified in the Plan in Class 2.02.

37. Direct Equity Holder.

"Direct Equity Holder" refers to the holder of an equity interest in Debtor. Currently, the Direct Equity Holders are CMS, Tri-City, GDI and GDEG.

38. Disbursing Agent.

"Disbursing Agent" refers to the Person appointed to make distributions under the Plan in accordance with Section XII of the Plan.

39. Disclosure Statement.

"Disclosure Statement" refers to the written disclosure statement concerning the Plan approved by the Bankruptcy Court pursuant to § 1125(b) of the Bankruptcy

1 Code, including any amendments and supplements authorized by the Bankruptcy
2 Code or the Bankruptcy Court.

3 **40. Effective Date.**

4 "Effective Date" refers to the date designated by Debtor for the Plan to become
5 effective and upon which substantial consummation occurs under § 1101(2) of the
6 Bankruptcy Code, as more specifically provided herein.

7 **41. Eligible Holder.**

8 "Eligible Holder" means a holder of an Investor Claim or an Equity Holder.

9 **42. Equity Holder.**

10 "Equity Holder" refers to a Direct Equity Holder, an Indirect Equity Holder, or a
11 Conversion Right Holder. Such Equity Holders are provided for in Classes 4.01, 4.02
12 and 4.03, respectively

13 **43. Equity Interest.**

14 "Equity Interest" refers to the rights and privileges of an Equity Holder arising
15 from such holder's ownership of an interest in, or right to receive an ownership interest
16 in, Debtor or in a Direct Equity Holder.

17 **44. Final Order.**

18 "Final Order" means an order, judgment or other decree of the Bankruptcy
19 Court, including, without limitation, a stipulation or other agreement entered into that is
20 "so ordered" by the Bankruptcy Court, the operation or effect of which has not been
21 reversed or stayed and as to which order, judgment or other decree (or any revision,
22 modification or amendment thereof) the time to appeal or seek review has expired,
23 and as to which no appeal or petition for review or certiorari has been taken or is
24 pending (or if such appeal or petition has been taken or granted, it has been finally
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45. GDEG.

"GDEG" refers to Granite Dells Equity Group, LLC, an Arizona limited liability company and a member of Debtor.

46. GDI.

"GDI" refers to Granite Dells Investors, LLC, an Arizona limited liability company and a member of Debtor.

47. GDRH.

"GDRH" refers to Granite Dells Ranch Holding, LLC, an Arizona limited liability company and the Debtor and Debtor in Possession the Chapter 11 Case.

48. General Claim.

"General Claim" means a Claim against Debtor that is not a Priority Claim, a Secured Claim, an AED Claim, an Investor Claim, or an Inter-Company Claim. General Claims include claims arising from the rejection of leases and executory contracts, any unsecured deficiency claim and any claim determined to be wholly unsecured pursuant to §506(a) of the Bankruptcy Code. General Claims are classified in Class 3.04

49. General Claim Rate.

"General Claim Rate" means a rate of interest, to be determined by the Bankruptcy Court at or before the Confirmation Hearing, that, when applied to the amount of a General Claim, or an Inter-Company Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Claim, consistent with the requirements of § 1129(b)(2)(B)(i) of the Bankruptcy Code. The General Claim Rate shall be determined in accordance with section XI of the Plan. Absent a contrary determination by the Court, the General Claim rate shall be four percent (4%) per annum.

1 **50. Indirect Equity Holder.**

2 “**Indirect Equity Holder**” means the holder of an equity interest in a Direct
3 Equity Holder.

4 **51. Insider.**

5 “**Insider**” has the meaning set forth in section 101(31) of the Bankruptcy Code.

6 **52. Inter-Company Claim.**

7 “**Inter-Company Claim**” means a Claim, other than a Priority Claim or a
8 Secured Claim, against Debtor that was initially owned, or is now held, by an Affiliate
9 of Debtor under the direct or indirect control of Dave Cavan, Cavan Investment and/or
10 CMC, including, without limitation, any claim for reimbursement, indemnification or
11 contribution. Inter-Company Claims are classified in Class 3.01.

12 **53. Interest.**

13 “**Interest**” means a right, privilege or option that is included in Class 4.01, 4.02
14 or 4.03.

15 **54. Investor Claim.**

16 “**Investor Claim**” means a Claim held by a Person who obtained a promissory
17 note from Debtor, or a member of Debtor, for the purpose of investing the enterprise
18 of Debtor, whether or not such note was subject to conversion to an equity interest in
19 Debtor or a member of Debtor. Investor Claims are classified in Class 3.02.

20 **55. Lessor Secured Claim.**

21 “**Lessor Secured Claim**” means a Secured Claim against Debtor based upon
22 an instrument entitled "Equipment Lease," or a similar label, to the extent such
23 instrument is re-characterized (by agreement between Debtor and the holder of such
24 Claim, or by a Final Order of the Bankruptcy Court) to be a purchase money obligation
25 of Debtor secured by the goods or equipment identified, or referred to, in the
26 "Equipment Lease." Lessor Secured Claims are classified in Class 2.01.

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56. Minimum Payment Amount.

"Minimum Payment Amount" means the Case 1 Minimum Payment, the Case 2 Minimum Payment or the Case 3 Minimum Payment as may be applicable hereunder.

57. Original Property Owners.

"Original Property Owners" refers to Granite Dells Ranch of Yavapai County, Arizona, Inc. and Point of Rocks Ranch Company, Inc., the original owners of the Property and the sellers of the Property to Debtor in May 2006.

58. Partial Release Amount.

"Partial Release Amount" means the amount of the required payment on account of the AED Secured Claim on account of a sale of a portion of the Property, determined by multiplying the Creditor Value for the AED Secured Claim by the Release Percentage Amount shown on Exhibit A for the applicable portion of the property and multiplied by the number of acres in the sold property.

59. Payment Commencement Date.

"Payment Commencement Date" means the date upon which installment payments provided for herein shall commence on account of a particular Claim. With respect to classes entitled to receive monthly installment payments, the Payment Commencement Date shall be the first day of the first calendar month that is at least thirty (30) days after the Effective Date. With respect to classes entitled to receive quarterly installment payments, the Payment Commencement Date shall be the first day of the first calendar month that is at least ninety (90) days after the Effective Date.

60. Person.

"Person" includes "person," as defined in § 101(41) of the Bankruptcy Code, and "governmental unit," as defined in § 101(27) of the Bankruptcy Code.

1 **61. Petition Date.**

2 **"Petition Date"** means March 12, 2012, the date upon which the petition
3 commencing the Chapter 11 Case was filed.

4 **62. Plan.**

5 **"Plan"** refers to this plan of reorganization, including any amendment or
6 modification made in accordance with the terms of the Plan, the Confirmation Order,
7 or the applicable provisions of the Bankruptcy Code.

8 **63. Post-Confirmation Fees.**

9 **"Post-Confirmation Fees"** refers to the quarterly fees provided for in 28 U.S.C.
10 § 1930(a)(6), as applicable after the Confirmation Date.

11 **64. Priority Claim.**

12 **"Priority Claim"** means a Claim against Debtor that is entitled to priority
13 treatment pursuant to § 507(a) of the Bankruptcy Code. Priority Claims are treated
14 under the Plan as Administrative Claims, Wage Claims, and Tax Claims. To the
15 extent that an Allowed Claim exceeds the amount that is Allowed as a Priority Claim,
16 the balance of the Allowed Claim shall be classified as a General Claim.

17 **65. Pro Rata.**

18 **"Pro Rata"** refers to the ratio of an Allowed Claim or Interest in a particular
19 Class, or identified portion of such Class, to the aggregate amount of all Allowed
20 Claims or Interests in that Class, or identified portion of such Class.

21 **66. Professional.**

22 **"Professional"** refers to a professional Person employed by a Debtor or the
23 Committee pursuant to § 328 of the Bankruptcy Code, with any court approval
24 required by such section.
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67. Professional Fee Claim.

"Professional Fee Claim" refers to a Claim of a Professional against Debtor for fees and expenses allowable against the Estate of Debtor under §§ 326, 327, 328,330 or 331 of the Bankruptcy Code.

68. Property.

"Property" means the real property, together with rights, privileges, and expectancies appurtenant thereto, owned by Debtor and located in Yavapai County, Arizona, consisting of approximately 14,000 acres in and near the city of Prescott.

69. Reorganized Debtor.

"Reorganized Debtor" refers to Debtor after the Effective Date.

70. Secured Claim.

"Secured Claim" means a Claim against Debtor or its property defined as a secured claim under § 506(a) of the Bankruptcy Code. Secured Claims are classified by the Plan in Classes 2.01 through 2.05. To the extent a Claim is Allowed in an amount in excess of the amount Allowed as a Secured Claim, the balance of the Claim shall be treated as a General Claim, except as provided in section V(B)(4)(b).

71. Secured Claim Rate.

"Secured Claim Rate" means a rate of interest, to be determined by the Bankruptcy Court at the Confirmation Hearing, that, when applied to the amount of a Secured Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Secured Claim, consistent with the requirements of § 1129(b)(2)(A)(i)(II) of the Bankruptcy Code. The Secured Claim Rate for each Secured Claim shall be determined in accordance with section XII of the Plan. Absent a contrary determination by the Court, the Secured Claim Rate shall be six percent (6%) per annum.

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72. Secured Tax Claim.

"Secured Tax Claim" means a Claim against Debtor now held, or previously held, by a taxing authority, that is secured by a lien on property of Debtor. Secured Tax Claims are classified in Class 2.03 and their treatment.

73. Tax Claim.

"Tax Claim" means a Claim against Debtor for taxes of the kind specified in § 507(a)(8) of the Bankruptcy Code, to the extent entitled to priority under such section. The treatment of Tax Claims is provided in V(B)(3) of the Plan.

74. Tax Claim Rate.

"Tax Claim Rate" means the rate of interest, to be determined by the Bankruptcy Court at the Confirmation Hearing, that, when applied to the amount of a Tax Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Tax Claim, consistent with the requirements of §§ 1129(a)(9)(C) and 511 of the Bankruptcy Code. The Tax Claim Rate for taxes imposed under Arizona law shall be the statutory rate of interest determined in accordance with Arizona Revised Statutes § 42-18053. The Tax Claim Rate shall be determined in accordance with the provisions of the Plan except as otherwise provided herein.

75. Tri City.

"Tri City" refers to Tri-City Investment and Development, LLC, an Arizona limited liability company, the holder of equity interests in Debtor.

76. Unclassified Claim.

"Unclassified Claim" refers to an Administrative Claim or a Priority Tax Claim, treated under § 1123(a)(1) of the Bankruptcy Code as Claims not subject to classification in a Plan.

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77. Unsecured Claim.

"Unsecured Claim" means a General Claim, an Investor Claim, the AED Unsecured Claim or an Inter-Company Claim.

78. Unsecured Creditor Fund.

"Unsecured Creditor Fund" means a fund to be maintained by the Disbursing Agent to make quarterly distributions to unsecured creditors in accordance with the provisions of section VIII hereof.

79. Unsecured Creditor Fund Amount.

"Unsecured Creditor Fund Amount" means the quarterly funding obligation of the Reorganized Debtor to fund the Unsecured Creditor Fund, which amount shall be \$156,250 each quarter for eight years or more, subject to the provisions of section VIII hereafter.

80. US Trustee.

"US Trustee" refers to the United States Trustee's Office.

81. US Trustee Fees.

"US Trustee's Fees" refers to the quarterly fees provided for in 28 U.S.C. § 1930(a)(6), as applicable prior to the Confirmation Date.

82. Wage Priority Claim.

"Wage Priority Claim" means a claim for wages, salaries, or commissions, including vacation pay, severance and sick leave pay, of the kind and in the amount specified in § 507(a)(4) of the Bankruptcy Code. Wage Priority Claims are classified in Class 1.01.

B. TERMS USED IN BANKRUPTCY CODE.

The Plan also employs words and phrases that are defined or used in the Bankruptcy Code. Unless another meaning is specified herein or the context requires otherwise, terms used herein shall have the meanings provided in the Bankruptcy Code.

1 **III. UNCLASSIFIED CLAIMS.**

2 Section 1123(a)(1) of the Bankruptcy Code identifies certain Claims that are not
3 subject to separate classification and, as a result, are not claims entitled to vote on
4 Chapter 11 plans. Instead, permissible treatment of Unclassified Claims are specified
5 in §1129(a) of the Bankruptcy Code. This section III identifies Unclassified Claims
6 and provides their treatment under the Plan.

7 **A. ADMINISTRATIVE CLAIMS.**

8 **1. General Provisions.**

9 Except as otherwise specified in this Plan, Debtor shall pay the holder of an
10 Allowed Administrative Claim the Allowed Amount of such Claim, in cash, on the later
11 of (i) the Effective Date, (ii) the date on which the Claim becomes Allowed, or (iii) the
12 date upon which such obligation becomes due in accordance with its terms, including
13 the terms of any agreement entered into after the Petition Date.

14 **2. Cure Payments.**

15 Debtor shall pay the Allowed Amount of Cure Payments as soon as practicable
16 after the Effective Date except as otherwise agreed with the Person entitled to such
17 Cure Payments.

18 Unless the Court orders otherwise or Debtor and the contracting party agree to
19 a different treatment, Debtor shall make Cure Payments arising from other assumed
20 executory contracts and leases of personal property in six (6) equal monthly
21 installments commencing on the Payment Commencement Date and continuing
22 thereafter on the first day of each calendar month thereafter.

23 **3. Professional Fees.**

24 Debtor shall pay Allowed Professional Fees on the later of: (i) the Effective
25 Date; (ii) when such Claims are Allowed, or (iii) when agreed upon by such
26 Professional.

1 **1. Class 2.01. Lessor Secured Claims.**

2 Class 2.01 shall consist of Allowed Lessor Secured Claims.

3 **2. Classes 2.02. Deposit Secured Claims.**

4 Class 2.02 shall consist of Allowed Deposit Secured Claims.

5 **3. Class 2.03. Secured Tax Claims.**

6 Class 2.03 shall consist of Allowed Secured Tax Claims.

7 **4. Class 2.04. AED Secured Claim.**

8 Class 2.04 shall consist of the AED Secured Claim.

9 **5. Class 2.05. Sonoran Pacific Secured Claim.**

10 Class 2.05 shall consist of the Sonoran Pacific Secured Claim.

11 **C. UNSECURED CLAIMS.**

12 **1. Class 3.01. Inter-Company Claims.**

13 Class 3.01 shall consist of Inter-Company Claims.

14 **2. Class 3.02. Investor Claims.**

15 Class 3.02 shall consist of Investor Claims.

16 **3. Class 3.03. AED Unsecured Claim.**

17 Classes 3.03 shall consist of the AED Unsecured Claim.

18 **4. Class 3.04. General Claims.**

19 Class 3.04 shall consist of General Claims.

20 **D. INTERESTS.**

21 **1. Class 4.01. Direct Equity Interests.**

22 Class 4.01 shall consist of the Interests of Direct Equity Holders.

23 **2. Class 4.02. Indirect Equity Interests.**

24 Class 4.02 shall consist of the Interests of indirect Equity Holders.

25 **3. Class 4.03. Conversion Right Interests.**

26 Class 4.03 shall consist of the Interests of Conversion Right Holders.

1 **V. TREATMENT OF CLASSIFIED CLAIMS.**

2 This section describes the treatment of each Class of Claims and Interests
3 classified in the Plan. Notwithstanding these provisions, the holder of a Claim or
4 Interest may agree to a lesser treatment of all or any portion of its Claim or Interest.

5 **A. PRIORITY CLAIMS.**

6 **1. Class 1.01. Wage Claims.**

7 Debtor shall pay each holder of a Class 1.01 Claim, on account of such Claim,
8 the Allowed Amount of such Claim, in cash, on the later of (i) the Effective Date, (ii)
9 the date on which the Claim becomes Allowed, (iii) the date upon which the holder
10 agrees the obligation should be paid; or (iv) the date upon which such obligation
11 becomes due in accordance with its terms.

12 Classes 1.01 Claims are unimpaired.

13 **B. SECURED CLAIMS.**

14 The Plan separately classifies each Secured Claim against Debtor or Debtor's
15 property. Under the Bankruptcy Code, a Claim is ordinarily Allowed as a Secured
16 Claim only in the lesser amount of (i) the amount of the Allowed Claim, or (ii) the value
17 of the creditor's interest in the debtor's interest in the debtor's property securing such
18 claim (the "**Secured Value**"). To the extent the amount of the Allowed Claim exceeds
19 the Secured Value, the Claim is bifurcated into the Secured Claim and an Unsecured
20 Claim equal to the excess of the Allowed Claim over the Creditor's Value.

21 In Chapter 11 proceedings, the holder of the Secured Claim may, under certain
22 circumstances, make an election to have the Secured Claim equal to the full amount
23 of the Allowed Claim. In the event of such an election, the creditor's rights and
24 interests are governed by the provisions of § 1111(b) and §1129(b) of the Bankruptcy
25 Code.
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1 **1. Class 2.01. Lessor Secured Claims.**

2 If Debtor elects to retain the collateral for a Class 2.01 Claim, Debtor shall pay
3 the holder of such Claim the Allowed Amount of such Claim in equal monthly
4 installments, with interest at the Secured Claim Rate, commencing on the Payment
5 Commencement Date. Such payments shall be payable over the term of the original
6 agreement, including any option periods provided for therein. The amount of the
7 monthly payment shall be determined so that the aggregate value of all such
8 payments shall have a present value equal to the Allowed Secured Claim with interest
9 at the Secured Claim Rate. If Debtor makes the election to retain the collateral, the
10 holder of the Claim shall retain its lien on the collateral to secure payment of the
11 amounts provided herein.

12 Alternatively, Debtor may elect, prior to the Effective Date, to surrender the
13 collateral to the holder of the Claim in satisfaction of the Allowed Secured Claim, and
14 shall permit such holder to take possession thereof on or prior to the Effective Date.

15 Class 2.01 Claims are impaired.

16 **2. Class 2.02. Deposit Secured Claims.**

17 Each holder of a Class 2.02 Claim, to the extent such Claim is an Allowed
18 Secured Claim, shall be entitled, on the Effective Date, to apply the deposit held in full
19 satisfaction of the Allowed Secured Claim.

20 Class 2.02 Claims are impaired.

21 **3. Class 2.03. Secured Tax Claims.**

22 Each holder of a Secured Tax Claim shall receive, on account of such Claim,
23 equal quarterly cash payments over a period commencing on the Payment
24 Commencement Date and ending on the fifth (5th) anniversary of the Petition Date.
25 The aggregate of all payments shall equal the Allowed Amount of such Claim plus
26 interest at the Tax Claim Rate from the Petition Date. Each holder of an allowed

1 Secured Tax Claim shall retain its lien on the collateral to secure payment of the
2 amounts provided.

3 Class 2.03 Claims are impaired.

4 **4. Class 2.04. AED Secured Claim.**

5 As described in the Disclosure Statement, the amount of the AED Secured
6 Claim is subject to substantial dispute. First, AED has asserted that the AED Claim
7 should be Allowed in an amount in excess of \$127 million. For reasons discussed in
8 the Disclosure Statement, Debtor believes that the Allowed Amount of the AED Claim
9 should be limited to the amount that AED paid to acquire such Claim, which Debtor
10 believes is approximately \$28.5 million.

11 Secondly, the amount of the AED Secured Claim is limited to the lesser of (i)
12 the amount of the Allowed AED Claim or (ii) the Creditor Value of such Claim unless
13 the holder of the Claim elects treatment under §1111(b). Debtor believes that the
14 value of the Property, and, therefore, a limit on the amount of the AED Secured Claim
15 is approximately \$27 million to \$40 million. AED has not specified its contention as to
16 the value of the Property.

17 Thirdly, the holder of the AED Secured Claim may be entitled to elect treatment
18 under §1111(b). If the election is applicable, the AED Secured Claim would become a
19 non-recourse claim and the amount of such Claim would be equal to the full Allowed
20 Amount of such Claim. As described above, the full amount of the Claim that may be
21 Allowed ranges from approximately \$28 million to over \$127 million. To satisfy the
22 requirements of §1129(b) with respect to such Claim, the Plan must provide that the
23 holder of the Claim receive payments of an aggregate amount at least equal to the
24 amount of the Allowed Secured Claim and such payments must also have a present
25 value at least equal to the Creditor's Value in the collateral. Accordingly, compliance
26 with §1129(b) would require payments ranging from approximately \$28 million to over

1 \$127 million and would also require that the present value of such payments be in an
2 amount ranging from \$28 million to \$40 million.

3 Given the substantial range of potential requirements, the Plan provides for the
4 following treatment of the AED Secured Claim:

5 **a) Treatment if §1111(b) Not Applicable.**

6 If the holder of the AED Secured Claim has not made the election provided in
7 §1111(b), or such election is otherwise not applicable, Debtor shall make periodic
8 payments to the holder based upon the following:

- 9 • Commencing on the Payment Commencement Date, and continuing
10 thereafter quarterly for eight (8) years, the Reorganized Debtor shall
11 make quarterly payments to the holder of the Class 2.04 Claim, each
12 such payment being equal to the Case 1 Minimum Quarterly Payment,
13 subject, however, to reduction as provided below.
- 14 • Upon the sale of each parcel of the Property, the Reorganized Debtor
15 shall pay the Partial Release Amount for such parcel, subject, however,
16 to reduction as provided below.
- 17 • Notwithstanding the foregoing, the amount of a payment for the quarterly
18 payment or a partial release payment shall be reduced so that, after such
19 payment, the cumulative amount of all payments made hereunder does
20 not exceed the greater of (i) the Cumulative Minimum Payment Amount,
21 or (ii) the Cumulative Partial Release Amount.
- 22 • Notwithstanding the foregoing, the amount of a payment for the quarterly
23 payment or a partial release payment shall be reduced so that, after such
24 payment, the cumulative amount of all payments made hereunder does
25 not exceed the amount of the Allowed AED Secured Claim plus interest
26 the Secured Rate.

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- Notwithstanding the foregoing, the Reorganized Debtor shall make a final payment on the eighth (8th) anniversary of the Effective Date so that, with such payment, all payments on account of the AED Secured Claim equal the Allowed Amount of the AED Secured Claim with interest at the Secured Claim Rate.

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b) Treatment if §1111(b) is Applicable.

7 If the holder of the AED Secured Claim has made the election provided in §1111(b), and such election is applicable, Debtor shall make periodic payments to the holder based upon the following:

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- Commencing on the Payment Commencement Date, and continuing thereafter quarterly until the Creditor Value Payment Date, the Reorganized Debtor shall make quarterly payments to the holder of the Class 2.04 Claim, each such payment being equal to the Case 2 Minimum Quarterly Payment, subject, however, to reduction as provided below.
 - After the Creditor Value Payment Date, the Reorganized Debtor shall make quarterly payments to the holder of the Class. 2.04 Claim, each such payment being equal to the Case 3 Minimum Quarterly Payment.
 - Upon the sale of each parcel of the Property, the Reorganized Debtor shall make a Sale Payment, each such payment being equal to the Partial Release Amount for such parcel, subject, however, to reduction as provided below.
 - Notwithstanding the foregoing, the amount of a Minimum Quarterly Payment or a Sale Payment shall be reduced so that, after such payment, the cumulative amount of all payments made hereunder does not exceed the greater of (i) the Cumulative Minimum Payment Amount, or (ii) the Cumulative Partial Release Amount.

- 1 • Notwithstanding the foregoing, the amount of a Minimum Quarterly
2 Payment or a Sale Payment shall be reduced so that, after such
3 payment, the cumulative amount of all payments made hereunder does
4 not exceed the amount of the Allowed AED Secured Claim plus interest
5 the Secured Rate.
- 6 • Notwithstanding the foregoing, the Reorganized Debtor shall make a final
7 payment on the twenty-fifth (25th) anniversary of the Effective Date so
8 that, with such payment, all payments on account of the AED Secured
9 Claim equal the Allowed Amount of the AED Secured Claim with interest
10 at the Secured Claim Rate.

11 Subject to the provisions for partial release of lien on properties as sold the
12 holder of the AED Secured Claim shall retain its lien on the Property to secured
13 payments provided for herein until the amounts provided for herein have been paid in
14 full.

15 The Class 2.04 Claim is impaired.

16 **5. Class 2.05. Sonoran Pacific Secured Claim.**

17 The holder of the Sonoran Pacific Secured Claim shall receive, on account of
18 such Claim, equal quarterly cash payments over a period commencing on the
19 Payment Commencement Date and ending on the third (3rd) anniversary of the
20 Effective Date. The aggregate of all payments shall equal the Allowed Amount of the
21 such Claim plus interest at the Secured Claim Rate. The holder of the Sonoran
22 Pacific Secured Claim shall retain its lien on the collateral to secure payment of the
23 amounts provided.

24 The Class 2.05 Claim is impaired.

25 **C. UNSECURED CLAIMS.**

26 Unsecured Claims are treated in accordance with the following provisions.

1 **1. Class 3.01. Inter-Company Claims.**

2 Debtor shall pay each holder of a Class 3.01 Claim, to the extent such Claim is
3 an Allowed Claim, on account of such Claim, cash in the amount of such Allowed
4 Claim, plus interest at the General Claim Rate. Payment shall be due within 30 days
5 after payment of all amounts due under this Plan to the holders of General Claims.

6 The Class 3.01 Claims are impaired.

7 **2. Class 3.02. Investor Claims.**

8 Each holder of an Investor Claim that does not elect to become a Participating
9 Investor shall receive quarterly distributions from the Unsecured Creditor Fund based
10 on such holder's *pro rata* share of the funds available for distribution from such fund,
11 prorated among holders of Allowed Class 3.02, 3.03 and 3.04 Claims, provided,
12 however, that the aggregate payments to such holder shall not exceed the amount of
13 the holders Allowed Claim plus interest at the Unsecured Claim Rate.

14 Each holder of an Investor Claim that elects to become a Participating Investor
15 shall be treated in accordance with the provisions of section VI hereof.

16 The Class 3.02 Claims are impaired.

17 **3. AED Unsecured Claim.**

18 Except as may otherwise be provided by agreement or by order of the
19 Bankruptcy Court, the holder of the AED Unsecured Claim shall receive quarterly
20 distributions from the Unsecured Creditor Fund based on such holder's *pro rata* share
21 of the funds available for distribution from such fund, prorated among holders of
22 Allowed Class 3.02, 3.03 and 3.04 Claims, provided, however, that the aggregate
23 payments to such holder shall not exceed the amount of the holders Allowed Claim
24 plus interest at the Unsecured Claim Rate.
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1 The Class 3.03 Claims are impaired.

2 **4. Class 3.04. General Claims.**

3 Each holder of a General Claim shall receive quarterly distributions from the
4 Unsecured Creditor Fund based on such holder's *pro rata* share of the funds available
5 for distribution from such fund, prorated among holders of Allowed Class 3.02, 3.03
6 and 3.04 Claims, provided, however, that the aggregate payments to such holder shall
7 not exceed the amount of the holders Allowed Claim plus interest at the Unsecured
8 Claim Rate.

8 The Class 3.04 Claims are impaired.

9 **D. EQUITY INTERESTS.**

10 **1. Class 4.01. – Direct Equity Holders.**

11 All interests of a Direct Equity Holder shall be cancelled on the Effective Date
12 and such holder shall receive nothing on account of its interest unless such holder
13 elects to be a Participating Equity Holder as provided in section VI hereof and
14 complies with its obligations as a Participating Equity Holder as such obligations
15 become due up to and through the Effective Date.

16 Class 4.01 Interests are impaired.

17 **2. Class 4.02. Indirect Equity Holders.**

18 Any direct or indirect interest in Debtor held by an Indirect Equity Holder shall
19 be cancelled on the Effective Date and such holder shall receive nothing on account
20 of its interest unless (i) the Direct Equity Holder in which such holder is a member
21 elects not to be a Participating Equity Holder and (ii) such holder elects to be a
22 Participating Equity Holder as provided in section VI hereof and complies with its
23 obligations as a Participating Equity Holder as such obligations become due up to and
24 through the Effective Date.

24 Class 4.02 Interests are impaired.

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3. Class 4.03 Conversion Right Holders.

All interests of a Conversion Right Holder shall be cancelled on the Effective Date and such holder shall receive nothing on account of its interest unless such holder elects to be a Participating Equity Holder as provided in section VI hereof and complies with its obligations as a Participating Equity Holder as such obligations become due up to and through the Effective Date.

Class 4.03 Interests are impaired.

VI. MANNER OF MAKING ELECTIONS.

This Plan provides that Eligible Holders may elect the treatment of their Claims and Interest. This section sets forth the manner in which such elections may be made.

A. DEADLINE.

Except as may otherwise be agreed to by Debtor and an Eligible Holder, an election to be a Participating Investor or a Participating Equity Holder must be made by October 15, 2012, unless the Debtor or the Court specifies a later date for such election. The election shall be evidenced in writing by notice to Debtor in accordance with the terms of this Plan and shall indicate the Claim or Interest for which such election is made.

B. CONSEQUENCE OF ELECTION.

An election, once made, constitutes a binding offer from the Eligible Holder as follows:

- To vote in favor of the Plan;
- To become a member of the Reorganized Debtor on the terms provided herein and to consent to the membership of other Eligible Holders making the election and complying with the terms of the Plan.
- To pay to the Reorganized Debtor the amounts provided for herein on or before the dates specified herein.

- 1 • To be bound by the terms of the Revised Operating Agreement, as
2 provided for herein.

3 The offer shall be deemed withdrawn upon the first to occur of the following:

- 4 • An order is entered by the Bankruptcy Court (a) denying approval of the
5 Plan, (b) providing for stay relief to AED to complete a foreclosure of its
6 lien, (c) appointing a trustee in the Chapter 11 Case, (d) converting these
7 proceedings to Chapter 7 proceedings, or (e) dismissing these
8 proceedings;
9 • A Confirmation Order is not entered confirming the Plan on or before
10 March 31, 2013;
11 • A confirmation order is entered confirming a competing plan;
12 • Debtor modifies the Plan in a manner that materially and adversely
13 affects the treatment of the Eligible Holder's Claim or Interest unless such
14 Eligible Holder consents to such modifications.

15 Notwithstanding the foregoing, an Eligible Holder may change its election at any
16 time and from time to time prior to the Confirmation Date with the consent of Debtor

17 **VII. FUNDING PROVISIONS.**

18 The Plan contemplates that funding for the operations of the Reorganized
19 Debtor will be obtained, in part, from equity contributions made by Eligible Holders
20 and, in part, from funds loaned to the Reorganized Debtor from a third party lending
21 source. This section sets forth the relative funding obligations of Eligible Holders who
22 elect to participate in this funding.

23 **A. FUNDING OBLIGATIONS.**

24 The aggregate funding obligations from third party lending sources and from
25 Eligible Holders electing to participate shall equal \$12 million and shall be payable as
26 follows:

- 27 • Before Confirmation Date -- 2 million in the form of loans.

- Before Effective Date -- \$5 million.
- Before First Anniversary of Effective Date -- \$5 million.

B. ALLOCATION OF FUNDING COMMITMENTS.

An Eligible Holder who elects to participate in the funding of the Reorganized Debtor shall be obligated to pay its *pro rata* share of the following "Equity Commitment Amounts", as described in the previous section.

The *pro rata* share of each Eligible Holder of these Equity Commitment Amounts shall be set initially at such holder's Allocated Share, determined based on such holder's *pro rata* share of the allocations among Direct Equity Holders set forth on Exhibit B.

C. REALLOCATIONS.

To the extent that elections to participate result in funding commitments exceeding \$10 million, the amount of allocations will be adjusted to permit *pro rata* participation. To the extent that elections to participate are insufficient, electing participants will be permitted to subscribe to additional equity portions.

D. AMOUNT OF UNSECURED CREDITOR FUND.

The aggregate amount of the Unsecured Creditor Fund shall be increased above \$5 million by the amount, if any, that the market value of the Property exceeds the amount of all Secured Claims, Unclassified Claims and Priority Claims, all as determined by the Bankruptcy Court.

VIII. DISTRIBUTIONS FROM UNSECURED CREDITOR FUND.

Beginning on the Payment Commencement Date and continuing thereafter while payments remain due hereunder, the Reorganized Debtor will deliver the Unsecured Creditor Fund Amount to the Disbursing Agent to be distributed in accordance with the following provisions:

The Disbursing Agent shall distribute, or reserve the funds allocated *pro rata* among the following Allowed Unsecured Claims: (i) the AED Unsecured Claim, if any

1 (ii) the Investor Claims that have not elected to participate in the funding of the
2 Reorganized Debtor; (iii) the interest portion of Investor Claims that have elected to
3 participate in the funding of the Reorganized Debtor, and (iii) the General Claims.

4 The Disbursing Agent shall not make a distribution to a holder of a claim that
5 has already received the full amount of its Claim with interest at the Plan Rate.

6 **IX. OPERATING AGREEMENT MODIFICATIONS.**

7 On the Effective Date, the Operating Agreement of the Reorganized Debtor
8 shall be modified to permit compliance with the terms of this Plan and to provide that
9 the management of the Reorganized shall remain as provided in the current operating
10 agreement, except that (i) a replacement manager of the Reorganized Debtor may be
11 designated upon application of Debtor, subject to approval of the Bankruptcy Court, to
12 serve from the Effective Date until the first anniversary of the Effective Date, and (ii)
13 the manager may be changed thereafter by majority vote of the members of the
Reorganized Debtor.

14 **X. ALLOWANCE, ESTIMATION AND PAYMENT OF CLAIMS.**

15 **A. CATEGORIZATION OF CLAIMS.**

16 A Claim shall be an Allowed Claim, an Estimated Claim, a Disallowed Claim or
17 a Reserved-For Claim, based on the following provisions.

18 **1. Allowed Claims.**

19 A Claim shall be **Allowed** only if, and to the extent, the Claim has been Timely
20 Submitted, Allowable, and Determined, in accordance with the following:

21 **a) *Timely Submitted.***

22 A Claim shall be Timely Submitted if at least one of the following applies to such
23 Claim:

- 24 • *Scheduled.* The Claim is listed on the Schedules, and is not listed as
25 contingent, unliquidated, or disputed, and is not included within a Proof of
26 Claim;

- 1
- *Proof of Claim.* The Claim is reflected in a Proof of Claim filed by the Bar Date applicable to such Claim;
 - *Otherwise Timely Submitted.* The Claim has been determined, by Final Order of the Bankruptcy Court, to be timely filed;
 - *Informal Proof of Claim.* The Claim has been determined, by Final Order of the Bankruptcy Court, to be the subject of a timely “informal Proof of Claim”;
 - *No Proof of Claim Required.* The Claim has been determined, by Final Order of the Bankruptcy Court, to be deemed timely submitted, without a Proof of Claim.

10 **b) Allowable.**

11 A Claim shall be considered Allowable if at least one of the following applies to
12 such Claim:

- 13
- *No Objection.* The Claim is Timely Submitted and is not the subject of a pending Timely Objection;
 - *Sustained Claim.* The Claim has been Allowed, after consideration of all Timely Objections, by Final Order of the Bankruptcy Court.

17 **c) Determined.**

18 A Claim, and the amount thereof, shall be Determined if one of the following
19 applies to such Claim:

- 20
- *No Objection.* The Claim is Timely Submitted and Allowable, and the amount thereof is not subject to a Timely Objection;
 - *Sustained Amount.* The amount of the Claim has been liquidated, after consideration of all Timely Objections, by Final Order of the Bankruptcy Court.
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2. Estimated Claims.

A Claim shall be an Estimated Claim if the Claim is not an Allowed Claim, and the Bankruptcy Court has entered an order estimating the Claim for distribution purposes.

3. Disallowed Claims.

A Claim shall be a Disallowed Claim if the Claim was not Timely Submitted, or has been disallowed by order of the Bankruptcy Court.

4. Reserved-For Claims.

A Claim shall be a Reserved-For Claim if the Claim is not an Allowed Claim, an Estimated Claim, or a Disallowed Claim. Each Reserved-For Claim shall be considered, for purposes of determining *pro rata* distributions, to be in an amount equal to (i) the amount listed on the Schedules, if no proof of claim has been filed, or (ii) the amount listed on a proof of claim.

B. OBJECTIONS AND BAR DATE FOR FILING OBJECTIONS.

Except as provided above, an objection to a Claim shall be a Timely Objection if filed with the Bankruptcy Court, and served upon the holder of such Claim pursuant to the Bankruptcy Code and Bankruptcy Rules, by any deadline for such objections set by order of the Bankruptcy Court. Any party in interest may file an objection to a Claim but the primary responsibility for objecting to claims shall be with the Reorganized Debtor.

C. SETTLEMENT OF CLAIMS.

Settlement of any objection to a Claim not exceeding \$5,000 shall be permitted on the 11th day after notice of the settlement has been provided to the Reorganized Debtor, and the Disbursing Agent, the settling party, and other persons specifically requesting such notice, and if on such date there is no written objection filed, such settlement shall be deemed approved. In the event of a written objection to the

1 settlement, the settlement shall be effective upon the entry of an order resolving the
2 objection to the settlement.

3 **D. CALCULATION AND PAYMENT OF PRO RATA DISTRIBUTIONS.**

4 If this Plan provides for a distribution *pro rata* to holders of Claims in a particular
5 Class or group of Classes, the amount potentially distributable to each holder shall be
6 determined by prorating the payment due among all Allowed, Estimated and
7 Reserved-For Claims in the Class or group of Classes. The Reorganized Debtor
8 and/or the Disbursing Agent shall make the distributions so calculated to holders of
9 Allowed and Estimated Claims and shall not make the distributions so calculated to
10 holders of Reserved-For Claims.

11 **E. PAYMENTS TO HOLDERS OF RESERVED-FOR CLAIMS.**

12 Within 90 days after the entry of an order of the Bankruptcy Court that results in
13 a Reserved-For Claim becoming an Allowed Claim, Debtor, or the Disbursing Agent,
14 shall pay any amounts that have been withheld from previous disbursements on
15 account of such Claim.

16 **F. NON-PAYMENT ON ACCOUNT OF PENALTIES AND FINES.**

17 Except as specifically provided by order of the Bankruptcy Court, no distribution
18 shall be made on account of any fine, penalty, exemplary or punitive damages, late
19 charges or other monetary charge relating to or arising from any default or breach by
20 a Debtor, and any claim on account thereof shall be treated hereunder as such and
21 disallowed to the extent of such fine, penalty, exemplary or punitive damages, late
22 charges or other default-related charge, whether or not an objection is filed to it.

23 **XI. LEASES AND EXECUTORY CONTRACTS.**

24 All leases and other executory contracts not assumed on or prior to the
25 Effective Date shall be rejected as of the Effective Date, unless specific written notice
26 of intent to assume is mailed or delivered to the lessor or other contracting party
before the Effective Date. In the event of assumption, all pre-petition defaults will be

1 cured on the Effective Date except as otherwise provided herein. In the event of
2 rejection, the bar dates established by the Court as further described in the Disclosure
3 Statement will apply.

4 **XII. CERTAIN DETERMINATIONS AT CONFIRMATION.**

5 At or before the Confirmation Hearing, Debtor may request the Bankruptcy
6 Court to make the findings necessary to confirm the Plan and shall also request the
7 Court to determine other matters provided for herein. These matters may include,
8 without limitation, any or all of the following:

- 9 • The amount of Allowed Secured Claims under § 506(a).
- 10 • The amount of the Secured Claim Rate.
- 11 • The amount of the General Claim Rate.
- 12 • The Amount of the Tax Claim Rate.
- 13 • Any issues regarding the treatment of claims.
- 14 • The appointment of a Disbursing Agent.
- 15 • The propriety of any stipulations or settlements regarding the amount of
16 Allowed Claims or the treatment of Claims in a manner different than
17 provided for herein, pursuant to § 1123(a)(4) of the Bankruptcy Code.
- 18 • The propriety of the assumption or rejection of leases and executory
19 contracts, and the terms thereof.
- 20 • The propriety of any modification of the Plan proposed by Debtor.

21 **XIII. THE DISBURSING AGENT.**

22 Distributions to holders of Allowed Claims shall be administered by a Disbursing
23 Agent pursuant to the provisions of this Article XIII.

24 **A. APPOINTMENT.**

25 One or more Disbursing Agents shall be appointed pursuant to the Confirmation
26 Order or subsequent order of the Bankruptcy Court. The Disbursing Agent shall,
among other things, act instead of and as the nominee of the holders of Claims and

1 Interests, receive payments from Debtor, and make all payments and distributions to
2 creditors contemplated by the Plan.

3 **B. COMPENSATION OF THE DISBURSING AGENT.**

4 A Disbursing Agent shall not be entitled to compensation for services rendered.
5 If any reimbursement of expenses is sought by the Disbursing Agent, the same shall
6 be subject to the approval of the Bankruptcy Court.

7 **C. REORGANIZED DEBTOR AS DISBURSING AGENT.**

8 The Reorganized Debtor may be appointed as Disbursing Agent pursuant to the
9 Confirmation Order to act in all such things as are required of the Disbursing Agent.

10 **D. DISTRIBUTIONS ON ACCOUNT OF CLAIMS.**

11 Prior to each date upon which payments are due under the Plan, the Disbursing
12 Agent shall advise Debtor of (i) the amounts of any Claims entitled to disbursements,
13 (ii) the amounts of payments required to each holder of a Claim entitled to
14 disbursement, and (iii) the amounts, if any, that are subject to reserves under the
15 terms of this Plan. Disbursements shall be made in accordance with the information
16 provided and may be made by Debtor or by the Disbursing Agent.

17 **E. LIMITED LIABILITY OF DISBURSING AGENT.**

18 The Disbursing Agent shall not be liable to the holder of a Claim for distributions
19 unless the Disbursing Agent has received the funds to make such distribution from
20 Debtor.

21 **XIV. CONDITIONS PRECEDENT TO EFFECTIVE DATE.**

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

23 **A. ENTRY OF CONFIRMATION ORDER.**

24 The Confirmation Order has been entered, the effect of such order has not been
25 vacated, and the order is not stayed.
26

1 **B. EXECUTION OF DOCUMENTS.**

2 All documents necessary and appropriate to effectuate the Plan shall have been
3 executed and delivered by all parties.

4 **C. CORPORATE ACTION.**

5 All corporate actions of Debtor shall be properly completed by the Effective
6 Date.

7 **D. LISTING OF ASSUMED LEASES AND EXECUTORY CONTRACTS.**

8 Debtor shall have filed a listing of all leases and executory contracts intended to
9 be assumed, unless the other party to such contract shall have agreed to an extension
10 of the time to assume or reject such contract.

11 **E. DESIGNATION OF EFFECTIVE DATE.**

12 Debtor shall have filed a designation of the date upon which the Plan is to
13 become effective. Debtor may designate the Effective Date as any date (i) more than
14 11 days after the entry of the Confirmation Order and (ii) not more than 90 days after
15 (a) the entry of the Confirmation Order or, if later, (b) any stay of the Confirmation
16 Order has expired or been vacated; **PROVIDED**, the Bankruptcy Court may extend
17 the period of time for designation of the Effective Date for up to an additional 90 days,
18 for good cause shown, after notice to the U.S. Trustee, the Committee, the holders of
19 Secured Claims, and any other party specifically requesting notice of a request for
20 extension of the deadline for designating the Effective Date.

21 **F. COMPLIANCE WITH CONFIRMATION ORDER.**

22 Debtor has complied with any other conditions to effectiveness of the Plan as
23 may be imposed in the Confirmation Order.

24 **XV. CONDITIONS PRECEDENT TO DISTRIBUTIONS**

25 The Disbursing Agent may, as a condition to making distributions on account of
26 Claims require the holder of the Claim to return and cancel instruments respecting
such Claim.

1 **XVI. UNCLAIMED FUNDS.**

2 For a period of one year from the Effective Date, the Disbursing Agent shall
3 retain any distribution of funds otherwise distributable hereunder remaining unclaimed.
4 Thereafter, any unclaimed funds resulting will be paid over to the Reorganized Debtor.

5 **XVII. RETENTION OF JURISDICTION.**

6 The Bankruptcy Court will retain jurisdiction to insure that the purposes and
7 intent of the Plan are carried out. Without limiting the generality of the foregoing, the
8 Bankruptcy Court will retain jurisdiction, until the Plan is fully consummated, for the
9 following purposes:

10 **A. CLAIMS DETERMINATION.**

11 The Bankruptcy Court shall retain jurisdiction to determine the classification,
12 allowance, subordination and liquidation of Claims (including Administrative Claims)
13 and Interests, and the reexamination of Allowed Claims for purposes of determining
14 acceptances at the time of Confirmation, and the determination of such objections as
15 may be filed. The failure by the Reorganized Debtor to object to or to examine any
16 Claim for the purpose of determining Plan acceptance, shall not be deemed to be a
17 waiver of any right to object to or reexamine any Claim in whole or in part.

18 **B. ESTATE ASSETS.**

19 The Bankruptcy Court shall retain jurisdiction to determine all questions and
20 disputes regarding title to the assets of the Estates, and all causes of action,
21 controversies, disputes, or conflicts, known or unknown, whether or not subject to
22 action pending as of the Confirmation Date, between Debtor and any other party,
23 including but not limited to, such Debtor's right to recover assets, avoid transfers,
24 recover fraudulent transfers, offset claims, recover money or property from any party
25 or return assets which were or are the property of the Estates pursuant to the
26 provisions of the Bankruptcy Code.

1 **C. EXECUTORY CONTRACTS.**

2 The Bankruptcy Court may determine all matters relating to the assumption,
3 assignment, or rejection of executory contracts and unexpired leases, including claims
4 for damages from the rejection of any executory contract or unexpired lease within
5 such time as the Bankruptcy Court may direct.

6 **D. UNLIQUIDATED CLAIMS.**

7 The Bankruptcy Court may liquidate or estimate damages or determine the
8 manner and time for such liquidation or estimation in connection with any contingent,
9 disputed, or unliquidated Claims.

10 **E. PLAN CORRECTIONS.**

11 The Bankruptcy Court may authorize the correction of any defect, the curing of
12 any omission, or the reconciliation of any inconsistency in the Plan, the Confirmation
13 Order, or any and all documents executed or to be executed in connection therewith,
14 as may be necessary to carry out the purposes and the intent of the Plan, on such
15 notice as the Bankruptcy Court shall determine to be appropriate.

16 **F. PLAN MODIFICATIONS.**

17 The Bankruptcy Court shall have jurisdiction to authorize a modification of the
18 Plan after Confirmation pursuant to the Bankruptcy Rules and the Bankruptcy Code.

19 **G. ADVERSARY PROCEEDINGS.**

20 The Bankruptcy Court may adjudicate all claims, controversies, contested
21 matters or adversary proceedings arising out of any purchases, sales, agreements or
22 obligations made or undertaken by and between a Debtor and any third party during
23 the pendency of this Chapter 11 Case and such jurisdiction shall continue after the
24 closing of this case.

1 **H. PLAN INTERPRETATION.**

2 The Bankruptcy Court may enforce and interpret the terms and conditions of the
3 Plan and all controversies and disputes that may arise in connection with the
4 enforcement, interpretation or consummation of the Plan.

5 **I. DEADLINES.**

6 The Bankruptcy Court may shorten or extend, for cause, the time fixed for doing
7 any act or thing under the Plan, on such notice as the Bankruptcy Court shall
8 determine to be appropriate.

9 **J. DISCHARGE INJUNCTIONS.**

10 The Bankruptcy Court may enter any order, including injunctions, necessary to
11 enforce the title, rights, and powers of the Reorganized Debtors, and to impose such
12 limitations, restrictions, terms and conditions on such title, rights, and powers as the
13 Bankruptcy Court may deem appropriate.

14 **K. ADDITIONAL MATTERS.**

15 The Bankruptcy Court may determine such other matters as may be provided in
16 the Confirmation Order or as may be authorized under the Bankruptcy Code.

17 **L. CASE CLOSING.**

18 The Bankruptcy Court may enter an order closing this Chapter 11 Case at any
19 time after substantial consummation of the Plan. Unless otherwise ordered by the
20 Court, the closing of the case shall not affect the Court's pendency of any adversary
21 proceeding or contested matter and shall not limit the Court's reserved jurisdiction
22 under this Article or under the Bankruptcy Code or other applicable statute.

23 **XVIII. MODIFICATION OF THE PLAN.**

24 In addition to the modification rights under § 1127 of the Bankruptcy Code,
25 Debtor may propose amendments to, or modifications of, this Plan at any time prior to
26 entry of the Confirmation Order, with leave of the Bankruptcy Court, upon such notice
as may be prescribed by the Court. After entry of the Confirmation Order, Debtor

1 may, with the approval of the Court, and so long as it does not materially or adversely
2 affect the interest of creditors, cure any omission, correct any defect, or reconcile any
3 inconsistencies in the Plan, the Confirmation Order, or any and all documents
4 executed or to be executed in accordance therewith, in such manner as may be
5 necessary to carry out the purposes and intent of this Plan.

6 **XIX. EFFECT OF CONFIRMATION.**

7 **A. DISCHARGE OF CLAIMS.**

8 Except as otherwise provided in the Plan or the Confirmation Order, entry of the
9 Confirmation Order acts as a discharge, effective as of the Effective Date, of any and
10 all debts, obligations, liabilities and claims, whether contingent or otherwise, of Debtor
11 that arose at any time before the Effective Date, including, but not limited to, all
12 interests in Debtor, and all principal and any and all interest accrued thereon,
13 pursuant to § 1141(d)(1) of the Bankruptcy Code. The discharge of Debtor shall be
14 effective as to each Claim, regardless of whether a proof of claim thereof was filed,
15 whether or not the Claim is an Allowed Claim, or whether the holder thereof voted to
16 accept the Plan.

17 **B. VESTING OF ASSETS.**

18 Except as otherwise provided in the Plan or the Confirmation Order, or in any
19 Order of the Bankruptcy Court entered pursuant to 11 USC section 506, entry of the
20 Confirmation Order shall vest in Debtor, as of the Effective Date, all assets acquired or
21 retained by it pursuant to this Plan, free and clear of all liens, claims and
22 encumbrances.

23 **XX. MISCELLANEOUS.**

24 **A. NOTICES.**

25 All notices, requests, or demands for payment provided for in the Plan shall be
26 in writing and shall be deemed to have been given to Debtor when personally
delivered by hand, or deposited in any general or branch post office of the United

1 States Postal Service, or received by telecopy. Notices, requests and demands for
2 payment shall be addressed to the attention of Debtor and sent postage prepaid or
3 delivered to:

4 David Cavan
5 15300 N. 90th Street, Suite 200
6 Scottsdale, Arizona 85260

7 With Copy to:
8 Alan Meda, Esq.
9 1850 N. Central Avenue, Suite 2100
10 Phoenix, Arizona 85004
11 Email ameda@stinson.com

12 The addresses provided for above may be changed, at any time and from time
13 to time, by a notice filed with the Bankruptcy Court in these proceedings.

14 **B. HEADINGS.**

15 The headings used in the Plan are inserted for convenience only and shall not
16 affect the interpretation of the Plan.

17 **C. TIME OF THE ESSENCE.**

18 Time is of the essence in the interpretation and enforcement of this Plan.
19 Without limiting the generality of such statement, the rights provided hereunder are
20 intended to expire immediately upon the expiration of the period provided for herein,
21 and are intended not to be extended under § 362 or § 105 of the Bankruptcy Code for
22 any reason.

23 **D. CONFIRMATION WITHOUT ACCEPTANCE OF ALL CLASSES.**

24 Debtor will request the Bankruptcy Court to confirm the Plan notwithstanding
25 the rejection of the Plan by an impaired Class, pursuant to the provisions of § 1129(b)
26 of the Bankruptcy Code.

1 RESPECTFULLY SUBMITTED this the 26th day of September, 2012.

2 **STINSON MORRISON HECKER LLP**

3
4 /s/ Alan A. Meda

5 C. Taylor Ashworth

6 Alan A. Meda

7 Christopher C. Simpson

8 1850 N. Central Avenue, Suite 2100

9 Phoenix, Arizona 85004-4584

10 Counsel for the Debtor

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EXHIBIT "A"

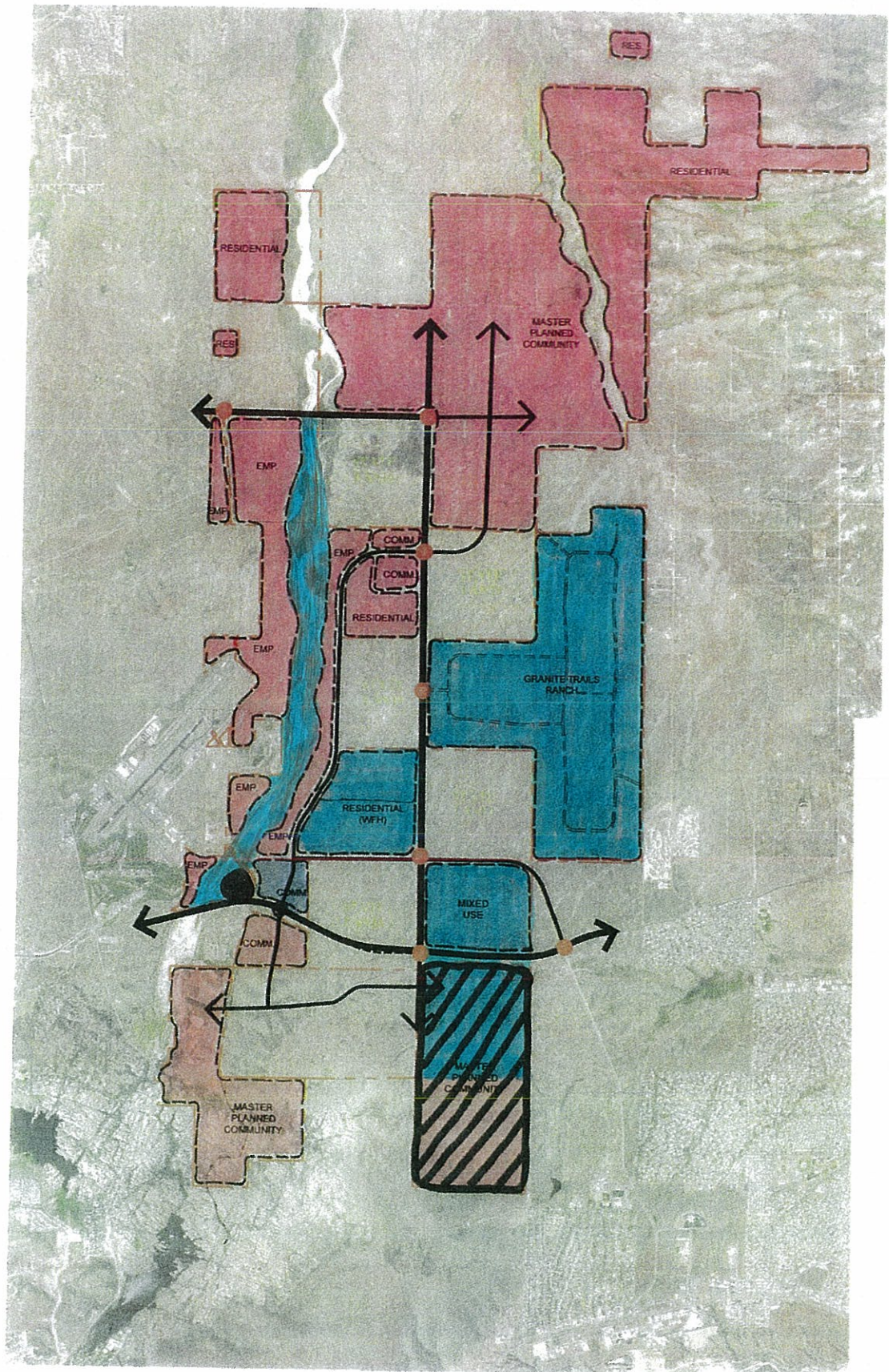
**EXHIBIT A TO PLAN
PARTIAL RELEASE AMOUNT**

Parcel Description	Total Acres in Parcel	% Creditor Value Per Acre	Release % Per Acre	Release Price Total Parcel
1 Residential Lots in 930 acre SW portion	625	0.01627%	0.02034%	12.7125%
2 Commercial Lots in 930 acre SW portion	20	0.06350%	0.07938%	1.5875%
3 Resort/Special Parcel in 930 acre SW portion	50	0.08040%	0.10050%	5.0250%
4 Unuseable portion of 930 acres in SW portion	235	0.00000%	0.00000%	0.0000%
5 Commercial acreage near 89A interchange	400	0.08015%	0.10019%	40.0750%
6 Industrial acreage near 89A interchange	100	0.04670%	0.05838%	5.8375%
7 Commercial/apartment in 1200 acres in PV	80	0.05603%	0.07003%	5.6027%
8 Residential portion of 1200 acres in PV	1,120	0.02273%	0.02841%	31.8169%
9 ADOT freeway alignment	218	0.01784%	0.02231%	4.8625%
10 2600 residential acres in Prescott Valley	2,600	0.00095%	0.00118%	3.0803%
11 Section 31 mall site Prescott Valley	600	0.01025%	0.01281%	7.6875%
12 Balance of property	8,915	0.00060%	0.00075%	6.7125%
Totals	14,963			

EXHIBIT "B"

EXHIBIT B TO PLAN
EQUITY CONTRIBUTION ALLOCATIONS

Member or Conversion Holders	Percentage	Amount
CMS	20.00%	6,000,000
Tri City	20.00%	6,000,000
GDI	25.00%	7,500,000
GDEG	10.00%	3,000,000
Participating Investors	25.00%	7,500,000
Totals	100.00%	30,000,000

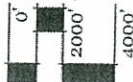


AERIAL & TOPO EXHIBIT

GRANITE DELLS
YAVAPAI COUNTY, ARIZONA

 Kimley-Horn
and Associates, Inc.

SCALE: (+/-)



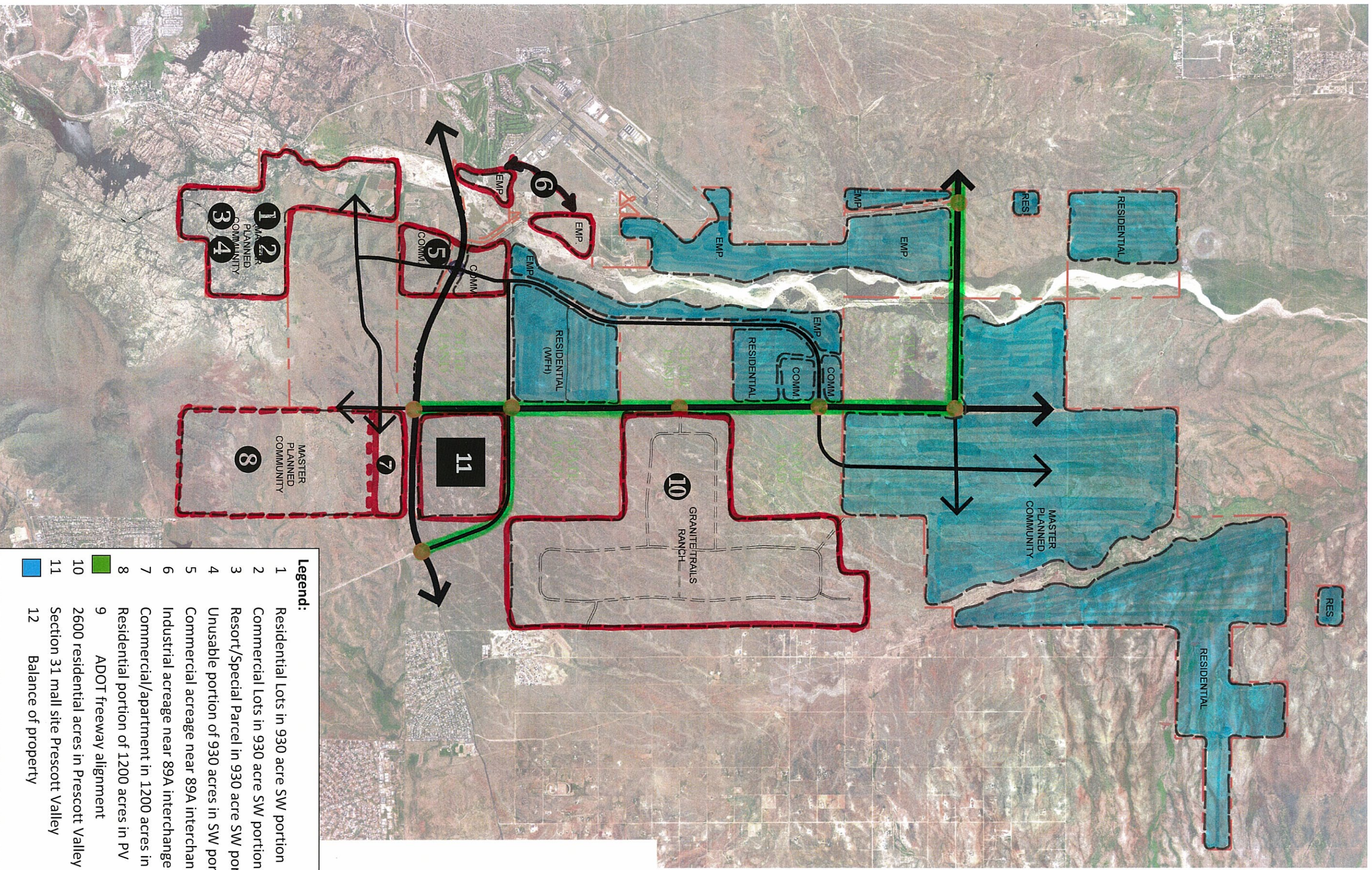
NORTH



LVA urban design studio
land planning • landscape architecture
125 north oak canyon • tempe, arizona 85281 • phone: 480-954-8994

DATE: 1-14-08
JOB: 0475
BY: PR

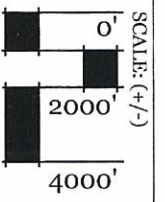
EXHIBIT 2



- Legend:**
- 1 Residential Lots in 930 acre SW portion
 - 2 Commercial Lots in 930 acre SW portion
 - 3 Resort/Special Parcel in 930 acre SW portion
 - 4 Unusable portion of 930 acres in SW portion
 - 5 Commercial acreage near 89A interchange
 - 6 Industrial acreage near 89A interchange
 - 7 Commercial/apartment in 1200 acres in PV
 - 8 Residential portion of 1200 acres in PV
 - 9 ADOT freeway alignment
 - 10 2600 residential acres in Prescott Valley
 - 11 Section 31 mall site Prescott Valley
 - 12 Balance of property

AERIAL & TOPO EXHIBIT

GRANITE DELLS
YAVAPAI COUNTY, ARIZONA



Kimley-Horn and Associates, Inc.

CDH urban design studio
land planning • landscape architecture

120 South Oak Street • Tempe, Arizona 85281 • phone: 480.944.8794

DATE: 1-14-08
JOB#: 0475
BY: [Signature]
PR

EXHIBIT 3

EXHIBIT 3 TO AMENDED DISCLOSURE STATEMENT

DESCRIPTION OF AED CLAIMS DISPUTE

As described in the Disclosure Statement, AED was formed by, and has been under the control of, Stuart Swanson since its formation in January 2012. AED was used by Mr. Swanson to complete the purchase of Debtor's promissory note held by the Original Owners that Mr. Swanson negotiated in December 2011, and Mr. Swanson provided the funds to AED to complete the purchase.

At the time of Mr. Swanson's negotiation of the note purchase and the consummation of the purchase by AED, Mr. Swanson was a member of Tri-City and had effective control of the interest held by his mother's partnership. Mr. Swanson had previously entered into note purchase agreements with Mr. Fann and was, with Mr. Fann, developing and selling property adjacent to Debtor's Property. Since at least March 2011, Mr. Fann and Mr. Swanson had entered into an agreement in principle to seek to acquire all or a portion of Debtor's property. Together, Mr. Fann and Mr. Swanson had effective control of Tri-City and had the ability to control actions of Tri-City as a member of Debtor. Thus, Mr. Swanson had sufficient control over Debtor to be considered an insider and fiduciary of Debtor.

At the same time, Mr. Swanson had obtained substantial access to Debtor's confidential information, particularly including information about Debtor's negotiations with the Original Owners regarding the discounted purchase of the Original Owner's note. Moreover, at critical points in these negotiations, Mr. Swanson had interjected himself and become, initially, a joint participant with Debtor in these negotiations and, then suddenly, a competitor of Debtor in these negotiations. Finally, Mr. Swanson used his Debtor insider status to communicate negative and misleading information regarding Debtor to the Original Owners, for the purpose of obtaining an advantage in this competition to acquire the note.

Under these circumstances, Mr. Swanson owed fiduciary duties to Debtor and these fiduciary duties prohibited him from acquiring the Original Owner's Note on his own account. Instead, under applicable state law, Mr. Swanson's acquisition of the note must be conclusively presumed to be for the benefit of Debtor and inures to the benefit of Debtor.¹ Mr. Swanson is therefore entitled to reimbursement for his expenses in

¹ See generally 76 AM JUR 2d *Trusts* § 524: "It is a broad rule followed in many jurisdictions that any purchase by a trustee for his or her own benefit of an outstanding title, claim to, or interest in, the trust property, whether at a judicial, execution, foreclosure, private, or other sale by, or brought about by, another, is presumed to be for, and inures to, the benefit of the trust estate and the beneficiaries, at their election, irrespective of actual good faith or fraud on the part of the trustee; but where the trust estate takes the benefit of the purchase, the trustee is entitled to reimbursement for his or her expenditures, at least where he or she acted in good faith to protect the trust estate in the purchase."

"

acquiring the claim but is entitled only to the amount he paid for the claim², which Debtor believes is \$28 million.

This state law principle is particularly applicable when the "trustee" is an officer, director, or control person of a corporation and the corporation is insolvent.³ See, e.g., *In re Bridgford Co.*, 237 F.2d 182 (9th Cir. 1956):

It has, of course, long been established that officers, directors and attorneys of a corporation are fiduciaries and that they should be held responsible for any breach of duties as such. They may not, while the corporation is insolvent, purchase claims against it at a discount and then enforce such claims at their full face value.

The principle is fully applicable in determining the allowed amount of an insider's claim when that claim has been purchased at a discount. See, e.g., *In re Norcor Mfg. Co.*, 109 F.2d 407,411 (7th Circ. 1940):

"Thus, the question presented is whether the Norcor Company is entitled to maintain a claim based upon the total face amount of the claims assigned to it, or merely upon the total consideration actually paid for such claims. It is argued that Krueger and his attorney Lehner sustained such a fiduciary relation with the debtor corporation as would preclude them from purchasing claims of creditors at a small fraction of their face value, and using them as the foundation for a claim in excess of that actually paid therefor. We think this argument is sound."

See also *Committee of Creditors Holding Unsecured Claims v. Citicorp Venture Capital, Ltd. (In re Papercraft Corp.)*, 165 B.R. 980, 984(W.D. Bankr. Pa. 1994) (holding that amount of claim is based on insider's purchase price and claim in that amount is treated on a par with other allowed claims. This decision was modified on appeal to permit equitable subordination of the claim, see 323 F.3d 228 (3rd Cir. 2002):

"CVC was able to purchase claims and had access to inside information, which was unavailable to other buyers or to the sellers, regarding the potential returns on and value of the notes purchased. It is the access to inside information which removes the purchase from the category of arm's length transactions and results in limitations on insiders' claims being

² See, 18B Am Jur 2d Corporations § 1557 "a corporate officer's purchase of a corporate mortgage at a substantial discount will extinguish the corporation's liability for the debt and will leave the officer with only a claim against the corporation for the money that was advanced in acquiring the mortgage and reasonable expenses."

³ See, 18B Am Jur 2d Corporations § 1557 " Where an officer or a director of a corporation purchases a claim against it in good faith for the purpose of conserving the assets of the corporation and not for his or her personal interest, the officer or director is entitled to the benefit of any liens or securities for the purpose of enforcing payment thereof. . . . However, where the bona fides of the transaction are not clear, the purchaser's rights against the debtor corporation will be subordinated to those of other creditors."

applied to CAVE. . . . We hold that because CVC is an insider its distribution through the plan of reorganization is limited to no more than the amount CVC actually paid for the notes it purchased."

See generally 6-94 Collier Bankruptcy Practice Guide:

Some courts have held that once a corporation becomes insolvent, its directors become fiduciaries of the corporation's creditors. As a fiduciary, a director may not profit at the expense of her beneficiaries—here, the remaining creditors—by enforcing claims purchased at a discount for their full face amount. State courts have, therefore, traditionally prohibited directors of insolvent corporations from enforcing at full face value any claims against the corporation which the director had purchased at a discount. The director was allowed to enforce such a claim only at the price paid for the claims, plus interest.

By allowing such claims at the amount paid by the director, plus interest, the court increased distributions to creditors..The rule applied even if the director was *given* the claims, in which case they were allowed at zero.

See also *In Re Washington Mutual, Inc.*, 2011 WL 4090757 (Bankr. D. Del. 2011).

In addition to the general discussion above, special counsel for Debtor has identified several state law claims which may be asserted pursuant to the above dispute including, without limitation: fraud, negligent misrepresentation, breach of fiduciary duty, breach of the implied covenant of good faith and fair dealing, aiding and abetting, racketeering, civil conspiracy, tortious interference with business expectancy.

EXHIBIT 4

Granite Dells Ranch Holdings, LLC
Income Statement
December 31, 2011

Income

Grazing Revenue	\$63,763
Mining Revenue	1,353,641
Other Income	2,500
Interest Income	41,753
Total Income	<u>\$1,461,657</u>

Expenses

Cntr Srvc & Fees-Accntg/Tax Prep	\$12,120
Cntr Srvc & Fees-Legal	139,284
Cntr Srvc & Fees-Professional/Cons	41,647
Meals - Employee	44
Mileage Reimbursement	776
Courier & Messenger	60
General & Administrative Expense	288,653
Insurance - Property/Liability	9,573
Licenses & Permits	2,972
Utilities	122
Taxes - Real Estate Property	16,101
Bank Charges & Fees	3,080
Licenses & Permits	50
Depreciation Expense	65
Amortization Expense	24,306
Interest Expense	5,036,971
Total Expenses	<u>\$5,575,824</u>
Net Income (Loss)	<u><u>(\$4,114,167)</u></u>

Note - Excludes out of period expense adjustments totaling \$661,838.
-Excludes accrual of asset management fee.

UNAUDITED

Granite Dells Ranch Holdings, LLC
Statement of Financial Position
December 31, 2011

Assets

Current Assets

Cash & Cash Equivalents	\$1,115,177	
Accounts Receivable	2,426,757	
Other Assets & Prepaids	6,108	
Total Current Assets		<u>\$3,548,042</u>

Long Term Assets

Land	\$95,839,494	
Land Acquisition Costs	13,166,978	
Site Improvements & Landscaping	7,830	
Accumulated Depreciation	(65)	
Development Costs	3,289,678	
Other Assets	4,347	
Total Long Term Assets		<u>\$112,308,262</u>

Total Assets		<u><u>\$115,856,304</u></u>
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Liabilities and Equity

Current Liabilities

Accounts Payable	\$3,098,446	
Accrued Liabilities	22,818,203	
Total Current Liabilities		<u>\$25,916,649</u>

Long Term Liabilities

Deferred Revenue	\$72,917	
Notes Payable	96,992,506	
Other Payables	7,322,876	
Total Long Term Liabilities		<u>\$104,388,299</u>
Total Liabilities		<u>\$130,304,948</u>

Equity

Member Equity	\$20,056,100	
Equity Investment Fees	(\$965,300)	
Retained Earnings	(29,425,277)	
Net Income	(4,114,167)	
Total Equity		<u>(\$14,448,644)</u>
Total Liabilities & Equity		<u><u>\$115,856,304</u></u>

Note - Net Income excludes out of period expense adjustments totaling \$661,838. These expenses are reflected in Retained Earnings.

- Excludes accruals of certain asset management fees.

UNAUDITED

EXHIBIT 5

CASH FLOW 10 YEARS (ASSUMING SALE OF 1200 ACRES)

	1	2	3	4	5	6	7	8	9	10	Total	
REVENUES												
930 acres												
Residential lots	0	0	0	1,620,000	3,240,000	6,480,000	6,480,000	3,240,000	1,620,000	2,632,500	25,312,500	
Commercial	0	0	0	1,089,000	1,089,000	0	0	0	0	0	2,178,000	
Resort	0	0	0	0	0	10,890,000	0	0	0	0	10,890,000	
Total 930 Proceeds	0	0	0	2,709,000	4,329,000	17,370,000	6,480,000	3,240,000	1,620,000	2,632,500	38,380,500	
Expenses												
Net 930 Income	0	0	0	2,709,000	4,329,000	17,370,000	6,480,000	3,240,000	1,620,000	2,632,500	38,380,500	
89A Commercial Property												
North Proceeds	0	0	0	3,049,200	8,712,000	15,681,600	24,393,600	26,136,000	13,068,000	0	91,040,400	
South Proceeds	0	0	0	3,049,200	8,712,000	20,908,800	24,393,600	26,136,000	13,068,000	0	96,767,600	
Total 89A Commercial Proceeds	0	0	0	6,098,400	17,424,000	36,590,400	48,787,200	52,272,000	26,136,000	0	187,808,000	
North costs	0	0	0	(1,454,545)	(1,454,545)	(1,939,394)	(1,454,545)	(969,697)	(727,273)	(727,273)	(8,727,273)	
South costs	0	0	0	(1,545,455)	(1,545,455)	(2,060,606)	(1,545,455)	(1,030,303)	(772,727)	(772,727)	(9,272,727)	
Total 89A costs	0	0	0	(3,000,000)	(3,000,000)	(4,000,000)	(3,000,000)	(2,000,000)	(1,500,000)	(1,500,000)	(18,000,000)	
Net 89A Income	0	0	0	3,098,400	14,424,000	32,590,400	45,787,200	50,272,000	24,636,000	(1,500,000)	169,308,000	
Industrial Near Interchange												
Revenues	0	0	0	0	0	0	0	11,586,960	0	0	11,586,960	
Costs	0	0	0	0	0	0	0	(3,000,000)	0	0	(3,000,000)	
Net	0	0	0	0	0	0	0	8,586,960	0	0	8,586,960	
1200 Residential Property												
Bulk Sale	12,000,000											
Partial Release Payment	(5,000,000)											
Net Cash	7,000,000											
ADOT												
9,496,080												
2600 Residential Land												
Revenues	0	0	0	0	0	0	0	15,000,000	15,000,000	15,000,000	30,000,000	
Infrastructure	0	0	0	0	0	0	0	(10,500,000)	(5,000,000)	(3,750,000)	(22,250,000)	
Net	0	0	0	0	0	0	0	4,500,000	10,000,000	11,250,000	7,750,000	
Mining Net Revenue												
	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	0						
Net Cash	8,218,000	1,218,000	1,218,000	7,025,400	19,971,000	59,456,480	38,767,200	73,348,960	36,256,000	12,382,500	245,479,040	

(CONTINUED)

Net cash	8,218,000	1,218,000	1,218,000	1,218,000	7,025,400	19,971,000	59,456,480	38,767,200	73,348,960	36,256,000	12,382,500
Beginning Cash	400,000	5,307,310	2,964,621	2,964,621	621,931	3,586,642	19,496,952	74,892,742	109,599,253	178,887,523	214,691,762
New Cash	1,500,000	500,000	500,000	500,000							3,000,000
Admin Fees	(750,000)										(750,000)
Priority	(100,000)										(100,000)
Unsecured Distributions	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Debt Service	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(201,761)	0
Net from operations	8,218,000	1,218,000	1,218,000	1,218,000	7,025,400	19,971,000	59,456,480	38,767,200	73,348,960	36,256,000	12,382,500
Ending cash	400,000	5,307,310	2,964,621	621,931	3,586,642	19,496,952	74,892,742	109,599,253	178,887,523	214,691,762	226,824,262

Secured Claim

Beginning Balance	28,500,000	28,500,000	21,399,310	18,872,579	16,194,245	13,355,210	10,345,833	7,155,893	3,774,557	190,341	
From sale of 1200 acres	(5,000,000)										
Quarterly Payments	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(3,810,690)	(201,761)	
Interest on Balance	1,710,000	1,710,000	1,283,959	1,132,355	971,655	801,313	620,750	429,354	226,473	11,420	
Ending Balance	28,500,000	21,399,310	18,872,579	16,194,245	13,355,210	10,345,833	7,155,893	3,774,557	190,341	0	

EXHIBIT 6

Management Team of Cavan Management Services, LLC (“CMS”)



Milwaukee.

David V. Cavan serves as Manager of CMS. He has more than 30 years experience in real estate management, development, investments and brokerage. He has developed more than three million square feet of commercial office and retail space, along with numerous subdivisions in multiple states, with a total project value in excess of a billion dollars. After graduating from military school at Boonville, Missouri, Mr. Cavan attended Bradley University in Peoria, Illinois and Marquette University in



Gary Burton serves as Vice President of CMS, and has over 30 years experience in corporate finance, equity capital and business development for private and public companies. He has successfully directed private equity and corporate transactions for start-up, mid stage and profitable organizations. Mr. Burton has senior management experience in the hospitality and software development industries and previously worked in private law practice and served as corporate counsel for Ramada Hotels. Mr. Burton is a graduate of Arizona State University and earned his law degree at Creighton University.



G. Denny Matthew, serves as Vice President of CMS, has more than 25 years experience in real estate finance and development, preceded by Big Eight Accounting experience. After graduating from Cornell University with a Bachelor’s degree in Electrical Engineering and a Master’s degree in Science, Matthew went on to receive his MBA from Harvard Business School. Mr. Matthew has presented, negotiated, and closed more than \$300 million in financing and more than \$100 million in sales of real estate projects, developed models for projecting developer’s cash flow for various office building projects, created real estate loan proposals, and has project analysis experience with asset protection, tax, and estate planning.



Nancy Stone serves as Chief Financial Officer of CMS. Prior to joining CMS she was the President and Vice Chairman of publically held ILX Resorts Incorporated, one of the leading providers of vacation ownership in the western United States. Ms. Stone was an integral part of the executive team of ILX for more than twenty years, having joined the company as Chief Financial Officer during its development stage. Prior to ILX, Ms. Stone worked for Arthur Anderson & Co. and held financial management positions with national and regional companies. Ms. Stone has an undergraduate degree in finance from Michigan State University and an MBA from Arizona State University. She is a CPA in the state of Arizona.

EXHIBIT 7

LIQUIDATION ANALYSIS

REVENUES

Sale of Real Property (trustee sale)	28,500,000
Net Recovery from AED Litigation	<u>15,000,000</u>
Total revenues	43,500,000

EXPENDITURES

Recovery by AED from trustee sale	28,500,000	
Chapter 7 Trustee fees	1,305,000	3.00%
Litigation fees and expenses	3,000,000	
Chapter 11 Professional Fees	750,000	
Other Chapter 11 Administrative Expenses	350,000	
Priority Expenses and Property Taxes	<u>100,000</u>	

Total Admin and Priority Expenses 34,005,000

Net available for Unsecured Claims 9,495,000

	<u>Total Claims</u>	<u>%</u>	<u>Amount</u>
General Unsecured Claims	65,000	31%	20,292
Noteholders	16,350,000	31%	5,104,167
Insider Claims	<u>14,000,000</u>	31%	<u>4,370,541</u>
Total Unsecured Claims	30,415,000		<u>9,495,000</u>