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15 **IN THE UNITED STATES BANKRUPTCY COURT**  
16 **FOR THE DISTRICT OF ARIZONA**

17 In re	Chapter 11
18 GRANITE DELLS RANCH HOLDINGS, LLC,	Case No. 2:12-bk-04962-RTBP
19 CAVAN MANAGEMENT SERVICES, LLC,	Case No. 2:12-bk-20222-RTBP
20 Debtor.	(Jointly Administered)

21 This pleading ■ Granite Dells Ranch Holdings  
22 relates to: ■ Cavan Management Services

23 **DISCLOSURE STATEMENT IN SUPPORT OF**  
24 **AD HOC COMMITTEE OF NOTE HOLDERS**  
25 **AND ARIZONA ECO DEVELOPMENT LLC'S**  
26 **JOINT PLAN OF REORGANIZATION**  
27 **CORRECTED AS OF DECEMBER 6, 2012**  
28

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**Exhibits:**

EXHIBIT "1": Ad Hoc Committee of Note Holders and Arizona Eco Development LLC's  
Joint Plan of Reorganization for Granite Dells Ranch Holdings, LLC Dated  
December 4, 2012

EXHIBIT "2": Notice of Election to Transfer Note (to be provided)

EXHIBIT "3": Operating Agreement of NH Co. LLC (to be provided)

EXHIBIT "4": Subordination Suit Complaint

EXHIBIT "5": Constructive Trust Suit Complaint

EXHIBIT "6": Articles of Organization of NH Co. LLC (to be provided)

EXHIBIT "7": E-mail from Stuart Swanson to David Cavan and reply

EXHIBIT "8": E-mail from David Cavan to David Combs and reply

EXHIBIT "9": E-mail from David Combs to David Cavan

EXHIBIT "10": E-Mail from David Combs to Stuart Swanson

EXHIBIT "11": Confidentiality Agreement from Combs/Wilkinson to Swanson

EXHIBIT "12": Meeting Notes of Jason Gisi with Gary Burton

EXHIBIT "13": Broker's Price Opinion of the Note Holders' Parcels (to be provided)

1 **I. INTRODUCTION AND SUMMARY**

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

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

10 **A. Purpose Of Disclosure Statement**

11 Arizona Eco is the holder of secured and unsecured debt of GDRH, debtor in the above-  
12 captioned, jointly-administered bankruptcy case. The Note Holders Committee is an unofficial  
13 committee consisting of the following persons: Chris Allen, Greg Stanford, Brad Routh, David  
14 Rosenthal, Joe Guglielmi, Robert Seaton, and Robert Olson. The Note Holders Committee  
15 represents the interests of persons who purchased convertible promissory notes of Debtor.<sup>1</sup>

16 The Joint Plan Proponents are furnishing this Disclosure Statement to all Creditors and  
17 Equity Holders who are entitled to vote to accept or reject the Joint Plan, which is being  
18 concurrently filed herewith. Additionally, a copy of the Joint Plan is attached to this Disclosure  
19 Statement as **Exhibit "1."**

20 The Disclosure Statement is to be used by each such Creditor and Equity Holder solely in  
21 connection with evaluation of the Joint Plan. Use of the Disclosure Statement for any other  
22 purpose is not authorized by the Joint Plan Proponents or the Court. The purpose of this

23 \_\_\_\_\_  
24 <sup>1</sup> The following persons hold Notes: Chris and Cynthia Allen Family Trust, Joshua Asher,  
25 Mark Bartholomew, Bernard Citron Trust, Rod and Tyler Borman, Gary and Barbara Burton,  
26 DCQA GRNT Enterprises, Russell Dickey, Don and Evelyn Foley, Gregory Stanford Trust,  
27 Joseph Guglielmi, Hubert Iisley, John & Janet Butterfield Family Trust, Kent C. and Judith A.  
28 Mueller, LaBelle Ltd. Partnership, Leebaw Mfg. Co., Lindsay Charitable Remainder, Lobodos  
Ventures LP, Malcolm D. Ratner Marital Trust, Marketplace One LLC, Michael & Sharon  
Lechter Revocable Trust, Ninos Trust, NTC & Co., Robert A. and Uthaiwan Olson, RBC Capital  
Markets, Riley Investments LLC, David P. and Terri A. Rovick, William A. Sands, Schupak  
Non-Exempt Marital Trust, SPR Trust, Spruce Ave. Ltd. Partnership (now owned by Arizona  
Eco), Walter & Sylvia Klens Rev. Trust, Whiteman Family Trust, and WMS Fixed Income Fund  
I LLC.

1 Disclosure Statement is to provide “adequate information,” as that term is defined in Section 1125  
2 of the Bankruptcy Code, to enable Creditors whose Claims are impaired under the Joint Plan and  
3 Equity Holders to make an informed decision regarding whether to accept or reject the Joint Plan.  
4 The Joint Plan Proponents believe that this Disclosure Statement contains information that is  
5 material, important, and necessary for all such Creditors to arrive at an informed decision in  
6 exercising their right to vote for acceptance of the Joint Plan.

7 -----  
8 **THE JOINT PLAN PROPONENTS BELIEVE THAT THE JOINT PLAN IS IN**  
9 **THE BEST INTERESTS OF THE CREDITORS. ACCORDINGLY, CREDITORS**  
10 **ENTITLED TO VOTE ON THE JOINT PLAN ARE URGED TO VOTE IN FAVOR OF**  
11 **THE JOINT PLAN. (VOTING INSTRUCTIONS ARE SET FORTH IN ARTICLE IV OF**  
12 **THIS DISCLOSURE STATEMENT.) TO BE COUNTED, YOUR BALLOT MUST BE**  
13 **DULY COMPLETED, EXECUTED, AND ACTUALLY RECEIVED NO LATER THAN**  
14 **\_\_\_\_\_, 2013 (THE “VOTING DEADLINE”).**

15 **EACH CREDITOR AND EQUITY HOLDER SHOULD READ THIS**  
16 **DISCLOSURE STATEMENT, THE JOINT PLAN, AND THE EXHIBITS TO THIS**  
17 **DISCLOSURE STATEMENT AND THE JOINT PLAN IN THEIR ENTIRETY BEFORE**  
18 **VOTING ON THE JOINT PLAN.**

19 **ALL EXHIBITS OR SCHEDULES TO THIS DISCLOSURE STATEMENT ARE**  
20 **ANNEXED HERETO AND SUPPLEMENTED WITH CERTAIN ADDITIONAL**  
21 **MATERIALS. ALL EXHIBITS OR SCHEDULES TO THIS DISCLOSURE**  
22 **STATEMENT OR THE JOINT PLAN MAY BE OBTAINED, ONCE FILED, THROUGH**  
23 **THE BANKRUPTCY COURT’S WEB SITE: <https://ecf.azb.uscourts.gov/> WITH A VALID**  
24 **PASSWORD, OR UPON WRITTEN REQUEST TO THE FOLLOWING ADDRESS:**

25 **SNELL & WILMER L.L.P.**  
26 **One Arizona Center**  
27 **400 E. Van Buren**  
28 **Phoenix, Arizona 85004-2202**  
**Attention: Claudia Paulsen**  
**E-mail: [cpaulsen@swlaw.com](mailto:cpaulsen@swlaw.com)**

1           JOINT PLAN PROVISION SUMMARIES AND ALL OTHER STATEMENTS  
2 MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY  
3 BY REFERENCE TO THE JOINT PLAN, THE OTHER EXHIBITS AND SCHEDULES  
4 HERETO AND THERETO, AND ANY OTHER DOCUMENTS REFERENCED HEREIN  
5 OR THEREIN.

6           IN MAKING A DECISION TO VOTE, CREDITORS MUST RELY ON THEIR  
7 OWN EXAMINATION OF THE JOINT PLAN, INCLUDING THE MERITS AND RISKS  
8 INVOLVED AND THE OPINIONS OF THEIR OWN ATTORNEYS OR OTHER  
9 ADVISORS.

10           NEITHER ARIZONA ECO NOR ANY MEMBER OF THE NOTE HOLDERS  
11 COMMITTEE NOR ANY OF THEIR ATTORNEYS HAS PROVIDED OR WILL  
12 PROVIDE ANY OPINION OR HAS MADE ANY REPRESENTATION IN THIS JOINT  
13 PLAN OR IN ANY OTHER DOCUMENT TO ANY PERSON AS TO ANY TAX ISSUES,  
14 INCLUDING WHETHER ANY PROVISION OF THE JOINT PLAN WILL ELIMINATE  
15 ANY CANCELLATION OF DEBT INCOME TO ANY PERSON. THE JOINT PLAN  
16 PROPONENTS ENCOURAGE ALL CREDITORS AND EQUITY HOLDERS TO  
17 RETAIN THEIR OWN TAX PROFESSIONALS TO PROVIDE AN OPINION BASED ON  
18 EACH SUCH PERSON'S INDIVIDUAL CIRCUMSTANCES.

19           CREDITORS AND EQUITY HOLDERS SHOULD NOT CONSTRUE THE  
20 CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING OR RENDERING  
21 ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH CREDITOR AND  
22 EQUITY HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS,  
23 FINANCIAL, AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS  
24 CONTEMPLATED THEREBY.

25           **B. Limitations On Information Contained In Disclosure Statement**

26           The statements contained in this Disclosure Statement are made as of the date hereof,  
27 unless another time is specified, and the delivery of this Disclosure Statement will not, under any  
28

1 circumstance, create any implication that the information contained herein is correct at any time  
2 subsequent to the date hereof.

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

14 The financial information regarding the Debtor, including the assets and the liabilities of  
15 the Debtor, has been derived from numerous sources including, but not limited to, the Debtor  
16 Disclosure Statement (defined below), the Debtor's schedules of assets and liabilities and  
17 statements of financial affairs, proofs of Claim, and other documents filed with the Bankruptcy  
18 Court. The information contained herein has not been audited and is accurate to the best of the  
19 Joint Plan Proponents' knowledge, information and belief. The Joint Plan Proponents and their  
20 respective professionals do not know whether any of the information obtained from Debtor or  
21 documents filed by Debtor is accurate or true and cannot and do not warrant or represent that the  
22 information contained in this Disclosure Statement is without inaccuracy.

23 The approval by the Bankruptcy Court of the Disclosure Statement does not constitute an  
24 endorsement by the Bankruptcy Court of the Joint Plan or a guaranty of the accuracy and  
25 completeness of the information contained herein.

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

27 On \_\_\_\_\_, 2013, the Bankruptcy Court entered its order (i) approving this Disclosure  
28 Statement as containing "adequate information" pursuant to 11 U.S.C. § 1125 of the Bankruptcy

1 Code, (ii) fixing \_\_\_\_\_, **2013** as the deadline for filing and serving any objections to  
2 Confirmation of the Joint Plan, (iii) fixing \_\_\_\_\_, **2013** as the deadline for voting to accept or  
3 reject the Joint Plan, and (iv) setting \_\_\_\_\_, **2013**, at \_\_:\_\_ \_\_.m. M.S.T. (Arizona Time)  
4 as the date and time for a preliminary hearing on the confirmation of the Joint Plan. The final  
5 hearing will be set by the Bankruptcy Court at the preliminary hearing. No separate notice of the  
6 final hearing date necessarily will be served unless otherwise ordered by the Court.

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

12 **United States Trustee:**  
13 OFFICE OF THE UNITED STATES TRUSTEE  
230 N. First Avenue, Suite 204  
14 Phoenix, AZ 85003-1706  
Telephone Number: (602) 682-2600  
15 Attn: **Larry Lee Watson**  
E-mail: [larry.watson@usdoj.gov](mailto:larry.watson@usdoj.gov)

16 **The Joint Plan Proponents:**  
17 SNELL & WILMER L.L.P.  
One Arizona Center  
18 400 East Van Buren  
Phoenix, AZ 85004-2202  
19 Telephone Number: (602) 382-6000  
Attn: **Donald L. Gaffney**  
20 E-mail: [dgaffney@swlaw.com](mailto:dgaffney@swlaw.com)

21 TIFFANY & BOSCO, P.A.  
Third Floor, Camelback Esplanade II  
22 2525 East Camelback Road  
Phoenix, AZ 85016-4237  
23 Telephone Number: (602) 255-6000  
Attn: **Christopher R. Kaup**  
24 E-mail: [crk@tblaw.com](mailto:crk@tblaw.com)

25 **II. INFORMATION REGARDING JOINT PLAN AND DISCLOSURE STATEMENT**

26 If practical, a Chapter 11 case attempts to proceed to the confirmation (*i.e.*, approval by  
27 the Bankruptcy Court) of a plan of reorganization. A plan describes in detail (and in language  
28 appropriate for a legal contract) the means for satisfying the claims against and interests in a

1 debtor. After a plan has been filed, most holders of such claims and interests are permitted to  
2 vote to accept or reject the plan. Before a plan proponent can solicit acceptances of a plan, 11  
3 U.S.C. § 1125 requires the plan proponent to prepare a disclosure statement containing adequate  
4 information of a kind, and in sufficient detail, to enable those parties entitled to vote on the plan  
5 to make an informed judgment about the plan and whether they should accept or reject the plan.

6 The purpose of this Disclosure Statement is to provide sufficient information about the  
7 Debtor and the Joint Plan to enable you to make an informed decision in exercising your right to  
8 accept or reject the Joint Plan. The Bankruptcy Court has already conditionally approved<sup>2</sup>  
9 *Debtor's Consolidated Disclosure Statement to Accompany Plan of Reorganization Dated*  
10 *September 26, 2012* filed by the Debtor ("Debtor Disclosure Statement") and *Tri-City's*  
11 *Consolidated Supplemental Disclosure in Support of Tri-City's Plan As Amended* filed by Tri-  
12 City Investment & Development, LLC ("Tri-City Disclosure Statement") (collectively, the  
13 "Approved Disclosure Statements"). Copies of the Approved Disclosure Statements<sup>3</sup> are located  
14 at Dkt. Nos. 326 and 329 and may be received upon contacting Claudia Paulsen of Snell &  
15 Wilmer L.L.P., at [cpaulsen@swlaw.com](mailto:cpaulsen@swlaw.com). Therefore, the Joint Plan Proponents reference both  
16 Approved Disclosure Statements in this Disclosure Statement and only provide additional  
17 information as is needed to explain the Joint Plan.

18 This Disclosure Statement will be used to solicit acceptances of the Joint Plan only after  
19 the Bankruptcy Court has entered an order approving this Disclosure Statement. Bankruptcy  
20 Court approval of this Disclosure Statement means only that the Bankruptcy Court has found that  
21 this Disclosure Statement meets the statutory requirement of 11 U.S.C. § 1125 to provide  
22 adequate information. Such approval by the Bankruptcy Court is not an opinion or ruling on any  
23 other merits of this Disclosure Statement. It does not mean that the Joint Plan has been approved,  
24 or will be approved, by the Bankruptcy Court.

---

25  
26 <sup>2</sup> See *Minute Entry/Order Matter Taken Under Advisement* Dated November 15, 2012  
("Under Advisement Order"), at Dkt. No. 411.

27 <sup>3</sup> Per the Court's Under Advisement Order, the Debtor and Tri-City Investment &  
28 Development, LLC ("Tri-City") have subsequently filed amended versions of the Approved  
Disclosure Statements, at Dkt. Nos. 432 and 431, respectively. Such amended versions have not  
yet been approved by the Court.

1 After this Disclosure Statement has been approved by the Bankruptcy Court and voting on  
2 the Joint Plan has been completed, a hearing on the Joint Plan will be held to determine whether  
3 the Joint Plan should be confirmed. At the hearing, the Bankruptcy Court will consider whether  
4 the Joint Plan satisfies the various requirements of the Code. The Bankruptcy Court also will  
5 receive and consider a ballot report prepared by the Joint Plan Proponents which will present a  
6 tally of the votes accepting or rejecting the Joint Plan cast by those entitled to vote. Once  
7 confirmed, the Joint Plan is treated as a contract and is binding on all Creditors, holders of equity  
8 interests, and other parties-in-interest in the Debtor's bankruptcy case.<sup>4</sup>

9 THIS DISCLOSURE STATEMENT IS NOT THE JOINT PLAN. FOR THE  
10 CONVENIENCE OF CREDITORS AND EQUITY HOLDERS OF THE DEBTOR, THE JOINT  
11 PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT. ALL SUMMARIES ARE  
12 QUALIFIED IN THEIR ENTIRETY BY THE JOINT PLAN ITSELF. IN THE EVENT OF  
13 ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE JOINT  
14 PLAN, THE JOINT PLAN WILL CONTROL.

15 The Bankruptcy Court will hold a hearing on confirmation of the Joint Plan, and, before  
16 that hearing, the report of Ballots cast will be prepared and filed with the Bankruptcy Court.  
17 Accordingly, all votes are important because they can determine whether the Joint Plan will be  
18 confirmed.

19 **A. Summary Of The Joint Plan**

20 The Joint Plan proposes that two parcels of real property, a 108-acre parcel and a 17-acre  
21 parcel, specifically identified on the map attached to the Joint Plan as Exhibit "2(a)," (the "Note  
22 Holders' Parcels"), along with all related rights and interests, will be transferred free and clear of  
23 all liens, claims, and encumbrances to a new entity, NH Co. LLC, which will be owned entirely  
24 by the Note Holders, subject only to certain limitations. Additionally, all preference Claims  
25 against non-insiders, pursuant to 11 U.S.C. § 547, and the option to acquire any Notes from  
26

---

27 <sup>4</sup> As of this date, none of the plan proponents of the three separate plans of reorganization  
28 proposed in the Debtor's case have obtained formal stay relief in the CMS Bankruptcy Case  
(defined below), although each plan proposes to impair or terminate CMS' equity interests in  
GDRH.

1 Arizona Eco which it previously purchased, will be transferred or provided to NH Co. LLC. Any  
2 Note Holder will have the option to be paid an amount equal to 10% of the original principal  
3 amount, or the existing balance due to the Note Holder as of the Petition Date, whichever is less,  
4 of his, her, or its Claim by selling his, her, or its Note to Arizona Eco or another Note Holder for  
5 an amount equal to 10% of the principal amount of his, her, or its Note. This can occur if the  
6 Note Holder checks the appropriate box on the Notice Of Election To Transfer Note, a copy of  
7 which is attached hereto as **Exhibit "2,"** and serve that Notice on counsel for Arizona Eco and  
8 counsel for the Note Holders Committee five (5) business days prior to the date set by the Court  
9 as the date on which all ballots accepting or rejecting the Joint Plan must be served on counsel for  
10 Arizona Eco and counsel for the Note Holders Committee. Each Note Holder shall have a right  
11 of first refusal, ahead of Arizona Eco, to purchase any other Note held by any other Note Holder  
12 and the distributions to be made to that Note Holder under this Joint Plan on first come first  
13 served basis. That right shall be offered to all Note Holders on or before the date of the first  
14 hearing on confirmation of the Joint Plan and shall expire as of the date that is seven (7) days  
15 after the date of that hearing.<sup>5</sup>

16 The Note Holders Committee and Arizona Eco have agreed that Arizona Eco and NH Co.  
17 LLC shall share the responsibility for any deficit to pay the Allowed Administrative Claims of the  
18 Estate, with Arizona Eco to be responsible to pay 65% of that amount and NH Co. LLC to be  
19 responsible to pay 35% of that amount, with a cap in the amount of \$450,000.00 on the amount  
20 allocated to be paid by NH Co. LLC. Arizona Eco has agreed to and shall advance the funds  
21 necessary to pay the portion of Allowed Administrative Claims allocable to NH Co. LLC.  
22 Arizona Eco shall be repaid the amount it advances to NH Co. LLC for that purpose from the first  
23 proceeds from the sale of the Note Holders' Parcels, plus interest at the rate of 8% *per annum*.  
24 NH Co. LLC shall have the right to (i) pay its allocated portion of the Allowed Administrative  
25 Claims directly to the holder of any Allowed Administrative Claim in order to avoid the 8%  
26 interest on funds advanced by Arizona Eco to pay those Claims; and (ii) repay any amount

---

27 <sup>5</sup> As provided under the Joint Plan, the option to purchase also includes a 20% interest  
28 accrual from the date of Arizona Eco's purchase, plus related reimbursements. Any Note Holder  
exercising such an option must be a participant in NH Co. LLC.

1 advanced by Arizona Eco to pay such Claims at any time in order to stop the accrual of interest in  
2 favor of Arizona Eco.

3 All other property and property interests of the Estate are to be transferred and/or  
4 foreclosed upon by Arizona Eco, except that suits and Claims held or owned by the Estate against  
5 any member of the Cavan Group will be transferred to and may be pursued by Arizona Eco or its  
6 nominee, with any net recoveries to be paid 80% to Arizona Eco and 20% to NH Co. LLC.<sup>6</sup>

7 All other general Unsecured Claims shall be paid 10% of their principal amount if or  
8 when Allowed by a Final Order of the Court, and Claims shall be paid when finally Allowed;  
9 however, Arizona Eco agrees as part of the proposed Joint Plan to not assert any unsecured  
10 deficiency Claim in the General Unsecured Class, except as a set-off against any Claim held by  
11 any member of the Cavan Group.

12 The operating agreement of NH Co. LLC will contain a provision stating that a majority  
13 of Note Holders not affiliated with Arizona Eco, the Cavan Group, and the Debtor will be  
14 required to approve the sale of land owned by NH Co. LLC. A true and correct copy of the  
15 Operating Agreement of NH Co. LLC is attached hereto as **Exhibit “3.”**

16 The equity interests are terminated under the Joint Plan and do not receive payment.

17 **III. LIMITATIONS ON REPRESENTATIONS**

18 Other than as stated in this Disclosure Statement, the Joint Plan Proponents have not  
19 authorized any representations or assurances concerning the Debtor or the value of its assets.  
20 Therefore, in deciding whether to accept or reject the Joint Plan, you should not rely on any  
21 information relating to the Debtor or the Joint Plan other than that contained in this Disclosure  
22 Statement (including the Approved Disclosure Statements, where referenced), or in the Joint Plan  
23 itself. You should report any unauthorized representations or inducements to counsel for the Joint  
24 Plan Proponents:

25  
26  
27  
28 <sup>6</sup> Arizona Eco may, with the consent of the Note Holders, determine prior to the Effective Date to allow documents to remain within the GDRH entity.

1 Donald L. Gaffney  
2 Snell & Wilmer L.L.P.  
3 One Arizona Center  
4 400 E. Van Buren  
5 Phoenix, Arizona 85004-2202  
6 E-mail: [dgaffney@swlaw.com](mailto:dgaffney@swlaw.com)

7 Christopher R. Kaup  
8 Tiffany & Bosco, P.A.  
9 Third Floor, Camelback Esplanade II  
10 2525 East Camelback Road  
11 Phoenix, AZ 85016-4237  
12 E-mail: [crk@tblaw.com](mailto:crk@tblaw.com)

13 Joint Plan Proponents' counsel may present any such information regarding  
14 representations and/or inducements to the Bankruptcy Court for such action as may be  
15 appropriate.

16 This is a solicitation by the Joint Plan Proponents only and is not a solicitation by its  
17 attorneys, agents, financial advisors, accountants, or any other professionals employed by the  
18 Joint Plan Proponents.

#### 19 **IV. VOTING PROCEDURES AND REQUIREMENTS**

##### 20 **A. Who Is Entitled To Vote**

21 If you are the holder of an Allowed Claim which is "impaired" under the Joint Plan, you  
22 are entitled to vote to accept or reject the Joint Plan. Accordingly, to be entitled to vote, your  
23 Claim must be both "allowed" and "impaired."

##### 24 **1. Allowed Claims**

25 You have an Allowed Claim if: (i) you timely filed a proof of claim and no objection has  
26 been filed to your Claim; (ii) you timely filed a proof of claim and an objection was filed to your  
27 Claim upon which the Bankruptcy Court has ruled and allowed your Claim; (iii) your Claim is  
28 listed by the Debtor in its Schedules, which are on file with the Bankruptcy Court as a public  
record, as liquidated in amount, noncontingent as to liability and undisputed and no objection has  
been filed to your Claim; or (iv) your Claim is listed by the Debtor in its Schedules as liquidated  
in amount, noncontingent as to liability and undisputed and an objection was filed to your Claim  
upon which the Bankruptcy Court has ruled and allowed your Claim. If your Claim is not an  
Allowed Claim, it is a Disputed Claim, and you will not be entitled to vote on the Joint Plan

1 unless the Bankruptcy Court temporarily or provisionally allows or estimates your Claim for  
2 voting purposes pursuant to Bankruptcy Rule 3018. **IF YOU ARE UNCERTAIN**  
3 **REGARDING THE STATUS OF YOUR CLAIM, YOU SHOULD CHECK THE**  
4 **BANKRUPTCY COURT RECORD CAREFULLY, INCLUDING THE SCHEDULES OF**  
5 **THE DEBTOR. YOU SHOULD SEEK APPROPRIATE LEGAL ADVICE IF YOU HAVE**  
6 **ANY DISPUTE WITH THE DEBTOR. THE JOINT PLAN PROPONENTS AND THEIR**  
7 **PROFESSIONALS ARE POTENTIALLY ADVERSE PARTIES AND CANNOT ADVISE**  
8 **YOU ABOUT SUCH MATTERS.**

9                   2.       **Impaired Claims**

10               Claims and Interests are “impaired” when the full amounts of the Allowed Claims will not  
11 be paid under the Joint Plan, no distributions will be made on account of the Allowed Interests, or  
12 when the holder’s legal, equitable, or contractual rights are otherwise altered by the Joint Plan.  
13 Creditors and Equity Holders who are not “impaired” under the Joint Plan are deemed to have  
14 accepted the Joint Plan pursuant to 11 U.S.C. § 1126(f), and their acceptances of the Joint Plan  
15 need not be solicited.

16               **B. Procedures For Voting**

17                   1.       **Submission Of Ballots**

18               All Creditors whose votes are solicited will be sent a Ballot, together with instructions for  
19 voting, with a copy of this Disclosure Statement as approved by the Bankruptcy Court and a copy  
20 of the Joint Plan. You should read the Ballot carefully and follow the instructions contained  
21 therein. Please use only the Ballot which was sent with this Disclosure Statement. You should  
22 complete your Ballot and return it to **Snell & Wilmer L.L.P., Attn: Claudia Paulsen**, One Arizona  
23 Center, 400 E. Van Buren, Phoenix, Arizona 85004-2202 ([cpaulsen@swlaw.com](mailto:cpaulsen@swlaw.com)), with a copy to  
24 **Tiffany & Bosco, P.A., Attn: Lou Lofredo**, Camelback Esplanade II, Third Floor, 2525 East  
25 Camelback Road, Phoenix, Arizona 85012 ([lal@tblaw.com](mailto:lal@tblaw.com)). Ballots returned by e-mail will be  
26 accepted; ballots returned by facsimile are not valid and will not be counted.

27                   **TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED**  
28                   **AT THE ADDRESS LISTED ABOVE BY \_\_\_\_\_, 2013.**

1           **Ballots received after the Voting Deadline will not be counted. Ballots should not be**  
2 **delivered directly to the Joint Plan Proponents, the Court, or the Office of the United States**  
3 **Trustee.**

4                           2.       **Incomplete Ballots**

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

8                           3.       **Withdrawal Of Ballots**

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

12                          4.       **Questions And Lost Or Damaged Ballots**

13           If you have any questions concerning voting procedures, if your Ballot is damaged or lost,  
14 or if you believe you should have received a Ballot but did not receive one, you may contact  
15 Claudia Paulsen at the address, telephone number and e-mail address listed above.

16           **C.       Summary Of Voting Requirements**

17           For the Joint Plan to be confirmed, the Joint Plan must be accepted by at least one  
18 impaired class of Claims. For a class of Claims to vote to accept the Joint Plan, votes  
19 representing at least two-thirds (2/3) in amount and a majority in number of the Claims voted in  
20 that class must be cast for acceptance of the Joint Plan. As more fully described in Article VII of  
21 this Disclosure Statement, the Joint Plan Proponents are seeking acceptances from holders of  
22 Allowed Claims in the following classes, which are, or may be, "impaired" under the Joint Plan,  
23 provided, however that the Joint Plan Proponents will have the right to supplement this  
24 Disclosure Statement as to any other impaired classes, if any.

25           **Class           Description**

26           Class 2           Secured Claim of Arizona Eco  
27           Class 5           General Unsecured Claims  
28           Class 6           Note Holders

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

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

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

12           A VOTE FOR ACCEPTANCE OF THE JOINT PLAN BY THOSE HOLDERS OF  
13 CLAIMS WHO ARE ENTITLED TO VOTE IS VERY IMPORTANT. THE JOINT PLAN  
14 PROPONENTS ASSERT THAT THE TREATMENT OF CREDITORS UNDER THE JOINT  
15 PLAN IS THE BEST ALTERNATIVE FOR CREDITORS AND THE JOINT PLAN  
16 PROPONENTS RECOMMEND THAT THE HOLDERS OF ALLOWED CLAIMS VOTE IN  
17 FAVOR OF THE JOINT PLAN. SPECIFICALLY, THE NOTE HOLDERS COMMITTEE  
18 BELIEVES THAT THE TREATMENT OF AND RETURN TO NOTE HOLDERS UNDER  
19 THE JOINT PLAN IS SUBSTANTIALLY BETTER AND LESS RISKY FOR THE NOTE  
20 HOLDERS THAN THE TREATMENT AND RETURN PROPOSED IN THE TRI-CITY PLAN  
21 AND THE DEBTOR PLAN (DEFINED BELOW).

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

23 **A.    The Debtor And Its Property**

24           The Approved Disclosure Statements provide comprehensive background information  
25 about the Debtor and its property. The following is an excerpt from pages 17 - 20 of the Debtor  
26 Disclosure Statement:

27 \_\_\_\_\_  
28 <sup>7</sup> The Joint Plan proposes to terminate the Equity Interests, which, under applicable Code provisions, renders holders of Equity Interests a rejecting class and non-voting.

1 Debtor is a limited liability company organized under the laws of Arizona,  
2 formed on July 14, 2004. Its members are as follows: Cavan Management  
3 Services, LLC (“CMS”) as member and manager, and Tri-City Investment &  
4 Development, LLC (“Tri-City”); Granite Dells Equity Group, LLC (“GDEG”)  
5 and Granite Dells Investors, LLC (“GDI”), as additional members.<sup>8</sup>

6 \*\*\*

7 Debtor has granted conversion rights to certain holders of promissory  
8 notes issued by Debtor to Persons interested in investing in Debtor's business. The  
9 holders of these conversion rights, if exercised, would be entitled to convert their  
10 notes to equity interests through GDI and the resulting dilution of equity interests  
11 would be divided among CMS and Tri-City. As a result, current equity interests  
12 and fully diluted interests (assuming 100% exercise of conversion rights) are as  
13 follows:<sup>9</sup>

<b>MEMBERS OF DEBTOR</b>		
<b>Member</b>	<b>Current %</b>	<b>Diluted %</b>
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%

14  
15 Tri-City is a limited liability company organized under the laws of  
16 Arizona, formed on September 12, 2001. In 2004, Tri-City entered into an  
17 agreement with the Original Owners to acquire the Property. Shortly thereafter,  
18 Tri-City was unable to make the payments provided for in the agreement or  
19 otherwise comply with the agreement and sought the assistance and participation  
20 of CMS to provide funding and other assistance in connection with the acquisition  
21 of the Property. CMS and its affiliates provided funds and expertise and, in 2005,  
22 the Tri-City operating agreement was modified to add Cavan Prescott Investors,  
23 LLC as a member of Tri-City. In May 2006, Tri-City assigned its rights under the  
24 Original Owner agreement to Debtor, which completed and closed the purchase of  
25 the Property in exchange for its equity interest in the Debtor. GDEG and GDI  
26 received equity interests in Debtor in exchange for funds provided to fund the  
27 acquisition of the Property. The members agreed that the equity share of CMS  
28 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:

<b>MEMBERS OF TRI CITY</b>	
<b>Member</b>	<b>Current %</b>
RKS Inc. or Robert Stewart Swanson	11.01635%
Nancy O. Swanson Family LP	13.09350%

<sup>8</sup> See Debtor Disclosure Statement at p. 17:8-12.

<sup>9</sup> Testimony and documents of the Debtor's officers and former employees have indicated some confusion over these ownership percentages.

1	Michael W. Fann	13.26979%
2	Tack Family LLC(Arnold)	13.26979%
3	Ranchvest, LLC	8.53839%
4	Madison Land Company, LLC	2.8830%
5	Erickson Family Trust	13.26979%
6	Othmar Iseli	9.65909%
7	John F. Whitney	1%
8	Hays Revocable Living Trust	1.5%
9	Sullins Revocable Trust	1.0%
10	Levy Family Trust	1.0%
11	Cavan Prescott Investors, LLC	10.5%
12	Total	100.00%

13 Debtor is the owner of the Property, which is depicted on Exhibit 2. The  
14 Property lies within an overall area approximately 4 miles wide by 10 miles long.  
15 The Property borders the City of Prescott on the west and southwest, the Town of  
16 Prescott Valley on the east and southeast, and Chino Valley on the north. The  
17 Property contains a variety of pristine views, including dramatic granite rock  
18 formations in the “Dells,” located in the southwest area of the property. The  
19 Property was purchased for \$107,000,000 in May of 2006. Debtor paid  
20 \$21,400,000 at closing<sup>10</sup> and executed a purchase note in the amount of  
21 \$83,220,534 to the Sellers: Granite Dells Ranch of Yavapai County Arizona,  
22 Inc., and Point of Rocks Ranch Company, Inc. (the “Original Owners”) for the  
23 balance of the purchase price (the “Note”). The Note is secured by the Deed of  
24 Trust filed against the Property and a Partial Collateral Assignment of License  
25 Agreement for the extraction of aggregates with Hanson Aggregates of Arizona,  
26 Inc., referred to herein as the mining lease.

27 In 2007 the City of Prescott (“City”) was prepared to design and construct  
28 a new traffic interchange at the intersection of Highway 89A freeway and Side  
29 Road on the western edge of the Property. Pursuant to an existing development  
30 agreement, the City had an obligation to build the interchange to provide freeway  
31 access to a development called Centerpoint East. Had the interchange been built  
32 where originally planned, the Property would have had limited direct access to the  
33 interchange. Through a series of meetings and negotiations with the City, the  
34 Manager of Debtor convinced the City to move the interchange approximately  
35 one-half mile to the east. This placed the interchange in the center of a section of  
36 the Property located a short distance south and east of the Prescott Airport. As  
37 part of the negotiations, Debtor agreed to donate the land that would be required  
38 for the interchange, rather than paying a portion of the construction cost.<sup>11</sup>

<sup>10</sup> The \$21.4 million was, in fact, a back-to-back escrow in which a portion of the original property was sold at the moment of acquisition. The Debtor itself only acted as a conduit for the \$21.4 million advanced by a separate buyer.

<sup>11</sup> See Debtor Disclosure Statement at p. 17:18-23 - 20:1-18 (headings and footnotes omitted). The nature and extent of the Manager of Debtor’s activities is an issue of dispute.

1           **B. Pre-Bankruptcy Events**

2           The following is an excerpt from pages 1 - 2 of the Debtor Disclosure Statement:

3           ... Debtor intended to obtain entitlements for the Property and then  
4           develop and subdivide the Property for mixed residential and commercial use.  
5           Debtor's development plans were significantly delayed by a sharp downturn in  
6           real estate values in the state and nationwide occurring from 2007 through 2011.<sup>12</sup>

7           \*\*\*

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

14          In January 2012, the sellers instead sold the note to Arizona Eco  
15          Development, LLC ("AED"), an Arizona limited liability company formed by  
16          Robert Stuart Swanson for the purpose of acquiring the note. Thereafter, AED  
17          commenced proceedings for a trustee sale and, shortly thereafter, commenced  
18          judicial proceedings for the appointment of a receiver. These chapter 11  
19          proceedings were commenced shortly after AED initiated the judicial and trustee  
20          sale proceedings.<sup>14</sup>

21           **C. Prepetition And Postpetition Management Of The Debtor**

22           The Debtor has been controlled by and through its manager CMS, which, in turn, was  
23           controlled by Mr. David Cavan ("Cavan"). On October 30, 2012, the Court entered an *Order*  
24           *Authorizing Avion Holdings LLC to Act as Designated Representative of GDRH* [Dkt. No. 374],  
25           designating Avion Holdings LLC ("Avion"), by and through G. Neil Elsey, as manager for the  
26           Debtor. As set forth in detail below, in Section VI(E), CMS filed a petition for relief under  
27           Chapter 11 of the Code on September 11, 2012.

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

**A. Commencement Of The Chapter 11 Case**

          On March 13, 2012 ("Petition Date"), CMS, purportedly as manager of GDRH, caused to  
          be filed, on behalf of Debtor, a petition for relief under Chapter 11 of the Code. The Case was

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<sup>12</sup> See Debtor Disclosure Statement at p. 1:26 – 2:1-4.

<sup>13</sup> By the beginning of 2009, the Debtor defaulted on all of its convertible promissory  
Notes, as well as the seller carry-back note. Several Note Holders have sued GDRH since the  
general default in early 2009. In November 2009, the sellers issued their own formal default  
notice. All extensions with the sellers had expired prior to 2011.

<sup>14</sup> See Debtor Disclosure Statement at p. 2:9-20.

1 assigned to the Honorable Redfield T. Baum, United States Bankruptcy Judge for the District of  
2 Arizona. Since the Petition Date, the Debtor has continued to operate its business as debtor-in-  
3 possession under Sections 1107(a) and 1108 of the Bankruptcy Code. No official committee of  
4 unsecured creditors has been appointed by the Office of the United States Trustee; however, the  
5 Note Holders Committee and the Unofficial Ad Hoc Equity Holders' Committee ("Equity  
6  Holders Committee"),<sup>15</sup> which are "unofficial" committees, have been formed and have  
7 participated in Debtor's case.

8 **B. Employment Of Professionals**

9 As of the date of this Disclosure Statement, the Bankruptcy Court has entered orders  
10 authorizing the Debtor to retain the following professionals: Stinson Morrison Hecker LLP  
11 ("SMH") as general bankruptcy counsel under Section 327(a) of the Code [*see* Dkt. No. 94],  
12 Gregory W. Huber, P.C. ("Huber") as special real estate counsel [*see* Dkt. No. 93], Cohen  
13 Kennedy Dowd & Quigley ("CKDQ") as special litigation counsel [*see* Dkt. No. 99], Avion as  
14 designated representative [*see* Dkt. No. 374], and Keegan Linscott & Kenon PC ("KLK") as  
15 accountant and financial advisor [*see* Dkt. No. 414]. Hereinafter, SMH, Huber, CKDQ, Avion,  
16 and KLK will be referred to as "Debtor's Professionals." To date, the Bankruptcy Court has  
17 allowed fees to Debtor's Professionals in the total amount of \$626,320.97.<sup>16</sup>

18 **C. Arizona Eco's Stay Relief Motions And Motion To Dismiss**

19 On March 16, 2012, Arizona Eco filed its *Motion for Stay Relief Regarding 15,000 Acres of*  
20 *Rural Real Property Located Near Prescott, Prescott Valley, and Chino Valley, Arizona* [Dkt. No. 11]  
21 (together with the Reply filed in support, at Dkt. No. 67, the "First Stay Relief Motion"), on the  
22 grounds that CMS lacked corporate authority to file Debtor's case, and filed the same in bad faith  
23 as the operating agreement of GDRH required unanimous written consent of all five executive  
24

---

25 <sup>15</sup> The Equity Holders Committee is comprised of investors in Granite Dells Investors,  
26 LLC ("GDI") and Granite Dells Equity Group Investors, LLC ("GDEG"), two of the members of  
the Debtor. As of this date, the Equity Holders Committee has not filed its Rule 2019 Statement.

27 <sup>16</sup> *See* Dkt. Nos. 404, 405 and 407. This amount does not include deductions for applied  
28 pre-petition retainers paid to Debtor's Professionals. The Debtor has not applied for allowance of  
fees for any of its professionals incurred past July 31, 2012, although its Monthly Operating  
Reports state that no amounts have been accrued. All fee approvals are interim only, and the  
Debtor's Estate is currently administratively insolvent.

1 committee members of the Debtor. On June 13, 2012, Arizona Eco filed its *Motion for Stay*  
2 *Relief Regarding 15,000 Acres of Rural Real Property Located Near Prescott, Prescott Valley,*  
3 *and Chino Valley, Arizona Pursuant to 11 U.S.C. § 362(d)(3)* [Dkt. No. 143] (together with the  
4 reply filed in support, at Dkt. No. 183, the “Second Stay Relief Motion”). On June 27, 2012,  
5 Arizona Eco filed its *Motion to Dismiss Case and Request for Hearing Pursuant to 11 U.S.C.*  
6 *§ 1112(b)(3)* [Dkt. No. 167] (together with the reply filed in support, at Dkt. No. 202, the “Motion  
7 to Dismiss”) in the Chapter 11 Case under Section 1112 of the Bankruptcy Code, incorporating  
8 the prior two motions for stay relief. All three motions were consolidated for trial on August 28,  
9 2012. The Court denied these motions in its ruling of October 18, 2012 [*see* Dkt. No. 362], and  
10 its subsequent order entered on October 31, 2012 [*see* Dkt. No. 376], ruling that the filing of a  
11 plan by Tri-City later in the proceedings “ratified” the Chapter 11 petition, notwithstanding the  
12 negative votes by two of the Debtor’s executive committee members. The order denying the First  
13 Stay Relief Motion, the Second Stay Relief Motion, and the Motion to Dismiss was appealed to  
14 the District Court on November 14, 2012 [*see* Dkt. No. 408], where it is due to be briefed in  
15 December 2012 and January 2013.

16 **D. Debtor’s Litigation Against Arizona Eco**<sup>17</sup>

17 On August 24, 2012, Debtor filed its complaint entitled *Objection to AED’s Claim and*  
18 *Complaint for Equitable Subordination*, initiating Adv. No. 2:12-ap-01515 (“Subordination  
19 Suit”). The complaint seeks subordination of Arizona Eco’s Claim for \$127,337,491.91 and  
20 requests that the beneficial interest of Arizona Eco be limited to the amount Arizona Eco paid to  
21 acquire the Claim. Also on August 24, 2012, Debtor filed a complaint against Mr. Stuart  
22 Swanson and Mr. Jason Gisi, principals of Arizona Eco, as well as Mr. Michael Fann, who is not,  
23 thereby initiating Adv. No. 2:12-ap-01519 (“Constructive Trust Suit”). The Debtor has described  
24 this suit as seeking:

25 monetary recovery and equitable relief based upon fraud, breach of  
26 fiduciary duty, constructive trust, tortious interference with  
business expectancy, breach of contract, breach of the implied

27 <sup>17</sup> Section VI(D) consists of Arizona Eco’s analysis and opinion regarding the Debtor’s  
28 litigation against Arizona Eco, and does not reflect the views or opinion of any other party,  
including the Note Holders Committee.

1 covenant of good faith and fair dealing, aiding and abetting fraud,  
2 aiding and abetting breach of fiduciary duty, and negligent  
3 misrepresentation. The Constructive Trust Complaint also seeks a  
4 declaration that Swanson acquired the promissory note in  
constructive trust for Debtor, and also seeks compensatory and  
punitive damages.

5 To date, the Constructive Trust Suit complaint has not yet been served on Mr. Swanson,  
6 and the original summons has lapsed. On September 26, 2012, Arizona Eco, in the Subordination  
7 Suit, and Mr. Gisi, in the Constructive Trust Suit, moved to withdraw their respective proceedings  
8 to the United States District Court for the District of Arizona ("District Court"). Also on that  
9 date, Arizona Eco moved to strike the Claim objection portion of the Subordination Suit, and Mr.  
10 Gisi moved to dismiss the Constructive Trust Suit for its failure to name an indispensable party,  
11 specifically Arizona Eco. Responses and replies have been filed to all of these motions and the  
12 matter is currently awaiting further proceedings before the District Court.

13 Copies of the complaints for the Subordination Suit and the Constructive Trust Suit are  
14 attached hereto as **Exhibits "4"** and **"5,"** respectively. Both suits make identical factual  
15 allegations. Arizona Eco submits that the Debtor has failed to disclose the certain material  
16 documents:

17 1. On October 26, 2011, Mr. Swanson informed Cavan  
18 that he had spoken directly to representatives of the Original  
19 Owners, and Cavan responded stating that it had been the right  
approach. See **Exhibit "7"** attached hereto.

20 2. After Mr. Swanson had ceased negotiations with  
21 Cavan, Cavan and the Original Owners' representative, Mr. David  
Combs, reached a deal for GDRH to purchase the carry-back note  
by December 16, 2011. See **Exhibit "8"** attached hereto.

22 3. When Cavan informed Mr. Combs that he could not  
23 close the transaction due to lack of funds and needed an extension  
24 until February 29, 2012, Mr. Combs terminated their deal on  
December 16, 2011. See **Exhibit "9"** attached hereto.

25 4. After this termination, Mr. Swanson was then  
26 contacted by the Original Owners' representative December 18,  
27 2011, and asked if he would be interested in acquiring the note  
independently. See **Exhibit "10"** attached hereto. The Original  
28 Owners then requested a limited confidentiality agreement with  
Mr. Swanson. See **Exhibit "11"** attached hereto. Mr. Swanson  
formed Arizona Eco as the corporate entity to acquire the note; the  
purchase of which closed in January 2012. Immediately following

1 the closing, Mr. Gisi requested and then held a conference call  
2 with Cavan and his group to see if some resolution could be  
3 obtained without the necessity of foreclosure and collection  
4 proceedings. See **Exhibit “12”** attached hereto. No settlement  
5 could be reached between the parties.

6 In light of these and other missing documents, Arizona Eco believes that the premise of  
7 the Debtor’s complaints against Arizona Eco and others has no factual basis, without reviewing  
8 the additional legal obstacles presented.

9 **E. The CMS Case And Joint Administration**

10 On September 11, 2012, the day before the hearing set on a receivership complaint filed  
11 by Arizona Eco in state court, CMS filed a petition for relief under Chapter 11 of the Bankruptcy  
12 Code, initiating Case No. 2:12-bk-20222-CGC (“CMS Bankruptcy Case”). Arizona Eco filed an  
13 *Emergency Motion to Appoint a Chapter 11 Trustee* in the CMS Bankruptcy Case [see CMS  
14 Bankruptcy Case at Dkt. No. 4] (“Trustee Motion”), alleging, among other things, that CMS has  
15 systematically attempted to shelter its assets from its creditors and the creditors of its affiliated  
16 entities by stripping away value from CMS in the weeks leading up to the filing of the CMS  
17 Bankruptcy Case. The Court has not yet ruled on Arizona Eco’s Trustee Motion. On  
18 September 12, 2012, counsel for the Debtor filed a *Motion for Joint Administration* [Dkt. No.  
19 287] (“Joint Administration Motion”), seeking to jointly administer Debtor’s Chapter 11 Case  
20 with the CMS Bankruptcy Case. Arizona Eco, among others, filed an objection to the Joint  
21 Administration Motion. See Dkt. No. 295; see also Dkt. Nos. 324 and 325. On September 26,  
22 2012, the Bankruptcy Court issued a memorandum decision granting the Joint Administration  
23 Motion, see Dkt. No. 330, and on October 10, 2012 the Court entered an order [see Dkt. No. 347]  
24 granting same. On October 26, 2012, Arizona Eco filed a *Verified Complaint for Preliminary*  
25 *Injunction and Application for Temporary Restraining Order* against Cavan, initiating Adv. No.  
26 2:12-ap-01842-RTBP (“Cavan Adversary”). In the Cavan Adversary, Arizona Eco seeks a  
27 temporary restraining order and preliminary injunction enjoining Cavan, CMS’ sole member and  
28 manager, to cease his unauthorized post-petition activities relating to CMS’ Estate.

1           **F.     Plans**

2           Aside from the Joint Plan, the Debtor and Tri-City have each proposed plans of  
3 reorganization in the Chapter 11 Case. The latest versions of these plans, which correspond to the  
4 Approved Disclosure Statements, are filed at Dkt. Nos. 327 ("Tri-City Plan") and 328 ("Debtor  
5 Plan"). In the Bankruptcy Court's Under Advisement Order conditionally approving the  
6 Approved Disclosure Statements, interested parties were ordered to meet and confer regarding  
7 setting a confirmation hearing schedule and agreeing on a form of order unconditionally  
8 approving the Approved Disclosure Statements. At the meet and confer calls on November 29,  
9 2012 and December 5, 2012, counsel for Tri-City and the Debtor indicated that Tri-City and the  
10 Debtor would not pursue solicitation and confirmation of the Tri-City Plan and the Debtor Plan  
11 until after the hearing on approval of this Disclosure Statement on January 9, 2013. Under either  
12 approach, as set forth in detail below, the Joint Plan Proponents believe the Joint Plan presents the  
13 best, most efficient avenue for recovery for Creditors in this case.

14           **VII.   OVERVIEW OF THE JOINT PLAN**

15           The following is a general overview of the Joint Plan and certain provisions of the Joint  
16 Plan. This overview has been prepared to describe the Joint Plan and some of its more pertinent  
17 provisions in basic terms. The Joint Plan Proponents do not offer it as a comprehensive analysis  
18 of the Joint Plan, which is a complicated legal document. If it is important to you to understand  
19 every nuance of the Joint Plan as a complicated and precise legal contract, you are urged to read  
20 the Joint Plan in its entirety and to consult with legal counsel to understand the Joint Plan fully.  
21 A copy of the Joint Plan accompanies this Disclosure Statement as **Exhibit "1."**

22           **A.     Brief Explanation Of Chapter 11 Reorganization**

23           Chapter 11 of the Bankruptcy Code is the chapter of the Code which allows for the  
24 reorganization of companies such as GDRH. In general, a Chapter 11 plan of reorganization  
25 (a) divides Claims and Interests into separate classes, (b) specifies the property that each class is  
26 to receive under the plan, and (c) contains other provisions necessary to the reorganization of the  
27 debtor. A Chapter 11 plan may specify that certain classes of Claims or Interests are either to be  
28 paid in full upon the effective date of the plan, reinstated, or their legal, equitable and contractual

1 rights are to remain unchanged by the reorganization effectuated by the plan. Such classes are  
2 referred to under the Bankruptcy Code as “unimpaired” and, because of such favorable treatment,  
3 are deemed to accept the plan. Accordingly, it is not necessary to solicit votes from the holders of  
4 Claims or Interests in such classes. A Chapter 11 plan also may specify that certain classes will  
5 not receive any distribution of property. Such classes are deemed to reject the plan.

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

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

24 **B. Solicitation Of Acceptances Of The Joint Plan**

25 The Joint Plan Proponents are seeking acceptances of the Joint Plan from holders of  
26 Allowed Claims classified in Classes 2, 5, and 6 under the Joint Plan, which are the only Classes  
27 entitled to vote under the Joint Plan, or not deemed by law to have already rejected the Joint Plan.  
28 If the requisite acceptances are received, the Joint Plan Proponents will use the acceptances as

1 evidenced by Ballots solicited in accordance with this Disclosure Statement and the order  
2 approving the Disclosure Statement to seek confirmation of the Joint Plan under Chapter 11 of the  
3 Code.

4 If any impaired Class is determined to have rejected the Joint Plan in accordance with  
5 11 U.S.C. § 1126, the Joint Plan Proponents may use the provisions of Section 1129(b) of the  
6 Code to satisfy the requirements for confirmation of the Plan. See “ACCEPTANCE AND  
7 CONFIRMATION OF THE PLAN–Confirmation Over Dissenting Class (Cram Down).”

8 The Joint Plan Proponents believe that this Disclosure Statement complies with applicable  
9 bankruptcy and non-bankruptcy law. This Disclosure Statement and the Joint Plan are being  
10 transmitted to all known holders of impaired Claims and Interests. The Joint Plan Proponents  
11 believe that this Disclosure Statement contains adequate information for all holders of impaired  
12 Claims to cast an informed vote to accept or reject the Joint Plan. Furthermore, the Joint Plan  
13 Proponents believe that holders of impaired Claims will obtain a greater recovery under the Joint  
14 Plan than they would under the Tri-City Plan or the Debtor Plan, or would otherwise obtain if the  
15 Debtor’s assets were liquidated under Chapter 7 of the Bankruptcy Code.

16 If the Joint Plan is confirmed by the Bankruptcy Court, each holder of an impaired Claim  
17 will receive the same *pro rata* consideration as other holders of Claims in the same Class,  
18 whether or not such holder voted to accept the Joint Plan. Moreover, upon Confirmation, the  
19 Joint Plan will bind all creditors and equity interests regardless of whether or not such creditors  
20 voted to accept the Joint Plan.

21 **C. Unimpaired Classes**

22 The following Classes of Claims are not impaired under the Joint Plan and, under Section  
23 1126(f) of the Code, are conclusively deemed to accept the Joint Plan and are not entitled to vote  
24 on the Joint Plan:

- |    |         |   |
|----|---------|---|
| 25 | Class 1 | Administrative Claims                     |
| 26 | Class 3 | Secured Claim of City of Prescott         |
| 27 | Class 4 | Secured Claim of Yavapai County Treasurer |

1           **D. Classification Of Claims**

2           The Classes under the Joint Plan take into account the differing nature and priority of  
3 Claims against the Debtor. Section 101(5) of the Code defines “claim” as a “right to payment,  
4 whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent,  
5 matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured;” or a “right to  
6 an equitable remedy for breach of performance if such breach gives rise to a right to payment,  
7 whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent,  
8 matured, unmatured, disputed, undisputed, secured, or unsecured.” A “claim” against the Debtor  
9 also includes a claim against the Debtor’s property as provided in § 102(2) of the Bankruptcy  
10 Code.

11           For the holder of a Claim to participate in a reorganization plan and receive the treatment  
12 offered to the class in which it is classified, its claim must be allowed. Under the Joint Plan, an  
13 Allowed Claim shall mean a Claim, of any type, against the Estate only to the extent that (1) a  
14 proof of such Claim was timely filed or deemed filed pursuant to § 1111(a) of the Bankruptcy  
15 Code, without an objection having been filed or asserted; and (2) the proof of Claim was not  
16 objected to, or was Allowed (and only to the extent Allowed) by an order of the Bankruptcy  
17 Court that has become final and not subject to possible appeal, review, certiorari, or stay.

18           **E. Treatment Of Claims Under The Joint Plan**

19           The following describes the Joint Plan’s classification of Claims against the Debtor and  
20 the treatment the holders of Allowed Claims would receive under the Joint Plan. The treatment of  
21 Claims set forth below is consistent with the requirements of 11 U.S.C. § 1129(a)(9).

22           1.       **Classified Claims**

23           As additionally described below, the treatment of Claims (classified under Article IV of  
24 the Joint Plan) and the provisions governing distributions on account of Allowed Claims are set  
25 forth in Article IV of the Joint Plan. You should refer to the Joint Plan itself for the complete  
26 provisions governing the treatment of your particular Claim.

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a. **Class 1 – Administrative Claims**

Class 1 is comprised of the holders of administrative expenses. Administrative expenses are those Allowed Claims that have been incurred since the filing of the Debtor’s case on March 13, 2012 and before the Administrative Claims Bar Date. Administrative expenses are those set forth in Section 503 of the Code and may include the following:

(1) Allowed Professional Fees. All administrative priority claims shall be paid in full upon the later of the Effective Date or the entry of an order, which has become final, granting the final allowance of such amounts. If not previously paid by the Debtor, Arizona Eco will pay, subject to the provision for reimbursement by NH Co. LLC as set forth below and in the Joint Plan, all such amounts.

(2) U.S. Trustee Fees. Any such amounts which remain due and owing will be paid on the Effective Date. The Debtor shall be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6). The Debtor shall file with the Court, and serve on the United States Trustee, a quarterly financial report for each quarter (or portion thereof) that the case remains open in a format prescribed by the United States Trustee and shall pay such quarterly fees as due for each quarter post-confirmation that the case remains open. If not previously paid by the Debtor, Arizona Eco will pay all such amounts.

Class 1 is unimpaired and does not vote.

The Joint Plan Proponents estimate that accrued and unpaid Administrative Claims through the date of the filing of this Disclosure Statement, including the fees incurred by the Debtor’s Professionals, over and above those Claims already paid on an interim basis and the retainers held by the Debtor’s Professionals, may total approximately \$1,000,000.00.

b. **Class 2 – Secured Claim Of Arizona Eco**

Class 2 is comprised of the Arizona Eco’s Secured Claim in the amount of \$127,337,491.91, which has been disputed by the Debtor. The Secured Claim of Arizona Eco shall be Allowed and treated as follows:

Arizona Eco will receive any and all property and property interests of the GDRH Estate, including, without limiting:

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1. The Arizona Eco Property;
2. Any and all proceeds relating to the Arizona Eco Property, including, without limiting, those executory leases and/or contracts listed in its Schedule "G" filed by the Debtor on April 15, 2012, as well as all receivables, notes, obligations of the Debtor or the Estate, including the Cavan Suits, except the Claims and Causes of Action to be transferred to NH Co. LLC pursuant to the terms of the Joint Plan.
3. Any and all other assets of the Debtor, the Estate, or GDRH not expressly excluded under the Joint Plan.
4. Any and all documents of GDRH, wherever located, including any client documents held by any attorney or other professional engaged by GDRH at any time, including any and all client privileges relating to said documents and related working papers unless, prior to the Effective Date, determined to remain within the GDRH entity subject to the control of the Liquidating Board.
5. As to the Cavan Suits described in Paragraph 2, *supra*, the management, prosecution, and collection shall occur as follows:
  - a. Arizona Eco will have the unilateral authority to fund the necessary fees and costs and in its sole discretion shall control prosecution of the Cavan Suits, including the authority to settle or otherwise resolve the Cavan Suits;
  - b. After recovery of all reasonable fees and costs related to the investigation, prosecution, and resolution of the Cavan Suits, the net proceeds shall be remitted on the basis of 80% to Arizona Eco and 20% to NH Co. LLC.
6. Arizona Eco, in the exercise of its sole discretion, may take title to the Arizona Eco Property alternatively by either a credit bid at a deed of trust sale or by a sale transfer under the Joint Plan upon Arizona Eco's credit bid. Under either procedure, Arizona Eco agrees or confirms:
  - a. Arizona Eco reserves the right to credit bid in an amount it determines to be appropriate at the time;
  - b. Arizona Eco will not elect to have an unsecured deficiency claim for the remaining debt stated under its note except by way of a set-off against any Claim held by the Cavan Group;
  - c. Arizona Eco will agree not to participate in any unsecured class of Claims under the Joint Plan except by way of a set-off against any Claim held by the Cavan Group; and
  - d. Arizona Eco may transfer its note and deed of trust to a designee prior to the Effective Date, which shall be subject to all of the terms, including the limitations and restriction on the Claims of Arizona Eco, set forth in the Joint Plan.

1 7. Arizona Eco shall have the right to acquire any of the Notes  
2 held by any Note Holder for a price equal to 10% of the principal  
3 amount of that Note, if that Note Holder serves a Notice Of  
4 Election To Transfer Note, which is attached hereto as **Exhibit**  
5 **“2,”** on counsel for Arizona Eco and counsel for the Note Holders  
6 Committee on or before the date that is five (5) days before the  
7 date set by the Court as the date on which all ballots accepting or  
8 rejecting the Joint Plan must be served on counsel for Arizona Eco  
9 and counsel for the Note Holders Committee and if none of the  
10 Note Holders exercises his, her or its right of first refusal to  
11 purchase that Note on or before the date that is seven (7) days after  
12 the first hearing on confirmation of the Joint Plan.

13 8. Arizona Eco may require that on the Effective Date a  
14 dismissal with prejudice accompanying releases be executed by an  
15 individual or entity designated by the Liquidating Board, delivered,  
16 and/or filed with respect to pending Cavan Suits and execution of  
17 appropriate releases.

18 Class 2 is impaired and is entitled to vote.

19 c. **Class 3 – Secured Claim Of The City of Prescott**

20 Class 3 is comprised of the Secured Claim of the City of Prescott in the amount of  
21 \$26,868.95. The City of Prescott’s Secured Claim against the Debtor’s Estate shall be treated as  
22 follows:

23 Arizona Eco shall assume this debt of the Debtor as part of the  
24 receipt of the Arizona Eco Property described, *supra*, and subject  
25 to any defenses or set-offs. The City of Prescott’s Secured Claim  
26 shall continue to accrue interest at the statutory rate. The City of  
27 Prescott’s Claim shall be secured by the same collateral to the  
28 extent the Claim was secured pre-petition.

Class 3 is not impaired and not entitled to vote.

d. **Class 4 - Secured Claim Of Yavapai County Treasurer**

Class 4 is comprised of the Secured Claim of the Yavapai County Treasurer, which is  
unknown. The Yavapai County Treasurer’s Secured Claim will be treated as follows:

The Yavapai County Treasurer’s Secured Claim, if any, shall be  
paid by the party receiving the parcel subject to the tax, either NH  
Co. LLC or Arizona Eco. The Yavapai County Treasurer’s Claim  
shall be secured by the same collateral to the extent the Claim was  
secured pre-petition.

Class 4 is not impaired and not entitled to vote.

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e. **Class 5 – General Unsecured Claims**

Class 5 is comprised of general Unsecured Creditors with no contractual recourse against a non-debtor. This class may include, but is not limited to: Arizona Department of Transportation, Arizona Public Service, Arizona State Land Department, Bradshaw Public Relations, Burch & Cracchiolo P.C., Clifton Larson Allen LLP, James Cordello, Fennemore Craig, First American Title Insurance, Greg Huber, Quicksilver Express Counter, Hanson Aggregates Arizona, Inc., Cavan Management Services, LLC, Cavan Management Company LLC, Cavan Realty Inc., Cavan, and other general Unsecured Allowed Claims. Each Class 5 Claim shall receive as follows:

10% of its principal Allowed amount after the date of its allowance by a Final Order of the Court, including the final adjudication of any potential set-off, recoupment, or counterclaim, or other suit against the claimant.

Class 5 is impaired and entitled to vote.<sup>18</sup>

f. **Class 6 – Claims Of The Note Holders**

Class 6 is comprised of Allowed Claims held by the Note Holders, in the aggregate amount of approximately \$20 million,<sup>19</sup> which have contractual recourse against CMS. This Class includes, but is not limited to, the Allowed Claims held by the persons identified above in footnote 1. The Note Holders shall be treated as follows:

The Note Holders may either elect for Option A or Option B on or before the deadline for submission of ballots on the Joint Plan:

**Option A:**

1. On the Effective Date, each Note Holder not electing Option B shall be issued and shall receive a membership interest in NH Co. LLC equal to that Note Holder’s percentage of the aggregate dollar amount of all Claims held by all Note Holders in full satisfaction of his, her, or its Claim. Also, on the Effective Date, all of the Notes held by all of the Note Holders electing Option A shall be deemed transferred to NH Co. LLC, as a contribution in exchange for the issuance of the membership interests to which each Note Holder shall be entitled;

<sup>18</sup> Cavan insider-related Claims may be the subject of a motion to designate their votes.  
<sup>19</sup> This estimated amount includes principal and interest, and is calculated as of the Petition Date.

1                   2.     On the Effective Date, by operation of the  
2 Confirmation Order and execution of such other deeds and  
3 documents deemed necessary or appropriate by the Note Holders  
4 Committee, the Note Holders' Parcels shall be transferred to NH  
5 Co. LLC along with all property rights, interests, appurtenances,  
6 and improvements related directly thereto, free and clear of any  
7 and all lien and encumbrances other than accrued or accruing real  
8 property taxes as apportioned to the Note Holders' Parcels in  
9 exchange for the debt acquired by NH Co. LLC, through the  
10 transfer to it of the Notes from the Note Holders electing Option A.  
11 The Note Holders Committee believes the aggregate value of the  
12 Note Holders' Parcels is approximately \$4.5 to \$5 million as of  
13 today; however, that value is likely to appreciate over the long  
14 term. A true and correct Brokers' Price Opinion of the Note  
15 Holders' Parcels is attached hereto as **Exhibit "13"**;

16                   3.     Any Note Holder, other than one controlled by a  
17 member of the Cavan Group, may, prior to December 31, 2013,  
18 purchase any Note from Arizona Eco for the price paid by Arizona  
19 Eco plus: (a) 20% interest thereon from the date of completion of  
20 purchase by Arizona Eco through the date of completion of  
21 purchase from Arizona Eco, (b) reimbursement of Arizona Eco's  
22 reasonable fees and costs incurred in its purchase process;  
23 (c) assumption and reimbursement of any indemnity related to a  
24 Convertible Note acquired by Arizona Eco;

25                   4.     NH Co. LLC shall receive 20% of the net proceeds  
26 of any and all suits, claims, settlements, or other resolutions  
27 against the Cavan Group held or owned by the Estate, as described,  
28 *supra*;

                  5.     NH Co. LLC shall be responsible for 35% of final  
Allowed Administrative Claims in a total amount not to exceed  
\$450,000, which upon request by NH Co. LLC shall be advanced  
by Arizona Eco with those advances to be secured by a lien against  
the 108-acre parcel, to be paid upon sale of any portion of the 108-  
acre parcel, with interest to accrue at 8% per annum on the  
advance through the date of payment to Arizona Eco;

                  6.     Any and all Claims, including any proceeds related  
thereto, arising from Claims under Section 547 of the Code, other  
than Claims against the Cavan Group and/or against any person  
who sold any Note to Arizona Eco; and

                  7.     The Note Holders shall transfer, and not waive,  
their Claims based on guarantees from CMS and/or its successor  
and any other member of the Cavan Group, if necessary to settle  
any litigation regarding Claims held by any member of the Cavan  
Group.

**Option B:**

                  1.     As an alternative to Option A, each Note Holder  
shall be entitled to receive a cash payment equal to 10% of the  
outstanding principal of that Note Holder's Note if he, she, or it

1 checks the appropriate box on the Notice of Election to Transfer  
2 Note, attached hereto as **Exhibit “2,”** and serves that Notice on  
3 counsel for Arizona Eco and counsel for the Note Holders  
4 Committee five (5) business days prior to the date set by the Court  
as the date on which all ballots accepting or rejecting the Joint Plan  
must be served on counsel for Arizona Eco and counsel for the  
Note Holders Committee.

5 2. Every other Note Holder participating in Option A  
6 shall have a right of first refusal, on a first come first served basis,  
7 ahead of Arizona Eco, to purchase any other Note held by any  
8 other Note Holder who elects this Option B, and any Note Holder  
9 which elects to exercise that right and then completes such purpose  
10 shall receive the distribution of membership interests in NH Co.  
11 LLC that otherwise would have been made to the selling Note  
12 Holder under the Joint Plan. That right of first refusal shall be  
13 offered to all Note Holders by counsel for Arizona Eco and  
14 counsel for the Note Holders Committee as soon as practical after  
the receipt of any Notices of Election to Transfer Note, but not  
later than the date of the first hearing on confirmation of the Joint  
Plan. This right of first refusal may be exercised by e-mail or  
regular mail conveyed by any Note Holder to counsel for Arizona  
Eco and counsel for the Note Holders Committee and shall expire  
on the first business day that is seven (7) days after the date of that  
hearing.

14 Class 6 is impaired and entitled to vote.

15 g. **Class 7 – Equity Interest Holders**

16 Class 7 is comprised of the Interests in the Debtor of Tri-City - 39.25%, CMS - 39.25%,  
17 GDI - 15.5% and GDEG - 6%, and shall be treated as follows:

18 All Interests are extinguished and cancelled under the Joint Plan.

19 Class 7 is deemed to reject the Joint Plan.

20 **F. Estate Assets**

21 The assets of the Estate include approximately 15,000 acres of Real Property and related  
22 interests, as well as all leases, licenses, rents, claims, proceeds, notes, suits, documents,  
23 privileges, contractual rights, and any and all other property interests included within the Estate  
24 pursuant to 11 U.S.C. § 541.

25 **G. Implementation And Funding Of The Joint Plan**

26 The Joint Plan contemplates the distribution of the assets of the Estate between the  
27 Arizona Eco and NH Co. LLC. Two parcels of property are to be transferred to NH Co. LLC,  
28 with the residue of the Estate being transferred to Arizona Eco. Arizona Eco and NH Co. LLC

1 agree to jointly fund the Allowed Administrative priority Claims of the Estate. General  
2 Unsecured Creditors of the Estate will be paid 10% on the principal of their Allowed Claims from  
3 funds to be made available by Arizona Eco upon final allowance for any specific Claim. Upon  
4 the Effective Date, order(s) are to be entered dismissing with prejudice all suits against Arizona  
5 Eco, Mr. Stuart Swanson, Mr. Jason Gisi, and Mr. Michael Fann, along with any attendant  
6 releases. Estate Causes of Action against the Cavan Group are to be transferred to and prosecuted  
7 by Arizona Eco, with net proceeds of said suits to be distributed 80% to Arizona Eco and 20% to  
8 NH Co. LLC. Arizona Eco agrees to take title to all but the Note Holders' Parcels by either  
9 completion of a deed of trust sale or a sale free and clear of liens, claims, and encumbrances,  
10 pursuant to 11 U.S.C. § 363 or § 1129(b)(2)(A)(ii), under the Joint Plan. Arizona Eco reserves  
11 the right to credit bid in an amount it determines to be appropriate at the time, and agrees not to  
12 elect under the Joint Plan to assert a general Unsecured deficiency Claim. A Liquidating Board  
13 shall effectuate any final actions needed to wind up the GDRH entity.

14 1. **Priority Claim Payments**

15 Arizona Eco will confirm its financial ability to provide cash or cash equivalent in an  
16 amount sufficient to pay all allowed Administrative priority Claims as of the Effective Date, and  
17 will confirm as of the Effective Date the financial ability to pay, when finally Allowed, any other  
18 Administrative Claims against the Estate, subject to reimbursement by NH Co. LLC.

19 2. **Property Dispositions**

20 a. **Transfers to NH Co. LLC**

- 21 (1) the Note Holders' Parcels;
- 22 (2) Any and all preference claims of the Estate under Section 547 of  
23 the Code, excluding (1) any notes held by Arizona Eco or subject to  
24 an indemnification agreement of Arizona Eco; or (2) any insiders of  
25 the Cavan Group; and
- 26 (3) 20% of the net proceeds of any and all Estate Causes of Action  
27 and/or claims against the Cavan Group assigned or transferred to  
28 Arizona Eco under the terms of the Joint Plan.

b. **Transfers to Arizona Eco**

- (1) The Arizona Eco Property and any and all other property interests  
of the Estate, as defined under Section 541 of the Code, excluding

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that property and property interests described under Section III(B)(1) of the Joint Plan (property to be transferred to NH Co. LLC under the Joint Plan);

- (2) Any and all suits, Claims, and or Causes of Action of GDRH and the Estate, including any and all Claims, suits, and/or Causes of Action assigned by any Creditor or Equity Holder to Arizona Eco, except for any Claims and Causes of Action to be assigned and transferred to NH Co. LLC pursuant to the terms of the Joint Plan; and
- (3) Any and all documents of GDRH (as Debtor and debtor-in-possession), which are defined as:

The term “document” or “documents” are used herein in their customary broad sense, and mean any kind of printed, recorded, written, graphic, or photographic matter (including tape recordings), however printed, produced, reproduced, coded or stored, of any kind of description, whether sent or received, or not, including originals, copies, reproductions, facsimiles, drafts, and both sides thereof, and including without limitation, papers, books, accounts, ledgers, journals, books or memoranda, telegrams, cables, wire transfers, notes, notations, e-mails, texts, work papers, inter and intra-office communications to, between or among directors, managers, officers, agents or employees, transcripts, minutes, reports, and recordings of telephone or other conversations or of interviews or of conferences, or of committee meetings, or of other meetings, agreements, contracts, invoices, statistical records, data sheets, computer tapes or disks, magnetic tapes, computer printouts, computer programs, computer program coding sheets, hard drives, USB flash drives, electronic data storage devices, all other records kept by electronic, photographic or mechanical means, and things similar to any of the foregoing, regardless of their author or origin, of any kind. The term “Document” includes all copies of a document which contain any additional writing, underlining, notes, deletions, or any other markings or notations, or are otherwise not identical copies of the original.

Also included are any said documents generated, stored, retained, maintained by another entity for GDRH such as CMS, CMC, and/or Strategic Management LLC, and/or any professional currently or previously employed by GDRH, including any client privileges thereto.

Arizona Eco may determine prior to the Effective Date to allow Documents to remain in the GDRH Estate to assist as needed in litigation wind up.

1           **H. Distributions On Account Of Claims Allowed As Of The Effective Date**

2           Except as otherwise provided in the Joint Plan, a Final Order, or as agreed to by the  
3 relevant parties, initial distributions under the Joint Plan on account of Claims Allowed on or  
4 before the Effective Date shall be made as soon as practicable after the Effective Date.

5           **I. Distribution On Account Of Claims Allowed After The Effective Date**

6           1.       **Payments And Distributions On Disputed Claims**

7           Except as otherwise provided in the Joint Plan, a Final Order, or as agreed to by the  
8 relevant parties, distributions under the Joint Plan on account of Disputed Claims that become  
9 Allowed after the Effective Date shall be made on the earliest practicable date after the order  
10 granting allowance becomes final.

11           2.       **Special Rules For Distributions To Holders Of Disputed Claims**

12           Notwithstanding any provision in the Joint Plan and except as otherwise agreed to by the  
13 relevant parties: (1) no partial payments and no partial distributions shall be made with respect to  
14 a Disputed Claim until all such disputes in connection with such Disputed Claim have been  
15 resolved by settlement or Final Order, and (2) any person who holds both an Allowed Claim and  
16 a Disputed Claim shall not receive any distribution on the Allowed Claim unless and until all  
17 objections to the Disputed Claim have been resolved by settlement or Final Order and all Claims  
18 of such holder have been Allowed. All distributions made pursuant to the Joint Plan on account  
19 of an Allowed Claim shall be made together with any dividends, payments, or other distributions  
20 made on account of, as well as any obligation arising from, the distributed property as if such  
21 Allowed Claim had been an Allowed Claim on the dates distributions were previously made to  
22 holders of Allowed Claims included in the applicable Class.

23           **J. The Liquidation Board**

24           As of the Confirmation Date, all of the Debtor's managers (including CMS) and  
25 representatives (including Avion) shall be terminated and shall be replaced with the Liquidation  
26 Board. On or before the conclusion of the final hearing approving the Disclosure Statement,  
27 Arizona Eco and the Note Holders Committee shall each appoint a single manager to serve on the  
28 Liquidation Board to co-manage GDRH. These managers shall serve as the initial managers of

1 GDRH until it is dissolved, the initial managers resign, or the initial manager(s) are replaced by a  
2 Final Order of this Court. The members of the Liquidation Board shall owe no fiduciary duties to  
3 any other creditor, member, or party-in-interest, but are appointed solely to: dissolve the Debtor;  
4 execute any documents or instruments on behalf of the Debtor necessary to effectuate the  
5 provisions of the Joint Plan; and address any issues related to the Debtor's assertion of any legal  
6 privilege, including control of any client privilege of GDRH.

7 **1. Qualifications Of The Liquidation Board**

8 The members of the Liquidation Board should be experienced business persons familiar  
9 with the provisions of the Joint Plan, and be willing to serve as a manager of GDRH without  
10 compensation.

11 **2. Meetings Of The Liquidation Board**

12 Within one (1) month of the Confirmation Date, the Liquidation Board shall meet to  
13 determine a strategy to wind up the remaining affairs of the Debtor, and meet as often as  
14 necessary thereafter to do so. If the Liquidation Board cannot agree on a course of action, then  
15 the members shall present their differing proposals to Arizona Eco and the Note Holders  
16 Committee by and through their respective counsel for a vote, with each entity having a single  
17 vote. If Arizona Eco and the Note Holders Committee become deadlocked, then the matter shall  
18 be submitted to the Court for resolution.

19 **3. Winding Up Of The Debtor**

20 The Liquidation Board may file such documents and take other such action as may be  
21 necessary to wind up the business affairs of GDRH in accordance with Arizona law and other  
22 applicable law.

23 **K. Cancellation Of Old Membership Interests**

24 On the Effective Date: (i) all equity interests shall be cancelled; and (ii) the obligations of  
25 GDRH under any agreements, documents, contracts, or certificates of designation governing the  
26 equity interests shall be discharged. As of the Effective Date, all equity interests that have been  
27 authorized to be issued but that have not been issued shall be deemed cancelled and extinguished  
28 without any further action of any party or order of the Bankruptcy Court.

1           **L. Operative Documents**

2           The Articles of Organization of NH Co. LLC are attached hereto as **Exhibit “6.”** Arizona  
3 Eco or NH Co. LLC may prepare any and all documents, including, but not limited to, any  
4 amendments to the Articles of Organization for NH Co. LLC, any immaterial modifications to the  
5 Joint Plan, and any deeds, bills of sale, notices of dismissal, releases, or other documents which  
6 are necessary or appropriate to consummate the Joint Plan. If there is any dispute regarding the  
7 reasonableness or propriety of any such documents after reasonable and good faith efforts by  
8 Arizona Eco or NH Co. LLC to negotiate and obtain approval of the documents by the other  
9 affected person(s), any such dispute will be presented to the Bankruptcy Court.

10           **M. Administration Pending Effective Date**

11           Before the Effective Date, the Debtor will continue to operate its business, subject to all  
12 applicable requirements of the Bankruptcy Code and the Bankruptcy Rules. After the Effective  
13 Date, the Debtor will be liquidated, pursuant to the terms of the Joint Plan, under the supervision  
14 of the Liquidating Board, subject to the continuing jurisdiction of the Bankruptcy Court.

15           **N. Post-Confirmation Fees; Final Decree**

16           Arizona Eco shall be responsible for paying any post-confirmation fees under 28 U.S.C.  
17 § 1930(a)(6). The Liquidating Board shall be responsible for the filing of post-confirmation  
18 reports, until a final decree is entered. A final decree is to be entered as soon as practicable after  
19 distributions have commenced under the Joint Plan.

20           **O. Additional Implementation Of The Joint Plan**

21           1.       **Assumption Or Rejection Of Executory Contracts And Unexpired**  
22                   **Leases Under The Joint Plan**

23           All necessary leases and executory contracts relating to the Note Holders’ Parcels will be  
24 assumed by the Debtor and, subject to NH Co. LLC’s approval of any amount necessary to cure,  
25 assigned to NH Co. LLC, unless otherwise provided at the hearing on confirmation or in the  
26 Confirmation Order. All other necessary leases and executory contracts will be assumed by the  
27 Debtor and, subject to Arizona Eco’s approval of any amount necessary to cure, assigned to  
28

1 Arizona Eco, unless otherwise provided at the hearing on confirmation or in the Confirmation  
2 Order.

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

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

14 Except as expressly provided in the Joint Plan or Confirmation Order, any Claims (other  
15 than Administrative Claims) asserted against the Debtor that may have arisen prior to (or may  
16 have been deemed to have arisen prior to) or after the Petition Date, of Creditors who failed to file  
17 a proof of Claim on or before July 27, 2012 (the "Bar Date"), are forever barred, stopped, and  
18 enjoined from asserting such Claims (or filing proofs of Claim with respect thereto) in any  
19 manner against the Debtor or its property or assets. Any Administrative Claims asserted against  
20 the Debtor or the Estate that fail to file a proof of Claim, an Application for Allowance or  
21 requests for payment on or before the Administrative Claim Bar Date shall be forever barred,  
22 stopped, and enjoined from asserting such Claims (or filing proofs of Claim with respect thereto)  
23 in any manner against the Debtor or its property or assets. Further, any such unasserted Claims  
24 shall not be permitted to vote on the Joint Plan or to participate in any distribution in this Chapter  
25 11 case on account of such Claim, or to receive further notices regarding such Claims and shall be  
26 bound by the terms of the Joint Plan.

1 **IX. LIMITATION OF LIABILITY**

2 Neither the Joint Plan Proponents nor any of their officers, directors, employees, advisors,  
3 attorneys, agents, or members will have or incur any liability to any holder of a Claim or an  
4 equity interest or the Debtor or any of their respective agents, employees, representatives,  
5 financial advisors, or attorneys, or any of their successors or assigns, for any act, event, or  
6 omission which relates to, or arises out of, their conduct or action taken or not taken with respect  
7 to the Debtor's case, the pursuit of confirmation of the Joint Plan, the consummation of the Joint  
8 Plan, or the administration of the Joint Plan or the property to be distributed under the Joint Plan,  
9 except for willful misconduct, and in all respects such parties will be entitled to reasonably rely  
10 upon the advice of counsel with respect to their duties and responsibilities under the Joint Plan.

11 **X. DESCRIPTION OF OTHER PROVISIONS OF THE JOINT PLAN**

12 **A. Vesting Of Assets**

13 Subject to the provisions of the Joint Plan, the property of the Estate shall be transferred  
14 free and clear of liens on the Effective Date. As of the Effective Date, all such property is free  
15 and clear of all liens, Claims, and Interests, except as otherwise provided in the Joint Plan.

16 **B. Injunction**

17 Except as provided in the Joint Plan or the Confirmation Order, as of the Confirmation  
18 Date, all entities that have held, currently hold, or may hold a Claim or other debt or liability  
19 against the Debtor or the Estate are permanently enjoined from taking any of the following  
20 actions on account of any such Claims, debts, or liabilities: (a) commencing or continuing in any  
21 manner any action or other proceeding against the assets previously owned by the Estate, GDRH,  
22 or the Debtor; (b) enforcing, attaching, collecting or recovering in any manner any judgment,  
23 award, decree, or order against any property to be transferred to any person or entity pursuant to  
24 the terms of this Joint Plan; (c) creating, perfecting, or enforcing any lien or encumbrance against  
25 any property to be transferred to any person or entity pursuant to the terms of this Joint Plan;  
26 (d) asserting a set-off, right of subrogation, or recoupment of any kind against any debt, liability,  
27 or obligation due to the Debtor, or any property to be transferred to any person or entity pursuant  
28 to the terms of this Joint Plan; and (e) commencing or continuing any action, in any manner, in

1 any place, that does not comply with or is inconsistent with the provisions of the Joint Plan or the  
2 Bankruptcy Code.

3 **C. Retention Of Jurisdiction**

4 Notwithstanding confirmation or the Effective Date having occurred, the Court shall  
5 retain and have full jurisdiction as is allowed under Title 28 of the United States Code, the  
6 Bankruptcy Code, or other applicable law to enforce the provisions, purposes, and intent of the  
7 Joint Plan, including, without limitation, any proceedings which relate to:

8 1. Determination of the Allowance, classification, or priority of Claims and  
9 Interests, costs, attorneys' fees, interest, and penalties, or objections thereto;

10 2. Construing, implementing, enforcing, executing, or consummating the  
11 Joint Plan, the Confirmation Order, any other order of the Court, any document attached as an  
12 exhibit to the Joint Plan or contemplated by the Joint Plan, or any other matter referred to in the  
13 Joint Plan;

14 3. Determination of all matters that are pending before the Court in the  
15 Debtor's Case prior to the Effective Date or that may arise after the Effective Date;

16 4. Determination of any and all applications for allowance or requests for  
17 payment of Administrative Claims, including, without limitation, requests for allowance and  
18 payment of compensation and expense reimbursement of the Debtor's Professionals;

19 5. Determination of motions for the rejection, assumption, or assignment of  
20 executory contracts or unexpired leases, and determination of the allowance of any claims  
21 resulting from the rejection of executory contracts and unexpired leases;

22 6. Determination of all applications, motions, adversary proceedings,  
23 contested matters, and any other litigated matters instituted prior to the closing of the Debtor's  
24 case;

25 7. Modification of the Joint Plan pursuant to the Bankruptcy Code and Rules,  
26 remedy of any defect or omission in the Joint Plan or Confirmation Order, reconciliation of any  
27 inconsistency within the Joint Plan, so as to carry out the intent and purpose of the Joint Plan;  
28

1           8.       Issuance of injunctions or taking such other actions or making such other  
2 orders as may be necessary or appropriate to restrain interference by any party with the Joint Plan  
3 or its execution or implementation by any person;

4           9.       Issuance of such orders in aid of consummation of the Joint Plan and the  
5 Confirmation Order, notwithstanding any otherwise applicable non-bankruptcy law, with respect  
6 to any person, to the full extent authorized by the Bankruptcy Code;

7           10.      Any determination necessary or appropriate under Section 505 of the  
8 Bankruptcy Code or any other determination relating to priority tax claims, taxes, tax refunds, tax  
9 attributes, and tax benefits affecting the Debtor, its Estate, or the Debtor's property through the  
10 end of the fiscal year in which the Effective Date occurs;

11          11.      Entry of a final decree closing this Chapter 11 case; and

12          12.      Determination of such other matters, and for such other purposes, as may  
13 be provided in the Confirmation Order.

14           **D.    Preservation Of Estate Causes Of Action**

15          1.       Estate Causes of Action shall specifically include, without limitation, any  
16 and all of the Debtor's causes of action against the Cavan Group, including any actions for  
17 negligence, mismanagement, and/or fraudulent transfers against David Cavan, G. Denny  
18 Matthew, Gary Burton, and/or Nancy Stone.

19          2.       Failure to list an Estate Cause of Action does not constitute a waiver or  
20 release by the Debtor or Joint Plan Proponents of such Estate Cause of Action.

21          3.       In accordance with Section 1123(b)(3) of the Bankruptcy Code, and except  
22 as otherwise expressly provided in the Joint Plan, all Estate Causes of Action are retained and  
23 reserved, and are assigned and transferred to either Arizona Eco or NH Co. LLC, as provided for  
24 in the Joint Plan.

25          4.       Arizona Eco will, in its sole discretion and authority, prosecute all Estate  
26 Causes of Action not transferred to NH Co. LLC, or otherwise expressly compromised and  
27 dismissed in the Joint Plan in accordance with Section 1123(b)(3)(B) of the Bankruptcy Code.  
28 Arizona Eco or NH Co. LLC, as the case may be, will have discretion to determine in its business

1 judgment which assigned Estate Causes of Action it will pursue or settle, and the terms and  
2 conditions of those settlements.

3 5. All proceeds from monetary judgments and awards resulting from the  
4 settlement or prosecution of the preserved Estate Causes of Action will be applied or distributed  
5 as set forth in the Joint Plan.

6 6. The discharge and release of assets from Claims as provided in the Joint  
7 Plan, except as necessary to be consistent with the Joint Plan, do not diminish or impair the  
8 enforceability of any insurance policy that may cover Claims against the Debtor or any other  
9 person or entity.

10 **E. Conditions To Confirmation And Effective Date**

11 1. **Conditions To Confirmation**

12 The following are conditions precedent to confirmation of the Joint Plan:

13 a. The Bankruptcy Court enters a Final Order approving the  
14 Disclosure Statement with respect to the Joint Plan.

15 b. The Confirmation Order has been entered in a form and substance  
16 reasonably acceptable to the Joint Plan Proponents. If the Joint Plan Proponents are unable to  
17 reach an agreement with any party regarding the form and substance of the Confirmation Order,  
18 the Bankruptcy Court will resolve all such disputes between the parties.

19 c. The Confirmation Order contains the following:

20 (1) The provisions of the Confirmation Order are non-severable  
21 and mutually dependent;

22 (2) All Executory Contracts or Unexpired Leases assumed by  
23 the Debtor during its case or under the Joint Plan remain in full force and effect for the benefit of  
24 Arizona Eco notwithstanding any provision in such contract or lease (including those described in  
25 Section 365(b)(2) and (f) of the Code) that prohibits such assignment or transfer or that enables,  
26 permits, or requires termination of such contract or lease;

27 (3) Except as otherwise provided in the Joint Plan or the  
28 Confirmation Order, the Confirmation Order acts as a release, effective as of the Effective Date,

1 of any and all debts of the Debtor secured by any assets of GDRH and/or the Estate, including the  
2 Note Holders' Parcels and the Arizona Eco Property, that arose at any time before the entry of the  
3 Confirmation Order, including, but not limited to, all principal and any and all interest accrued  
4 thereon, pursuant to Section 1141(d)(1) of the Bankruptcy Code. The release of all such Claims  
5 shall be effective as to each Claim as to the assets of GDRH and/or the Estate owned on or before  
6 the Effective Date, regardless of whether a proof of Claim thereof was filed, whether the Claim is  
7 an Allowed Claim, or whether the holder thereof votes to accept the Joint Plan; and

8 (4) The Confirmation Order, in accordance with  
9 Section 1123(b)(3)(B) of the Bankruptcy Code, shall specifically appoint Arizona Eco as a  
10 representative and agent of the Debtor to prosecute, compromise, or abandon the Estate Causes of  
11 Action transferred to Arizona Eco in accordance with the Joint Plan and shall specifically appoint  
12 NH Co. LLC as a representative and agent of the Debtor to prosecute, compromise, or abandon  
13 the Estate Causes of Action transferred to NH Co. LLC in accordance with the Joint Plan.

14 2. **Conditions To Effectiveness**

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

- 16 a. The Confirmation Date has occurred;
- 17 b. The Confirmation Order is a Final Order, except that the Joint Plan  
18 Proponents reserve the right to cause the Effective Date to occur notwithstanding the pendency of  
19 an appeal of the Confirmation Order, under circumstances that would moot such appeal;
- 20 c. No request for revocation of the Confirmation Order under  
21 Section 1144 of the Bankruptcy Code has been made, or, if made, remains pending;
- 22 d. The Bankruptcy Court in the Confirmation Order has approved the  
23 retention of jurisdiction provisions of the Joint Plan; and
- 24 e. All documents necessary to implement the transactions  
25 contemplated by the Joint Plan are made in a form and substance reasonably acceptable to the  
26 Joint Plan Proponents.

1                   3.     **Waiver Of Conditions**

2             The conditions to Confirmation and the Effective Date may be waived in whole or in part  
3 by the Joint Plan Proponents at any time without notice, an order of the Bankruptcy Court, or any  
4 further action other than proceeding to confirmation and consummation of the Joint Plan.

5             **F. Non-Allowance Of Penalties And Fines**

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

18             **G. Amendment And Withdrawal Of The Joint Plan**

19             At any time before the Confirmation Date, the Joint Plan Proponents, acting together, may  
20 alter, amend, or modify the Joint Plan in a manner permitted by 11 U.S.C. § 1127(a), provided  
21 that such alteration, amendment, or modification does not materially and adversely affect the  
22 treatment and rights of the holders of any impaired Class of Creditors under the Joint Plan. After  
23 the Confirmation Date and before substantial consummation of the Joint Plan as defined in  
24 Section 1101(2) of the Code, the Debtor may in the manner provided by 11 U.S.C. § 1127(b),  
25 institute proceedings in the Court to remedy any defect or omission or reconcile any  
26 inconsistencies in the Joint Plan, the Disclosure Statement, or the Confirmation Order, and such  
27 matters as may be necessary to carry out the purposes and effects of the Joint Plan so long as such  
28 proceedings do not materially and adversely affect the treatment of holders of Claims under the

1 Joint Plan; provided, however, that prior notice of such proceedings must be served in accordance  
2 with the Bankruptcy Rules or applicable order of the Court.

3 The Joint Plan Proponents, acting together, reserve the right to revoke or withdraw the  
4 Joint Plan at any time before the Confirmation Date. If the Joint Plan is withdrawn or revoked,  
5 then the Joint Plan is deemed null and void and nothing contained in the Joint Plan may be  
6 deemed a waiver of any Claims by or against the Debtor or any other Person in any further  
7 proceedings involving the Debtor or an admission of any sort, and the Joint Plan and any  
8 transaction contemplated by the Joint Plan may not be admitted into evidence in any proceeding.

9 **H. Filing Of Objections To Claims**

10 Notwithstanding the occurrence of the Effective Date, and except as to any Claim that has  
11 been finally Allowed before the Effective Date, either of the Joint Plan Proponents, or any other  
12 person properly entitled to do so after notice, may on or before the date that is 90 days after the  
13 Effective Date (i) object to the allowance of any Claim against the Debtor or seek estimation of  
14 any Claim on any grounds permitted by the Bankruptcy Code or (ii) pursue an objection to any  
15 Claim that has been made before the Effective Date by the Debtor.

16 **I. Settlement Of Objections After Effective Date**

17 From and after the Effective Date, either of the Joint Plan Proponents may litigate to Final  
18 Order, propose settlements of, or withdraw objections to, all pending or filed disputed Claims or  
19 any Estate Cause of Action assigned to it, and either of the Joint Plan Proponents may settle or  
20 compromise any disputed Claim or Estate Cause of Action assigned to it without notice and a  
21 hearing and without approval of the Bankruptcy Court.

22 **J. Distributions On Allowance Or Disallowance Of Disputed Claims**

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

1           **K.    Effectuating Documents; Further Transactions; Timing**

2           The Joint Plan Proponents and any member of the Liquidating Board are authorized to  
3 execute, deliver, file, or record such contracts, instruments, releases, and other agreements or  
4 documents, and to take such actions as may be necessary or appropriate to effectuate and further  
5 evidence the terms and conditions of the Joint Plan, and any securities issued in accordance with  
6 the Joint Plan. All transactions required to occur on the Effective Date under the terms of the  
7 Joint Plan will be deemed to have occurred simultaneously.

8           **L.    Exemption From Transfer Taxes**

9           In accordance with Section 1146 of the Code:

- 10                   (a) the issuance, distribution, transfer, or exchange of Estate  
11                           property;
- 12                   (b) the creation, modification, consolidation, or recording of any  
13                           mortgage, deed of trust or other security interest, the securing  
14                           of additional indebtedness by such means or by other means in  
15                           furtherance of, or connection with, the Joint Plan or the  
16                           Confirmation Order;
- 17                   (c) the making, assignment, modification, or recording of any  
18                           lease or sublease; or
- 19                   (d) the making, delivery, or recording of a deed or other  
20                           instrument of transfer under, in furtherance of, or in  
21                           connection with the Joint Plan,

22 the Confirmation Order, or any transaction contemplated above, or any transactions arising out of,  
23 contemplated by, or in any way related to the foregoing are not subject to any document recording  
24 tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act or real estate  
25 transfer tax, mortgage recording tax or other similar tax or governmental assessment, and the  
26 appropriate state or local government officials or agents are directed to forego the collection of  
27 any such tax or assessment and to accept for filing or recordation any of the foregoing instruments  
28 or other documents without the payment of any such tax or assessment.

25           **M.    Method Of Payment**

26           Payments of cash required to be made under the Joint Plan are to be made by check drawn  
27 on a domestic bank or by wire transfer from a domestic bank at the election of the person or entity  
28 making such payment. Whenever any payment or distribution to be made under the Joint Plan is

1 due on a day other than a business day, such payment or distribution may instead be made,  
2 without interest, on the immediately following business day.

3 **XI. ACCEPTANCE AND CONFIRMATION OF THE JOINT PLAN**

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

7 **A. Confirmation Hearing**

8 Pursuant to Bankruptcy Code Section 1128(a), the Bankruptcy Court will hold a hearing  
9 regarding confirmation of the Plan at the United States Bankruptcy Court, Courtroom 703, 230 N.  
10 First Ave., Phoenix, AZ 85003, commencing on \_\_\_\_\_, 2013, at \_\_:\_\_\_ .m., M.S.T. (Arizona  
11 Time).

12 **B. Objections To Confirmation Of The Joint Plan**

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

18 Snell & Wilmer L.L.P.  
19 Attn: Donald L. Gaffney  
One Arizona Center  
20 400 E. Van Buren  
Phoenix, AZ 85004-2202  
21 E-mail: [dgaffney@swlaw.com](mailto:dgaffney@swlaw.com)

22 Tiffany & Bosco, P.A.  
23 Attn: Christopher R. Kaup  
Third Floor, Camelback Esplanade II  
24 2525 East Camelback Road  
Phoenix, AZ 85016-4237  
E-mail: [crk@tblaw.com](mailto:crk@tblaw.com)

25 **C. Requirements For Confirmation Of The Joint Plan**

26 For the Joint Plan to be confirmed, the Joint Plan must satisfy the requirements stated in  
27 11 U.S.C. § 1129. In this regard, the Joint Plan must satisfy, among other things, the following  
28 requirements:

1                   1.       **Best Interests Of Creditors Test**

2                   Pursuant to Section 1129(a)(7) of the Code, for the Joint Plan to be confirmed, it must  
3 provide that Creditors will receive at least as much under the Joint Plan as they would receive in a  
4 liquidation of the Debtor under Chapter 7 of the Bankruptcy Code. The Joint Plan Proponents  
5 believe that the distributions to Creditors under the Joint Plan will exceed the recoveries which  
6 Creditors would receive in a Chapter 7 liquidation of the Debtor and its Estate.

7                   Notwithstanding the Joint Plan Proponents' belief that the Joint Plan provides an equal or  
8 better return to Creditors than they can otherwise receive under Chapter 7, there can be no  
9 assurances that the Bankruptcy Court will conclude that the "best interests of creditors" test has  
10 been met. The test will be the subject of evidence presented in conjunction with the hearing on  
11 Confirmation of the Joint Plan.

12                   2.       **Feasibility**

13                   Section 1129(a)(11) of the Code includes what is commonly described as the "feasibility"  
14 standard. When the feasibility standard applies, it requires that confirmation of a plan will not be  
15 followed by liquidation or the need for further financial reorganization unless the plan provides  
16 for that alternative. The Joint Plan Proponents believe that the Joint Plan satisfies the feasibility  
17 requirements in that it is a liquidating plan.

18                   3.       **Accepting Impaired Class**

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

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

25                   Even if an impaired Class of Claims does not accept the Joint Plan, the Bankruptcy Court  
26 nevertheless may confirm the Joint Plan at the Joint Plan Proponents' request. Section 1129(b) of  
27 the Code provides that if all other requirements of Section 1129(a) are satisfied and if the  
28 Bankruptcy Court finds that: (i) the Joint Plan does not discriminate unfairly; and (ii) the Joint

1 Plan is fair and equitable with respect to the rejecting Class(es) of Claims impaired under the  
2 Joint Plan, the Bankruptcy Court may confirm the Joint Plan despite the rejection of the Joint Plan  
3 by a dissenting impaired Class.

4 1. **No Unfair Discrimination**

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

14 2. **Fair And Equitable**

15 The Bankruptcy Code establishes different “fair and equitable” tests for creditors as  
16 follows:

17 a. **Secured Creditors**

18 Either: (i) each impaired Secured Creditor retains its lien and receives deferred cash  
19 payments having a present value equal to the amount of its Allowed secured Claim; (ii) each  
20 impaired secured Creditor realizes the “indubitable equivalent” of its Allowed secured Claim; or  
21 (iii) the property securing the Claim is sold free and clear of liens (subject to Bankruptcy Code  
22 § 363(k) credit bidding rights) with such liens attaching to the sale proceeds, and those liens are  
23 treated in accordance with clause (i) or (ii) of this subsection.

24 b. **Unsecured Creditors**

25 Either: (i) each impaired Unsecured Creditor receives or gains under the Joint Plan  
26 property of a value equal to the amount of its Allowed Claim as of the Effective Date; or (ii) the  
27 holders of Claims which are junior to the Claims of the non-accepting Class do not receive any  
28 property under the Joint Plan on account of such Claims, except as may be permitted by the new

1 value corollary to the absolute priority rule. To satisfy the new value corollary to the absolute  
2 priority rule, Equity Holders must contribute new capital to the debtor that is: (1) an infusion of new  
3 value that does not already constitute property of the estate or arise from a prior ownership  
4 interest, (2) necessary to the success of the reorganization, (3) substantial in comparison to the  
5 amount of unsecured claims in the case, (4) reasonably equivalent to the value retained by Equity  
6 Holders and the resulting benefit conferred upon creditors, and (5) in the form of money or  
7 money's worth. The Joint Plan Proponents believe that the Joint Plan satisfies the "fair and  
8 equitable" test with respect to all impaired classes.

9 The Joint Plan Proponents have requested, if necessary, confirmation of the Joint Plan  
10 pursuant to 11 U.S.C. § 1129(b) with respect to any impaired Class of Claims which does not  
11 vote to accept the Joint Plan. The Joint Plan Proponents believe that the Joint Plan satisfies all of  
12 the statutory requirements for confirmation as discussed above; that the Joint Plan Proponents  
13 have complied or will have complied with all the statutory requirements for confirmation of the  
14 Joint Plan; and that the Joint Plan is proposed in good faith. At the hearing on confirmation of the  
15 Joint Plan, the Bankruptcy Court will determine whether the Joint Plan satisfies the statutory  
16 requirements for confirmation of the Joint Plan.

## 17 **XII. RISK FACTORS**

18 As with any restructuring, the restructuring of the Debtor involves a degree of risk. The  
19 actual results of the Joint Plan could differ significantly from those anticipated as a result of a  
20 variety of factors, including those set forth in the following risk factors and elsewhere in this  
21 Disclosure Statement. **HOLDERS OF CLAIMS SHOULD CONSIDER CAREFULLY THE  
22 FOLLOWING FACTORS, IN ADDITION TO THE OTHER INFORMATION  
23 CONTAINED IN THIS DISCLOSURE STATEMENT, BEFORE SUBMITTING A VOTE  
24 TO ACCEPT OR REJECT THE JOINT PLAN.**

### 25 **A. Liquidation Factors**

26 As with any plan or other financial transaction, there are certain risk factors that must be  
27 considered. All risk factors cannot be anticipated, some events will develop in ways that were not  
28 foreseen, and many or all of the assumptions that have been used in connection with this

1 Disclosure Statement and the Joint Plan may not prove correct in the future. While efforts have  
2 been made to be reasonable in selecting assumptions, there can be no assurance that subsequent  
3 events will match those assumptions. Holders of Claims should be aware of some of the principal  
4 risks associated with the reorganization which include:

5 There is a risk that one or more of the required conditions or obligations under the Joint  
6 Plan will not occur, or not be satisfied and not waived, which will result in the Joint Plan not  
7 being confirmed. Also, the value of the Note Holders' Parcels, when sold, may be less than  
8 anticipated and the aggregate amount of proceeds from those sales may be less than the amount to  
9 be paid to any Note Holder under Option B provided in the treatment described in Class 6 of the  
10 Joint Plan.

11 **B. Certain Bankruptcy-Related Considerations**

12 1. **Risk Of Non-Confirmation Of The Joint Plan**

13 Although the Joint Plan Proponents believe that the Joint Plan will satisfy all requirements  
14 necessary for confirmation by the Bankruptcy Court, there can be no assurance that the  
15 Bankruptcy Court will reach the same conclusion. Amendments or modifications to the Joint  
16 Plan may also be required by the Bankruptcy Court for confirmation, and these amendments or  
17 modifications could adversely affect the holders of Claims' rights to receive money and other  
18 property under the Joint Plan. Any amendment may also necessitate the re-solicitation of votes.

19 2. **Nonconsensual Confirmation**

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

- 23
- 24 • at least one impaired Class accepts the Joint Plan (without including the  
25 acceptance of any "insider" in such Class); and
  - 26 • with respect to each impaired Class that has not accepted the Joint Plan, the  
27 Bankruptcy Court determines that the Joint Plan does not discriminate unfairly and  
28 is fair and equitable with respect to rejecting impaired Classes.

1 If any Class fails to accept the Joint Plan in accordance with § 1129(a)(8) of the  
2 Bankruptcy Code, the Joint Plan Proponents reserve the right to request confirmation of the Joint  
3 Plan in accordance with the circumstances described above and § 1129(b) of the Bankruptcy  
4 Code.

5 **XIII. TAX CONSEQUENCES OF THE JOINT PLAN**

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

12 The Debtor Disclosure Statement, on pages 53-54, states as follows:

13 Since formation, Debtor has been a “flow through” entity  
14 for income tax purposes. Accordingly, Debtor's income, expenses  
15 and tax attributes has, in general been “passed through” to equity  
16 holders, and Debtor has not been obligated directly as a federal  
income tax taxpayer. On the Effective Date of the Plan, the  
Reorganized Debtor will continue to be a flow through entity.

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

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

25 Under the Joint Plan, all assets of the Debtor’s Estate are either to be sold, foreclosed  
26 upon, or otherwise transferred out of the Estate. The Debtor entity, however, is not receiving a  
27 discharge of any indebtedness under the liquidating Joint Plan, although its assets will be  
28 disposed of free and clear of all claims and liens. The largest secured debt of the Estate is held by

1 Arizona Eco, which was \$127,337,491.91 as of the Petition Date. By its terms, the Arizona Eco  
2 debt is a non-recourse debt as to the Debtor, while being secured by the general assets of the  
3 Estate. This debt was created through a carry-back obligation to the Original Owners, in which  
4 no cash was advanced to the borrower, GDRH. As a consequence, no discharge of debt income is  
5 contemplated. Under the Joint Plan, Arizona Eco agrees not to elect to assert a deficiency claim  
6 under Bankruptcy Code § 1111(b).

7 Of the remaining debt of the Debtor, the majority is held by the Note Holders  
8 (approximately \$20 million as of the Petition Date). The Joint Plan provides for the Note Holders  
9 to receive *pro rata* positions in the newly-formed NH Co. LLC, along with the Estate's non-  
10 insider preference actions and 20% of the net recoveries of actions against the Cavan Group.  
11 While Note Holders may elect not to participate in this recovery process and in lieu receive a 10%  
12 principal cash payment, these underlying Notes are not retired, but rather are transferred to a  
13 purchaser who does participate in the Option A recovery process. In summary, on the date of this  
14 Disclosure Statement, it cannot be ascertained how much, if any, Note debt may remain unpaid at  
15 the conclusion of the Joint Plan's implementation.

16 The other debt Claims against the Estate consist of almost entirely of approximately \$10.3  
17 million of Cavan Group insider Claims that were scheduled by David Cavan. These Claims are  
18 anticipated to be the subject of litigation, and it cannot be ascertained at this time how much, if  
19 any, of these Claims will be finally Allowed by the Court. A final segment of Unsecured Claims  
20 consists of approximately \$71,000.00 of miscellaneous unsecured debt, most of which is  
21 scheduled as owing to attorneys and accountants who appear to have been employed by GDRH.  
22 As with the Cavan Group Claims, the Joint Plan proposes to pay 10% of this debt Class, resulting  
23 in a potential that some portion of this debt class minority could remain outstanding under the  
24 Joint Plan, although not formally discharged as Claims against the GDRH entity.

25 ACCORDINGLY, ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR  
26 OWN INDIVIDUAL TAX ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL,  
27 STATE, AND LOCAL TAX CONSEQUENCES OF THE JOINT PLAN WITH RESPECT TO  
28 THEIR CLAIM(S). NEITHER THE JOINT PLAN PROPONENTS NOR THE JOINT PLAN

1 PROPONENTS' COUNSEL OR OTHER FINANCIAL ADVISORS MAKE ANY  
2 REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF  
3 CONFIRMATION AND CONSUMMATION OF THE JOINT PLAN AS TO ANY CREDITOR,  
4 NOR ARE THE JOINT PLAN PROPONENTS OR THE JOINT PLAN PROPONENTS'  
5 COUNSEL RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX  
6 CONSEQUENCES.

7 **XIV. ALTERNATIVES TO THE JOINT PLAN AND CONSEQUENCES OF REJECTION**

8 If the Joint Plan is not confirmed or consummated, the alternatives include: (i) liquidation  
9 of Debtor under Chapter 7 of the Bankruptcy Code; or (ii) confirmation of an alternative Chapter  
10 11 plan.

11 **A. Liquidation Under Chapter 7**

12 In evaluating the Joint Plan, the Joint Plan Proponents have considered the alternative of a  
13 liquidation of the Debtor's assets under Chapter 7 of the Bankruptcy Code. The Joint Plan  
14 Proponents believe that the Joint Plan will significantly enhance the prospects for recovery, which  
15 may be achieved under the Joint Plan as opposed to Chapter 7 liquidation.

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

22 It is difficult to compare with any certainty what Creditors might receive under Chapter 7  
23 liquidation versus what Creditors will receive under the Joint Plan. The Joint Plan Proponents  
24 believe, however, that the Joint Plan will result in a timelier and greater ultimate recovery to  
25 Creditors than would be the case under Chapter 7.

26 As set forth below in Section XV, the Joint Plan Proponents believe the estimated  
27 liquidated value of the Debtor is not more than \$40 million. The foregoing does not include the  
28 additional administrative expenses associated with a Chapter 7 liquidation, which would further

1 reduce the potential distributions to holders of Allowed Claims. Because the Debtor's secured  
2 debt exceeds the value of its assets, no funds would be available for unsecured creditors assuming  
3 the Debtor's causes of action against Arizona Eco are unsuccessful. The Note Holders  
4 Committee believes that the marginal benefit to the Note Holders from the Debtor proceeding  
5 with its pending litigation (the Subordination Suit and the Constructive Trust Suit, described  
6 above in Section VI(D)) is outweighed by the likely marginal cost and the probable marginal risk.  
7 In light of the foregoing, the Joint Plan Proponents believe that the Joint Plan provides a recovery,  
8 at least equal to, if not better than, a Chapter 7 Liquidation for the holders of Claims.

9 **B. Alternative Plans**

10 If the Joint Plan is not confirmed, the Court could confirm the previously filed plans of the  
11 Debtor or Tri-City. Funding of the Debtor Plan depends entirely on the success of its litigation  
12 (the Subordination Suit and the Constructive Trust Suit, described above in Section VI(D))  
13 against Arizona Eco. The Plan Proponents understand that the Debtor does not have the funds to  
14 proceed with that litigation. In fact, the Note Holders were asked by the Debtor to participate in  
15 financing that litigation through a new loan in the amount of \$1,350,000.00. As a result, the Note  
16 Holders would be required to loan a substantial amount of additional money to the Debtor in  
17 order to allow it to proceed with the Subordination Suit and the Constructive Trust Suit. If and  
18 only if the Debtor is successful in those actions will it be able to provide any distributions to the  
19 Note Holders. The Note Holders Committee believes that the net value that would be returned to  
20 the Note Holders, even if the Debtor were to be successful in all aspects of that litigation, would  
21 be approximately \$5 million, paid over a five to eight year period.

22 The Tri-City Plan, on the other hand, does not require litigation; however, it has not  
23 received support from any Creditor other than Arizona Eco. The Note Holders Committee  
24 believes that the Tri-City Plan would provide far less to the Note Holders and that return would  
25 be far more speculative than the return the Note Holders will receive under the Joint Plan.  
26 Moreover, the Note Holders Committee believes that the Tri-City Plan cannot be confirmed  
27 without the active support of the Note Holders. Additionally, as set forth above in Section VI(F),  
28 Tri-City has agreed to not pursue confirmation of its plan while the Joint Plan Proponents seek to

1 confirm the Joint Plan. With this in mind, the Joint Plan Proponents believe that it is highly  
2 unlikely that any alternative plan could be developed or confirmed that would provide greater  
3 value or certainty of closure than the Joint Plan.

4 **XV. LIQUIDATION ANALYSIS**

5 For the Bankruptcy Court to confirm the Joint Plan, Section 1129(a)(7) of the Code  
6 requires Creditors receive under the Joint Plan as much or more than such Creditors would  
7 receive if the Debtor were liquidated under Chapter 7. This is the so-called best interests of  
8 creditors test. The Joint Plan Proponents believe that the members of each Impaired Class will  
9 receive more under the Joint Plan than they would in Chapter 7 liquidation.

10 Exhibit 7 of the Debtor Disclosure Statement provided the Debtor's liquidation analysis  
11 under Section 1129(a)(7):

12 **LIQUIDATION ANALYSIS**

13 **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

16 **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	

	<b>Total Claims</b>	<b>%</b>	<b>Amount</b>
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		9,495,000

26 The Joint Plan Proponents, as parties who have not owned or controlled the Property, lack  
27 the Debtor's management's internal information regarding the Debtor's Estate; however, the  
28 following is additional information of record regarding liquidation:

- 1 • The Cavan Group obtained a restricted format appraisal from NAI Horizon  
2 Valuation Services Group that indicated a value of the Real Property in the amount  
3 of \$27,450,000.00 as of August 19, 2011.
- 4 • Mr. G. Denny Matthew, effectively the second officer in seniority within the  
5 Cavan Group, testified in this case on August 23, 2012, that the Real Property as a  
6 whole was worth \$40 million.
- 7 • The Debtor's above Liquidation Analysis assumes that a Chapter 7 trustee would  
8 be ultimately unsuccessful in pursuing the suits against Arizona Eco, Mr. Gisi, Mr.  
9 Fann, and Mr. Swanson. While these suits as currently pled seek all value of  
10 Arizona Eco's note over its \$31.5 million purchase price, the Liquidation Analysis  
11 assumes that the Chapter 7 trustee would instead obtain a \$15 million settlement  
12 after expending an additional \$3 million in "Litigation Fees and Expenses." The  
13 logic behind these assumptions is not detailed in the Debtor Disclosure Statement;  
14 however, some of the obstacles to the Debtor's litigation against Arizona Eco, *et*  
15 *al.*, are discussed in Section VI(D), *supra*.

16 Therefore, as of the date of this Disclosure Statement, the Joint Plan Proponents estimate  
17 the liquidation value of the assets of the Debtor's Estate is approximately \$40 million. Of course,  
18 that assumes the assets of the Estate could be sold for \$40 million.

19 **A. Note Holders Committee's Liquidation Analysis**<sup>20</sup>

20 **The Note Holders Committee has carefully analyzed the legal and factual issues in**  
21 **this case and negotiated actively and aggressively with the Debtor and Arizona Eco, and**  
22 **believes that the Note Holders will receive a far greater return under the Joint Plan than if**  
23 **the assets of the Estate were liquidated by a trustee under Chapter 7 of the Code.** The  
24 following constitutes the Note Holders' Liquidation Analysis of the property of the Estate  
25 premised on the assumption that the Debtor's property could, in fact, be liquidated by a Chapter 7  
26 trustee under two alternatives: (1) the Debtor is not successful in its litigation with Arizona Eco;

27 \_\_\_\_\_  
28 <sup>20</sup> Section XVI(A) consists of the opinions and analysis of the Note Holders Committee, and does not represent the views or opinions of any other party, including Arizona Eco.

1 and (2) the Debtor raises the funds necessary to pursue litigation against Arizona Eco and is  
 2 successful in all respects in that litigation:

<u><b>If Debtor is Not Successful in Litigation</b></u>		<u><b>If Debtor Is Successful in Litigation</b></u>	
<u>Revenue</u>		<u>Revenue</u>	
Trustee Sale by Arizona Eco	\$40,000,000.00	Sale of Assets	\$40,000,000.00
<u>Expenses</u>		<u>Expenses</u>	
Amt to Arizona Eco	\$40,000,000.00	Amt to Arizona Eco	\$30,500,000.00
Chapter 7 Trustee fees	\$0.00	Chapter 7 Trustee fees	
Litigation fees and expenses	\$ 3,000,000.00	Litigation fees and expenses	\$3,000,000.00
Chapter 11 Professional Fees	\$ 1,000,000.00	Chapter 11 Professional Fees	\$1,000,000.00
Other Ch 11 Admin Expenses	\$ 350,000.00	Other Ch 11 Admin Expenses	\$ 350,000.00
Priority Exp's & Property Taxes	\$ <u>100,000.00</u>	Priority Exp's & Property Taxes	\$ <u>100,000.00</u>
Net Available for <u>Unsecured Claims</u>	\$ <u>-4,450,000.00</u>	Gross Cash in Ch 7 Estate	\$ 5,050,000.00
		Ch 7 Trustee's Fees (3%)	\$ 151,500.00
		Net Available for <u>Unsecured Claims</u>	\$ <u>4,898,500.00</u>
		<u>Claims to be Paid from Estate</u>	
		Note Holders	\$20,000,000.00
		Unsecured Claims	\$ 65,000.00
		Insider Claims	\$14,000,000.00
Aggregate Amt of Unsecured Claims	\$34,065,000.00	Aggregate Amt of Unsecured Claims	\$34,065,000.00
% Distribution to Unsecured Creditors	0%	% Distribution to Unsecured Creditors	14.38%

21 The Note Holders Committee has doubts the Debtor will be successful in raising a  
 22 substantial amount of money to pay its legal fees for the litigation with Arizona Eco from its  
 23 Equity Holders. That means the only way the Debtor could pay its lawyers to continue with the  
 24 litigation with Arizona Eco is to obtain financing from the Note Holders. If that becomes true,  
 25 each Note Holder may be faced with loaning an additional \$1,500,000.00 to \$3,500,000.00 to the  
 26 Debtor to cover legal fees with no guarantee of any results. Moreover, the return to the Note  
 27 Holders from making those additional loans will be totally dependent on the value of the Debtor's  
 28

1 real estate over a term of years. **Based on this analysis, the Note Holders Committee strongly**  
2 **advises each of the Note Holders to vote to accept the Joint Plan.**

3 The Joint Plan Proponents reserve all rights to introduce additional evidence at a  
4 confirmation hearing on the Joint Plan as to the liquidation value of the assets of the Debtor's  
5 Estate.

6 **XVI. RECOMMENDATION AND CONCLUSION**

7 The Joint Plan Proponents sincerely believe that the Joint Plan is the best possible means  
8 of satisfying the Claims of Creditors. Therefore, the Joint Plan Proponents recommend  
9 confirmation of the Joint Plan and urge all holders of Impaired Claims to vote to accept the Joint  
10 Plan, and to indicate that acceptance by returning their Ballots so that they are received by no  
11 later than the Voting Deadline.

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DATED this 6th day of December, 2012.

**ARIZONA ECO DEVELOPMENT LLC,**  
an Arizona limited liability company,

**AD HOC COMMITTEE OF  
NOTE HOLDERS**

By: JASON GISI  
Its: President

By: \_\_\_\_\_  
Its: Chair

**SNELL & WILMER L.L.P.**

**TIFFANY & BOSCO, P.A.**

By: /s/ Donald L. Gaffney  
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*Attorneys for the Ad Hoc  
Committee of Note Holders*

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DATED this 6th day of December, 2012.

**ARIZONA ECO DEVELOPMENT LLC,**  
an Arizona limited liability company,

**AD HOC COMMITTEE OF  
NOTE HOLDERS**

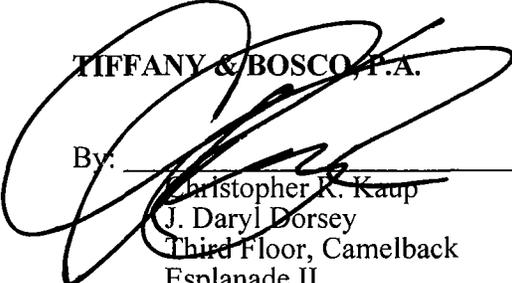
By: JASON GISI  
Its: President

By: \_\_\_\_\_  
Its: Chair

**SNELL & WILMER L.L.P.**

**TIFFANY & BOSCO, P.A.**

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