

1 C. Taylor Ashworth (#010143)
Alan A. Meda (#009213)
2 Christopher C. Simpson (#018626)
3 **STINSON MORRISON HECKER LLP**
1850 N. Central Avenue, Suite 2100
4 Phoenix, Arizona 85004-4584
Tel: (602) 279-1600
5 Fax: (602) 240-6925
ameda@stinson.com
6 Counsel for Debtor

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

10 In re:
11 **GRANITE DELLS RANCH HOLDINGS,**
12 **LLC,**
13 Debtor.

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

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18 **DEBTOR'S PLAN OF REORGANIZATION**
19 **DATED JUNE 11, 2012**
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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:

**GRANITE DELLS RANCH HOLDINGS,
LLC,**

Debtor

Chapter 11

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

**DEBTOR'S PLAN OF REORGANIZATION
DATED JUNE 11, 2012**

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

I. INTRODUCTION.

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

A. PLAN SUMMARY.

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

The Plan provides that existing Equity Holders and the holders of certain investment promissory notes will be given the option of participating in the funding of the Reorganized Debtor. The Plan also contemplates that the Reorganized Debtor will borrow additional funds or accept additional equity investments from third parties on terms specified herein or in agreements reached with such third parties prior to the

1 Confirmation Date. In the aggregate, the Plan provides for additional funding of \$20
2 million in total, with \$7 million to be provided before the Effective Date of the Plan and
3 with the balance to be provided in annual installments payable on the first three
4 anniversaries of the Effective Date.

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

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

22 The Plan further provides that the Interests of Equity Holders will be cancelled
23 except to the extent that an Equity Holder elects to participate in the funding of the
24 Reorganized Debtor on the terms described herein. The Plan also provides holders of
25 Investor Claims an opportunity to participate in the funding of the Reorganized Debtor
26 and to convert their Claims to equity.

1 **1. Priority Claims.**

2 **a) Administrative Claims.**

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

9 **b) Priority Tax Claims.**

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

14 **c) Wage Priority Claims.**

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

21 **2. Secured Claims.**

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

24 **a) Lessor Secured Claim.**

25 Claims that arise from leases of equipment or other personal property, if the
26 underlying agreement is, or becomes, re-characterized as a financing transaction, are
27 classified in Class 2.01 to the extent such Claim is an Allowed Secured Claim. The

1 Plan provides that the holder of such a Claim shall be entitled to receive equal
2 monthly installments, over the period of the underlying agreement and any optional
3 extensions thereof, and that each such monthly installment shall be in the amount
4 that, if so paid over such term, would result in the payment of the total amount of the
5 Allowed Secured Claim plus interest at the Secured Claim Rate.

6 **b) *Deposit Secured Claim.***

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

11 **c) *Secured Property Tax Claim.***

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

17 **d) *AED Secured Claim.***

18 The Plan provides for the classification of the Allowed AED Secured Claim in
19 Class 2.04. The Plan provides for the payment in full of the Allowed Amount of such
20 Claim in installments. The installments shall include Minimum Quarterly Payments
21 over eight (8) years and Partial Release Amounts as parcels of the Property are sold.
22 If the holder of the AED Secured Claim elects treatment under § 1111(b) of the
23 Bankruptcy Code, provided such treatment is applicable, the Minimum Quarterly
24 Payments shall be adjusted accordingly and paid over twenty-five (25) years.

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

26 The Plan provides for the classification of the Secured Claim of Sonoran Pacific
27 Resources, LLP ("Sonoran Pacific") in Class 2.05. Sonoran Pacific's Claim is secured

1 by a lien on certain personal property of the Debtor. Debtor believes that the value of
2 Sonoran Pacific's collateral significantly exceeds the amount of its Claim. The Plan
3 provides for the payment in full of the Allowed Amount of such Claim in equal quarterly
4 installments commencing as of the Payment Commencement Date and continuing
5 each quarter until the third (3rd) anniversary of the Effective Date.

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

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

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

10 Inter-Company Claims consist of Claims arising from ordinary course inter-
11 company transactions between Debtor and an Affiliate and are classified in Class
12 3.01. These Claims will be paid in full with interest, but only after, and to the extent,
13 all other Unsecured Claims have been paid the amounts provided for herein.

14 **b) *Investor Claims.***

15 Investor Claims consist of Claims arising from promissory notes issued by
16 Debtor to Persons who invested in Debtor's business and are classified in Class 3.02.
17 Holders of these Claims who elect to do so shall become "Participating Investors" and
18 shall be entitled to receive an Equity Interest in the Reorganized Debtor based upon
19 their funding of the Reorganized Debtor and the amount of their Allowed Investor
20 Claim. Holders of an Investor Claims that do not elect to be Participating Investors
21 shall receive a portion of the Unsecured Creditor Fund prorated among such
22 nonparticipating Investor Claims, the AED Unsecured Claim and General Claims,
23 payable quarterly over eight (8) years.

24 **c) *AED Unsecured Claim.***

25 The AED Unsecured Claim consist of that portion of the Allowed Claim of AED
26 not Allowed as a Secured Claim pursuant to § 506(a) of the Bankruptcy Code or
27 otherwise and is classified in Class 3.03. Except as otherwise determined by the

1 Bankruptcy Court, the holder of the AED Unsecured Claim shall be entitled to a
2 portion of the Unsecured Creditor Fund prorated among Investor Claims, the AED
3 Unsecured Claim and General Claims, payable quarterly over eight (8) years.

4 **d) General Claims.**

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

9 **e) Equity Interests.**

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

13 Each member of Debtor, referred to in the Plan as a Direct Equity Holder, shall
14 be entitled to retain an Interest in the Reorganized Debtor if, and to the extent, such
15 member elects to be a Participating Investor and provides a portion of the funding of
16 the Reorganized Debtor. To the extent that a Direct Equity Holder does not elect to
17 be a Participating Investor, each holder of an equity interest in such member, referred
18 to in the Plan as an Indirect Equity Holder, shall be entitled to receive an Interest in
19 Reorganized Debtor if, and to the extent, such holder elects to be a Participating
20 Investor and participates in the funding of the Reorganized Debtor.

21 The Interest of a holder of conversion rights into equity in Debtor or equity
22 Interests in a member of Debtor shall be entitled to exercise such conversion rights
23 only if such holder elects to be a Participating Investor and participates in the funding
24 of the Reorganized Debtor.
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4. Manner of Making Elections.

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

5. Claim Allowance and Distribution Process.

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

II. DEFINED TERMS IN THE PLAN.

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

A. DEFINED TERMS.

The following terms used in the Plan shall have the indicated meanings, except as otherwise provided herein.

1. §1111(b) Secured Claim Balance.

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

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2. Administrative Claim.

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

3. AED.

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

4. AED Claim.

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

5. AED Secured Claim.

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

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6. AED Unsecured Claim.

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

7. Affiliate.

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

8. Allowed.

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

9. Allowed Amount.

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

10. Assumed Lease or Assumed Contract.

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

11. Avoidance Action.

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

12. Bankruptcy Code.

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

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13. Bankruptcy Court.

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

14. Bankruptcy Estate.

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

15. Bankruptcy Rules.

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

16. Case 1 Minimum Quarterly Payment.

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

17. Case 2 Minimum Quarterly Payment.

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

18. Case 3 Minimum Quarterly Payment.

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

1 Minimum Quarterly Payment is applicable only if the §1111(b) election is applicable to
2 the treatment of the AED Secured Claim.

3 **19. Chapter 11 Case.**

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

6 **20. Claim.**

7 "Claim" has the meaning set forth in § 101(5) of the Bankruptcy Code.

8 **21. Class.**

9 "Class" means a category of classified Claims or Interests, as designated in
10 section IV of the Plan.

11 **22. CMC.**

12 "CMC" refers to Cavan Management Company, LLC, an affiliate of Debtor.

13 **23. CMS.**

14 "CMS" refers to Cavan Management Services, LLC, the manager and a
15 member of Debtor.

16 **24. Confirmation.**

17 "Confirmation" means the entry of the Confirmation Order.

18 **25. Confirmation Date.**

19 "Confirmation Date" means the date on which the Clerk of the Bankruptcy
20 Court enters the Confirmation Order on the docket.

21 **26. Confirmation Hearing.**

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

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27. Confirmation Order.

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

28. Conversion Right Holder.

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

29. Creditor Value.

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

30. Creditor Value Payment Date.

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

31. Creditors' Committee.

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

32. Cumulative Minimum Payment Amount.

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

33. Cumulative Partial Release Amount.

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

34. Cure Payment.

"Cure Payment" means a payment required under § 365 of the Bankruptcy Code to cure defaults under an Assumed Lease or Contract. Claims for Cure

1 Payments are considered Administrative Claims, and are treated in accordance with
2 the provisions of section III(A)(2) hereof.

3 **35. Debtor.**

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

6 **36. Deposit Secured Claim.**

7 **"Deposit Secured Claim"** refers to a Claim that is secured by a deposit
8 provided for or on behalf of Debtor and currently held by, or for the benefit of, the
9 holder of such Claim to the extent such claim is an Allowed Secured Claim under
10 § 506 of the Bankruptcy Code. Deposit Secured Claims are classified in the Plan in
11 Class 2.02.

12 **37. Direct Equity Holder.**

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

15 **38. Disbursing Agent.**

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

18 **39. Disclosure Statement.**

19 **"Disclosure Statement"** refers to the written disclosure statement concerning
20 the Plan approved by the Bankruptcy Court pursuant to § 1125(b) of the Bankruptcy
21 Code, including any amendments and supplements authorized by the Bankruptcy
22 Code or the Bankruptcy Court.

23 **40. Effective Date.**

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

1 **41. Eligible Holder.**

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

3 **42. Equity Holder.**

4 **"Equity Holder"** refers to a Direct Equity Holder, an Indirect Equity Holder, or a
5 Conversion Right Holder. Such Equity Holders are provided for in Classes 4.01, 4.02
6 and 4.03, respectively

7 **43. Equity Interest.**

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

11 **44. Final Order.**

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

20 **45. GDEG.**

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

23 **46. GDI.**

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

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

48. General Claim.

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

49. General Claim Rate.

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

50. Indirect Equity Holder.

"Indirect Equity Holder" means the holder of an equity interest in a Direct Equity Holder.

51. Insider.

"Insider" has the meaning set forth in section 101(31) of the Bankruptcy Code.

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52. Inter-Company Claim.

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

53. Interest.

"Interest" means a right, privilege or option that is included in Class 4.01, 4.02 or 4.03.

54. Investor Claim.

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

55. Lessor Secured Claim.

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

56. Minimum Payment Amount.

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

1 **57. Original Property Owners.**

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

5 **58. Partial Release Amount.**

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

11 **59. Payment Commencement Date.**

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

19 **60. Person.**

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

22 **61. Petition Date.**

23 **"Petition Date"** means March 12, 2012, the date upon which the petition
24 commencing the Chapter 11 Case was filed.
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1 **62. Plan.**

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

5 **63. Post-Confirmation Fees.**

6 **"Post-Confirmation Fees"** refers to the quarterly fees provided for in 28 U.S.C.
7 § 1930(a)(6), as applicable after the Confirmation Date.

8 **64. Priority Claim.**

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

14 **65. Pro Rata.**

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

18 **66. Professional.**

19 **"Professional"** refers to a professional Person employed by a Debtor or the
20 Committee pursuant to § 328 of the Bankruptcy Code, with any court approval
21 required by such section.

22 **67. Professional Fee Claim.**

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

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

69. Reorganized Debtor.

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

70. Secured Claim.

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

71. Secured Claim Rate.

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

72. Secured Tax Claim.

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

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73. Tax Claim.

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

74. Tax Claim Rate.

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

75. Tri City.

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

76. Unclassified Claim.

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

77. Unsecured Claim.

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

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78. Unsecured Creditor Fund.

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

79. Unsecured Creditor Fund Amount.

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

80. US Trustee.

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

81. US Trustee Fees.

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

82. Wage Priority Claim.

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

B. TERMS USED IN BANKRUPTCY CODE.

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

III. UNCLASSIFIED CLAIMS.

Section 1123(a)(1) of the Bankruptcy Code identifies certain Claims that are not subject to separate classification and, as a result, are not claims entitled to vote on Chapter 11 plans. Instead, permissible treatment of Unclassified Claims is specified

1 in §1129(a) of the Bankruptcy Code. This section III identifies Unclassified Claims
2 and provides their treatment under the Plan.

3 **A. ADMINISTRATIVE CLAIMS.**

4 **1. General Provisions.**

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

10 **2. Cure Payments.**

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

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

19 **3. Professional Fees.**

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

23 **4. Operating Expenses.**

24 Debtor shall pay ordinary course expenses of operating during these
25 proceedings, including trade payables, on the Effective Date or when due in
26 accordance with their terms.

1 **5. U.S. Trustees' Fees.**

2 Debtor shall pay U.S. Trustee's Fees when due.

3 **B. TAX CLAIMS.**

4 Debtor shall pay the holder of an Allowed Tax Claim, on account of such Claim,
5 the full amount of such Claim in equal quarterly payments over a period commencing
6 on the Payment Commencement Date and ending on the fifth (5th) anniversary of the
7 Petition Date. The aggregate of all payments shall equal the Allowed Amount of such
8 Claim plus interest at the Tax Rate.

9 **IV. CLASSIFIED CLAIMS.**

10 Claims against, and Interests in, Debtor, of whatever nature, whether or not
11 scheduled, liquidated or unliquidated, absolute or contingent, direct or indirect,
12 including all Claims arising from the rejection of executory contracts, and all Claims or
13 Interests arising from the ownership of equity securities in Debtor, shall be bound by
14 the provisions of this Plan. All Claims, other than Unclassified Claims treated under
15 section III hereof, are classified as provided in this section IV.

16 **A. CLASSIFIED PRIORITY CLAIMS.**

17 The Plan provides for the following classified Claims to the extent such Claims
18 are entitled to priority treatment under § 507(a) of the Bankruptcy Code:

19 **1. Class 1.01. Wage Claims.**

20 Class 1.01 shall consist of Wage Claims.

21 **B. SECURED CLAIMS.**

22 The Plan provides for the following Claims to the extent such Claims are
23 Allowed Secured Claims:

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

25 Class 2.01 shall consist of Allowed Lessor Secured Claims.

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

Class 2.02 shall consist of Allowed Deposit Secured Claims.

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

2 Class 2.03 shall consist of Allowed Secured Tax Claims.

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

4 Class 2.04 shall consist of the AED Secured Claim.

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

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

7 **C. UNSECURED CLAIMS.**

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

9 Class 3.01 shall consist of Inter-Company Claims.

10 **2. Class 3.02. Investor Claims.**

11 Class 3.02 shall consist of Investor Claims.

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

13 Classes 3.03 shall consist of the AED Unsecured Claim.

14 **4. Class 3.04. General Claims.**

15 Class 3.04 shall consist of General Claims.

16 **D. INTERESTS.**

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

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

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

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

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

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

23 **V. TREATMENT OF CLASSIFIED CLAIMS.**

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

1 payments shall have a present value equal to the Allowed Secured Claim with interest
2 at the Secured Claim Rate. If Debtor makes the election to retain the collateral, the
3 holder of the Claim shall retain its lien on the collateral to secure payment of the
4 amounts provided herein.

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

8 Class 2.01 Claims are impaired.

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

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

13 Class 2.02 Claims are impaired.

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

15 Each holder of a Secured Tax Claim shall receive, on account of such Claim,
16 equal quarterly cash payments over a period commencing on the Payment
17 Commencement Date and ending on the fifth (5th) anniversary of the Petition Date.
18 The aggregate of all payments shall equal the Allowed Amount of such Claim plus
19 interest at the Tax Claim Rate from the Petition Date. Each holder of an allowed
20 Secured Tax Claim shall retain its lien on the collateral to secure payment of the
21 amounts provided.

22 Class 2.03 Claims are impaired.

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

24 As described in the Disclosure Statement, the amount of the AED Secured
25 Claim is subject to substantial dispute. First, AED has asserted that the AED Claim
26 should be Allowed in an amount in excess of \$130 million. For reasons discussed in
27 the Disclosure Statement, Debtor believes that the Allowed Amount of the AED Claim

1 should be limited to the amount that AED paid to acquire such Claim, which Debtor
2 believes is approximately \$28 million.

3 Secondly, the amount of the AED Secured Claim is limited to the lesser of (i)
4 the amount of the Allowed AED Claim or (ii) the Creditor Value of such Claim unless
5 the holder of the Claim elects treatment under §1111(b). Debtor believes that the
6 value of the Property, and, therefore, a limit on the amount of the AED Secured Claim
7 is approximately \$27 million to \$35 million. AED has not specified its contention as to
8 the value of the Property.

9 Thirdly, the holder of the AED Secured Claim may be entitled to elect treatment
10 under §1111(b). If the election is applicable, the AED Secured Claim would become a
11 non-recourse claim and the amount of such Claim would be equal to the full Allowed
12 Amount of such Claim. As described above, the full amount of the Claim that may be
13 Allowed ranges from approximately \$28 million to over \$130 million. To satisfy the
14 requirements of §1129(b) with respect to such Claim, the Plan must provide that the
15 holder of the Claim receive payments of an aggregate amount at least equal to the
16 amount of the Allowed Secured Claim and such payments must also have a present
17 value at least equal to the Creditor's Value in the collateral. Accordingly, compliance
18 with §1129(b) would require payments ranging from approximately \$28 million to over
19 \$130 million and would also require that the present value of such payments be in an
20 amount ranging from \$28 million to \$35 million.

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

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

24 If the holder of the AED Secured Claim has not made the election provided in
25 §1111(b), or such election is otherwise not applicable, Debtor shall make periodic
26 payments to the holder based upon the following:

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- Commencing on the Payment Commencement Date, and continuing thereafter quarterly for eight (8) years, the Reorganized Debtor shall make quarterly payments to the holder of the Class 2.04 Claim, each such payment being equal to the Case 1 Minimum Quarterly Payment, subject, however, to reduction as provided below.
 - Upon the sale of each parcel of the Property, the Reorganized Debtor shall pay the Partial Release Amount for such parcel, subject, however, to reduction as provided below.
 - Notwithstanding the foregoing, the amount of a payment for the quarterly payment or a partial release payment shall be reduced so that, after such payment, the cumulative amount of all payments made hereunder does not exceed the greater of (i) the Cumulative Minimum Payment Amount, or (ii) the Cumulative Partial Release Amount.
 - Notwithstanding the foregoing, the amount of a payment for the quarterly payment or a partial release payment shall be reduced so that, after such payment, the cumulative amount of all payments made hereunder does not exceed the amount of the Allowed AED Secured Claim plus interest at the Secured Rate.
 - Notwithstanding the foregoing, the Reorganized Debtor shall make a final payment on the eighth (8th) anniversary of the Effective Date so that, with such payment, all payments on account of the AED Secured Claim equal the Allowed Amount of the AED Secured Claim with interest at the Secured Claim Rate.

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

23 If the holder of the AED Secured Claim has made the election provided in
24 §1111(b), and such election is applicable, Debtor shall make periodic payments to the
25 holder based upon the following:
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- 1 • Commencing on the Payment Commencement Date, and continuing
2 thereafter quarterly until the Creditor Value Payment Date, the
3 Reorganized Debtor shall make quarterly payments to the holder of the
4 Class 2.04 Claim, each such payment being equal to the Case 2
5 Minimum Quarterly Payment, subject, however, to reduction as provided
6 below.
- 7 • After the Creditor Value Payment Date, the Reorganized Debtor shall
8 make quarterly payments to the holder of the Class. 2.04 Claim, each
9 such payment being equal to the Case 3 Minimum Quarterly Payment.
- 10 • Upon the sale of each parcel of the Property, the Reorganized Debtor
11 shall make a Sale Payment, each such payment being equal to the
12 Partial Release Amount for such parcel, subject, however, to reduction as
13 provided below.
- 14 • Notwithstanding the foregoing, the amount of a Minimum Quarterly
15 Payment or a Sale Payment shall be reduced so that, after such
16 payment, the cumulative amount of all payments made hereunder does
17 not exceed the greater of (i) the Cumulative Minimum Payment Amount,
18 or (ii) the Cumulative Partial Release Amount.
- 19 • Notwithstanding the foregoing, the amount of a Minimum Quarterly
20 Payment or a Sale Payment shall be reduced so that, after such
21 payment, the cumulative amount of all payments made hereunder does
22 not exceed the amount of the Allowed AED Secured Claim plus interest
23 at the Secured Rate.
- 24 • Notwithstanding the foregoing, the Reorganized Debtor shall make a final
25 payment on the twenty-fifth (25th) anniversary of the Effective Date so
26 that, with such payment, all payments on account of the AED Secured
Claim equal the Allowed Amount of the AED Secured Claim with interest
at the Secured Claim Rate.

1 Subject to the provisions for partial release of lien on properties as sold the
2 holder of the AED Secured Claim shall retain its lien on the Property to secure
3 payments provided for herein until the amounts provided for herein have been paid in
4 full.

5 The Class 2.04 Claim is impaired.

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

7 The holder of the Sonoran Pacific Secured Claim shall receive, on account of
8 such Claim, equal quarterly cash payments over a period commencing on the
9 Payment Commencement Date and ending on the third (3rd) anniversary of the
10 Effective Date. The aggregate of all payments shall equal the Allowed Amount of
11 such Claim plus interest at the Secured Claim Rate. The holder of the Sonoran
12 Pacific Secured Claim shall retain its lien on the collateral to secure payment of the
13 amounts provided.

14 The Class 2.05 Claim is impaired.

15 **C. UNSECURED CLAIMS.**

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

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

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

22 The Class 3.01 Claims are impaired.

23 **2. Class 3.02. Investor Claims.**

24 Each holder of an Investor Claim that does not elect to become a Participating
25 Investor shall receive quarterly distributions from the Unsecured Creditor Fund based
26 on such holder's *pro rata* share of the funds available for distribution from such fund,
prorated among holders of Allowed Class 3.02, 3.03 and 3.04 Claims, provided,

1 however, that the aggregate payments to such holder shall not exceed the amount of
2 the holders Allowed Claim plus interest at the Unsecured Claim Rate.

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

5 The Class 3.02 Claims are impaired.

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

7 Except as may otherwise be provided by agreement or by order of the
8 Bankruptcy Court, the holder of the AED Unsecured Claim shall receive quarterly
9 distributions from the Unsecured Creditor Fund based on such holder's *pro rata* share
10 of the funds available for distribution from such fund, prorated among holders of
11 Allowed Class 3.02, 3.03 and 3.04 Claims, provided, however, that the aggregate
12 payments to such holder shall not exceed the amount of the holders Allowed Claim
13 plus interest at the Unsecured Claim Rate.

14 The Class 3.03 Claims are impaired.

15 **4. Class 3.04. General Claims.**

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

22 The Class 3.04 Claims are impaired.

23 **D. EQUITY INTERESTS.**

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

25 All interests of a Direct Equity Holder shall be cancelled on the Effective Date
26 and such holder shall receive nothing on account of its interest unless such holder
27 elects to be a Participating Equity Holder as provided in section VI hereof and

1 complies with its obligations as a Participating Equity Holder as such obligations
2 become due up to and through the Effective Date.

3 Class 4.01 Interests are impaired.

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

5 Any direct or indirect interest in Debtor held by an Indirect Equity Holder shall
6 be cancelled on the Effective Date and such holder shall receive nothing on account
7 of its interest unless (i) the Direct Equity Holder in which such holder is a member
8 elects not to be a Participating Equity Holder and (ii) such holder elects to be a
9 Participating Equity Holder as provided in section VI hereof and complies with its
10 obligations as a Participating Equity Holder as such obligations become due up to and
11 through the Effective Date.

11 Class 4.02 Interests are impaired.

12 **3. Class 4.03 Conversion Right Holders.**

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

18 Class 4.03 Interests are impaired.

19 **VI. MANNER OF MAKING ELECTIONS.**

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

23 **A. DEADLINE.**

24 Except as may otherwise be agreed to by Debtor and an Eligible Holder, an
25 election to be a Participating Investor or a Participating Equity Holder must be made
26 by August 15, 2012, unless the Debtor or the Court specifies a later date for such

1 election. The election shall be evidenced in writing by notice to Debtor in accordance
2 with the terms of this Plan and shall indicate the Claim or Interest for which such
3 election is made.

4 **B. CONSEQUENCE OF ELECTION.**

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

- 7 • To vote in favor of the Plan;
- 8 • To become a member of the Reorganized Debtor on the terms provided
9 herein and to consent to the membership of other Eligible Holders making
10 the election and complying with the terms of the Plan.
- 11 • To pay to the Reorganized Debtor the amounts provided for herein on or
12 before the dates specified herein.
- 13 • To be bound by the terms of a revised Operating Agreement.

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

- 15 • An order is entered by the Bankruptcy Court (a) denying approval of the
16 Plan, (b) providing for stay relief to AED to complete a foreclosure of its
17 lien, (c) appointing a trustee in the Chapter 11 Case, (d) converting these
18 proceedings to Chapter 7 proceedings, or (e) dismissing these
19 proceedings;
- 20 • A Confirmation Order is not entered confirming the Plan on or before
21 December 31, 2012;
- 22 • A confirmation order is entered confirming a competing plan;
- 23 • Debtor modifies the Plan in a manner that materially and adversely
24 affects the treatment of the Eligible Holder's Claim or Interest unless such
25 Eligible Holder consents to such modifications.

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

1 **VII. FUNDING PROVISIONS.**

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

7 **A. FUNDING OBLIGATIONS.**

8 The aggregate funding obligations from third party lending sources and from
9 Eligible Holders electing to participate shall equal \$20 million and shall be payable as
10 follows:

- 11 • Before Confirmation Date -- \$3 million.
- 12 • Before Effective Date -- \$4 million.
- 13 • Before First Anniversary of Effective Date -- \$5 million.
- 14 • Before Second Anniversary of Effective Date -- \$5 million.
- 15 • Before Third Anniversary of Effective Date -- \$3 million.

16 **B. ALLOCATION OF FUNDING COMMITMENTS.**

17 An Eligible Holder who elects to participate in the funding of the Reorganized
18 Debtor shall be obligated to pay its *pro rata* share of the following "Equity Commitment
19 Amounts", as follows:

- 20 • Before Confirmation Date -- \$3 million.
- 21 • Before Effective Date -- \$ 2 million.
- 22 • Before First Anniversary of Effective Date -- \$4 million.
- 23 • Before Second Anniversary of Effective Date -- \$4 million.
- 24 • Before Third Anniversary of Effective Date -- \$2 million.

25 The *pro rata* share of each Eligible Holder of these Equity Commitment
26 Amounts shall be set initially at such holder's pro rata share multiplied by 2. Each

1 holder's Allocated Share shall be determined based on such holder's pro rata share of
2 the allocations among Direct Equity Holders set forth on Exhibit B.

3 **C. REALLOCATIONS.**

4 To the extent that elections to participate result in funding commitments
5 exceeding \$15 million, the amount of allocations will be adjusted to permit pro rata
6 participation. To the extent that elections to participate are insufficient, electing
7 participants will be permitted to subscribe to additional equity portions.

8 **VIII. DISTRIBUTIONS FROM UNSECURED CREDITOR FUND.**

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

13 The Disbursing Agent shall distribute, or reserve the funds allocated pro rata
14 among the following Allowed Unsecured Claims: (i) the AED Unsecured Claim, if any
15 (ii) the Investor Claims that have not elected to participate in the funding of the
16 Reorganized Debtor; and (iii) the General Claims.

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

19 **IX. ALLOWANCE, ESTIMATION AND PAYMENT OF CLAIMS.**

20 **A. CATEGORIZATION OF CLAIMS.**

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

23 **1. Allowed Claims.**

24 A Claim shall be **Allowed** only if, and to the extent, the Claim has been Timely
25 Submitted, Allowable, and Determined, in accordance with the following:
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a) Timely Submitted.

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

- *Scheduled.* The Claim is listed on the Schedules, and is not listed as contingent, unliquidated, or disputed, and is not included within a Proof of Claim;
- *Proof of Claim.* The Claim is reflected in a Proof of Claim filed by the Bar Date applicable to such Claim;
- *Otherwise Timely Submitted.* The Claim has been determined, by Final Order of the Bankruptcy Court, to be timely filed;
- *Informal Proof of Claim.* The Claim has been determined, by Final Order of the Bankruptcy Court, to be the subject of a timely "informal Proof of Claim";
- *No Proof of Claim Required.* The Claim has been determined, by Final Order of the Bankruptcy Court, to be deemed timely submitted, without a Proof of Claim.

b) Allowable.

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

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

c) Determined.

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

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

6 **2. Estimated Claims.**

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

10 **3. Disallowed Claims.**

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

13 **4. Reserved-For Claims.**

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

19 **B. OBJECTIONS AND BAR DATE FOR FILING OBJECTIONS.**

20 Except as provided above, an objection to a Claim shall be a Timely Objection if
21 filed with the Bankruptcy Court, and served upon the holder of such Claim pursuant to
22 the Bankruptcy Code and Bankruptcy Rules, by any deadline for such objections set
23 by order of the Bankruptcy Court. Any party in interest may file an objection to a
24 Claim but the primary responsibility for objecting to claims shall be with the
25 Reorganized Debtor.
26

1 **C. SETTLEMENT OF CLAIMS.**

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

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

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

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

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

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

23 Except as specifically provided by order of the Bankruptcy Court, no distribution
24 shall be made on account of any fine, penalty, exemplary or punitive damages, late
25 charges or other monetary charge relating to or arising from any default or breach by
26 a Debtor, and any claim on account thereof shall be treated hereunder as such and

1 disallowed to the extent of such fine, penalty, exemplary or punitive damages, late
2 charges or other default-related charge, whether or not an objection is filed to it.

3 **X. LEASES AND EXECUTORY CONTRACTS.**

4 All leases and other executory contracts not assumed on or prior to the
5 Effective Date shall be rejected as of the Effective Date, unless specific written notice
6 of intent to assume is mailed or delivered to the lessor or other contracting party
7 before the Effective Date. In the event of assumption, all pre-petition defaults will be
8 cured on the Effective Date except as otherwise provided herein. In the event of
9 rejection, the bar dates established by the Court as further described in the Disclosure
Statement will apply.

10 **XI. CERTAIN DETERMINATIONS AT CONFIRMATION.**

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

- 15 • The amount of Allowed Secured Claims under § 506(a).
 - 16 • The amount of the Secured Claim Rate.
 - 17 • The amount of the General Claim Rate.
 - 18 • The Amount of the Tax Rate.
 - 19 • Any issues regarding the treatment of claims.
 - 20 • The appointment of a Disbursing Agent.
 - 21 • The propriety of any stipulations or settlements regarding the amount of
22 Allowed Claims or the treatment of Claims in a manner different than
provided for herein, pursuant to § 1123(a)(4) of the Bankruptcy Code.
 - 23 • The propriety of the assumption or rejection of leases and executory
24 contracts, and the terms thereof.
 - 25 • The propriety of any modification of the Plan proposed by Debtor.
- 26

1 **XII. THE DISBURSING AGENT.**

2 Distributions to holders of Allowed Claims shall be administered by a Disbursing
3 Agent pursuant to the provisions of this Article XII.

4 **A. APPOINTMENT.**

5 One or more Disbursing Agents shall be appointed pursuant to the Confirmation
6 Order or subsequent order of the Bankruptcy Court. The Disbursing Agent shall,
7 among other things, act instead of and as the nominee of the holders of Claims and
8 Interests, receive payments from Debtor, and make all payments and distributions to
9 creditors contemplated by the Plan.

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

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

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

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

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

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

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

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

1 **XIII. CONDITIONS PRECEDENT TO EFFECTIVE DATE.**

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

3 **A. ENTRY OF CONFIRMATION ORDER.**

4 The Confirmation Order has been entered, the effect of such order has not been
5 vacated, and the order is not stayed.

6 **B. EXECUTION OF DOCUMENTS.**

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

9 **C. CORPORATE ACTION.**

10 All corporate actions of Debtor shall be properly completed by the Effective
11 Date.

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

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

16 **E. DESIGNATION OF EFFECTIVE DATE.**

17 Debtor shall have filed a designation of the date upon which the Plan is to
18 become effective. Debtor may designate the Effective Date as any date (i) more than
19 11 days after the entry of the Confirmation Order and (ii) not more than 90 days after
20 (a) the entry of the Confirmation Order or, if later, (b) any stay of the Confirmation
21 Order has expired or been vacated; **PROVIDED**, the Bankruptcy Court may extend
22 the period of time for designation of the Effective Date for up to an additional 90 days,
23 for good cause shown, after notice to the U.S. Trustee, the Committee, the holders of
24 Secured Claims, and any other party specifically requesting notice of a request for
25 extension of the deadline for designating the Effective Date.
26

1 **F. COMPLIANCE WITH CONFIRMATION ORDER.**

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

4 **XIV. CONDITIONS PRECEDENT TO DISTRIBUTIONS**

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

8 **XV. UNCLAIMED FUNDS.**

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

12 **XVI. RETENTION OF JURISDICTION.**

13 The Bankruptcy Court will retain jurisdiction to insure that the purposes and
14 intent of the Plan are carried out. Without limiting the generality of the foregoing, the
15 Bankruptcy Court will retain jurisdiction, until the Plan is fully consummated, for the
16 following purposes:

17 **A. CLAIMS DETERMINATION.**

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

25 **B. ESTATE ASSETS.**

26 The Bankruptcy Court shall retain jurisdiction to determine all questions and
27 disputes regarding title to the assets of the Estate, and all causes of action,

1 controversies, disputes, or conflicts, known or unknown, whether or not subject to
2 action pending as of the Confirmation Date, between Debtor and any other party,
3 including but not limited to, such Debtor's right to recover assets, avoid transfers,
4 recover fraudulent transfers, offset claims, recover money or property from any party
5 or return assets which were or are the property of the Estate pursuant to the
6 provisions of the Bankruptcy Code.

7 **C. EXECUTORY CONTRACTS.**

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

12 **D. UNLIQUIDATED CLAIMS.**

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

16 **E. PLAN CORRECTIONS.**

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

22 **F. PLAN MODIFICATIONS.**

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

25 **G. ADVERSARY PROCEEDINGS.**

26 The Bankruptcy Court may adjudicate all claims, controversies, contested
27 matters or adversary proceedings arising out of any purchases, sales, agreements or

1 obligations made or undertaken by and between a Debtor and any third party during
2 the pendency of this Chapter 11 Case and such jurisdiction shall continue after the
3 closing of this case.

4 **H. PLAN INTERPRETATION.**

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

8 **I. DEADLINES.**

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

12 **J. DISCHARGE INJUNCTIONS.**

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

17 **K. ADDITIONAL MATTERS.**

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

20 **L. CASE CLOSING.**

21 The Bankruptcy Court may enter an order closing this Chapter 11 Case at any
22 time after substantial consummation of the Plan. Unless otherwise ordered by the
23 Court, the closing of the case shall not affect the Court's pendency of any adversary
24 proceeding or contested matter and shall not limit the Court's reserved jurisdiction
25 under this Article or under the Bankruptcy Code or other applicable statute.
26

1 **XVII. MODIFICATION OF THE PLAN.**

2 In addition to the modification rights under § 1127 of the Bankruptcy Code,
3 Debtor may propose amendments to, or modifications of, this Plan at any time prior to
4 entry of the Confirmation Order, with leave of the Bankruptcy Court, upon such notice
5 as may be prescribed by the Court. After entry of the Confirmation Order, Debtor
6 may, with the approval of the Court, and so long as it does not materially or adversely
7 affect the interest of creditors, cure any omission, correct any defect, or reconcile any
8 inconsistencies in the Plan, the Confirmation Order, or any and all documents
9 executed or to be executed in accordance therewith, in such manner as may be
10 necessary to carry out the purposes and intent of this Plan.

11 **XVIII. EFFECT OF CONFIRMATION.**

12 **A. DISCHARGE OF CLAIMS.**

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

22 **B. VESTING OF ASSETS.**

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

1 **XIX. MISCELLANEOUS.**

2 **A. NOTICES.**

3 All notices, requests, or demands for payment provided for in the Plan shall be
4 in writing and shall be deemed to have been given to Debtor when personally
5 delivered by hand, or deposited in any general or branch post office of the United
6 States Postal Service, or received by telecopy. Notices, requests and demands for
7 payment shall be addressed to the attention of Debtor and sent postage prepaid or
8 delivered to:

9 David Cavan
10 15300 N. 90th Street, Suite 200
11 Scottsdale, Arizona 85260

12 With Copy to:
13 Alan Meda, Esq.
14 1850 N. Central Avenue, Suite 2100
15 Phoenix, Arizona 85004
16 Email ameda@stinson.com

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

19 **B. HEADINGS.**

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

22 **C. TIME IS OF THE ESSENCE.**

23 Time is of the essence in the interpretation and enforcement of this Plan.
24 Without limiting the generality of such statement, the rights provided hereunder are
25 intended to expire immediately upon the expiration of the period provided for herein,
26

1 and are intended not to be extended under § 362 or § 105 of the Bankruptcy Code for
2 any reason.

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

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

7 RESPECTFULLY SUBMITTED this 11th day of June, 2012.

8 **STINSON MORRISON HECKER LLP**

9 /s/ Alan A. Meda

10 C. Taylor Ashworth

11 Alan A. Meda

12 Christopher C. Simpson

13 1850 N. Central Avenue, Suite 2100

14 Phoenix, Arizona 85004-4584

15 Counsel for the Debtor

Exhibit A to Debtor's Plan of Reorganization
dated June 11, 2012

**EXHIBIT A TO PLAN
PARTIAL RELEASE AMOUNT**

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

Exhibit B to Debtor's Plan of Reorganization
dated June 11, 2012

EXHIBIT B TO PLAN
EQUITY CONTRIBUTION ALLOCATIONS

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