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12 Attorneys for Debtor and Debtor Entities

13 **UNITED STATES BANKRUPTCY COURT**  
14 **DISTRICT OF ARIZONA**

15 In re:

In Proceedings Under Chapter 11

16 MONTECITO AT MIRABEL  
17 DEVELOPMENT, LLC

Case No: 2:09-bk-33899-GBN

18 Debtor.

**DEBTOR'S DISCLOSURE STATEMENT  
IN SUPPORT OF PLAN OF  
REORGANIZATION DATED MARCH 31,  
2010**

19 **ARTICLE I.**

20 **INTRODUCTION TO THE DISCLOSURE STATEMENT**

21 This Disclosure Statement is being submitted by Montecito At Mirabel Development,  
22 L.L.C. ("Debtor," or "Montecito"), the debtor and debtor-in-possession in the above-referenced  
23 Chapter 11 bankruptcy case (the "Bankruptcy"). The Debtor has promulgated this Disclosure  
24 Statement in accordance with section 1125 of the Code for the purpose of soliciting acceptances  
25 of the "Plan of Reorganization dated March 31, 2010" (the "Plan"), filed by the Debtor in  
26 conjunction herewith, from holders of impaired claims and equity interests. This Disclosure  
27 Statement has been compiled to incorporate "adequate information" to enable creditors to make  
28 an informed judgment as to whether they should vote to accept or reject the Plan.

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1 Unless otherwise defined herein, the terms used in this Disclosure Statement have the  
2 same meanings as those terms have in the Bankruptcy Code, 11 U.S.C. §§ 101, et seq. (the  
3 “Code”), or as those terms have in the Federal Rules of Bankruptcy Procedure, promulgated  
4 pursuant to 28 U.S.C. § 2075 or in the Plan.

5 This Disclosure Statement is subject to Bankruptcy Court approval. The Bankruptcy  
6 Court will have approved this Disclosure Statement on the date of the accompanying Order as  
7 containing information of a kind, and in sufficient detail, adequate to enable a hypothetical,  
8 reasonable investor typical of each of the classes of claims and interests being solicited to make  
9 an informed judgment whether to vote to accept or reject the Plan.

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11 **ARTICLE II.**

12 **DEADLINE FOR RECEIPT OF BALLOTS**

13 INSTRUCTIONS AND EXPLANATIONS CONCERNING VOTING ON THE PLAN  
14 OF REORGANIZATION DATED MARCH 31, 2010 ARE SET FORTH IN SUBSEQUENT  
15 SECTIONS OF THIS DISCLOSURE STATEMENT. PLEASE REVIEW THOSE SECTIONS  
16 CAREFULLY AND NOTE THAT ALL BALLOTS MUST BE RECEIVED BY THE  
17 DEADLINE SET FORTH IN AN ACCOMPANYING ORDER APPROVING THIS  
18 DISCLOSURE STATEMENT, OR THEY MAY NOT BE COUNTED. AS DELAYS IN THE  
19 DELIVERY OF MAIL CAN OCCUR, THE DEBTOR URGES YOU TO MAIL OR DELIVER  
20 YOUR BALLOTS AS DIRECTED WELL IN ADVANCE OF THE DEADLINE.

21 VOTING ON THE PLAN WILL AFFECT YOUR RIGHTS AND THE EXPENSES  
22 INCURRED TO ADMINISTER THIS CASE. IN PARTICULAR, THE DEBTOR MAY BE  
23 ABLE TO REDUCE THE ADDITIONAL ATTORNEYS' FEES AND COSTS IT MIGHT  
24 HAVE TO INCUR IN RELATION TO THE CONFIRMATION OF THE PLAN IF THE PLAN  
25 IS ACCEPTED BY ALL CLASSES OF CLAIMS AND INTERESTS CREATED BY THE  
26 PLAN. THE DEBTOR REQUESTS, THEREFORE, THAT YOU VOTE IF YOU ARE  
27 ENTITLED TO DO SO AND THAT YOU TAKE STEPS TO INSURE THAT YOUR  
28 BALLOT IS RECEIVED IN TIME TO BE COUNTED.

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**ARTICLE III.**

**DEADLINE FOR FILING PROOFS OF CLAIMS**

The deadline to file proofs of claims in the Debtor's Bankruptcy has not yet expired. The Debtor has moved the Court to set a bar date (the "Bar Date") by which creditors must file proofs of claims, and is awaiting an Order from the Court establishing the Bar Date (the "Bar Date Order"). Creditors and parties-in-interest will receive a copy of the Bar Date Order after its entry, and are encouraged to timely file their proofs of claim on or before the Bar Date. Please note that creditors that do not timely file their proofs of claim on or before the Bar Date, may be barred from voting on the Plan and/or sharing in a distribution thereunder. Please refer to Bankruptcy Code § 502, and Bankruptcy Rules 3002 and 3003 to determine whether or not a creditor is required to timely file a proof of claim on or before the Bar Date.

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If you have an Administrative Claim with the Debtor, review the identified provision of this Disclosure Statement and **timely file your proof of claim for payment of administrative expenses with the Clerk of the Bankruptcy Court online through the Court's ECF system or at the following address:**

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Clerk, U.S. Bankruptcy Court  
230 North First Avenue, Suite 101  
Phoenix, Arizona 85003-1706

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**Please note that the amount of your Administrative Claim shall be affixed only to those amounts identified in your timely filed proof of claim, AND only to the extent allowed by the Court.**

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**ARTICLE IV.**

**DATE AND TIME OF HEARING ON CONFIRMATION OF THE PLAN**

A copy of the Plan is attached as **Exhibit "1"** to this Disclosure Statement, and is also filed concurrently with this Disclosure Statement. A hearing on confirmation of the Plan will be

1 held before the Honorable George B. Nielsen, Jr., United States Bankruptcy Judge, commencing  
2 at a time and place set forth in an accompanying Order approving this Disclosure Statement. The  
3 hearing may be continued from time to time without further written notice.

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5 **ARTICLE V.**

6 **DISCLAIMERS AND WARNINGS**

7 THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT  
8 CONSTITUTES NEITHER A CERTIFICATION THAT THE FACTUAL INFORMATION  
9 CONTAINED IN THIS DISCLOSURE STATEMENT IS ACCURATE NOR AN  
10 ENDORSEMENT OF THE PLAN.

11 THIS DISCLOSURE STATEMENT HAS BEEN PROMULGATED BY THE DEBTOR  
12 IN AN EFFORT TO SOLICIT CREDITORS AND EQUITY INTEREST HOLDERS TO VOTE  
13 TO ACCEPT THE PLAN. THE SOLICITATION IS A SOLICITATION BY THE DEBTOR,  
14 AN NOT OF THE DEBTOR'S ATTORNEYS OR ACCOUNTANTS.

15 THIS DISCLOSURE STATEMENT IS NOT THE PLAN (SEE SUMMARY OF THE  
16 PLAN HEREIN). THIS DISCLOSURE STATEMENT AND THE COMPLETE COPY OF THE  
17 PLAN, WHICH IS ATTACHED, SHOULD BOTH BE READ TOGETHER IN THEIR  
18 ENTIRETY. FOR THE CONVENIENCE OF CREDITORS AND EQUITY INTEREST  
19 HOLDERS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT THE  
20 PLAN ITSELF AND NOT THE PLAN SUMMARY IS CONTROLLING IN THE EVENT OF  
21 ANY INCONSISTENCY BETWEEN THE TWO.

22 CERTAIN MATERIALS CONTAINED IN THIS DISCLOSURE STATEMENT ARE  
23 TAKEN DIRECTLY FROM OTHER, READILY ACCESSIBLE DOCUMENTS OR ARE  
24 DIGESTS OF DOCUMENTS. WHILE EFFORTS HAVE BEEN MADE TO CONVEY  
25 ACCURATELY THE CONTENTS OF SUCH DOCUMENTS, YOU ARE URGED TO  
26 EXAMINE THE DOCUMENTS THEMSELVES AND TO USE THE DESCRIPTIONS OF  
27 DOCUMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ONLY AFTER  
28 HAVING CONDUCTED SUCH AN EXAMINATION.

1 NO REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTOR,  
2 INCLUDING, WITHOUT LIMITATION, ITS FUTURE BUSINESS OPERATIONS, THE  
3 VALUE OF ITS PROPERTY, OR THE VALUE OF SECURITIES TO BE ISSUED  
4 PURSUANT TO THE PLAN ARE AUTHORIZED BY THE DEBTOR, OTHER THAN AS  
5 SET FORTH IN THIS DISCLOSURE STATEMENT. IN ARRIVING AT YOUR DECISION  
6 TO ACCEPT OR REJECT THE PLAN, YOU SHOULD NOT RELY UPON ANY  
7 REPRESENTATIONS OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OF  
8 THE PLAN WHICH ARE OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE  
9 STATEMENT. SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD  
10 BE REPORTED TO COUNSEL FOR THE DEBTOR WHO, IN TURN, SHALL DELIVER  
11 SUCH INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE  
12 APPROPRIATE.

13 EFFORTS HAVE BEEN MADE TO PREPARE ALL UNAUDITED FINANCIAL  
14 STATEMENTS WHICH MAY BE CONTAINED IN THIS DISCLOSURE STATEMENT IN  
15 ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPALS.  
16 HOWEVER, AS TO ALL FINANCIAL STATEMENTS, THE DEBTOR ARE UNABLE TO  
17 WARRANT OR REPRESENT THE ACCURACY OF THE INFORMATION CONTAINED IN  
18 THOSE STATEMENTS TO BE WITHOUT ERROR.

19 THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE  
20 STATEMENT HAS NOT BEEN SUBJECTED TO AN EXAMINATION BY INDEPENDENT,  
21 CERTIFIED PUBLIC ACCOUNTANTS. THE DEBTOR IS THE SOURCE OF ALL  
22 FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THE  
23 DEBTOR HAS KEPT RECORDS SUBSEQUENT TO THE FILING OF THE PETITION  
24 COMMENCING THIS CASE AND THE DEBTOR HAS FILED MONTHLY FINANCIAL  
25 REPORTS WITH THE COURT.

26 THE LIQUIDATION ANALYSIS CONTAINED IN THIS DISCLOSURE  
27 STATEMENT IN ARTICLE X HEREIN WAS NEITHER COMPILED BY INDEPENDENT,  
28 CERTIFIED PUBLIC ACCOUNTANTS NOR SUBJECTED TO AN AUDIT OR

1 EXAMINATION BY INDEPENDENT, CERTIFIED PUBLIC ACCOUNTANTS. THE  
2 LIQUIDATION ANALYSIS AND THIS DISCLOSURE STATEMENT HAVE BEEN  
3 PREPARED WITH INFORMATION PROVIDED BY THE DEBTOR.

4 ANY SECURITIES OF THE REORGANIZED DEBTOR AND THE OPERATING  
5 SUBSIDIARIES TO BE ISSUED PURSUANT TO THE PLAN HAVE NOT BEEN  
6 REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION NOR WITH  
7 ANY GOVERNMENTAL AGENCY UNDER THE LAWS OF ANY STATE. NEITHER THE  
8 SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE'S GOVERNMENTAL  
9 AGENCY HAS APPROVED OR DISAPPROVED SUCH SECURITIES OR PASSED UPON  
10 THE ADEQUACY OR ACCURACY OF THE FACTUAL INFORMATION CONTAINED IN  
11 THIS DISCLOSURE STATEMENT.

12 **IF YOU ARE ENTITLED TO VOTE ON THE PLAN, YOU SHOULD DO SO.**

13 UNDER THE BANKRUPTCY CODE, DETERMINING THE OUTCOME OF BALLOTING  
14 ON THE PLAN REQUIRES A CALCULATION WHICH CONSIDERS THE VOTES OF  
15 THOSE CREDITORS AND EQUITY INTEREST HOLDERS WHO ACTUALLY VOTED ON  
16 THE PLAN. YOUR RIGHTS MAY BE AFFECTED EVEN IF YOU DO NOT VOTE ON THE  
17 PLAN. YOUR OPPORTUNITY TO HAVE THE OUTCOME YOU DESIRE WILL LIKELY  
18 BE ENHANCED IF YOU VOTE.

19 NOTHING IN THIS DISCLOSURE STATEMENT OR THE PLAN LIMITS THE  
20 DEBTOR'S RIGHT TO OBJECT TO ANY PROOFS OF CLAIMS OR INTERESTS FILED IN  
21 THIS CASE.

22 BECAUSE THE DEBTOR DOES NOT EXPRESS ANY OPINION AS TO THE TAX  
23 CONSEQUENCES OF THE PLAN, IN NO EVENT WILL THE DEBTOR OR IT'S  
24 PROFESSIONAL ADVISORS THEY HAVE ENGAGED, BE LIABLE IF, FOR ANY  
25 REASON, THE TAX CONSEQUENCES OF THE PLAN ARE NOT AS ANTICIPATED BY  
26 CREDITORS AND EQUITY INTEREST HOLDERS. CREDITORS AND EQUITY  
27 INTEREST HOLDERS MUST LOOK SOLELY TO AND RELY SOLELY UPON THEIR  
28 OWN ADVISORS AS TO THE TAX CONSEQUENCES OF THE PLAN.

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**ARTICLE VI.**

**VOTING**

**A. ENTITIES ENTITLED TO VOTE AND ADMONITION TO VOTE IF ELIGIBLE.**

Only creditors and equity interest holders whose claims and interests have been both **allowed** for purposes of voting and **impaired** by the Plan are entitled to vote on the Plan.

For a claim to be allowed for voting purposes, the claim must be listed in the Debtor's Chapter 11 schedules **and** must **not** be listed as "disputed", "contingent" or "unliquidated". If a claim is listed but shown as "disputed", "contingent" or "unliquidated", the holder of the claim will not be entitled to vote absent the timely filing of a proof of claim.

If a claim is not listed or is listed as "disputed", "contingent", or "unliquidated", the holder of the claim (or the Debtor on its behalf) must have already filed a proof of claim on or before the Bar Date set by the Court for that creditor to be entitled to a distribution under any plan of reorganization and as a pre-requisite to vote. Moreover, no holder of a claim will be entitled to vote if any party in interest objects to that claim before balloting on the Plan or any Amended Plan occurs, unless the Bankruptcy Court enters a specific order allowing the claim for voting purposes.

For an equity interest to be allowed, the equity interest holder's asserted interest must appear in the Debtor's schedules or the holder of the equity interest (or the Debtor on its behalf) must have already filed a proof of interest on or before the Bar Date set by the Court for that holder to be entitled to a distribution under any plan of reorganization, retention of any equity interest, and as a pre-requisite to vote. The equity interest holder must also be a record holder of the Debtor's securities on the date of the order approving this Disclosure Statement is entered on the Court's docket. In addition, no entity claiming to hold an equity interest may vote if any party in interest has objected to the allowance of the asserted interest prior to voting on the Plan (as may be amended), unless the Bankruptcy Court enters an order allowing the interest for voting purposes.

In addition to the foregoing criteria for voting eligibility, only creditors and equity interest holders whose claims or interests are "impaired" by the Plan are entitled to vote to accept or reject

1 the Plan. Claims or interests that are considered "impaired" under the Bankruptcy Code as a  
2 matter of law include those whose claims or interests are altered or who will not receive the  
3 allowed amount of their claims in cash pursuant to the original terms of their agreements.  
4 Holders of claims or interests which are not "impaired" are deemed to have accepted the Plan  
5 under the Bankruptcy Code as a matter of law.

6 If the claim or interest you hold has been classified in one of the impaired classes of  
7 claims or interests created by the Plan (see **Exhibit "1"**), it is important that you vote. In  
8 addition, if you hold more than one claim or interest classified as "impaired" under the Plan, it is  
9 important that you vote with respect to **each** such claim or interest. **IF YOU FAIL TO VOTE,**  
10 **YOUR RIGHTS MAY BE JEOPARDIZED.**

11 **B. VOTING INSTRUCTIONS.**

12 Upon Court approval of the Disclosure Statement, the Debtor will mail to you a ballot to  
13 vote, therein identifying a bar date by which you must vote for or against the Plan (the "Ballot  
14 Bar Date"). The Ballot Bar Date will be set by the Court pursuant to an Order approving this  
15 Disclosure Statement. After carefully reviewing this Disclosure Statement and its exhibits, vote  
16 to accept or reject the Plan on the ballot (or ballots) and mail or deliver it (or them) to the  
17 addresses identified below so that your ballot (or ballots) are **received by the Ballot Bar Date.**

18 All ballots must be signed and received prior to the Ballot Bar Date. Mail or deliver  
19 original ballots to:

20 Clerk, U.S. Bankruptcy Court  
21 230 North First Avenue, Suite 101  
Phoenix, Arizona 85003-1706

22 Also, mail or deliver copies of all ballots to the Debtor's attorneys at the following address:

23 Randy Nussbaum, Esq., SBN 006417  
24 Dean M. Dinner, Esq., SBN 010216  
25 Vishnu R. Jonnalagadda, Esq., SBN 025562  
26 **NUSSBAUM & GILLIS, P.C.**  
27 14500 N. Northsight Blvd., Suite 116  
Scottsdale, Arizona 85260  
28 Telephone: (480) 609-0011  
Facsimile: (480) 609-0016  
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[ddinner@nussbaumgillis.com](mailto:ddinner@nussbaumgillis.com)  
[vjonnalagadda@nussbaumgillis.com](mailto:vjonnalagadda@nussbaumgillis.com)



1 AS MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THAT THE BALLOT OR  
2 BALLOTS BE MAILED OR DELIVERED WELL IN ADVANCE OF THE BALLOT BAR  
3 DATE SPECIFIED. BALLOTS RECEIVED AFTER THIS DATE MAY NOT BE COUNTED.

4 Each creditor entitled to vote is to receive a ballot for each separately classified, impaired  
5 claim held. Each equity interest holder entitled to vote is also to receive a ballot.

6 If you do not receive the required number of ballots, with your copy of the Court-  
7 approved disclosure statement, notify the Debtor's attorneys immediately at the address noted  
8 above. IT IS IMPORTANT FOR YOU TO CAST ALL BALLOTS WHICH YOU ARE  
9 ENTITLED TO VOTE.

10 C. THE RESULTS OF BALLOTING ON THE PLAN ARE DETERMINED BY  
11 CLASS.

12 In general, a class of claims accepts the Plan if the creditors who vote to accept the Plan  
13 hold at least two-thirds (2/3) in dollar amount and constitute more than one-half (1/2) in number  
14 of the allowed claims in the class actually voting on the Plan. In general, a class of equity  
15 interests accepts the Plan if it is accepted by those who hold at least two-thirds (2/3) of the  
16 allowed interests in the class actually voting on the Plan.

17 D. CONFIRMATION BASED UPON ACCEPTANCE OF THE PLAN BY ALL  
18 IMPAIRED CLASSES.

19 If each class of impaired claims and interests accept the Plan and the Plan is confirmed,  
20 the Plan will bind all holders of claims and interests, including those who did not vote and those  
21 who voted to reject the Plan.

22 THE PLAN PROPONENTS RECOMMENDS THAT ALL THOSE ENTITLED TO  
23 VOTE CAST THEIR BALLOTS TO ACCEPT THE PLAN.

24 The Plan may also be confirmed if all impaired classes do not accept it, so long as the Plan  
25 is accepted by at least one class of impaired claims. Confirmation over the rejection of one or  
26 more classes of claims or interests is called "cramdown" and such "cramdown" requires as a pre-  
27 requisite the acceptance of the Plan by at least one class of impaired claims.

1 **E. CONFIRMATION OVER THE REJECTION OF ONE OR MORE IMPAIRED**  
2 **CLASSES THROUGH CRAMDOWN.**

3 If the Plan is rejected by one or more impaired classes of claims or interests, the Plan or  
4 modification thereof may still be confirmed by the Court at the request of the Debtor through the  
5 "cramdown" method mentioned above. To grant such a request, the Court must find, among  
6 other things, that the Plan does not "discriminate unfairly" and is "fair and equitable" with respect  
7 to each rejecting, impaired class of claims or interests.

8 The phrases "discriminate unfairly" and "fair and equitable" are defined by § 1129 of the  
9 Bankruptcy Code and the case law interpreting that statute. In other words, those phrases are  
10 "terms of art" denoting specific statutory criteria for confirmation which the Plan must satisfy to  
11 be confirmed by the Bankruptcy Court if any impaired class of claims or equity interests rejects  
12 the Plan.

13 The Plan does satisfy the statutory criteria required by § 1129 of the Code, and the Debtor  
14 intends to request confirmation of the Plan in the event it is rejected by any impaired class.

15 **ARTICLE VII.**

16 **DESCRIPTION OF THE DEBTOR AND ITS OPERATIONS.**

17 **A. HISTORY AND BACKGROUND.**

18 The Debtor was formed on June 24, 2004. The Debtor's 100% equity interest holder is  
19 Dominionrock Plancor, LLC ("Dominionrock"). Dominionrock is also the 100% equity interest  
20 holder in two other entities, Weston Ranch Development, L.L.C. ("Weston") and The Landing At  
21 Reid's Ranch Development, L.L.C. ("Landing," together with Weston and Debtor, the "Debtor  
22 Entities"). All of the Debtor Entities are involved in acquiring, developing, marketing and selling  
23 lots and substantially completed single-family residences for fair market retail value, and also  
24 constructing single-family residences. None of the Debtor Entities are involved in any other  
25 business.  
26

27 The Debtor's management team and affiliated entities have over twenty-five (25) years of  
28 experience and success in acquiring, developing, selling, and constructing upscale residential

1 subdivisions along with custom and tract single family residences, ranging in size from 2,000  
2 square feet to 10,000 square feet located in developments with smaller ¼ acre lots to larger acre  
3 plus lots. Throughout the years, the Debtor and its management team has utilized the services of  
4 Amberwood for the development and construction of the lots and single family residences of the  
5 communities. The management team has received numerous write ups in real estate magazines  
6 and most notably was a significant influence in helping Amberwood become the number one (#1)  
7 custom home builder in Arizona for nine (9) consecutive years as rated by the Phoenix Business  
8 Journal. Some of the most recent communities developed by the Debtor's management team are:

- 9 i) Silverado at Spectrum, Gilbert, AZ: 96 ¼ acre production lots;
- 10 ii) Sunrise Meadows, Chandler, AZ: 52 ½ acre custom home sites;
- 11 iii) Falcon Estates, Chandler, AZ: 30 ½ acre custom home sites;
- 12 iv) Greenfield Estates, Gilbert, AZ: 48 ¾ - 1 acre custom lots;
- 13 v) Tramonto, Phoenix, AZ: 20 ½ acre custom hillside lots;
- 14 vi) Amberwood Estates III, Gilbert, AZ: 75 ¼ acre production lots;
- 15 vii) Las Colinas, Phoenix, AZ;
- 16 viii) Tatum Ranch, Cave Creek, AZ;
- 17 ix) Tatum Highlands, Phoenix, AZ; and
- 18 x) Ashler Hills, Cave Creek, AZ.

19 All of the above-referenced communities were fully developed and sold out by Debtor's  
20 management team.<sup>1</sup> With respect to these communities, Debtor's management team has never  
21 defaulted on any loan obligations owed to creditors.

22 Montecito's assets consists of, among other things, a real estate development project  
23 containing nine (9) single-family residences and thirty-five (35) vacant lots located at the  
24 southeast corner of Cave Creek Road and Mirabel Club Drive in Scottsdale, Arizona 85262 (the  
25 "Montecito Property").

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27  
28 <sup>1</sup> Debtor notes the exception of one home in Tramanto which caught on fire and burnt down last year from an  
act of arson.

1 Weston's assets consists of, among other things, a real estate development project  
2 containing five (5) single-family residences and fifty-one (51) vacant lots located west of the  
3 northwest corner of Queen Creek Road and Higley Road, Gilbert, Maricopa County, Arizona  
4 85297 (the "Weston Property").

5 Landing's assets consists of, among other things, a real estate development project  
6 containing five (5) single-family residences and eighteen (18) vacant lots located at the northwest  
7 corner of Chandler Heights Road and Mustang Drive in Chandler, Maricopa County, Phoenix,  
8 Arizona 85249 (the "Landing Property," together with the Montecito Property and the Weston  
9 Property, the "Properties").

10 All of the lots of the Properties are fully improved and entitled, ready for sale, and do not  
11 need additional funds to market and sell them for fair market retail values. With respect to the  
12 Montecito Property, only one of the single family residences is partially completed, one is  
13 completely finished, six only require appliances, and the remaining one requires only flooring and  
14 appliances. With respect to the Weston Property, four of the single family residences are  
15 substantially completed with the exception of the installation of appliances, and the single family  
16 residence identified as "Unit #36" is fully completed. With respect to the Landing Property, four  
17 of the single family residences are substantially completed with the exception of the installation  
18 of appliances, and the single family residence identified as "Unit #29" is fully completed. All of  
19 the single family residences of the Properties, except for the partially developed one in the  
20 Montecito Property, have received Certificates of Occupancy by their respective municipalities,  
21 and can be sold immediately "as-is."

22 **B. PRINCIPAL EQUITY INTEREST HOLDERS OF THE DEBTOR.**

23 Dominionrock is the sole member and 100% equity interest holder of the Debtor and the  
24 Debtor Entities.

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1 **C. ASSETS OWNED AND PRESENT STATUS AND DEVELOPMENTS OF THE**  
2 **DEBTOR.**

3 The Debtor's assets consists of, among other things, the Montecito Property. A complete  
4 description of the Montecito Property is identified in **Exhibit "2,"** which is incorporated herein  
5 by this reference.

6 The Debtor also owns the following personal property:

7 i) A business checking account with the National Bank of Arizona, with an  
8 amount as of the Petition Date of \$11,870.02 (the "DIP Amount"). The DIP Amount has been used  
9 to pay for the post-petition operating expenses of the Debtor, including maintenance of the  
10 Montecito Property and homeowners' association subsidies and fees.

11 ii) Capitalized administrative costs (pre-paid expenses) on the lots of the  
12 Montecito Property in the amount of \$259,048.35 (the "Capitalized Pre-Paid Expenses"). The  
13 Capitalized Pre-Paid Expenses represents the capitalization of costs related to due diligence,  
14 acquisition, and development of the single family residences and lots of the Montecito Property,  
15 pursuant to the matching principle under Generally Accepted Accounting Principles ("GAAP"). An  
16 allocated portion of the Capitalized Interest will be expensed by the Debtor upon sale of the single  
17 family residences and/or lots of the Montecito Property over time to individual purchasers for fair  
18 market retail values.

19 iii) Claims against the party-in-interest Charles Allen and Angela Doss  
20 ("Allen/Doss") in an amount Unknown (the "Allen/Doss Claim"). The Allen/Doss Claim derives  
21 from certain litigation in the Superior Court in and for the State of Arizona at Case No. CV2008-  
22 092587 (the "Allen/Doss Lawsuit"). The Debtor and Allen/Doss have reached an agreement  
23 pursuant to which both will be released from all claims and allegations as asserted by the parties in  
24 the Allen/Doss Lawsuit, and the Allen/Doss Lawsuit will be dismissed, with prejudice, and with  
25 each party to bear their own attorneys' fees and costs. Accordingly, the Allen/Doss will no longer be  
26 an asset of the Debtor's Bankruptcy estate.

1           Aside from the foregoing Montecito Property and personal property, the Debtor has no other  
2 assets. Debtor is in the process of procuring opinions of value and/or appraisals with respect to the  
3 fair market retail values of the single family residences and lots of all of the Properties, including  
4 those contained in the Montecito Property. Debtor believes that there is equity in the Montecito  
5 Property, and the Properties, in general, to support its Plan.

6           During the duration of the Bankruptcy, the Debtor has been self-marketing the single  
7 family residences and lots of the Montecito Property for sale to individual purchasers for fair  
8 market retail values. Apart and aside from such marketing, the Debtor has entered into extensive  
9 settlement discussions with the creditor Compass Bank ("Compass") on account of the Compass  
10 Debt. See discussion in Article VII., Section D.

11           The Debtor believes that the Plan is in the best interest of the creditors in this matter, and  
12 will provide for better treatment of more, if not all, of creditors and equity interest holders than  
13 under a Chapter 7 liquidation or any other alternative. The Debtor herein discusses how and why  
14 the Plan will provide for a superior payout to creditors and equity interest holders. See discussion  
15 in Article X.

16           **D.   EVENTS LEADING TO FILING OF CHAPTER 11 PETITION.**

17           The Debtor Entities collectively are obligors to certain loans (the "Loans") taken for the  
18 acquisition and development of the Properties to Compass. Compass has asserted that the Loans  
19 total \$26,948,893.68 (the "Compass Debt") pursuant to its loan documents and related  
20 instruments. The following of the Properties serve as collateral for Compass on account of the  
21 Compass Debt:

- 22           i)   Montecito Property: All single-family residences and lots of the Montecito  
23               Property (the "Compass-Montecito Collateral");
- 24           ii)   Weston Property: All single family residences and lots in the Weston  
25               Property, except for one (1) of the single-family residence identified as "Lot 36"  
26               (the "Compass-Weston Collateral"); and
- 27           iii)   Landing Property: All single family residences and lots in the Landing  
28               Property, except for two (2) of the single-family residences identified as "Lot 16".

1 and "Lot 29" (the "Compass-Landing Collateral," together with the Compass-  
2 Montecito Collateral, and the Compass-Weston Collateral, the "Compass  
3 Collateral").

4 The Debtor and Debtor Entities had a long standing mutually beneficial business  
5 relationship with Guaranty Bank ("Guaranty"), the predecessor-in-interest to Compass. In late  
6 January of 2009, Guaranty obtained certain appraisals (the "01/09 Appraisals") regarding the  
7 Compass Collateral, pursuant to which Guaranty asserted that certain loan-to-value ratios were  
8 not being met. Guaranty demanded that Debtor and Debtor Entities inject additional capital as re-  
9 margin principal payments.

10 Debtor and Debtor Entities objected to the bank valuations of the single family residences  
11 and lots of the Compass Collateral as opined in the 01/09 Appraisals, asserting that said values  
12 were considerably higher, and demanding that the appraisers who opined on the 01/09 Appraisals  
13 re-value or explain their values with respect to the single family residences and lots of the  
14 Compass Collateral with the use and consideration of certain readily ascertainable comparables  
15 provided by the Debtor and Debtor Entities to the appraisers and Guaranty. In fact, the Debtor  
16 and Debtor Entities sent a letter to the appraisers (copying Guaranty) in which they specifically  
17 identified several issues with respect to the valuations given in the 01/09 Appraisals. Guaranty  
18 represented to the Debtor and Debtor Entities that it would address the valuation issues raised by  
19 them, and entered into extensive discussions with Debtor and Debtor Entities regarding the same  
20 through May of 2009. However, despite repeated demands to do so, Guaranty failed to fulfill its  
21 promises to address the valuation issues raised by Debtor and Debtor Entities.

22 In May of 2009, Compass sent a letter of default to Debtor and Debtor Entities therein  
23 asserting, among other things, that if the demanded re-margin principal payments were not paid  
24 on or before May 21, 2009, Compass would enforce its rights and remedies with respect to the  
25 Compass Collateral. Debtor and Debtor Entities believe that the demand by Guaranty and  
26 Compass was in response to Guaranty's significant financial deterioration as a financial  
27 institution, and that the Debtor and Debtor Entities were targets of such financial deterioration so  
28 that Guaranty and Compass may receive financial assistance through a federal funded program

1 known as Troubled Asset Recovery Program ("TARP"). In light of the lack of response by the  
2 appraisers and Guaranty with respect to the valuation issues, the perceived financial deterioration  
3 of Guaranty, and the incentive of Compass to receive TARP funding, Debtor and Debtor Entities  
4 were concerned that even if they were to inject additional funds as re-margin principal payments,  
5 Compass again would demand additional re-margin principal payments pursuant to new  
6 appraisals that could not be challenged. Therefore, Debtor and Debtor Entities worked  
7 extensively, and in good faith, with Compass to try and resolve the issues by and between them,  
8 but did not pay the demanded re-margin principal payments.

9 Subsequently, Compass commenced a lawsuit against the Debtor and Debtor Entities for  
10 breach of contract under the related loan documents. Compass also noticed trustee's sales of the  
11 Compass Collateral which were to be held on January 4, 2010. Despite numerous requests to  
12 address their valuation issues with respect to the Compass Collateral, Compass failed to  
13 appropriately respond. In addition, Compass would not release any single family residences and  
14 lots of the Compass Collateral despite the purchase offers that were being received by the Debtor  
15 and Debtor Entities and forwarded to Compass. Thereby, Debtor and Debtor Entities were being  
16 "choked" from continuing their operations as premier real estate developers in Arizona.

17 On December 31, 2009, the Debtor Entities each filed voluntary petitions for relief under  
18 Chapter 11 of United States Bankruptcy Code, thereby commencing the following respective  
19 Chapter 11 bankruptcy cases (together, the "Bankruptcies"):

- 20 a. Montecito: 2:09-bk-33899-GBN  
21 b. Weston: 2:09-bk-33901-SSC  
22 c. Landing: 2:09-bk-33903-GBN

23 The Debtor and Debtor Entities filed their Bankruptcies to protect the value of the single  
24 family residences and lots in the Properties so that they may continue their business operations  
25 and market and sell the single family residences and lots over time to individual purchasers for  
26 fair market retail values. The Debtor and Debtor Entities strongly believe that the fair market  
27 retail values projected for in the Plan and Disclosure Statement are cognizable, and Debtor should  
28 be given a fair opportunity to consummate the Plan.



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1 The remaining three single family residences of the Properties serves as collateral to Roll  
2 Tide. Debtor and Debtor Entities continue to have a strong working relationship with Roll Tide.  
3 The Debtor and Debtor Entities have listed Roll Tide's Secured Claim in the amount of  
4 \$3,496,250 in the Bankruptcies.

5 All of the Properties are encumbered by real property taxes owing to the Maricopa County  
6 Treasurer for the year 2009. The Plan provides for the payment of the Maricopa County  
7 Treasurer's Secured Claim over time, with interest, out of escrow, as the single family residences  
8 and lots of the Montecito Property are sold to individual purchasers for fair market retail values.

9 **E. ADDITIONAL POST-PETITION DEVELOPMENTS AND OPERATIONS.**

10 **1. Post-petition Activity Of The Debtor.**

11 After the commencement of Bankruptcy Case, the Debtor initially focused on  
12 complying with the administrative requirements of the bankruptcy code and the Office of the  
13 United States Trustee while continuing to manage and operate the Montecito Property as a going  
14 concern. Attached hereto as **Exhibit "3"** is the Debtor's most recent Monthly Operating Report  
15 filed with the Court showing a portion of the Debtor's post-petition financial activity.

16 In addition, as aforementioned, the Debtor and Debtor Entities entered into  
17 extensive settlement discussions with Compass on account of the Compass Debt early on in the  
18 Bankruptcies. In light of the settlement discussions with Compass, the Debtor believed that  
19 certain unexpired listing agreements related to the listing of certain single family residences and  
20 lots of the Montecito Property were unnecessary because Debtor believed that the Montecito  
21 Property could be sold as a single unit or that it could negotiate with Compass on the Compass  
22 Debt with respect to the Compass Collateral as a whole. Accordingly, the Debtor moved the  
23 Court to reject the Listings and said Listings were subsequently rejected by the Court.

24 While settlement discussions with Compass continue, Debtor now believes that in  
25 the event a settlement is not reached, the sale of the single family residences and lots of the  
26 Montecito Property over time to individual purchasers at fair market retail values will be in the  
27 best interest of all creditors and equity interest holders in its Bankruptcy. This is what the Debtor  
28 proposes through its Plan.

1           2.       **Post-petition Retention of Professionals Other Than Management.**

2               Employment of Counsel.

3               Nussbaum & Gillis, P.C. has been appointed by the Court as attorneys for Debtor.

4               Employment of Brokers.

5               No brokers have been appointed by the Court or employed by the Debtor post-  
6 petition.

7               Employment of Valuation Experts.

8               No valuation experts have been appointed by the Court post-petition. Debtor is in  
9 the process of obtaining appraisals and/or opinions of value with respect to the Montecito  
10 Property, and hereby reserves its rights to modify, amend, and/or supplement the Plan and related  
11 Disclosure Statement with the use of any appraisals and/or opinions of value.

12           3.       **Appointment of Creditors Committee.**

13               No creditors' committee has been appointed as of the date of this Disclosure  
14 Statement and related Plan.

15           4.       **Plans of Reorganization.**

16               Since the Petition Date, no other plans of reorganization have been filed in this  
17 Bankruptcy by the Debtor or any other creditor or party-in-interest except for the Plan related to  
18 this Disclosure Statement.

19           5.       **Stay Actions.**

20               On February 12, 2010, Compass filed its "Motion By Compass Bank For Relief  
21 From Automatic Stay And Other Related Relief" (the "Motion") therein requesting that, pursuant  
22 to Bankruptcy Code §§ 362(d)(1), (d)(2), and (d)(3), Compass be granted relief from all  
23 applicable stays and injunctions, including the automatic stay imposed under Bankruptcy Code §  
24 362(a), so that it can enforce its rights and remedies with respect to the Compass-Montecito  
25 Collateral. On March 17, 2010, the Debtor objected to the Motion asserting that Compass is  
26 adequately protected by an equity cushion in the Compass-Montecito Collateral and the Compass  
27 Collateral as a whole, and that Debtor has equity in both. A preliminary hearing on the Motion  
28 has been set by the Court for April 19, 2010. The Debtor asserts that the filing of the Plan is

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1 within the time periods imposed in this Bankruptcy pursuant to Bankruptcy Code § 362(d)(3), and  
2 that the Plan has a reasonable possibility of being confirmed within a reasonable time for the  
3 reasons discussed in this Disclosure Statement.

4 In addition, the party-in-interest Van Hoang has moved for relief from the  
5 automatic stay imposed under Bankruptcy Code §362(a) so that it may continue with certain  
6 litigation in the Superior Court in and for the State of Arizona at Case No. CV2008-093956.  
7 Debtor lists Van Hoang as the holder of a "disputed" Unsecured Claim in its Schedules in an  
8 amount of \$151,227.95.

9 **6. Exclusivity.**

10 The Debtor is well within the period of exclusivity under Bankruptcy Code §1121,  
11 which is currently set to expire on April 30, 2010. Therefore, the Debtor has the exclusive right  
12 to propose a plan of reorganization for the creditors and equity interest holders in its Bankruptcy,  
13 including the Plan.

14 **7. Cash Collateral.**

15 The Debtor and Compass have entered into a "Stipulation By And Between Debtor  
16 And Compass Bank To Use Cash Collateral Pursuant To Bankruptcy Code § 363" (the  
17 "Stipulation") which was filed with the Court on February 26, 2010. By and through the  
18 Stipulation, Compass authorized the Debtor to use cash collateral belonging to Compass.

19  
20 **ARTICLE VIII.**

21 **SUMMARY OF THE PLAN.**

22 This part of the Disclosure Statement summarizes the provisions of the Plan. The Plan,  
23 after it has been confirmed, will constitute a contract between the Debtor and its creditors and  
24 equity interest holders. This Disclosure Statement does not constitute such a contract. Therefore,  
25 if any discrepancies exist between the Plan and the following summary of the Plan, the Plan will  
26 control. Therefore, it is advisable, as mentioned above, to review the Plan carefully for the full  
27 details of the treatment of creditors and equity interest holders.

28 **CREDITORS AND EQUITY INTEREST HOLDERS ARE URGED TO READ**

1 **THE PLAN IN FULL. CREDITORS AND EQUITY INTEREST HOLDERS ARE**  
2 **FURTHER URGED TO CONSULT WITH THEIR COUNSEL TO OBTAIN A**  
3 **COMPLETE UNDERSTANDING OF THE PLAN.**

4 **A. OBJECTIVE OF THE REORGANIZATION.**

5 The objective of the Plan is to allow the Debtor to operate its business as a going-  
6 concern and market and sell the single family residences and lots of the Montecito Property over  
7 time to individual purchasers for fair market retail values, while treating the Creditors' Claims  
8 in accordance with the terms of the Plan.

9 The terms of the Plan provide for, among other things: i) the immediate payment of all  
10 Allowed Administrative Claims; ii) deferred payments (with respective terms as detailed herein)  
11 of all Allowed Secured Claims, in full, on or before July 1, 2014, as single family residences  
12 and lots of the Montecito Property are sold to individual purchasers for fair market retail values,  
13 and in the event that terms of the Plan are not complied with, immediate and effective relief  
14 from all applicable stays and injunctions to all Creditors who hold Allowed Secured Claims so  
15 that they may enforce their rights and remedies with respect to the Montecito Property; iii)  
16 deferred pro-rata payments on account of Allowed Unsecured Claims equal to fifty percent  
17 (50%) of Net Profits (defined herein) of any single family residence and/or lot of the Montecito  
18 Property that is sold pursuant to the Plan, with a stated Unsecured Claims Distribution  
19 Minimum of no less than \$30,000. The holders of the above-referenced claims, their  
20 approximate claim amounts and detailed treatment thereof is dealt with in Section E. of this  
21 Article.

22 The terms of the Plan provide for a Plan Account to be funded and to be used to pay the  
23 Debtor's operating expenses as a going-concern and certain Plan Release Prices. The Plan  
24 Account shall also be used to pay for estimated costs to complete the single family residences of  
25 the Montecito Property over time so that Debtor may realize a higher fair market retail value  
26 return on the sale of the single family residences. The Debtor and Debtor Entities estimate that  
27 the total costs to complete all of the single family residences of the Properties total \$619,717.00.  
28

1 The underlying purpose of the Plan is to provide distributions and relief to more of the  
2 Creditors and Equity Interest Holders in this matter than under a Chapter 7 liquidation or  
3 otherwise.

4 **B. MANAGEMENT OF THE REORGANIZED DEBTOR PENDING**  
5 **CONFIRMATION.**

6 **1. Management**

7 Megan Johnson will continue to manage the Debtor's affairs prior to the  
8 confirmation of the Plan. Upon confirmation, Megan Johnson will continue to manage the  
9 Debtor's affairs.

10 **2. Compensation of The Management**

11 Megan Johnson shall receive a salary of \$6,000 per year for her services as  
12 manager of Debtor. Debtor, in its sole discretion, reserves the right to modify Megan Johnson's  
13 salary, starting the second year following confirmation of the Plan, in an amount not to exceed  
14 fifteen percent (15%) per annum.

15 **C. POST-CONFIRMATION BUSINESS OPERATIONS.**

16 The Debtor will continue to operate its business as a going-concern and market and sell  
17 the single family residences and lots of the Montecito Property over time to individual  
18 purchasers for fair market retail values, and service its debt obligations to creditors in  
19 accordance with the terms of the Plan.

20 **D. ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND**  
21 **UNEXPIRED LEASES.**

22 The Debtor is not a party to any unexpired leases as of the date of submitting this  
23 Disclosure Statement and Plan, and therefore has no unexpired leases to assign. The Debtor is a  
24 named insured under an umbrella policy with respect to the Montecito Property, which was  
25 renewed post-petition. The Debtor is a party to a construction contract with Amberwood for the  
26 development and construction of the single family residences and lots of the Montecito Property.  
27 As of the Effective Date of the Plan, all pre-petition executory contracts shall be rejected,  
28 including, but not limited to, the construction contract with Amberwood.

1 **E. PLAN DEFINITIONS, CLASSIFICATION, IMPAIRMENT, VOTING AND**  
2 **TREATMENT OF CLAIMS, IMPLEMENTATION, AND MISCELLANEOUS**

3 **1.01 Defined Terms.** The capitalized terms used in the Plan shall have the meanings as  
4 set forth therein.

5 **1.02 Undefined Terms.** Terms and phrases, whether capitalized or not, that are used and  
6 not defined in the Plan attached hereto, or in the accompanying Disclosure Statement, but are  
7 defined by the Bankruptcy Code, have the meanings ascribed to them in the Bankruptcy Code.

8 **1.03 General Definitions**

9 **1.03.01 “Administrative Claim”** shall mean any Claim under Section  
10 503(b) of the Bankruptcy Code that is entitled to priority under Section 507(a)(2) of the  
11 Bankruptcy Code.

12 **1.03.02 “Allowed”** shall refer to (a) a Claim which has been scheduled by  
13 the Debtor pursuant to 11 U.S.C. §521(1), other than a Claim scheduled as disputed, contingent or  
14 unliquidated; (b) a Claim which has been filed pursuant to 11 U.S.C. §501(a) and as to which no  
15 objection to the allowance thereof has been interposed within any applicable time limitation fixed  
16 by the Bankruptcy Code or by an order of the Bankruptcy Court, or to which an objection has  
17 been determined in whole or in part by a Final Order of the Bankruptcy Court; and (c) a Claim  
18 which has been granted pursuant to a Final Order of the Bankruptcy Court. Unless otherwise  
19 specified, an “Allowed” claim shall not include interest on the principal amount of such Claim  
20 from and after the Petition Date.

21 **1.03.03 “Amberwood”** shall mean Amberwood Development, Inc. and its  
22 successors-in-interest and/or assigns.

23 **1.03.04 “Bankruptcy Code”** shall mean the Bankruptcy Code, as set forth  
24 in Title 11 of United States Code, 11 U.S.C. §§ 101, *et. seq.*, as applicable to Chapter 11 cases  
25 filed on the Petition Date, and as amended by the Bankruptcy Abuse Prevention and Consumer  
26 Protection Act of 2005 (“BAPCPA”).

1                   **1.03.05**            “Bankruptcy Court” shall mean the United States Bankruptcy  
2 Court for the District of Arizona, Phoenix Division, having jurisdiction over this case or any  
3 proceeding arising under, in, or relating to this case.

4                   **1.03.06**            “Bankruptcy Rule” shall mean the Federal Rules of Bankruptcy  
5 Procedure as amended and the Local Rules of the Bankruptcy Court, as applicable to the Chapter  
6 11 Case or proceedings therein, as the case may be.

7                   **1.03.07**            “Bar Date” shall mean the date, if any, designated by the  
8 Bankruptcy Court as the last date for filing Proofs of Claim or Interest against the Debtor.

9                   **1.03.08**            “Claim” shall mean (a) a right to payment, whether or not such  
10 right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,  
11 disputed, undisputed, legal, equitable, secured or unsecured, which right arose or accrued prior to  
12 the date of Confirmation; or, (b) a right to an equitable remedy for breach of performance if such  
13 breach gives rise to a right of payment, whether or not such right to an equitable remedy is  
14 reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,  
15 undisputed, secured or unsecured, where such right arose or accrued prior to Confirmation, or; (c)  
16 a claim arising under 11 U.S.C. §502(g), all as set forth in Section 101(5) of the Bankruptcy  
17 Code.

18                   **1.03.09**            “Claimant or Creditor” shall mean any person or entity that  
19 asserts a Claim.

20                   **1.03.10**            “Class” shall mean a category of holders of Claims or Interests as  
21 described in this Plan.

22                   **1.03.11**            “Compass” shall mean the creditor Compass Bank and its  
23 successors-in-interest and/or assigns.

24                   **1.03.12**            “Compass Collateral” shall mean the Compass-Montecito  
25 Collateral, Compass-Weston Collateral, and the Compass Landing Collateral combined.

26                   **1.03.13**            “Compass-Landing Collateral” shall mean all single family  
27 residences and lots in the Landing Property, except for two (2) of the single-family residences  
28 identified as “Lot 16” and “Lot 29”.

1                   **1.03.14**            “Compass-Montecito Collateral” shall mean all single-family  
2 residences and lots of the Montecito Property

3                   **1.03.145**           “Compass-Weston Collateral” shall mean all single family  
4 residences and lots in the Weston Property, except for one (1) of the single-family residence  
5 identified as “Lot 36”

6                   **1.03.16**            “Confirmation” shall mean the date on which the Bankruptcy  
7 Court enters an Order confirming the Plan.

8                   **1.03.17**            “Confirmation Order” shall mean a final Order entered by the Court  
9 confirming the Plan (as may be modified, supplemented and/or amended).

10                  **1.03.18**            “Confirmation Date” shall mean the date of the Confirmation Order.

11                  **1.03.19**            “Creditor” shall mean a Person that has a Claim against the Debtor  
12 that arose on or before the Petition Date or that has a Claim against the Debtor’s estate of any  
13 kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code.

14                  **1.03.20**            “Debtor” shall mean Montecito At Mirabel Development, LLC.

15                  **1.03.21**            “Debtor Entities” shall mean Montecito, Weston, and Landing.

16                  **1.03.22**            “Disbursing Agent” shall mean the Debtor and said Disbursing  
17 Agent shall make distributions to holders of Allowed Claims under the Plan.

18                  **1.03.23**            “Disclosure Statement” shall mean Debtor’s disclosure statement  
19 which accompanies the Plan, and any amendments and supplements thereto as approved by an  
20 order of the Bankruptcy Court.

21                  **1.03.24**            “Dominionrock” shall mean Dominionrock Plancor, LLC and its  
22 successors-in-interest and/or assigns.

23                  **1.03.25**            A “Draw” shall mean an advance on the RFT LOC as defined in  
24 Section 6.00 of the Plan.

25                  **1.03.26**            “Effective Date” shall mean the effective date of the Plan shall be a  
26 date set for fourteen (14) calendar days after the date on which the Court enters the Confirmation  
27 Order confirming the Plan, provided that no stay of the Confirmation Order has been entered  
28 pending appeal.



1                   **1.03.27**            “Equity Interest Holder” shall mean any Person that holds an  
2 equity interest in the Debtor. Dominionrock is the sole member and 100% Equity Interest Holder  
3 of the Debtor.

4                   **1.03.28**            “Final Order” shall mean an order or judgment which has not been  
5 stayed, and which cannot be, and is not subject to, appeal.

6                   **1.03.29**            “Landing” shall mean The Landing at Reid’s Ranch Development,  
7 LLC.

8                   **1.03.30**            “Landing Property” shall mean a real estate development project  
9 containing five (5) single-family residences and eighteen (18) vacant lots located at the northwest  
10 corner of Chandler Heights Road and Mustang Drive in Chandler, Maricopa County, Phoenix,  
11 Arizona 85249.

12                   **1.03.31**            “MCT” shall mean the creditor Maricopa County Treasurer

13                   **1.03.32**            “Montecito” shall mean Montecito at Mirabel Development, LLC.

14                   **1.03.33**            “Montecito Property” shall mean a real estate development  
15 project containing nine (9) single-family residences and thirty-five (35) vacant lots located at the  
16 southeast corner of Cave Creek Road and Mirabel Club Drive in Scottsdale, Arizona 85262.

17  
18                   **1.03.34**            “Net Profits” is hereinafter defined as an amount equal to the  
19 purchase price paid by an individual purchaser minus the all distributions paid for commissions,  
20 taxes, closing costs and the Plan Release Price, of the particular single family residence or lot sold.

21                   **1.03.35**            “Person” shall mean an individual, partnership, corporation and  
22 other further defined in Section 101(41) of the Bankruptcy Code.

23                   **1.03.36**            “Petition Date” shall mean the Petition filing date in this  
24 Chapter 11 case: December 31, 2009.

25                   **1.03.37**            “Plan Account” means the FDIC insured money market  
26 checking/savings account opened and maintained by Debtor for the purpose of holding any  
27 monies and/or funds for the purposes of consummation of the Plan pending distribution to  
28 claimants under the terms of the Plan.

1                   **1.03.38**            “Plan, or Plan of Reorganization” shall mean this Plan of  
2 Reorganization proposed by the Debtor, including any amendment or modification made in  
3 accordance with applicable provisions of the Code.

4                   **1.03.39**            “Plan Deposit” shall mean the earnest money deposit deposited in  
5 the Plan Account within ten (10) days of the approval of the Disclosure Statement accompanying the  
6 Plan.

7                   **1.03.40**            “Plan Release Price” shall mean the amount that the Debtor shall  
8 pay Compass upon closing of the sale of any single family residence and/or lot in the Compass-  
9 Montecito Collateral to any individual purchaser over time for fair market retail values.

10                  **1.03.41**            “Plan Default” shall mean a default by the Debtor under any  
11 provision of this Plan, or a default under any plans of reorganization of any other Debtor Entity.

12                  **1.03.42**            “Plan Default Notice” shall mean a written notice by a Creditor to  
13 Debtor of a Plan Default.

14                  **1.03.43**            “Plan Cure Period” shall mean on or before thirty (30) days from  
15 the date of a Plan Default Notice.

16                  **1.03.44**            “Priority Claim” shall mean an Allowed Claim entitled to priority  
17 under Sections 507(a) of the Bankruptcy Code.

18                  **1.03.45**            “Pro-Rata” means the ratio of an Allowed Claim or Allowed  
19 Interest in a particular Class to the aggregate amount of all Allowed Claims or Allowed Interests  
20 in that Class.

21                  **1.03.46**            “Release Price Schedule” shall mean the list of Plan Release  
22 Prices, and is attached to the Plan as Exhibit “A” and incorporated herein by this reference.

23                  **1.03.47**            “Reorganized Debtor” means the Debtor after the Effective Date.

24                  **1.03.48**            “Roll Tide” shall mean Roll Tide Limited Partnership and its  
25 successors-in-interest and/or assigns.

26                  **1.03.49**            “Secured Claim” shall mean an Allowed Claim secured by  
27 Debtor’s property in an amount equal to the lesser of the Allowed Claim of that creditor or the  
28

1 value of the property, as determined by the Court pursuant to 11 U.S.C. § 506, minus the amount  
2 of any Allowed Claim secured by a senior lien against the same property.

3 **1.03.50** “Schedules” shall mean the Debtor’s statements and schedules  
4 filed with the Court, as may be amended, corrected, and/or modified.

5 **1.03.51** “Unsecured Claim” shall mean an Allowed Claim, other than an  
6 Allowed Administrative Claim, an Allowed Priority Claim, or an Allowed Secured Claim, and  
7 that is not listed in the Debtor’s schedules as disputed, un-liquidated and/or contingent.

8 **1.03.52** “Unsecured Claim Distribution Minimum” shall mean an amount  
9 equal to \$30,000 minus the aggregate amount of Net Profits distributed to all Unsecured Creditors on  
10 or before July 1, 2014 on account of their Claims pursuant to this Plan.

11 **1.03.53** “Weston” shall mean Weston Ranch Development, LLC.

12 **1.03.54** “Weston Property” shall mean a real estate development project  
13 containing five (5) single-family residences and fifty-one (51) vacant lots located west of the  
14 northwest corner of Queen Creek Road and Higley Road, Gilbert, Maricopa County, Arizona  
15 85297

16 **1.04** Interpretation. The headings in this Plan are for convenience and reference only  
17 and shall not limit or otherwise affect the provisions hereof. Words denoting the singular number  
18 shall include the plural number and vice versa, and words denoting one gender shall include the  
19 other gender.

20 **2.00** Classification of Claims and Interests.

21 **2.01** General. For the purposes of organization only with respect to  
22 Administrative Claims, and for purposes of organization, voting and all confirmation matters with  
23 respect to all Claims of Creditors, this Plan classifies Claims in separate and distinct Classes as  
24 follows:

25 **2.02** Class 1: Administrative Claims. Class 1 shall consist of the costs and  
26 expenses of administration as defined in Bankruptcy Code §503 for which application or allowance  
27 is made, or a Claim is filed, as the same are allowed, approved, and ordered paid by the Court.  
28 Administrative expenses shall consist of: (1) all Claims arising under Bankruptcy Code §330,

1 including reasonable compensation for actual and necessary services rendered by a professional  
2 person (including attorneys) and by any paraprofessional persons employed by such, based on,  
3 among other things, the nature, extent and value of such services, the time spent on such services,  
4 and the cost of comparable services other than in a case under Title 11 of the Bankruptcy Code; (2)  
5 the costs and expenses of the administration of this proceeding, including, but not limited to, any  
6 Bankruptcy Court Clerk fees or Court Reporter's fees which have not been paid, the cost of  
7 reproduction and mailing of the Plan and the Disclosure Statement; (3) any post-petition operating  
8 expenses of the Debtor which are due and unpaid at Confirmation; and (4) the actual and necessary  
9 costs of preserving the Estate.

10 Class 1 also expressly includes any outstanding pre-confirmation quarterly fee payments  
11 owed by the Debtor to the United States Trustee. The total of these administrative expenses are  
12 estimated to be less than \$50,000. The Allowed amount of these Claims entitled to status as an  
13 Administrative Claim under Bankruptcy Code §503 shall be determined by the Court, and only the  
14 Allowed amount shall be treated under the Plan as a Class 1: Administrative Claim.

15 **2.03 Class 2: Priority Claims.** Class 2 consists of all Allowed obligations of the  
16 Debtor which are entitled to priority under Bankruptcy Code §507(a)(8). Currently, this class  
17 consists of no Claims.

18 **2.04 Class 3A: Secured Claim of Compass.** Class 3A consists of the Allowed  
19 Secured Claim of Compass in connection with its security interest in and to thirty-five fully  
20 improved and entitled lots, and nine spec single family residences identified as Lot 50, Lot 12,  
21 Lot 14, Lot 24, Lot 27, Lot 28, Lot 30, Lot 36, and Lot 38 (collectively, the "Compass-Montecito  
22 Collateral"), which are held by the Debtor and are part of the Bankruptcy estate. Compass is  
23 listed in the Debtor's Schedules as being owed the amount of \$12,799,928.00 on account of its  
24 security interest in and to the Compass-Weston Collateral. See Schedule D – Creditors Holding  
25 Secured Claims.

26 **2.05 Class 3B: Secured Claim of MCT.** Class 3B consists of the Allowed  
27 Secured Claim of the MCT for real property taxes owed on the single family residences and lots  
28 in the Montecito Property for the tax year 2009. MCT has filed a proof of claim in which it

1 asserts a Secured Claim against the single family residences and lots in the Montecito Property in  
2 the amount of \$88,072.97. See Proof of Claim 1-1. The Debtor has not had sufficient opportunity  
3 to review the documentation related to these claims, and reserve the right to take all appropriate  
4 actions to avoid, object to, or seek modification of, any asserted lien, claim, interest or encumbrance  
5 by MCT. The amount of the tax obligations Allowed as a Secured Claim shall be determined by the  
6 Court, and the Allowed amount shall be treated under the Plan as a Class 3B: Secured Claim of  
7 Maricopa County Treasurer. Any amounts due and owing but not Allowed as a Class 3B: Secured  
8 Claim of Maricopa County Treasurer shall be treated as a Class 4: General Unsecured Claim as  
9 defined and set forth herein.

10 **2.06 Class 4: General Unsecured Claims.** Class 4 consists of the Allowed  
11 Unsecured Claims held by Creditors (“Unsecured Creditors”) not entitled to priority under  
12 Bankruptcy Code §507(a)(8) and not treated as an administrative expense under Bankruptcy Code  
13 §503. This Class consists of three (3) Creditors who hold non-contingent, liquidated, and  
14 undisputed Unsecured Claims with an approximate aggregate Claim amount of \$5,564,710.78.  
15 See Schedule F – Creditors Holding Unsecured Nonpriority Claims. Any portion of the Claim  
16 held by MCT that is not Allowed as a Class 3B: Secured Claim of Maricopa County Treasurer,  
17 shall be treated as a Class 4: General Unsecured Claim to the extent they are Allowed as such. This  
18 Class does not include those Unsecured Claims listed in the Debtor’s schedules as “contingent,”  
19 “liquidated,” and/or “disputed,” unless the Creditor holding such Claim will have timely filed a proof  
20 of claim on or before the Bar Date, that has not been objected to by the Debtor, and that is further  
21 deemed an Allowed Claim by the Court.

22 The party-in-interest Douglas and Barbara Ondrasek (the “Ondraseks”) filed a proof of claim  
23 with the Court asserting an Unsecured Claim in the amount of \$148,500.00 (the “Ondrasek Claim”)  
24 that has not yet been objected to by Debtor. See Proof of Claim 2-1. The Ondrasek Claim derives  
25 from certain litigation in the Superior Court in and for the State of Arizona at Case No. CV2009-  
26 025996 (the “Ondrasek Lawsuit”). The Debtor and the Ondraseks have reached an agreement  
27 pursuant to which both will be released from all claims and allegations as asserted by the parties in  
28 the Ondrasek Lawsuit, and the Ondrasek Lawsuit will be dismissed, with prejudice, and with each

1 party to bear their own attorneys' fees and costs. Accordingly, the Ondrasek Claim is not included  
2 and treated as part of this Class 4 as a General Unsecured Claim.

3 The Unsecured Claims include, among others, the Claim held by Amberwood for  
4 construction and development costs related to the single family residences and lots of the  
5 Montecito Property, which is listed in an amount of \$5,559,368.00.

6 **2.07 Class 5: Equity Interest Holders.** Class 5 consists of the interests of Equity  
7 Interest Holders in the Debtor which consists only of Dominionrock, the hundred percent (100%)  
8 equity interest holder of the Debtor identified by the Debtor in its Schedules.

9 **2.08 Elimination of Classes.** Any Class that is not occupied as of the date of  
10 the hearing on confirmation of this Plan by an Allowed Claim or a Claim temporarily allowed  
11 pursuant to Rule 3019 of the Bankruptcy Rules shall be deemed deleted from this Plan for  
12 purposes of voting on acceptance or rejection of this Plan and for the purpose of determining  
13 whether this Plan has been accepted by such Class pursuant to Section 1129 of the Bankruptcy  
14 Code.

15 **3.00 Class Impairment.**

16 **3.01 Impaired Classes of Claims.** Class 3A, Class 3B, and Class 4, are impaired  
17 under the Plan and are entitled to vote on the Plan. Administrative Expenses (Class 1) and Priority  
18 Tax Claims (Class 2) are treated in accordance with Section 1129(a)(9) of the Bankruptcy Code  
19 unless otherwise agreed to by the claimant. All other classes are unimpaired and are deemed to have  
20 accepted the Plan, or are not entitled to vote on the Plan and share in any distribution thereunder.

21 **3.02 Impairment Controversies.** If a controversy arises as to whether any Claim  
22 or any class of Claims is impaired under this Plan, such class shall be treated as specified in this Plan  
23 unless the Bankruptcy Court shall determine such controversy upon motion of the party challenging  
24 the characterization of a particular Class or Claim under this Plan.

25 **4.00 Plan Voting.**

26 **4.01 Classes Entitled to Vote.** Each impaired Class of Claims shall be entitled to  
27 vote separately to accept or reject this Plan. Any unimpaired Class of Claims shall not be entitled to  
28 vote to accept or reject this Plan.

1           **4.02 Creditors Not Entitled to Vote.** Only Creditors holding Claims that are not  
2 contested or listed as disputed, contingent, and/or unliquidated may vote for the Plan unless  
3 authorized by the Court to do so after motion and court order entered prior to the hearing on  
4 confirmation of the Plan unless Plan Proponents stipulate to allow a Creditor temporary voting  
5 privileges.

6           **4.03 Class Acceptance Requirement.** A Class of Claims shall have accepted this  
7 Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of  
8 the Allowed Claims of such class that have voted on this Plan.

9           **4.04 One Vote Per Holder.** If a holder of a Claim holds more than one Claim in  
10 any one class, all Claims of such holder in such Class shall be aggregated and deemed to be one  
11 Claim for purposes of determining the number of Claims voting on this Plan.

12           **4.05 Cramdown.** Notwithstanding the rejection or deemed rejection of this Plan  
13 by any class of Claims, Debtor shall request that the Bankruptcy Court confirm this Plan in  
14 accordance with Section 1129(b) of the Bankruptcy Code.

15           **5.00 Plan Treatment.**

16           **5.01 Treatment of Class 1: Administrative Claims.** Debtor shall pay the  
17 Allowed amount of Administrative Claims in full:

18           (A) On the later of: (1) the Effective Date; or (2) ten days after an Order  
19 approving the Administrative Claim is entered if the Claim is one of a professional person employed  
20 under Sections 327 or 1103 of the Bankruptcy Code or otherwise employed by the Bankruptcy; or  
21 (3) for all other Administrative Claims, twenty days after the Claim becomes an Allowed Claim; **OR**

22           (B) Through such other treatment as may be agreed in writing by such holder  
23 of an Administrative Claim or as expressly set forth herein; provided, however, an Allowed  
24 Administrative Claim representing a liability incurred in the ordinary course of business shall be  
25 paid by Debtor upon presentment or otherwise in accordance with the terms of the particular  
26 transaction and any agreements relating thereto.

1                   **5.02    Treatment of Class 2: Priority Claims.** Currently, there are no Claims in  
2 Class 2: Priority Claims. Debtor will amend the Plan and Disclosure Statement and treat this Class if  
3 and when it is determined Claims exist in this Class.

4                   **5.03    Treatment of Class 3A: Secured Claim of Compass.** On account of the  
5 Allowed Secured Claim held by Compass, Debtor shall pay Compass the Plan Release Price as  
6 identified in the Release Price Schedule (attached to the Plan as **Exhibit "A"**) upon closing of the  
7 sale of any single family residence and/or lot in the Compass-Montecito Collateral to any  
8 individual purchaser over time for fair market retail values. Pursuant to the Release Price  
9 Schedule, the Plan Release Prices for single family residences and lots change per year. No  
10 single family residence and/or lot of the Compass-Montecito Collateral may be sold by the  
11 Reorganized Debtor without Compass's permission unless Compass received at or before the  
12 closing of the sale the Plan Release Price for such single family residence and/or lot sold,  
13 provided, however, that the payment of the Plan Release Price may be comprised of funds from  
14 the buyer with any shortfall being paid by the Debtor from the Plan Account and/or any other  
15 source.

16                   The Release Price Schedule is supported by certain quantifiable projections  
17 ("Projections") for sales of the single family residences and lots of the Compass-Montecito  
18 Collateral through the end of the year 2013. The Projections are attached to the Plan as **Exhibit**  
19 **"B"** and incorporated herein by this reference. The Projections take into consideration: i) the  
20 experience of the Debtor in acquiring, marketing, and selling similar types of properties; ii) sales  
21 comparisons and real estate market projections; iii) prior sales within the communities of the  
22 Debtor and projections therefrom; and iv) projected closing costs, all real property and sales  
23 taxes, and commissions. The Projections are projections of the sales of the single family  
24 residences and lots of the Compass Collateral, including the Compass-Montecito Collateral, and  
25 demonstrate that the Plan is feasible, fair and equitable. Compass's Allowed Secured Claim shall  
26 accrue interest at four and a quarter percent (4.25%) per annum under the Plan, as projected for in  
27 the Projections.  
28



1 Debtor shall not be obligated to sell a set amount of single family residences and/or lots of  
2 the Compass-Montecito Collateral as listed in the Projections, or within any projected time  
3 periods as listed in the Projections. However, Debtor shall be obligated to pay the Plan Release  
4 Prices as listed in the Release Price Schedule pursuant to the terms of the Plan upon sale of any  
5 single family residence and/or lot of the Compass-Montecito Collateral; provided, however,  
6 Debtor shall have the right to pay any portion of the Secured Claim held by Compass by any  
7 means, without prepayment penalty, on or before July 1, 2014. Debtor shall satisfy the Allowed  
8 Secured Claim of Compass, in full, with the interest rate stated herein, from the sale of single  
9 family residences and/or lots of the Compass-Montecito Collateral or from any other means, on or  
10 before July 1, 2014. If a sale of any single family residence and/or lot does not yield the Plan  
11 Release Price for that particular single family residence and/or lot, Debtor shall pay Compass the  
12 difference from the funds of the Plan Account on or before the date of closing such sale. Debtor,  
13 in its sole discretion, reserves the right to sell any single family residence and/or lot to any  
14 individual purchaser, at any time prior to July 1, 2014, so long as the Debtor satisfies the Plan  
15 Release Price for such sale on or before the date of closing.

16 Pursuant to Bankruptcy Code §1129(b)(2)(A)(i), Compass shall: i) retain its liens against  
17 the single family residences and lots of the Compass-Montecito Collateral, and ii) receive on  
18 account of its Claim secured by the Compass-Montecito Collateral, deferred cash payments  
19 totaling at least the amount of Compass's Secured interest in the Bankruptcy estate's interest in  
20 the Compass-Montecito Collateral as of the Effective Date of the Plan. Concurrent with full  
21 payment of any Plan Release Price, any liens held by Compass in the respective single family  
22 residence and/or lot sold shall be immediately released, and Compass shall take all necessary  
23 steps to execute and file any documents necessary to release said liens.

24 The Release Price Schedule and Projections include Plan Release Prices and sales  
25 projections for single family residences and lots for all Compass Collateral as well. The plans of  
26 reorganizations filed in the related bankruptcies of Weston and Landing on even date herewith are  
27 virtually identical to this Plan in terms of the treatment of the Secured Claims held by Compass in  
28 and to the Compass-Weston Collateral and the Compass-Landing Collateral. If Compass chooses

1 to make an election pursuant to Bankruptcy Code §1111(b)(1)(A)(i) to instead have its entire  
2 Allowed Claim treated as a Secured Claim, then the foregoing terms of this Plan, and the plans of  
3 reorganization filed in the bankruptcies of Weston and Landing, will still be applicable.

4 Pursuant to Bankruptcy Code § 1123(a)(5), Debtor may accept the transfer of the  
5 Compass-Weston Collateral and Compass-Landing Collateral, and assume any and all related  
6 obligations as stated in the plans of reorganization proposed by Weston and Landing in their  
7 related bankruptcies. See Disclosure Statement. Upon such transfers and assumption of such  
8 obligations, Debtor shall treat the Compass Debt in a similar fashion as stated herein pursuant to  
9 the Release Price Schedule, as supported by the Projections. Debtor reserves the right, in its sole  
10 discretion, to accept such transfers and assume such obligations, and if it chooses to do so, shall  
11 execute any and all necessary agreements within thirty (30) days following the Effective Date of  
12 the Plan.

13 If a Plan Default occurs, Compass shall provide a Plan Default Notice to Debtor, and  
14 Debtor shall have the Plan Cure Period in which to cure the Plan Default. If the Plan Default is  
15 not cured within the Plan Cure Period, Compass shall, without further Order of the Court: i)  
16 receive immediate and effective relief from all applicable stays and injunctions, including the  
17 automatic stay under Bankruptcy Code § 362(a), to enforce its rights and remedies against the  
18 Compass Collateral in its entirety; and ii) be entitled to enforce any other right and/or remedy that  
19 is stayed during the consummation of the Plan. Please note that the definition of a Plan Default  
20 includes a default under this Plan or under any plans of reorganization of any other Debtor Entity.

21 **5.04 Treatment of Class 3B: Secured Claim of MCT.** Debtor shall pay the  
22 Allowed amount of the Secured Claims held by MCT, over time, as the single family residences  
23 and lots in the Montecito Property are sold, out of escrow, in full, an amount equal to the lien held  
24 by MCT against the single family residence and/or lot sold. Upon such full payment, any liens  
25 held by MCT in the single family residence and/or lot sold shall be immediately released, and  
26 MCT shall take all necessary steps to execute and file any documents necessary to release said  
27 liens. Any outstanding portions of the Secured Claim held by MCT shall accrue interest at the  
28 lesser of sixteen percent (16%) per annum, or the rate of interest of any successful bids for any

1 related liens sold by MCT. The Reorganized Debtor shall pay MCT any and all accrued post-  
2 petition real property taxes with respect to the Montecito Property from the Plan Account as they  
3 become due and payable.

4 As previously mentioned, the sale of the single family residences and lots of the Compass-  
5 Montecito Collateral are supported by the Projections attached to the Plan as **Exhibit "B."** Debtor  
6 shall not be obligated to comply with any amounts or projected payments as listed in the  
7 Projections, and further shall have the right to pay any portion of the Secured Claim(s) held by  
8 MCT by any means, without prepayment penalty, on or before July 1, 2014.

9 If a Plan Default occurs, MCT shall provide a Plan Default Notice to Debtor, and Debtor  
10 shall have the Plan Cure Period in which to cure the Plan Default. If the Plan Default is not cured  
11 within the Plan Cure Period, MCT shall, without further Order of the Court: i) receive immediate  
12 and effective relief from all applicable stays and injunctions, including the automatic stay under  
13 Bankruptcy Code § 362(a), to enforce its rights and remedies against the Montecito Property; and  
14 ii) be entitled to enforce any other right and/or remedy that is stayed during the consummation of  
15 the Plan.

16 Pursuant to Bankruptcy Code § 1123(a)(5), Debtor may accept the transfer of the  
17 Compass-Weston Collateral and Compass-Landing Collateral, and assume any and all related  
18 obligations as stated in the plans of reorganization proposed by Weston and Landing in their  
19 bankruptcies. See Disclosure Statement. Upon such transfers and assumption of such  
20 obligations, Debtor shall treat all Secured Claims held by MCT against the Compass Collateral in  
21 a similar fashion as stated herein. Debtor reserves the right, in its sole discretion, to accept such  
22 transfers and assume such obligations, and if it chooses to do so, shall execute any and all  
23 necessary agreements within thirty (30) days following the Effective Date of the Plan.

24 **5.05 Treatment of Class 4: General Unsecured Claims.** The Allowed Claims  
25 of Unsecured Creditors shall be paid a pro-rata share of their Allowed Unsecured Claims, over time,  
26 out of fifty percent (50%) of the Net Profits generated from the sale of any single family residence  
27 and/or lot, and only to any particular Unsecured Creditor until any amount of its Allowed Claim is  
28 paid in full, and only until all single family residences and lots of the Montecito Property are sold in

1 the ordinary course of Debtor's business. Distributions to Unsecured Creditors under the terms of  
2 this Plan shall be made by the Reorganized Debtor within ten (10) business days from the date of  
3 closing a sale of any single family residence and/or lot.

4 In addition, the Unsecured Creditors shall receive a one-time pro-rata distribution on  
5 July 1, 2014, on account of any remaining unpaid portions of their Allowed Unsecured Claims, in an  
6 amount equal to the Unsecured Claims Distribution Minimum, which is equal to an amount of  
7 \$30,000 minus the aggregate amount of Net Profits distributed to all Unsecured Creditors on or  
8 before July 1, 2014 on account of their Claims pursuant to this Plan. See Definitions, Section  
9 1.03.50. The Unsecured Claims Distribution Minimum shall be made by the Reorganized Debtor  
10 from the Plan Account. Accordingly, the Unsecured Creditors shall receive no less than their pro-  
11 rata share of the Unsecured Claims Distribution Minimum of \$30,000 on account of their Allowed  
12 Claims through the Plan.

13 As previously mentioned, the sale of the single family residences and lots of the Compass-  
14 Montecito Collateral are supported by the Projections attached to the Plan as **Exhibit "B."** Debtor  
15 shall not be obligated to comply with any amounts or projected payments as listed in the  
16 Projections.

17 **5.06 Treatment of Class 5: Interests Of Equity Interest Holders.**

18 Dominionrock will retain its hundred percent (100%) equity interest in the Reorganized Debtor.  
19 Dominionrock shall incur any and all liability associated with the RFT LOC, and deposit the Plan  
20 Deposit and Draws into the Plan Account, in exchange for its retention of its equity interest. See  
21 Section 6.00 Funding for the Plan.  
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1                   **5.07 Treatment Applying To All Classes; Stay Of All Claims Held By All**  
2 **Creditors And Equity Interest Holders Against The Debtor, Its Members, And Its Affiliates.**

3 As partial consideration for the Treatment received by the Creditors and Equity Interest Holders  
4 under the Plan, all claims held by any Creditor, and Equity Interest Holders, against the Debtor or its  
5 members, co-obligors, guarantors, and/or affiliates, as of the Petition Date, are hereby stayed and  
6 enjoined upon the Effective Date of the Plan, except as provided for in the Plan, as set forth in  
7 Section 8.00b below.

8                   **5.08 Sale Of The Single Family Residences And Lots In The Montecito**  
9 **Property To Individual Purchasers Over Time Free And Clear Of Encumbrances.** As partial

10 consideration for the Treatment received by the Creditors and Equity Interest Holders under the Plan,  
11 single family residences and lots in the Montecito Property shall be sold to individual purchasers  
12 over time, free and clear of all liens and encumbrances pursuant to Bankruptcy Code §363(f), and all  
13 of said Creditors' and Equity Interest Holders' Claims shall be treated only in accordance with the  
14 Plan.

15                   **6.00 Funding For The Plan.** The Plan will be funded, in part, by capital contributions  
16 (the "Capital Contributions") by Dominionrock. Dominionrock shall obtain the Capital Contribution  
17 from the Renello Family Trust (the "RFT"). RFT shall provide Dominionrock with an unsecured  
18 line of credit in the amount of up to approximately \$2,000,000.00 (the "RFT LOC"), and  
19 Dominionrock shall assume any liability associated with the RFT LOC. The RFT LOC includes a  
20 term of five (5) years, with an optional one-time five (five) year extension. The RFT LOC shall  
21 accrue simple interest only, and Dominionrock shall be liable for annual interest only payments on  
22 any funds that Dominionrock draws from the RFT LOC, with all outstanding interest and principal  
23 due upon maturity.

24                   RFT has provided the Debtor and Dominionrock with a letter evidencing its intent to provide  
25 the RFT LOC to Dominionrock (the "LOI"). A true and correct copy of the LOI is attached to the  
26 Plan as **Exhibit "C"** and incorporated herein by this reference. In addition, RFT has provided the  
27 Debtor and Dominionrock a copy of its Wells Fargo Portfolio Statement dated February 28, 2010  
28 (the RFT Statement") to evidence that RFT has the funds to support the RFT LOC. A true and

1 correct copy of the RFT Statement is attached to the Plan as **Exhibit "D"** and incorporated herein by  
2 this reference. The RFT Statement shows that RFT currently holds the amount of \$2,041,972.30 in  
3 its portfolio of liquid assets in the form of mutual funds.

4 Within ten (10) days of the approval of the Disclosure Statement accompanying the Plan,  
5 Dominionrock shall enter into any and all necessary documents to enter into the RFT LOC with  
6 RFT, and shall draw \$100,000.00 from the RFT LOC and place it into the Plan Account held by  
7 Debtor for the purposes of consummating the Plan as a refundable Plan Deposit. The Plan Deposit  
8 shall be non-refundable as of the Effective Date. After the Effective Date, Dominionrock shall Draw  
9 any amounts necessary and available from the RFT LOC and deposit Draws into the Plan Account.

10 In addition, as single family residences and/or lots of the Montecito Property are sold  
11 pursuant to the terms of the Plan, the Debtor shall deposit in the Plan Account an amount equal to  
12 fifty percent (50%) of the Net Profits received by the Debtor at the closing from the sale of any  
13 single family residence or lot of the Montecito Property.

14 The Debtor will use the funds in the Plan Account to pay for its post-petition operations,  
15 including, but not limited to, Megan Johnson's salary and other management expenses, overhead,  
16 real property insurance, real property taxes, subsidies for home owner's association fees,  
17 quarterly fees, and retention of professionals (as needed). In addition, the Debtor will further use  
18 the funds in the Plan Account to pay the post-petition costs to complete any single family  
19 residences of the Montecito Property, and any remaining amounts needed to meet the Plan Release  
20 Price of any single family residence or lot of the Compass-Montecito Collateral as said single family  
21 residence or lot is sold by the Debtor in time. Debtor believes that the Plan Account will provide  
22 for more than sufficient funds to pay for these post-petition expenses and consummate the Plan in  
23 its entirety.

24 **7.00 Implementation.**

25 **7.01 Procedure To Implement The Plan.** On the Effective Date, or prior to  
26 where applicable, the following events shall occur:

27 The Reorganized Debtor shall:

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- a. Execute any documents necessary to implement the Plan, including, assumption of any obligations owed by the Reorganized Debtor to Creditors as required under this Plan;
- b. Determine the amounts of all Allowed Class claims; and
- c. If Debtor decides to merge the Compass Collateral together and treat the Claims of Creditors holding interests therein pursuant to the terms of the Plan, the Debtor shall execute any and all documents and take all actions necessary to assume all obligations by any Creditor with Claims related to the Compass-Weston Collateral and Compass-Landing Collateral, and concurrently accept transfer of the Compass-Weston Collateral and Compass-Landing Collateral, within thirty (30) days following the Effective Date of the Plan.

Dominionrock shall:

- a. Execute any and all documents necessary to be able to draw upon the RFT LOC within ten (10) days of approval of the Disclosure Statement; and
- b. From the RFT LOC and/or other sources, Dominionrock shall deposit the Plan Deposit in the Plan Account within ten (10) days of approval of the Disclosure Statement.

**7.02 The Reorganized Debtor Shall Serve As The Disbursing Agent.** Debtor

shall serve as Disbursing Agent for all payments to be made to the Classes under the Plan.

- a. **Duties of the Disbursing Agent.** The Reorganized Debtor shall receive, disburse and account to the Court, the Creditors, Equity Security Holders and other parties in interest for the assets, and shall be responsible for reviewing and approving all claims (all disputes to be resolved by the Court), keep adequate records of all transactions, receipts and disbursements, communicating with, and advising all Creditors, Equity Interest Holders, and other parties in interest as needed, and such other duties as may be consistent with the responsibilities of a Disbursing Agent.

1 The Reorganized Debtor shall also have the right to object to the allowance of any Claim.  
2 These actions may necessitate use of legal services and incurring legal expenses.

3 The Reorganized Debtor on behalf of itself shall file with the Court post-confirmation  
4 quarterly reports, and provide a copy of the same to the United States Trustee, as required by the  
5 United States Trustee Operating Guidelines and Reporting Requirements for Chapter 11 Cases  
6 until a final decree is obtained in this case. The Reorganized Debtor shall pay any post-confirmation  
7 quarterly fees as required by the United States Trustee Operating Guidelines and Reporting  
8 Requirements for Chapter 11 Cases until a final decree is obtained in this case.

9 **b. Termination of Disbursing Agents' Duties:** The final distribution  
10 of the remaining pre-petition assets of the Debtor, and payment of amounts provided for, pursuant to  
11 the terms of the Plan set forth herein shall discharge the Disbursing Agent.

12 **c. Compensation of Disbursing Agent.** The Disbursing Agent shall  
13 not receive any compensation other than the reimbursement of any actual out of pocket costs  
14 incurred by the Disbursing Agent in performing the duties authorized by this Plan which may  
15 include legal fees and expenses.

16 **7.03 Effectuating Documents.** On or before the Effective Date, the Reorganized  
17 Debtor shall file with the Bankruptcy Court such agreements, indentures, instruments and other  
18 documents as may be necessary or appropriate to effectuate and further evidence the terms and  
19 conditions of this Plan.

20 **7.04 Property Remains In Reorganized Debtor.** All property, assets and rights  
21 of the estate of the Debtor shall remain and vest in Debtor, free and clear of all liens, claims, and  
22 encumbrances of any kind whatsoever unless expressly provided for under this Plan. Debtor shall  
23 be allowed to manage its affairs, subject only to the limitations set forth in this Plan, without the  
24 requirement of further orders from the Bankruptcy Court.

25 **7.05 Minimum Distributions.** The distributions to holders of Claims pursuant to  
26 the Plan are minimum distributions only, and the Reorganized Debtor shall have the right and  
27 discretion, at all times, to make full or partial prepayments without penalty to holders of Claims.  
28



1                   **7.06    Unclaimed Monies.** All distribution of money under the Plan which are  
2 returned by the Post Office undelivered or which cannot be delivered due to lack of a current address  
3 will be retained by the Disbursing Agent, in trust, in a federally insured bank for the distributee; after  
4 the expiration of six months from the date of the first attempted distribution, the unclaimed monies,  
5 stock, and all future distributions will be redistributed Pro-Rata to the other distributees, free of any  
6 Claim by the distributee.

7                   **7.07    Binding To Debtor And Creditors.** Upon the entry of the Confirmation  
8 Order, this Plan shall bind the Reorganized Debtor, Equity Interest Holders, any entity acquiring or  
9 being distributed any property under this Plan, any Creditor, whether or not their Claims and  
10 interests are impaired under this Plan, and whether or not they have accepted this Plan.

11                   **8.00    Conditions To Confirmation Of The Plan.** It shall be a condition precedent to the  
12 confirmation of this Plan that the Confirmation Order provide for:

- 13                   a.       Confirmation of this Plan;
- 14                   b.       To supplement the injunctive provisions of § 524 of the Bankruptcy Code,  
15 except as provided in this Plan or the Confirmation Order, as of the Confirmation Date, all persons or  
16 entities and governmental units shall be stayed, restrained and enjoined from taking any of the  
17 following actions on account of Claims, debts or liabilities addressed by this Plan: (i) commencing  
18 or continuing in any manner any action or other proceeding against the Reorganized Debtor, Equity  
19 Interest Holders, Debtor's members, co-obligors, guarantors, and/or affiliates; (ii) enforcing,  
20 attaching (including, without limitation, any prejudgment attachment), collecting or recovering in  
21 any manner any judgment, award, decree or order against the Reorganized Debtor, Equity Interest  
22 Holders, Debtor's members, co-obligors, guarantors, and/or affiliates; (iii) creating, perfecting or  
23 enforcing in any manner, directly or indirectly, any lien or encumbrance against the Reorganized  
24 Debtor, Equity Interest Holders, Debtor's members, co-obligors, guarantors, and/or affiliates, or any  
25 direct or indirect transferee of any property of, or any direct or indirect successor in interest to, or  
26 any property of such transferee or successor; (iv) setting-off, seeking reimbursement of, contribution  
27 from, subrogation against or otherwise recouping in any manner directly or indirectly, any amount  
28 owed to the Reorganized Debtor, Equity Interest Holder, Debtor's members, co-obligors, guarantors,

1 and/or affiliates, or any direct or indirect transferee of any property of, or any successor in interest to,  
2 the Reorganized Debtor; and (v) commencing or continuing any action, in any manner, in any place  
3 that does not comply with or is inconsistent with the provisions and intent of this Plan (the  
4 "Injunction"). Provided however, all statute of limitations related to such Claims, debt or liabilities  
5 shall be tolled during the pendency of the Injunction and the Injunction shall terminate at the earlier  
6 of, a Plan Default that is not cured within the Plan Cure Period, or July 2, 2014; AND

7 c Acceptance or rejection of this Plan was solicited in good faith and in  
8 compliance with the applicable provisions of the Bankruptcy Code, and no Person conducting or  
9 participating in solicitation, including Debtor, shall be liable, on account of such solicitation or  
10 participation, for violation of any applicable law, rule, or regulation government solicitation of  
11 acceptance or rejection of a plan of reorganization.

12 **9.00 Allowance of Claims.**

13 **9.01 Claim Objection Deadline.** Unless another date is established by the  
14 Bankruptcy Court, all objections to Claims shall be filed with the Clerk of the Bankruptcy Court and  
15 served on the holders of such Claims (unless earlier filed) on or before sixty (60) days following the  
16 Effective Date, or within thirty (30) days after the date on which a proof of claim for administrative  
17 expenses has been filed. If an objection has not been filed to a Claim or an Administrative Claim by  
18 the deadlines established herein, the Claim shall be treated as an Allowed Claim; provided, however,  
19 that no objection shall be required if a Claim was not listed on the Schedules or was listed on the  
20 Schedules as disputed, contingent or unliquidated, and was not evidenced by a timely filed proof of  
21 Claim. No such unlisted, disputed, contingent, unliquidated, or unfiled Claim shall be treated as an  
22 Allowed Claim, except pursuant to a Final Order so providing. The objection deadlines established  
23 herein shall apply to Claims and causes of action that must be asserted through an adversary  
24 proceeding.

25 **9.02 Preservation Of Objections To Claims.** Except as otherwise provided in  
26 this Plan or in the Confirmation Order or other Final Order, no compromise, waiver or release of  
27 Claims, demands or causes of action, that may be provided for in this Plan or in any Final Order of  
28 the Court shall, in any way, limit or impair the right of the Reorganized Debtor to prosecute

1 objections to Claims, and the Reorganized Debtor hereby retains all objections to the allowance of a  
2 Claim and all defenses associated with such objections.

3 **9.03 No Distributions Pending Resolution Of Objections.** Notwithstanding any  
4 other provision of this Plan, no distributions shall be made with respect to a contested Claim (or any  
5 contested portion of a Claim, if such Claim is not severable) by Debtor unless and until all objections  
6 to such contested Claim have been determined by Final Order, or a stipulation providing for  
7 distribution and treatment of such Claim in accordance with the terms, conditions, and intent of this  
8 Plan has been approved and entered by the Court.

9 **9.04 Interest On Contested Claims And Contingent Claims.** No interest shall  
10 accrue on a contested Claim during the period from the Effective Date until the date on which the  
11 Claim is allowed, if ever, and no interest shall accrue on a contingent Claim during the period from  
12 the Effective Date until the date on which the Claim becomes fixed and absolute or is otherwise  
13 allowed, if ever; provided that a contested Claim or a contingent Claim that is specifically entitled to  
14 post-confirmation interest by the terms of this Plan, and that is ultimately allowed, shall accrue post-  
15 confirmation interest from the Effective Date.

16 **9.05 Treatment Of Contingent Claims.** Until such time as a contingent Claim or  
17 a contingent portion of an Allowed Claim becomes fixed and absolute or is disallowed, such Claim  
18 shall be treated as a contested Claim for all purposes related to the distributions under this Plan;  
19 provided, however, that the distribution entitlements shall arise only from the date on which a  
20 contingent Claim becomes fixed and absolute or is otherwise Allowed.

21 **9.06 Disallowance Of Post-Petition Additions.** The Reorganized Debtor shall  
22 not be required to make specific objection to proofs of Claim that allege a right to recover post-  
23 petition interest, penalties, fees, and other accruals with respect to pre-petition Claims (except  
24 Secured Claims entitled to such accruals pursuant to § 506(b) of the Bankruptcy Code), and any  
25 Claim amounts attributable to such post-petition interest, penalties, fees and other accruals shall be  
26 disallowed in full upon entry of the Confirmation Order.

1                   **9.07 Settlement Of Disputed Claims.** Debtor shall be authorized to settle,  
2 without Court approval, any disputed Claims with a settlement amount that does not exceed five  
3 thousand dollars (\$5,000).

4                   **9.08 Preservation Of Debtor's Claims, Demands And Causes Of Action.** All  
5 claims, demands and causes of action held by, through or on behalf of the Debtor, against any other  
6 person or entity, are hereby preserved in full, unless otherwise provided by this Plan; and no  
7 provision of this Plan shall impair the rights of Debtor thereafter with respect to any of such claims,  
8 demands and causes of action to prosecute and defend against any such preserved claims, demands  
9 and causes of action.

10                   **9.09 Barring Of Claims.** The entry of the Confirmation Order shall permanently  
11 bar the filing and asserting of any Claims against the Debtor which arose or relate to the period of  
12 time prior to the Confirmation Date, which were listed by the Debtor in its (as amended) filed with  
13 the Court or were not evidenced by timely and proper proofs of Claim filed with the Court, or  
14 otherwise timely filed by deadline set forth herein for proof of claims for administrative expenses.

15                   **9.10 Amount Of Claims.** All references to Claims and amount of the Claims  
16 refer to the amount of the Claims as Allowed by the Court.

17                   **10.00 Miscellaneous Provisions.**

18                   **10.01 Post-Confirmation Operation Of The Automatic Stay.** Any pending  
19 motions to lift or vacate the automatic stay shall be deemed denied as of the Effective Date and the  
20 stay shall remain in effect. Any such pre-petition Claims shall be determined as provided in this  
21 Plan.

22                   Any lawsuits pending in any court (other than the Bankruptcy Court) that seek to establish  
23 the liability of any of the Debtor, Equity Interest Holders, Debtor's members, co-obligors,  
24 guarantors, and/or affiliates on account of any Claims are stayed and enjoined by the Injunction  
25 (defined in Section 8.00) while the Debtor consummates the Plan, and said lawsuits shall be  
26 dismissed, with prejudice, upon the entry of a Final Order by the Court that determines that the terms  
27 of the Plan have been fully satisfied by the Debtor.  
28

1                   **10.02 Prohibition Against Discriminating Treatment Against The Reorganized**

2     **Debtor.** No individual, entity, or government may discriminate against the Reorganized Debtor  
3 solely because of the commencement, continuation or termination of this Chapter 11 proceeding, or  
4 because of any provision of this Plan, or the legal effect of this Plan, and the Confirmation Order  
5 shall constitute an express injunction against such discriminating treatment.

6                   **10.03 Compliance With Tax Requirements.** In connection with this Plan, the  
7 Reorganized Debtor shall comply with all withholding and reporting requirements imposed by  
8 federal, state, and local taxing authorities.

9                   **10.04 Insurance.** Reorganized Debtor shall procure, maintain, and/or preserve any  
10 necessary insurance policies related to the single family residences and lots in the Montecito  
11 Property for Reorganized Debtor's operation as a going concern or as necessary for the purpose of  
12 consummating this Plan, including, but not limited to: i) liability insurance for the Montecito  
13 Property under an insurance policy with a policy amount of at least \$1,000,000; and ii) replacement  
14 cost property casualty insurance related to any single family residence under an insurance policy.  
15 All property insurance shall name any secured creditor with an interest in such property, other than  
16 taxing authorities, as an additional loss payee.

17                   **10.05 Termination Of Adequate Protection Payments.** Upon the entry of a  
18 Confirmation Order by the Court, any and all payments to Secured Creditors for adequate protection  
19 shall be terminated.

20                   **10.06 No Additional Charges.** Except as expressly stated in this Plan, or as  
21 allowed by Court order, no interest, penalty, late charge or additional charges (such as attorneys'  
22 fees) shall be allowed on any Claim subsequent to the Filing Date.

23                   **10.07 Remedies To Cure Defects.** After Confirmation, the Reorganized Debtor  
24 may, with the approval of the Court, and so long as it does not materially and/or adversely affect the  
25 interest of Creditors, remedy any defect or omission, or reconcile any inconsistencies in this Plan, or  
26 in the Confirmation of this Plan, in such a manner as may be necessary to carry out the purposes and  
27 the intent of this Plan.

1                   **10.08 Retention Of Jurisdiction.** After the Effective Date, the Bankruptcy Court  
2 shall retain and have exclusive jurisdiction over the Chapter 11 cases for the following purpose:

3                   a.       To determine any and all objections to the allowance of Claims;

4                   b.       To determine any and all applications for allowances of compensation  
5 and reimbursement of expenses and any other fees and expenses authorized to be paid or reimbursed  
6 under the Bankruptcy Code or this Plan;

7                   c.       To determine any applications for the rejection or assumption of  
8 executory contracts or unexpired leases or for the assumption and assignment, as the case may be, of  
9 executory contracts or unexpired leases to which Debtor is a party or with respect to which Debtor  
10 may be liable, and to hear and determine, and if need be, to liquidate any and all Claims arising  
11 therefrom;

12                  d.       To determine any and all applications, adversary proceedings and  
13 contested or litigated matters that may be pending on the Effective Date;

14                  e.       To consider any modifications of this Plan, remedy and defect or  
15 omission or reconcile any inconsistency in any order of the Bankruptcy Court, including the  
16 Confirmation Order, to the extent authorized by the Bankruptcy Code;

17                  f.       To determine any and all controversies, suits, and disputes that may  
18 arise in connection with the interpretation, enforcement, or consummation of this Plan or any  
19 person's or entity's obligations thereunder;

20                  g.       To determine all controversies, suits and disputes arising as a result of  
21 a demand by any utility for a deposit or other form of security as a condition to providing post-  
22 confirmation utility services to Debtor;

23                  h.       To determine all controversies, suits and disputes of this Plan as a  
24 result of discriminatory treatment of the Debtor;

25                  i.       To hear and determine any Claim or cause of action by or against the  
26 Debtor, and to consider and act on the compromise and settlement of any Claim or cause of action by  
27 or against the Debtor;

28

1                   j.       To issue such orders in aid of execution of this Plan, as are authorized  
2 by § 1142 of the Bankruptcy Code; and

3                   k.       To determine such other matters as may be set forth in the  
4 Confirmation Order or as may arise in connection with this Plan or the Confirmation Order.

5                   **10.09 Modification Of Plan.** Modifications of this Plan may be proposed in  
6 writing by Debtor at any time before Confirmation, provided that this Plan, as modified, meets the  
7 requirements of §§ 1122 and 1123 of the Bankruptcy Code, and Debtor shall have complied with  
8 § 1125 of the Bankruptcy Code. This Plan may be modified at any time after the Confirmation Date  
9 and before its substantial consummation, provided that this Plan, as modified, meets the  
10 requirements of §§ 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice  
11 and hearing, confirms this Plan, as modified, under § 1129 of the Bankruptcy Code, and the  
12 circumstances warrant such modification. A holder of a Claim that has accepted or rejected this Plan  
13 shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless  
14 within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or  
15 rejection.

16                   **10.10 Severability.** Wherever possible, each provision of this Plan shall be  
17 interpreted in such manner as to be effective and valid under applicable law, but if any provision of  
18 this Plan shall be prohibited by or invalid under applicable law, such provision shall be ineffective to  
19 the extent of such prohibition or invalidity, without invalidating the remainder of such provision or  
20 the remaining provisions of this Plan. Furthermore, if the Bankruptcy Court will not confirm this  
21 Plan because one or more provisions hereof are determined to be prohibited or invalid under  
22 applicable law, Debtor may seek permission of the Bankruptcy Court to amend this Plan by deleting  
23 the offending provision.

24                   **10.11 Revocation Of Plan.** Debtor reserves the right to revoke and/or withdraw  
25 this Plan prior to entry of the Confirmation Order. If the Debtor revokes and/or withdraws this Plan,  
26 or if confirmation of this Plan does not occur, then this Plan shall be deemed null and void and  
27 nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or  
28

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1 against the Debtor or any other person or entity or to prejudice in any manner the rights of the  
2 Debtor, or any person or entity in any further proceeding involving the Debtor.

3 **11.00 Discharge**

4 **11.01 Discharge Of The Debtor.** Except as otherwise provided in this Plan or in  
5 the Confirmation Order, the rights afforded under this Plan and the treatment of Claims under this  
6 Plan shall be in exchange for and in complete satisfaction, discharge and release of all Claims  
7 including any interest or Claims from the petition date. Confirmation of this Plan shall discharge the  
8 Debtor from all Claims or other debts, liabilities or obligations of any kind or nature, that arose, in  
9 whole or part, before the Effective Date, and all debts of the kind specified in §§ 502(g), 502(h) or  
10 502(i) of the Bankruptcy Code, whether or not a proof of Claim based on such debt is timely filed or  
11 deemed filed pursuant to § 501 of the Bankruptcy Code, a Claim based on such debt is allowed  
12 pursuant to § 502 of the Bankruptcy Code, or the holder of a Claim based on such debt has accepted  
13 this Plan.

14 **11.02 Effect Of Discharge On Other Entities.** Pursuant to § 524(e) of the  
15 Bankruptcy Code, except as otherwise provided in this Plan, the discharge of a debt of the Debtor,  
16 pursuant to this Plan, shall not affect the liability of any other entity on, or the property of any other  
17 entity for, such debt.

18 **11.03 Modification Of Plan Due To Default.** If any Creditor holding an Allowed  
19 Claim seeks such an Order, the Debtor may seek modification of the Plan prior to entry of the  
20 Confirmation Order based upon good cause for the default and reasonableness of the modification.

21  
22 **ARTICLE IX.**

23 **TAX CONSEQUENCES**

24 The Debtor has not obtained a tax opinion at this time and therefore expresses no  
25 opinion as to the tax consequences of confirmation or implementation of the Plan to the holder of  
26 any Claim or Equity Interest.

27 **BECAUSE THE DEBTOR DOES NOT EXPRESS ANY OPINION AS TO THE**  
28 **TAX CONSEQUENCES OF THE PLAN, IN NO EVENT WILL THE DEBTOR, OR THEIR**



1 PRINCIPALS, OR THEIR PROFESSIONAL ADVISORS, BE LIABLE IF, FOR ANY  
2 REASON, THE TAX CONSEQUENCES OF THE PLAN ARE NOT AS ANTICIPATED BY  
3 CREDITORS AND EQUITY INTEREST HOLDERS. THE DEBTOR'S CREDITORS AND  
4 EQUITY INTEREST HOLDERS MUST LOOK SOLELY TO AND RELY SOLELY UPON  
5 THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF THE PLAN.

6  
7 **ARTICLE X.**

8 **ALTERNATIVES TO THE PLAN AND LIQUIDATION ANALYSIS.**

9 The alternative to the Plan is conversion to, and liquidation under, Chapter 7 of the  
10 Bankruptcy Code, or immediate and effective stay relief for Secured Creditors. As noted herein  
11 and identified in the Schedules, the Debtor owns no other assets aside from the Montecito  
12 Property and the limited inconsequential personal property.

13 **A. CHAPTER 7 LIQUIDATION COMPARISON.**

14 In October of 2009, Compass procured an appraisal (the "10/09 Appraisal), in which the  
15 appraiser opined on the "as-is" retail value of the single family residences and the bulk wholesale  
16 value of the lots in the Compass-Montecito Collateral (the "10/09 Appraisal Values"). The 10/09  
17 Appraisal Values were used by Compass in support of its Motion to assert that Compass's  
18 Secured Claim was not adequately protected by an equity cushion in the Compass-Montecito  
19 Collateral, and that Debtor lacked any equity therein. A summary of the 10/09 Appraisal Values  
20 is listed in the "Liquidation Analysis" attached hereto as **Exhibit "4"** and incorporated herein by  
21 this reference.

22 Debtor objected to the use of the 10/09 Appraisal Values in its objection to the Motion,  
23 asserting, among other things, that the values did not accurately reflect the true fair market retail  
24 value of the single family residences and lots of the Compass-Montecito Collateral, that said fair  
25 market retail values were considerably higher. However, the Debtor believes that the 10/09  
26 Appraisal Values represent a reasonable starting point for liquidation of the Compass-Montecito  
27 Collateral. Specifically, if the Debtor or an appointed trustee were to liquidate the lots, it would  
28 most likely market the lots at bulk wholesale values to sell them as a whole to a single purchaser.

1 Indeed, given the distressed and expedient nature of liquidating the single family  
2 residences of the Compass-Montecito Collateral, the 10/09 Appraisal Values of the single family  
3 residences are not attractive offers to individual purchasers, and more so, real estate developers,  
4 and speculators. Accordingly, the Debtor would be forced to discount the 10/09 Appraisal Values  
5 of the single family residences even further to realize a quick sale. Debtor believes that a fifteen  
6 (15%) liquidation discount should be expected in a Chapter 7 for such immediate distressed sale  
7 of the single family residences.

8 With the use of the 10/09 Appraisal Values for the lots, and the discounted values of the  
9 10/09 Appraisal Values for the single family residences, the Debtor has calculated the liquidation  
10 values of the Compass-Montecito Collateral in the Liquidation Analysis. As noted therein, the  
11 Debtor believes that liquidation of the Compass-Montecito Collateral in a Chapter 7 will yield at  
12 the most \$7,495,668.14 (the "Compass-Montecito Collateral LV"). The Compass Montecito  
13 Collateral LV will be sufficient to pay for the Allowed Administrative Claims in full, and the  
14 Allowed Secured Claim of MCT with respect to the Compass-Montecito Collateral in full.  
15 However, Compass will receive less than 60% of its Allowed Secured Claim, and Creditors  
16 holding Allowed Unsecured Claims will receive nothing.

17 By comparison, the Plan provides for: i) an immediate distribution for Allowed  
18 Administrative Claims in full; ii) distribution to MCT and Compass on account of their Allowed  
19 Secured Claims to be paid in full with interest as the single family residences and lots are sold to  
20 individual purchasers for fair market retail values on or before July 1, 2014; and iii) a distribution  
21 to Unsecured Creditors on account of their Allowed Unsecured Claims of 50% of the Net Profits  
22 from the sale of any single family residence and/or lot of the Montecito Property as they are sold  
23 over time to individual purchasers for fair market retail values, with a minimum distribution of at  
24 least the Unsecured Claims Distribution Minimum of \$30,000.

25 **B. AS COMPARED TO IMMEDIATE AND EFFECTIVE STAY RELIEF FOR**  
26 **SECURED CREDITORS.**

27 If the Plan is not confirmed, the Court may grant the Motion, thereby permitting Compass  
28 to foreclose on the Compass-Montecito Collateral. In its Motion, Compass has asserted that the

1 value of the Compass-Montecito Collateral is \$9,000,000. If Compass were permitted to  
2 foreclose on the Compass-Montecito Collateral, MCT may be paid in full as a practical matter, or  
3 the successful bidder at the foreclosure may take the Compass-Montecito Collateral back subject  
4 to the Secured Claims of MCT. Regardless, the Allowed Administrative Claims of the  
5 Bankruptcy will not be paid, and Unsecured Creditors holding Allowed Unsecured Claims again  
6 will receive nothing.

7  
8 **ARTICLE XI**

9 **PROPONENT'S RECOMMENDATION.**

10 The Debtor recommends that the Creditors vote for the Plan because they will receive a  
11 superior return on account of their Claims as compared to what they would receive under a  
12 Chapter 7 liquidation of the Montecito Property and the Debtor's personal property, or otherwise.  
13 The Debtor urges you to vote to accept the Plan.

14 **RESPECTFULLY SUBMITTED** this 31<sup>st</sup> day of March 2010.

15 **NUSSBAUM & GILLIS, P.C.**

16 *Vishnu R. Jonnalagadda*

17 /s/ Vishnu R. Jonnalagadda

18 Randy Nussbaum, Esq.

Dean M. Dinner, Esq.

Vishnu R. Jonnalagadda, Esq.

19 *Attorneys for Debtor and Debtor Entities*

20  
21 **DEBTOR**

22  
23 *[Signature]*  
24 By: Megan Johnson  
Its: Manager

25 **An Original of the foregoing filed**  
26 **with the Court via ECF this 31<sup>st</sup>**  
27 **day of March.**

28 *M. Samante Rucie*

Montecito - Disclosure Statement for Plan dated 03\_31\_2010

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