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6 Attorneys for Rancho Housing Alliance, Inc.,  
Debtor and Debtor-in-Possession

7  
8 **UNITED STATES BANKRUPTCY COURT**  
9 **CENTRAL DISTRICT OF CALIFORNIA — RIVERSIDE DIVISION**

10  
11 In re:  
12 RANCHO HOUSING ALLIANCE,  
INC.,  
13  
14 Debtor and  
15 Debtor-in-Possession.

Case No. 6:11-bk-27519-SC

Chapter 11 Case

**Fourth Amended Disclosure Statement  
in Support of Debtor's Chapter 11 Plan**

Disclosure Statement Hearing

Date: February 19, 2013  
Time: 1:30 p.m.  
Ctrm: 126 – First Floor  
3420 Twelfth Street,  
Riverside, CA 92501

5C – Fifth Floor  
411 West Fourth Street  
Santa Ana, CA 92701

Plan Confirmation Hearing

Date: June 4, 2013  
Time: 1:30 p.m.  
Ctrm: 126 – First Floor  
3420 Twelfth Street,  
Riverside, CA 92501

5C – Fifth Floor  
411 West Fourth Street  
Santa Ana, CA 92701

Snell & Wilmer  
LLP  
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600 Anton Boulevard, Suite 1400  
Costa Mesa, California 92626-7689  
(714) 427-7000

I.

**INTRODUCTION**

Rancho Housing Alliance, Inc., is the debtor and debtor-in-possession (the “Debtor” and/or “RHA”)<sup>1</sup> in the above-referenced bankruptcy case. On May 27, 2011 (the “Petition Date”), the Debtor filed a voluntary petition under the United States Bankruptcy Code (the “Code”), 11 U.S.C. Section 101, *et seq.* Chapter 11 allows a debtor and, in some circumstances, creditors and other parties-in-interest, to propose a plan of reorganization. The plan may provide for a debtor to reorganize by continuing to operate, to liquidate by selling assets of the estate, or a combination of both. The Debtor is the party proposing the Fourth Amended Chapter 11 Plan of Reorganization (hereinafter, the “Plan”) sent to you in the same envelope as this document. **THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE ENCLOSED PLAN.**

The Plan is a reorganizing plan. In other words, the Debtor seeks to reorganize by using estate assets, post-petition revenues and new capital raised from the sale of new equity to make payments to interested parties. Some payments will be made over time. Some payments will commence on the Effective Date of the proposed Plan, which will be 60 days after the above-captioned Bankruptcy Court (hereinafter, the “Court” and/or the “Bankruptcy Court”) issues an order confirming the Plan. The Debtor estimates that the Court will confirm the Plan by June 30, 2013.

**A. Purpose of this Disclosure Statement.**

This Disclosure Statement summarizes what is in the Plan, and provides you with certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

**READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW ABOUT:**

- (1) WHO CAN VOTE OR OBJECT TO THE PLAN;**
- (2) WHAT THE TREATMENT OF YOUR CLAIM IS (I.E., WHAT YOUR CLAIM WILL RECEIVE IF THE PLAN IS CONFIRMED), AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN A LIQUIDATION;**

<sup>1</sup> Various definitions are set forth throughout this Disclosure Statement, and additional terms are defined in Exhibit “A” hereto.

- 1           (3)    **THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE**  
2 **BANKRUPTCY;**
- 3           (4)    **WHAT THINGS THE COURT WILL LOOK AT TO DECIDE WHETHER OR NOT TO**  
4 **CONFIRM THE PLAN;**
- 5           (5)    **THE EFFECT OF PLAN CONFIRMATION; AND**
- 6           (6)    **WHETHER THE PLAN IS FEASIBLE.**

7           This Disclosure Statement cannot tell you everything about your rights. You should  
8 consider consulting your own lawyer to obtain more specific advice on how the Plan will affect  
9 you and what is the best course of action for you.

10           Be sure to read the Plan as well as the Disclosure Statement. If there are any  
11 inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

12           The Code requires a Disclosure Statement to contain "adequate information" concerning  
13 the Plan. The Bankruptcy Court has approved this document as an adequate Disclosure  
14 Statement, containing enough information to enable parties affected by the Plan to make an  
15 informed judgment about the Plan, assuming the allegations and contentions in it are accurate.  
16 However, the Court has not yet determined their accuracy and may do so at the hearing regarding  
17 confirmation of the Plan. Any party can now solicit votes for or against the Plan.

18 **B.    Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing.**

19           THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE  
20 STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE.  
21 HOWEVER, IF THE COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE  
22 DEBTOR AND ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

23           **1.    Time and Place of Confirmation Hearing.**

24           The hearing where the Court will determine whether or not to confirm the Plan will take  
25 place on June 4, 2013, at 1:30 p.m., in Courtroom 126 of the United States Bankruptcy Court for  
26 the Central District of California, Riverside Division, located at 3420 Twelfth Street, Riverside,  
27 California 92501, and in Courtroom 5C of that same court, located at 411 West Fourth Street,  
28 Santa Ana, California 92701.

1           **2.     Deadline for Voting for or against the Plan.**

2           If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot  
3 and return the ballot in the enclosed envelope to:

4                               Michael B. Reynolds  
5                               Snell & Wilmer L.L.P.  
6                               600 Anton Blvd., Suite 1400  
7                               Costa Mesa, CA 92626  
8                               Ph:     714-427-7000  
9                               Fax:     714-427-7000

10           In the alternative, you may send a copy of your ballot electronically to:  
11           mreynolds@swlaw.com, or by facsimile to (714) 427-7799. **YOUR BALLOT MUST BE RECEIVED**  
12 **BY 5:00 P.M. (PACIFIC TIME) ON APRIL 12, 2013, OR IT WILL NOT BE COUNTED.**

13           **3.     Deadline for Objecting to Plan Confirmation.**

14           Objections to confirmation of the Plan must be filed with the Court and served on counsel  
15 for the Debtor at the address set forth above and on the upper left-hand corner of the caption page  
16 for this Disclosure Statement by no later than 5:00 p.m. (Pacific Time) on May 14, 2013. The  
17 Debtor will submit its plan confirmation brief and a ballot tally no later than April 30, 2013. The  
18 Debtor will submit its reply to any objections to the Plan no later than May 21, 2013.

19           **4.     Identity of Person To Contact for More Information Regarding the Plan.**

20           Any interested party desiring further information about the Plan should contact counsel  
21 for the Debtor at the address set forth above and on the upper-left hand corner of the caption page  
22 for this Disclosure Statement.

23           **C.     Disclaimer.**

24           The financial data relied upon in formulating the Plan is based on the Debtor's own books  
25 and records. The information contained in this Disclosure Statement is provided by the following  
26 parties:

27                               Rancho Housing Alliance, Inc.  
28                               c/o Snell & Wilmer L.L.P.  
                                  Michael B. Reynolds, Esq.  
                                  600 Anton Blvd., Suite 1400  
                                  Costa Mesa, CA 92626

1 Representatives of the Debtor have indicated that everything stated in the Disclosure  
2 Statement is true to the best of their knowledge. The Court has not yet determined whether or not  
3 the Plan is confirmable and makes no recommendation as to whether or not you should support or  
4 oppose the Plan.

5  
6 **II.**

7 **BACKGROUND**

8 **A. Description and History of the Debtor.**

9 The Debtor is a not-for-profit public benefit corporation authorized and operating pursuant  
10 to Division 2 of Title I of the California Corporations Code (beginning with Corporations Code  
11 Section 5000). The Debtor was incorporated and began operations in August 2001. The Debtor's  
12 specific charitable purposes are to benefit and support another California non-profit public benefit  
13 corporation known as Desert Alliance for Community Empowerment, Inc. ("DACE"). DACE  
14 has not filed for bankruptcy protection. In assisting DACE, the Debtor provides affordable,  
15 decent, safe and sanitary housing for low-income persons where adequate housing does not exist;  
16 providing such housing for persons who are homeless, migrant or in danger of becoming  
17 homeless or migrant, whether through economic circumstances, urban renewal or other  
18 governmental action, or a major disaster; promoting safe and healthy communities by combating  
19 blight and deterioration in eastern Riverside County; developing, financing and operating  
20 supportive services programs for low-income residents of the Coachella Valley and surrounding  
21 communities; and assisting low-income households to secure education, training and services for  
22 self-sufficiency.

23 In meeting these goals, the Debtor as of the petition date owns or operates a number of  
24 properties and programs that are summarized below:

25  
26 1. **North Shore Infill.**

27 This project is located in the North Shore area of the Salton Sea community. RHA is  
28 engaged to install the home and set up a garage. The occupants rent to own for a period of ten

1 years. RHA expects to receive a grant from the County of Riverside to pay off the acquisition  
2 loan, after which RHA will receive rental revenues from the properties.

3  
4 2. Mesa Verde Rehabilitation Project (Green Street Properties).

5 This project is located in Mesa Verde, an unincorporated area approximately five miles  
6 west of Blythe. The Debtor owns sixteen lots. Six are occupied with mobile homes. The  
7 remaining ten are vacant. Authorized tenants are limited to people who make 50% or less of the  
8 county average income. As set forth in Section III below, the Debtor proposes to grant relief  
9 from stay to American West Bank to repossess this project.

10  
11 3. Mesa Verde / Ripley Infill Project.

12 This project is also located in Mesa Verde. It includes eight single family residences and  
13 one vacant lot in Mesa Verde, plus two homes and ten empty lots in Ripley. The Debtor  
14 originally planned to sell these homes to low-income families. However, recent declines in  
15 residential lending rates have made this project more viable as a series of rentals. The Debtor is  
16 working with the County of Riverside to convert the homes to rental status. The Debtor is also  
17 seeking retention from the County of Riverside in the approximate amount of \$50,000, which  
18 could be applied to outstanding project costs.

19  
20 4. REO Purchases / Rehabilitations and Rentals.

21 This project includes an unfinished tri-plex, multi-family rental in the North Shore Salton  
22 Sea area, a single family home rental in Salton City, and two single family home rentals in Salton  
23 Sea. The Debtor purchased the properties and expended resources to make them habitable and  
24 safe for low-income families in the Salton Sea area. RHA also purchased various properties for  
25 resale and rental, including in the areas of La Quinta, Desert Hot Springs, the Salton Sea and  
26 other areas of eastern Riverside County.

1           5.       Indio Neighborhood Stabilization Program (“NSP”).

2           This program is operated in connection with the City of Indio. The City pays RHA to  
3 locate and acquire a parcel of residential property for the City. The City pays RHA to manage the  
4 rehabilitation of the property, its upkeep pending sale, and the sale itself. RHA has numerous  
5 such houses in inventory and expects additional houses under the same arrangement.

6  
7           6.       Las Serenas Senior Housing Project (Coachella).

8           RHA owns twelve one-bedroom apartments and manufactured duplexes, which it uses for  
9 qualified senior housing.

10  
11          7.       Tierra Bonita Housing Project.

12          RHA borrowed roughly \$3.9 million from the City of Coachella Redevelopment Agency  
13 to develop a housing project. RHA was able to improve the lots but was unable to complete the  
14 development. The City of Coachella Redevelopment Agency filed a judicial foreclosure action  
15 seeking the enforcement of the note and a deficiency judgment. RHA estimates the value of the  
16 underlying property is approximately \$750,000.

17  
18          8.       Calle Verde Housing Project.

19          RHA borrowed roughly \$2.1 million from the City of Coachella Redevelopment Agency  
20 to develop this housing project. While the lots have improved status, RHA was unable to  
21 complete the development. RHA estimates the value of the underlying land at approximately  
22 \$300,000. The City of Coachella Redevelopment Agency has threatened to file a judicial  
23 foreclosure action but has not yet done so and has been unable to do so as a result of the Debtor’s  
24 bankruptcy filing.

25  
26          9.       Mecca Infill Resale.

27          RHA purchased two Mecca homes at a USDA foreclosure sale. RHA has a ten-year note  
28 amortized over twenty years from the USDA on these two homes. With the elimination of the

1 Riverside County Redevelopment Agency and its funding, RHA has converted the two homes  
2 into affordable rentals.

3  
4 10. Riverside County Neighborhood Stabilization Program (including the  
5 “Shelterwing Wings” Group Home).

6 RHA owns approximately forty units utilized for low-income housing. The units supply  
7 rental income. Although there is a loan from the County of Riverside, the loan does not require  
8 debt service so long as the property is used for the purposes of the program; i.e., neighborhood  
9 stabilization.

10  
11 11. Housing Rehabilitation Program.

12 Pursuant to this program, RHA contracts with the Cities of Palm Desert, Blythe and  
13 Desert Hot Springs to serve as the general contractor and facilitator for the purchase, repair and  
14 rehabilitation of various houses. With the elimination of each city’s Redevelopment Agency and  
15 associated funding, RHA has concluded its current contracts and does not anticipate additional  
16 activity in the near future.

17  
18 12. Imperial County Neighborhood Stabilization Program.

19 This program is operated in connection with the County of Imperial. The County pays  
20 RHA to locate and acquire a parcel of residential property for the County. The County pays RHA  
21 to manage the rehabilitation of the property, its upkeep pending sale, and the sale itself. RHA has  
22 approximately four such houses in inventory and expects another twenty additional houses under  
23 the same arrangement.

The Debtor has retained possession of its property, and continues the operation and  
management of its business as a debtor-in-possession pursuant to Bankruptcy Code Sections 1107  
and 1108. No trustee, examiner, official committee of unsecured creditors or any other  
committee has yet been appointed in this Bankruptcy Case.



1 The Debtor employs approximately 12 people, including site managers, program  
2 managers, project managers and support staff.

3  
4 **B. Principals and Affiliates of the Debtor.**

5 RHA has members but does not issue equity securities of any sort. Each member also  
6 serves on RHA's board of directors. Directors are not compensated. Operational control of the  
7 Debtor rests with its Executive Director, Jeffrey A. Hays. Mr. Hays is not a member of the board.  
8 Mr. Hays earns total yearly compensation, including benefits, of approximately \$121,091.

9  
10 **C. Management of the Debtor before and after Filing Bankruptcy.**

11 Prior to filing bankruptcy, the Debtor was managed solely by Mr. Hays, its Executive  
12 Director. Management has not changed post-petition..

13 Post-confirmation management is discussed below in Section III.D.2.

14  
15 **D. Events Leading to Chapter 11 Filing.**

16 The following is a brief summary of the circumstances that led to the filing of this Chapter  
17 11 case.

18 The Debtor began operations in August 2001. Historically, the Debtor has been  
19 operationally solvent. This bankruptcy filing was precipitated when the City of Coachella filed a  
20 judicial foreclosure action on the Tierra Bonita project and began threatening to do so with  
21 respect to the Calle Verde project. The aggregate debt for both projects is roughly \$6.0 million,  
22 with a potential deficiency judgment that could reach \$4.9 million.

23  
24 **E. Significant Events during the Bankruptcy.**

25 **1. Chronological List of Significant Post-Petition Events.**

26 The following is a chronological list of significant events that have occurred during this  
27 case:

- 28 (a) The Debtor filed its voluntary Chapter 11 petition on May 27, 2011.

1 (b) On or about June 24, 2011, the Debtor filed its Application to Employ  
2 Snell & Wilmer L.L.P. as its general insolvency counsel. That application was approved  
3 by order entered on or about July 22, 2011.

4 (c) On or about July 27, 2011, the Debtor sent out its Notice of Claims  
5 Deadline, with a Claims Bar Date of September 30, 2011. **The September 30, 2011,**  
6 **Claims Bar Date is the deadline for creditors, equity interest holders whose claims or**  
7 **interests were not scheduled, or are scheduled as disputed, contingent or**  
8 **unliquidated, to file a proof of claim in this case. Failure of such a creditor or**  
9 **interest holder to file a proof of claim before the Claims Bar Date may result in such**  
10 **creditor or interest holder not being treated as a creditor or interest holder for**  
11 **purposes of voting and distribution in this case.**

12 (d) On or about December 29, 2011, the California Supreme Court issued its  
13 ruling effectively abolishing municipal redevelopment agencies (“RDAs”). This will  
14 inevitably alter the way municipal projects are organized and financed and will  
15 necessarily affect the Debtor, its business partners and the projects on which it labors.

16 (e) On or about May 4, 2012, American West Bank, f/k/a Sunrise Community  
17 Bank (“Amwest”), filed two motions for relief from stay. In its first motion, Amwest  
18 sought relief from stay to foreclose on six mobile homes referenced in Exhibit B-6.a. In  
19 its second relief from stay motion, Amwest seeks to foreclose on certain real property  
20 referenced in Exhibit B-6.a, on which the aforementioned mobile homes are situated.  
21 Over the past several months, the Debtor and Amwest worked to negotiate an acceptable  
22 settlement arrangement but without success. As a result, the Debtor now proposes to  
23 grant relief from stay to Amwest as set forth below in Section III.C.1.

24 (f) Currently there are no pending adversary proceedings or motions except as  
25 set forth above.  
26  
27  
28

1           **2. Other Legal Proceedings.**

2           The Debtor has not been engaged in non-bankruptcy legal proceedings since filing its  
3 petition on May 27, 2011. As a result of the automatic stay of 11 U.S.C. Section 362, the lawsuit  
4 brought by the City of Coachella RDA against the Debtor in the Riverside County Superior Court  
5 has been stayed.

6           **3. Actual and Projected Recovery of Preferential or Fraudulent Transfers.**

7           The Debtor is not presently aware of any fraudulent or preferential transfers that may be  
8 recovered for the benefit of the estate.

9           **4. Procedures Implemented To Resolve Financial Problems.**

10          The Debtor plans to restore itself to solvency through two strategies – one is changing its  
11 business model; i.e., getting back to what made the Debtor successful in the first place. The  
12 second is restructuring certain debts through confirmation of its proposed Chapter 11 Plan.

13           a.       Changes to Business Model. Traditionally, the Debtor was not in the  
14 business of purchasing large tracts of land and then developing them for charitable  
15 purposes. However, during the inland empire real estate boom, the City of Coachella  
16 RDA convinced the Debtor that it could generate significant revenues by moving towards  
17 such a model. As a result, the Debtor was convinced to borrow funds from the City of  
18 Coachella RDA to purchase the Tierra Bonita and Calle Verde lands. The Debtor would  
19 then use the excess value of the property to obtain construction loans.

20           Unfortunately, this model unraveled when the real estate market crashed.  
21 Construction funding was unavailable, the raw land dropped in value to less than twenty  
22 percent of the amount lent by the City of Coachella RDA, and the City began pursuing the  
23 Debtor for payment in full. When the City filed its judicial foreclosure action, the Debtor  
24 filed the instant bankruptcy.

25  
26           By refocusing on its traditional business model – and getting out of the business of  
27 residential real estate development – the Debtor has been able to reverse its losses and  
28 operate in the black.



**B. Unclassified Claims.**

Certain types of claims are not placed into voting classes; instead they are unclassified. They are not considered impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Code. As such, the Debtor has **not** placed the following claims in a class:

**1. Administrative Expense Claims.**

Administrative expenses are claims for costs or expenses of administering the Debtor's Chapter 11 Bankruptcy Case, which are allowed under Code section 507(a)(2). The Code requires that all administrative claims be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The chart on the following page lists all of the Debtor's section 507(a)(2) administrative claims and their treatment under the Plan:

<u>Name of Claimant</u>	<u>Amount Claimed</u>	<u>Treatment</u>
Snell & Wilmer LLP	\$145,000 (estimated amount as of Effective Date in excess of pre-petition retainer)	To the extent allowed, the claim of Snell & Wilmer L.L.P. will be paid in full, in cash, on the Effective Date of the Plan from funds already on hand with the Debtor or to be contributed by DACE, unless otherwise agreed to by the claimant.
Office of the United States Trustee ("UST")	Unknown	UST obligations will be paid in full, in cash, on the Effective Date of the Plan from funds of the Debtor as and when available.
City of Coachella	None.	Notice of Violation for various properties. No amounts are claimed. Upon turnover of the Property back to the City and/or the City's successor-in-interest (see, Treatment of Class 2 below), these alleged violations and any fees alleged in connection therewith will be deemed cured.
Riverside County Tax Collector	Unknown	The County of Riverside asserts unknown amounts for post-petition property taxes. To the extent these claims are allowed, they will be treated as Class C Secured Claims, as set forth below in Section III.C.
Total:	~ \$145,000	

**Snell & Wilmer**  
 LLP  
 LAW OFFICES  
 600 Anton Boulevard, Suite 1400  
 Costa Mesa, California 92626-7689  
 (714) 427-7000

1 Court Approval of Fees Required:

2 The above-referenced claim of Snell & Wilmer L.L.P. is for professional services and  
3 cannot be paid by the Estate until that firm's fees and costs are approved by the Court. For all  
4 such fees and costs, Snell & Wilmer L.L.P. must file and serve a properly noticed fee application  
5 and the Court must rule on it. Only the amount of professional fees and costs allowed by the  
6 Court will be owed and required to be paid under the Plan. Post-confirmation fees and costs will  
7 be due quarterly and will be paid from available funds of the Estate.

8 With respect to the UST's fees, pursuant to Title 28 U.S.C. Section 1930(a)(6), Chapter 11  
9 debtors who have confirmed a plan of reorganization are required to continue making quarterly  
10 payments based upon disbursements until the case is converted, dismissed or closed. Pre-  
11 confirmation fees and costs incurred by the Debtor shall be pro-rated and paid on the Effective  
12 Date of the Plan. Post-confirmation fees and costs will be due quarterly and will be paid from  
13 available funds of the Estate.

14  
15 **2. Pre-petition Priority Tax Claims.**

16 Priority tax claims include certain unsecured income, employment and other taxes  
17 described by Code Section 507(a)(8). The Code requires that each holder of such a Section  
18 507(a)(8) priority tax claim receive the present value of such claim in deferred cash payments,  
19 over a period not exceeding five years from the petition date. The following chart lists all of the  
20 Debtor's section 507(a)(8) priority tax claims and their treatment under the Plan:

<u>Name of Claimant</u>	<u>Amount Claimed</u>	<u>Treatment</u>
Riverside County Tax Collector	\$500,955.20	The County of Riverside asserts \$500,955.20 in pre-petition property taxes. To the extent these claims are allowed, they will be treated as Class C Secured Claims, as set forth below in Section III.C.

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1           **3. Other Priority Claims.**

2           The Bank is unaware of any other unclassifiable priority claims. To the extent any are  
3 filed, parties-in-interest must evaluate whether to object to such claims, as to amount and priority.  
4 The treatment of general unsecured claims is described below in Section III.C.

6           **C. Classified Claims and Interest.**

7           **1. Classes of Secured Claims.**

8           Secured claims are claims secured by liens on property of the Estate. The chart below  
9 lists all classes of the Debtor’s secured pre-petition claims and their treatment under the Plan:

<u>Class</u>	<u>Description</u>	<u>Insiders (Y/N)</u>	<u>Impaired (Y/N)</u>	<u>Treatment</u>
C	Secured claim of: • Name – Riverside County Tax Collector (the “County”). • Collateral Description – All real estate holdings of the Debtor except those listed in Exhibit B-1.b. • Collateral Value = \$11,508,500 in the aggregate. • Priority of security interest = First. • Total claim amount = 500,955.20, plus unknown post-petition amounts claimed.	No.	Yes.	The amount of this claim is disputed. The Debtor contends that it is exempt from nearly all of the taxes referenced in this claim pursuant to Revenue and Taxation Code Sections 214, <i>et seq.</i> The range of potential liability is between approximately \$1,500 and \$501,000.  The Debtor will seek an order of the Bankruptcy Court estimating and/or determining the amount of these claims for purposes of distribution from the estate.  The secured claimant shall retain its lien until the secured tax is paid in full.  As to those parcels that are lost through foreclosure, sold or otherwise turned over to secured lenders, the secured claim and lien will follow the property and, to the extent not paid, will be treated as a Class 10 general unsecured claim as to the Debtor and the estate.  All non-exempt balances as estimated or determined by the Bankruptcy Court shall receive equal, monthly deferred cash payments in an amount set by the Court, commencing on the Effective Date, through May 27, 2016.

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<u>Class</u>	<u>Description</u>	<u>Insiders</u> <u>(Y/N)</u>	<u>Impaired</u> <u>(Y/N)</u>	<u>Treatment</u>
				A failure by the Debtor to make a payment to the County when required hereunder shall be an Event of Default. If the Debtor fails to cure an Event of Default as to tax payments within ten (10) days after service of written notice of default, then the County may enforce the entire amount of its claim, plus all penalties and interest accrued under state law, against the Debtor in accordance with applicable state law remedies.
1	Secured claim of: • Name – City of Indio • Collateral Description – First Deed of Trust on those Properties listed on Exhibit B-1.a. • Collateral Value = Approx. \$2,971,500 • Priority of security interest = First. • Total claim amount = Approx. \$4,601,398.	No.	No.	This loan is in the nature of an executory contract for neighborhood stabilization program. As such, the “loan” is not in default and has not matured. The contract will be assumed pursuant to its terms.  This loan was made as an affordable housing subsidy. No payments are required under this loan provided the Debtor continues meeting the conditions of the subsidy. If conditions continue to be met for a period of 15 years from the inception of the loan (i.e., May 2023), the loan will be forgiven under the program.
1b	Secured claim of: • Name – County of Imperial • Collateral Description – First Deed of Trust on those Properties listed on Exhibit B-1.b. • Collateral Value = Approx. \$543,500 • Priority of security interest = First. • Total claim amount = Approx. \$587,000.	No.	No.	This loan is in the nature of an executory contract for neighborhood stabilization program. As such, the “loan” is not in default and has not matured. The contract will be assumed pursuant to its terms.  This loan was made as an affordable housing subsidy. No payments are required under this loan provided the Debtor continues meeting the conditions of the subsidy. If conditions continue to be met for a period of 15 years from the inception of the loan (i.e., May 2027), the loan will be forgiven under the program.

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<u>Class</u>	<u>Description</u>	<u>Insiders</u> <u>(Y/N)</u>	<u>Impaired</u> <u>(Y/N)</u>	<u>Treatment</u>
2	Secured claim of: • Name – Riverside County Economic Development Agency • Collateral Description – First Deed of Trust on those Properties listed on Exhibit B-2. • Collateral Value = Approx. \$2,200,000. • Priority of security interest = First. • Total claim amount = Approx. \$3,612,000.	No.	No.	This loan is not in default and has not matured. The loan will be assumed pursuant to its terms.  This loan was made as an affordable housing subsidy. No payments are required under this loan provided the Debtor continues meeting the conditions of the subsidy. If conditions continue to be met for a period of 55 years from the inception of the loan (July 14, 2009), the loan will be forgiven under the subsidy program.
3a	Secured claim of: • Name – Desert Community Bank • Collateral Description – First Deed of Trust on those Properties listed on Exhibit B-3. • Collateral Value = Approx. \$2,432,000 (cross-collateralized with Class 3a Claim). • Priority of security interest = First. • Total claim amount = Approx. \$1,729,119.33.	No.	Yes.	This loan has been conditionally modified pursuant to a conditional agreement of the parties. A true and correct copy of the parties' Change in Terms Agreement is attached hereto as Exhibit B-3d and is incorporated herein as though set forth in full.  An order confirming the Plan will constitute an order approving the Change in Terms Agreement.  Any existing defaults under the loan will be deemed cured upon confirmation of the Plan. Provided the Debtor remains in compliance with the terms of the loan, as modified hereby, co-debtor DACE shall likewise be deemed in compliance.
3b	Secured claim of: • Name – Desert Community Bank • Collateral Description – First Deed of Trust on those Properties listed on Exhibit B-3. • Collateral Value = Approx. \$2,432,000 (cross-collateralized with Class 3a Claim). • Priority of security interest = First. • Total claim amount = Approx. \$239,000.	No.	Yes.	This loan has been conditionally modified pursuant to a conditional agreement of the parties. A true and correct copy of the parties' Change in Terms Agreement is attached hereto as Exhibit B-3d and is incorporated herein as though set forth in full.  An order confirming the Plan will constitute an order approving the Change in Terms Agreement. Any existing defaults under the loan will be deemed cured upon confirmation of the Plan. Provided the Debtor remains in compliance with the terms of the loan, as modified hereby, co-debtor DACE shall likewise be deemed in compliance.

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<u>Class</u>	<u>Description</u>	<u>Insiders (Y/N)</u>	<u>Impaired (Y/N)</u>	<u>Treatment</u>
3c	Secured claim of: • Name – Desert Community Bank / FHLB • Collateral Description – Second Deed of Trust on those Properties listed on Exhibit B-3. • Collateral Value = Approx. \$2,432,000. • Priority of security interest = Second. • Total claim amount = Approx. \$330,000.	No.	No.	This loan is not in default and has not matured. The loan will be assumed pursuant to its terms.  This loan was made as an affordable housing subsidy. No payments are required under this loan provided the Debtor continues meeting the conditions of the subsidy. If conditions are met for a period of 15 years from the inception of the loan (i.e., October 2025), the loan will be forgiven under the program.
4	Secured claim of: • Name – City of Coachella Redevelopment Agency • Collateral Description – First Deed of Trust on raw land and lots as referenced in Exhibit B-4. • Collateral Value = Approx. \$1,095,000. • Priority of security interest = First. • Total claim amount = Approx. \$6,000,000.	No.	Yes.	The order confirming the Plan shall constitute an order granting relief from the automatic stay to permit the claimant to foreclose non-judicially on the real property security.  The unsecured deficiency claim, as well as any and all claims of the City of Coachella for property maintenance, shall be treated as a Class 10 general unsecured claim.
5	Secured claim of: • Name – Desert Diamond Properties • Collateral Description – First Deed of Trust on two 40-acre parcels of raw land as referenced in Exhibit B-5. • Collateral Value = Approx. \$1,400,000. • Priority of security interest = First. • Total claim amount = Approx. \$2,514,250.	No.	Yes.	The Debtor shall convey the real property security to the claimant in full satisfaction of its claim.  Any unsecured claim will be discharged.
6a	Secured claim of: • Name – American West Bank.  • Collateral Description – First Deed of Trust on ten vacant lots on Green Street in Blythe, California, as referenced in Exhibit B-6.a, as well as six restricted rentals as referenced in Exhibit B-6.a., a cash deposit of \$143,000, and a First Deed of	No.	Yes.	This loan matured in November 2011. The Debtor proposes the following treatment:  • <u>Cash Deposits</u> . American West may immediately apply the cash deposits held as collateral in partial satisfaction of its allowed secured claims.  • <u>Green Street Properties</u> . American West may immediately commence but not complete the foreclosure process

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<u>Class</u>	<u>Description</u>	<u>Insiders</u> <u>(Y/N)</u>	<u>Impaired</u> <u>(Y/N)</u>	<u>Treatment</u>
	<p>Trust against real estate located at 1503 East Hobson Way, Blythe, California (owned by DACE).</p> <ul style="list-style-type: none"> <li>• Collateral Value = Approx. \$712,000.</li> <li>• Priority of security interest = First.</li> <li>• Total claim amount = Approx. \$670,982.</li> </ul>			<p>on its real and personal property collateral located on Green Street in Blythe, California, comprising the six lots with mobile homes and the ten vacant lots described in Exhibit B-6.a. Through and including April 30, 2013, the Debtor shall have the exclusive right to market and sell the Green Street properties. In the event the Debtor timely procures (i) a buyer for any of the six lots with mobile homes at or in excess of \$65,000, or (ii) a buyer for any of the ten vacant lots at or in excess of \$7,000, American West shall cooperate in selling such lot to the buyer, and shall not complete the foreclosure on such lot. No additional motion or Court order is required to complete such a sale. The net sale proceeds (total sale price less broker's fee and customary closing costs) of each lot actually sold shall be applied to pay down the loans. From and after May 1, 2013, American West shall be entitled to complete the foreclosure on any remaining lots without further motion or Court order.</p> <ul style="list-style-type: none"> <li>• <u>East Hobson Way</u>. American West may immediately commence but not complete the foreclosure process on its commercial real property collateral located at 1503 East Hobson Way in Blythe, California. The Debtor may at its election (but is not required to) retain the East Hobson Street property by entering into a change in terms agreement with American West (continuing in place the security interest in the East Hobson Street property) and fixing the amount owed at the lesser of (i) the amount of the deficiency then remaining on all of American West's loans to the Debtor and DACE, or (ii) \$110,000. The Debtor shall have the choice of either of the following two financing options for the change-in-terms: (i) one year term, payments of interest only, at seven percent interest; or (ii) three year term, payments of principal and interest at a 20-year amortization schedule, at seven percent interest. The Debtor shall have until May 31,</li> </ul>

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<u>Class</u>	<u>Description</u>	<u>Insiders (Y/N)</u>	<u>Impaired (Y/N)</u>	<u>Treatment</u>
				<p>2013, to notify American West in writing of its decision to retain the East Hobson Way property through such a refinancing. Absent such timely election, American West may complete the foreclosure of East Hobson Way without further motion or order of the Court.</p> <p>This treatment shall constitute full satisfaction of all of American West's claims against the Debtor and DACE. Any remaining deficiency claim shall be deemed waived.</p>
6b	<p>Secured claim of:</p> <ul style="list-style-type: none"> <li>• Name – American West Bank.</li> <li>• Collateral Description – A cash deposit in the amount of \$258,173.</li> <li>• Collateral Value = Approx. \$258,173.</li> <li>• Priority of security interest = First.</li> <li>• Total claim amount = Approx. \$252,000.</li> </ul> <p>Note – The Debtor is not an obligor on this loan. DACE is the only obligor. However, the Debtor provided collateral to Sunrise Community Bank (American West Bank's predecessor) in connection with this loan.</p>	No.	Yes.	<p>This loan will be deemed fully-satisfied by treatment in accordance with the provisions of 6.a. above.</p> <p>American West will have no further claims against the Debtor or DACE.</p>
7a	<p>Secured claim of:</p> <ul style="list-style-type: none"> <li>• Name – Altura Credit Union.</li> <li>• Collateral Description – First Deed of Trust on Las Serenas Senior Apartments as listed on Exhibit B-7a/b.</li> <li>• Collateral Value = Approx. \$540,000.</li> <li>• Priority of security interest = First.</li> <li>• Total claim amount = Approx. \$675,000.</li> </ul>	No.	No.	<p>This loan is not in default and has not matured. The maturity date is April 1, 2048. The loan will be assumed pursuant to its terms.</p>

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<u>Class</u>	<u>Description</u>	<u>Insiders (Y/N)</u>	<u>Impaired (Y/N)</u>	<u>Treatment</u>
7b	<p>Secured claim of:</p> <ul style="list-style-type: none"> <li>• Name – Altura Credit Union / Federal Home Loan Bank.</li> <li>• Collateral Description – Second Deed of Trust on Las Serenas Senior Apartments as listed on Exhibit B-7a/b.</li> <li>• Collateral Value = Approx. \$540,000.</li> <li>• Priority of security interest = Second.</li> <li>• Total claim amount = Approx. \$261,000.</li> </ul>	No.	Yes.	<p>This loan is not in default and has not matured. The loan will be assumed pursuant to its terms.</p> <p>The obligation owing to the FHLB represents an affordable housing subsidy made to the Debtor. Repayment of this obligation is not required provided the Debtor continues to adhere to the conditions of the subsidy and the Affordable Housing Program Regulations.</p>
7c	<p>Secured claim of:</p> <ul style="list-style-type: none"> <li>• Name – Altura Credit Union / Federal Home Loan Bank.</li> <li>• Collateral Description – Not applicable. However, Claimant asserts a First Deed of Trust on East Riverside County Infill Project as listed in Claimant’s proof of claim.</li> <li>• Collateral Value = None, not applicable.</li> <li>• Priority of security interest = Not applicable.</li> <li>• Total claim amount = Claimant asserts \$255,000 in undisbursed loan funds to be restored to the applicable lender.</li> </ul>	No.	No.	<p>There is no direct obligation between the Debtor and the lender with respect to this “claim.” Rather, the Debtor acts as a pass-through between the lender and the end-borrower, who borrows money to acquire the real estate in question.</p> <p>Accordingly, the Debtor does not owe any money on this “claim” and has not received any funds that were not already earmarked for disbursement as a loan to a qualified end-borrower.</p> <p>The Debtor intends to assume the Direct Subsidy Agreement in question, but there will be no claim arising from this transaction.</p>
7d	<p>Secured claim of:</p> <ul style="list-style-type: none"> <li>• Name – Altura Credit Union / Federal Home Loan Bank.</li> <li>• Collateral Description – Second Deed of Trust on six of the Green Street Properties as listed on Exhibit B-7d / B-6a.</li> <li>• Collateral Value = Approx. \$475,000.</li> <li>• Priority of security interest = Second.</li> <li>• Total claim amount = Approx. \$65,000 (subject to senior lien of Class 6.a.</li> </ul>	No.	Yes.	<p>The obligation owing to the FHLB represents an affordable housing subsidy made to the Debtor. Repayment of this obligation is not required provided the Debtor continues to adhere to the conditions of the subsidy and Affordable Housing Program regulations.</p> <p>It is anticipated that the underlying collateral will likely be foreclosed upon by the senior lienholder, American West Bank, or sold for the benefit American West Bank. In that event, the Debtor would no longer meet the conditions of the subsidy, but pursuant to Affordable Housing Program regulations, the income-eligibility and affordability restrictions applicable to a specific affordable</p>

<u>Class</u>	<u>Description</u>	<u>Insiders (Y/N)</u>	<u>Impaired (Y/N)</u>	<u>Treatment</u>
				housing project would terminate after any such foreclosure.  Therefore, any proceeds of the collateral available after payment of American West Bank's claim will be used to pay down this obligation. The obligation will not be repaid except to the extent that there are excess proceeds of the collateral after payment of American West Bank's claim.
8	Secured claim of: • Name – USDA Centralized Servicing Center (“CSC”) • Collateral Description – First Deed of Trust on 3 REO homes for restricted resale as listed on Exhibit B-8. • Collateral Value = Approx. \$210,000. • Priority of security interest = First. • Total claim amount = Approx. \$210,000.	No.	No.	This loan is not in default and has not matured. The loan will be assumed pursuant to its terms.  Maturity dates are August 13, 2029, and May 20, 2031.

The Debtor shall retain the right to object to any of the claims listed in the Plan, for any purpose and on any grounds, including but not limited to amount, priority, security or seniority of security.

**2. Classes of Priority Claims.**

Priority claims are claims that are unsecured but are entitled to priority in the order of payment as compared to certain other claims. Certain priority claims that are referred to in Code Sections 507(a)(4), (5), (6) and (7) are required to be placed in classes.<sup>2</sup> Those types of claims

<sup>2</sup> Section 507(a)(4) – Wages, salary or commissions earned by an individual within 180 days from the petition date of no more than \$11,725;  
 Section 507(a)(5) – Claims for contribution to employee benefit plans within 180 days of the petition date;  
 Section 507(a)(6) – Claims of up to \$5,775 by persons raising grain against a debtor operating a grain storage facility or engaged as a United States fisherman against a person operating a fish storage or processing facility; and  
 Section 507(a)(7) – Claims of up to \$2,600 by individuals for a pre-petition deposit in connection with the purchase, lease or rental of undelivered property or services intended for the personal use of the individual.

are entitled to priority treatment as follows: The Code requires that each holder of such a claim receive cash on the Effective Date equal to the allowed amount of such claim. However, a class of unsecured priority claim holders may vote to accept deferred cash payments of a value, as of the Effective Date, equal to the allowed amount of such claim.

The chart below lists all classes of the Debtor’s priority claims and their treatment under the Plan:

<u>Class</u>	<u>Description</u>	<u>Impaired (Y/N)</u>	<u>Treatment</u>
9a	Priority claims of employees for unpaid pre-petition salary and expense reimbursements.  The aggregate amount of these claims is estimated to be \$4,215.25.	Yes; claims in this class are entitled to vote on the Plan.	Holders of Class 9a priority claims will be paid in full the full amount of their allowed claims within 180 days of the Effective Date of the Plan.
9b	Priority claims of tenants for deposits.  The aggregate amount of deposits is estimated at \$19,357.	No; claims in this class are deemed to accept the Plan.	The Debtor will continue to hold the tenant deposits, including those entitled to priority, pursuant to the terms of the Debtor’s residential lease agreements with said claimants. As set forth below, these leases are being assumed under the Plan except where specifically noted otherwise.

**3. Classes of General Unsecured Claims.**

General unsecured claims are unsecured claims not entitled to priority under Code Section 507(a). The chart below identifies the Plan’s treatment of the classes containing all of the Debtor’s general unsecured non-priority claims as reflected in the Debtor’s bankruptcy schedules (see Exhibit “D” for detailed information about each general unsecured claim.)

<u>Class</u>	<u>Description</u>	<u>Impaired (Y/N)</u>	<u>Treatment</u>
10	General Unsecured Non-Priority Claims.  The aggregate amount of these claims is at least \$10,248,436.	Yes; but claims in this class are deemed to reject the Plan.	Holders of Class 10 claims will receive nothing on account of their claims.

1           **4. Class(es) of Interest Holders.**

2           Interest holders are the parties who hold an ownership interest (i.e., equity interest) in the  
3 Debtor. If the debtor is a corporation, entities holding preferred or common stock in the debtor  
4 are interest holders. If the debtor is a partnership, the interest holders include both general and  
5 limited partners. If the debtor is a limited liability company, entities holding membership  
6 interests are interest holders. If the debtor is an individual, the debtor is the interest holder.

7           In the present case, the Debtor is a non-profit public benefit corporation organized under  
8 Division 2 of Title I of the California Corporations Code (beginning with Corporations Code  
9 Section 5000.) The Debtor has members but does not issue equity securities of any kind. The  
10 Debtor’s members do not share in profits or have any ownership of corporate assets.

11           Accordingly, memberships will not be canceled under the Plan. The following chart identifies the  
12 Plan’s treatment of the class of interest holders:

13

<u>Class</u>	<u>Description</u>	<u>Impaired (Y/N)</u>	<u>Treatment</u>
11	Members	No; interests in this class are deemed to accept the Plan.	All members in the Debtor will retain their memberships.

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18           **D. Procedures for Resolving Claims Objections.**

19           The Debtor reserves its right to file objections to certain claims prior to the Effective Date.  
20 The Debtor anticipates the resolution of all such objections prior to the date required for payment  
21 on account of any claim to which the Debtor has objected. To the extent a claim objection has  
22 not been resolved prior to the date that such claim would otherwise be required to be paid  
23 pursuant to this Plan, then no payment shall be due, nor shall any payment be made, on account of  
24 such claim until the objection to such claim is resolved.

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1 **E. Means of Effectuating the Plan.**

2 **1. Funding for the Plan.**

3 The Debtor proposes to fund the Plan with a combination of revenues derived from its  
4 post-petition and post-confirmation business operations, plus capital raised from grants, loans and  
5 forgivable loans in accordance with its customary practice.

6 The Debtor's estimated cash flow projections for the years 2013 through 2017, as well as  
7 the Debtor's analysis of available cash on the Effective Date, are set forth in Exhibit "E" and  
8 below in Section IV.C, entitled "Feasibility."

9 The Debtor expects to add 43 new houses to be rented out to residents in connection with  
10 Phase Two of the Cahuilla Village project. The increase in anticipated rental income amounts to  
11 an average monthly rental of \$554 per home. The Debtor believes these figures are well-within  
12 the market and are conservative.

13 Project development fees are paid when project completion reaches a stage that results in  
14 the payment of development fees. The Debtor expects the Cahuilla Village project to be  
15 completed to that stage during the first or second quarter of 2014, after which fees will be paid  
16 through 2017. The Debtor's project development fees include the fees it charges its customers,  
17 such as the City of Indio, the County of Imperial, etc., for administering the projects, including  
18 locating suitable properties, negotiating to purchase them, and performing the rehabilitation work.

19 Project reimbursements come from the City of Indio and the County of Imperial in  
20 connection with the NSP programs. The Debtor purchases houses and bears the expenses of the  
21 rehabilitation of each home. The project reimbursements are obtained usually within several  
22 weeks of submitting the request for reimbursement. Reimbursement includes not only the  
23 acquisition costs associated with the project, but also the Debtor's rehabilitation costs.

24  
25 **2. Post-Confirmation Management.**

26 Current management will remain in its current positions for the foreseeable future.  
27 Existing management will remain in charge of all daily operations and strategic planning.  
28

1           **3.     Disbursing Agent.**

2           The Debtor will act as the disbursing agent for the purpose of making all disbursements  
3 provided for under the Plan. The Debtor will serve without bond. The Debtor will be vested with  
4 all rights, obligations and duties necessary to carry out the terms of the Plan. The Debtor will  
5 serve without compensation for services rendered. However, all post-confirmation expenses  
6 incurred by the Debtor in carrying out the terms of the Plan will be paid by funds generated from  
7 the Debtor's post-confirmation business operations.

8           **F.     Risk Factors.**

9           The proposed Plan, based as it is upon a continuation of current economic conditions,  
10 entails certain risks. There is a possibility of another general downturn in the economy, which  
11 could affect real estate values. There is a possibility of reduced general revenues to the  
12 municipal, state and federal governments upon which the Debtor relies for funding. The Debtor's  
13 financial projections assume that the Debtor's revenues will experience very modest growth over  
14 the next five years. A general economic downturn, a change in the political climate, reduced  
15 governmental revenues or a shift in governmental priorities could hinder the Debtor's prospects  
16 of realizing such growth.

17           **G.     Other Plan Provisions.**

18           **1.     Executory Contracts and Unexpired Leases (11 U.S.C. Section 365).**

19           The Debtor is the lessor under numerous unexpired real property leases. These leases will  
20 be assumed. The Debtor is also a party to various executory contracts as referenced in Exhibit  
21 "G" hereto. Each of those executory contracts will be assumed as well. The order confirming the  
22 Plan shall operate as an order assuming the executor contracts and unexpired leases described  
23 herein.

24           The following executory contract will not be assumed but instead will be rejected:

25                     \$450,000 AHP (Affordable Housing Program) Grant Contract  
26                     #09B11027 for Cahuilla Village  
27                     Participating Bank: Federal Home Loan Bank of San Francisco  
28                     Attn: Tom Dapice, Assistant Vice President, Compliance Officer  
                      600 California Street, Suite 300  
                      San Francisco, CA 94108

1 The Debtor agreed to reject this contract because FHLB requested that the Debtor do so,  
2 and because the Debtor could not complete the project without significant losses. Unused funds  
3 have been released to FHLB. Rejection damages, if any, are unknown and will be treated as  
4 general unsecured claims entitled to the same treatment as other claims in Class 10. All other  
5 executory contracts and unexpired leases not specifically accepted will be rejected.

6 **THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM ARISING FROM THE**  
7 **REJECTION OF A LEASE OR CONTRACT WILL BE THIRTY (30) DAYS AFTER THE REJECTION**  
8 **OCCURS.** Any claim based on the rejection of a contract or lease will be barred if the proof of  
9 claim is not timely filed, unless the Court later orders otherwise.

10  
11 **2. Changes in Rates Subject to Regulatory Commission Approval.**

12 This Debtor is not subject to governmental regulatory commission approval of its rates.

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14 **3. Retention of Jurisdiction.**

15 The Court will retain jurisdiction to the extent provided by law.

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17 **4. Issuance of Non-Voting Shares.**

18 The Debtor shall not issue non-voting equity securities. The Debtor does not issue equity  
19 securities pursuant to California Corporations Code Sections 5000, *et seq.*

20  
21 **5. Retirement Benefits.**

22 The Debtor does not provide retirement plans. This will not change.

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1 **H. Tax Consequences of the Plan.**

2 **THIS DOCUMENT DOES NOT PURPORT TO GIVE YOU TAX ADVICE.**  
3 **PARTIES READING THIS DISCLOSURE STATEMENT ARE ADVISED TO CONSULT**  
4 **WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO**  
5 **THEM OF THE TRANSACTIONS CONTEMPLATED BY THIS PLAN, INCLUDING**  
6 **THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.**

7  
8 **1. Generally.**

9 Implementation of the Plan may have federal, state and local tax consequences to the  
10 Debtor and creditors of the Debtor. No tax opinion has been sought or will be obtained with  
11 respect to any tax consequences of the Plan, and the following disclosure (the "Tax Disclosure")  
12 does not constitute and is not intended to constitute either a tax opinion or tax advice to any  
13 person. Rather, the Tax Disclosure is provided for informational purposes only.

14 Moreover, the Tax Disclosure summarizes only certain of the potential federal income tax  
15 consequences associated with the Plan's implementation, and does not attempt to comment on all  
16 such aspects of the Plan's implementation, actual or potential. In addition, certain of the federal  
17 income tax consequences described in the Tax Disclosure are dependent on factual  
18 determinations that are subject to uncertainties. Similarly, the Tax Disclosure does not attempt to  
19 consider any facts or limitations applicable to any particular creditor or interest holder which may  
20 modify or alter the consequences described below. The Tax Disclosure also does not address  
21 state, local or foreign tax consequences or the consequences of any non-income federal tax.

22 The Tax Disclosure is based upon the provisions of the Tax Code and the regulations  
23 promulgated thereunder, existing judicial decisions and administrative rulings. In light of the  
24 constant evolution of the Tax Code, no assurance can be given that legislative, judicial or  
25 administrative changes will not be forthcoming that would affect the accuracy of the discussion  
26 below. Any such changes could be material and could be retroactive with respect to the  
27 transactions entered into or completed prior to the enactment or promulgation. Finally, the tax  
28 consequences of certain aspects of the Plan are uncertain due to a lack of applicable legal

1 authority and may be subject to judicial or administrative interpretations that differ from the  
2 discussion below.

3  
4 **2. Post-Confirmation Taxes.**

5 The Plan provides for the reorganization of the Debtor and the Debtor continuing to  
6 operate its business without significant changes. The Debtor will simply continue to pay taxes in  
7 the ordinary course of business as they are incurred.

8  
9 **3. Reduction of Indebtedness.**

10 Because the Debtor intends to continue its existence following the confirmation of the  
11 Plan, the Debtor will receive a discharge with respect to its outstanding indebtedness. Actual debt  
12 cancellation in excess of the fair market value of the consideration – stock, cash or other property  
13 – paid in respect of such debt will hereinafter be referred to as a “Debt Discharge Amount.”

14 In general, the Tax Code provides that a taxpayer who realizes a cancellation or discharge  
15 of indebtedness must include the Debt Discharge Amount in its gross income in the taxable year  
16 of discharge. Debt Discharge Amounts may arise with respect to creditors who receive  
17 consideration in partial or full satisfaction of their Claims, including any accrued interest. The  
18 Debtor’s Debt Discharge Amount may be increased to the extent that unsecured creditors holding  
19 unsecured claims fail to timely file proofs of claim and their claims are discharged on the  
20 confirmation date pursuant to Section 1141 of the Bankruptcy Code. No income from the  
21 discharge of indebtedness is realized, however, to the extent that payment of the liability being  
22 discharged would have given rise to a deduction.

23 A taxpayer’s Debt Discharge Amount is specifically excluded from gross income if the  
24 discharge of indebtedness occurs pursuant to a confirmed plan in Bankruptcy. The Debtor  
25 believes the “Bankruptcy Exception” applies here. Therefore, the Debtor believes it will not be  
26 required to include in income any Debt Discharge Amount as a result of the implementation of  
27 the Plan. The Debt Discharge Amount excluded from income pursuant to the Bankruptcy  
28 Exception, however, must be applied to reduce certain tax attributes of the Debtor pursuant to

1 Section 108(b) of the Tax Code. Tax attributes are reduced in the following order of priority: net  
2 operating losses and carryovers, general business credits, minimum tax credits, capital loss  
3 carryovers, basis of property of the taxpayer, passive activity loss or credit carryovers, and  
4 foreign tax credit carryovers. Tax attributes are generally reduced by one dollar for each dollar  
5 excluded from gross income, except that general tax credits, minimum tax credits and foreign tax  
6 credits are reduced by less than 100 cents for each dollar excluded from gross income. Although  
7 it is possible to make an election to alter the order of priority of attribute reduction by first  
8 applying the Debt Discharge Amount to depreciable property held by the Debtor (in an amount  
9 not to exceed the aggregate adjusted basis of such property), the Debtor does not presently intend  
10 to make such election. The deadline for making such an election is the due date (including  
11 extensions) of the Debtor's federal income tax return for the taxable year in which such debt is  
12 discharged pursuant to the Plan.

#### 13 14 **4. Tax Consequences to Creditors.**

15 The tax consequences of the Plan to a creditor will depend on whether the creditor's claim  
16 constitutes a "security" of the Debtor for federal income tax purposes and the type of  
17 consideration received by the creditor in exchange for, or payment of, such creditor's claim,  
18 whether the creditor receives consideration in more than one tax year of the creditor, and whether  
19 all the consideration received by the creditor is deemed to be received by that creditor in an  
20 integrated transaction. In general, a "security" for federal income tax purposes is a long-term  
21 debt instrument and the term does not include stock.

22 The Debtor does not purport to speculate as to whether any claims against it would  
23 constitute a "security" for federal income tax purposes. However, to the extent any such claims  
24 do constitute "securities" for federal income tax purposes, the tax consequences to such  
25 claimholders could differ substantially from those hypothesized below.

26 Pursuant to the Plan, holders of allowed claims will receive distributions of cash in  
27 exchange for their allowed claims. Whether and to the extent to which such a payment is  
28 includible in the holder's gross income will be determined by reference to the claim in respect of

1 which the distribution is made. In general, the holder will recognize ordinary income in respect  
2 of such payment if the claim is in respect of an item generating ordinary income, such as wages,  
3 to the holder. Similarly, if a claim is held as part of a trade or business, the holder of such claim  
4 should generally recognize ordinary loss to the extent that such holder's adjusted basis in the  
5 claim exceeds the amount received by such holder with respect to such claim. If a claim is held  
6 in respect of a capital asset, the holder should generally recognize a capital gain or loss.  
7 However, any distribution attributable to accrued but unpaid interest will be treated as ordinary  
8 income, regardless of whether the origin of the claim is capital in nature or whether gain or loss is  
9 otherwise recognized on the claim.

10 **ALL CREDITORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS**  
11 **REGARDING THE CONSEQUENCES TO THEM OF THE TRANSACTIONS**  
12 **CONTEMPLATED BY THE PLAN.**

13  
14 **5. Supplemental General Disclaimer.**

15 This Disclosure Statement does not purport to give advice as to the possible tax  
16 consequences of the Plan to creditors. **CREDITORS AND INTEREST HOLDERS CONCERNED WITH**  
17 **HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN**  
18 **ACCOUNTANTS, ATTORNEYS AND/OR ADVISORS. THE DEBTOR CANNOT AND DOES NOT** make  
19 any representations concerning any tax consequences because the Tax Code embodies many  
20 complicated rules which make it difficult to state completely and accurately all the tax  
21 implications of any action.

22 Circular 230 Disclaimer: To ensure compliance with Treasury Regulations governing  
23 written tax advice, please be advised that any tax advice included in this communication,  
24 including any attachments, is not intended, and cannot be used, for the purpose of (i) avoiding any  
25 federal tax penalty or (ii) promoting, marketing, or recommending any transaction or matter to  
26 another person.

27  
28

1 IV.

2 **CONFIRMATION REQUIREMENTS AND PROCEDURES**

3 **PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD**  
4 **CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN IS VERY**  
5 **COMPLEX.**

6 The following discussion is intended solely for the purpose of alerting readers about basic  
7 confirmation issues, which they may wish to consider, as well as certain deadlines for filing  
8 claims. **THE DEBTOR CANNOT AND DOES NOT** represent that the discussion contained below is a  
9 complete summary of the law on this topic.

10 Many requirements must be met before the Court can confirm a plan. Some of the  
11 requirements include that the plan must be proposed in good faith, acceptance of the plan by  
12 creditors, whether the plan pays creditors at least as much as creditors would receive in a Chapter  
13 7 liquidation, and whether the plan is feasible. These requirements are **not** the only requirements  
14 for confirmation.

15  
16 **A. Who May Vote or Object.**

17 **1. Who May Object to Confirmation of the Plan.**

18 Any party-in-interest may object to the confirmation of the Plan, but as explained below,  
19 not everyone is entitled to vote to accept or reject the Plan.

20  
21 **2. Who May Vote To Accept or Reject the Plan.**

22 A creditor or interest holder has a right to vote for or against the plan if that creditor or  
23 interest holder has a claim which is both (1) allowed for voting purposes and (2) classified in an  
24 impaired class.

25  
26 *a. What Is an Allowed Claim or Interest.*

27 As noted above, a creditor or interest holder must first have an **allowed claim or interest**  
28 to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party-



1 in-interest brings a motion objecting to the claim. When an objection to a claim or interest is  
2 filed, the creditor or interest holder holding the claim or interest cannot vote unless the Court,  
3 after notice and a hearing, either overrules the objection or allows the claim or interest for voting  
4 purposes.

5 **FOR CREDITORS OR EQUITY INTEREST HOLDERS WHOSE CLAIMS OR INTERESTS ARE**  
6 **NOT SCHEDULES OR ARE SCHEDULED AS DISPUTED, CONTINGENT OR UNLIQUIDATED, THE**  
7 **DEADLINE FOR FILING A PROOF OF CLAIM IN THIS CASE WAS DECEMBER 27, 2009.** A creditor  
8 or interest holder may have an allowed claim or interest even if a proof of claim or interest was  
9 not timely filed. A claim is deemed allowed if (1) it is scheduled on the Debtor's schedules and  
10 such claim is not scheduled as disputed, contingent or unliquidated, and (2) no party in interest  
11 has objected to the claim. An interest is deemed allowed if it is scheduled and no party in interest  
12 has objected to the interest. Consult the Claims Analysis attached as Exhibit "D" to see how the  
13 Debtor has characterized your claim or interest.

14  
15 *b. What Is an Impaired Claim or Interest.*

16 As noted above, the holder of an allowed claim or interest only has the right to vote if the  
17 claim or interest is in a class that is **impaired** under the Plan. A class is impaired if the Plan  
18 alters the legal, equitable or contractual rights of the members of that class. For example, a class  
19 comprised of general unsecured claims is impaired if the Plan fails to pay the members of that  
20 class 100% of what they are owed.

21 In this case, the Debtor believes that Classes C, 3a, 3b, 4, 5, 6a, 6b, 7b, 7d, 9a and 10 are  
22 impaired. The Debtor further believes that holders of claims and interests in those classes are  
23 entitled to vote to accept or reject the Plan. Impaired claims in Class 10 are not strictly prohibited  
24 from voting; however, their votes are not counted because they will be deemed to have rejected  
25 the Plan by operation of law because they do not receive or retain any property under the Plan.  
26 Parties who dispute the Debtor's characterization of their claim or interest as being impaired or  
27 unimpaired may file an objection to the Plan contending that the Debtor has incorrectly  
28 characterized the class.

1           **3. Who is Not Entitled to Vote.**

2           The following four types of claims are **not** entitled to vote: (1) claims that have been  
3 disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Code  
4 sections 507(a)(2), 507(a)(3) and 507(a)(8); and (4) claims in classes that do not receive or retain  
5 any value under the Plan. Claims in unimpaired classes are not entitled to vote because such  
6 classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Code  
7 sections 507(a)(2), 507(a)(3) and 507(a)(8) are not entitled to vote because such claims are not  
8 placed in classes and they are required to receive certain treatment specified by the Code. Claims  
9 in classes that do not receive or retain any value under the Plan do not vote because such classes  
10 are deemed to have rejected the Plan. **EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED**  
11 **ABOVE, YOU MAY STILL HAVE RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.**

12  
13           **4. Who Can Vote in More Than One Class.**

14           A creditor whose claim has been allowed in part as a secured claim and in part as an  
15 unsecured claim is entitled to accept or reject a Plan in both capacities by casting one ballot for  
16 the secured part of the claim and another ballot for the unsecured claim. Since the Plan treats all  
17 secured creditors as fully secured, there are no claims that will have a secured and an unsecured  
18 component under the Plan.

19  
20           **5. Votes Necessary To Confirm the Plan.**

21           If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one  
22 impaired class (i.e., at least one of Classes C, 3a, 3b, 4, 5, 6a, 6b, 7b, 7d, 9a and 10) has accepted  
23 the Plan without counting the votes of any insiders within that class, and (2) all impaired classes  
24 have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram-down” on non-  
25 accepting classes, as discussed below in paragraphs 7 and 8 of this Section. The Debtor believes  
26 that its Plan can satisfy those requirements.

1           **6. Votes Necessary for a Class To Accept the Plan.**

2           A class of claims is considered to have “accepted” the Plan when more than one half (1/2)  
3 in number and at least two-thirds (2/3) in dollar amount of the claims (which actually voted)  
4 voted in favor of the Plan. A class of interests is considered to have accepted the Plan when at  
5 least two-thirds (2/3) in amount of the interest-holders of such class which actually voted, voted  
6 to accept the Plan.

7  
8           **7. Treatment of Non-Accepting Classes.**

9           As noted above, if at least one, but not necessarily all, impaired classes accepts the  
10 proposed Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are  
11 treated in the manner required by the Code. The process by which non-accepting classes are  
12 forced to be bound by the terms of a Plan is commonly referred to as “cram-down.” The Code  
13 allows the Plan to be “crammed down” on non-accepting classes of claims or interests if it meets  
14 all consensual requirements except the voting requirements of Section 1129(a)(8) and if the Plan  
15 does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that has  
16 not voted to accept the Plan as referred to in Code Section 1129(b) and applicable case law.

17           Because the Plan calls for general unsecured creditors to receive less than 100% of the  
18 value of their claims, Section 1129(b)(2)(B) prohibits claim or interest holders junior to the  
19 general unsecured creditors from receiving anything on account of such junior claim or interest.  
20 The Debtor believes the Plan meets that requirement in that the existing equity interest holders are  
21 not receiving any equity interest in the reorganized Debtor on account of their existing equity  
22 interests.

23  
24           **8. Request for Confirmation Despite Non-Acceptance by Impaired Class(es).**

25           In the event an impaired class votes to reject the Plan, the Debtor will ask **the Court** to  
26 confirm the Plan by cram-down on those impaired classes. As set forth above, a plan may be  
27 crammed down on a non-accepting class of claims if the plan does not “discriminate unfairly” and  
28 is “fair and equitable.” In addition, a plan may be crammed down only if at least one impaired

1 class has voted to accept the plan. Therefore, if all impaired classes vote against the Plan, the  
2 Plan cannot be confirmed.

3 Here, the Debtor believes that it will be able to obtain the consent of at least one impaired,  
4 non-insider class: Class 9 (priority claims). Accordingly, the Debtor believes it will be able to  
5 satisfy the Section 1129 requirement that at least one impaired class will vote to accept the Plan.

6 Please note that the proposed Plan **cannot** be crammed down on certain types of classes.  
7 As a result, **IF ANY SUCH CLASS DOES NOT VOTE TO ACCEPT THE PLAN, THE PLAN WILL NOT**  
8 **BE CONFIRMED.** However, the Debtor believes that no such classes exist in this case.

9  
10 **B. Liquidation Analysis.**

11 Another confirmation requirement is the “Best Interests Test”, which requires a  
12 liquidation analysis. Under the Best Interests Test, if a claimant or interest holder is in an  
13 impaired class and that claimant or interest holder does not vote to accept the Plan, then that  
14 claimant or interest holder must receive or retain under the Plan property of a value not less than  
15 the amount that such holder would receive or retain if the Debtor were liquidated under Chapter 7  
16 of the Code.

17 In a Chapter 7 case, the Debtor’s assets are usually sold by a Chapter 7 trustee. Secured  
18 creditors are paid first from the sales proceeds of properties on which the secured creditor has a  
19 lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining  
20 sales proceeds, according to their rights to priority. Unsecured creditors with the same priority  
21 share in proportion to the amount of their allowed claim in relationship to the amount of total  
22 allowed unsecured claims. Finally, interest holders receive the balance that remains after all  
23 creditors are paid, if any.

24 For the Court to be able to confirm the Plan, the Court must find that all creditors and  
25 interest holders who do not accept the Plan will receive at least as much under the Plan as such  
26 holders would receive under a Chapter 7 liquidation. The Debtor maintains that this requirement  
27 is met, for the following reasons:  
28

1 First, if secured creditors foreclose on the assets of the estate, there will be very limited  
2 funds left to pay administrative, priority and general unsecured claims. Rather, unsecured  
3 creditors will receive very little or nothing on account of their claims.

4 Second, the liquidation value of the Debtor's assets is far lower than their value to the  
5 Debtor as a going concern. For instance, the Debtor's accounts receivable are worth less in a  
6 Chapter 7 in part because a bankruptcy trustee is unable to rely on personal business relationships  
7 to persuade account debtors to pay their debts. The Debtor has estimated their liquidation value  
8 at only 50% of their value to the Debtor as a going concern.

9 Third, in a Chapter 7 case, a trustee is appointed and entitled to compensation from the  
10 bankruptcy estate in an amount not more than 25% of the first \$5,000 of all monies disbursed,  
11 10% on any amount between \$5,000.01 and \$50,000, 5% on all amounts between \$50,000.01 and  
12 \$1,000,000, and 3% on all amounts in excess of \$1,000,000. Such compensation will be paid  
13 ahead of distributions to general unsecured claimants. In addition, Chapter 7 trustees often hire  
14 accountants and attorneys who are also compensated from the estate prior to distributions to  
15 general unsecured creditors. So to the extent there are unencumbered assets in a Chapter 7 case,  
16 they would be liquidated to satisfy the administrative claims of the Chapter 7 estate rather than  
17 claims of creditors in this Chapter 11 case.

18 Below is a demonstration, in balance sheet format, that all creditors and interest holders  
19 will receive at least as much under the Plan as such creditor or interest holder would receive  
20 under a Chapter 7 liquidation. This information is provided by the Debtor's Chief Restructuring  
21 Officer. In the chart below, the encumbrances on each asset are listed as though they were not  
22 satisfied by liquidating other assets:

23  
24  
25 [Chart Begins on Next Page]  
26  
27  
28

**Snell & Wilmer**  
LLP

LAW OFFICES  
600 Anton Boulevard, Suite 1400  
Costa Mesa, California 92626-7689  
(714) 427-7000

Asset Description	Liquidation Value <sup>3</sup>
Accounts Receivable as of December 31, 2012	\$53,729
Unrestricted Cash as of December 31, 2012	\$34,622
Net value to administrative, priority and general unsecured creditors	\$34,622
Indio NSP Restricted Properties:	\$2,971,500
Less City of Indio Lien	(\$4,601,398)
Net value to administrative, priority and general unsecured creditors	\$0
Imperial County NSP Restricted Properties	\$543,500
Less County of Imperial Conditional Lien	(\$587,000)
Net value to administrative, priority and general unsecured creditors.	\$0
Riverside County NSP Restricted Rentals:	\$2,200,000
Less County of Riverside Lien	(\$3,204,000)
Net value to administrative, priority and general unsecured creditors	\$0
DCB Affordable Restricted Rental Properties <sup>4</sup>	\$2,342,000
Less DCB Lien	\$2,298,119
Net value to administrative, priority and general unsecured creditors	\$0
Coachella Development Land	\$1,095,000
Less City of Coachella Redevelopment Agency Liens	(\$6,000,000)
Net value to administrative, priority and general unsecured creditors	\$0
Desert Diamond Development Properties	\$1,400,000
Less lien of Desert Diamond Development	(\$2,514,250)
Net value to administrative, priority and general unsecured creditors	\$0
American West Restricted Affordable Housing Rentals and Lots	\$475,000 <sup>5</sup>
Las Serenas Senior Apartments	\$540,000
Less liens of Altura Credit Union / Federal Home Loan Bank	(\$936,000)

<sup>3</sup> Liquidation values are estimates furnished by the Debtor. The Debtor has estimated the value of receivables and equipment at 50% of its book value for liquidation purposes. Even this figure is probably generous; in light of historical experience, a return of 20% is more realistic in a bankruptcy liquidation setting.

<sup>4</sup> These properties are restricted. Under California law and federal banking regulations they are not available for uses other than as specified in the Debtor's loan agreement with DCB.

<sup>5</sup> These properties are subject to foreclosure as referenced above in Section III.

Asset Description	Liquidation Value <sup>3</sup>
Net value to administrative, priority and general unsecured creditors	\$0
Green Street Properties	\$60,000
Less lien of Altura Credit Union / Federal Home Loan Bank	(\$65,000)
Net value to administrative, priority and general unsecured creditors	\$0
Restricted REO homes	\$210,000
Less lien of USDA Centralized Servicing Center	\$210,000
Net value to administrative, priority and general unsecured creditors	\$0
North Shore Properties (Exhibit B-6.b)	\$170,000
Net value to administrative, priority and general unsecured creditors	\$170,000
Ripley Parcel (Exhibit B-6.c)	\$45,000
Less Chapter 7 Trustee Fees <sup>6</sup>	\$46,765
Less Estimated Chapter 7 Administrative Expense Claims, including estimated sales expenses and fees.	(\$250,720)
Less Estimated Chapter 11 Professional Fees	(\$145,000)
Less Other Estimated Chapter 11 Administrative Expenses	(unknown)
Less Tax and other Priority Claims	(\$500,955) <sup>7</sup>
Less Class 2 Priority Wage and Benefit Claims	(\$23,572)
Net value to administrative, priority and general unsecured creditors	\$0

Below is a demonstration, in tabular format, that all creditors and interest holders will receive at least as much under the Plan as they would receive under a Chapter 7 liquidation:

[Chart Begins on Next Page]

<sup>6</sup> Chapter 7 Trustee fees were calculated based on cash disbursements only and do not include turnovers of real estate on account of anticipated credit bids by secured creditors. 11 U.S.C. § 326.

<sup>7</sup> The priority tax claim of the County of Riverside would be enforceable if the Debtor were liquidated and no longer able to take advantage of its non-profit tax status.

Claimants	Estimated Allowed Amount	Payout under the Plan	Payout under a Chapter 7 Liquidation <sup>8</sup>
Class 1a Secured Claim of City of Indio*	\$4,601,398	100%	70.23%
Class 1b Secured Claim of County of Imperial*	\$587,000	100%	92.58%
Class 2 Secured Claim of the County of Riverside*	\$3,612,000	100%	60.91%
Class 3a Secured Claim of Desert Community Bank	\$1,729,119	100%	100%
Class 3b Secured Claim of Desert Community Bank	\$239,000	100%	100%
Class 3c Secured Claim of Desert Community Bank	\$330,000	100%	100%
Class 4 Secured Claim of the City of Coachella Redevelopment Agency	\$6,000,000	18.25%	18.25%
Class 5 Secured Claim of Desert Diamond Properties	\$2,514,250	55.68%	55.68%
Class 6a Secured Claim of American West Bank	\$598,900	100%	100%
Class 6b Secured Claim of American West Bank	\$248,000	100%	100%
Class 7a Secured Claim of Altura Credit Union / FHLB	\$675,000	100%	80%
Class 7b Secured Claim of Altura Credit Union / FHLB*	\$261,000	0%	0%
Class 7c Secured Claim of Altura Credit Union / FHLB	n/a	n/a	n/a
Class 7d Secured Claim of Altura Credit Union / FHLB*	\$65,000	0%	0%
Class 8 Secured Claim of USDA CSC	\$210,000	100%	100%
Chapter 7 Administrative Claims	unknown	n/a	100%
Chapter 11 Administrative Claims	\$145,000	100%	unknown
Unclassified Priority Claims*	\$500,955	100%	28.9%
Class 9a Priority Claims	\$4,215	100%	28.9%
Class 9b Priority Claims	\$19,357	100%	28.9%
General Unsecured Claims, including deficiency claims	\$10,248,436	0%	0%

\* Claims are forgiven pursuant to the terms of the loan documents or are unenforceable under otherwise applicable law.

<sup>8</sup> This figure assumes no sale or other transaction costs.



1 **C. Feasibility.**

2 Another requirement for confirmation involves the feasibility of the Plan, which means  
3 that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further  
4 financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such  
5 liquidation or reorganization is proposed in the Plan.

6 There are at least two important aspects of a feasibility analysis. The first aspect  
7 considers whether the Debtor will have enough cash on hand on the Effective Date of the Plan to  
8 pay all the claims and expenses which are entitled to be paid on such date. The Debtor maintains  
9 that this aspect of feasibility is satisfied as illustrated below:

Cash Debtor will have on Effective Date	\$160,000
Cash needed to pay administrative claims on Effective Date	\$145,000
Balance:	\$15,000

10  
11  
12  
13  
14  
15 The sources of the cash the Debtor will have on hand by the Effective Date, as shown  
16 above, are:

Estimated Cash in DIP Account	\$160,000
Borrowing	\$0
Total:	\$160,000

17  
18  
19  
20  
21  
22 The Debtor intends to liquidate those unencumbered properties listed in Exhibit B-6.b.  
23 and/or B-6.c., to the extent necessary to fund administrative expense payments on the Effective  
24 Date.

25  
26 The second aspect of feasibility considers whether the Debtor will most likely have  
27 enough cash over the life of the Plan to make the required Plan payments. The Debtor has  
28 prepared detailed financial projections which establish that it will have sufficient revenue to make

1 all plan payments, to pay all operating expenses, and to pay for all reasonably anticipated capital  
2 improvements. These projections are attached hereto as Exhibit "E". These projections are based  
3 on the Debtor's actual business operations. That information is contained in the Debtor's  
4 monthly financial statements which have been provided to the UST on a regular basis. **YOU ARE**  
5 **ADVISED TO CONSULT WITH YOUR ACCOUNTANT OR FINANCIAL ADVISOR IF YOU HAVE ANY**  
6 **QUESTIONS PERTAINING TO THESE FINANCIAL STATEMENTS.**

7 Please refer to the projections attached hereto as Exhibit "E" for a summary of the total  
8 distributions the Debtor proposes to make to creditors over the course of the Plan. As those  
9 financial projections demonstrate, the Debtor will have an average cash flow, after paying  
10 operating expenses, plan payments, other debts and post-confirmation taxes, sufficient to meet the  
11 payments required under the Plan. The final Plan payment is expected to be made in 2064.

12 The Debtor contends that its financial projections are reasonable. As shown by the  
13 Debtor's historical financial statements, the Debtor is able to sustain its operations and procure  
14 grants, loans and forgivable loans in amounts needed to fund its operations and meet its charitable  
15 purposes. As set forth in Exhibit "E" hereto, the Debtor projects a net revenue stream that will  
16 also suffice to fund the payments required under the Plan.

17  
18 **V.**

19 **EFFECT OF CONFIRMATION OF THE PLAN**

20 **A. Discharge.**

21 Upon confirmation of the Plan, the Debtor will receive a discharge of liability for all debts  
22 incurred prior to confirmation of the Plan. Thus, confirmation of the Plan will prevent all parties  
23 in interest from taking any action to recover money or property from the Debtor on account of  
24 any debt that arose before confirmation, except that parties in interest may seek an order of the  
25 Court with respect to the interpretation, enforcement or breach of the Plan.

1 **B. Revesting of Property in the Debtor.**

2 Except as otherwise set forth herein, confirmation of the Plan revests all of the property of  
3 the estate in the Debtor.

4  
5 **C. Binding Effect.**

6 Confirmation of the Plan will bind the Debtor, its creditors, interest holders, their  
7 successors-in-interest, and any other person or entity acquiring property under the Plan, to the  
8 provisions of the Plan.

9  
10 **D. Injunction.**

11 The Order confirming this Plan will include a provision enjoining all parties in interest  
12 from taking any action to recover money or property from the Debtor on account of any debt that  
13 arose before the Effective Date, except that such injunction will not preclude any party in interest  
14 from seeking an order of the Court with respect to the interpretation, enforcement or breach of the  
15 Plan.

16  
17 **E. Disposition of Unclaimed Funds.**

18 In the event that any check distributed to a claimant pursuant to this Plan has not been  
19 presented to the issuing bank for payment on or before the 60th day after the date of issuance of  
20 the check, then payment of such check may be ordered stopped and the payee of such check will  
21 be deemed to have forfeited the right to receive that or any future distribution under the Plan.

22  
23 **F. Cramdown.**

24 In the event that any class does not accept the Plan, the Debtor will seek confirmation  
25 pursuant to the "cramdown" provisions of Code Section 1129(b).

26  
27  
28

1 **G. Other Documents and Actions.**

2 The Debtor is authorized to execute such documents and take such other actions as are  
3 necessary to effectuate the transactions provided for in the Plan. In the event any party in interest  
4 fails to prepare, deliver or execute a document required under this Plan, or take any act required  
5 under this Plan, the Debtor is authorized to prepare, deliver, or execute such document or take  
6 such act on that creditor's behalf.

7  
8 **H. Disputed Claims.**

9 Notwithstanding any provision of this Plan, no payments or distributions will be made on  
10 account of any Disputed Claim until such Claim becomes an Allowed Claim, and then only to the  
11 extent it is allowed.

12  
13 **I. Limitation on Liability.**

14 Neither the Debtor nor any of its employees, representatives, agents, attorneys or other  
15 professionals will have or incur any liability to any person for any act taken or omission made in  
16 connection with or related to formulating, implementing, confirming or consummating this Plan,  
17 the Disclosure Statement, or any contract, instrument, release or other agreement or document  
18 created in connection with this Plan.

19  
20 **J. Modification of the Plan.**

21 The Debtor may modify the Plan at any time before confirmation. However, the Court  
22 may require a new disclosure statement and/or revoting of the Plan. The Debtor may also seek to  
23 modify the Plan at any time after confirmation only if (1) the Plan has not been substantially  
24 consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

25  
26 **K. Post-Confirmation Status Reports.**

27 Within 120 days of the entry of the order confirming the Plan, the Debtor will file a status  
28 report with the Court explaining what progress has been made toward consummation of the

1 confirmed Plan. The status report shall be served on the UST, the twenty largest unsecured  
2 creditors, and those parties who have requested special notice. Further status reports shall be filed  
3 every 180 days and served on the same entities until the entry of a final decree closing the case.  
4 The Debtor estimates that it will seek a final decree within 180 days of the Effective Date.

5  
6 **L. Post-Confirmation Conversion / Dismissal.**

7 A creditor or party in interest may bring a motion to convert or dismiss the case under  
8 Code Section 1112(b), after the Plan is confirmed, if there is a default in performing the Plan. If  
9 the Court orders the case converted to Chapter 7 after the Plan is confirmed, then all property that  
10 had been property of the Chapter 11 estate, and that has not been disbursed pursuant to the Plan,  
11 will revert in the Chapter 7 estate. The automatic stay will be reimposed upon any reverted  
12 property.

13 The order confirming the Plan may also be revoked under very limited circumstances.  
14 The Court may revoke the order if the order of confirmation was procured by fraud and if a party  
15 in interest brings an adversary proceeding to revoke confirmation within 180 days after the entry  
16 of the order of confirmation.

17  
18 **M. Final Decree.**

19 Once the estate has been fully administered as defined in Bankruptcy Rule 3022, or at  
20 such other time as may be appropriate under applicable law, the Debtor, or such other party as the  
21 Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain  
22 a final decree to close the case. The Debtor estimates that it will seek a final decree within 180  
23 days of the Effective Date.

24  
25 Dated: March 15, 2013

RANCHO HOUSING ALLIANCE, INC.

26  
27 By: 

28 Its: Executive Director

1 Dated: March 15, 2013

Respectfully submitted,

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SNELL & WILMER L.L.P.

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By: 

Michael B. Reynolds  
Attorneys for Debtor-in-Possession

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