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IN THE UNITED STATES BANKRUPTCY COURT

THE DISTRICT OF ARIZONA

In re: RCC SOUTH, LLC, Debtor.	Chapter 11 Proceedings Case No. 2:10-bk-23475-SSC **FOURTH AMENDED DISCLOSURE STATEMENT RELATING TO FOURTH AMENDED PLAN OF REORGANIZATION, AS MODIFIED BY THE COURT'S OCTOBER 26, 2011 RULING**

I. INTRODUCTION

Debtor RCC South, L.L.C., debtor and debtor-in-possession in the above captioned bankruptcy case ("RCC South" or "Debtor"), hereby submits to the Court and creditors of the Debtor's estate the following "Fourth Amended Disclosure Statement Relating to Plan of Reorganization, as Modified by the Court's October 26, 2011 Ruling" (the "Disclosure Statement"). This Disclosure Statement is submitted pursuant to 11 U.S.C. § 1125.

11 U.S.C. § 1125(b) prohibits the solicitation of acceptances or rejections of a Plan of Reorganization unless such Plan is accompanied by a copy of the Disclosure Statement which has been approved by the Bankruptcy Court.

The purpose of this Disclosure Statement is to provide creditors and interested parties in this bankruptcy proceeding with such information as may reasonably be deemed sufficient to allow

creditors and interested parties to make an informed decision regarding the Debtor's "Fourth Amended Plan of Reorganization Dated" (the "Plan").

Unless otherwise noted, those portions of the Plan and this Disclosure Statement providing factual information concerning the Debtor, its assets and liabilities, have been prepared from information submitted by the Debtor and its retained professionals.

This Disclosure Statement contains information that may influence your decision to accept or reject the Debtor's proposed Plan. Please read this document with care.

The financial information contained in this Disclosure Statement has not been subjected to an audit by an independent certified public accountant. For that reason, the Debtor is not able to warrant or represent that the information contained in this Disclosure Statement is without any inaccuracy. To the extent practicable, the information has been prepared from the Debtor's financial books and records and great effort has been made to ensure that all such information is fairly represented.

This Disclosure Statement and the Plan will classify all creditors into Classes. The treatment of each Class of creditors will be set forth in this Disclosure Statement and in the Plan. You should carefully examine the treatment of the Class to which your Claim will be assigned.

This Disclosure Statement requires approval by the Bankruptcy Court after notice and a hearing pursuant to 11 U.S.C. §1125(b). Once approved, the Disclosure Statement will be distributed with the Debtor's proposed Plan for voting. Approval of the Disclosure Statement by the Bankruptcy Court does not constitute either certification or approval of the Debtor's Plan by the Bankruptcy Court or that the Disclosure Statement is without any inaccuracy.

The Bankruptcy Court will confirm the Plan if the requirements of §1129 of the Bankruptcy Code are satisfied. The Bankruptcy Court must determine whether the Plan has been accepted by each impaired Class entitled to vote on the Plan. Impaired Classes entitled to vote on the Plan are those Classes of claims whose legal, equitable, or contractual rights are altered, as defined under §1124 of the Bankruptcy Code. An impaired Class of claims is deemed to have accepted the Plan if at least two-thirds (2/3) in amount of those claims who vote and more than one-half (1/2) in number of those claims who vote have accepted the Plan. An impaired Class of interests is deemed to have

accepted the Plan if the Plan has been accepted by at least two-thirds (2/3) in amount of the allowed interests who vote on the Plan.

Even if each Class of creditors does not accept the Plan, the Plan can be confirmed under §1129(b) of the Bankruptcy Code, so long as one impaired Class of creditors accepts the Plan. This is referred to as the "cram down" provision of the Bankruptcy Code. The failure of each Class to accept the Plan could very well result in a conversion of this case to Chapter 7 or dismissal of the Chapter 11.

Only the votes of those creditors or interested parties whose ballots are timely received will be counted in determining whether a Class has accepted the Plan.

II. DEFINITIONS

The definitions set forth in Article I of the Plan apply in this Disclosure Statement except to the extent other definitions are set forth in this Disclosure Statement.

III. THE DEBTOR, BACKGROUND, AND EVENTS PRECIPITATING THE CHAPTER 11

A. Background

The Debtor is a Delaware limited liability company that was formed in February 2006. The Debtor is authorized to do business in Arizona. A copy of the Debtor's "Operating Agreement of RCC South, LLC" ("Debtor's Operating Agreement") is attached hereto as Exhibit "A."

The Debtor's sole member is Raintree Corporate Center Holdings, LLC ("RCCH"), an Arizona limited liability company. RCCH was formed in February 2002. A copy of RCCH's "Operating Agreement of Raintree Corporate Center Holdings, LLC" ("RCCH's Operating Agreement") is attached hereto as Exhibit "B."

The Debtor's manager is Cavan Management Services, LLC ("CMS"), which is discussed in more detail below. CMS is also a manager of RCCH.

The Debtor owns and operates two Class "A" office buildings and the related corporate campuses known as Phase III and Phase IV of the Raintree Corporate Center located north of the northeast corner of Loop 101 (Pima Freeway) and Raintree Drive, at 8800 East Raintree Drive and 8888 East Raintree Drive, respectively, in Scottsdale, Arizona (the "Property"). Phase III of the

Property consists of approximately 168,067 square fee and Phase IV of the Property consists of approximately 176,823 square feet. The Property is managed by CMS, a well-respected, established manager of commercial real estate throughout the Valley.

Phase III of the Property is currently occupied by 28 tenants in approximately 126,458 square feet of the building. Thus, Phase III of the Property is approximately 75% occupied. Phase IV of the Property is currently occupied by 4 tenants in approximately 95,502 square feet of the building. Thus, Phase IV of the Property is approximately 54% occupied. The Debtor has obtained an appraisal of the Property indicating a value of the Property, as of April 2010, of approximately $47.2 million. Although the Debtor has not obtained a more recent appraisal, the Debtor's best estimate of the Property's value, as of September 2011, is approximately $47.2 million.

The Debtor also owns approximately 4.66 acres of vacant land adjacent to the Property (the "Vacant Land") which was acquired by RCCH in November 2006 and transferred to the Debtor in December 2006. The Debtor intends to hold the Vacant Land for future development once the real estate market recovers. The Debtor does not have an appraisal of the Vacant Land but estimates that the value of the Vacant Land is approximately $6 to $6.50 per square foot or approximately $1,217,937 to $1,319,432. For purposes of the Plan analysis and projections, the Debtor has assumed a value of $1,300,000 for the Vacant Land which the Debtor believes is an appropriate value for the Vacant Land and is the Debtor's best estimate of the Vacant Land's value.

SFI Belmont LLC ("Belmont"), successor-in-interest to iStar FM Loans, LLC ("iStar")[1], has asserted a claim against the Debtor, secured by the Property and the Vacant Land, in the principal amount of approximately $76,708,398, which amount includes nearly $7 million in alleged "late charges." The Debtor disputes that any such late charges are owed to Belmont.

The Debtor and Belmont have previously stipulated that the value of the Property is $47.2 million but have not agreed upon a value of the Vacant Land.

[1] Belmont acquired iStar's claim against the Debtor during the pendency of this bankruptcy case. For ease of reference, however, the Debtor shall refer to actions taken by iStar, before Belmont's acquisition of the claim, as actions taken by Belmont, as it appears that Belmont has adopted all of iStar's positions in this case with respect to its claim against the Debtor.

Prior to the Debtor's bankruptcy filing, Belmont sought to collect rents from the Debtor's tenants. The Debtor filed its voluntary bankruptcy petition in order to stay any such enforcement action.

B. CMS

As mentioned, CMS is the Debtor's manager and is a manager of the Debtor's sole member, RCCH. CMS is also the Debtor's property manager pursuant to (a) that certain "Exclusive Management Agreement" between RCCH and CMS dated October 1, 2007, relating to Building 3, and (b) that certain "Exclusive Management Agreement" between RCCH and CMS dated June 20, 2008, relating to Building 4 (collectively, the "Exclusive Management Agreements"). The Exclusive Management Agreements are attached hereto as Exhibits "C" and "D." Pursuant to the Exclusive Management Agreements, RCCH appointed CMS as the exclusive agent of the Property to supervise and direct the management of the Property.

CMS is an Arizona limited liability company formed in March 1998 that has managed and operated, and continues to manage and operate, several office projects and other commercial properties. CMS is also the manager of several other limited liability companies in Arizona (and one in Colorado) which own and/or operate commercial properties and prospective commercial properties. CMS is, and always has been, a strictly service entity; it has never had, and does not have, any significant assets, other than (i) certain rights to earn management fees under management agreements and (ii) potential profit sharing rights in some of the entities that it manages, which profit sharing interests are, and always have been, subordinate to (a) all debts of such entities and (b) the return to investors of their capital contributions plus their agreed upon preferred return on their investments. Indeed, at the time that iStar made its loan to the Debtor in 2006, CMS' internal financial statements reflected net worth of less than $0. This financial condition was reported to financial institutions (including upon information and belief, iStar) that were dealing with CMS at such time. This negative equity has not changed since 2006. In other words, financial institutions, including iStar, who loaned funds to CMS-managed entities did not do so based on the financial condition of CMS but, rather, based upon the strength of the projects managed by CMS and CMS' management abilities.

It should be noted that the Debtor is currently the only CMS-managed entity that pays property management fees to CMS because it is the only entity for which CMS currently provides property management services.[2] Other CMS-managed entities either (a) are property managed by third parties who are paid management fees (e.g., Seven Canyons in Sedona, Arizona and the Platte Airpark project in Colorado Springs, Colorado) or (b) own property that is currently vacant land which does not produce income such that there is no need for property management services (e.g., Avondale Gateway Center Entitlement, LLC in Avondale, Arizona; Granite Dells Ranch Holdings, LLC near Prescott, Arizona; and The Cavan Opportunity Fund with properties in or near Glendale, Prescott and Flagstaff, Arizona). CMS does not currently receive asset management fees from any of the entities for which it is manager.

As manager of various real estate development entities, CMS was required to guaranty certain obligations of those entities. When the Great Recession began in approximately 2008, and property values precipitously declined, CMS became the target of several lenders who demanded millions of dollars from CMS based on guarantees signed by CMS. In fact, in August 2009, CMS had a judgment entered against it, in connection with the Granite Dells property, in favor of Thomas H. Fortner ("Fortner") in the amount of $528,000. This judgment has since been satisfied. Furthermore, summary judgment has recently been entered against CMS (although, to date, no final judgment has been entered) in the amount of $67,370,547.56 on a guaranty in favor of US Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2006-C1, Commercial Mortgage Pass-Through Certificates, Series 2006-C1 ("US Bank") relating to the RCC North project. Also due to the significant negative impact that the Great Recession had on property and asset values, CMS' profit sharing interests have no value in today's market. CMS does not believe that the judgment in favor of US Bank will have a material impact on CMS' ability to manage the Debtor. Further, even if US Bank aggressively pursues CMS in connection with the enforcement of

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[2] Until recently, when its lender foreclosed on its property, RCC North, LLC ("RCC North") also paid management fees to CMS for the management of RCC North's property. RCCH is the sole member of RCC North, and CMS was one of RCC North's managers.

the judgment, RCCH has arranged for CMC to potentially take over the management duties of the Debtor, as discussed below.

In September 2009, CMS formed Cavan Management Company, LLC, an Arizona limited liability company ("CMC"). The "Articles of Organization of Cavan Management Company, LLC" ("CMC's Arizona Articles of Organization") are attached hereto as Exhibit "E." CMS is CMC's manager. The "Management Services Agreement" dated October 1, 2009 between CMC and CMS is attached hereto as Exhibit "F." CMS is also one of CMC's members. CMC has several other members who are investors in CMC.

Generally, CMC was formed to provide new capital that could be used for the management and operation of existing Cavan-managed entities, as well as to pursue new business opportunities. At that time, because of the impact of the Great Recession, the project entities managed by CMS were no longer in a position to pay on-going asset management fees to CMS. Therefore, CMS needed to locate a new source of capital, which was not burdened with CMS' potential guaranty liabilities, to keep the project entities operating. Also, in CMS' discussions with prospective investors on new real estate investments and projects, the investors did not want new investments to be burdened with the legacy issues of CMS. This new source of capital was CMC.

When CMC was formed, CMS continued to provide all management services that it previously provided to the CMS-managed entities and CMS retained its right to receive management fees from the entities that it managed. However, because CMC assumed certain of CMS' liabilities (for which CMS remains liable) and because CMC provided funds to CMS to assist in the performance of its management duties, CMS transferred to CMC its profit sharing rights (which, as mentioned, are currently without value due to the decline in value of the assets in the CMS-managed entities). Also, in or about July 2010, several months after CMC was formed and for the reasons discussed below, CMS terminated its employees, several of whom (but not all) were subsequently retained by CMC.

Prior to the Great Recession, CMS had as many as approximately 30-35 employees. However, because of the worsening state of the economy, CMS began reducing its staff in or

around 2008. Before and at that time, CMS' payroll employer organization ("PEO")[3] was Administaff Services ("Administaff"). As is customary in the PEO industry, CMS' employees were joint employees of both CMS and Administaff, and Administaff handled all payroll and administrative processes and services for the employees.

In June 2010, Administaff informed CMS that it would no longer perform the payroll and employee functions for CMS. Consequently, because (a) the employees were joint employees of both Administaff and CMS, but Administaff was essentially terminating the employees, (b) CMS would be required to change payroll providers and its entire PEO arrangement, and (c) CMS was in the process of reducing its staff in any event, CMS decided to terminate all of its employees in July 2010.

However, in order to continue providing management services to the entities managed by CMS, CMC hired some—approximately 16 to 17—of CMS' key former employees, many of whom continue to perform similar functions as they did when employed by CMS/Administaff. CMC also retained a replacement PEO provider, Advantec, to handle the payroll and administrative processes and services for the CMC's employees. As was the case with Administaff, CMC's employees are joint employees of both CMC and Advantec.

In any event, because CMS was still the manager of the Debtor (as well as some other entities), CMS leased the CMC employees (and other administrative services) from CMC so that CMS could continue performing its management duties with largely the same personnel as before. This arrangement was formalized in that certain "Administrative Resources Agreement" between

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[3] Generally, a "professional employer organization (PEO) is a single source provider of integrated services which enable business owners to cost-effectively outsource the management of human resources, employee benefits, payroll and workers' compensation and other strategic services, such as recruiting, risk/safety management, and training and development. It does this by hiring a client company's employees, thus becoming their employer of record for tax purposes and insurance purposes. This practice is known as co-employment. . . . . In a co-employment contract, the PEO becomes the employer of record for tax purposes, filing paperwork under its own identification numbers. The client company continues to direct the employees' day-to-day activities." www.wikipedia.org at http://en.wikipedia.org/wiki/Professional_employer_organization. *See also,* National Association of Professional Employer Organization's website at www.napeo.org.

CMS and CMC dated December 7, 2010. A copy of the Administrative Resources Agreement is attached hereto as Exhibit "G."

Pursuant to the Administrative Resources Agreement, CMS leases CMC's employees (in many, if not most, cases the same people that were formerly employed by CMS) and CMS pays CMC for a portion of those employees' salaries. CMS also pays/reimburses CMC for certain other administrative costs and expenses. The source of funds to CMS to make these payments to CMC for the employees and administrative costs and expenses is solely the management fees that CMS earns from the CMS-managed entities which currently consists solely of the property management fees earned by CMS from RCC South pursuant to the Exclusive Management Agreements. In fact, CMC's employees' salaries and other expenses are routinely subsidized by investor funds and/or loans from CMC's principals, including Dave Cavan (or entities related to Dave Cavan). Nevertheless, CMS continues to be the manager of RCC South and continues to provide excellent management services to the Property and the Debtor's tenants.

Essentially, whatever management fees that CMS earns from the Debtor are simply passed through to CMC to partially reimburse and pay CMC for its employees and administrative services that are provided to CMS for management services supplied to the Debtor.[4] CMS does not have any excess revenue from the management fees it earns from the Debtor.

It should be noted that one of the reasons that it took from July 2010 until December 2010 to formalize the Administrative Resources Agreement between CMC and CMS was because CMC was in the process of changing its corporate structure. Specifically, on December 7, 2010, CMS formed Cavan Management Company, LLC in Delaware and merged the Arizona CMC LLC into the Delaware CMC LLC. The "Articles of Merger of Cavan Management Company, LLC, an Arizona limited liability company Into Cavan Management Company, LLC, a Delaware limited

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[4] In fact, at one point prior to and during the Debtor's bankruptcy case, the Debtor made payments directly to CMC for the employees and administrative costs, rather than passing the payments through CMS, because CMS' account had been garnished by Fortner, a judgment creditor, and CMC's employees needed to be paid. CMS has since addressed the Fortner judgment and the garnishment, and the Debtor has resumed paying CMS who, in turn, pays CMC pursuant to the Administrative Resources Agreement.

liability company" is attached hereto as Exhibit "H." This merger was done because Delaware law was clearer and more advantageous for the company with respect to capital contributions of new investors when such contributions were made in installments, as was occurring in CMC.

To date, CMC has raised approximately $4.5 million in new investor capital that is being used to, among other things, pay CMC's operating expenses, including employees. This capital is also being used to help subsidize the expenses of CMS-managed entities. Nevertheless, CMS continues to both (a) act as property manager for the Debtor and (b) act as manager of the Debtor and other Cavan-managed entities, including Sedona Development Partners, AGCE, Granite Dells, Platte Investors, and The Opportunity Fund.

Generally, the same individuals who provided services to the Debtor in connection with the management of the Debtor's Property continue to provide those same services under the Administrative Resources Agreement as employees of CMC. Indeed, the Property continues to be managed at a very high level for the benefit of the Debtor's tenants, creditors and investors. In fact, CMS's use of CMC's employees and other administrative resources has had absolutely no adverse impact on the operation of the Property, the maintenance of the Property, the Debtor's relationship with tenants, the Debtor's efforts and ability to attract new tenants, or any other aspect of CMS' performance of its duties for and on behalf of the Debtor.

Finally, to further ensure stability in the management of the Debtor's Property, in July 2011, RCCH's Operating Agreement was amended to, among other things, designate CMC as an additional manager of RCCH. This was done to further protect RCCH and its subsidiaries in the event something happened to CMS that would preclude or inhibit CMS's continued role as manager of RCCH and property manager of the Debtor. If, for some reason, CMS were rendered incapable of performing its duties as property manager, CMC will be in a position to seamlessly take over the management of the Property without any disruption in services or diminution in the quality of service. A copy of the "First Amendment to Operating Agreement of Raintree Corporate Center Holdings, LLC" ("First Amendment to RCCH Operating Agreement") dated July 7, 2011 is attached hereto as Exhibit "I."

For additional information regarding the Debtor's relationship with CMS and the relationship between CMS and CMC, see the "Declaration Of Dave Cavan In Support Of The Debtor's Fourth Amended Disclosure Statement Relating To Fourth Amended Plan Of Reorganization" ("Cavan Declaration") attached hereto as Exhibit "R" and incorporated herein by this reference. The Cavan Declaration was filed with the Court on October 17, 2011 at docket no. 298.

C. Operations

The Debtor has operated, and intends to continue operating, the Property as a Class "A" office building. The Debtor continues to receive income from tenants to pay for the ordinary and necessary operating expenses of the Property, as well as any necessary repairs, from such income. In fact, the Debtor and Belmont have entered into a series of stipulations for the Debtor's use of Belmont's asserted cash collateral pursuant to a series of budgets that have has been approved by the Court (the "Budgets"). The Budgets reflect the anticipated revenues and expenses relating to the Property. The Debtor continues to market and lease vacant space in the Property and to renew existing leases when appropriate.

In order to provide for efficient and productive operations, and to keep the Debtor's business competitive, the Debtor intends to retain the same management team and structure that existed pre-petition. As mentioned above, if something were to occur that would render CMS incapable of performing its duties as the Debtor's manager, the Debtor's member has made arrangements to allow CMC to take over the management of the Debtor. The issues confronted by the Debtor that led to the bankruptcy filing were the product of market changes, not the Debtor's management or its structure. Thus, a change in management structure is not in the best interests of the Debtor or its creditors because the existing structure is appropriate to meet the needs of the Debtor.

By maintaining its current management and operational structure, the Debtor will avoid the transactional costs associated with significant and unnecessary change. In addition, the institutional knowledge of the management team will be preserved.

Attached hereto as Exhibit "J" are the Debtor's projections of cash flow and payment of

debt service in the event that Belmont does not make the election under § 1111(b) of the Bankruptcy Code, reflecting the Debtor's sources and uses of cash (including (a) the Debtor's anticipated revenues, and the infusion of cash from the New Value contribution necessary to fund the Reserve Account, as discussed below, and (b) the Debtor's anticipated operating, tenant improvement, leasing commission and capital costs and expenses) for the approximately eight (8) year period following confirmation of the Plan. Exhibit "J" assumes an Allowed Secured Claim in favor of Belmont in the amount of $48.5 million based upon the Debtor's current presumption of the approximate value of the Property at $47.2 million plus the value of the Vacant Land at $1.3 million. The final projections by the Debtor will depend upon the Court's ultimate determination of the allowed amount of Belmont's secured claim and the value of Belmont's collateral. This exhibit consists of three pages—one page consisting of combined revenues and expenses for both buildings, one page consisting of the Schedule of Prospective Cash Flow for Building III, and one page consisting of the Schedule of Prospective Cash Flow for Building IV.

Attached hereto as Exhibit "K" are the Debtor's projections of cash flow and payment of debt service in the event that Belmont does make the election under § 1111(b) of the Bankruptcy Code, including an analysis of the internal rate of return based upon the stream of payments.

Finally, attached hereto as Exhibit "L" are (a) a summary of the assumptions used in connection with the Debtor's projections in Exhibits "J" and "K" and (b) supporting spreadsheets for the summary of assumptions, consisting of (i) a "Presentation Rent Roll & Current Term Tenant Summary" for each building, (ii) a projected "Occupancy Rate" chart for each building, and (iii) a "2nd Generation Market Leasing Assumption Results" chart reflecting the following assumptions incorporated into the Argus program used to prepare the Debtor's projections: renewal probability, market rent $psf, months vacant, tenant improvement $psf, leasing commissions, rent abatements, and reimbursements.

D. Laser Spine

The Debtor and Laser Spine Surgery Center of Arizona, LLC ("LSI") are parties to that certain Office Lease dated May 30, 2008, as amended pursuant to that certain First Amendment to Lease dated July 8, 2008, that certain Second Amendment to Lease dated December 15, 2008, and

that certain Third Amendment to Lease dated January 14, 2009 (collectively, the "Lease"). A copy of the Lease and the Amendments are attached hereto as Exhibit "M." Unless otherwise indicated, capitalized terms used in this discussion of the Lease shall have the meanings given them in the Lease.

The Lease covers certain office space located at the Debtor's Property, 8888 East Raintree Drive in Scottsdale, Arizona (the "Building"), known as Suite 165 and Suite 170 (the "Premises") and consisting of 34,270 rentable square feet of office space. Pursuant to the Lease, the Debtor had an obligation to reimburse LSI for certain Tenant Improvement costs relating to the Additional Space (identified as 6,693 usable, and 7,146 rentable, square feet of space at the Building) in the amount of $357,300 (the "TI Claim"). Also pursuant to the Lease, LSI was required to complete construction and build out of the Additional Space.

Prior to the Petition Date, the Debtor did not pay the TI Claim, and the Debtor asserts that the TI Claim is an outstanding pre-petition obligation owing by the Debtor to LSI. Also prior to the Petition Date, the Debtor and LSI negotiated that certain Fourth Amendment to Lease (the "Proposed Fourth Amendment") addressing, among other things, certain proposed revisions to the Rent Schedule in the Lease to reflect, among other things, the Debtor's anticipated payment of the TI Claim through rental abatement. A copy of the Proposed Fourth Amendment is attached hereto as Exhibit "N." The Debtor has never executed the Proposed Fourth Amendment to the Lease.

However, based on LSI's belief that the Proposed Fourth Amendment had become effective, LSI applied the rental abatements provided for in the Proposed Fourth Amendment from August 2010 through May 2011. Because the Debtor never executed the Proposed Fourth Amendment, the Debtor contends that LSI's application of the rental abatements was not authorized. As a result, it is the Debtor's position that LSI currently owes $381,813.08 to the Debtor for the alleged underpayment of post-petition rent from August 2010 through May 2011. LSI has indicated that it disputes this contention, and has reserved the right to contest whether it owes the Debtor any amount for its post-petition rent payments.

Additionally, the Debtor acknowledges its obligation to LSI for the pre-petition TI Claim in the amount of $381,813.08.

Upon information and belief, LSI has determined that it currently does not require the Additional Space and that, under the circumstances, it should not pay for additional tenant improvements to the Additional Space.

On April 19, 2011, the Debtor filed its Third Amended Plan of Reorganization ("Prior Plan"). The Prior Plan provided for, among other things, (a) the Debtor's assumption of the Lease, and (b) the following treatment of LSI's TI Claim in Class 3 of the Plan:

> Laser Spine's [TI Claim] shall not accrue interest. Laser Spine's [TI Claim] shall be satisfied and paid in full by Laser Spine setting off against the monthly rent owing by Laser Spine to the Debtor pursuant to the following schedule until Laser Spine's [TI Claim] is paid in full:
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> | | |
> |---|---|
> | Months 1-3 | $34,063.96 per month |
> | Month 4 | $41,546.95 |
> | Month 5 | $42,656.30 |
> | Months 6-9 | $43,385.65 per month |
> | Month 10 | $21,875.35 |
>
> Once Laser Spine's [TI Claim] is paid in full, Laser Spine will no longer receive a rental credit on the rent due to the Reorganized Debtor.

LSI submitted a ballot rejecting the Prior Plan. Additionally, Belmont objected to, among other things, the Debtor's treatment of the LSI's TI Claim in the Prior Plan and to the post-petition rent credits taken by LSI.

Consequently, the Debtor has changed the treatment of LSI's claim, as set forth in more detail in section IX.C. below and in that certain "Conditional Stipulation Between Debtor and Laser Spine Surgery Center of Arizona, LLC for Plan Treatment and Confirmation" ("LSI Stipulation") filed on September 28, 2011 at docket no. 282 (a copy of which, without the extensive exhibits but including Schedule 1, is attached hereto as Exhibit "S") in order to:

1. Address (i) the Debtor's asserted claim for payment resulting from the alleged underpayment of post-petition rents, (ii) the TI Claim, (iii) LSI's articulated desire to remove the Additional Space from the premises that it leases from the Debtor, as well as the obligation to make tenant improvements to the Additional Space, (iv) LSI's objections to the treatment of the TI Claim in the Prior Plan, and (v) Belmont's objections to the Prior Plan based upon the Debtor's treatment of the TI Claim and the post-petition rent credits taken by LSI;

2. Allow the Debtor to retain LSI as an important tenant at the Building; and

3. Efficiently, adequately and effectively adjust the landlord/tenant and mutual creditor/debtor relationship between the Debtor and LSI.

The Debtor and LSI have entered into the LSI Stipulation, which is incorporated herein by this reference.

For additional information regarding the Debtor's relationship with LSI, see the "Declaration Of Gary Burton In Support Of The Debtor's Fourth Amended Disclosure Statement Relating To Fourth Amended Plan Of Reorganization" ("Burton Declaration") attached hereto as Exhibit "T" and incorporated herein by this reference. The Burton Declaration was filed with the Court on October 17, 2011 at docket no. 297.

E. Preferences and Fraudulent Conveyances

To the extent that a preference or fraudulent conveyance occurred before the bankruptcy filing, such transfer may be recoverable by the bankruptcy estate for the benefit of the estate under §§ 544, 547, or 548 of the Bankruptcy Code. To date, no complaints have been filed under any of these theories, and the Debtor is not currently aware of any causes of action for the recovery of preferences or fraudulent conveyances. To the extent any such claims exist, they will be analyzed for their potential value to the estate. These potential claims are specifically preserved for the benefit of the bankruptcy estate. Any recovery that is obtained will be obtained for the benefit of the estate.

IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE

A. Administrative Proceedings

The Debtor filed its Petition for Relief under Chapter 11 on July 27, 2010, and a first meeting of creditors was held on August 31, 2010.

B. Retention of Professionals

The Debtor retained Polsinelli Shughart ("PS") to act as its original bankruptcy counsel. The Court signed an Order approving the retention of PS on September 17, 2010.

The Debtor retained Highland Financial Consulting, LLC ("CRO") to act as its Chief Restructuring Officer. The Court approved the retention of the CRO on November 9, 2010.

C. Appointment of Unsecured Creditors Committee

The United States Trustee's Office filed a statement stating that, despite its efforts to contact unsecured creditors, it was unable to appoint a Committee of Unsecured Creditors.

D. Motion and Stipulation and Use Cash Collateral

The Debtor filed a motion to use the revenues generated by the Property, which Belmont asserts constitute its cash collateral, on July 29, 2010. Although Belmont initially filed a limited objection to the use of its asserted cash collateral, the Debtor and Belmont resolved Belmont's objections and entered into a stipulated order for the use of cash collateral which the Court entered on October 1, 2010. The Debtor and Belmont have subsequently entered into a series of stipulations for the use of cash collateral, the most recent of which expires on October 31, 2011.

E. Debtor's Prior Proposed Plan of Reorganization

The following is a timeline of the Debtor's prior proposed plans of reorganization:

November 24, 2010	Debtor files its initial disclosure statement and proposed plan
February 1, 2011	Hearing regarding approval of Debtor's disclosure statement
	Court sets timelines re amendments to disclosure statement
February 18, 2011	Debtor files amended disclosure statement
March 4, 2011	Belmont objects to Debtor's amended disclosure statement
March 8, 2011	Hearing re approval of Debtor's amended disclosure statement
	Court requires amended disclosure statement to be filed by March 16, 2011
March 16, 2011	Debtor files second amended disclosure statement
April 7, 2011	Court issues order denying second amended disclosure statement due to one missed reference to a value range
April 19, 2011	Debtor files third amended disclosure statement
April 20, 2011	Court approves Debtor's third amended disclosure statement
	Courts sets initial confirmation hearing for May 24, 2011
May 24, 2011	Initial confirmation hearing
	Court sets August 22, 2011 for plan confirmation trial which was subsequently vacated as discussed below

F. Belmont's Stay Relief Motion and the Court's Grant of Stay Relief

On April 13, 2011, Belmont filed a motion seeking relief from the automatic stay to allow it to exercise its rights and remedies with respect to its collateral. On May 2, 2011, the Debtor filed its objection to such request. At the hearing on August 11, 2011, described below, the Court terminated the automatic stay to allow Belmont to notice a trustee's sale of its collateral. However, the Court specifically found that Belmont could not seek the appointment of a receiver while the Debtor's plan confirmation process is proceeding.

G. The Expiration of the Debtor's Exclusivity Period

On April 25, 2011, the Debtor filed a motion to extend the period within which the Debtor would have the exclusive right to file, and seek votes in favor of its plan of reorganization. On May 19, 2011, Belmont filed its objection to the motion to extend such exclusivity period. The Court set a hearing for June 29, 2011 on the motion to extend exclusivity. At the hearing on June 29th, Belmont raised certain issues regarding the Debtor's management, the escrow of funds to provide the New Value contribution under the plan, and other issues relating to the confirmability of the Debtor's plan. Based on Belmont's allegations, the Court set a timeline for the Debtor to respond and to file declarations addressing the allegations. The Debtor complied with these requirements. On July 25, 2011, the Court entered its "Order Setting Hearing on the Second Motion to Modify Exclusivity Period and Whether the Debtor has Materially Modified its Plan of Reorganization" ("Order Setting Evidentiary Hearing") at docket no. 230. Among other things, the Order Setting Evidentiary Hearing set August 11, 2011 for a hearing to determine whether (a) the Debtor's exclusivity period should be terminated and (b) the Debtor should be required to amend its disclosure statement and plan to address certain concerns raised by the Court. Additionally, the Court found that, if the Debtor was required to amend its disclosure statement and the Prior Plan such that the Prior Plan could not be confirmed, then it would be inclined to grant stay relief in favor of Belmont.

At the August 11th hearing, the Debtor informed the Court that it had decided to amend its disclosure statement and plan to address the Court's concerns and that it would not oppose the termination of its exclusivity period.

Accordingly, consistent with the Order Setting Evidentiary Hearing and in accordance with the Debtor's concessions, the Court (a) terminated the Debtor's exclusivity period, (b) granted stay relief in favor of Belmont to allow Belmont to notice its trustee's sale of its collateral, (c) vacated the previously scheduled confirmation hearing on August 22nd, and (d) set certain deadlines for the Debtor to file its amended disclosure statement and other pleadings. The Court also set October 18, 2011 at 10:00 a.m. for the hearing regarding approval of this Disclosure Statement. *See* Minute Entry at docket no. 259.

H. Operating Reports

The Debtor's monthly operating reports are current and copies can be obtained from the Court's electronic docket.

V. DESCRIPTION OF ASSETS AND LIABILITIES OF THE DEBTORS

A. Assets

The values ascribed to the Debtor's assets below are based on the Debtor's best estimate and other factors such as the purchase price, comparable sales, tax assessments, and appraisals.

1. Real Property – The Property has been valued at $47.2 million. The Debtor believes that the value of the Vacant Land is approximately $1.3 million.

2. Bank Accounts – Approximately $274,202 as of the Petition Date. The Debtor has accumulated, and continues to accumulate, net cash from operations of the Property since the Petition Date. The current amount of cash held by the Debtor is reflected in the most recent Monthly Operating Report filed by the Debtor.

3. Other Accounts and Deposits – The Debtor owns certain security deposits, in the amount of $25,000 each, held by two of the Debtor's pre-petition professionals, Larsen Allen, LLP and Fennemore Craig, LLP.

4. Accounts Receivable – The Debtor owns certain accounts receivable from tenants for unpaid rent in the amount of approximately $52,452.46.

5. Personal Property – The Debtor owns certain personal property, consisting primarily of office equipment, model unit furniture, fixtures and computer software with an estimated book value of approximately $1,786,894.41. Belmont asserts that this personal property

constitutes part of its collateral. The Debtor asserts that the fair market value of the personal property is, in context, negligible but will be determined by the Court as part of the confirmation hearing.

B. Liabilities

The following is an overview of the Debtor's known liabilities.

1. Priority Claims

The Debtor is not aware of the existence of any pre-petition priority claims.

2. Secured Claims

a. The Debtor's schedules list Belmont as a secured creditor with a first position lien on the Property in the amount of approximately $68,507,872.31. In the stipulated cash collateral order, Belmont asserts that the amount owing on its secured claim is approximately $76,708,398.75 including late charges of nearly $7 million, as of the Petition Date. The Debtor disputes Belmont's asserted late charges.

b. The Debtor's schedules list the law firm of Fennemore Craig as a secured creditor with a claim of approximately $2,600 secured by a cash retainer held by Fennemore Craig in the amount of $25,000.

c. The Debtor's schedules list the accounting firm of Larson Allen as a secured creditor with a claim of approximately $2,940.00 secured by a cash retainer held by Larson Allen in the amount of $25,000.

d. The Debtor's schedules list Sonoran Pacific Resources, LLP ("Sonoran Pacific") as a secured creditor with a claim of approximately $7,200, secured by certain furniture owned by the Debtor. Prior to the Petition Date, the Debtor needed to furnish a model unit used to show the property to prospective tenants. The Debtor suspected that it would be difficult to obtain authority to acquire such furniture after the bankruptcy petition was filed. Further, the Debtor was aware of a party—Sonoran Pacific—who was willing to finance the Debtor's purchase of furniture in order to, among other things, allow the Debtor to conserve

cash pre-petition. Accordingly, the Debtor took advantage of this financing opportunity and entered into a loan arrangement with Sonoran Pacific whereby Sonoran Pacific agreed to loan funds to the Debtor to allow the Debtor to purchase the necessary furniture, and the Debtor agreed to grant Sonoran Pacific a purchase money security interest in the furniture. The loan and the grant of the security interest occurred prior to the Petition Date, and Sonoran Pacific filed a UCC-1 Financing Statement on July 26, 2010 with the Arizona Secretary of State's Office. Belmont has asserted that Sonoran Pacific's security interest in the furniture is not properly perfected because the UCC-1 Financing Statement should have been filed in Delaware, where the Debtor was formed, not in Arizona. The Debtor has discussed this issue with counsel for Sonoran Pacific, and has determined that Sonoran Pacific's security interest was not properly perfected. Accordingly, Sonoran Pacific is not treated as a secured creditor in the Plan. Copies of the loan documents between the Debtor and Sonoran Pacific are available for inspection by contacting the Debtor's counsel.

3. Unsecured Claims

According to the Debtor's Schedules of Assets and Liabilities, the total amount of unsecured claims, not including any deficiency claims of secured creditors, is $605,204.28, not including Sonoran Pacific's $7,200 claim. This amount includes tenant security deposits in the amount of approximately $219,354.04 claims owing to CMS in the total amount of $4,837.37, and a claim for reimbursement of tenant improvement costs, held by Laser Spine Institute in the amount of approximately $381,813.08 (this amount was originally scheduled as $357,300 but is now governed by the LSI Stipulation). LSI's claim and the treatment of LSI's claim is discussed in more detail elsewhere in this Disclosure Statement.

C. <u>Administrative Expenses</u>

The Debtor's administrative expenses consist of the fees and costs of attorneys and other professionals necessary to the Debtor's operations, bankruptcy case, and plan of reorganization. The fees and costs of these professionals will not be precisely known until the Bankruptcy Case is

completed. However, as set forth below, the Debtor's professionals anticipate that either (a) the retainers they presently have will be sufficient to cover the services they have rendered, and will render, in the Bankruptcy Case, or (b) for those professionals that do not have retainers and will be paid by some other manner, their projected anticipated fees and costs for their services will be commensurate with their historical fees and costs incurred by the Debtor.

The Debtor's bankruptcy counsel is PS. PS is currently in possession of a retainer in the amount of $100,000. As of August 31, 2011, the total amount of fees and costs incurred by PS in its representation of the Debtor is approximately $163,771.40 (including amounts both billed and unbilled and both already approved by the Court and not yet approved). Because confirmation of the Plan has been vigorously opposed, PS anticipates that its fees could exceed the retainer by $100,000 to $150,000. To the extent that PS's fees and costs exceed the amount of the retainer, PS's fees and costs will constitute administrative claims against the Debtor's Estate. Furthermore, if confirmation of the Plan is further contested, and depending upon the nature and extent of any objections, the Debtor may need to retain expert witnesses in connection with any evidentiary matters presented to the Court. The Debtor anticipates that the fees and costs of such experts could range from $30,000 to $50,000 or more depending on the expert testimony required.

VI. PLAN SUMMARY

The following statements concerning the Plan are merely a summary of the Plan and are not complete. The statements are qualified entirely by express reference to the Plan. Creditors are urged to consult with counsel or each other in order to understand the Plan fully. The Plan is complete, inasmuch as it proposes a legally binding agreement by the debtor, and an intelligent judgment cannot be made without reading it in full. With the exception of the Classes 1-A through 1-C (the "Priority Claims"), all the creditors of the Debtor are impaired under the terms of the Plan. The Secured Creditors are impaired because they will be subjected to different treatment than they had originally contracted for with the Debtor. The Unsecured Creditors will be impaired because they will be subject to different treatment than they originally contracted for. Thus, the Debtor will have numerous classes with the right to vote on its Plan of reorganization, as set forth herein.

VII. CLASSIFICATION OF CLAIMS AND INTERESTS.

A. Class 1: Priority Claims

1. Class 1-A consists of Allowed Priority Claims under 11 U.S.C. § 503 and § 507(a)(2) (Administrative Claims).

2. Class 1-B consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(3) (Wage Claims).

3. Class 1-C consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8) (Tax Claims).

B. Class 2: Secured Claims

1. Class 2-A consists of the Allowed Secured Claim of Belmont.

2. Class 2-B consists of the Allowed Secured Claim of Maricopa County for real property taxes.

3. Class 2-C consists of the Allowed Secured Claim of Fennemore Craig.

4. Class 2-D consists of the Allowed Secured Claim of Larson Allen.

C. Class 3: Allowed Claim of Laser Spine

Class 3 consists of the Allowed Claim of Laser Spine relating to the Debtor's obligation to reimburse Laser Spine for tenant improvements made to Laser Spine's leased premises and as identified in the LSI Stipulation.

D. Class 4: Tenant Security Deposits

Class 4 consists of Allowed Claims by tenants for the return of tenant security deposits held by the Debtor.

E. Class 5: Unsecured Claims

Class 5 consists of the Allowed Unsecured Claims of Creditors not otherwise treated in the Plan.

F. Class 6: Interest Holders

Class 6 consists of all Allowed Interests of Interest Holders.

VIII. IMPAIRMENT OF CLASSES.

Classes 1-A, 1-B, and 1-C are unimpaired under the Plan. All other Classes are Impaired, as that term is defined in 11 U.S.C. § 1124.

IX. TREATMENT OF CLASSES.

A. Class 1: Priority Claims

1. Class 1-A: Administrative Claims

This Class consists of Allowed Priority Claims under 11 U.S.C. §§ 503 and 507(a)(2) – administrative priority claims. Unless Claimants holding Claims in this Class agree to an alternative form of treatment, the Allowed Claims of Class 1-A shall be paid in full, in cash, on or before the Effective Date or as the same are Allowed and ordered paid by the Court. Any Class 1-A Claim not allowed as of the Effective Date shall be paid as soon thereafter as it is allowed by the Court according to the terms of this Class. This Class is not impaired.

2. Class 1-B: Wage Claims

This Class consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(4) – wage claims. As provided in 11 U.S.C. § 1129(a)(9)(B), unless Claimants holding Claims in this Class agree to an alternative form of treatment, the Allowed Priority Claims of Class 1-B shall be paid in full, in cash, on or before the Effective Date. The Debtor does not believe that any claims exist under this Class. Any Class 1-B Claim not allowed as of the Effective Date shall be paid as soon thereafter as they are allowed by the Court according to the terms of this Class. This Class is not impaired.

3. Class 1-C: Tax Claims

This Class consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) – tax Claims which are not otherwise treated as secured claims herein. As provided in 11 U.S.C. § 1129(a)(9)(C), unless Claimants holding Claims in this Class agree to an alternative form of treatment, the Allowed Priority Claims of Class 1-C shall be paid in full, in cash, on or before the Effective Date, or, at the Debtor's option, such Allowed Claims shall be paid, on account of such Allowed Claim, deferred cash payments, over a period not exceeding six years after the date of assessment of such Claim, of a value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim. Any Class 1-C Claims not allowed as of the Effective Date shall be paid as

soon thereafter as they are allowed by the Court according to the terms of this Class. This Class is not impaired.

B. Class 2: Secured Claims

1. Class 2-A – Allowed Secured Claims of Belmont

This Class consists of the Allowed Secured Claim of Belmont. This Class is impaired. Belmont asserts that it has the right to make an election under § 1111(b) of the Bankruptcy Code. Accordingly, the following discussion sets forth alternate treatments of Belmont's secured claim, depending upon whether Belmont makes the § 1111(b) election or not.

(i) Belmont's Treatment if the § 1111(b) Election is Not Made

If Belmont does not make the § 1111(b) election, then pursuant to § 506(a)(1) of the Bankruptcy Code, the amount of Belmont's Allowed Secured Claim shall be limited to the value of its collateral, which the Debtor believes to be $48.5 million, as discussed above. The remainder of Belmont's Allowed Claim shall be treated as a general unsecured claim in Class 5. The Debtor intends to pay Belmont's Allowed Secured Claim in full, with interest at the Plan Rate, over a period of seven (7) years.

Specifically, the Debtor will execute and deliver to Belmont a promissory note (the "New Belmont Note") in the principal face amount of Belmont's Allowed Secured Claim. The New Belmont Note will mature and become fully due and payable on the 7th anniversary of the Effective Date (the "New Belmont Note Maturity Date"). During the term of the New Belmont Note, the Debtor will make monthly principal and interest payments to Belmont based upon a 25 year amortization schedule with interest at the Plan Rate. On the New Belmont Note Maturity Date, all remaining amounts of principal and interest due under the New Belmont Note will be immediately due and payable, and will be paid by the Debtor to Belmont either through a sale of the Real Property or through refinancing of the Real Property. The first payment of principal and interest will be made on the Effective Date, and each monthly payment thereafter will be made on the first business day of each month during the term of the New Belmont Note.

The form of the New Belmont Note will be substantially similar to the existing "Secured Promissory Note" note by the Debtor in favor of Belmont's predecessor, Fremont Investment &

Loan dated December 21, 2006 (the "Original Note"), except (i) the provisions of this Plan and the Confirmation Order relating to the principal amount of the New Belmont Note, the interest payable on such principal amount, the term of the New Belmont Note, and the timing of payments to Belmont shall supersede any contrary provisions of the Original Note; (ii) to the extent that any provisions of the Original Note are inconsistent with the terms of the Plan, the terms of the Plan and the Confirmation Order shall be substituted in the New Belmont Note; and (iii) Articles 2, 3, and 4.3, all of which are either irrelevant and/or inconsistent with the terms of this Plan, shall not be included in the New Belmont Note.

Belmont will retain its existing lien on the property that served as collateral for Belmont's Claim pre-petition until the New Belmont Note has been satisfied in full. Belmont's lien securing the New Belmont Note shall be evidenced by:

(a) the existing "Deed of Trust and Fixture Filing" in favor of Belmont's predecessor in interest and recorded on December 21, 2006 in the Official Records of the Maricopa County Recorder's Office at Document No. 20061668979 (the "Deed of Trust"), except (i) to the extent that any provisions of the Deed of Trust are inconsistent with the terms of the Plan, the terms of the Plan and the Confirmation Order shall control; and (ii) the Deed of Trust shall be modified to refer to the Debtor's obligations under the New Belmont Note and this Plan, rather than the to the Original Note and/or any other pre-petition obligations of the Debtor to Belmont or its predecessors-in-interest;

(b) the existing "Assignment of Rents (and Leases)" in favor of Belmont's predecessor in interest and recorded on December 21, 2006 in the Official Records of the Maricopa County Recorder's Office at Document No. 20061668980 (the "Assignment of Rents"), except (i) to the extent that any provisions of the Assignment of Rents are inconsistent with the terms of the Plan, the terms of the Plan and the Confirmation Order shall control; and (ii) the Assignment of Rents shall be modified to refer to the Debtor's obligations under the New Belmont Note and this Plan, rather than the to the Original Note and/or any other pre-petition obligations of the Debtor to Belmont or its predecessors-in-interest; and

(c) a Security Agreement (the "New Security Agreement") in favor of Belmont providing

Belmont with a security interest and lien in the same personal property in which Belmont had a lien pre-petition and conforming substantially with the terms of Articles 4 and 5 of the Loan and Security Agreement between the Debtor and Belmont's predecessor-in-interest dated December 21, 2006 (the "Loan Agreement"), which New Security Agreement shall relate to and be perfected by any existing UCC-1 Financing Statements filed by Belmont or its predecessor-in-interest.

In addition, notwithstanding anything to the contrary therein and notwithstanding the rejection of the LSI Lease, as discussed below, that certain "Nondisturbance and Attornment Agreement" between and among the Debtor, LSI and Belmont's predecessor-in-interest, iStar, dated May 30, 2008 and recorded in the Maricopa County Recorder's Office on June 11, 2008 at document no. 20080517196, as amended by that certain "First Amendment to Nondisturbance and Attornment Agreement" dated December 15, 2008 and recorded in the Maricopa County Recorder's Office on December 24, 2008 at document no. 20081085946 (collectively, the "NDA") will be deemed to apply to the New Lease between the Reorganized Debtor and LSI, as if such New Lease were specifically identified therein, and will remain in full force and effect with respect to the New Lease notwithstanding the rejection of the LSI Lease.

Except for the Deed of Trust, the Assignment of Rents, the UCC-1 Financing Statements, and the NDA, all as modified by the Plan and Confirmation Order, any and all other documents relating to the pre-petition loan between Belmont (and/or its predecessors-in-interest) and the Debtor, including the entire Loan Agreement (except Sections 6.10 and 7.5 which shall survive pursuant to Article 2.9 of the Deed of Trust) and the "Assignment of Project Documents" dated December 21, 2006, shall be deemed to be null and void and of no further force and effect.

At any time prior to the end of the term, the Debtor may pay the balance of the New Belmont Note without penalty.

The Debtor anticipates that, during the first approximately 36 months following the Effective Date of the Plan, before the occupancy of the Real Property becomes stabilized, the Real Property may not generate sufficient net cash flow, after paying operating expenses, to make the full amount of monthly principal and interest payments payable under the New Belmont Note (the "Monthly Note Payments"). Accordingly, on the Effective Date of the Plan, and as discussed

below, RCCH or the Successful Bidder will deposit the New Value into an interest bearing reserve account (the "Reserve Account") which can be used to, among other things, pay any cash flow deficiency between the monthly net cash flow generated by the Real Property and the Monthly Note Payments during the term of the New Belmont Note (a "Cash Flow Deficiency"), if any. To the extent that the use of the funds in the Reserve Accounts will result in the amount of funds in the Reserve Account being reduced to an amount below $200,000, at any time during the term of the New Belmont Note, the Reorganized Debtor (from any retained excess cash flow) or RCCH, or the Successful Bidder, if any, (from an additional contribution of capital) will replenish the Reserve Account such that the Reserve Account shall always be maintained in the total amount of $200,000 until the New Belmont Note matures.

The failure to maintain the Reserve Account in the total amount of at least $200,000 will constitute a default under the New Belmont Note and the lien in the collateral securing the New Belmont Note.

Immediately upon payment, in full, of the New Belmont Note, Belmont's Allowed Secured Claim, and its secured interest in the Real Property, will be deemed satisfied, extinguished, released and discharged, in full.

(ii) Belmont's Treatment if the § 1111(b) Election is Made

If Belmont makes the § 1111(b) election, then Belmont's entire Allowed Claim will be treated as fully secured, and Belmont will not have any claims in Class 5.

In this event, the Debtor will treat Belmont's Allowed Claim as follows:

- Belmont will retain its lien on the Real Property and its other pre-petition collateral in the full amount of its Allowed Claim, as such Allowed Claim is determined by the Court. The lien in the Real Property and other collateral will be evidenced by the Deed of Trust, Assignment of Rents and New Security Agreement, as set forth above. Except for the Deed of Trust, the Assignment of Rents, the UCC-1 Financing Statements, and the NDA all as modified by the Plan and Confirmation Order, any and all other documents relating to the pre-petition loan between Belmont (and/or its predecessors-in-interest) and the Debtor, including the entire Loan Agreement (except Sections 6.10 and 7.5 which shall survive pursuant to Article 2.9 of the Deed of Trust) and

the "Assignment of Project Documents" dated December 21, 2006, shall be deemed to be null and void and of no further force and effect.

- For purposes of this analysis, the Debtor assumes that (i) Belmont's Allowed Claim will be established at no more than $69,000,000, rather than the nearly $77,000,000 asserted by Belmont in its pleadings filed in this case; and (ii) the value of Belmont's collateral is $48.5 million. The actual amount of Belmont's Allowed Claim, and the value of its collateral base, will be established by the Court. Attached hereto Exhibit "K" is a cash flow projection reflecting the proposed treatment of Belmont's claim. The Court may determine that the loan amount and collateral value assumptions are different than those set forth in the projections; consequently, Exhibit "K" to the Disclosure Statement is merely illustrative, and the final projections of cash flow may be adjusted accordingly following the Court's determinations of these variables.

- The Reorganized Debtor will pay the total amount of Belmont's Allowed Claim on or before the end of the seventh year following the Effective Date of the Plan as set forth in Exhibit "K" and generally described as follows:

  (i) On the Effective Date, the Debtor will make a payment of $575,000 to Belmont;

  (ii) Each quarter thereafter the Debtor shall make payments of $690,000 each to Belmont, for a total annual payment to Belmont of $2,760,000 per year for a period of seven years (the "Pre-Payoff Period");

  (iii) On or before the end of the seventh year following the Effective Date of the Plan (the "Pay-Off Date"), the Debtor will pay the remaining balance of Belmont's Allowed Claim, assumed to be $49,680,000 (based upon an initial loan amount of $69,000,000), from either the sale of the Real Property or a refinancing of the Real Property.

- Notwithstanding the foregoing payment schedule, the Reorganized Debtor shall have the right and ability to make additional principal reduction payments to Belmont during the Pre-Payoff Period, without penalty, from excess cash flow, if any, from the operations of the Real Property, which payments will reduce the amount of Belmont's Allowed Claim payable on the

Pay-Off Date.

- The foregoing repayment schedule reflects that Belmont will receive an internal rate of return (*i.e.*, interest) at the rate of approximately 6.32% per annum, based on the assumption that the value of Belmont's collateral is $48.5 million and the allowed amount of its claim is $69 million.

- In the event the Court finds that Belmont's Allowed Claim is greater than $69,000,000 and/or that the value of Belmont's collateral is different than $48.5 million, then (i) the stream of payments on Belmont's claim will remain the same as set forth above but (ii) any balance of Belmont's Allowed Claim remaining on the Pay-Off Date will be increased accordingly to ensure that Belmont's internal rate of return will be at least 6%.

- The Debtor anticipates that, during the first approximately 36 months following the Effective Date of the Plan, before the occupancy of the Real Property becomes stabilized, the Real Property may not generate sufficient net cash flow, after paying operating expenses, to make the full amount of monthly payments called for in the foregoing payment schedule. Accordingly, just as with the Debtor's treatment of Belmont's claim if Belmont does not make the § 1111(b) election, on the Effective Date of the Plan, as part of the New Value infused by RCCH or the Successful bidder, if any, RCCH or the Successful Bidder will deposit the New Value into the Reserve Account, which can be used to, among other things, pay any cash flow deficiency between the net cash flow generated by the Real Property and the amounts due to Belmont under the foregoing payment schedule, if any. To the extent that the use of the funds in the Reserve Accounts will result in the amount of funds in the Reserve Account being reduced to an amount below $200,000, at any time prior to the Pay-Off Date, the Reorganized Debtor (from any retained excess cash flow) or RCCH, or the Successful Bidder, if any, (from an additional contribution of capital) will replenish the Reserve Account such that the Reserve Account shall always be maintained in the total amount of $200,000 until the Pay-Off Date. The failure to maintain the Reserve Account in the total amount of at least $200,000 will constitute a default under the Plan and the loan documents contemplated herein. Further, any failure by the Debtor to make the payments set forth in the foregoing schedule, or to pay the remaining unpaid amount of Belmont's

Allowed Claim on the Pay-Off Date, will constitute a default under the Plan and the loan documents contemplated herein.

- Immediately upon payment, in full, of Belmont's Allowed Claim, Belmont's secured interest in the Real Property and any other collateral securing its Allowed Claim will be deemed satisfied, extinguished, released and discharged, in full.

- The Reorganized Debtor reserves its right and ability to sell or refinance the Real Property at any time during the Pre-Payoff Period, so long as the net sale or loan proceeds (after payment of costs of sale or loan) are sufficient to pay the remaining amount of Belmont's Allowed Claim in full.

2. Class 2-B –Allowed Secured Claim of Maricopa County

This Class consists of the Allowed Secured Claim of Maricopa County, Arizona ("Maricopa County"), if any, that is secured by a tax lien on the Real Property. This Class is impaired.

Commencing on the Effective Date, the Allowed Secured Claim of Maricopa County, if any, will be paid in equal quarterly payments of principal and interest over a term of 1 year. Interest will accrue and will be paid at the statutory rate plus 2%. The County will retain its existing secured interest in the Real Property until this claim has been satisfied in full.

If funds generated from the normal operations of the Real Property are insufficient to pay the secured real property tax claims as provided herein, the payments required herein to Maricopa County will be made from the New Value contributed by RCCH or the Successful Bidder, if any.

3. Class 2-C –Allowed Secured Claim of Fennemore Craig

This Class consists of the Allowed Secured Claim of Fennemore Craig in the amount of approximately $2,600. This Class is impaired.

Although the retention agreement between Fennemore Craig and the Debtor does not provide for the payment of interest on Fennemore Craig's claim, Fennemore Craig's Allowed Secured Claim shall include interest at the Plan Rate from the date that the amount due and owing to Fennemore Craig first became 60 days past due until the Effective Date of the Plan. On the Effective Date of the Plan, Fennemore Craig will be entitled to apply its collateral (consisting of a

cash retainer) to the principal amount of Fennemore Craig's claim plus any such accrued interest. Regardless of the total amount of Fennemore Craig's claim, Fennemore Craig's application of its retainer to the principal amount of the claim and any accrued interest shall be deemed to be in full and final satisfaction of Fennemore Craig's claims against the Debtor. To the extent that the amount of the retainer is greater than the amount of Fennemore Craig's claim, including accrued interest, Fennemore Craig shall deliver any excess funds to the Debtor after application of the retainer to Fennemore Craig's claim.

4. Class 2-D –Allowed Secured Claim of Larson Allen

This Class consists of the Allowed Secured Claim of Larson Allen in the amount of approximately $2,940.00. This Class is impaired.

Although the retention agreement between Larson Allen and the Debtor provides for the payment of interest on Larson Allen's claim at the rate of 1.5% per month, Larson Allen's Allowed Secured Claim shall include interest at the Plan Rate from the date that the amount due and owing to Larson Allen first became 60 days past due until the Effective Date of the Plan. On the Effective Date of the Plan, Larson Allen will be entitled to apply its collateral (consisting of a cash retainer) to the principal amount of Larson Allen's claim plus any such accrued interest. Regardless of the total amount of Larson Allen's claim, Larson Allen's application of its retainer to the principal amount of the claim and any accrued interest shall be deemed to be in full and final satisfaction of Larson Allen's claims against the Debtor. To the extent that the amount of the retainer is greater than the amount of Larson Allen's claim, including accrued interest, Larson Allen shall deliver any excess funds to the Debtor after application of the retainer to Larson Allen's claim.

C. Class 3: Allowed Claim of LSI

This Class consists of the Allowed Claim of LSI for unreimbursed tenant improvement costs and expenses owing by the Debtor to LSI in the amount of approximately $381,813.08 (*i.e.*, the TI Claim). This Class is impaired.

Pursuant to the terms of the LSI Stipulation, which is incorporated herein by this reference and whose terms will govern in the event that there is any discrepancy between the LSI Stipulation

and the Plan, LSI's TI Claim and the landlord/tenant and creditor/debtor relationships between LSI and the Debtor, will be treated in the Plan as follows:

A. Provided all of the conditions of the LSI Stipulation are satisfied, on the Effective Date of the Plan, the Debtor will reject the Lease and any and all amendments thereto pursuant to the order confirming the Plan. The Debtor's proposed rejection of the Lease is expressly conditioned on the entry of a final, non-appealable order confirming the Plan that is consistent with the terms of the LSI Stipulation. In the event that a final, non-appealable order confirming the Plan is not entered, notwithstanding anything to the contrary in the LSI Stipulation, the Debtor shall not reject the Lease, the LSI Stipulation shall be ineffective, and LSI shall remain in possession of the Premises pursuant to the terms of the Lease.

B. As of the Effective Date of the Plan, the Reorganized Debtor and LSI shall execute and enter into a new lease (the "New Lease") with respect to LSI's occupancy of space at the Building. The effectiveness of the New Lease is expressly conditioned on the entry of a final, non-appealable order confirming the Plan. In the event that a final, non-appealable order confirming the Plan is not entered, LSI shall remain in possession of the Premises pursuant to the terms of the Lease.

C. The Plan provides that the "Nondisturbance and Attornment Agreement" between and among the Debtor, LSI and Belmont's predecessor-in-interest, iStar, dated May 30, 2008 and recorded in the Maricopa County Recorder's Office on June 11, 2008 at document no. 20080517196, as amended by that certain "First Amendment to Nondisturbance and Attornment Agreement" dated December 15, 2008 and recorded in the Maricopa County Recorder's Office on December 24, 2008 at document no. 20081085946 (*i.e.,* the NDA described above) applies to the New Lease as if the New Lease were specifically identified therein, and will remain in full force and effect with respect to the New Lease notwithstanding the rejection of the Lease. The LSI Stipulation, and the Debtor's treatment of the Lease and the TI Claim, are expressly conditioned on the entry of a final, non-appealable order finding that the NDA applies to the New Lease as if the New Lease were specifically identified therein. In the event that a final, non-appealable order with

this provision is not entered, the Lease shall not be rejected, the LSI Stipulation shall be null and void, and LSI shall remain in possession of the Premises pursuant to the terms of the Lease.

D. The New Lease shall be on the same general terms as the Lease and will contain, among other things, the following additional terms and conditions:

- Subject to all of the conditions set forth in Paragraphs B, C, and D of the LSI Stipulation, the term of the New Lease shall be from the Effective Date of the Plan until January 4, 2019 (unless extended as provided below);
- The premises to be rented by LSI under the New Lease shall be the same premises currently occupied by LSI ***except that*** the leased premises under the New Lease shall not include the 7,146 square feet identified in the Lease as the "Additional Space;"
- LSI will not be responsible under the New Lease to complete any tenant improvements build-outs for the Additional Space.
- LSI will be given the option of leasing the Additional Space from the Debtor if the Debtor is unable to locate a tenant for the Additional Space within 18 months of the Effective Date of the Plan. If LSI elects to rent the Additional Space, the rental rate shall be at the then prevailing rate under the New Lease.
- LSI shall pay rent as set forth on **Schedule 1**, attached to the LSI Stipulation.
- LSI shall pay its proportionate share, deemed to be 15.34%, of common area charges associated with the building;
- LSI shall not provide to the Debtor a security deposit;
- The Debtor shall not make any tenant improvements to LSI's space under the New Lease, and LSI is not entitled to any tenant improvement allowance under the New Lease; and
- LSI shall have three consecutive options to extend the lease term by an additional five years each (for a total of fifteen years), at a rental rate to be determined by market conditions relating to each extended term.

E. As of the Effective Date of the Plan, LSI will issue and deliver to the Debtor a promissory note in the amount of $381,813.08 (the "Rent Note") in exchange for the Debtor's

asserted claim for payment resulting from the alleged underpayment of post-petition rents. The Rent Note will require monthly payments of principal and interest, at the rate of 4% per annum, fully amortized and due and payable on the first anniversary of the Effective Date. Thus, the monthly payments from LSI to the Debtor under the Rent Note will be $32,511.35 per month.

F. The Plan provides that all payments under the Rent Note shall be immediately delivered to Belmont without any reduction in the amount of Belmont's post-confirmation claim against the Reorganized Debtor.

G. The Plan provides that LSI's pre-petition claim against the Debtor for unreimbursed tenant improvement costs, plus interest, in the amount of $381,813.08 will be separately classified in its own class and will be treated as follows:

- On the Effective Date of the Plan, the Debtor will issue and deliver to LSI a Promissory Note in the principal amount of $381,813.08 (the "LSI Note") representing LSI's pre-petition claim against the Debtor in the amount of $381,813.08 for unreimbursed tenant improvement costs incurred by LSI.

- The LSI Note will require monthly payments of principal and interest, at the rate of 6% per annum (*i.e.*, the Plan Rate), fully amortized and due and payable on the first anniversary of the Effective Date. Thus, the monthly payments from the Debtor to LSI under the LSI Note will be $32,861.29 per month.

- In the event the Debtor fails to make the monthly payments required under the LSI Note, LSI shall have the right to set off its obligations under the New Lease in an amount equal to the Debtor's delinquency under the LSI Note.

H. The Debtor and LSI have agreed and acknowledged that LSI's foregoing claim is not an administrative expense under § 503(b) or otherwise, and is not entitled to priority pursuant to 11 U.S.C. §§ 507(a)(2), 503(b)(1), 365 or otherwise.

I. To the extent that LSI incurs any damages from the rejection of the Lease, LSI has agreed that any claims for such damages are incorporated in treatment of its claim as set forth above.

J. The Debtor and LSI have agreed and acknowledged that the foregoing treatment of LSI's pre-petition claim in the Plan impairs such claim against the Debtor.

So long as the Plan incorporates the terms and conditions of the LSI Stipulation, LSI has agreed to the alternative treatment of its claim as provided in the Plan and will vote in favor of the

Plan.

To the extent that the LSI Stipulation is inconsistent with the Plan, the LSI Stipulation will govern and will be incorporated in any Order confirming the Plan.

D. Class 4: Tenant Security Deposits

This Class consists of all Allowed Unsecured Claims of tenants for pre-petition security deposits held by the Debtor in the total aggregate amount of approximately $219,354.04. This Class is impaired.

The Reorganized Debtor shall retain its right and ability to determine whether and what extent a tenant is entitled to the return of its security deposit pursuant to the terms of the lease between the Debtor and the tenant and applicable state law. However, notwithstanding anything to the contrary in the lease between the Debtor and its tenants or in applicable law, valid and enforceable tenant security deposits will be paid to tenants within 90 days of the later of either (a) the date that the Debtor determines the appropriate amount of the security deposit to be returned or (b) the date the tenant vacates its premises. This 90 day delay is necessary in order to ensure that the Debtor has sufficient funds on hand to return the security deposit to the tenant, either from the cash flow of the Real Property or from an infusion of cash from one or more of the New Interest Holders.

E. Class 5: Unsecured Claims

This Class consists of all Allowed Unsecured Claims of Creditors that are not specifically treated elsewhere in the Plan (*e.g.*, this Class does not include the Allowed Claim of Laser Spine, claims of tenants for security deposits, or any administrative or priority claims). If Belmont does not make the § 1111(b) election, then Belmont's unsecured deficiency claim—*i.e.*, the difference between the amount of Belmont's Allowed Claim and the value of its collateral—will be included in this Class. If Belmont makes the § 1111(b) election, then Belmont will not have a deficiency claim, and will not participate in distributions to holders in this Class 5. This Class is impaired.

(i) Treatment of Allowed Unsecured Claims if Belmont Does Not Make the § 1111(b) Election

If Belmont does not make the § 1111(b) election, then Allowed Unsecured Claims will be

treated as follows:

- If RCCH is the successful bidder at the auction discussed below, if any, RCCH and/or any other affiliates of the Debtor holding Unsecured Claims, including Cavan Management Services (the manager of RCCH) ("CMS"), will waive their Unsecured Claims against the Debtor and the Debtor's Estate, and will not participate in any distribution to Class 5 Claimants. However, if RCCH is not the successful bidder at the auction, then RCCH and/or any other affiliates of the Debtor holding Allowed Unsecured Claims against the Debtor, including CMS, shall participate in the distributions to this Class.

- The Allowed Unsecured Claims in this Class will be treated as follows:

(i) First, Allowed Unsecured Claims will share, pro-rata, in a distribution of the sum of $500,000 in cash (the "Unsecured Distribution Amount") paid by the Reorganized Debtor, from the New Value contribution, on the 90th day following the Effective Date of the Plan.

(ii) Second, the Reorganized Debtor will issue to each holder of an Allowed Unsecured Claim its pro rata portion of a $3 million subordinated debenture payable to holders of Allowed Unsecured Claims (the "Subordinated Debenture"). The Subordinated Debenture will not accrue interest. The Subordinated Debenture will be secured by a second position lien in and to the Real Property, subject only to real property taxes and the Allowed Secured Claim of Belmont. The Reorganized Debtor shall not be required to make periodic payments to the holders of the Subordinated Debenture. However, the Subordinated Debenture will be fully due and payable on the 7th anniversary of the Effective Date of the Plan or upon the sale or refinancing of the Real Property.

- RCCH, or the Successful Bidder, if any, will contribute the Unsecured Distribution Amount, as part of the New Value contribution, into an account created by the Reorganized Debtor for the receipt of such funds (the "Unsecured Reserve Account").

- Upon their receipt of (a) their respective pro rata portions of the Unsecured Distribution Amount and (b) their pro rata distributions from the payment of the Subordinated Debenture, all Allowed Unsecured Claims in this Class shall be deemed paid and discharged in full.

(ii) Treatment of Allowed Unsecured Claims if Belmont Does Make the § 1111(b) Election

If Belmont makes the § 1111(b) election, then Allowed Unsecured Claims will be treated as follows:

- RCCH and/or any other affiliates of the Debtor holding Unsecured Claims, including CMS, will waive their Unsecured Claims against the Debtor and the Debtor's Estate, and will not participate in any distribution to Class 5 Claimants.
- The Allowed Unsecured Claims in this Class (again, not including any claim by Belmont, Laser Spine, or tenants for security deposits, which claims are treated elsewhere in this Plan) will be paid in full but without interest, by the Reorganized Debtor from the New Value contribution, on the 90th day following the Effective Date of the Plan.
- Upon their receipt of the funds from the Reorganized Debtor, all Allowed Unsecured Claims in this Class shall be deemed paid and discharged in full.

F. Class 6: Interest Holders

Class 6 consists of all Allowed Interests of the Interest Holder in the Debtor. The Debtor's Interest Holder is RCCH. RCCH will purchase the equity interests in the Reorganized Debtor by the contribution of cash to the Reorganized Debtor, on the Effective Date, in the amount of $7,000,000.00[5] (*i.e.*, the New Value). The New Value will be used to:

(a) pay the amount necessary to pay all Class 1 Allowed Priority Claims as set forth above;

(b) pay the amounts to Maricopa County as set forth above, to the extent that cash flow from the Real Property is insufficient to pay the taxes;

(c) pay the Unsecured Distribution Amount of $500,000, if Belmont does not make the § 1111(b) election and/or the full amount of Class 5 claims if Belmont does make the § 1111(b)

[5] The amount of the New Value may be adjusted, as and if necessary, depending upon the ultimate determination of the amount of Belmont's Allowed Secured Claim and other factors. The specific amount of the New Value will be presented through testimony at the Confirmation Hearing. The Debtor anticipates, however, that the New Value will be approximately $7,000,000 or less.

election; and

(d) fund the Reserve Account to pay, as necessary, among other things, (1) debt service payments to Belmont, to the extent that cash flow is insufficient to make debt service payments, (2) tenant improvements, (3) broker's commissions, and (4) other necessary and appropriate capital expenses of the Real Property to ensure that the value of the Real Property is maintained.

The Debtor believes that, since its exclusive right to file and obtain acceptances of its Plan has terminated, and other interested parties now have the right and ability to file competing plans of reorganization, it is not necessary to hold an auction of the Reorganized Debtor's equity interests in order to satisfy the new value corollary to the absolute priority rule. *See Bank of America National Trust and Savings Association v. 203 North LaSalle Street Partnership*, 526 U.S. 434, 458, 119 S.Ct. 1411, 1424, 143 L.Ed.2d 607 (1999).

Nevertheless, if the Court determines that, under the circumstances, other parties-in-interest should be allowed to bid for the equity interests in the Reorganized Debtor, then other interested parties may bid for the equity interests in the Reorganized Debtor by meeting all of the terms and conditions identified below. Such bids shall be made pursuant to the following auction procedures and terms:

a. The auction ("Auction") of the equity interests in the Reorganized Debtor, if any, will be set by the Court at the Confirmation Hearing and will be held approximately thirty (30) after the Confirmation Hearing, in the courtroom, with the Court presiding over the bidding.

b. Any party wishing to bid on the equity interests of the Reorganized Debtor must satisfy the following requirements to be a "Qualified Bidder":

i. The bidder must be a current Creditor or Interest Holder of the Debtor. This requirement is necessary to avoid any potential registration or like requirements of any applicable securities laws or regulations.

ii. The bidder must deposit $1,000,000 in cash ("Deposit") with the Debtor's counsel at least twenty-five days prior to the Auction. Any Deposits will be returned to any unsuccessful bidder on the day following the Auction. The Deposit, plus any additional amounts bid by the Successful Bidder at the auction for the equity interests in the

Reorganized Debtor, will be delivered to the Reorganized Debtor on the Effective Date of the Plan.

iii. At least twenty-five days prior to the Auction, all bidders must provide satisfactory evidence to the Debtor of their ability to make a cash payment to the Debtor, on the Effective Date of the Plan, in the amount of no less than $5,750,000. To the extent that the Debtor contests the sufficiency of the evidence submitted regarding a bidder's ability to pay such amount, the evidence will be presented to the Court at the Auction, prior to bidding, and the Court will make a determination as to the sufficiency of the evidence and whether the bidder should be deemed to be a Qualified Bidder.

iv. At least twenty-five days prior to the Auction, all bidders must provide satisfactory evidence to the Debtor of their ability to operate the Reorganized Debtor in such a manner as to satisfy the requirements of this Plan, including payments to administrative claimants, secured creditors and unsecured creditors, on the terms and conditions set forth herein. To the extent that the Debtor contests the sufficiency of the evidence submitted regarding a bidder's ability to make payments as required by the Plan, the evidence will be presented to the Court at the Auction, prior to bidding, and the Court will make a determination as to the sufficiency of the evidence and whether the bidder should be deemed to be a Qualified Bidder.

v. At least twenty-five days prior to the Auction, all bidders must provide satisfactory evidence to the Debtor that they are authorized to do business in the State of Arizona, and have, or have the ability to obtain, any and all necessary permits and/or licenses to operate the Real Property. To the extent that the Debtor contests the sufficiency of such evidence, the evidence will be presented to the Court at the Auction, prior to bidding, and the Court will make a determination as to the sufficiency of the evidence and whether the bidder should be deemed to be a Qualified Bidder.

c. All bids for the interests in the Reorganized Debtor shall be in increments of no less than $250,000.

d. In order for a Qualified Bidder's bid to be determined to be higher and better than

the New Value to be contributed by RCCH as set forth above, the Qualified Bidder's bid must:

i. Exceed, by at least $250,000, RCCH's bid; and

ii. Provide that the Qualified Bidder will comply with and perform under the terms of this Plan, including the payments to creditors (including tenant security deposits) as provided herein.

e. RCCH shall have the right and ability to bid at the auction.

Competing bids will be assessed by the Court for their relative merits including, but not limited to, the amount of the bid and the expertise of the would-be New Interest Holder to manage and guide the Reorganized Debtor after the Effective Date and to satisfy the requirements of this Plan, including its ability to make the payments to creditors required herein and to satisfy the assumed obligations as required herein.

On the Effective Date, if RCCH is not the successful bidder at the Auction, then the Successful Bidder at the Auction must deliver its cash bid to the Reorganized Debtor and, upon such delivery, the Successful Bidder will be deemed to hold the equity interests in the Reorganized Debtor, subject to all terms and conditions of this Plan, including the obligations to other creditors as provided herein and the assumption of liabilities as provided herein.

X. MEANS FOR EXECUTING THE PLAN.

A. Funding

The Plan will be funded by operations of the Property and a capital infusion in the amount of the New Value by RCCH or the Successful Bidder, if an auction as described above is held. RCCH ***currently*** has at least $7 million of funds held in escrow (the "Escrow Account") available for funding the New Value contribution. A copy of the Escrow Agreement is attached hereto as Exhibit "O." These funds will be delivered to the Reorganized Debtor to fund the New Value contribution obligations set forth herein ***only in the event that*** (a) a Confirmation Order confirming this Plan is entered and becomes a Final Order and (b) if an auction is held, RCCH is the successful bidder for the equity interests in the Reorganized Debtor. The Debtor submits that no auction will be held because the Debtor's exclusivity period has expired and creditors have the opportunity to file competing plans of reorganization.

The Debtor will obtain, no later than November 21, 2011, fully executed Escrow Agreements from the RCCH Investors (defined below), and will present the fully executed Escrow Agreements from the RCCH Investors to the Court, under seal (because the identity of the RCCH Investors and the respective amounts of their investments are confidential), at the initial confirmation hearing currently set for November 22, 2011.

B. RCCH Investors LLC

RCCH Investors, LLC, an Arizona limited liability company ("RCCH Investors") was formed on August 2, 2011 for the purpose of becoming an additional member in RCCH upon confirmation of the Plan and the funding of the New Value contribution by RCCH to the Debtor. CMS is the manager and is currently the sole member of RCCH Investors. A copy of the RCCH Investors Articles of Organization is attached hereto as Exhibit "P." A copy of the Operating Agreement of RCCH Investors, LLC is attached hereto as Exhibit "Q."

Specifically, upon approval of the Disclosure Statement, RCCH will deliver the Disclosure Statement and the RCCH Investors, LLC Subscription Agreement and Investor Questionnaire to the investors of RCCH Investors who have already deposited funds into the Escrow Account.

Pursuant to the First Amendment to RCCH Operating Agreement attached hereto as Exhibit "I," RCCH's Operating Agreement has been amended to allow for the admission of RCCH Investors as an additional member. All of the investors in RCCH Investors are already investors in RCCH.

As discussed in more detail below, the investors in RCCH Investors have deposited a total of at least $7 million into an escrow account which will be released to the Debtor upon confirmation of the Plan. The release of the funds will be deemed to be a simultaneous (i) investment by the investors into RCCH Investors, (ii) an investment by RCCH Investors into RCCH in exchange for RCCH Investors' membership interests in RCCH, and (iii) RCCH's contribution of New Value to the Debtor as provided in the Plan. Pursuant to the terms of the Plan, RCCH will be the holder of the equity interests in the Reorganized Debtor upon confirmation of the Plan and the release of the New Value to the Debtor.

C. The Escrowed Funds

RCCH, the investors, and Stewart Title and Trust of Phoenix, Inc., as the escrow company ("Escrow Company") have entered into an escrow agreement with respect to the escrow of the New Value funds necessary to fund the Plan. As stated, a copy of the Escrow Agreement is attached hereto as Exhibit "O." The investors, as prospective members of RCCH Investors (as discussed above), have placed the sum of at least $7,000,000 into the escrow account governed by the Escrow Agreement and held by the Escrow Company specifically earmarked for the Debtor (the "Escrow Account"). The Escrow Agreement provides that the ***only*** contingency for delivery of the funds from the Escrow Account to the Debtor is the entry of a final, non-appealable order confirming the Debtor's Plan entered by the Bankruptcy Court. Otherwise, all funds in the Escrow Account are non-refundable unless or until the Court enters an order denying confirmation of the Debtor's plan or the Property is foreclosed upon by Belmont.

As discussed above, the investors will also be sent the offering documents (*i.e.*, the subscription agreements and operating agreements) relating to their investments in RCCH Investors to further evidence the non-refundable nature of the investments.

Accordingly, immediately upon confirmation of the Plan, the funds held in the Escrow Account will be delivered to the Debtor for funding the Plan.

D. Liquidation of Estate Property

The Debtor shall have the authority to retain such brokers, agents, counsel, or representatives as it deems necessary to market, lease and/or sell assets of the Reorganized Debtor.

E. Management

The Plan will be implemented by the retention of the Debtor's existing management, CMS, or such other management that the Successful Bidder, if not RCCH, will employ. This implementation will also include the management and disbursement of the funds infused by RCCH, or the Successful Bidder, if any, as set forth above and in accordance with the terms of this Plan.

F. Disbursing Agent

The Reorganized Debtor shall act as the Disbursing Agent under the Plan.

G. Documentation of Plan Implementation

In the event any entity which possesses an Allowed Secured Claim or any other lien in any of the Debtor's property for which the Plan requires the execution of any documents to incorporate the terms of the Plan, fails to provide a release of its lien or execute the necessary documents to satisfy the requirements of the Plan, the Debtor may record a copy of this Plan or the Confirmation Order with the appropriate governmental agency and such recordation shall constitute the lien release and creation of any necessary new liens to satisfy the terms of the Plan. If the Debtor deems advisable, it may obtain a further Order from the Court that may be recorded in order to implement the terms of the Plan.

H. New Obligations

Any Allowed Claims which are otherwise impaired herein, and which are paid in deferred payments, shall be a New Obligation of the Reorganized Debtor under the terms described herein and completely replace any pre-confirmation obligations of the Debtor.

XI. EFFECT OF CONFIRMATION.

Except as otherwise provided in the Plan or the Confirmation Order, Confirmation acts as a Discharge, effective as of Confirmation, of any and all debts of the Debtor that arose any time before the entry of the Confirmation Order including, but not limited to, all principal and all interest accrued thereon, pursuant to §1141(d)(1) of the Bankruptcy Code. The Discharge shall be effective as to each Claim, regardless of whether a Proof of Claim thereon was filed, whether the Claim is an Allowed Claim, or whether the Holder thereof votes to accept the Plan.

In addition, any pre-confirmation obligations of the Debtor dealt with in the Plan shall be considered New Obligations of the Debtor, and these New Obligations shall not be considered in default unless and until the Reorganized Debtor defaults on the New Obligations pursuant to the terms of the Plan. The New Obligations provided for in the Plan shall be in the place of, and completely substitute for, any pre-Confirmation obligations of the Debtor. Once the Plan is confirmed, the only obligations of the Debtor shall be such New Obligations as provided for under the Plan. Once the Plan is confirmed, any and all pre-petition defaults under any obligations of the

Debtor shall be deemed cured.

XII. LIQUIDATION ANALYSIS

If the Plan is not confirmed, and the Debtor's assets were liquidated instead, it is likely that only Belmont would recover anything from such liquidation, and all other creditors (other than Fennemore Craig and Larson Allen) will not recover anything from the Debtor or the Debtor's Estate. Indeed, the value of the Debtor's Property is less than the total amount of Belmont's second claim. Furthermore, the Debtor's personal property is virtually worthless, and is likely covered by Belmont's security interest in the Debtor's assets.

The Debtor's Plan provides a better recovery than such a liquidation, regardless of whether Belmont makes the § 1111(b) election. First, if Belmont makes the § 1111(b) election, unsecured claims in Class 5, other than related party claims, will be paid in full from the New Value contribution. If Belmont does not make the election, then Allowed Unsecured Creditors will share in a pro rata distribution of $500,000 on the Effective Date and a pro rata interest in the Subordinated Debenture. Finally, under the Plan, Belmont will recover either (a) the value of its collateral, plus a market rate of interest, plus its share of the Unsecured Distribution Amount and Subordinated Debenture, if it does not make the § 1111(b) election; or (b) cash payments in the total amount of its Allowed Claim if it makes the § 1111(b) election. Either of these treatments will result in a better recovery to Belmont than if the Property were liquidated.

The following chart demonstrates the recoveries to Creditors in the event of a liquidation versus the Debtor's Plan:

Creditor Class	Anticipated recovery under Plan if Belmont makes § 1111(b) election	Anticipated recovery under Plan if Belmont does not make § 1111(b) election	Recovery if Debtor's assets are liquidated
Class 2-A (Belmont)	Full amount of Allowed Claim (est. $69 million), without interest, by the Pay-Off Date	Full amount of Allowed Secured Claim (est. $48.5 million), plus interest at Plan Rate, by 7th anniversary of Effective Date	Value of collateral, estimated, at $48.5 million before costs and expenses of operations prior to foreclosure and costs of sale
Class 2-B (Maricopa County)	Full amount of Allowed Secured Claim, plus interest at 2% over statutory rate, within one year of Effective Date	Full amount of Allowed Secured Claim, plus interest at 2% over statutory rate, within one year of Effective Date	Amount of secured claim upon lender's disposition of collateral to third party or exercise of statutory lien enforcement rights

Class 2-C (Fennemore Craig)	Full amount of Allowed Secured Claim, plus interest at the Plan Rate, on Effective Date	Full amount of Allowed Secured Claim, plus interest at the Plan Rate, on Effective Date	Amount of retainer on deposit
Class 2-D (Larson Allen)	Full amount of Allowed Secured Claim, plus interest at the Plan Rate, on Effective Date	Full amount of Allowed Secured Claim, plus interest at the Plan Rate, on Effective Date	Amount of retainer on deposit
Class 3 (Laser Spine's Reimbursement Claim)	Full amount of the Laser Spine Reimbursement Claim within 12 months of Effective Date	Full amount of the Laser Spine Reimbursement Claim within 12 months of Effective Date	Nothing
Class 4 (Tenant Security Deposits)	Full amount of valid security deposits within 90 days of the later of either (a) the date that the Debtor determines the appropriate amount of the security deposit to be returned or (b) the date the tenant vacates its premises	Full amount of valid security deposits within 90 days of the later of either (a) the date that the Debtor determines the appropriate amount of the security deposit to be returned or (b) the date the tenant vacates its premises	Nothing
Class 5 (Unsecured Claims)	Payment in full on the Effective Date	Pro rata shares of (i) $500,000 on the Effective Date and (ii) $3 million subordinated debenture on 7th anniversary of Plan	Nothing
Class 6 (Interest Holders)	Ability to obtain interest in Reorganized Debtor in exchange for New Value contribution	Ability to obtain interest in Reorganized Debtor in exchange for New Value contribution	Nothing

XIII. TAX CONSEQUENCES

Pursuant to §1125(a)(1) of the Bankruptcy Code, the Debtor is to provide a discussion of the potential material tax consequences of the Plan to the Debtor, any successor to the Debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant Class to make an informed judgment about the Plan. However, the Debtor need not include such information about any other possible or proposed plan. In determining whether the Disclosure Statement provides adequate information, the Court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information. The following discussion summarizes certain considerations that may affect the anticipated federal income tax consequences of the Plan's implementation to Creditors and to the Debtor. It does not address all federal income tax consequences of the Plan nor does it address the state or local income tax or other state or local

tax consequences of the Plan's implementation to Creditors or to the Debtor.

This description of the federal income tax consequences of implementing the Plan is based on Debtor's interpretation of the applicable provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), the regulations promulgated thereunder, and other relevant authority. Debtor's interpretation, however, is not binding on the IRS or any court. The Debtor has not obtained, nor does it intend to obtain, a private letter ruling from the IRS, nor has the Debtor obtained an opinion of counsel with respect to any of these matters. The discussion below is general in nature and is not directed to the specific tax situation of any particular interested taxpayer. **For these reasons, all Creditors and the Interest Holder should consult with their own tax advisors as to the tax consequences of implementation of the Plan to them under applicable federal, state, and local tax laws.**

A. Tax Consequences to the Debtor

In general, pursuant to IRC Section 108, the amount of any debt of a corporation that is partially or totally discharged pursuant to a Title 11 bankruptcy case is excluded from gross income. According to IRC Section 108(b), the amount of debt discharge income ("DDI") that is excluded from gross income must be applied to reduce the tax attributes of the Debtor. The Debtor's tax attributes are reduced in the following order: (1) net operating losses ("NOLs"); (2) general business credits; (3) minimum tax credit; (4) capital loss carryovers; (5) reduction in tax basis of the Debtor's property; (6) passive activity loss and credit carryovers; and (7) foreign tax credit carryovers. The Debtor may elect to apply the debt discharge exclusion first to depreciable property and thereafter to the tax attributes in the above-prescribed order.

B. Tax Consequences to the Secured and Unsecured Creditors

Both the Secured Claimants and/or the Unsecured Claimants may be required to report income or be entitled to a deduction as a result of implementation of the Plan. The exact tax treatment depends on, among other things, each Claimant's method of accounting, the nature of each Claimant's claim, and whether and to what extent such Claimant has taken a bad debt deduction in prior taxable years with respect to the particular debt owed to it by one of the Debtors. **Each Holder of a secured claim or an unsecured claim is urged to consult with his, her, or its**

own tax advisor regarding the particular tax consequences of the treatment of his, her, or its claim under the Plan.

XIV. OBJECTIONS TO AND ESTIMATIONS OF CLAIMS.

A. Objections and Bar Date for Filing Objections.

As soon as practicable, but in no event later than 45 days after the Effective Date, objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims to which objections are made pursuant to the Bankruptcy Code and the Bankruptcy Rules. Objections filed after such date will be barred.

B. Settlement of Claims.

Settlement of any objection to a Claim not exceeding $10,000 shall be permitted on the eleventh (11th) day after notice of the settlement has been provided to the Debtor, the Creditors, the settling party, and other persons specifically requesting such notice, and if on such date there is no written objection filed, such settlement shall be deemed approved. In the event of a written objection to the settlement, the settlement must be approved by the Court on notice to the objecting party.

C. Estimation of Claims.

For purposes of making distributions provided for under the Plan, all Claims objected to shall be estimated by the Disbursing Agent at an amount equal to (i) the amount, if any, determined by the Court pursuant to §502(c) of the Bankruptcy Code as an estimate for distribution purposes; (ii) an amount agreed to between the Debtor and the Claimant; or, (iii) that amount set forth as an estimate in the Plan or Disclosure Statement. Notwithstanding anything herein to the contrary, no distributions shall be made on account of any Claim until such Claim is an Allowed Claim.

D. Unclaimed Funds and Interest.

Distribution to Claimants shall be mailed by the Reorganized Debtor to the Claimants at the address appearing on the master mailing matrix unless the Claimant provides the Reorganized Debtor with an alternative address. For a period of one year from the date that a distribution was to

be made by the disbursing agent but has gone uncollected by the Claimant, the disbursing agent shall retain any distributions otherwise distributable hereunder which remain unclaimed or as to which the disbursing agent has not received documents required pursuant to the Plan. Thereafter, the unclaimed funds shall be deposited in the appropriate distribution account for distribution to other Claimants entitled to participate in such respective fund.

XV. NON-ALLOWANCE OF PENALTIES AND FINES.

No distribution shall be made under the Plan on account of, and no Allowed Claim, whether Secured, Unsecured, Administrative, or Priority, shall include any fine, penalty, exemplary or punitive damages, late charges, default interest or other monetary charges relating to or arising from any default or breach by the Debtor, and any Claim on account thereof shall be deemed Disallowed, whether or not an objection was filed to it.

XVI. CLOSING OF CASE.

Until these cases are officially closed, the Reorganized Debtor will be responsible for filing pre- and post-confirmation reports required by the United States Trustee and paying the quarterly post-confirmation fees of the United States Trustee, in cash, pursuant to 28 U.S.C. §1930, as amended. Pursuant to 11 U.S.C. §1129(a)(12), all fees payable under §1930 of Title 28, as determined by the Court at the hearing on confirmation of the Plan, will be paid, in cash, on the Effective Date.

XVII. MODIFICATION OF THE PLAN.

In addition to its modification rights under §1127 of the Bankruptcy Code, the Debtor may amend or modify the Plan at any time prior to Confirmation without leave of the Court. The Debtor may propose amendments and/or modifications of the Plan at any time subsequent to Confirmation with leave of the Court and upon notice to Creditors. After Confirmation of the Plan, the Debtor may, with approval of the Court, as long as it does not materially or adversely affect the interests of Creditors, remedy any defect or omission or reconcile any inconsistencies of the Plan, or in the Confirmation Order, if any may be necessary to carry out the purposes and intent of the Plan.

XVIII. JURISDICTION OF THE COURT.

The Court will retain jurisdiction until the Plan has been fully consummated for, including

but not limited to, the following purposes:

1. The classification of the Claims of any Creditors and the re-examination of any Claims which have been allowed for the purposes of voting, and for the determination of such objections as may be filed to the Creditor's Claims. The failure by the Debtor to object to or examine any Claim for the purpose of voting shall not be deemed to be a waiver of the Debtor's rights to object to or to re-examine the Claim in whole or in part.

2. To determine any Claims which are disputed by the Debtor, whether such objections are filed before or after Confirmation, to estimate any Un-liquidated or Contingent Claims pursuant to 11 U.S.C. § 502(c)(1) upon request of the Debtor or any holder of a Contingent or Un-liquidated Claim, and to make determination on any objection to such Claim.

3. To determine all questions and disputes regarding title to the assets of the Estate, and determination of all causes of action, controversies, disputes or conflicts, whether or not subject to action pending as of the date of Confirmation, between the Debtor and any other party, including but not limited to, any rights of the Debtor to recover assets pursuant to the provisions of the Bankruptcy Code.

4. The correction of any defect, the curing of any omission or any reconciliation of any inconsistencies in the Plan, or the Confirmation Order, as may be necessary to carry out the purposes and intent of the Plan.

5. The modification of the Plan after Confirmation, pursuant to the Bankruptcy Rules and the Bankruptcy Code.

6. To enforce and interpret the terms and conditions of the Plan.

7. The entry of an order, including injunctions, necessary to enforce the title, rights and powers of the Debtor, and to impose such limitations, restrictions, terms and conditions of such title, right and power that this Court may deem necessary.

8. The entry of an order concluding and terminating this case.

XIX. RETENTION AND ENFORCEMENT OF CLAIMS.

Pursuant to §1123(b)(3) of the Bankruptcy Code, the Reorganized Debtors shall retain and

may enforce any and all claims of the Debtor, except those claims specifically waived herein. Any retained causes of action include, but are not limited to, all avoidance actions, fraudulent conveyance actions, preference actions, and other claims and causes of action of every kind and nature whatsoever, arising before the Effective Date which have not been resolved or disposed of prior to the Effective Date, whether or not such claims or causes of action are specifically identified in the Disclosure Statement.

Any recovery obtained from retained causes of action shall become an additional asset of the Debtor, unless otherwise ordered by the Court, and shall be available for distribution in accordance with the terms of the Plan.

XX. EXECUTORY CONTRACTS.

Except as otherwise provided in the Plan, including the express rejection of the LSI Lease, the Debtor hereby expressly assumes any and all tenant leases in existence as of the Confirmation Date and all executory contracts listed in the Debtor's Schedules of Assets and Liabilities. Every other executory contract and/or unexpired lease of the Debtor not expressly assumed by this Plan is hereby rejected.

Claims under § 502(g) of the Code arising as a result of the rejection of executory contracts or unexpired leases shall be filed no later than 30 days after the Confirmation Date. Any such Claims not timely filed and served shall be Disallowed.

XXI. REVESTING.

Except as provided for in the Plan or in the Confirmation Order, on the Effective Date the Reorganized Debtor shall be vested with all the property of the Estate free and clear of all claims, liens, charges, and other interests of Creditors, arising prior to the Effective Date. Upon the Effective Date, the Reorganized Debtor shall operate their business free of any restrictions.

XXII. DISCLAIMER.

Court approval of this Disclosure Statement and the accompanying Plan of Reorganization, is not a certification of the accuracy of the contents thereof. Furthermore, Court approval of these documents does not constitute the Court's opinion as to whether the Plan should be approved or disapproved.

XXIII. RISKS.

The risk of the Plan lies with the Debtor's ability to fund the Plan and ultimately to refinance or sell the Property to pay off its creditors. If the funds to be infused by the Interest Holder are infused, this will lessen the risk accordingly. However, the success of the Debtor depends in large part on the recovery of the national economy over the next several years following confirmation.

XXIV. PROPONENT'S RECOMMENDATION/ALTERNATIVES TO THE PLAN.

The Debtor recommends that all creditors entitled to vote for the Plan do so. The Debtor's Plan will pay Belmont the full amount of its secured claim and provide funds to pay unsecured creditors. The alternatives to confirmation of the Plan would be either conversion of this case to a case under Chapter 7 of the Bankruptcy Code or its dismissal.

Dismissal of this case would result in the foreclosure of the Property by Belmont. In such a case, Unsecured Creditors will receive nothing on account of their claims.

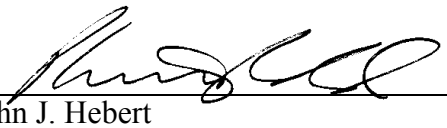
Conversion will result in the appointment of a Chapter 7 trustee and, most likely, the hiring of an attorney by the trustee. Expenses incurred in administering the Chapter 7 case would take priority in the right to payment over allowed, administrative expenses incurred in the Chapter 11 case. Both Chapter 7 and Chapter 11 administrative expenses take priority over the payment of unsecured claims without priority. In other words, conversion would likely decrease the net amount available to pay currently existing creditors.

The most likely effect of conversion of the case to a Chapter 7 would be a foreclosure on the Property by Belmont, and, as a result, Unsecured Creditors would receive nothing.

For all these reasons, the Debtor urges you to vote to accept the Plan and to return your ballots in time to be counted.

DATED: November 3, 2011.

POLSINELLI SHUGHART

By: 

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By: */s/ Cathie Bernales*