

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF COLORADO**

In re:	)	
	)	Case No. 12-20763 EEB
RIVER CANYON REAL ESTATE	)	
INVESTMENTS, LLC	)	Chapter 11
	)	
Debtor.	)	

**DEBTOR’S STATEMENT REGARDING PROPOSED ORDER VALUING SECURITY**

RIVER CANYON REAL ESTATE INVESTMENTS, LLC (the “Debtor”), through its undersigned counsel, for its Statement Regarding Proposed Order Valuing Security, states as follows:

1. At the conclusion of the evidentiary hearing held March 19, 2013 regarding valuation of the Debtor’s real property interests, the Court ordered the Debtor to file a proposed order incorporating the Court’s conclusions.

2. There are three issues that need to be addressed in connection with the proposed order tendered herewith. First, on March 20, 2013, the sole witness to testify at the hearing, Carter Morrison of National Valuation Consultants, contacted the undersigned and advised that there were two errors in the Exhibit D admitted into evidence and referenced by the Court in its oral findings of fact and conclusions of law. The errors are described in more detail below.

3. Second, the Court did not make an express finding regarding the value of the lots owned by the Debtor that comprise the golf course. Prior to the hearing, United Water & Sanitation District (“United”) conceded the value of the golf course was -\$500,000. The Debtor did not object to that concession and submits that a conclusion consistent with that amount is appropriate.

4. Third, the Court made a finding that the bulk value of the 166 Lots owned by the Debtor is \$9,900,000, and further found that the values of the individual lots are consistent with the amounts set forth in Exhibit D. The values in Exhibit D are based upon a \$71,882 water tap fee. After leaving the courthouse, Debtor’s counsel realized that while this finding was consistent with the evidence admitted and stipulated to regarding the 128 Lots for which a water tap has not been purchased, it requires further clarification regarding the evidence admitted and stipulated to regarding the 38 Lots<sup>1</sup> for which a tap has been purchased. With respect to the 128

<sup>1</sup>The parties dispute whether a tap fee has been paid for one of these lots—7915 Cicero Court. With respect to this lot, Glenn Jacks, the principal of the Debtor, has requested that a tap he purchased at foreclosure from a prior owner be reassigned to 7915 Cicero Court. United asserts that Mr. Jacks has not provided the necessary documentation to complete this assignment. In the exhibits to the proposed order tendered herewith, the Debtor has included a provision that if Mr. Jacks’ tap is assigned to 7915 Cicero Court, the Lot’s value shall be \$96,363 and if the tap is not so assigned, the value shall be \$80,471.

Lots, the Court made a finding that the appropriate tap fee is \$71,882. With respect to the 38 Lots, the taps have been purchased and will be sold at the market rate of \$30,000. Accordingly, it is appropriate to conclude that the values of those lots are consistent with the figures set forth on Page 8 of Exhibit B. The figures on Page 8 of Exhibit B reflect a market rate tap fee of \$30,000.

#### Errors in Exhibit D

5. Attached hereto as Exhibit A is the affidavit of Carter Morrison attesting to the following facts, all of which are consistent with his testimony at the March 19 hearing:
  - a. My conclusions regarding the impact on lot valuations if the water tap fee going forward on the Debtor's 166 residential lots is \$71,882 is reflected in Exhibit D. I realized after testifying, however, that Exhibit D contains two errors, one typographical and one mathematical.
  - b. First, I concluded that any increase in cost for a tap fee over \$30,000 would result in a dollar for dollar reduction in the "weighted average retail lot price." Thus, if the tap fee increased to \$40,000, the "weighted average retail lot price" would decrease \$10,000 from \$299,880 to \$289,880. Exhibit D reflects this calculation.
  - c. Unfortunately, in the line on the first chart in Exhibit D reflecting a \$71,882 tap fee, the "weighted average retail lot price" reflected a \$47,000 lot price decrease instead of a \$41,882 lot price decrease. This error has no impact on any of the valuations set forth in Exhibit D. I bring it to the Court's attention solely because the number is inaccurate. This was simply a typographical error not reflected in my calculations. The bulk value of the 166 Lots remains \$9,900,000 and the bulk value per lot remains \$59,639. See attached Corrected Exhibit D.
  - d. Second, the second chart in Exhibit D, in the column titled "Individual Retail Lot Price", mistakenly includes lot prices assuming a \$30,000 tap fee. Each of these lot prices should be reduced by \$41,882 to be consistent with my conclusion that the increase in tap fees over \$30,000 results in a dollar for dollar reduction in retail value. Again, this reduction does not impact the overall valuation of \$9,900,000 or the bulk value per lot valuation of \$59,639, but it does effect the individual lot valuations. The individual lot prices for the higher priced lots increases and the individual lot prices for the lower priced lots decreases.
  - e. These corrections can best be demonstrated by considering the same calculations I performed while I was testifying. To calculate the individual valuations, I divided the bulk value per lot (\$59,639) by the weighted average retail price to create an allocation ratio. I then multiplied the individual lot retail price by the allocation ratio to determine the individual lot valuation. In Exhibit D, the weighted average retail price was incorrectly listed as \$299,880. With the \$41,882 per lot reduction, the weighted average retail price is \$257,998. The allocation ratio ( $\$59,639 / \$257,998$ ) is therefore 23.116%. See Corrected Exhibit D. For example, with the Arabella lots, the individual retail price assuming a tap fee of

\$71,882 is \$343,118, not \$385,000. Multiplying \$343,118 by 23.116% results in an individual lot price of \$79,315. The remaining correct individual retail lot prices are set forth in Corrected Exhibit D. Again, these individual values, when aggregated, still total \$9,900,000; the only difference is to the value allocations to individual lots.

6. The proposed order tendered herewith reflects the corrections identified by Mr. Morrison. The Debtor submits that these corrections are consistent with the calculations and assumptions testified to by Mr. Morrison and are consistent with the Court's findings. The corrections are submitted so that the final order reflects the assumptions testified to and accepted by the Court.

7. On March 20, 2013, the Debtor provided a copy of this Statement as well as the Proposed Order to United for comment. United responded by email from counsel Kevin Neiman at 3:13 p.m. on March 21, 2013 as follows:

“Although United respectfully continues to disagree with the valuation methodology depicted in Exhibit D and Corrected Exhibit D, it otherwise has no objection to the requested typographical and mathematical revisions in Corrected Exhibit D.”

Mr. Neiman further represented, by email at 3:20 p.m. on March 21, 2013, that United does not object to the proposed order tendered herewith.

WHEREFORE, the Debtor respectfully requests the Court enter the proposed order submitted herewith and grant such other relief as deemed proper.

Dated this 21<sup>st</sup> day of March, 2013.

Respectfully submitted,

SENDER WASSERMAN, WADSWORTH, P.C.

*/s/ David V. Wadsworth*

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**CERTIFICATE OF SERVICE**

I do hereby certify that on the 21st day of March, 2013, I served a true and correct copy of the **DEBTOR'S STATEMENT REGARDING PROPOSED ORDER VALUING SECURITY** via United States mail, postage prepaid thereon, to those persons listed below:

River Canyon Real Estate Investments LLC  
11118 Caretaker Road  
Littleton, CO 80125

US Trustee  
999 18th Street, Suite 1551  
Denver, CO 80202

Kevin S. Neiman  
Robert M. Horowitz  
Bart B. Burnett  
1660 Lincoln Street, Suite 1900  
Denver, CO 80264

*/s/ Rhonda A. Hanshe*

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For Sender Wasserman Wadsworth, P.C.