

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

IN RE:)	
)	Case No. 11-39584-HRT
SOMERSET MEADOWS, LLC)	
Debtor)	Chapter 11
)	
EIN: 84-1486498)	
_____)	
)	
IN RE:)	
)	Case No. 11-39586-HRT
DUVALL-WATSON, LLC)	
Debtor)	Jointly Administered Under
)	Case No. 11-39584-HRT
EIN: 80-0308093)	
)	

**SECOND AMENDED DISCLOSURE STATEMENT TO ACCOMPANY
PLAN OF REORGANIZATION
DATED MARCH 26, 2012**

INTRODUCTION

This Disclosure Statement (“Disclosure Statement”) has been prepared by Somerset Meadows, LLC (“Somerset”) and Duvall Watson, LLC (“Duvall”) (collectively Somerset and Duval are referred to as “Debtors”) to accompany their Plan of Reorganization dated March 26, 2012 (“Plan”) which has been filed in the Debtors’ Chapter 11 cases. This Disclosure Statement is being provided to all creditors and interest holders of the Debtors. This Disclosure Statement has been approved pursuant to 11 U.S.C. §1125 by the United States Bankruptcy Court for the District of Colorado as containing adequate information to enable creditors and interest holders to determine whether to accept the Debtors’ Plan. The Court’s approval of this Disclosure Statement does not constitute a decision on the merits of the Plan. Issues related to the merits of the Plan and its confirmation will be the subject of a confirmation hearing which is scheduled for _____, _____ at _:___ p.m. at the United States Bankruptcy Court, Courtroom __, _____ Stout Street, Denver, Colorado 80202.

THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION HAS SIMILARLY NOT REVIEWED THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT.

This Disclosure Statement is provided to you along with a copy of the Debtors' Plan and a Ballot to be used for voting on the Plan. Please complete the Ballot according to the instructions contained on the Ballot if you intend to vote for or against the Plan. Each creditor or interest holder may vote on the Plan by completing the enclosed Ballot and returning it to counsel for the Debtors:

Lee M. Kutner
Kutner Miller Brinen, P.C.
303 East 17th Avenue
Suite 500
Denver, CO 80203

This Ballot must be received by Kutner Miller Brinen, P.C. no later than **5:00 p.m. on _____, 2012** which date has been set by the Court as the last day to vote on the Plan. Terms contained in this Disclosure Statement, which are defined in the Plan, have the same meaning as set forth in the definitional section of the Plan, Article II.

Recommendation. As discussed more fully below, the Debtors firmly believe that the Plan represents the best alternative for providing the maximum value for creditors. The Plan provides creditors with a distribution on their claims in an amount greater than any other potential known option available to the Debtors through an orderly sale of the Project and the pursuit of claims against certain entities. **Again, the Debtors strongly believe that confirmation of the Plan is in the best interest of creditors and recommends that all creditors entitled to vote on the Plan vote to accept the Plan.**

Voting Requirements. Pursuant to the Bankruptcy Code, only Classes of Claims or Interests that are "impaired" under the Plan are entitled to vote to accept or reject the Plan. Classes of Claims

and Interests that are not impaired are not entitled to vote and are deemed to have accepted the Plan. Voting on the Plan shall be pursuant to the provisions of the Bankruptcy Code and the Bankruptcy Rules, and a Class shall have accepted the Plan if the Plan is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims of such Class actually voting.

Voting Classes. Classes 2, 3 (a -c), 4, 5, 6, B, C, D, E and F shall be entitled to vote to accept or reject the Plan.

Deemed Acceptance of Plan. Unimpaired classed are conclusively presumed to accept the Plan pursuant to Section 1126(f) of the Bankruptcy Code.

Deemed Rejection of Plan. Classes that neither receive nor retain anything under the Plan are deemed to reject the Plan pursuant to Section 1126(g) of the Bankruptcy Code. Classes 6 and F are deemed to reject the Plan.

One Vote Per Holder. If a holder of a Claim holds more than one Claim in any one Class, all Claims of such holder in such Class shall be aggregated and deemed to be one Claim for purposes of determining the number of Claims voting for or against the Plan.

OVERVIEW OF THE PLAN/MEANS OF EXECUTION

The Plan is a joint plan for the creditors in both cases of Somerset and Duvall. The Plan provides for the substantive consolidation of the assets and liabilities of both Debtors and the surviving entity which is Somerset will be the Reorganized Debtor. Each Class is treated as either impaired or unimpaired under the terms of the Plan. Treatment of the Classes is discussed in greater detail below and in the Plan. In general, the priority claims will be paid in full, the Mechanics lien claims will be paid in full, the secured claim of FirstTier Bank will be paid up to its allowed secured claim of \$7 million, and the unsecured creditors will be paid the balance of the sale proceeds of the Debtors' real estate projects up to a maximum payout of \$5 million. These provisions are subject to change based upon either the agreement of the parties or order of the Court. They may also be

severely impacted by the §1111(b) election as later described herein. The ownership classes of each Debtor may be cancelled and new ownership will be issued to those unsecured creditors who elect to receive member interests in lieu of cash. The Debtors estimate that it will take up to five years to sell out the real estate projects though seven years or longer is allowed to account for unforeseen circumstances.

As a means of executing the Plan, the Reorganized Debtor will continue to market and sell the real estate that comprises the project for the benefit of creditors. The Reorganized Debtor will also be authorized to pursue its claim objection and lender liability claims against FirstTier Bank. The Plan provides for an orderly sale of individual lots or project parcels in the ordinary course of business, the pursuit of entitlements for those parcels that do not yet have them, refinancing of all or a portion of the secured debt at any time, or the sale of all or part of the project in a single or multiple sale transactions.

Substantive consolidation of the two estates under the Plan should have little if any impact on creditors. The secured creditors will continue to hold their liens against the parcels of property that are currently encumbered by their claims. In fact, the FirstTier Bank loan was made when the real property of both Debtors was owned by Somerset. The property owned by Duvall was later transferred to Duvall subject to the FirstTier Bank lien. Mechanics lien claimants will continue to hold their mechanics liens against the properties that were improved through their goods and services. The unsecured claims will only be paid after all secured claims are paid. The only two unsecured claims in Duvall are duplicative of the same claims in Somerset. As a result there is no impact on the creditors as a result of the consolidation. The consolidation will make the administration of the post-petition operations more efficient and less costly.

CHAPTER 11 AND PLAN CONFIRMATION

Chapter 11 of the United States Bankruptcy Code is designed to allow for the rehabilitation and reorganization of financially troubled entities or individuals. Chapter 11 allows a debtor to retain its assets during administration of its Chapter 11 case as a debtor-in-possession and following confirmation of a plan as a reorganized debtor or as provided in the Plan. Once confirmation of a Plan of Reorganization is approved by the Court, the Plan of Reorganization is the permanent

restructuring of the debtor's financial obligations. The Plan also provides a means through which the debtor will restructure or repay its obligations.

The Plan of Reorganization divides creditors into classes of similarly situated creditors. All creditors of the same Class are treated in a similar fashion. All member Interests are also classified and treated alike. Each Class of creditors or interest holders is either impaired or unimpaired under the Plan. A Class is unimpaired if the Plan leaves unaltered the legal, equitable and contractual rights to which each creditor in the class is entitled. Alternatively, a claimant is unimpaired if the Plan provides for the cure of a default and reinstatement of the maturity date of the claim as it existed prior to the default.

The Bankruptcy Court set a bar date establishing **May 10, 2012** as the last date for filing Proofs of Claim. The Plan provides that Claims of all Classes shall be allowed only if evidenced by a timely filed Proof of Claim or which otherwise appear in the Schedules filed by the Debtors and are not scheduled as disputed, contingent or unliquidated unless subsequently allowed by the Court. Creditors may check as to whether or not their claims have been scheduled as disputed, contingent or unliquidated by reviewing the Schedules and the amendments thereto filed by the Debtors in the Bankruptcy Court for the District of Colorado. Alternatively, creditors may contact counsel for the Debtors or the Debtors directly in order to determine how they have been scheduled.

Chapter 11 does not require that each holder of a Claim against or Interest in the Debtors vote in favor of the Plan in order for the Court to confirm the Plan. The Plan, however, must be accepted by at least one impaired Class of Claims by a majority in number and two thirds in amount, without including insider acceptance of those Claims of such Class actually voting on the Plan. Assuming one impaired Class votes to accept the Plan, it may be confirmed over its rejection by other Classes if the Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims or Interests that is impaired under and has not accepted the Plan.

The Bankruptcy Code requires that if interest holders retain an interest or receive anything under the Plan, then the unsecured creditor Classes must either be paid the full value of their claims or vote to accept the Plan. Interest holders will not retain their interests so in the event that the unsecured creditors do not accept the Plan, it may still be confirmed. Since the Debtor believes that the Plan provides the best alternative for creditors, all creditors are urged to vote to accept the Plan.

If all Classes of Claims and Interests vote to accept the Plan, the Court may confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation. Among other things, Section 1129 requires that the Plan be in the best interest of the holders of Claims and Interests and be feasible through a showing that confirmation will not be followed by the need for further financial reorganization of the Debtors.

BACKGROUND AND EVENTS LEADING TO CHAPTER 11 FILING

The Debtors' Business

Somerset purchased 82.7 acres annexed into the City of Longmont in 1998, has developed 42 of the acres as a residential development and is in the process of platting the remaining 40.7 acres. Filing 1 of the Somerset project is completed and Somerset has five (5) lots remaining unsold out of 66 lots originally developed and platted for Filing 1. Filing 2 consists of 14 lots of which one has been sold, Filing 3 consists of 53 unsold lots which have been platted subject to water requirements that can be met by Somerset, and Filing 4 has been preliminarily platted. Nonetheless, substantial roads and improvements have been installed into the Somerset development and 61 lots have been sold with most of them developed with residential housing.

Duvall consists of two separate and distinct parcels of real property purchased in 1999 and 2003 respectively. The first parcel is approximately 52 acres annexed to the City of Longmont and is adjacent to the Somerset property. A second parcel of eight acres is annexed into the City of Longmont, Colorado, however, it is not adjacent nor part of the Duvall and Somerset project. The Duvall property has not yet been platted, however, Duvall has undertaken the platting process with the City of Longmont, although it has not yet been concluded.

FirsTier Bank-Nebraska ("FirsTier Nebraska") claims to be the holder of the entire outstanding indebtedness originally represented by a Promissory Note executed by Somerset on or about March 29, 2007 in the original principal amount of \$11,343,000. The loan was originally made by the Debtor through FirsTier Nebraska's Colorado affiliated entity, FirsTier Bank, a Colorado banking corporation ("FirsTier Colorado"). FirsTier Colorado was closed by the Colorado Division of Banking which in turn appointed the FDIC as receiver on January 28, 2011. Apparently

FirsTier Colorado “in January 2011” assigned its interest in the loan to FirsTier Nebraska. Based on the Allonge provided by the Bank, it appears that the assignment occurred January 27 the day before Colorado closed FirsTier Colorado. The Debtor further understands that an investment group in New Orleans has purchased, at a substantial discount, a participatory interest in the outstanding loan from the FDIC. The parties stipulated that the price paid for the FirsTier Colorado loan interest was acquired by Gulf Coast Bank & Trust Company for \$2,518,145. Therefore, while FirsTier Nebraska may be the lead Bank with respect to this loan, with an investment of approximately \$2,832,830.58 subject to interest accruals and other internal Bank charges, it is actually the holder of what may be a minority interest, approximately 25%, in the loan and the participant investor may hold an approximately 75% majority interest which it acquired at a substantial discount of approximately 74% to the total amount due. As a result of this, the two holders of the Bank loan position of approximately \$17,290,579 have only invested approximately \$5,350,975 in such loan.

All of the real property owned by both of the Debtors is pledged as collateral for the FirsTier loans. Each Debtor also has two mechanics liens on each of their primary parcels of property and relatively small amounts of trade debt.

Events Leading to the Chapter 11 Cases

Prior to the Debtors’ Chapter 11 filing, the Debtors did have a tentative agreement with Pulte Homes providing for Pulte to acquire 15 finished lots at \$100,000 net per lot to Somerset and \$6 million for the Duvall parcel resulting in a total recovery of net proceeds of \$7,500,000 before year-end 2010. In the midst of the negotiations with Pulte, FirsTier Colorado sent the Debtors an offer which it had received from a realtor in Boulder representing a California investment group requiring a cash sale of the FirsTier Colorado collateral by the end of 2010. Despite the fact that the manager of the Debtor at the time, John McGraw, was seriously ill, the Bank required him to sign a contract with the investor group while he was in the hospital. The contract with the investment group advocated by FirsTier Colorado never closed and the investment group backed out of the contract by the end of December 2010. This required the Debtor to go back to Pulte to try to resurrect its sale agreements which it successfully concluded.

Due to the failure of FirsTier Colorado which occurred in January 2011, and the subsequent failure of FirsTier Nebraska to respond to or consider proposals that involved the loan structuring and the sale to Pulte, Pulte cancelled the offer on March 25, 2011 and the sale was never completed. FirsTier Nebraska completely failed to consider loan restructurings and offers presented by the Debtors that were in conformity with banking regulations. The actions of FirsTier Nebraska give rise to lender liability claims that are both an asset of the estate and a defense to the amount claimed due by the Bank. All of the Debtors' proposed loan restructurings provided for full payment of the outstanding loan.

Rather than agree to project sales proposed by the Debtors or work to restructure the outstanding loans, despite the Debtors' attempts to do so, FirsTier Nebraska simply proceeded to collect its loan through the foreclosure process. Public Trustee foreclosure sales were set and continued to December 28, 2011. On December 27, 2012, in order to protect the Debtors' project and reorganize its debt, the Debtors filed for protection under Chapter 11 of the Bankruptcy Code.

While the Debtors' position is that on a pre-petition basis, it did its best to sell property in the midst of a steep recession, the recession also impacted the Bank ability to adequately address the Debtors' loan. First, while the Debtors were in compliance with the terms of the loan, the FirsTier Colorado could not extend remaining credit that the Debtors had under the terms of the loan. This is because the FirsTier Colorado was under regulatory supervision and was not allowed to extend further credit on real estate loans., Second, the Debtors' loan restructuring proposals were in compliance with regulatory policy statements and agreed to by FirsTier Colorado, that Bank was closed and FirsTier Nebraska would not respond to the Debtors' proposals. Third, the Debtors' contracts with Pulte Homes would have allowed the Debtors to move forward with their plans to restructure and pay the debt over time with no loss to the Bank however only FirsTier Colorado approved of the proposal right before it was closed by the State of Colorado and FirsTier Nebraska would not respond to the proposals.

The views set forth above are the Debtors' views of the situation facing the Debtors pre-petition and are not the views of FirsTier Nebraska. The Bank has a different view of the case and project. FirsTier Nebraska believes that the problems with the loan and project are on the Debtors side of the equation. The Bank believes that the project was slow in progressing and was in default

for the past two years. The Bank asserts that the Debtors have had limited or no meaningful sales over the past two years and there is no reason to believe things will change. The Bank further claims that the Debtors have no new funding to put into the project. The Bank alleges that they filed a Proof of Claim and the amount due to the Bank on a secured basis is \$17,290,579.09. The Bank alleges the value of the combined real estate is approximately \$9 million. The Bank further complains about the Debtors' Plan not being feasible since the Debtors currently have no funds, no contracts for sale of most of the property, and no ability to satisfy the entire Bank claim. The Debtors do not agree with the Bank's analysis for the reasons set forth throughout this Disclosure Statement.

DESCRIPTION OF ASSETS

The following is a brief description of the Debtor's assets.

Real Property

The project and property consists of developed and undeveloped real property in and near the Somerset Meadows subdivision in Longmont, Colorado. The project is comprised of the following parcels and is described along with each Debtors' valuation as follows:

Somerset

Filing 1:	5 residential lots Value: \$970,000
Filing 2:	13 residential lots Value: \$1,092,000
Filing 3:	53 residential lots with entitlements Value: \$5,000,000
Filing 4:	Preliminary plat subject to revision Value: \$2,250,000

Duvall

52 acre parcel subject to gaining entitlements Value: \$6,000,000
Park Meadows "as is" Value: \$410,000 (per Bank appraisal dated 5-7-12)

Total estimated value: \$15,722,000 to be obtained through sales as a going concern and after obtaining all necessary entitlements. The Debtors currently believe that in a liquidation, "as is" condition, the entire package of properties is worth approximately \$7 million.

A map of the Project and legal descriptions of the Parcels are attached hereto as Exhibit A.

The Project has been listed for sale with ReMax Company, Mike Rebich, agent. The listing contract provided for a 6.5% commission for the listing broker on sale with 3% going to the coop broker. The Debtor does not have a current appraisal for the Project. Due to the economic downturn the market for residential subdivision ground is depressed however, there continues to be substantial interest in the Debtors' property since it is a highly desirable parcel in an excellent location, annexed into the City of Longmont and with beautiful views of the front range. The values estimated by the Debtor are based on the Debtor's knowledge of the market and represent a reduction from the values at which lots were originally sold for in this subdivision before the market problems encountered in late 2007 and 2008. The Debtor believes that over the life of the Plan, values for the Project will increase and provide the levels of return that are estimated in this Disclosure Statement. Primarily, the value of the Duvall property will increase once the entitlements are obtained from the City of Longmont. The Debtor expects to pursue the entitlements once the Plan is confirmed. Once obtained, the value of the Duvall property should double from \$3.5-4 million to \$6-8 million.

Personal Property

The following is the list of personal property in the Debtor's possession as of the Petition Date:

<u>Asset</u>	<u>Est. Value</u>
Bank Checking Account	minimal
Project information, engineering, and related documents	

The personal property has virtually no resale value. However the information related to the project is of value to any party purchasing property within the project and is the product of substantial cost to develop over the prior life of the project.

Avoidance Actions

The Debtor is reserving the right to bring Avoidance Actions pursuant to 11 U.S.C. §§ 545

through 550 and state law based fraudulent conveyance actions. The Debtor did not schedule and does not believe any payments were made to unsecured non-priority creditors within the 90 days prior to the Petition Date. Avoidance Actions are currently perceived to be minimal. Creditors should not anticipate any recovery from Avoidance Actions.

DESCRIPTION OF LIABILITIES

A. Priority Claims

1. Priority Claims

Priority Claims are defined in the Plan as any pre-petition Claim entitled to a priority payment under 11 U.S.C. § 507(a) of the Bankruptcy Code, excluding any Administrative Claim or Tax Claim.

2. Administrative Claims

Administrative Claims are those Claims for payment of an administrative expense of a kind specified in §503(b) or §1114(e)(2) of the Bankruptcy Code and entitled to priority pursuant to §507(a)(2) of the Bankruptcy Code, including, but not limited to: (a) the actual, necessary costs and expenses, incurred after the Petition Date, of preserving the estate and operating the business of the Debtor, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Case; (b) Professional Fee Claims; (c) all fees and charges assessed against the estate under 28 U.S.C. §1930; and (d) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under §546(c)(2)(A) of the Bankruptcy Code. The Administrative Claims for the professional fees incurred during the case are as follows:

The Debtors retained Kutner Miller Brinen, P.C. (“KMB”) as bankruptcy counsel. The Debtors provided KMB with a retainer in the collective amount of \$19,914 for post-petition services.

The retainer is the collective retainer for the two Debtors and was allocated at \$9,957 per Debtor. KMB has not filed any fee application to date. The Debtor estimates that the total legal fees and costs for KMB due from the Debtors as of the estimated date on which the Plan will become effective, July 15, 2012, after use of the retainers will be \$25,000, which is the collective amount for the two Debtors. Generally the legal fees and costs are allocated half to each Debtor. This figure does not include fees and costs that will be paid with the retainer. These fees could increase or

decrease depending on the level of litigation over the Plan and Claims. Any fees and costs that exceed the retainer will have to be paid through new funds contributed to the Debtors from pre-confirmation equity holders. At this time it is not clear who will provide the funding or whether any of the existing equity holders have the financial ability to pay the fees and costs. If the funding is not available, KMB will need to defer collection of allowed fees until funds become available from property sales under the Plan, following payment of allowed secured claims.

The Debtor may also need to employ an accountant to prepare tax returns for the Debtor. In addition, should the Debtor begin to litigate its claims against FirsTier during the course of the Chapter 11 case, there may be special counsel fees incurred to pursue the litigation.

The Debtor has paid its administrative expenses in the ordinary course of business during the course of the bankruptcy case, and therefore does not believe there will be any other material administrative claims asserted against the estate.

3. Tax Claims

Tax Claims are any Claim of a governmental unit for taxes entitled to priority pursuant to 11 U.S.C. §507(a)(8). The Debtors do not expect to see any unsecured tax claims filed by either the IRS or the State of Colorado.

B. Secured Claims

1. Boulder County Treasurer

The Boulder County Treasurer holds a secured claim against the Debtor related to real estate taxes on the project parcels. The Boulder County Treasurer filed a proof of claim in each case and holds a secured claim in the amount of \$21,428.52 for Somerset and \$1,215.03 for Duvall. The real property taxes will be paid from sale proceeds as parcels of property are sold. Taxes will continue to accrue prior to the sale of any given property. The Duvall property taxes are minimal since the property is still zoned agricultural.

2. FirsTier Nebraska

As of the Petition Date, Somerset was obligated to FirsTier on one loan secured by deeds of trust on all real property owned by the Debtors. The loan is detailed as follows:

a. The promissory note is dated March 29, 2007, in the principal amount of \$11,343,000. Change in Terms Agreements for the Note are dated November 25, 2008 and October 29, 2009 and they increased the size of the loan to \$12,189,162 and \$12,770,042 respectively. The Construction Deed of Trust related to this Note was recorded at the time of the loan in 2007 with the Boulder County Clerk and Recorder at Reception No. 2847187. This Deed of Trust holds the first lien position against the real property, subject to taxes and mechanics liens. As of the Petition Date, the balance on this loan was alleged by FirsTier to be \$17,290,579.

3. Mechanics Liens

Mechanics liens have been filed with respect to both the Somerset and Duvall properties. The Debtors believe that the liens are senior to the lien held by FirsTier Nebraska pursuant to the Colorado Mechanics Lien statute. The seniority of the liens is subject to challenge however the Debtor does not intend to challenge the seniority position. The liens are largely for development work on the properties and are as follows:

Somerset:	Scott Haugland dba J&S Landscaping	\$25,873
	Winston Associates	\$14,748
Duvall:	Drexel Barrell & Co.	\$2,165
	Winston Associates	\$14,748

C. Leases and Executory Contracts

The Debtor was not a party to any material executory contracts on the Petition Date.

D. Non-Priority Unsecured Claims

The Debtors have several general unsecured pre-petition creditors. The bar date for filing claims against the Debtors is May 30, 2012. The Debtors have compiled a list of the Claims which they scheduled in the bankruptcy case in Classes 6 and F. The Claims list containing all known unsecured claims in Class 6 and F is attached to this Disclosure Statement as Exhibit B. The maximum total Class 6 and F claims pursuant to the Debtors' books and records, net of any deficiency claim of FirsTier Nebraska is estimated to be \$1,581,962. When the deficiency claim of

FirsTier Nebraska is included the claims total rises to \$11,872,541.

DESCRIPTION OF THE PLAN

The Debtors filed their Plan of Reorganization with the United States Bankruptcy Court for the District of Colorado on March 26, 2012. The Plan may be amended prior to confirmation. The Plan provides for the reorganization of the Somerset and Duvall debts. Funding of the Plan will be derived from funds generated from the Debtor's sale of the real property owned by the Debtors.

The Plan provides for the specification and treatment of all creditors and Interest holders of the Debtors. The Plan identifies whether each Class is impaired or unimpaired. A Class is unimpaired only if the Plan leaves unaltered the legal, equitable or contractual obligations between the Debtors and the unimpaired claimants or interest holders. The following is a brief summary of the Plan. The actual text of the Plan should be reviewed for more specific detail.

Unclassified Priority Claims

As provided in Section 1123(a)(1) of the Code, the Claims against the Debtor covered in Article IV of the Plan are not classified. The holders of such Allowed Claims are not entitled to vote on the Plan. The holders of Allowed Claims of the type specified in Section 507(a)(2) of the Code, Administrative Claims, shall receive cash equal to the allowed amount of such Claim or a lesser amount or different treatment as may be acceptable and agreed to by particular holders of such Claims. Such Claims shall be paid in full on the Effective Date of the Plan, or treated as otherwise agreed to by the particular holders of such Claims. Section 507(a)(2) Administrative Claims that are allowed by the Court after the Effective Date of the Plan shall be paid upon allowance.

The Allowed Claims of a type specified in Section 507(a)(8) of the Code, Tax Claims of governmental taxing authorities, shall be paid on the Effective Date of the Plan.

1. Administrative Claims

The holders of Allowed Claims of the type specified in Section 507(a)(2) of the Code, costs and expenses of administration, shall receive cash equal to the Allowed amount of such Claim or a lesser amount or different treatment as may be acceptable and agreed to by particular holders of such

Claims. Such Claims shall be paid in full on the Effective Date of the Plan, or treated as otherwise agreed. Section 507(a)(2) Claims that are allowed by the Court after the Effective Date of the Plan shall be paid upon Allowance. The Debtors expect that the following creditors will hold claims which constitute unpaid cost and expense of administration claims as of the Confirmation Date of the Plan estimated as of July 15, 2012.

<u>Claimant</u>	<u>Nature of Claim</u>	<u>Claim Amount</u>
Kutner Miller Brinen, P.C.	Legal Fees- Bankruptcy Counsel	\$25,000 (estimated)

The amount of legal fees payable to the Debtors' Bankruptcy Counsel may increase depending on the level of activity in Plan and relief from stay litigation.

All administrative expense Claims of professionals are subject to Court approval on notice to creditors with an opportunity for a hearing. Certain professional fees may be paid pursuant to interim fee applications and upon Court allowance. The fees set forth above are the total unpaid fees expected in the case as of the estimated Confirmation Date of the Plan. The amounts set forth above are expected to be due on the Confirmation Date of the Plan and do not include fees and costs paid directly by the Debtor pursuant to Court Order.

The Debtor has paid all other administrative expenses in the ordinary course of business during the course of the bankruptcy case, and therefore does not believe that any other material administrative claims exist against the estate.

2. Unsecured Tax Claims

The Internal Revenue Service and State of Colorado are not expected to hold claims.

3. United States Trustee Fees

The Debtors will make all payments required to be paid to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) until the case is closed, converted, or dismissed. All payments due to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) shall be paid on the Effective Date, and the U.S. Trustee shall thereafter be paid fees due on a quarterly basis until the case is closed, converted, or dismissed. The Debtors' obligation to file post confirmation quarterly reports pursuant to 11 U.S.C. § 1930(a)(7) continues until the Chapter 11 case is dismissed, converted or closed. Since it is

expected the case will be closed and a Final Decree entered shortly after the Effective Date, it is not expected that the fees will be a material post-petition obligation. Post-confirmation payments due to the United States Trustee are estimated to be less than \$1,000 per quarter. The Debtors expect to close the case following confirmation of the Plan and prior to the sale of any of the real property. However, if real property is sold before the case is closed, the U.S. Trustee fee will increase depending upon the sale proceeds.

Class 1, Priority Claims

Class 1 consists of certain pre-petition wages and employee Claims are more particularly described in Sections 507(a)(4) and 507(a)(5) of the Code as having priority. Allowed Class 1 Priority Claims shall be paid in full on the Effective Date. The Debtor does not expect any claims in this category.

Class 2 and B, The Allowed Secured Claim held by the Boulder County Treasurer.

Class 2 and B consist of the Allowed Secured Claims for real estate taxes held by the Boulder County Treasurer. The Class 2 and B Secured Claims are impaired by this Plan. The Class 2 and B Secured Claims will be Allowed in their full amount and paid with interest at the statutory rate. The statutory rights of the Class 2 and B claimants are affected by this Plan. The Debtor expects to pay Class 2 and B on their secured claims as lots or parcels of property are sold.

Class 3, 4, C, and D, The Allowed Secured Claims held by Mechanics Lien Claimants

The Mechanics Lien claimants are secured by both the property of Somerset and Duvall. The Plan provides that the claims will accrue interest at the rate of 4% per annum. The claims will be paid when the real property securing each given claim is sold. The claims as they relate to the Somerset and Duvall properties are as follows:

Somerset:	Scott Haugland dba J&S Landscaping	\$25,873
	Winston Associates	\$14,748
Duvall:	Drexel Barrell & Co.	\$2,165
	Winston Associates	\$14,748

Class 5 and E, The Allowed Secured Claims held by FirsTier Nebraska

Class 5 and E claims consist of the Allowed Secured Claims held by FirsTier Nebraska. The Class 5 and E Secured Claims are impaired by the Plan. The Claim will be allowed in the amount of \$7,000,000 unless the parties agree otherwise or the Court orders that a different number should apply. The Debtors believe that the \$7,000,000 represents the secured value of the claim based upon the current value of the underlying real property. The claim will be valued pursuant to Code §506(a). The lien position of the Class 5 and E claims will be unaffected by the Plan. However, as parcels of property are sold, the Class 5 and E lien will no longer attach to the property and will attach to the proceeds subject to distribution under the Plan. The interest rate that will be applied to the Class 5 and E claim will be fixed at a rate of LIBOR plus 3 points as of the confirmation date. Assuming the date was the date of this Disclosure Statement, the rate would be 4.05% per annum. Commencing on August 31, 2012 the claim will be paid interest only on a monthly basis. Added payments will be applied to the secured claim as parcels of property are sold and the net proceeds are applied to the claim.

Counterclaim

The Debtors believe they have a counterclaim against FirsTier for its conduct with respect to the handling of the loan once FirsTier Colorado was closed. As detailed earlier in this Disclosure Statement, the Debtors had a contract with Pulte Homes for the sale of a substantial portion of the Somerset and Duvall properties. The Banks required the Debtors to enter into a contract with a group from California in order to try to sell the property by the end of 2010. It is believed that individuals with FirsTier Nebraska were involved with the decision to force the California investor contract on the Debtors. The purchaser never closed on the contract. The Debtors then went back to Pulte and obtained a new offer that was acceptable to the Debtors. Upon presentment of the contract to FirsTier Nebraska, there was absolutely no response. The Bank completely failed to address the needs of their borrower and ignored both their new contract and their request to resolve the outstanding loan. The Debtors believe the conduct and lack of conduct provide a basis for a claim against the Bank that will setoff in full or in substantial part, the Bank's claim. These claims are being evaluated and litigation may be commenced within the next several months. Should the

Debtors elect to proceed with these claims, they will have little impact on unsecured creditors. The counterclaims will serve to offset and reduce the amount of the First Tier Nebraska unsecured claim amount. If the unsecured claim is reduced and funds are paid to unsecured creditors, the reduction of the claim will increase the percentage payout to unsecured creditors with allowed claims. The Debtors do believe they hold and will pursue lender liability claims against the Bank for its conduct pre-petition. The claim objection will be more important in light of the Bank's election under Code §1111(b). This is because unsecured creditors and interest holders will not be paid anything from property sales until Classes 5 and E are paid in full.

Class 6 and F, The Allowed Claims held by unsecured creditors.

Class 6 and F consist of those unsecured creditors of the Debtors who hold Allowed Claims. Class 6 and F are impaired. Class 6 and F shall receive a pro-rata distribution of the net proceeds which remain from the sale of the real property after senior creditor classes are paid in full, assuming the Class 5 and E election under §1111(b) is not implemented. The maximum distribution to Class 6 and F will be \$5,000,000. Assuming that the total amount of unsecured creditor claims receiving payment will be \$11,872,541 and the distribution is \$5,000,000, creditors will receive 42% on account of each dollar of claim. In addition to the distributions from sale of the property, the unsecured creditors will also receive the net recovery on any Avoidance Actions pursued by the Debtors. Class 6 and F will also have the option to elect to receive new member interests in the Reorganized Debtor in lieu of payment. Assuming \$1,480,331 in unsecured claims elect to receive new member interests, the Class 6 and F claimants can expect to receive 48% on account of each dollar of claim. If the distribution is less than \$5,000,000 or less than \$1,480,331 elect to receive member interests the distribution will change.

Given the fact that there are no funds available to pay unsecured creditors until the secured claims are paid in full, it is estimated that no payments will be made to unsecured creditors until the fifth year of the Plan or later. The payment of the balance of the secured debt and the unsecured debt is depicted in the Projection attached to this Disclosure Statement as Exhibit C. To the extent that any unsecured creditors elect to receive new membership interests in the reorganized Debtor in lieu of their creditor claim, no distributions will be made to members until after the unsecured creditors

are paid their maximum payout of \$5,000,000.

The Section 1111(b) Election

The Bank has made an election under §1111(b) of the Bankruptcy Code to have its entire claim treated as secured notwithstanding the fact that it is only partially secured based on the value of the Bank's collateral. While the Debtor is only required to pay the Bank the present value of its secured claim based on the actual value of the Property on the confirmation date, this election will allow the Bank to recover added payment should the value of the Property increase during the term of the Plan. This election will have a negative impact on unsecured creditors because it means that the Bank's entire claim must be paid before funds are available to pay unsecured creditors. The Debtors' challenge of the claim by objection will become more important since reducing the Bank's claim will mean that less will have to be paid to the Bank before funds are available for unsecured creditors. This election also means that the Bank will not be able to vote as an unsecured creditor and will not participate in any recovery as an unsecured creditor since it will no longer have a bifurcated claim. The election by the Bank changes the analysis that is described above with respect to unsecured creditors.

Class 7 and G, The Interests held by pre-confirmation members.

Class 7 and G include the Interests in Somerset and Duvall respectively, held by the pre-confirmation members. Class 7 and G are impaired. On the Effective Date of the Plan all membership interests held by Class 7 and G shall be cancelled. If the election under §1111(b) is applied by Classes 5 and E, then Classes 7 and G will not be impaired and they will retain their interests under the Plan.

B. MEANS FOR EXECUTION OF THE PLAN

Post-Confirmation Operations

The Reorganized Debtor shall be empowered to take such action as may be necessary to perform its obligations under the Plan. The actions include, but are not limited to, the marketing for sale of all or part of the Project and the pursuit of the necessary entitlements with the City of Longmont for sale and buildout of the properties. On the Effective Date of the Plan, John McGraw and Patricia Knirk shall be appointed as the agents pursuant to 11 U.S.C. §1142(b) for the purpose of carrying out the terms of the Plan, and taking all actions deemed necessary or convenient to consummating the terms of the Plan, including, but not limited to, execution of documents. The Plan shall initially be funded through the sale of the individual Somerset Filing 1 and Filing 2 lots. The Debtor shall retain and reasonably compensate such real estate brokers as it deems necessary to market and sell individual parcels or the Project. Debtor will have authority to sell the entire Project in a single or multiple Lot or Parcel sale transactions or refinance the Project to pay creditors under the Plan. Payment in full of all Allowed Secured Claims will be completed within seven years of the Effective Date of the Plan. In the event one or more Allowed Secured Claims remain unpaid after the seven year anniversary of the Effective Date of the Plan, the holders of unpaid Allowed Secured Claims may enforce their rights and remedies under their respective deeds of trust. The only exception to this provision is if the Bank proceeds with its §1111(b) election. In such event, the Bank's actual secured portion of its claim based upon collateral value will be paid within 7 years and the balance of its claim will be paid within an additional 7 year period.

The Debtors estimate that the entitlements for the Duvall property will cost approximately \$140,000. The entitlements include the approval of a planned unit development, development and

approval of lot sites, utility issues, and other issues affecting the building plan for the property. This estimate is based on the fact that the Debtors have already done a substantial amount of the required work for the City of Longmont. The costs will be paid out of the funds generated from the sale of the first lots sold from the project. Development expenses will cost another \$250,000 which will also be taken out of the property sale escrow. The Projections to this Disclosure Statement, Exhibit C, shows the funds expected to be escrowed and the use of the funds over the term of the Plan.

The sale of parcels of property is set out with specificity as to the date by which time the property must be sold and the minimum sales price at paragraph 9.15 of the Plan.

The terms of sale that are set out in Plan paragraph 9.15 are applicable to all sales, the "Sale Requirements." If the Debtor does not meet the Sale Requirements, all claimants holding unpaid Allowed Secured Claims shall be entitled to foreclose their deeds of trust on their collateral. In addition, if a default exists with respect to the Debtors' performance under the Plan, all creditors both secured and unsecured may have potential claims against the Reorganized Debtor for breach of the provisions of the Plan.

The first sale is critical to the success of the Plan. It must be closed by August 31, 2011 and is for finished lots in Somerset Meadows, Filing 2. The Debtor currently has a contract for sale of the Filing 2 , Lots 1-12 and 14 for a sale price of \$1,092,000 ("Contract"). The Contract is assignable and the Debtor expects that the Contract will be assigned to a party who intends to close the sale. While the Contract may be cancelled for any reason during the due diligence period, the Debtor expects that the assignee of the Contract will be prepared to close on the sale.

The Reorganized Debtor shall be entitled to compensate its manager with a reasonable fee for services following confirmation of the Plan provided funds exist. It is currently estimated that the monthly management fee will be \$8,000 in years 1, 2, and 3, \$5,000 in year 4, and \$6,000 during the first 9 months of year 5. .

Release of Allowed Secured Claims or Liens

All Allowed Secured Claims, liens and encumbrances on real property shall be released on a per lot or parcel basis, with respect to the sale of a given lot or parcel provided the lots or parcels are sold at prices that meet the minimum sale price requirement for each lot or parcel as a whole and net

proceeds are paid to creditors holding Allowed Secured Claims in the order and priority of their liens (“Release Payments”). The Release Payments are to be made from net proceeds. Until a sufficient number of lots or parcels are sold, the Release Payments may be insufficient to pay the full amount of the outstanding Allowed Secured Claims. The order and priority of the liens on each parcel are as set forth in this Disclosure Statement and the liens will be paid off from the most senior to the most junior. All sales of the Debtors’ interest in lots or parcels by the Debtor shall be free and clear of all liens, claims, and encumbrances of record created by or through the Debtor.

C. ADMINISTRATIVE CLAIM BAR DATE

If the Plan is confirmed, all applications for allowance and payment of Administrative Claims, including Professional Fees, must be filed within 60 days following the Effective Date of the Plan.

PLAN FEASIBILITY

Following confirmation of the Plan, the Reorganized Debtor will continue to sell the project real property in order to generate revenue. The Debtor will continue to operate as a reorganized debtor following Plan confirmation. These activities include marketing for sale all or part of the project and gaining entitlements from the City once an undeveloped parcel is under contract.

Determining feasibility of the Plan requires an analysis of the Debtors’ ability to pay the funds immediately due on the Plan Confirmation Date, as well as the Debtors’ ability to fund the extended payments due for the life of the Plan. The Section 507(a)(2) claims will be paid in full on the Effective Date of the Plan or as otherwise agreed. The priority administrative claims due on the Plan Confirmation Date to Kutner Miller Brinen, P.C. are estimated at \$25,000. The Debtor expects to have sufficient funds pay these claims on the Effective Date of the Plan from either loans, capital contributions, or property sales, otherwise the claimant will defer collection until funds are available. At the current time, the Debtors expect that all funds that are required to pay creditors pursuant to the Plan will be derived from property sales.

The Plan is feasible as it allows the Debtor to market and sell the real property in an organized manner to obtain the maximum value for its creditors. The Debtors have prepared

projections for the sale of the property, attached hereto as Exhibit C (“Projections”). The Projections set forth the payment of Senior Creditors over a five year Plan period, and estimates the funds remaining to pay unsecured creditors. The Debtors’ historic performance for the years 2010 through 2011 are attached hereto as Exhibit D.

The Class 6 and E unsecured creditors shall receive a pro-rata distribution after senior creditors are paid in full. Assuming the Debtor is able to sell the property at 100% of the estimated value, or \$16,120,000 or more, the Class 6 and E creditors are expected to receive up to 42% of their claims. In general, the percentage payout will fall below the \$3 million maximum if the actual sale price falls or if the §1111(b) election is made.

RISK TO CREDITORS

This Disclosure Statement contains statements which look into the future. There is no way to determine the accuracy of these statements. The Debtor has used its best efforts based upon all the information available to the Debtor in determining its ability to pay and liquidation of its assets. The Debtor has attempted to be conservative in its analysis. Depending on the market, the value of the Inventory may increase or decrease. The Debtor believes that the Plan as proposed offers the best option for creditors. As explained below in greater detail, the principal alternative to the Debtor's reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. As indicated in the Debtor’s liquidation analysis provided below, liquidation of the Debtor will assure a distribution to unsecured creditors less than that proposed by the Plan.

EVENT OF DEFAULT

The Plan, upon confirmation, constitutes a new contractual relationship by and between the Debtor and its creditors. In the event of a default by the Debtor under the Plan, creditors shall be entitled to enforce all rights and remedies against the Debtor for breach of contract, the Plan. Any secured creditor claiming a breach of the Plan by the Debtor will be able to enforce all of their rights and remedies including foreclosure of their deed of trust, security agreement, lien, or mortgage pursuant to the terms of such document. Any creditor claiming a breach by the Debtor must provide written notice to the Debtor of the claimed default, the notice must provide the Debtor a ten (10) day period within which to cure the claimed default. Upon the Debtor's failure to cure the default within such ten day period, the creditor may proceed to exercise their rights and remedies.

TAX CONSEQUENCE

The Debtor is not providing tax advice to creditors or interest holders. **U.S. Treasury Regulations require you to be informed that, to the extent this section includes any tax advice, it is not intended or written by the Debtor or its counsel to be used, and cannot be used, for the purpose of avoiding federal tax penalties.** Each party affected by the Plan should consult its own tax advisor for information as to the tax consequences of Plan confirmation. Generally, unsecured creditors should have no tax impact as a result of Plan confirmation. The recovery of each creditor is payment on account of a debt and generally not taxable, unless the creditor wrote off the debt against income in a prior year in which case income may have to be recognized. Interest holders may have very complicated tax effects as a result of Plan confirmation.

POST-CONFIRMATION MANAGEMENT

Patricia Knirk will provide services to the Debtor post-confirmation as the Debtor's agent to facilitate the Plan. Ms. Knirk has a diverse background in banking, finance, management, sales and real estate development. Ms. Knirk was the President of Interstate Leasing and Financial Services, Inc. from 1991 through the present date. She was the CFO of Alert Holdings, Inc. in Denver from 1990 through 1991. Prior to 1990 Ms. Knirk served as President and CEO of National City Bank of Denver which is now a part of Key Bank. Ms. Knirk served as Senior Vice President of Commercial

Banking for First National Bank of Denver. She received her bank and credit training at National Bank of Detroit, now a part of JPMorgan Chase. Ms. Knirk received her B.A. from Michigan State University and obtained a Graduate Certificate of Banking from the University of Michigan in Ann Arbor, Michigan.

John McGraw will hold the position of managing member and provide services to the Debtor post-confirmation. John McGraw graduated from University of British Columbia with BASC degree in geological engineering. His first working years were spent with Chevron Oil. He moved to Colorado in 1962 and has been self employed in land development and construction. In the early 1970's he built two high end condo complexes in Frisco, CO; Stonebridge and Bridgepoint both on Ten Mile Creek. The next venture was 1975 in Niwot which resulted in a high end development of 166 homes called Somerset at Niwot. In 1998 he purchased the Weibel property that had been annexed into the City of Longmont and began Somerset Meadows later adding the Duvall property. He has a great deal of experience working with the City of Longmont and Boulder County to acquire entitlements and develop residential property.

EVENTS DURING THE CHAPTER 11 CASE

FirsTier Nebraska- Motion for Relief From Stay

FirsTier Nebraska filed a Motion for relief from the automatic stay. The Debtors filed an objection and response and the matter was set for a trial. The Court denied the Motion following the trial.

Operations

The Debtors have not sold any property during the brief time they have been in Chapter 11.

LIQUIDATION ANALYSIS UNDER CHAPTER 7

The principal alternative to the Debtor's reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. Chapter 7 requires the liquidation of the Debtors' assets by a Trustee who is appointed by the United States Trustee's office. In a Chapter 7 case, the Debtors would cease all business operations and the Chapter 7 Trustee would take over control of the assets. The assets would be liquidated and the proceeds distributed to creditors in the order of their

their priorities.

Under a Chapter 7 liquidation, secured creditors would likely obtain relief from the automatic stay and foreclose their security interests in the Debtor's property. The liquidation value of the Debtors' assets will likely be significantly lower than its market value as a going concern. Aside from the Project, the Debtors do not own any other asset of value.

In the event of a liquidation of the Debtors' assets, there is no likelihood that funds would be available for distribution to unsecured creditors. The Chapter 7 Trustee's fees and any additional costs and expenses of the Chapter 7 estate would have to be paid as priority expenses before any unsecured creditor claims may be paid. These would likely include any attorneys retained by the trustee as well as any accountant required to prepare final tax returns. There would similarly be no funds with which to pay these expenses.

Based upon the Debtors' liquidation analysis, the assets are clearly worth less than the debt owed to secured creditors. As such, the secured creditors would get relief from stay and would foreclose leaving the Debtors with nothing to pay out to general unsecured creditors or priority claimants. Additional related expenses, including the trustee compensation, additional legal fees, and accounting fees for administration of the Chapter 7 estate, would also go unpaid in a Chapter 7 case.

Given the alternative under a Chapter 7 scenario, the Debtors' proposed Chapter 11 Plan provides a substantially better alternative for unsecured creditors.

DATED: June 19, 2012

Somerset Meadows, LLC

By: */s/ Patricia Knirk*
Patricia Knirk
Patricia Knirk, Managing Member

Duvall Watson, LLC

By: */s/ Patricia Knirk*
Patricia Knirk
Patricia Knirk, Managing Member

Kutner Miller Brinen, P.C. ("KMB") has acted as legal counsel to the Debtors on bankruptcy matters during the Chapter 11 case. KMB has prepared this Disclosure Statement with information provided primarily by the Debtors. The information contained herein has been approved by the Debtors. KMB has not made any separate independent investigation as to the veracity or accuracy of the statements contained herein.

Counsel to Debtors and
Debtor- In-Possession:

KUTNER MILLER BRINEN, P.C.

By: /s/Lee M. Kutner
Lee M. Kutner (#10966)
303 East 17th Avenue
Suite 500
Denver, CO 80203
Telephone: (303) 832-2400
Telecopier: (303) 832-1510
Email: lmk@kutnerlaw.com

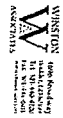
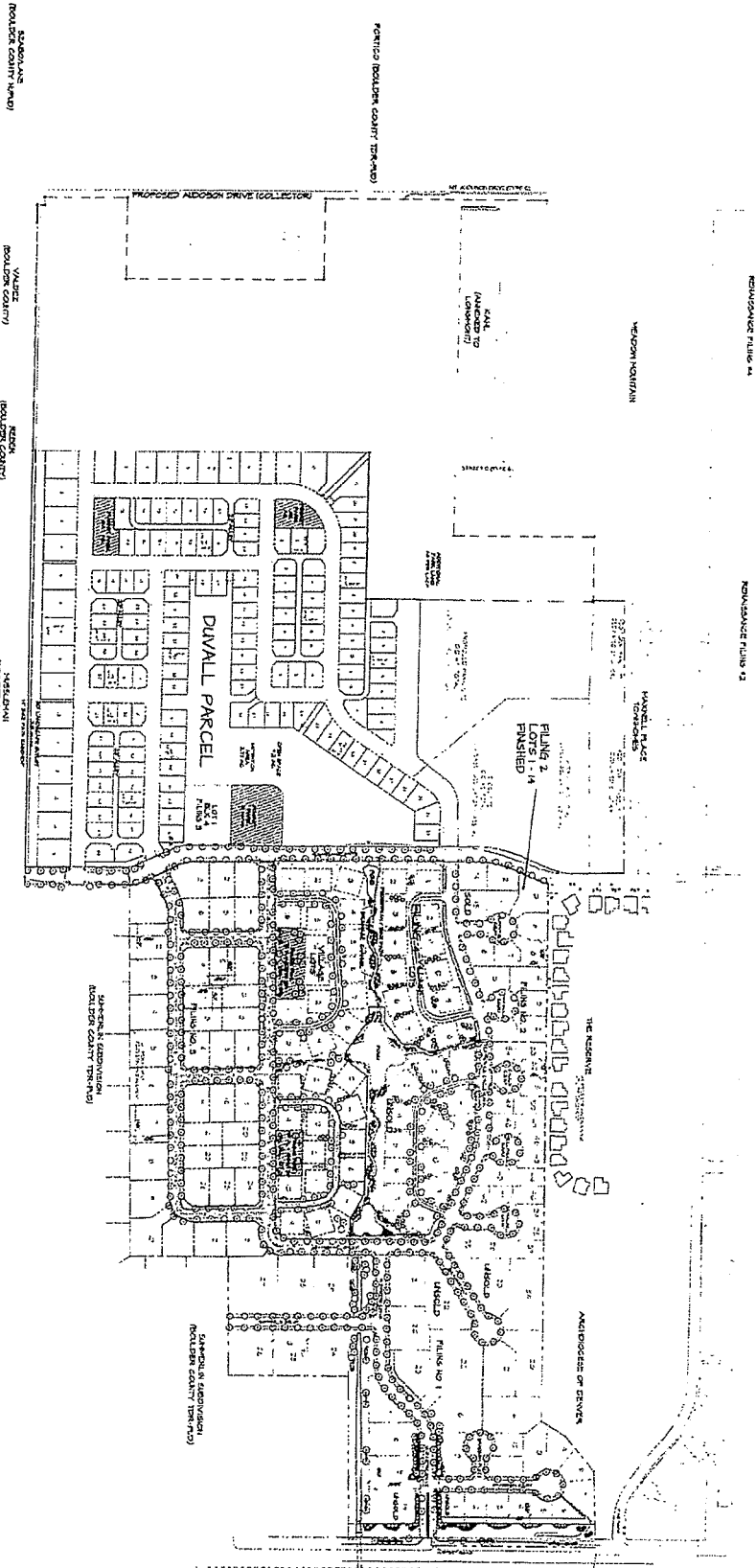
CERTIFICATE OF SERVICE

The undersigned certifies that on June 19, 2012, I served by prepaid first class mail a copy of the foregoing **SECOND AMENDED DISCLOSURE STATEMENT TO ACCOMPANY SECOND AMENDED JOINT PLAN OF REORGANIZATION DATED MARCH 26, 2012** on all parties against whom relief is sought and those otherwise entitled to service pursuant to the FED. R. BANKR. P. and these L.B.R. at the following addresses:

Joanne Speirs, Esq.
United States Trustee's Office
999 18th Street
Suite 1551
Denver, CO 80202

Mark J. Kolber, Esq.
Jones & Keller, P.C.
5613 DTC Parkway
Suite 970
Greenwood Village, CO 80111

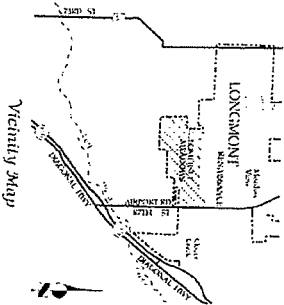

Vicky Martina



Filing Plan
SOMERSET MEADOWS
September 2011



SOMERSET MEADOWS, LLC
P.O. BOX 870
NIVOT, COLORADO 81654-1070



- NEP
- PROPERTY LINES
- EXISTENCES
- WAVELINE
- SEWERLINE
- PARK HYDRANT



EXHIBIT A

CP - 1

**EXHIBIT B
UNSECURED CREDITORS**

Creditor	Claim	Comment
Somerset		
John McGraw	\$18,497	
John McGraw	\$974,199	
Snell & Wilmer LLP	73,054.21	
Somerset Meadows HOA	8,400	
Somerset Meadows Vill. HOA	1,680	
Mary McGraw	159,945	
Michael Rebich Profit Share	91,919	
Patricia Knirk	191,800	
SMMR	62,468	
Total	\$1,581,962	
Duvall		
John J. McGraw	\$11,003	Included in Somerset claim
Snell & Wilmer LLP	73,054.21	Same as Somerset claim
Total claims without duplication	\$1,581,962	
Deficiency claim for FirsTier N.	\$8,290,579	
Total with FirsTier Nebraska	\$9,872,541	

Exhibit B

SOMERSET MEADOWS LLC/DUVALL-WATSON LLC
Bankruptcy Plan
 May 15, 2012

	Year 4	July 15	Aug. 15	Sept. 15	Oct. 15	Nov. 15	Dec. 15	Jan. 16	Feb. 16	Mar. 16	Apr. 16	May. 16	June. 16
Interest Rate	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%
Secured Loan Bal.	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000
Escrow Dep.	\$118,950	\$118,950	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850
Int. Pmt.	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,774	\$1,833	\$1,833	\$1,656	\$1,833	\$1,774	\$1,833	\$1,774
Property Mgt./Acct/Report	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Operating Exp.	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,650	\$1,000	\$1,000	\$1,650	\$1,500	\$2,000	\$2,000
HOA Dues	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480
Real Estate Taxes	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Landscape Exp. Fil 1 Block													
Princ. Payment													
Exp. Payment													
Expense explanation,*	\$123,259	\$115,426	\$280,852	\$274,019	\$239,245	\$230,761	\$222,928	\$215,272	\$206,789	\$198,515	\$189,682	\$180,908	\$172,135
Year 5	July 16	Aug. 16	Sept. 16	Oct. 16	Nov. 16	Dec. 16	Jan. 17	Feb. 17	Mar. 17	Apr. 17	May. 17	June. 17	
Interest Rate	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%	4.055%
Secured Loan Bal.	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000
Escrow Dep.	\$118,950	\$118,950	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850	\$173,850
Int. Pmt.	\$1,833	\$1,833	\$1,833	\$1,833	\$1,774	\$1,833	\$1,833	\$1,656	\$1,833	\$1,774	\$1,833	\$1,774	\$1,774
Property Mgt./acctg./repor	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Operating Expense/court f	\$1,000	\$1,000	\$1,325	\$1,000	\$500	\$1,325	\$500	\$500	\$500	\$875	\$875	\$875	\$875
HOA Dues													
Real Estate taxes													
Prin. Pay													
Expense explanation*	\$171,075	\$164,075	\$156,750	\$149,750	\$143,250	\$135,925	\$129,425	\$122,925	\$116,050	\$110,000	\$104,000	\$98,000	\$92,000

Lot #	List Price	Filing 2 Bulk Pt.	Commy/Cties.	Net	Escrow 100%	Year Sales	Sale Proj Month/Yr	Use of Escrow Funds
Lot 1	\$175,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	07/31/12	Bank Interest \$648,750
Lot 2	\$195,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	07/31/12	Mechanics liens \$42,785
Lot 3	\$185,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	07/31/12	Landscape Block \$100,000
Lot 4	\$215,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	07/31/12	HOA dues \$25,180
Lot 5	\$195,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	07/31/12	Op Ex/Court fee \$102,175
Lot 6	\$185,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	07/31/12	RE Taxes \$105,000
Lot 7	\$150,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	07/31/12	Dev. Exp. \$250,000
Lot 8	\$205,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	07/31/12	Prop. Mgt./Acct \$395,000
Lot 9	\$205,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	01/31/13	Duvall Entitlement \$140,000
Lot 10	\$235,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	01/31/13	total \$1,808,900
Lot 11	\$185,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	01/31/13	Escrow Balance \$116,050
Lot 12	\$205,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	01/31/13	Total Use \$1,924,950
Lot 13	\$205,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	01/31/13	
Lot 14	\$205,000	\$84,000	\$4,200	\$79,800	\$79,800	Year 1	01/31/13	
Filing 1	Gross List \$160,000	Filing 1 \$130,000	\$4,200	\$118,950	\$118,950	Year 4	07/31/15	
Lot 1/1	\$160,000	\$130,000	\$11,050	\$1173,850	\$1173,850	Year 4	09/30/15	
Lot 14/1	\$220,000	\$190,000	\$16,150	\$178,425	\$178,425	Year 2	07/31/13	
Lot 32	\$250,000	\$205,000	\$17,425	\$187,575	\$187,575	Year 3	07/31/14	
Lot 33	\$250,000	\$205,000	\$21,250	\$228,750	\$228,750	Year 3	09/30/14	
Lot 4/2	\$235,000	\$206,200	\$145,450	\$0	\$1,924,950	Year 3		

SOLD

Filing 1 \$84,000 \$4,200 \$79,800

Gross List \$160,000 \$130,000 \$11,050 \$118,950

Lot 1/1 \$160,000 \$130,000 \$11,050 \$1173,850

Lot 14/1 \$220,000 \$190,000 \$16,150 \$178,425

Lot 32 \$250,000 \$205,000 \$17,425 \$187,575

Lot 33 \$250,000 \$205,000 \$21,250 \$228,750

Lot 4/2 \$235,000 \$206,200 \$145,450 \$0 \$1,924,950

01/15/12

Somerset Meadows LLC
Balance Sheet Standard
As of November 30, 2011

	Nov 30, '11
ASSETS	
Current Assets	
Checking/Savings	
HB # 280004192	266.34
Total Checking/Savings	266.34
Other Current Assets	
Note Receivable - Village HOA	60.00
Total Other Current Assets	60.00
Total Current Assets	326.34
Fixed Assets	
Duvall House	65,773.07
Duvall property	
Appraisal Fee	4,211.50
Bank Fees	235,560.13
Bank Interest	1,910,109.52
Duvall Land	3,060,000.00
Engineering	28,419.80
Loan Closing Fees	6,831.09
Planning	29,904.35
Property Tax	1,620.56
Total Duvall property	5,276,656.95
Duvall water-Conv. Plat	24,682.51
Land Invent Affordable Housing	
Bank Interest	302,130.72
City Fees	1,136.00
Bank Fees	
Engineering	9,784.55
Bank Fees - Other	40,060.11
Total Bank Fees	49,844.66
Closing Costs	471.09
Planning	28,488.33
Utilities	9,350.00
Watson Property	813,082.58
Total Land Invent Affordable Hou...	1,204,503.38
Land Inventory - Filing 1	
Accrued Int. B Units	18,946.40
AF Cash in Lieu 8.05	737,167.20
Airport Road	-18,448.05
Appraisal	25,515.50
Architectural	217,219.51
Bank Loan Fee	496,434.60
Bridges	8,602.00
City of Longmont Fees	213,154.90
Curb/Gutter/Sidewalk	359,395.60
Development Costs	20,908.67
Dirt	30,678.00

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Somerset Meadows LLC
Balance Sheet Standard
As of November 30, 2011

	Nov 30, '11
Electrical	217,230.86
Engineering	570,073.38
Fire Protection	19,844.00
Gas	26,384.00
GRADING	461,727.76
Guardrails	15,819.89
Insurance	5,860.75
Interest B Units	-18,946.40
Interest Bank	3,867,593.58
Inventory Relief Contra	-9,162,491.33
James Ditch Relinquishment	39,963.02
Kanemoto Water Del. System	53,792.64
Kanemoto water delivery 07	14,645.27
Landscaping	631,797.17
Legal	240,803.96
Lift Station Pumps	11,002.45
Loan Closing Fees	15,044.79
Lot 27 costs	33,459.82
Management Fee	46,885.23
Marketing	19,540.56
Miscellaneous	26,560.61
Pathways	35,581.26
Paving	281,161.91
Perimeter Wall	468,726.96
Planning	663,495.59
Project Management	161,130.83
Property Tax	127,484.24
Utilities	1,128,573.44
Water Deficiency	563,432.99
Water taps	26,695.49
Weibel House	38.43
WEIBEL INTEREST	154,773.93
Weibel Land	1,086,612.00
Westview Acres Exp.	279.10
Winter Protection	82,205.44
Total Land Inventory - Filing 1	4,026,357.95
Land Inventory Filing 2	
Affordable Housing	11,169.20
City Fees	6,132.57
Curb & Gutter	142,714.50
Electric Power	87,295.88
Engineering	284,962.39
Gas installation	11,500.28
Grading	216,055.00
Inventory Relief Contra	-119,468.00
Land	225,145.00
Landscape	1,800.00
MOAPI	1,984.46
Planning	117,934.51
Roads	144,141.67
Street Signs	2,449.18

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Somerset Meadows LLC
Balance Sheet Standard
As of November 30, 2011

	Nov 30, '11
Utilities	195,568.48
Water deficiency	120,200.00
Total Land Inventory Filing 2	1,449,585.12
Land Inventory Filing 3	
City Fees	144.89
Engineering	188,282.36
Land	595,353.00
Planning	30,410.81
Total Land Inventory Filing 3	814,191.06
Land Inventory Filing 4	
Engineering	4,863.75
Land	266,110.00
Total Land Inventory Filing 4	270,973.75
Sales Trailer	25,166.27
Watson conv. plat	4,052.72
Total Fixed Assets	13,161,942.78
Other Assets	
Nelson Rd. Mtg. Escrow	4,813.59
Total Other Assets	4,813.59
TOTAL ASSETS	13,167,082.71
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Account Pay. John McGraw	1,727.25
Account Pay. Mike Rebich	522.75
Acct Payable - Mike Rebich	1,700.00
Due John McGraw	13,709.29
FirsTier Aff Hs Dev. Loan	984,926.69
FirsTier Dev. loan	6,571,837.82
FirsTier Duvall Dev Loan	4,961,240.74
Lot Sales Deposits	30,500.00
Note Payable - JJM	4,276.84
Wash Mutual	-28,949.02
Total Other Current Liabilities	12,541,492.36
Total Current Liabilities	12,541,492.36
Long Term Liabilities	
ABT Sales Trailer	100.34
GreenPointe Mtg	183,290.78
Subordinated Debt - JJM	474,500.00
Subordinated Debt - MM	76,000.00
Subordinated Debt - MR	36,000.00
Subordinated Debt SMMR	37,500.00
Washington Mutual	462,441.85

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Somerset Meadows LLC
Balance Sheet Standard
As of November 30, 2011

	Nov 30, '11
Total Long Term Liabilities	1,269,832.97
Total Liabilities	13,811,325.33
Equity	
A Units	
CAD Capital A	725,118.05
John J. McGraw Capital	469,335.00
MMcGraw Capit	189,531.52
Rebich Cap	94,767.25
SMMR Capital	142,191.86
Total A Units	1,620,943.68
B Units	
CAD Capital B	174,422.00
JJM Capital B	100,000.00
Total B Units	274,422.00
Retained Earnings	-2,540,013.66
Net Income	405.36
Total Equity	-644,242.62
TOTAL LIABILITIES & EQUITY	13,167,082.71

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Somerset Meadows LLC
Profit and Loss YTD Comparison
 November 2011

	<u>Nov '11</u>	<u>Jan - Nov '11</u>
Income		
RENTAL INCOME	1,200.00	21,191.66
Total Income	<u>1,200.00</u>	<u>21,191.66</u>
Expense		
8125 Plateau Mortgage Inte...	0.00	5,450.38
Accounting - Tax Returns	0.00	2,800.00
Bank Charges	0.00	81.73
Filing 2		
RE Taxes	0.00	49.16
Total Filing 2	<u>0.00</u>	<u>49.16</u>
Insurance	302.00	1,559.27
Miscellaneous	0.00	290.00
Mowing	0.00	247.50
Nelson Rd house mtg int.	496.34	5,525.49
Postage	17.75	116.00
Printing	0.00	47.95
Property Maintenance	0.00	1,070.46
Property Tax	202.52	2,227.51
Rental Exp	0.00	159.79
Sales Trailer Exp.	28.11	1,039.40
Services	0.00	20.00
Utilities	0.00	101.66
Void	0.00	0.00
Total Expense	<u>1,046.72</u>	<u>20,786.30</u>
Net Income	<u><u>153.28</u></u>	<u><u>405.36</u></u>

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Somerset Meadows LLC
Profit and Loss Standard
 January through December 2010

	Jan - Dec '10
Income	
RENTAL INCOME	39,500.00
Sales - Filing 2	140,000.00
Total Income	179,500.00
Expense	
8125 Plateau Mortgage Inte...	14,118.21
Accounting - Tax Returns	9,775.00
Bank Charges	36.85
Dues and Subscriptions	42.00
FEES	594.10
Filing 2	
Closing Costs	612.00
Commissions	8,400.00
Compass Bank Fee	1,500.00
Cost of Goods Sold	119,468.00
HOA Dues	420.00
RE Taxes	108.34
Total Filing 2	130,508.34
Insurance	2,474.96
Marketing	85.00
Miscellaneous	540.00
Nelson Rd house mtg int.	6,863.94
Office Expense	2,000.00
Office Supplies	2,025.39
Postage	6.10
Property Maintenance	2,793.75
Property Tax	35,061.94
Rental Exp	289.71
Sales Trailer Exp.	4,597.62
Services	70.00
Subscriptions	29.95
Telephone	2,465.44
Utilities	-2,089.32
Void	0.00
Total Expense	212,288.98
Net Income	-32,788.98

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Duvall-Watson, LLC
Balance Sheet Standard
As of November 30, 2011

	Nov 30, '11
ASSETS	
Fixed Assets	
Duvall property	
Appraisal Fee	4,211.50
Bank Fees	235,560.13
Bank Interest	1,948,190.71
Duvall Land	3,060,000.00
Engineering	28,419.80
Loan Closing Fees	6,831.09
Planning	29,904.35
Property Tax	1,620.56
Total Duvall property	5,314,738.14
Watson property	
Bank Fees	40,060.11
Bank Interest	311,207.06
City Fees	1,136.00
Closing Costs	471.09
Engineering	9,784.55
Planning	28,488.33
Utilities	9,350.00
Watson Land	813,082.58
Total Watson property	1,213,579.72
Total Fixed Assets	6,528,317.86
TOTAL ASSETS	6,528,317.86
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
FirstTier Duvall loan	4,961,240.74
FirstTier Watson Loan	986,026.69
Note Payable SM	47,643.53
Total Other Current Liabili...	5,994,910.96
Total Current Liabilities	5,994,910.96
Total Liabilities	5,994,910.96
Equity	
Opening Bal Equity	533,406.90
Total Equity	533,406.90
TOTAL LIABILITIES & EQUITY	6,528,317.86

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Duvall-Watson, LLC
Profit and Loss YTD Comparison
November 30 through December 31, 2011

	<u>Nov 30 - Dec 31, '11</u>	<u>Jan - Dec '11</u>
Net Income	<u>0.00</u>	<u>0.00</u>

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Duvall-Watson, LLC
Profit and Loss Standard
January through December 2010

	<u>Jan - Dec '10</u>
Net Income	<u><u>0.00</u></u>