Law Offices of
MICHAEL W. CARMEL, LTD.
80 East Columbus Avenue
Phoenix, Arizona 85012-2334
Telephone: (602) 264-4965
Arizona State Bar No. 007356
Facsimile: (602) 277-0144
E-mail: Michael@mcarmellaw.com

Counsel for Debtor and Debtor-in-Possession

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re: WVSV HOLDINGS, L.L.C., Debtor.	Chapter 11 Proceedings Case No. 2:12-bk-10598-RTB
	DISCLOSURE STATEMENT CONCERNING DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION DATED AUGUST 27, 2013

WVSV HOLDINGS, LLC, (**"Debtor"**) filed a petition for relief under Chapter 11 of Title 11 of the United States Code (**"Bankruptcy Code"**) on May 14, 2012 ("**Petition Date**") with the United States Bankruptcy Court for the District of Arizona (**"Bankruptcy Court"**). The Debtor remains in possession of its property and continues to operate its business as debtor-in-possession in accordance with Bankruptcy Code Sections 1107 and 1108.

The Debtor has prepared this Amended Disclosure Statement ("Disclosure Statement") in connection with the solicitation of acceptances for the Second Amended Plan of Reorganization Proposed by Debtor dated August 27, 2013 (**"Plan"**). A copy of the Plan is attached as "**Exhibit 1**" to this Disclosure Statement and is incorporated herein by this reference. The Debtor is the Proponent of the Plan.

Capitalized terms used in this First Amended Disclosure Statement have the same meanings ascribed to those terms in the Plan and the Bankruptcy Code. Terms defined in this Disclosure Statement that are also defined in the Plan are defined herein solely for convenience, and there is no intent to change the definitions of those terms from the Plan.

Information Regarding the Plan and Disclosure Statement

The object of a Chapter 11 case is the confirmation (i.e., approval by the Bankruptcy Court) of a plan of reorganization. A plan describes in detail (and in language appropriate for a legal contract) the means for satisfying the claims against and interests in a debtor. After a plan has been filed, the holders of such claims and interests are permitted to vote to accept or reject the plan. Before a proponent can solicit acceptances of its plan, however, Section 1125 of the Bankruptcy Code requires the proponent to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable those parties entitled to vote on the plan to make an informed judgment about the plan and about whether they should accept or reject the plan.

The purpose of this Disclosure Statement is to provide the Debtor's Creditors with adequate information to make an informed judgment about the Plan. This information includes, among other matters, a brief history of the Debtor, a summary of its Chapter 11 Case, a description of the Debtor's assets and liabilities, a description of the terms under which the Debtor's assets will be administered in accordance with the Plan, and an explanation of how the Plan will function.

A creditor, 10K, LLC ("10K") objected to the original disclosure Statement, and believes, among other things, that the Disclosure Statement does not contain adequate information. 10K also contends that the Plan cannot be confirmed and approved by the Bankruptcy Court. The Court approved a prior Disclosure Statement. This Amended disclosure Statement identifies events which have occurred subsequent to November 13, 2012.

It is important that Creditors read and carefully consider this Disclosure Statement and the Plan, and that such Creditors vote promptly on the acceptance of the Plan.

YOU SHOULD READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY BEFORE VOTING ON THE PLAN. THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN TERMS OF THE PLAN, BUT THE PLAN ITSELF IS THE GOVERNING DOCUMENT. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN CONTROL.

IF YOU HAVE QUESTIONS CONCERNING YOUR TREATMENT UNDER THE PLAN, PLEASE CONTACT COUNSEL TO THE DEBTOR, MICHAEL W. CARMEL, MICHAEL W. CARMEL, LTD., 80 EAST COLUMBUS AVENUE, PHOENIX, ARIZONA 85012, TELEPHONE NUMBER (602) 264-4965, FAX NUMBER (602) 277-0144, E-MAIL: MICHAEL@MCARMELLAW.COM.

A SUMMARY DESCRIPTION OF THE CLASSIFICATION OF THE CLAIMS AND THE TREATMENT PROPOSED UNDER THE PLAN ARE CONTAINED UNDER CLASSIFICATION AND TREATMENT UNDER THE PLAN BEGINNING ON PAGE 4.

THE PROPONENT RESERVES THE RIGHT TO AMEND, MODIFY, OR SUPPLEMENT THE PLAN AT ANY TIME BEFORE THE CONFIRMATION OF THE PLAN, PROVIDED THAT SUCH AMENDMENTS OR MODIFICATIONS DO NOT MATERIALLY ALTER THE TREATMENT OF, OR DISTRIBUTIONS TO, CREDITORS UNDER THE PLAN.

THE FINANCIAL PROJECTIONS CONTAINED IN THIS DISCLOSURE STATEMENT REPRESENT THE DEBTOR'S ESTIMATES OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS MORE FULLY DESCRIBED BELOW, SOME OR ALL OF WHICH MAY NOT BE REALIZED. NONE OF THE FINANCIAL ANALYSES CONTAINED IN THIS DISCLOSURE STATEMENT ARE CONSIDERED TO BE A FORECAST OR PROJECTION AS TECHNICALLY DEFINED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE USE OF THE WORDS, "FORECAST", "PROJECT", OR "PROJECTION" WITHIN THIS DISCLOSURE STATEMENT RELATE TO THE BROAD EXPECTATIONS OF FUTURE EVENTS OR MARKET CONDITIONS AND QUANTIFICATIONS OF THE POTENTIAL RESULTS OF OPERATIONS UNDER THOSE CONDITIONS.

ALL FINANCIAL INFORMATION PRESENTED IN THIS DISCLOSURE STATEMENT WAS PREPARED BY THE DEBTOR. EACH CREDITOR IS URGED TO REVIEW THE PLAN IN FULL BEFORE VOTING ON THE PLAN TO ENSURE A COMPLETE UNDERSTANDING OF THE PLAN AND THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF CREDITORS, EQUITY HOLDERS AND OTHER PARTIES-IN-INTEREST, AND FOR THE SOLE PURPOSE OF ASSISTING THEM IN MAKING AN INFORMED DECISION ABOUT THE PLAN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS IN CONJUNCTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR IN THE BALLOTS. IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR.

THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THE BANKRUPTCY COURT WILL CONSIDER ANY OBJECTIONS TO AND DETERMINE THE LEGAL ADEQUACY OF THIS DISCLOSURE STATEMENT IN CONJUNCTION WITH CONFIRMATION OF THE PLAN. APPROVAL OF THE LEGAL ADEQUACY OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT IS NOT A CERTIFICATION BY THE BANKRUPTCY COURT AS TO THE TRUTH OR ACCURACY OF THE

FACTUAL MATTERS THAT ARE CONTAINED IN THIS DISCLOSURE STATEMENT.

THE DEBTOR STRONGLY URGES YOU TO VOTE FOR THE PLAN AS IT BELIEVES THAT THE PLAN WILL PROVIDE FOR A SIGNIFICANTLY LARGER DISTRIBUTION TO HOLDERS OF CLAIMS THAN WOULD OTHERWISE RESULT IF AN ALTERNATIVE RESTRUCTURING PLAN WERE PROPOSED OR THE DEBTOR'S ASSETS WERE LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

This Disclosure Statement has not been subject to a certified audit but has been prepared in part from the information compiled by the Debtor from records maintained by it in the ordinary course of business or from information received by the Debtor from third parties. Every effort has been made to be as accurate as possible in the preparation of this Disclosure Statement.

Other than as stated in this Disclosure Statement, the Debtor has not authorized any representations or assurances concerning the Debtor, its operations, or the value of its assets. Therefore, in deciding whether to accept or reject the Plan, you should not rely on any information relating to the Debtor or the Plan other than that contained in this Disclosure statement or in the Plan itself. You should report any unauthorized representations or inducements to counsel for the Debtor, who may present such information to the Bankruptcy Court for action as may be appropriate.

This is a solicitation by the Debtor only and is not a solicitation by any affiliates, attorneys, agents, financial advisors, accountants, or any other professionals employed by the Debtor.

Lee Allen Johnson, the manager of the debtor's managing member, is the individual who has provided the primary information contained in this Disclosure Statement.

SUMMARY OF CLASSIFICATION AND TREATMENT UNDER THE PLAN

Set forth in the following section is a summary of the classification and treatment of Claims under the Plan.

The Classes of Claims against and Equity Interests in the Debtor shall be treated under the Plan as follows:

CLASS 1 –KPHV CLAIM.

(a) Impairment and Voting. Class 1 is impaired by the Plan. The holder of the Class 1 Claim is therefore entitled to vote to accept or reject the Plan.

(b) Nature of Interest. The holder of the Class 1 Claim has a judgment lien which encumbers Tract A. The amount owed is estimated to be $313,368.60, plus accrued interest.

(c) Treatment. In the event Class 6 elects Option B, as property is sold, KPHV, LLC will release its lien for payment at the rate of $200.00 per acre sold. All unpaid principal and interest at the rate of twelve percent (12%) *per annum* will be due and payable on or before March 20, 2015. If Class 6 elects

Option A, this Class will receive payment in full from proceeds of any sale of Tract A, out of the "release price" otherwise payable to the Debtor under the terms of the Restitution Note and deed of trust described below, or will be paid in full by the Debtor on or before March 15, 2015.

CLASS 2 – 10K, LLC JUDGMENT CLAIM.

(a) Impairment and Voting. Class 2 is unimpaired by the Plan. The holder of the Class 2 Claim is therefore not entitled to vote to accept or reject the Plan.

(b) Nature of Interest. The holder of the Class 2 Claim holds a judgment lien which encumbers Tract A. 10K, LLC asserts it is owed $284,179.37 for this Judgment. The Debtor disputes this amount, and has filed an objection which will ultimately be determinative of the amount owed the Class 2 Claim.

(c) Treatment. If Class 6 elects Option A, Once the proper amount owed on this claim has been determined, this Class will be paid in full by credit against the amount payable to the Debtor under the Restitution Note and deed of trust described below. If Class 6 elects Option B, the Debtor will either (1) obtain adequate financing or (2) sell a portion of Tract A. From the proceeds of either the sale or financing, the Debtor will escrow sufficient monies that would otherwise satisfy the Judgment claim. The monies will be set aside in either (1) an interest-bearing account held by an institution agreed by 10K, LLC and the Debtor, or (2) with the Clerk of the U.S. Bankruptcy Court. The monies will be held for the benefit of 10K, LLC, and continue to be held in escrow pending a full resolution of the proper amount claimed to be owed.

CLASS 3 – GENERAL UNSECURED CLAIMS.

(a) Impairment and Voting. Class 3 is impaired by the Plan. Each holder of a Class 3 Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. Each holder of a Class 3 Claim shall receive 100% of its allowed general unsecured claim. Payment will be made in four (4) equal semi-annual payments, the first of which will commence sixty (60) days after the Effective Date. Interest will accrue on these claims at the federal judgment interest rate.

CLASS 4 – 10K, LLC SECURED CLAIM

(a) Impairment and Voting. Class 4 is unimpaired by the Plan. The holder of the Class 4 Claim is therefore not entitled to vote to accept or reject the Plan.

(b) Nature of Interest. The holder of the Class 4 Claim holds a first beneficial interest in First American Title Trust 8436 in the amount of $45,414,460.06. If Class 6 elects Option B, it will retain its lien on Tract C until the lien amount(s) is paid in full.

(c) Treatment. If Class 6 elects Option B, the holder of the allowed Class 4 Claim shall continue to receive payment(s) in accordance with the current loan documents, which provide for (1) no interest accrual; (2) principal pay-down(s) at the rate of $5,000 per acre; and (3) a 20% "profit participation" as that term is defined in the 10K, LLC loan documents. If Class 6 elects Option A, the junior trust will be eliminated and Class 4 will have no further claim against the Debtor.

CLASS 5 – SENIOR TRUST SECURED CLAIM

(a) Impairment and Voting. Class 5 is impaired by the Plan. The holders of the Class 5 Claim are therefore entitled to vote to accept or reject the Plan.

(b) Nature of Interest. The holder of the Class 5 Claim holds a first beneficial interest in First American Title Trust 8435. Based on Proofs of Claim filed in this Court, the Debtor believes the amount of this interest is approximately $11,771,910.64. The holders of the Class 5 Claim will retain all of their lien rights in Tract B.

(c) Treatment. The holders of the allowed Class 5 Claim shall receive monthly interest on a semi-annual basis. Interest will accrue at the present contract rate of 7.5% per annum through the later of (1) January 15, 2014, or (2) the Effective Date. Interest shall thereafter increase to ten percent (10%) per annum. Semi-annual payments will commence on January 15, 2014. All sums shall be due and payable to the holder of the Class 5 Claim on or before January 15, 2017, thus extending the maturity of the obligation by 18 months from the present maturity date of July 16, 2015. The First Beneficial Interest lien will be released only in accordance with the terms of First American Title Trust 8435. If Class 6 elects Option A, 10K will receive the Real Property subject to Trust 8435, with the payment terms modified as provided herein.

CLASS 6 – 10K, LLC Claim

(a) Impairment and Voting. Class 6 is impaired by the Plan. The holder of the Class 6 Claim is therefore entitled to vote to accept or reject the Plan.

(b) Nature of Interest. The holder of the Class 6 Claim asserts an unsecured claim in the approximate amount of $417,000,000. The debtor denies any liability on this claim, and has filed an objection The Bankruptcy Court has modified the automatic stay to permit this claim to be litigated in State Court. The Class 6 claim is currently unliquidated.

(c) Treatment.

Option A – Election to Rescind. Class 6 shall have the option to rescind the contract between 10K, LLC and the Debtor. The effect of electing Option A will be a full and complete waiver of any and all damage claims currently being asserted against all parties in the Arizona Litigation. Upon electing Option A, the holder of the Class 6 Claim shall receive all of the Debtor's legal and beneficial title to all of the Sun Valley Property, subject to the existing secured claims of Classes 1, 5, and 9, and subject to a note and deed of trust in favor of the Debtor in repayment of money previously expended by the Debtor to pay principal and interest on the debt secured by the Sun Valley Property and to preserve and enhance the value of the property. The note will be in the principal amount of $23,789,791, with interest accruing at 7% per annum from the Effective Date until maturity on the date that is 24 months following the Effective Date. The note will be secured by all of the Sun Valley Property. Prior to maturity, the holder of the Class 6 claim may obtain releases of portions of the property being sold to third parties by payment to the Debtor of a release price of $8,000 per acre for any portions of

Tract A or Tract C being sole, and $3,000 per acre for any portions of Tract B being sold.

Option B – Election to Assert Damages. Class 6 shall have the alternative option to continue pursuit of its damages claim(s) in the Arizona Litigation. If Class 6 elects this Option B, it is deemed to have waived any right(s) to assert rescission as a remedy.

Class 6 must make the election of either Option A or Option B when it submits its ballot. If it fails to make an election by the Ballot Deadline it will be deemed to elect Option A.

CLASS 7 – ADMINISTRATIVE CLAIMS

Claims for Professional Fees. Each Person seeking an award by the Bankruptcy Court of Professional Fees: (a) must file its final application for allowance of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date within thirty days after the Confirmation Date; and (b) if the Bankruptcy Court grants such an award, each such Person must be paid in full in Cash in such amounts as are allowed by the Bankruptcy Court as soon thereafter as practicable.

Post-Confirmation Professional Fees. All Professional Fees for services rendered in connection with the Chapter 11 Case and the Plan after the Confirmation Date, including those relating to the prosecution of Litigation Claims preserved under the Plan and the resolution of Disputed Claims, are to be paid by the Debtor upon receipt of an invoice for such services, or on such other terms to which Debtor may agree, without the need for further Bankruptcy Court authorization or entry of a Final Order. The Debtor shall have ten days after the receipt of any such invoice to object to any item contained in such invoice. If the Debtor and any Professional cannot agree on the amount of post-Confirmation Date fees and expenses to be paid to such Professional, such amount is to be determined by the Bankruptcy Court.

Claims for Reimbursement by 10K for payments made on Spurlock Note. 10K has made two (2) payments on the Spurlock Note. Each of these payments are in the amount of $398,000. This claim will be paid in full on or before the Effective Date.

CLASS 8 – INTERESTS OF MEMBERS

(a) Impairment and Voting. Class 8 is unimpaired by the Plan. Each holder of a Membership Interest is conclusively presumed to have accepted the Plan.

(b) Nature of Interest and Distributions. The holders of Membership Interests shall retain their interests in the debtor, provided all payments under the Plan are made. The members shall receive their return of capital and pro-rata distribution of any monies available for distribution, in accordance with the operating agreement of the debtor, provided the Debtor is current on all payments required under the Plan.

CLASS 9 – MARICOPA COUNTY SECURED TAX CLAIM

(a) Impairment and Voting. Class 9 is impaired by the Plan. The holder of the Class 9 Claim is therefore entitled to vote to accept or reject the Plan.

(b) Nature of Interest. The holder of the Class 9 Claim has a lien on Tracts A, B and C in the amount of $21,163.26 for unpaid real estate taxes for the years 2008, 2009, 2010 and 2011.

(c) Treatment. The holder of the allowed Class 9 Claim shall receive three (3) annual payments, the first of which will be made ninety (90) days after the Effective Date. The payments will accrue interest at the statutory rate and will fully satisfy all outstanding taxes due. If the holder of the Class 6 Claim elects Option A, the amount of the claim shall deducted from the release price otherwise payable to the Debtor from any third-party sales of the Real Property and paid in full to the holder of the Class 9 Claim. In the absence of such sales, the Debtor shall make the annual payments.

DESCRIPTION OF THE PLAN OF REORGANIZATION

As noted, a copy of the Plan accompanies this Disclosure Statement as Exhibit 1.

The following summary of the material provisions of the Plan is qualified in its entirety by the specific provisions of the Plan, including the Plan's definitions of certain terms used below. The following is intended to provide a general description of the Plan. For more specific information, please refer to the Plan itself. The Debtor has attempted to minimize the use of defined terms in describing the Plan. However, any capitalized terms that are not defined in this section of the Disclosure Statement are defined in the Plan. It is recommended that one refer to those definitions when reading this document.

If the holder of the Class 6 Claim elects Option A, the Debtor will obtain financing through a pledge and collateral assignment of the restitution note and deed of trust to fund its obligations under this Plan. If the holder of the Class 6 Claim elects Option B, Debtor will sell or borrow against the Real Property pursuant to either (1) 11 U.S.C. § 363, or (2) in the normal course of the Reorganized debtor's business post-confirmation. Now pending is a potential sale of 855 acres of Tract A to a national home builder for approximately $10.7 million (a price equal to $12,500 per acre).

Voting and Confirmation Procedures

This Disclosure Statement is accompanied by copies of the following: (a) the Plan, attached as Exhibit 1 to this Disclosure Statement; (b) the Bankruptcy Court's Order: (1) Setting Hearing on Approval of Adequacy of Disclosure Statement and Plan Confirmation; (2) Setting Objection Deadlines thereon; (3) Setting Record Date; (4) Approving Ballots and Solicitation Protocol; (5) Setting Ballot Deadlines; and (6) Related Matters (the "Solicitation Order"); and (c) a Ballot to accept or reject the Plan.

Appropriate forms of Ballots must be used.

Who May Vote

Under the Bankruptcy Code, impaired Classes of Claims are entitled to vote to accept or reject a plan of reorganization. A Class that is not impaired under a plan is

deemed to have accepted a plan and does not vote. A Class is impaired under the Bankruptcy Code when the legal, equitable, and contractual rights of the holders of Claims or Equity Interests in that Class are modified or altered. **For purposes of this Plan, holders of Claims in Classes 1, 3, 5, 6, and 9 are entitled to vote on the Plan.**

If, however, the Debtor files an objection to your claim, you are responsible to request that the Bankruptcy Court temporarily allow your claim for voting purposes. Rule 3018 of the Federal Rules of Bankruptcy Procedure provides that the Bankruptcy Court after notice and hearing may temporarily allow the Claim in an amount which the Bankruptcy Court deems proper for the purpose of voting. If the Debtor files an objection to your claim, you should seek an attorney's assistance with respect to this matter.

Voting Instructions

All votes to accept or reject the Plan must be cast by using the appropriate form of Ballot enclosed with this Disclosure Statement. Only votes using such Ballots will be counted, except to the extent the Bankruptcy Court orders otherwise.

For your vote to count, your Ballot must be properly completed according to the voting instructions on the Ballot and received no later than the Voting Deadline by the Debtor's counsel. Any Ballot not indicating an acceptance or rejection will be deemed an acceptance of the Plan.

If you have any questions concerning the Plan, please contact:

Michael W. Carmel, Esq.
Michael W. Carmel, Ltd.
80 East Columbus Avenue
Phoenix, Arizona 85012
Telephone: (602) 264-4965
Facsimile: (602) 277-0144
E-Mail: michael@mcarmellaw.com

Acceptance or Rejection of the Plan

Under the Bankruptcy Code, a Class of Claims entitled to vote is deemed to have accepted the Plan if it is accepted by creditors in such Class who, of those actually voting on the Plan, hold at least two-thirds in amount and more than one-half in number of the Allowed Claims of such Class.

Confirmation Hearing; Objections

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing. Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to Confirmation of the Plan. Under Section 1128 of the Bankruptcy Code and Rule 3017(c) of the Bankruptcy Rules, the Bankruptcy Court has scheduled the Confirmation Hearing before the Honorable Randolph J. Haines, United States Bankruptcy Judge, at the United States Bankruptcy Court, District of Arizona, 230 North First Avenue, 6th Floor, Phoenix, Arizona 85004 for [**to be inserted after approval of the Disclosure Statement**] The Solicitation Order setting forth the time and date of the Confirmation Hearing has been included along with this Disclosure Statement.

Pursuant to the Solicitation Order, the Confirmation Hearing has been set to consider the adequacy of this Disclosure Statement, as well as to consider Confirmation of the Plan. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of such adjourned hearing date by the Bankruptcy Court in open court at such hearing.

Any objection to the adequacy of this Disclosure Statement or to Confirmation of the Plan must be in writing, must comply with the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, and must be filed and served by **5:00 p.m. (Mountain Standard Time)** on the date as required in the Solicitation Order.

GENERAL BACKGROUND OF THE DEBTOR AND EVENTS LEADING TO BANKRUPTCY FILING

Organizational Structure of the Debtor

The Debtor was organized in 2002, as a manager-managed Arizona limited liability company, for the purpose of acquiring, owning, developing and selling the real estate interests described below. The sole manager of the Debtor is West Valley Ventures, LLC, an Arizona limited liability company ("West Valley"). West Valley, which is also a 75% member of the Debtor, is wholly owned by siblings Brandon Wolfswinkel and Ashton Wolfswinkel. The Wolfswinkel brothers each hold a 50% membership interest in West Valley. The sole manager of West Valley is Lee Allen Johnson.

The remaining 25% membership interest in the Debtor is held by Breycliffe, LLC, a Nevada limited liability company. To the best of the Debtor's information, Breycliffe is owned by a family trust administered by a fiduciary services company operating out of Jersey of the English Channel Islands. Again to the best of the Debtor's information, the beneficiaries of the trust are members of the family of Patrick O'Connor, a resident of Ireland. Breycliffe acquired its 25% membership interest in the Debtor as part of the consideration for the Debtor's acquisition of the right to become the purchaser of the real property described below. Neither the Debtor nor the Wolfswinkels have any relationship to Breycliffe or any of its constituents outside of the transactions involving the subject property.

Real Property Ownership Interests of the Debtor

The Debtor owns approximately 13,260 acres of real property (the "Sun Valley Property") in western Maricopa County, within the corporate limits of the Town of Buckeye, situated along and near the Sun Valley Parkway. The Debtor holds fee title to approximately 1,710 acres, of which 153 acres are held for the benefit of Breycliffe. The net parcel of 1,556.5 acres to which the Debtor holds both legal and equitable title is denominated as "Tract A" in the Debtor's schedules. 10K asserts it is the beneficiary of a Deed of Trust that encumbers Tracts A and B (as well as Tract C), and that secures 10K's entitlement to 20% of the "Profit" from the sale or other disposition of the Sun Valley Property.

Fee title to some 1,446.5 acres of the Sun Valley Property ("Tract B") is held by First American Title Insurance Company as Trustee of its Trust No. 8435 (the "Senior Trust"); the remaining 9,957 acres of the property ("Tract C") is held by First American Title Insurance Company as Trustee of its Trust No. 8436 (the "Junior Trust"). The Senior Trust and Junior Trust are a type of instrument generally known at "subdivision trust agreements." The trusts were created to facilitate the seller "carry-back" financing of the Debtor's purchase of the property -- essentially an alternative to the promissory note and deed of trust more frequently used in such sales. The Debtor holds all beneficial ownership (i.e., equitable title) to both Tract B and Tract C.

The Real Property

Tracts A, B, and C are contiguous except for a non-contiguous 1,448 acre portion of Tract C lying to the northwest of the balance of the Sun Valley Property. Together the 11,812 contiguous acres comprise the four "Villages" described in the Community Master Plan ("CMP") for Sun Valley Community Villages I & II, and the CMP for Sun Valley Community Villages III & IV that the Debtor has filed with the Town of Buckeye. The property is situated along both sides of the Sun Valley Parkway, a six-lane median-divided parkway. The Parkway connects with Interstate-10 via a six-lane interchange located 8 miles South of the southern boundary of the property. Proceeding North from I-10, the Parkway traverses most of the length of the property, then turns eastward across the northern part of the property, and connects with Loop 303 some 12 miles to the East of the property.

The non-contiguous parcel of Tract C lies mostly within the flood plain of the Hassayampa River, North of the Central Arizona Project aquaduct. While little of this parcel is suitable for residential or commercial development, it has significant value for aggregate mining operations. There are no mineral rights reservations on title. Testing and geological studies confirm ample quantities of high quality sand and gravels at readily recoverable depths (10' - 50' below surface grade). The Development Agreement (see below) specifically authorizes aggregate mining operations on this parcel. This parcel also has value as a potential well field for potable water, and/or groundwater re-charge facilities.

Use and Occupancy

The property is entirely leased to a ranching operator for cattle grazing purposes. The lease generate no net cash flow, but provides highly favorable agricultural property status for purposes of real estate taxes. The lease is for successive one year terms, renewable upon mutual consent, and terminable by lessor upon sale or development of the property.

Physical attributes

The property is largely undisturbed natural desert terrain, bounded to North and West by the Hassayampa River and to the East by the White Tanks Mountains. Area elevations range from a high point of 4,083' on the White Tanks Mountains to a low of 1,250' in the River. The contiguous land comprising the four Villages of the Sun Valley CMPs, located between these features, gently slopes generally from East to West, between elevations of 2,125' and 1,280'.

The property is located in Sonoran Desert Scrub habitat, and is devoid of permanent waters or irrigation canals. Several dry washes traverse the site, but no wetland vegetation or stands of deciduous broad-leaved riparian trees exist within the property. A habitat study conducted by environmental consultant SWCA, Inc., in July 2000, and Spotted Owl surveys conducted by SWCA between 1999 and 2002, confirm the absence of endangered species.

Entitlements

Development Agreement. A Development Agreement between the Town of Buckeye and the predecessor owners of the property was approved May 20, 2000, by Ordinance 15-00, and executed July 19, 2000. The Agreement appears as Document No. 2000-0555435, Records of Maricopa County Recorder. The Agreement vests ownership with the right to development the property in accordance with the terms of the Agreement. The term of the Agreement is for an initial period of 25 years, automatically extending for an addition 10 years if 25% or more of the land remains to be sold as subdivided lots. Developer's rights under the Agreement are fully transferable with the land.

CMP Villages I & II. The CMP for Villages I & II was approved by the Town of Buckeye on July 18, 2006, Ordinance 06-26, recorded at Doc. No. 2006-1230138, Records of Maricopa County. This constitutes the final zoning on the property prior to preliminary plat approval.

CMP Villages III & IV. The Buckeye Community Planning and Development Board approved the CMP for Villages III & IV at the regular meeting on April 19, 2009. The matter is pending final approval by the Mayor and Town Council.

The Debtor's Acquisition of the Sun Valley Property

WVSV acquired the right to purchase the real estate it presently owns by entering into a Purchase and Sale Agreement dated June 28, 2002, with Breycliffe, LLC, a Nevada limited liability company ("Breycliffe"). The Breycliffe/WVSV agreement gave WVSV the right to acquire Breycliffe's position as the ultimate purchaser of a combined 13,260 acres of land (the "Sun Valley Property"), under an interlocking pair of contracts from two sellers: Spurlock Land, LLC, and affiliates ("Spurlock") was seller of some 3,200 acres of the property (the "Spurlock Land"), while 10K was seller of the remaining 10,000 acres (the "10K Land").

The 1998 Agreements

The original agreements between 10K, Breycliffe, and Spurlock for the purchase and sale of the Sun Valley Property were signed 1998. At that time, Spurlock agreed to sell the Spurlock Property to 10K, with 10K agreeing to simultaneously sell to Breycliffe the entire Sun Valley Property (i.e., the Spurlock Land plus the 10K Land). Closing under the Spurlock/10K agreement was expressly conditioned on closing under the 10K/Breycliffe agreement, and vice versa.

Under the Spurlock/10K agreement, the Spurlock Land would sell for $5,000 per acre, for a total of approximately $16.2 million. Some $3 million of that purchase price was payable by assumption of an existing note and deed of trust against the Spurlock Land; the remaining balance was to be "carried back" by Spurlock, with semi-annual interest-only payments at 7% per annum. Under the 10K/Breycliffe agreement, Breycliffe's base purchase price for the combined Sun Valley Property was also $5,000 per acre, for a total price of $66.3 million. Of this amount, some $10 million was payable by Breycliffe's assumption of the existing debt on the Sun Valley Property: the $3 million lien against the Spurlock Land and a $7 million lien against the 10K Land. The remaining $56 million was "carried back" by 10K.

The $56 million to be carried back by 10K "wrapped" 10K's obligation to Spurlock – i.e., all of 10K's obligations to Spurlock under the Spurlock/10K agreement were passed on to Breycliffe under the 10K/Breycliffe agreement. Following closing, Breycliffe would be responsible for making the interest payments to Spurlock on the deferred portion of the Spurlock sale price. Breycliffe would not, however, have an interest payment obligation on the 10K portion of the deferred purchase price of some $43 million. That debt bore no interest rate, neither as an amount payable nor as an accrual. Instead, in lieu of interest, 10K would receive a 20% profit participation in the Sun Valley Property, as Breycliffe completed development and resale of the land after close of escrow – in addition to the base price of $5,000 per acre as property was released from trust.

The deferred portion of the purchase price under each agreement would be secured through an arrangement commonly called a "subdivision trust" or "dual beneficiary trust." Under such an arrangement, the seller of land, referred to as the "first beneficiary," transfers title to a trustee. As specified amounts of the purchase price are paid, the buyer of the land, referred to as the "second beneficiary," is entitled to have portions of the land "released" – i.e., to have title to the property deeded to the buyer by the trustee, free and clear of the trust. The second beneficiary thus only acquires fee title as principal is paid down and property is released from trust. But pending such releases, the second beneficiary has substantially all the burdens and benefits as the owner of the property, and thus has equitable title to the property.

The simultaneous closing of the Spurlock/10K/Breycliffe transactions would create two subdivision trusts: a Senior Trust, in which title to the Spurlock Property would be held for Spurlock as first beneficiary and 10K as second beneficiary; and a Junior Trust, in which title to the 10K Property was held for 10K as first beneficiary and Breycliffe as second beneficiary. In addition to the 10K property itself, 10K's interest as second beneficiary of the Senior Trust would also be held in the Junior Trust, so that Breycliffe would become the equitable owner of all of the Sun Valley Property. Breycliffe would be free to proceed with the further entitlement of the Sun Valley Property as a whole, and could select release property from either trust as it saw fit.

The debt carried back by Spurlock would be all due and payable 12 years after closing, while the debt carried back by 10K would not come due until 20 years after closing. At any time prior to maturity, Breycliffe could choose to pay down principal, and thereby receive releases of land from the subdivision trusts. But there were no requirements for any interim payments of principal at any time prior to maturity, and there

was no timetable for release or development of the property. Breycliffe would thus be at liberty to let market forces, not a payment schedule, dictate the payments to Spurlock and 10K.

Under the Junior Trust, 10K's 20% profit participation would not come into play until Breycliffe had fully recovered all monies expended for the acquisition of the property (both principal and interest), carrying costs (taxes, insurance, etc.), and all expenditures for entitlement and development of the property, plus a 12.5% return on all such monies. 10K's profit participation was thus subordinated to Breycliffe's cost recovery and preferred return. In addition, the agreement gave Breycliffe the right to freely assign its position as purchaser of the Sun Valley Property, without 10K's consent, either before or after close of escrow.

The 2002 Agreements

Between 1998 and 2001, the 1998 agreements were amended several times and close of escrow was repeatedly delayed. Eventually, disputes arose which led to litigation between Spurlock, 10K, and Breycliffe. Spurlock sued 10K and Breycliffe for declaratory judgment that time had expired and no further extensions were available, and that hence both agreements were dead. 10K and Breycliffe sued Spurlock for declaratory judgment that they were entitled to more time, and for specific performance. Superior Court Cause No. CV 2002-002933, consolidated with Cause No. CV2002-004470 (the "Spurlock Litigation").

The Spurlock Litigation was settled with the parties entering into amended and restated agreements that followed the basic structure of the 1998 agreements, but extended the simultaneous closing date to an outside date of September 16, 2003. By 2002, however, the debt against the Spurlock Property had been refinanced, and stood at $4.5 million. As one change from the 1998 agreement, the 2002 agreements required that this debt could not be assumed, but would be paid off at close of escrow. In addition, pending close of escrow, Spurlock was to receive extension fees of $45,000 per month and $205,100 per quarter.

The lien on the 10K Property stood at approximately $6 million, and was then held by Citibank. Unlike the lien against the Spurlock Property, however, 10K agreed to a continuation of the provision allowing Breycliffe to merely assume the Citibank debt at close of escrow.

The 2002 agreements otherwise followed the 1998 agreements in all material terms. All of 10K's obligations to Spurlock (including the new requirements for extension fees and debt pay off) were passed through to Breycliffe; Spurlock's carry back was still interest only, all due 12 years from closing; 10K's carry back was still interest free, all due 20 years after closing. In addition, 10K's 20% profit participation remained fully subordinate to Breycliffe's cost recovery plus 12.5% preferred return. And, Breycliffe still had the right to freely assign its interest as buyer.

The revised agreements were incorporated into a Final Judgment and Permanent Injunction Order (the "Mangum Judgment"), which was entered upon the stipulation of the three parties. The Mangum Judgment, entered June 4, 2002, commanded Spurlock, 10K, and Breycliffe to perform the amended contracts.

The Breycliffe/WVSV Agreement

While the 2002 agreements that would be incorporated into the Mangum Judgment were being finalized, Breycliffe was already looking to sell its position as buyer. A few

weeks after the agreements were signed and the Mangum Judgment entered – and after negotiations between 10K, Breycliffe, and real-estate investor Garth Weiger collapsed – Wolfswinkel was briefed on the opportunity to purchase Breycliffe's interest by Brent Hickey, one of the principals of Phoenix Holdings (10K's manager). Among other aspects of Breycliffe's position (not least of which was the Sun Valley Property's potential), Wolfswinkel found the deal attractive because of the interest-only payments on the Spurlock debt, the zero interest on the 10K debt, and long maturity of all the debt on the property. On June 25, 2002, a member of the Wolfswinkel family signed a letter of intent on behalf of a to-be-formed entity (later named W.V.S.V. Holdings, LLC) to purchase the Sun Valley Property.

WVSV was formed on June 28, 2002, and that same day Breycliffe and WVSV entered into the Breycliffe/WVSV agreement. Breycliffe agreed to assign its interest under the 2002 Breycliffe Agreement to WVSV, and WVSV agreed to assume all the obligations to Spurlock that Breycliffe had assumed in the 10K/Breycliffe agreement. In July 2002, WVSV began making the pre-close payments to Spurlock, totaling $336,500 per quarter.

The agreement further required WVSV to pay Breycliffe $7.6 million and grant Breycliffe a 25% equity interest in the newly formed WVSV. The other 75% membership was granted to a Wolfswinkel family entity, West Valley Ventures, LLC ("West Valley"), which would also act as manager of WVSV. Moreover, West Valley was required to provide all funds required to acquire and develop the property as capital contribution to WVSV. Breycliffe had no obligation to contribute any capital. After return of West Valley's capital, West Valley and Breycliffe would share distributions 75%/25%.

In addition to the cash payment and the membership interest, Breycliffe required that following closing, WVSV sell to Breycliffe 300 acres of the Sun Valley Property, at $5,000 per acre. The contract identified eight specific parcels, all slated for commercial development, making up the 300 acres (the "Breycliffe Property").

To date, Breycliffe has fully paid for the Breycliffe Property, but has not yet taken title to it. The Debtor recognizes that it holds legal or equitable title to the Breycliffe Property merely as custodian for Breycliffe. The Debtor stands ready to deed to Breycliffe the portion of the Breycliffe Property included in Tract A whenever Breycliffe deems it appropriate. Under the terms of the Breycliffe Agreement, as additional land is released from trust, any of the Breycliffe Property included in such release will be deeded to Breycliffe at its request.

Under the Breycliffe/WVSV agreement, Breycliffe did not immediately assign its rights under the 10K/Breycliffe agreement to WVSV. Rather, the assignment would not occur unless and until the closing of escrow. Closing under the Breycliffe/WVSV agreement was to occur simultaneously with the closings under the Spurlock/10K agreement and the 10K/Breycliffe agreement – which would thereby become the 10K/WVSV agreement. If WVSV failed to close as scheduled, it would forfeit the moneys paid to Spurlock and Breycliffe, and Breycliffe would be free to look for another buyer.

Unlike the 10K/Breycliffe agreement, the Breycliffe/WVSV agreement did not permit WVSV to assume 10K's debt to Citibank at closing. Instead, Breycliffe required that WVSV bring enough cash at closing to make the $4.5 million payment to Spurlock, complete any remaining payments due Breycliffe, and pay off the remaining $4.4 million debt that 10K owed to Citibank.

Present Status under the Agreements

After the initial round of litigation, as discussed below, the agreements closed escrow on July 16, 2003. Including the funds paid to Spurlock and Breycliffe outside of escrow, by that point WVSV had invested more than $17 million in its purchase of the Sun Valley Property. As required under the Breycliffe/WVSV agreement, all of that $17 million came from the Wolfswinkel family. While the litigation has continued for the past 10 years, until its Chapter 11 filing, WVSV made all of the semi-annual Spurlock interest payments. And WVSV has expended millions more in furthering the entitlement and development of the Sun Valley Property.

The principal payment WVSV made at closing, totaling $8.9 million, entitled WVSV to release of nearly 1,800 acres of the Sun Valley Property. A release of most of that acreage (1,720 acres in all) took place in June of 2006. All of the release acreage came from the former Spurlock Land, and included some 153 acres of the 300 acres earmarked for Breycliffe.

Not surprisingly, the pendency of the litigation has made it impossible for WVSV to sell any of the property to date. As a result, there has been no further pay down on principal to 10K, save relatively minor amounts resulting from utility condemnation awards. Nor has there been any material return to WVSV of its acquisition and development costs – costs it is entitled to recover, with a 12.5% preferred return, before any profit is split with 10K.

As of June 15, 2013, WVSV's cost recovery under the Junior Trust, net of condemnation awards, totals $19,641,365, plus interest at 12.5% amounting to $16,598,720, for a grand total of $36,240,085. (This does not include the $7.6 million paid to Breycliffe, or the $2.7 million spent in defending the pre-petition litigation with 10K.)

Prepetition Litigation

The Debtor has been engaged in state court litigation with 10K, LLC, one of the sellers of the Sun Valley Property, since 2003. Because detailed recitation of the factual and procedural history of this dispute would be measured in volumes rather than pages, the reader is referred to the April 24, 2012 opinion of the Arizona Court of Appeals in the parties' cross-appeals from various superior court judgments. Cal X–Tra v. W.V.S.V., 229 Ariz. 377, 276 P.3d 11 (Ariz. App. 2012). And because the Court of Appeals' opinion is itself voluminous, set forth below is a summary of the key procedural and factual milestones from the inception of this dispute to the present.

The Genesis of the Dispute

While the Spurlock Litigation (which concluded with the Mangum Judgment) was still pending, Breycliffe was looking to sell its position as buyer of the Sun Valley Property, and so informed 10K's manager, a company known as Phoenix Holdings II, LLC ("Phoenix Holdings"). 10K was facing a July due date for a $1 million payment on the Citibank loan, and hoped to see that obligation covered by Breycliffe, or a new buyer. With Breycliffe's willingness or ability to make that payment in doubt, 10K members urged Phoenix Holdings to find a buyer for Breycliffe's interest as quickly as possible.

From April through early June 2002, Phoenix Holdings and 10K engaged in substantial negotiations with real-estate investor Garth Weiger; however, Weiger turned down the opportunity to purchase Breycliffe's interests due to the pending litigation. Soon thereafter, Brent Hickey – who, with Robert Burns, controlled Phoenix Holdings – approached Wolfswinkel about the sale of Breycliffe's position. As noted above, those discussions quickly lead to execution of the Breycliffe/WVSV agreement.

The events concerning the sale of Breycliffe's position were the subject of conflicting testimony at trial. In resolving the most recent appeal, the Court of Appeals was obliged by the applicable standard of review to view the record in the light most favorable to affirming the lower courts. Nevertheless, it is clear that the revised 10K/Breycliffe agreement did not require Breycliffe to make the $1 million Citibank payment on 10K's behalf. And while the Breycliffe/WVSV agreement required WVSV to pay that and more to Breycliffe, Breycliffe did not make the payment and the 10K members were ultimately required to fund the Citibank payment themselves.

The last-minute scramble to cover the Citibank payment appears to have been the beginning of the end of amicable relations between the 10K members on the one hand and Phoenix Holdings, Burns and Hickey on the other. As the 10K members sought answers from Burns and Hickey, some of them began to realize what an extremely favorable position Breycliffe held. As a result, those individual members told Burns that they were interested in purchasing Breycliffe's position themselves. By that time, however, however, the Breycliffe/WVSV agreement was moving rapidly toward completion.

Thwarted in their effort to buy Breycliffe's position, the 10K members began disavowing the 10K/Breycliffe agreement itself. The 10K members told Wolfswinkel that 10K objected to the Breycliffe/WVSV agreement and believed 10K was not obligated to close because Phoenix Holdings had exceeded its authority in binding 10K to the 2002 Breycliffe agreement. (This, despite the fact that Hickey had kept all of the 10K members fully apprised with detailed written reports of each step of the negotiations, and none had voiced any objections to the agreement.) Although WVSV did not take 10K's objection lightly, WVSV believed it could lawfully close escrow: Breycliffe's interest was freely assignable, and the Mangum Judgment, which had not been challenged by 10K, required 10K to sell the property under the terms of the 10K/Breycliffe agreement.

For nearly a year after learning of the Breycliffe/WVSV agreement, neither 10K nor any of its members took any action to seek relief from the Mangum Judgment or the 10K/Breycliffe Agreement. Nevertheless, as its deadline for closing approached, WVSV sought judicial confirmation of the validity of the 10K/Breycliffe agreement, notwithstanding 10K's objections.

Litigation Preceding the Closing of WVSV's Purchase

On May 1, 2003, WVSV moved to intervene in the Spurlock Litigation, to enforce the Mangum Judgment. WVSV requested specific enforcement of the 10K/Breycliffe agreement to compel 10K to complete the sale of the Sun Valley Property as required by the Mangum Judgment. In a separate action filed later the same day, 10K sued Phoenix Holdings, Burns, and Hickey for breach of fiduciary duty and sought a declaration that the 10K/Breycliffe agreement and the Breycliffe/WVSV agreement were unenforceable (the "2003 Action").

On WVSV's motion, Superior Court Judge Frank Galati dismissed 10K's declaratory relief request as an impermissible collateral attack on the Mangum Judgment. Judge Galati also permitted WVSV to intervene in the Spurlock Litigation and ordered 10K to specifically perform its obligations under the 10K/Breycliffe agreement, which was incorporated in the Mangum Judgment. On June 17, 2003, Judge Galati entered final judgment (the "Galati Judgment").

A month later, on July 16, 2003, WVSV closed escrow on the purchase of the Sun Valley Property in reliance on the Galati and Mangum Judgments. At the time WVSV closed escrow, the Arizona Superior Court had carefully considered 10K's objections and

held that, despite the claims of breach of fiduciary duty against Phoenix Holdings and its principals, 10K was required to convey the property to Breycliffe.

Litigation Following WVSV's Purchase of the Sun Valley Property

The day that escrow closed, July 16, 2003, 10K appealed from the Galati Judgment. The Court of Appeals suspended the appeal and remanded for consideration of a Rule 60(c) motion 10K had filed in the 2002 litigation; the trial court denied that motion and entered final judgment. 10K again filed a notice of appeal. The Court of Appeals consolidated the appeals and affirmed the Galati Judgments in all respects.

The Mangum Judgment, the Galati Judgments, and the Court of Appeals decision did not spell the end of 10K's challenge to WVSV's purchase of the Sun Valley Property. In June 2006, 10K disclosed hundreds of pages documents purportedly showing that the principals of Phoenix Holdings "controlled, were affiliated with, or were in reality" Breycliffe, the purchaser of the Sun Valley Property. The documents further purported to show that Phoenix Holdings, Burns, and Hickey "conspired to further the interests of Phoenix Holdings and Breycliffe over those of 10K, thereby defrauding 10K, and ultimately the court."

Notably, 10K did not allege WVSV and Wolfswinkel had known of the purported relationship between Phoenix Holdings and Breycliffe. Nonetheless, on July 26, 2006, 10K filed yet another superior-court action (the "2006 Action") against Phoenix Holdings, Hickey, Burns, Breycliffe, and WVSV. Now before Judge Richard Trujillo, 10K sought to vacate the Galati Judgments on the grounds of extrinsic fraud based on the alleged relationship between Breycliffe and Phoenix Holdings. The 2006 Action would be held in abeyance pending trial on 10K's claims in the 2003 Action.

The 2007 Trial and Post-Trial Rulings

Meanwhile, in the 2003 Action, 10K's breach-of-fiduciary duty claims against Phoenix Holdings, Burns and Hickey – as well as 10K's claim that Breycliffe, WVSV, and Wolfswinkel aided and abetted Phoenix Holdings' alleged breach of fiduciary duty – remained pending before Judge Edward Burke (who presided over the case following Judge Galati's retirement) and were set for trial in late 2007. In June that year, 10K reached settlements with Breycliffe, Phoenix Holdings, Burns, and Hickey, leaving only WVSV and Wolfswinkel as defendants in the case.

In October 2007, the case went to trial on the single claim that WVSV and Wolfswinkel aided and abetted Phoenix Holdings' alleged breach of fiduciary duty. The essence of the aiding and abetting, 10K argued, was the act of WVSV closing escrow, resulting in 10K's loss of the Sun Valley Property. During the one-month trial, comprising 14 days of argument and testimony, the evidence and testimony overwhelmingly surrounded Wolfswinkel's prior civil and criminal judgments. 10K ostensibly introduced this evidence (which was admitted under Rule 404(b)) to explain the basis for their objection to any transaction involving Mr. Wolfswinkel, as well as their alleged instruction to Robert Burns (Phoenix Holdings) not to allow the Sun Valley Property to be sold to Mr. Wolfswinkel. 10K's trial counsel, however, argued the evidence far beyond those limited purposes – as demonstrated by the extended excerpts from 10K's counsel's rebuttal closing found at ¶ 91 of the Court of Appeals' opinion.

The jury rendered a verdict in favor of 10K on November 5, 2007, finding that the total damages suffered by 10K amounted to $210 million. The jury further found, however, that WVSV and Wolfswinkel were at fault for only 10% ($21 million) of those damages – the jury found that the Phoenix Holdings Parties were 80% at fault, while

Breycliffe and 10K itself were each 5% at fault. Remarkably (and likely unconstitutionally), despite WVSV's and Wolfswinkel's low comparative liability, the jury imposed $150 million in punitive damages against WVSV and Wolfswinkel alone.

In February 2008, Judge Burke granted WVSV's and Wolfswinkel's post-trial renewed motion for judgment as a matter of law ("JMOL"). The court held that WVSV and Wolfswinkel could not be liable for aiding and abetting because they closed escrow in good-faith reliance on the Mangum and Galati Judgments. In the same order, Judge Burke granted WVSV's and Wolfswinkel's motion for new trial, on the grounds that the court had "erred in allowing evidence concerning Mr. Wolfswinkel's 14-year old criminal convictions to be presented to the jury, which resulted in more of a trial of Mr. Wolfswinkel's past than the merits of Plaintiffs' claims." Judge Burke further explained that, after having admitted the evidence of Mr. Wolfswinkel's civil and criminal judgments, 10K's counsel had "pilloried Wolfswinkel with repeated references to his convictions and judgments to attack his character"; a new trial was warranted due to "the overwhelming prejudicial effect this evidence obviously had on the jury" – particularly its punitive damages award. 10K appealed from the judgment in favor of WVSV and Wolfswinkel, and WVSV and Wolfswinkel cross appealed from the denial of their motions for attorneys' fees.

10K's Motion to Vacate the Galati Judgments for Extrinsic Fraud

Three months after Judge Burke entered judgment on 10K's tort claims against WVSV and Wolfswinkel, Judge Trujillo granted 10K's request to vacate the Galati Judgments. WVSV, in a motion for new trial, argued that the Galati Judgments could not be set aside because WVSV was an innocent party that had relied on those judgments in closing escrow and investing millions of dollars to develop the Sun Valley Property. Judge Trujillo denied WVSV's new-trial motion.

Post-Trial Appellate Proceedings

After Judge Trujillo vacated the Galati Judgments, the Court of Appeals suspended the appeals from Judge Burke's grant of JMOL to permit 10K to file a motion with Judge Burke for relief from that judgment. Judge Burke granted 10K's motion in part, concluding that JMOL was no longer warranted because the Galati Judgments had been vacated. Nonetheless, Judge Burke upheld the order granting a new trial based on 10K's misuse of the evidence regarding Wolfswinkel's civil and criminal judgments.

The Court of Appeals consolidated the appeals and affirmed the judgments in all material respects – including Judge Burke's order granting WVSV's and Wolfswinkel's new-trial motion – thus setting the stage for a retrial of 10K's claim that WVSV and Wolfswinkel aided and abetted the alleged breach of fiduciary duty by Phoenix Holdings, Burns, and Hickey. The court also affirmed Judge Trujillo's order vacating the Galati Judgments, clearing the way for 10K to now litigate the declaratory judgment claim challenging WVSV's acquisition of the Sun Valley Property. The parties filed cross petitions for review to the Arizona Supreme Court, both of which were denied on December 4, 2012. However, the state-court action remained in limbo due to the automatic stay entered as the result of the Debtor's Chapter 11 petition.

The Bankruptcy Filing

By the terms of the operating agreement West Valley entered into with Breycliffe in order to acquire the Sun Valley Property, West Valley is required to contribute all capital required for the Debtor's acquisition, development, and ownership of the Sun Valley Property. West Valley has contributed all funds the Debtor required for close of escrow on the purchase (approximately $9 million), all funds required to service the interest payments required under the Senior Trust (approximately $800,000 per year), and all other funds required for development, property taxes, insurance, and other costs of ownership.

West Valley has no assets and no business operations apart from its ownership interest in the Debtor. It is, however, one of a number or real estate investment companies (known collectively as "W Holdings") owned and operated by the Wolfswinkel brothers together with their father, Conley Wolfswinkel. Another of the W Holdings companies that is also wholly owned by the Wolfswinkel brothers, Vanderbilt Farms, LLC ("Vanderbilt"), lent West Valley all of the funds West Valley has contributed to the Debtor.

The years immediately preceding and following the Debtor's purchase of the property saw significant appreciation in the value of real estate investments throughout Arizona. Vanderbilt's other investments provided sufficient liquidity for it to advance to West Valley all funded needed by the Debtor. That situation, however, changed dramatically with the change in the economy. The housing market decline in 2007, the economic crisis of 2008, and the ensuing Great Recession have devastated Vanderbilt's business. With Vanderbilt no longer able to support the Debtor's operations through further advances to West Valley, the Debtor must find alternate means to sustain operations. The options available are to borrow against the land to which it holds fee title, and/or begin selling portions of its property. Fortunately, market conditions have begun to improve enough to provide opportunities for both.

Early in 2012, the Debtor began negotiations with Sunbelt Holdings, LLC, a well established development company based in Phoenix, Arizona, for the sale of a portion of Tract A. The Debtor and Sunbelt's affiliate, AGS, LLC, executed a definitive contract on April 23, 2012 for AGS to purchase 800 acres, and acquire the option to purchase another 513 acres, of Tract A at $12,000 per acre. In negotiating the AGS contract, the Debtor disclosed the existence of the claims asserted by 10K – including the constructive trust and rescission claims that disparaged the Debtor's title to the property. The Debtor was hopeful that the long anticipated decision from the Arizona Court of Appeals would effective dispose of those claims, allowing the Debtor to conclude the sale and option transaction with AGS.

On April 24, 2012, however, the appellate court issued its decision, leaving 10K's claims alive for further litigation. In order to close the AGS transaction, with 10K's disputed claim to the Debtor's property still unresolved, an order for sale free and clear of such claims under 11 U.S.C. § 363 would have been required. The AGS transaction has

now been cancelled, and the debtor is in contact with other potential buyers of the Property. Any Sales Contract will be presented to the Bankruptcy Court for approval.

In addition, the relatively slow pace of the economic recovery compels the Debtor to seek to modify the terms of the Senior Trust obligation. The portion of the deferred purchase price administered in the Senior Trust is approximately $11.4 million. Payment of that amount becomes all due and payable on July 16, 2015. Even assuming the AGS transaction closes escrow as scheduled, it is questionable whether additional sales will provide sufficient revenue to meet that obligation when due. Accordingly, one objective of this Plan is to extend the maturity date of the Senior Trust debt to 2017.

The Plan's Treatment of 10K's Litigation Claim

In the litigation, 10K asserts a claim to recover damages (the "Damages Claim") for the difference between what it stands to recover under existing contract versus what 10K would have if the 10K/Breycliffe Agreement never existed, but it nonetheless closed under the Spurlock/10K Agreement. 10K also asserts the right to rescind the 10K/Breycliffe Agreement (the "Rescission Claim"), thereby avoiding the Breycliffe/WVSV agreement. Success on the Rescission Claim would mean that 10K would recover title to Tract C (the 10K Property) and step into WVSV's shoes as both the purchaser of Tract B (the Spurlock Property) and the owner of Tract A (the Release Parcel). In other words, success on the Rescission Claim would make 10K the owner of the Sun Valley Property, subject to payment of the debt on Tract B.

Recovery under both the Damages Claim and the Rescission Claim would amount to a double recovery for 10K -- by giving 10K both damages for the value of the Sun Valley Property, and title to the Sun Valley Property itself. The law does not allow such a double recovery. As a result, the law requires that at some point 10K must elect between the two claims. That is, 10K must ultimately decide to pursue the Rescission Claim and forego the Damages Claim, or vice versa.

The Plan requires 10K to make its election between the Rescission Claim ("Option A" for the Class 6 claim of 10K) and the Damages Claim ("Option B" for the Class 6 claim of 10K) by the deadline for casting ballots on the Plan.

Treatment Under Option A. If 10K elects rescission, the Plan provides that 10K will be granted rescission, and the Damages Claim will be extinguished. The Debtor will deed to 10K all of the land to which it holds fee title (Tract A), and the Debtor will assign to 10K all of the Debtor's interest as Second Beneficiary of the Junior Trust. As a result, the interests of First Beneficiary and Second Beneficiary of the Junior Trust will both be held by 10K, which will cause the dissolution of that trust, and the distribution to 10K of all property held in the Junior Trust. The property held in the Junior Trust is all of the land formerly owned by 10K, plus the position as Second Beneficiary under the Senior Trust. The latter interest is the vehicle through which 10K can complete the acquisition of the remainder of the Spurlock Property by continuing to service the Spurlock debt.

When a court grants rescission, it will do so on condition that, so far as possible, the opposing party is also restored to the *status quo ante* (i.e., both parties are put back into the position each occupied prior to the transaction being set aside). Accordingly, outside the Plan, if 10K ultimately elects rescission, and succeeds on the Rescission Claim, 10K would be required to pay the Debtor back all money expended by the Debtor in reliance on the transaction, with interest (the "Restitution Payment"). At a minimum,

the interest rate would be that provided under Arizona law for pre-judgment interest, which is currently 4.25% per annum. Arguably, the Debtor would be entitled to interest at the rate specified in the parties' contract of 12.5% per annum.

Under the worst-case scenario for 10K, the Restitution Payment would include the money the Debtor paid to Breycliffe, in addition to the money paid to service 10K's debt to Spurlock, to retire 10K's debt to Citibank, and to enhance the value of the property, all with interest at 12.5%. That payment would total $53,267,208. Attached as Exhibit 2 is a summary, and supporting detail, for this amount.

Under the best-case for 10K, the Restitution Payment would exclude the money paid to Breycliffe, and have interest calculated at the pre-judgment interest rate of 4.25%. In that case 10K would be required to pay the Debtor $23,789,791 before 10K could take title to the property. Attached as Exhibit 3 is a summary, and supporting detail, for this amount.

Under the Plan, in the event 10K elects rescission, the the Restitution Claim payable to the Debtor is set at the minimum of $23,789,791, and the Debtor waives the right to any recovery above that amount. That sum, however, is further reduced by the amount of liens on the property not paid on the Effective Date: the claims of Class 1 (the KPHV Claim), Class 2 (the 10K Judgment Claim), and Class 9 (the property tax claim). The net amount payable to the Debtor, estimated at $_____, will be payable under the terms of a note (the "Restitution Note") and deed of trust against the Sun Valley Property (the "Restitution Lien"), as described below.

The Class 2 Claim of 10K will be deemed satisfied by the off-set against the Restitution Claim. The other two claims will be paid in full from (1) the payment otherwise due the Debtor on satisfaction of the Restitution Note, or (2) funds otherwise due the Debtor from any sale of property by 10K prior to maturity of the Restitution Note.

The Restitution Note will bear interest at the rate of 7% per annum, and have a term of two years from the Effective Date. The note will have no pre-payment penalty, and all principal and accrued interest will be due at maturity – i.e., there will be no required payments of principal or interest prior to maturity.

The Restitution Lien will secure payment of the Restitution Note, and will encumber all of the Sun Valley Property, behind the Class 1, Class 2, and Class 9 Claims as to Tract A, behind the Class 5 and Class 9 Claims as to Tract B, and behind only the Class 9 Claim as to Tract C. The Restitution Lien will allow sales of the Sun Valley Property prior to maturity, free and clear of the Restitution Lien, upon payment to the Debtor of a "release price" equal to $8,000 per acre of property being sold from Tracts A or C, and $3,000 per acre of property being sold from Tract B. Any unpaid balance on the Claims of Class 1, 2, or 9 existing at the time of such sale will be deducted from the release price otherwise payable to the Debtor.

Treatment Under Option B. If 10K elects Option B, the Plan provides that the Damages Claim will be resolved in the Arizona Litigation, and the Rescission Claim will be extinguished. With the Rescission Claim extinguished, the Debtor will be in the position to fund its on-going obligation through financing secured by the Real Property, or through sales of the Real Property.

Post-Petition Operations

Since the Petition Date, the Debtor has continued to operate the business as a "debtor-in-possession" under Sections 1107(a) and 1108 of the Bankruptcy Code. The Debtor has obtained Post-Petition Debtor-in-Possession financing. The Debtor has filed monthly operating reports that detail its financial condition, as required by the Bankruptcy Code.

The U.S. Trustee has not appointed an Official Committee of Unsecured Creditors.

10K, LLC has filed a Motion to Dismiss. (DE# 60) The Court scheduled an initial hearing on the original Plan of Reorganization on December 13, 2012. Ballots were received, indicating the Debtor did not have an impaired class of creditors voting in favor of the Plan. The Debtor committed to filing an Amended Plan of Reorganization, which occurred on January 24, 2013, followed by the filing of the present Plan on August 27, 2013. The Debtor believes there are now impaired classes of creditors who will vote in favor of the Plan.

Separately, 10K, LLC filed a Motion for Relief from Automatic Stay at Docket #140. The Debtor has filed a Response at Docket #156. The court granted that motion at Docket # ___. 10K, LLC has also filed a Motion to Stay Adjudication of Debtor's Objection to Proof of Claim at Docket #158. That motion was denied as moot.

The Court also has granted the Debtor's Motion to Borrow Monies. The Court signed the Order granting that Motion on December 20, 2012 at Docket #157.

Retention of Professionals

On May 17, 2012, the Bankruptcy Court entered an order authorizing the Debtor to retain Michael W. Carmel, Ltd. as bankruptcy and reorganization counsel. The Court has also approved the employment of two (2) separate special counsel (DE #s 39 & 83), and a real estate broker (DE# 76). No other professionals have been retained.

Bar Date for Filing Proofs of Claims

On May 17, 2012, the Bankruptcy Court entered an order setting the bar date for filing proofs of claims as **July 6, 2012**. Regardless of whether your claim is listed on the Debtor's Bankruptcy Schedules or whether your claim is listed as disputed, contingent, unliquidated, or unknown, or you disagree with the amount of the listed claim, or whether you are asserting a claim against any alleged assets of the Estate in any adversary proceeding, **YOU MUST HAVE FILED A PROOF OF CLAIM IN THIS CASE OR BE FOREVER BARRED FROM RECEIVING A DIVIDEND FROM THE ESTATE.**

A copy of the Claims Register is attached as Exhibit 2. The Debtor has filed an Objection to the 10K, LLC Claim.

Debtor's Assets

The Debtor's Bankruptcy Schedules reflect assets in excess of $110,000,000.00. There are three (3) separate Tracts of Land. Tract A is held in fee title. The Title Tracts B & C are held through two (2) separate Trusts-First American Title Trust #'s 8435 and

8436. The total amount of acreage between Tracts A, B & C aggregates to more than 13,260. Under the Plan, the Real Property will be sold pursuant to either 11 U.S.C. § 363 (while the bankruptcy proceedings are pending), or post-confirmation in the normal course of the debtor's business operations

The Debtor's Bankruptcy Schedules reflect liabilities of approximately $58,000,000.00

Brief Explanation of Chapter 11 Reorganization

The Debtor is being reorganized pursuant to the Plan that is proposed under Chapter 11 of the Bankruptcy Code ("Chapter 11"). Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and equity holders. Confirmation of a Plan of Reorganization is the principal objective of a Chapter 11 case.

In general, a Chapter 11 Plan of Reorganization (a) divides Claims into separate Classes; (b) specifies the property that each Class is to receive under the Plan; and c) contains other provisions necessary to the reorganization of the Debtor. A Chapter 11 Plan of Reorganization may provide that certain Classes of Claims are either: (i) to be paid in full upon the effective date of the plan; (ii) reinstated; or (iii) their legal, equitable and contractual rights are to remain unchanged by the reorganization or liquidation effectuated by the plan. These Classes are referred to under the Bankruptcy Code as unimpaired and, because of such favorable treatment, are deemed to accept the plan. Accordingly, it is not necessary to solicit votes from the holders of Claims in such unimpaired Classes. A Chapter 11 plan may also provide that certain Classes will not receive any distributions of property. Such Classes are deemed to reject the plan.

All other Classes of Claims contain impaired Claims. An impaired Class is generally a Class which will receive something less than their Claim under the plan of reorganization. Before a plan can be confirmed by the Bankruptcy Court, Chapter 11 generally requires that each impaired Class of Claims votes to accept a plan. Acceptances must be received from the holders of Claims constituting at least two-thirds in dollar amount and more than one-half in number of the allowed Claims in each impaired Class of Claims that have voted on the plan. However, even if an impaired Class rejects the plan, the Bankruptcy Court may confirm the plan if certain minimum treatment standards are met with respect to such Class or Classes. This is discussed in this Disclosure Statement under the Section heading "Confirmation Without Acceptance by All Impaired Classes". Classes that receive nothing are deemed to reject the Plan.

Chapter 11 does not require each holder of a Claim to vote in favor of a plan of reorganization in order for the Bankruptcy Court to confirm the Plan. However, the Bankruptcy Court must find that the Plan meets a number of tests (other than the voting requirements described in this section) before it may confirm, or approve, the Plan. Many of these tests are designed to protect the interests of holders of Claims who do not vote to accept the Plan but who will nonetheless be bound by the Plan's provisions if it is confirmed by the Bankruptcy Court.

Preserved Claims

The Parties are referred to §8.9 of the Plan for a description of the claims which are being preserved for future prosecution/collection.

Solicitation of Acceptance of the Plan

The Debtor is seeking acceptances of the Plan from holders of Allowed Claims classified in Classes 1, 3, 5, 6 and 9 which are the only Classes entitled to vote under the Plan. The remaining Classes are unimpaired, and therefore deemed to accept the Plan. If the requisite acceptances are received, the Debtor will use the acceptances as evidenced by the Ballots solicited in connection with this Disclosure Statement and the Solicitation Order to seek confirmation of the Plan under Chapter 11.

If any impaired Class is determined to have rejected the Plan in accordance with Section 1126 of the Bankruptcy Code, the Debtor may use the provisions of Section 1129(b) of the Bankruptcy Code to satisfy the requirements for confirmation of the Plan.

The Debtor believes that its Plan complies with applicable bankruptcy and non-bankruptcy law. The Debtor believes this Disclosure Statement contains adequate information for all holders of Impaired Claims to cast an informed vote to accept or reject the Plan. Furthermore, the Debtor believes the holders of Impaired Claims will obtain a greater recovery under the Plan than they would otherwise obtain if the Debtor's assets were immediately liquidated under Chapter 7 of the Bankruptcy Code.

If the Plan is confirmed by the Bankruptcy Court, each holder of an Impaired Allowed Claim will receive the same pro-rata consideration as other holders of Claims in the same Class, whether or not such holder voted to accept the Plan. Moreover, upon Confirmation, the Plan will bind all Creditors regardless of whether or not such Creditors voted to accept the Plan.

Classification of Claims and Equity Interests

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify Claims against a debtor. Under Section 1122 of the Bankruptcy Code, a plan must classify Claims into Classes that contain substantially similar Claims. The Plan divides the Claims of known Creditors into Classes and sets forth the treatment offered each Class. The Debtor believes it has classified all Claims in compliance with the provision of Section 1122 of the Bankruptcy Code, but it is possible that a Creditor may challenge such classification of Claims and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. If so, the Debtor intends, to the extent permitted by Bankruptcy Code and the provisions of the Plan, to amend or revoke the Plan and file an amended or different Plan that would make modifications to the classification of Claims required by the Bankruptcy Court for confirmation.

The Classes under the Plan take into account the differing nature and priority of Claims against the Debtor. Section 101(5) of the Bankruptcy Code defines Claim as a right to payment, whether or not such right is reduced to judgment, liquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured. A Claim against the Debtor also includes a Claim against the Debtor's property as provided in Section 102(2) of the Bankruptcy Code.

For the holder of a Claim to participate in a reorganization plan and receive the treatment offered to the Class in which it is classified, its Claim must be Allowed. Under the Plan, an Allowed Claim is defined as a Claim: (a) proof of which, requests for payment of which, or application for allowance of which, was filed or deemed filed on or before the Bar Date, Administrative Claim Bar Date, or the Professional Fee Bar Date, as

applicable, for filing proofs of claim or requests for payment of claims of such type against the Debtor; (b) if no proof of claim is filed, which has been or is ever listed by the Debtor in the Schedules as liquidated in amount and not disputed or contingent; or c) a Claim that is allowed in any contract, instrument, indenture, or other agreement entered into in connection with the Plan and, in any case, a Claim as to which no objection to its allowance has been interposed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court. Any Claim to which an Objection is filed is not an allowed claim until a court of competent jurisdiction has entered a final, no-appealable order.

Implementation of the Plan

The Debtor shall be responsible for administering and implementing the Plan, including, but not limited to making Distributions pursuant to the Plan. The Plan will be implemented by using (1) cash on hand; (2) proceeds from the Sale of any Property; (3) proceeds from any subsequent sale(s) of Property; (4) DIP Loan Proceeds; and (5) infusions of equity, if necessary. The Debtor believes that it will have sufficient cash on hand to meet all the Plan's obligations. The debtor's best projections are this figure will be no less than $300,000 (for attorneys' fees), and perhaps as much as $800,000-if the January 15, 2013 payment is factored, as well as additional expenses.

Management of the Reorganized Debtor

Subject to the provisions of the Plan, and in accordance with Section 1123(b)(3)(B) of the Bankruptcy Code, Lee Allen Johnson is the designated representative of the Reorganized Debtor. Subject to the provisions of the Plan, Mr. Johnson will have the power to take any and all such actions as are, in his judgment, necessary to fulfill its obligations under the Plan.

Distributions

On the Distribution Date, or as soon thereafter as practical, the Debtor shall effect a Distribution to holders of Allowed Claims that, as of the date of the Distribution, have not otherwise been paid or satisfied in accordance with the Plan.

Limitations on Members' Liability

Subject to applicable law, no Member shall be liable for any act or omission in carrying out the Plan except for such act or omission arising from such Person's gross negligence, willful fraud or other willful misconduct.

Description of Other Provisions of the Plan

Executory Contracts

Except for the grazing lease on the property, the Debtor is not a party to any executory contracts. The bankruptcy Court will retain jurisdiction to resolve any disputes regarding executory contracts.

Indemnification Obligations The obligations of the Debtor to defend, indemnify, reimburse, or limit the liability against any claims or obligations of their present and former directors, officers or employees who served as directors, officers and employees, respectively, on or after the Petition Date, pursuant to the Debtor's certificate of incorporation or bylaws, applicable state law or specific agreement, or any combination of the foregoing, shall survive confirmation of the Plan, remain unaffected thereby, and not be discharged, irrespective of whether indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before, on or after the Petition Date.

Post-Effective Date Distributions

Distributions made after the Effective Date to holders of Claims that are not Allowed Claims as of the Effective Date, but which later become Allowed Claims, shall be deemed to have been made on the Effective Date. Notwithstanding any provision in any contract or other document that may relate to a Claim, all Distributions made pursuant to the Plan shall be made as if paid on the Initial Distribution Date, without the additional accrual of interest, fees or penalties.

Discharge

Except as provided in the Plan or the Confirmation Order, the rights afforded under the Plan and the treatment of Claims under the Plan are in exchange for and in complete satisfaction, discharge, and release of, all Claims including any interest accrued on Administrative Expense Priority Claims and General Unsecured Claims from the Petition Date. Except as provided in the Plan or the Confirmation Order, confirmation of the Plan: (a) discharges the Debtor from all Claims or other debts that arose before the Confirmation Date, and all debts of the kind specified in Sections 502(g), 502(h) or 502(I) of the Bankruptcy Code, whether or not: (i) a proof of claim based on such debt is filed or deemed filed under Section 502 of the Bankruptcy Code; (ii) a Claim based on such debt is Allowed under Section 502 of the Bankruptcy Code; or (iii) the holder of a Claim based on such debt has accepted the Plan.

Injunction

Except as provided in the Plan or the Confirmation Order, as of the Confirmation Date, all entities that have held, currently hold or may hold a Claim or Interest or other debt or liability that is discharged are permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts or liabilities: (a) commencing or continuing in any manner any action or other proceeding against the Debtor (including any officer or director acting as a representative of the debtor) or property of the Debtor; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtor or property of the Debtor; (c) creating, perfecting, or enforcing any lien or encumbrance against the Debtor or property of the Debtor, including; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability, or obligation due to the Debtor; and

(e) commencing or continuing any action, in any manner, in any place, that does not comply with or is inconsistent with the provisions of the Plan or the Bankruptcy Code.

Preservation of Insurance

The Debtor's discharge and release from Claims as provided in the Plan, except as necessary to be consistent with the Plan, do not diminish or impair the enforceability of any insurance policy that may cover Claims against the Debtor or any other Person.

Section 1146 Exemption

In accordance with Section 1146(c) of the Bankruptcy Code: (a) the distribution, transfer, or exchange of Estate property; (b) the creation, modification, consolidation, or recording of any deed of trust or other security interest, the securing of additional indebtedness by such means or by other means in furtherance of, or connection with, the Plan or the Confirmation Order; (c) the making, assignment, modification, or recording of any lease or sublease; or (d) the making, delivery, or recording of a deed or Order, or any transaction contemplated above, or any transactions arising out of, contemplated by, or in any way related to, the foregoing shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act or real estate transfer act, mortgage recording tax or other similar tax or governmental assessment and the appropriate state or local government officials or agents shall be directed to forego the collection of any such tax or assessment and to accept for filing or recordation any of the foregoing instruments or other documents without payment of any such tax or assessment.

Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection with the Plan, the Debtor shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all Distributions under the Plan remain subject to any such withholding and reporting requirements. The Debtor shall be authorized to take all actions necessary to comply with such withholding and recording requirements. Notwithstanding any other provision of the Plan, each holder of an Allowed Claim that has received a Distribution of Cash, shall have sole and exclusive responsibility for the satisfaction or payment of any tax obligation imposed by any governmental unit, including income, and other tax obligation on account of such Distribution. For tax purposes, Distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest.

Full and Final Satisfaction and Penalties and Fines

In accordance with the Plan, all payments and all distributions are in full and final satisfaction, settlement, release, and discharge of all Claims and Equity Interests, except as otherwise provided in the Plan.

Except as expressly provided for in the Plan, no distribution shall be made under the Plan on account of, and no Allowed Claim (whether Secured, Unsecured, Priority or Administrative) shall include any find, penalty, or exemplary or punitive damages relating to or arising from any default or breach by the debtor, and any claim on account of such fine, penalty, or exemplary or punitive damages shall be deemed to be disallowed, whether or not an objection is filed to such Claim.

Impaired Classes to Vote

Each holder of a Claim in an impaired Class shall be entitled to vote separately to accept or reject the Plan unless such holder is deemed to reject the Plan.

Acceptance by Class of Creditors and Holders of Interest

An impaired Class of holders of Claims shall have accepted the Plan if the Plan is accepted by at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class that have voted to accept or reject the Plan. A class of holders of Claims shall be deemed to accept the Plan in the event that no holder of a Claim within that Class submits a Ballot by the Voting Deadline.

Cramdown

If any impaired Class of Claims entitled to vote does not accept the Plan by the requisite statutory majorities provided in Section 1126(c) or 1126(d) of the Bankruptcy Code as applicable, or if any impaired Class is deemed to have rejected the Plan, the Debtor reserves the right to request that the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code and to amend the Plan, in accordance with the applicable provisions of the Plan governing amendments or modifications, to the extent necessary to obtain entry of the Confirmation Order.

Disbursement of Funds

Any payment of Cash required to be made under the Plan will be made by check drawn on a domestic bank or by wire transfer from a domestic bank at the election of the Person making such payment. Any payment or distribution required to be made under the Plan on a day other than a Business Day will be made on the next succeeding Business Day, without interest.

From and after the Effective Date, the Debtor may litigate to Final Order, propose settlements of, or withdraw objections to, all pending or filed Disputed Claims or Litigation Claims and may settle or compromise any Disputed Claim or Litigation Claim without notice and a hearing and without approval of the Bankruptcy Court.

Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court retains broad jurisdiction over the Chapter 11 case after the Effective Date, to the extent legally permissible.

Amendment of the Plan

At any time before the Confirmation Date, the Debtor may alter, amend, or modify the Plan under Section 1127(a) of the Bankruptcy Code provided that such alteration, amendment, or modification does not materially or adversely affect the treatment and rights of holders of Claims or Interests under the Plan. After the Confirmation Date and before substantial consummation of the Plan as defined in Section 1101(2) of the Bankruptcy Code, the Debtor may, under Section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do not materially and adversely affect the treatment of holders of Allowed Claims under the Plan; provided, however, that prior notice of such

proceedings shall be served in accordance with the Bankruptcy Rules or applicable order of the Bankruptcy Court.

Revocation or Withdrawal of the Plan

The Debtor reserves the right to revoke or withdraw the Plan at any time before the Confirmation Date. If the Plan is withdrawn or revoked, then the Plan shall be deemed null and void and nothing contained in the Plan shall be deemed a waiver of any Claims by or against the Debtor or any other person in any further proceedings involving the Debtor or an admission of any sort, and the Plan and any transaction contemplated by the Plan shall not be admitted into evidence in any proceeding.

Post-Confirmation Fees

The Debtor will be responsible for the payment of any fees payable to the Office of the United States Trustee for the Debtor after Confirmation, consistent with applicable provisions of the Bankruptcy Code, Bankruptcy Rules, and 28 U.S.C. Section 1930(a)(6). The Debtor plans to seek an order closing the case as soon as it is substantially consummated, without the burden of ongoing fees assessed against all the Reorganized Debtor's expenditures.

The Debtor estimates that it will incur at least $100,000 in attorneys' fees to implement the Plan, once it is confirmed. These fees would be incurred primarily to represent the debtor on any appeals as well as claims objections.

Conditions to Confirmation and Effective Date

Conditions to Confirmation. The following are conditions precedent to confirmation of the Plan:

- The Bankruptcy Court shall have entered a Final Order approving the Disclosure Statement with respect to the Plan;
- The Confirmation Order has been entered in form and substance reasonably acceptable to the Debtor and the Creditors' Committee, and contains specific provisions as set forth in the Plan.
- Conditions to Effectiveness: The following are conditions precedent to the : occurrence of the Effective Date:
    - The Confirmation Date has occurred;
    - The Confirmation Order is a Final Order, except that the Debtor reserves the right to cause the Effective Date to occur notwithstanding the pendency of an appeal of the Confirmation Order, under circumstances that would render moot such an appeal;

- No request for revocation of the Confirmation Order under Section 1144 of the Bankruptcy Code has been made, or, if made, remains pending;

- The Bankruptcy Court, in the Confirmation Order, has approved the retention of jurisdiction provisions of the Plan; and

- All documents necessary to implement the transactions contemplated by the Plan are made in form and substance reasonably acceptable to the Debtor and the Creditors' Committee.

- ***Waiver of Conditions***. The conditions to confirmation and the Effective Date may be waived in whole or in part by the Debtor at any time without notice, an order of the Bankruptcy Court, or any further action other than proceeding to confirmation and consummation of the Plan.

ACCEPTANCE AND CONFIRMATION OF THE PLAN

The following is a brief summary of the provisions of the Bankruptcy Code relevant to acceptance and confirmation of a plan of reorganization. Holders of Claims are encouraged to review the relevant provisions of the Bankruptcy Code with their own attorneys.

Acceptance of the Plan

This Disclosure Statement is provided in connection with the solicitation of acceptances of the Plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a Class of Claims as acceptance by holders of at least two-thirds (2/3) in dollar amount, and more than one-half (1/2) in number, of the Allowed Claims of that Class that have actually voted or are deemed to have voted to accept or reject a plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a Class of interests as accepted by at least two-thirds in amount of the allowed interests of that Class that have actually voted or are deemed to have voted to accept or reject a plan.

If one or more impaired Classes reject the Plan, the Debtor may, in its discretion, nevertheless seek confirmation of the Plan if the Debtor believes that the requirements of Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan (which are summarized below) will be met, despite the lack of acceptance by all Impaired Classes.

Confirmation

Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. Notice of such hearing is being provided to all known holders of Claims or Interests or their respective representatives along with this Disclosure Statement. The hearing may be adjourned from time to time by

the Bankruptcy Court without further notice except for an announcement of the adjourned date made at such hearing or any subsequent adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be in writing, must conform with the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, must set forth the name of the objecting party, the nature and amount of Claims or Equity Interests held or asserted by that party against the Debtor's Estate or property, and the specific basis for the objection. Such objection must be filed with the Bankruptcy Court, with a copy forwarded directly to the chambers of the Honorable Randolph J. Haines, together with a proof of service, and served on all parties and by the date set forth on the notice of the confirmation hearing in accordance with the Local Rules of the Bankruptcy Court.

Statutory Requirements for Confirmation of the Plan

At the confirmation hearing, the Debtor will request the Bankruptcy Court determine that the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If the Bankruptcy Court so determines, the Bankruptcy Court will enter an order confirming the Plan. The applicable requirements of Section 1129 of the Bankruptcy Code are as follows:

- The Plan must comply with the applicable provisions of the Bankruptcy Code;
- The Debtor must have complied with the applicable provisions of the Bankruptcy Code;
- The Plan must have been proposed in good faith and not by any means forbidden by law;
- Any payment made or promised to be made by the Debtor under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection with the Plan, must have been disclosed to the Bankruptcy Court, and any such payment made before Confirmation of the Plan must be reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment must be subject to the approval of the Bankruptcy as reasonable;
- The Debtor must have disclosed the identity and affiliates of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the Debtors under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, must be consistent with the interests of holders of Claims and with public policy, and the Debtor must have disclosed the identity of any insider that the Debtor will employ or retain, and the nature of any compensation for such insider;
- Best Interests of Creditors Test: With respect to each Class of Impaired Claims, either each holder of a Claim of such Class must have accepted the

Plan, or must receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount such holder would receive or retain if the Debtor was liquidated on such date under Chapter 7 of the Bankruptcy Code. In a Chapter 7 liquidation, creditors and interest holders of a debtor are paid from available assets generally in the following order, with no lower Class receiving any payments until all amounts due to senior Classes have either been paid in full or payment in full is provided for: (i) first to secured creditors (to the extent of the value of their collateral); (ii) next the Chapter 7 trustee's and his attorney's fees and expenses, and other liquidation costs; (iii) next to priority creditors; (iv) next to unsecured creditors; (v) next to debt expressly subordinated by its terms or by order of the Bankruptcy Court; and (vi) last to holders of equity interests. The Debtor's best estimates of values of assets and liabilities are set forth herein. The Debtor has attached a Liquidation Analysis which it believes satisfies the best Interests of Creditors test.

- Each Class of Claims must have either accepted the Plan or not be Impaired under the Plan;
    - Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Allowed Administrative and Priority Claims (other than Allowed Priority Tax Claims) will be paid in full on the Effective Date and that Allowed Priority Tax Claims will receive on account of such Claim's deferred Cash payment, over a period not exceeding six years after the date of assessment of such Claim, of a value, as of the Effective Date, equal to the Allowed amount of such Claim; and
        - At least one Impaired Class of Claim must have accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim of such Class.
        -

Confirmation Without Acceptance by All Impaired Claims

Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan, even if such plan has not been accepted by all impaired Classes entitled to vote on such plan, provided that such plan has been accepted by at least one Impaired Class. If any Impaired Classes reject or are deemed to have rejected the Plan, the Debtor reserves its right to seek the application of the requirements set forth in Section 1129(b) of the

Bankruptcy Code for Confirmation of the Plan despite the lack of acceptance by all Impaired Classes.

Section 1129(b) of the Bankruptcy Code provides that notwithstanding the failure of an Impaired Class to accept a plan of reorganization, the plan must be confirmed, on request of the plan proponent (in a procedure commonly known as **Cramdown**), so long as the plan does not discriminate unfairly and is fair and equitable with respect to each Class of Impaired Claims or Interests that has not accepted the plan.

The condition that a plan by fair and equitable with respect to a rejecting Class of Secured Claims includes the requirements that (a) the holders of such Secured Claims retain the liens securing such Claims to the extent of the allowed amount of the Claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan, and (b) each holder of a Secured Claim in the Class receives deferred cash payments totaling at least the allowed amount of such Claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens.

The condition that a plan be fair and equitable with respect to a rejecting Class of Unsecured Claims or a rejecting Class of Interests includes the requirement that either (a) such Class receive or retain under the plan property of a value as of the effective date of the plan equal to the allowed amount of such Claim or Interest, as the case may be, or (b) if the Class does not receive such amount, no Class junior to the non-accepting Class will receive a payment distribution under the plan.

CERTAIN INCOME TAX CONSEQUENCES

SUBSTANTIAL UNCERTAINTY EXISTS WITH RESPECT TO THE TAX CONSEQUENCES OF THE PLAN. NO RULINGS HAVE BEEN REQUESTED FROM THE INTERNAL REVENUE SERVICE WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. THEREFORE, EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT HIS OWN TAX ADVISOR REGARDING SUCH FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES.

RISK FACTORS

In this section, the Debtor has attempted to identify the potential material risks of the Plan. **CREDITORS SHOULD CONSIDER CAREFULLY THE FOLLOWING FACTORS, IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, BEFORE SUBMITTING A VOTE TO ACCEPT OR REJECT THE PLAN.**

Fluctuations in the Value of Debtor's Business

The current value assigned to the Debtor's assets is uncertain, may not remain constant, and may decline over time due to a variety of factors including a downturn in the general economy of the United States or the economics of the potential customers of the Debtor. A disruption or continued downturn in the economy could make it more difficult, or impossible, for the Debtor's product to be sold at a favorable price. In addition, the projections on which these valuations are based could also prove to be incorrect. It is important to remember that the value assigned to a business is in many cases difficult to predict and involve uncertainty.

Risk of Non-Confirmation of the Plan

Although the Debtor believes the Plan will satisfy all requirements necessary for confirmation by the Court, there can be no assurance that the Court will reach the same conclusion. Amendments to the Plan may also be required by the Court for confirmation, and these amendments could adversely affect the Creditors' rights to receive distributions under the Plan. Any amendment may also necessitate the re-solicitation of votes. If the Plan is not confirmed, a fire sale (i.e., immediate liquidation) of the Debtor's assets may occur. While a fire sale of the Debtor's assets would likely yield less than the value of the business as a going concern in accordance with the Plan, the range of estimated recoveries in either case is subject to variation based upon market conditions and other factors that are beyond the Debtor's control.

10K believes additional risk factors are as follows:

- The Debtor may not be able to extend the maturity date of the Senior Trust to 2017 because it is not a party to the senior Trust
- WVSV may not generate sufficient revenue to pay a $417 Million Claim to the Class 6 Creditor. The Debtor has objected to the Class 6 Claim, and believes it is an outrageous figure, and has little or no merit.
- WVSV may not be able to secure third party financing. 10K has opposed two (2) separate efforts by the Debtor to obtain such financing.
- 10K asserts the Debtor's ownership of the Property is subject to claims of constructive trust and rescission. 10K did not file a *lis pendens* on the Property, and WVSV therefore believes 10K has lost any right(s) to assert these claims. The Debtor believes this will be resolved in the bankruptcy proceedings.
- 10K disputes that holders of the Class 5 claim hold "claims" against the debtor within the meaning of 11 U.S.C. §101(5). 10K also asserts the Court lacks jurisdiction to alter the rights of the Parties to the Senior Trust.

ALTERNATIVES TO THE PLAN

If the Plan is not timely confirmed, the most likely alternative is either (1) a sale of the debtor's assets, or (2) a Chapter 7 liquidation proceeding. A sale is fraught with a multitude of issues, such as the lease of where the debtor currently conducts its operations, and the lease of a substantial amount of the debtor's equipment. In a Chapter 7 liquidation proceeding, a Chapter 7 trustee would be appointed by the Bankruptcy Court to oversee the liquidation of the Debtor's assets. Such trustee would be entitled to retain a new set of professionals, including lawyers and accountants, to review and analyze all of the Claims and the Debtor's assets. In addition, the Chapter 7 trustee would be entitled to request a fee equal to 3% of all distributions made to the Creditors. The Debtor believes that the conversion to a Chapter 7 liquidation proceeding and the appointment of a new trustee and new estate professionals would substantially increase professional fees and result in further delays and a reduction in distributions. A copy of the Liquidation Analysis is attached as **Exhibit 7.**

The Debtor has explored various alternative scenarios, including the scenarios described above, and believes the Plan enables the holders of Claims to realize the maximum recovery under the circumstances. The Debtor believes the Plan is the best plan that can be proposed and serve the best interests of the Debtor and other parties-in-

interest. However, 10K believes that creditors should be informed a neutral third party, such as a Chapter 7 Trustee overseeing administration of the estate, may provide a better alternative to creditors, and should not be minimized.

RECOMMENDATION AND CONCLUSION

The Debtor has analyzed different scenarios and believes the Plan will provide the opportunity for the Debtor. In this manner the business will move forward and create value. Any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in potentially less successful emergence from bankruptcy and ultimately liquidation. Accordingly, the Debtor recommends confirmation of the Plan and urges all holders of Impaired Claims to vote to accept the Plan and to indicate acceptance by returning their Ballots so as to be received by no later than the Voting Deadline.

RESPECTFULLY SUBMITTED this 27th day of August, 2013.

WVSV Holdings, LLC
By: West Valley Ventures, LLC
Its: Manager

By: /s/ Lee Allen Johnson
Its: Manager

COPY of the foregoing served by electronic mail this 27th day of August, 2013, to:

US Trustee
230 North First Avenue
Phoenix, Arizona 85003

Michael McGrath, Esq.
David Hindman, Esq.
MESCH CLARK & ROTHSCHILD, PC
259 N. Meyer
Tucson, AZ 85701-1090

William Novotny, Esq.
MARISCAL WEEKS MCINTYRE & FRIEDLANDER
2901 N. Central Avenue, Suite 100
Phoenix, AZ 85012

Bradley Stevens, Esq.
JENNINGS STROUSS & SALMON, P.C.
One E. Washington St., Suite 1900
Phoenix, AZ 85004-2554
Attorneys for KPHV

S. Cary Forrester, Esq.
FORRESTER & WORTH, PLLC
3636 N. Central Ave., Suite 700
Phoenix, AZ 85012

/s/ Sharon D. Kirby