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IN THE UNITED STATES BANKRUPTCY COURT
THE DISTRICT OF ARIZONA

In re:

BATAA/KIERLAND, LLC,

Debtor.

Chapter 11 Proceedings

Case No. 2-11-BK-05850-RJH

**DISCLOSURE STATEMENT RELATING
TO PLAN OF REORGANIZATION
DATED JUNE 7, 2011**

I. INTRODUCTION

BATAA/KIERLAND, LLC, debtor and debtor-in-possession in the above captioned bankruptcy case (“Debtor”), hereby submits to the Court and creditors of the Debtor’s estate the following “Disclosure Statement Relating to Plan of Reorganization Dated June 7, 2011” (the “Disclosure Statement”). This Disclosure Statement is submitted pursuant to 11 U.S.C. § 1125.

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

The purpose of this Disclosure Statement is to provide creditors and interested parties in this bankruptcy proceeding with such information as may reasonably be deemed sufficient to allow creditors and interested parties to make an informed decision regarding the Debtor’s “Plan of Reorganization Dated June 7, 2011” (the “Plan”).

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

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

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

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

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

20 The Bankruptcy Court will confirm the Plan if the requirements of §1129 of the Bankruptcy
21 Code are satisfied. The Bankruptcy Court must determine whether the Plan has been accepted by
22 each impaired Class entitled to vote on the Plan. Impaired Classes entitled to vote on the Plan are
23 those Classes of claims whose legal, equitable, or contractual rights are altered, as defined under
24 §1124 of the Bankruptcy Code. An impaired Class of claims is deemed to have accepted the Plan if
25 at least two-thirds (2/3) in amount of those claims who vote and more than one-half (1/2) in number
26 of those claims who vote have accepted the Plan. An impaired Class of interests is deemed to have
27 accepted the Plan if the Plan has been accepted by at least two-thirds (2/3) in amount of the allowed
28 interests who vote on the Plan.

1 Even if each Class of creditors does not accept the Plan, the Plan can be confirmed under
2 §1129(b) of the Bankruptcy Code, so long as one impaired Class of creditors accepts the Plan. This
3 is referred to as the “cram down” provision of the Bankruptcy Code. The failure of each Class to
4 accept the Plan could very well result in a conversion of this case to Chapter 7 or dismissal of the
5 Chapter 11.

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

8 **II. DEFINITIONS**

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

11 **III. THE DEBTOR, BACKGROUND, AND EVENTS PRECIPITATING THE** 12 **CHAPTER 11**

13 **A. Background**

14 The Debtor is an Arizona limited liability company that was formed in April 2001. The
15 Debtor’s sole member is Bataa Oil, Inc., a Colorado corporation. David J. Calvin and Anne Calvin
16 each hold a fifty percent interest in Bataa Oil, Inc.

17 The Debtor’s primary asset consists of a Class “A” office building known as Kierland
18 Corporate Center located at 7047 E. Greenway Parkway, in Scottsdale, Arizona (the “Property”).
19 The building is approximately 109,811 square feet. The Property is currently occupied by 7 tenants
20 in approximately 44,717 square feet of the building. Additionally, the Debtor has recently entered
21 into an agreement for lease of approximately 2,487 square feet of vacant space to commence on
22 July 1, 2011. The Property is managed by Calvin Enterprises, Inc. an established manager of
23 commercial real properties. David J. Calvin and Anne Calvin each hold a fifty percent interest in
24 Calvin Enterprises, Inc.

25 JMPCC 2007-CIBC 19 East Greenway, LLC (“JMPCC”) has asserted a claim against the
26 Debtor, allegedly secured by the Property, in the amount of approximately \$22.2 million. On or
27 about February 25, 2011, JMPCC initiated a lawsuit in the Maricopa County Superior Court against
28 the Debtor under the loan documents. Specifically, the complaint sought the appointment of a

1 receiver over the Property and damages for breach of contract. A trustee's sale of the Property was
2 scheduled for May 25, 2011. The Debtor filed its voluntary bankruptcy petition for purposes of (a)
3 staying the foreclosure proceeding, and (b) providing time to allow the Debtor to formulate a plan
4 of reorganization which will maximize distributions to all relevant parties.

5 **B. Operations**

6 The Debtor has operated, and intends to continue operating, the Property as a commercial
7 office building. The Debtor continues to receive income from tenants to pay for the ordinary and
8 necessary operating expenses of the Property, as well as any necessary repairs, from such income.
9 The Debtor and JMPCC have stipulated to the Debtor's use of JMPCC's asserted cash collateral
10 pursuant to a budget, which has been approved by the Court (the "Budget"). The Budget attached to
11 the *Second Interim Order Regarding the Debtor's Use of Cash Collateral* entered on April 27,
12 2011, reflects the current anticipated revenues and expenses relating to the Property. Additionally,
13 the Debtor continues to market and lease vacant space in the Property and to renew existing leases
14 when appropriate. The Debtor has recently entered into a 39-month lease agreement for 2,487
15 square feet of commercial space that is currently vacant. The lease will provide for additional
16 monthly revenue of approximately \$4,145 commencing in October, 2011.

17 In order to provide for efficient and productive operations, and to keep the Debtor's
18 business competitive, the Debtor intends to retain the same management team and structure that
19 existed pre-petition. The issues confronted by the Debtor that led to the bankruptcy filing were the
20 product of market changes and not the Debtor's management or its structure. Thus, a change in
21 management structure is not in the best interests of the Debtor or its creditors because the existing
22 structure is appropriate to meet the needs of the Debtor.

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

26 **C. Preferences and Fraudulent Conveyances**

27 To the extent that a preference or fraudulent conveyance occurred before the bankruptcy
28 filing, such transfer may be recoverable by the bankruptcy estate for the benefit of the estate under

1 §§ 544, 547, or 548 of the Bankruptcy Code. To date, no complaints have been filed under any of
2 these theories, and the Debtor is not currently aware of any causes of action for the recovery of
3 preferences or fraudulent conveyances. To the extent any such claims exist, they will be analyzed
4 for their potential value to the estate. These potential claims are specifically preserved for the
5 benefit of the bankruptcy estate. Any recovery that is obtained will be obtained for the benefit of
6 the estate.

7 **IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE**

8 **A. Administrative Proceedings**

9 The Debtor filed its Petition for Relief under Chapter 11 on March 9, 2011, and a first
10 meeting of creditors was held on April 12, 2011.

11 **B. Retention of Professionals**

12 The Debtor retained Polsinelli Shughart, P.C. ("PS") to act as its original bankruptcy
13 counsel. The Court signed an Order approving the retention of PS on March 28, 2011.

14 **C. Appointment of Unsecured Creditors Committee**

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

17 **D. Operating Reports**

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

20 **E. Other Bankruptcy Court Orders**

21 **1. Motion for Use of Cash Collateral**

22 The Debtor filed a motion to use the revenues generated by the Property, which JMPCC
23 asserts constitute its cash collateral, on March 9, 2011. Following a hearing held on March 22,
24 2011, the Court entered an agreed interim order authorizing the Debtor's use of the revenues
25 through to the continued hearing date of April 19, 2011.

26 JMPCC filed an objection to the use of its asserted cash collateral on April 15, 2011.
27 Following a hearing on April 19, 2011, the Court entered a second agreed interim order authorizing
28 the Debtor's use of the revenues through June 16, 2011. An evidentiary hearing on the Debtor's

1 motion is scheduled for June 16, 2011.

2 **2. Motion to Transfer Related Case**

3 On March 10, 2011, David J. Calvin filed a motion to transfer the Debtor's Chapter 11
4 bankruptcy proceedings, administered under Case No. 2:11-bk-05850-SSC, to the Honorable
5 Randolph J. Haines pursuant to Local Rule 1015-1(A), on the basis that the bankruptcy estates of
6 David Calvin and the Debtor are extremely intertwined. As discussed above, David Calvin has an
7 ownership interest in the entities that own and manage the Debtor. Calvin's primary source of
8 income and any future shareholder distribution is and will be derived from the operation of the
9 Debtor's Property. Consequently, any matters or claims that may arise in the Debtor's estate will
10 impact the Calvin estate. An Order transferring the case was entered on March 24, 2011.

11 **3. Motion to Approve Lease Agreement**

12 On May 26, 2011, the Debtor filed a motion seeking approval of a lease agreement with
13 Allied Energy, LLC for 2,487 square feet of commercial space that is currently vacant. The lease
14 agreement sought to be approved will create additional revenue for use in the reorganization
15 process and increase the value of the Debtor's property. The Debtor also sought the use of revenues
16 generated by the Property, which JMPCC asserts constitute its cash collateral, to pay for tenant
17 improvement expenses in the amount of approximately \$5,000 and to pay third party leasing
18 commissions in the total amount of \$9,000. The matter is currently pending before the Court.

19 **V. DESCRIPTION OF ASSETS AND LIABILITIES OF THE DEBTOR**

20 **A. Assets**

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

23 **1. Real Property** –Approximately \$6.5 million. This value assumes a long-
24 term garage lease from adjacent Kierland Corporate Center II which would place the Property in
25 compliance with city zoning regulations and allow the Property to be competitive within the
26 market.

27 In June 2008, the Kierland Corporate Center was split into two parcels, the subject
28 Property (Kierland Corporate Center I) was left with only 76 physically on-site parking spaces. The

1 combined parking for Kierland Corporate Centers I and II generates a parking ratio of 3.05 parking
2 spaces per 1,000 square feet of net rentable area ("NRA"). Applying the 3.05 parking ratio to the
3 76 on-site parking spaces computes to supporting a subject net rentable office area of only 24,900
4 square feet out of the existing 109,811 square feet. Therefore, 84,911 square feet of NRA are not
5 legally supported with parking spaces for tenants. In analyzing the negative impact of inadequate
6 parking, it is assumed that the plausible solution is to purchase or long-term lease the additional
7 required parking spaces from adjacent Kierland Corporate Center II. The executive summary of the
8 appraisal dated August 8, 2010, by NAI Horizon Valuation Services Group, is attached hereto as
9 Exhibit "A."

10 **2. Bank Accounts** – Approximately \$481,603.43 as of the Petition Date. The
11 Debtor has accumulated, and continues to accumulate, net cash from operations of the Property
12 since the Petition Date. The current amount of cash held by the Debtor is reflected in the most
13 recent Monthly Operating Report filed by the Debtor.

14 **3. Equipment and Office Furnishings** – The Debtor owns certain equipment
15 and office furnishings with an estimated value of less than \$20,000.

16 **4. Account Receivable** – The Debtor owns an account receivable from Anka,
17 LLC in the amount of \$28,541.91.

18 **5. Tenant Improvement** – The Debtor's Schedules list tenant improvements of
19 approximately \$1,002,273.24.

20 **B. Liabilities**

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

22 **1. Priority Claims**

23 The Debtor estimates sales taxes owed to the City of Phoenix in the
24 approximate amount of \$7,250.15.

25 **2. Secured Claims**

26 a. JMPCC asserts a claim in the approximate amount of \$22.2 million.
27 The claim is alleged to be secured by a lien on the Debtor's Property.
28

1 b. The County of Maricopa holds a claim for the second half of the 2010
2 real property taxes in the approximate amount of \$182,364, secured by a lien on the Debtor's
3 Property.

4 c. Bartels & Company holds a claim in the approximate amount of
5 \$5,000, secured by a cash retainer held by Bartels & Company.

6 d. The Joseph D. Annoreno holds a claim in the approximate amount of
7 \$5,000, secured by the Debtor's personal property.

8 **3. Tenant Security Deposits**

9 The claims by tenants for the return of tenant security deposits total approximately
10 \$43,464.75.

11 **4. Unsecured Claims**

12 The Debtor estimates the total amount of general unsecured claims, not including the
13 tenant security deposits or any deficiency claim of JMPCC, as approximately \$41,881.01.

14 **C. Administrative Expenses**

15 The Debtor's administrative expenses consist of the fees and costs of attorneys and other
16 professionals necessary to the Debtor's operations, bankruptcy case, and plan of reorganization.
17 The fees and costs of these professionals will not be precisely known until the Bankruptcy Case is
18 completed. However, as set forth below, the Debtor's professionals anticipate that either (a) the
19 retainers they presently have will be sufficient to cover the services they have rendered, and will
20 render, in the Bankruptcy Case, or (b) for those professionals that do not have retainers and will be
21 paid by some other manner, their projected anticipated fees and costs for their services will be
22 commensurate with their historical fees and costs incurred by the Debtor.

23 The Debtor's bankruptcy counsel is PS. PS is currently in possession of a retainer in the
24 amount of \$213,768. PS anticipates its fees will be less than the amount of the retainer. However,
25 to the extent that PS's fees and costs exceed the amount of the retainer, PS's fees and costs will
26 constitute administrative claims against the Debtor's Estate.

27 **VI. PLAN SUMMARY**

28 The following statements concerning the Plan are merely a summary of the Plan and are not

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

CLASSIFICATION OF CLAIMS AND INTERESTS.

A. Class 1: Priority Claims

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

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

B. Class 2: Secured Claims

1. Class 2-A consists of the Allowed Secured Claim of JMPCC 2007-CIBC 19 East Greenway, LLC.

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

3. Class 2-C consists of the Allowed Secured Claim of Bartels & Company.

4. Class 2-D consists of the Allowed Secured Claim of Joseph D. Annoreno.

C. Class 3: Tenant Security Deposits

Class 3 consists of Allowed Claims by tenants for the return of tenant security deposits held by the Debtor.

D. Class 4: Unsecured Claims

Class 4 consists of the Allowed Unsecured Claims of Creditors not otherwise treated in the Plan.

1 **E. Class 5: Interest Holders**

2 Class 5 consists of all Allowed Interests of Interest Holders.

3 **IMPAIRMENT OF CLASSES.**

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

6 **TREATMENT OF CLASSES.**

7 **A. Class 1: Priority Claims**

8 **1. Class 1-A: Administrative Claims**

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

15 **2. Class 1-B: Tax Claims**

16 This Class consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) – tax claims
17 which are not otherwise treated as secured claims herein. As provided in 11 U.S.C. §
18 1129(a)(9)(C), unless Claimants holding Claims in this Class agree to an alternative form of
19 treatment, the Allowed Priority Claims of Class 1-C shall be paid in full, in cash, on or before the
20 Effective Date, or, at the Debtor's option, such Allowed Claims shall be paid, on account of such
21 Allowed Claim, deferred cash payments, over a period not exceeding five years after the date of
22 assessment of such Claim, of a value, as of the Effective Date of the Plan, equal to the allowed
23 amount of such Claim. Any Class 1-C Claims not allowed as of the Effective Date shall be paid as
24 soon thereafter as they are allowed by the Court according to the terms of this Class. This Class is
25 not impaired.

26 **B. Class 2: Secured Claims**

27 **1. Class 2-A – Allowed Secured Claims of JMPCC 2007-CIBC 19 East**
28 **Greenway, LLC**

1 This Class consists of the Allowed Secured Claim of JMPCC 2007-CIBC 19 East
2 Greenway, LLC. ("JMPCC"). This Class is impaired.

3 The amount of JMPCC's Allowed Secured Claim shall be determined by the Court. The
4 remainder of JMPCC's Allowed Claim shall be treated as a general unsecured claim in Class 4.
5 The Debtor intends to pay JMPCC's Allowed Secured Claim in full, with interest at the Plan Rate,
6 over a period of seven years.

7 Specifically, the Debtor will execute and deliver to JMPCC a promissory note (the "New
8 Note") in the amount of JMPCC's Allowed Secured Claim. The New Note will mature and
9 become fully due and payable on the 7th anniversary of the Effective Date (the "Maturity Date").
10 During the initial 24 months of the term of the New Note, the Debtor will make monthly interest-
11 only payments to JMPCC at the Plan Rate. Thereafter, the Debtor shall pay monthly payments of
12 principal and interest until the Maturity Date based upon a twenty-five year amortization with
13 interest at the Plan Rate. The first interest payment will be made 30 days after the Effective Date
14 and each monthly payment thereafter will be made on the first business day of each month during
15 the term of the New Note.

16 Any remaining principal balance and any interest due under the New Note will be paid to
17 JMPCC on the Maturity Date. JMPCC will retain its existing lien on the Property, to the same
18 extent, and with the same validity and priority as it did pre-petition until the New Note has been
19 satisfied in full. At any time prior to the end of the term, the Debtor may pay the balance of the
20 New Note without penalty.

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

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

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

27 Commencing on the Effective Date, the Allowed Secured Claim of Maricopa County, if
28 any, will be paid in equal quarterly payments of principal and interest over a term of 2 years.

1 Interest will accrue and will be paid at the statutory rate plus 2%. The County will retain its
2 existing secured interest in the Property until this claim has been satisfied in full.

3 **3. Class 2-C –Allowed Secured Claim of Bartels & Company, LLC**

4 This Class consists of the Allowed Secured Claim of Bartels & Company, LLC (“Bartels &
5 Company”) in the amount of approximately \$5,000. This Class is impaired.

6 The Allowed Secured Claim of Bartels & Company shall be equal to the principal amount
7 of Bartels & Company’s claim reduced by twenty-five percent (25%). On the Effective Date of the
8 Plan, Bartels & Company shall be entitled to apply the collateral (consisting of a cash retainer) to
9 the Allowed Secured Claim. To the extent that the amount of the retainer is greater than Bartels &
10 Company’s Allowed Secured Claim, Bartels & Company shall deliver any excess funds to the
11 Debtor after application of the retainer to Bartels & Company’s Allowed Secured Claim.

12 **4. Class 2-E –Allowed Secured Claim of Joseph D. Annoreno**

13 This Class consists of the Allowed Secured Claim of Joseph D. Annoreno (“Annoreno”) in
14 the amount of approximately \$5,000.00, which is secured by personal property of the Debtor. This
15 Class is impaired.

16 Annoreno’s Allowed Secured Claim shall be limited to the value of his collateral as of the
17 Confirmation Date. The remainder of Annoreno’s Allowed Claim shall be treated as a general
18 unsecured claim in Class 4. The Debtor intends to pay Annoreno’s Allowed Secured Claim in full,
19 with interest at the Plan Rate, over a period of three (3) years. The first payment of principal and
20 interest will be made 30 days after the Effective Date, and each monthly payment thereafter will be
21 made on the first business day of each month during the term. Annoreno will retain his existing
22 lien on the collateral until Annoreno’s Allowed Secured Claim has been paid in full. At any time
23 prior to the end of the term, the Debtor may pay the balance of the Allowed Secured Claim without
24 penalty. Immediately upon payment, in full, Annoreno’s Allowed Secured Claim, and his secured
25 interest in the collateral, will be deemed satisfied, extinguished, released and discharged, in full.

26 **C. Class 3: Tenant Security Deposits**

27 This Class consists of all Allowed Unsecured Claims of tenants for pre-petition security
28 deposits held by the Debtor in the total aggregate amount of \$43,464.75. This Class is impaired.

1 The Reorganized Debtor shall retain its right and ability to determine whether and what
2 extent a tenant is entitled to the return of its security deposit pursuant to the terms of the lease
3 between the Debtor and the tenant and applicable state law. However, notwithstanding anything to
4 the contrary in the lease between the Debtor and its tenants or in applicable law, valid and
5 enforceable tenant security deposits will be paid to tenants within 60 days of the later of either (a)
6 the date that the Debtor determines the appropriate amount of the security deposit to be returned or
7 (b) the date the tenant vacates its premises. This 60 day delay is necessary in order to ensure that
8 the Debtor has sufficient funds on hand to return the security deposit to the tenant, either from the
9 cash flow of the Property or from an infusion of cash from one or more of the New Interest
10 Holders.

11 **D. Class 4: Unsecured Claims**

12 This Class consists of all Allowed Unsecured Claims of Creditors that are not specifically
13 treated elsewhere in the Plan (*e.g.*, this Class does not include claims of tenants for security
14 deposits, or any administrative or priority claims). This Class is impaired.

15 Holders of Allowed Unsecured Claims will share, *pro-rata*, in a distribution of the sum of
16 \$40,000 in cash (the “Unsecured Distribution Amount”) paid by the Reorganized Debtor from the
17 New Value contribution. Holders of Allowed Unsecured Claims will receive the first half of their
18 *pro rata* portion of the Unsecured Distribution Amount on the 90th day following the Effective
19 Date of the Plan and the second half on the 120th day following the Effective Date of the Plan. The
20 Interest Holders, or the Successful Bidder, if any, will contribute the Unsecured Distribution
21 Amount, as part of the New Value contribution, into an account created by the Reorganized Debtor
22 for the receipt of such funds (the “Unsecured Reserve Account”). Upon each Unsecured
23 Claimant’s receipt of its respective *pro rata* portion of the Unsecured Distribution Amount, its
24 Allowed Unsecured Claim shall be deemed paid and discharged in full.

25 **E. Class 5: Interest Holders**

26 Class 5 consists of all Allowed Interests of the Interest Holder in the Debtor. The Interest
27 Holder(s) will purchase the equity interests in the Reorganized Debtor by the contribution of cash
28 to the Reorganized Debtor in the total amount of \$240,000, payable in monthly payments of

1 \$10,000 for a period of twenty-four (24) months commencing thirty (30) days after the Effective
2 Date (*i.e.*, the New Value). The New Value will be used to:

- 3 (a) pay the amount necessary to pay all Class 1 Allowed Priority Claims as set forth above;
- 4 (b) pay the amounts to Maricopa County as set forth above, to the extent that the cash on
5 hand or cash flow from the Property is insufficient to pay the taxes;
- 6 (c) pay the Unsecured Distribution Amount of \$40,000;
- 7 (d) fund the Reserve Account to pay, as necessary, among other things, (1) interest-only
8 payments to JPMCC as set forth above and, debt service payments, to the extent that cash flow is
9 insufficient to make debt service payments, (2) tenant improvements, (3) broker's commissions,
10 and (4) other necessary and appropriate capital expenses of the Property to ensure that the value of
11 the Property is maintained.

12 If the Court determines that, under the circumstances, the New Value to be contributed by
13 the Interest Holder(s) is insufficient, or that other parties-in-interest should be allowed to bid for
14 the equity interests in the Reorganized Debtor, then other interested parties may bid for the equity
15 interests in the Reorganized Debtor by meeting all of the terms and conditions identified below.
16 Such bids shall be made pursuant to the following auction procedures and terms:

17 a. The auction ("Auction") of the equity interests in the Reorganized Debtor will be
18 held thirty days after the Confirmation Hearing, in the courtroom, with the Court presiding over
19 the bidding.

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

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

25 ii. The bidder must deposit \$50,000 in cash ("Deposit") with the Debtor's
26 counsel at least twenty-five days prior to the Auction. Any Deposits will be returned to any
27 unsuccessful bidder on the day following the Auction. The Deposit, plus any additional
28 amounts bid by the Successful Bidder at the Auction for the equity interests in the

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

3 iii. At least twenty-five days prior to the Auction, all bidders must provide
4 satisfactory evidence to the Debtor of their ability to make a cash payment to the Debtor,
5 on the Effective Date of the Plan, in the amount of no less than \$240,000. To the extent
6 that the Debtor contests the sufficiency of the evidence submitted regarding a bidder's
7 ability to pay such amount, the evidence will be presented to the Court at the Auction, prior
8 to bidding, and the Court will make a determination as to the sufficiency of the evidence
9 and whether the bidder should be deemed to be a Qualified Bidder.

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

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

26 c. All bids for the interests in the Reorganized Debtor shall be in increments of no less
27 than \$50,000.

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

the New Value to be contributed by the Interest Holder(s) as set forth above, the Qualified Bidder's bid must:

i. Exceed, by at least \$50,000, the Interest Holder(s)'s bid; and

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

e. The Interest Holder(s) shall have the right and ability to bid at the Auction.

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

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

MEANS FOR EXECUTING THE PLAN.

A. Funding

The Plan will be funded by the funds on hand, operations of the Property, and a capital infusion in the amount of the New Value by the Interest Holder(s) or the Successful Bidder, if an auction as described above is held.

B. Liquidation of Estate Property

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

C. Management

The Plan will be implemented by the retention of the Debtor's existing management. This implementation will also include the management and disbursement of the New Value infused by

the Interest Holders as set forth above and in accordance with the terms of this Plan.

D. Disbursing Agent

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

E. Documentation of Plan Implementation

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

F. New Obligations

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

VII. EFFECT OF CONFIRMATION.

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

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

confirmed, the only obligations of the Debtor shall be such New Obligations as provided for under the Plan.

VIII. OBJECTIONS TO AND ESTIMATIONS OF CLAIMS.

A. Objections and Bar Date for Filing Objections.

As soon as practicable, but in no event later than 90 days after the Effective Date, objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims to which objections are made pursuant to the Bankruptcy Code and the Bankruptcy Rules. Objections filed after such date will be barred.

B. Settlement of Claims.

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

C. Estimation of Claims.

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

D. Unclaimed Funds and Interest.

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

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

5 **IX. NON-ALLOWANCE OF PENALTIES AND FINES.**

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

11 **X. CLOSING OF CASE.**

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

18 **XI. MODIFICATION OF THE PLAN.**

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

27 **XII. JURISDICTION OF THE COURT.**

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

1 but not limited to, the following purposes:

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

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

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

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

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

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

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

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

26 **XIII. RETENTION AND ENFORCEMENT OF CLAIMS.**

27 Pursuant to § 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtors shall retain and
28 may enforce any and all claims of the Debtor, except those claims specifically waived herein. Any

1 retained causes of action include, but are not limited to, all avoidance actions, fraudulent
2 conveyance actions, preference actions, and other claims and causes of action of every kind and
3 nature whatsoever, arising before the Effective Date which have not been resolved or disposed of
4 prior to the Effective Date, whether or not such claims or causes of action are specifically
5 identified in the Disclosure Statement.

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

9 **XIV. EXECUTORY CONTRACTS AND UNEXPIRED LEASES.**

10 The Debtor hereby expressly assumes any and all tenant leases in existence as of the
11 Confirmation Date and all executory contracts listed in the Debtor's Schedules of Assets and
12 Liabilities. Every other executory contract and/or unexpired lease of the Debtor not expressly
13 assumed by this Plan is hereby rejected. Claims under § 502(g) of the Code arising as a result of
14 the rejection of executory contracts or unexpired leases shall be filed no later than 30 days after the
15 Confirmation Date. Any such Claims not timely filed and served shall be disallowed.

16 **XV. REVESTING.**

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

21 **XVI. LIQUIDATION ANALYSIS.**

22 If the Plan is not confirmed, and the Debtor's assets were liquidated instead, it is likely that
23 only the secured creditors would recover anything from such liquidation, and all other creditors will
24 not recover anything from the Debtor or the Debtor's Estate.

25 The Debtor's Plan provides a better recovery than such liquidation. Indeed, as opposed to
26 recovering nothing in the event of a liquidation, under the Plan, Allowed Unsecured Creditors will
27 share in a *pro rata* distribution of \$40,000. Thus, the Plan provides for a better recovery to creditors
28 than liquidation.

XVII. TAX CONSEQUENCES.

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

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

A. Tax Consequences to the Debtor

In general, pursuant to IRC Section 108, the amount of any debt of a corporation that is partially or totally discharged pursuant to a Title 11 bankruptcy case is excluded from gross income. According to IRC Section 108(b), the amount of debt discharge income ("DDI") that is excluded from gross income must be applied to reduce the tax attributes of the Debtor. The

Debtor's tax attributes are reduced in the following order: (1) net operating losses ("NOLs"); (2) general business credits; (3) minimum tax credit; (4) capital loss carryovers; (5) reduction in tax basis of the Debtor's property; (6) passive activity loss and credit carryovers; and (7) foreign tax credit carryovers. The Debtor may elect to apply the debt discharge exclusion first to depreciable property and thereafter to the tax attributes in the above-prescribed order.

B. Tax Consequences to the Secured and Unsecured Creditors

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

Each Holder of a secured claim or an unsecured claim is urged to consult with his, her, or its own tax advisor regarding the particular tax consequences of the treatment of his, her, or its claim under the Plan.

XVIII. DISCLAIMER.

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

XIX. RISKS.

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

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

The Debtor recommends that all creditors entitled to vote for the Plan do so. The Debtor's Plan will pay JMPCC the full amount of its Allowed Secured Claim and provide funds to pay unsecured creditors. The alternatives to confirmation of the Plan would be either conversion of this

1 case to a case under Chapter 7 of the Bankruptcy Code or its dismissal.

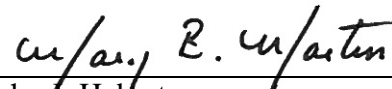
2 Dismissal of this case would result in the foreclosure of the Property by JMPCC. In such a
3 case, Unsecured Creditors will receive nothing on account of their claims.

4 Conversion will result in the appointment of a Chapter 7 trustee and, most likely, the hiring
5 of an attorney by the trustee. Expenses incurred in administering the Chapter 7 case would take
6 priority in the right to payment over allowed, administrative expenses incurred in the Chapter 11
7 case. Both Chapter 7 and Chapter 11 administrative expenses take priority over the payment of
8 unsecured claims without priority. In other words, conversion would likely decrease the net
9 amount available to pay currently existing creditors. The most likely effect of conversion of the
10 case to a Chapter 7 would be a foreclosure on the Property by JMPCC, and, as a result, Unsecured
11 Creditors would receive nothing.

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

14 DATED: June 7, 2011.

15 POLSINELLI SHUGHART PC

16 By: 
17 John J. Hebert
18 Mark W. Roth
19 Mary B. Martin
20 CityScape Plaza
21 One E. Washington., Suite 1200
22 Phoenix, AZ 85004

23 *Attorneys for Debtor*

24 BATAA/KIERLAND, LLC

25 By: _____
26 David J. Calvin
27 President of Bataa Oil, Inc. its Managing Member
28

COPY of the foregoing mailed (or served via
electronic notification if indicated by an “*”) on June 7, 2011, to:

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21 One E. Washington., Suite 1200
22 Phoenix, AZ 85004

23 *Attorneys for Debtor*

24 BATAA/KIERLAND, LLC

25 By: _____

26 David J. Calvin
27 President of Bataa Oil, Inc. its Managing Member
28

29 **COPY** of the foregoing mailed (or served via
30 electronic notification if indicated by an “*”) on June 7, 2011, to:

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2 230 N. 1st Avenue, Suite 204
3 Phoenix, AZ 85003
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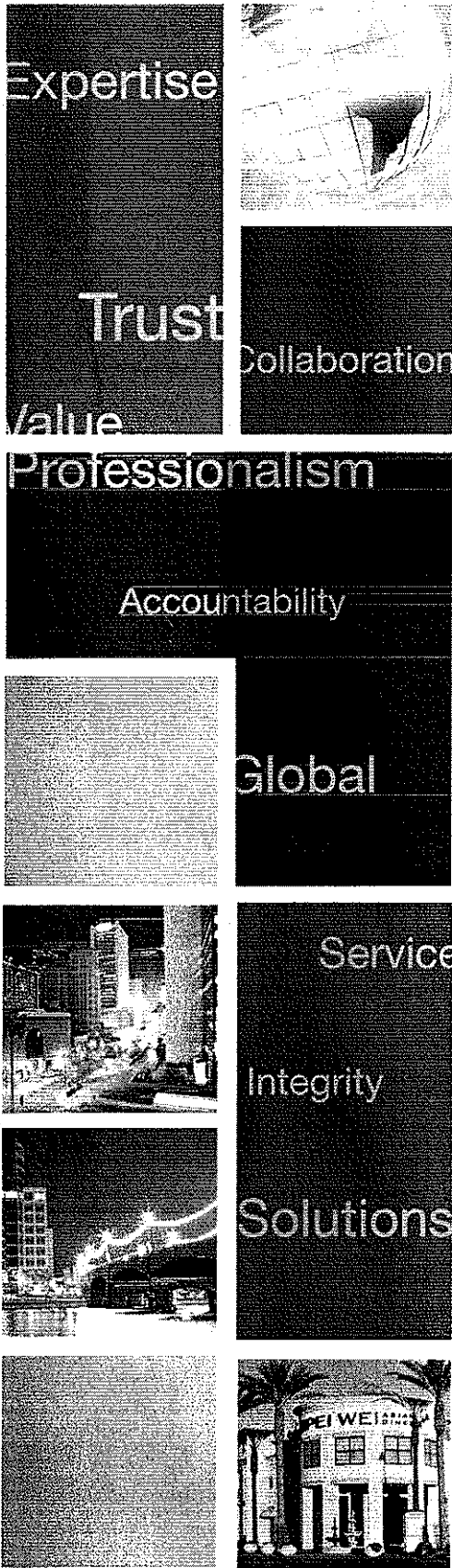
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14 By: /s/ Cathie Bernales
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EXHIBIT A



Kierland Corp. Center I
7047 E Greenway Pkwy.
Scottsdale, Arizona 85254

Prepared for:

Polsinelli Shughard, P.C.

3636 N Central Ave, Suite 1200

Phoenix, AZ 85012

Prepared by:

NAI Horizon Valuation Services Group

2944 N. 44th Street, Suite 220

Phoenix, AZ 85018

NAI Horizon

Valuation Services Group

EXECUTIVE SUMMARY

Common Property Name: **Kierland Corporate Center I**

Location: 7047 E Greenway Parkway
Scottsdale, Maricopa County, Arizona 85254

[The property has a Scottsdale mail address assigned by the U.S. Postal Service, but the property is located within the legal jurisdiction of the city of Phoenix re: public services, zoning, etc.]

Lot 1/Kierland Corporate Center I (the subject) is located one block west of Scottsdale Road and south of Greenway Boulevard.

Property Description: The subject is a four-story, multi-tenant, Class A office building with 109,811 square feet of net rentable area ("NRA") completed in 1999. The subject exhibits *functional obsolescence* as it only has 76 surface parking spaces physically located on-site available for its tenants. Existing parking does not adequately support Kierland Corporate Center I tenants unless additional parking is long-term leased from the adjoining Lot 2/Kierland Corporate Center II ("KCC II") to the south.

The 76 on-site parking spaces support only 24,900 square feet of subject NRA utilization based upon the combined Lot 1 and 2 parking ratio of 3.05 spaces per 1,000 square feet of combined NRA [KCC II is a three-story, Class A office building with 77,925 sq. ft. of NRA completed in 2008]. Therefore, 84,911 square feet of the subject's 109,811 NRA is legally *unparked* unless 259 parking spaces can be leased from the adjoining KCC II.

Assessor's Parcel Number: 215-58-043 in Maricopa County

Interest Appraised: Leased Fee Interest

Date of Value: August 8, 2010

Date of Inspection: August 8, 2010

Ownership: Bataa/Kierland, LLC

Current Property Taxes

Land and Improvement Value: \$14,001,266

Property Taxes: \$363,103

Occupancy: The type of tenants occupying the property can be characterized as professional office tenants. Occupancy as of the Date of Value is 82.66%, but two large tenants are moving out September 15th and 30th, 2010 totaling 36,701 square feet of

EXECUTIVE SUMMARY

NRA wherein the occupancy rate will drop to 49.23%.

<u>Tenant Name</u>	<u>Aug. 8, 2010 NRA</u>	<u>Sept. 31, 2010 NRA</u>	<u>Lease Expiration</u>
Bute Properties	2,283	2,283	Dec-10
Sacks Tierney, P.A.	11,937	11,937	Jan-10
West USA Reality, Inc.	8,609	8,609	Feb-10
Corporate Office Center Offices	14,499	14,499	N/Avail
Three Dimensional Res	4,672	4,672	Aug-10
AIG	8,725	<i>Moved out</i>	Sep-10
Bank of Amercia	6,091	6,091	Dec-10
Becker & House	2,745	2,745	Sep-10
Malcolm & Cisneros	3,228	3,228	Dec-10
Honeywell International	27,976	<i>Moved out</i>	Sep-10
Totals	90,765	54,064	
Percentage Occupied	82.66%	49.23%	
Total NRA	109,811		

Highest and Best Use

If Vacant: Office building development to the highest density possible

As Improved: As it is currently developed

Site & Improvements

Zoning: CP-GCP/PCD by the city of Phoenix

Land Area: 2.57 net acres or 111,949 net square feet

Number of Stories: 4 stories

Year Built: 1999

Type of Construction: Structural steel, concrete and glass

Gross Building Area: 112,030 square feet

Net Rentable Area: 109,811 square feet

Parking: 76 spaces (1.45:1,000 sq. ft. NRA) for Lot 1/Kierland Corporate Center I. Without adding additional parking, the subject suffers from *functional obsolescence*.

Adjacent KCC II (not a part of subject) has a total of 497 spaces of which 339 spaces are located in the basement garage. There are 158 surface parking spaces including 77 that are steel canopy covered. The parking ratio for KCC II on a stand-alone basis is a high 6.38 spaces per 1,000 square feet of NRA, so it is reasonable to assume that their owners could lease some of their

EXECUTIVE SUMMARY

parking to the subject tenants without moving out of compliance with zoning codes.

VALUE INDICATORS

Land Value: Not applicable

Cost Approach: Not applicable

Sales Comparison Approach:

Indicated Value: \$11,530,000 "As Is" assuming adequate parking
\$ 7,270,000 "As Is" assuming garage lease from KCC-II

Per Sq. Ft. (NRA): \$105.00 per sq. ft. "As Is" assuming adequate parking
\$ 66.20 per sq. ft. "As Is" assuming garage lease from KCC-II

Income Capitalization Approach:

Discounted Cash Flow

Discounted Period: 10 years

Discount Rate 10%

Reversionary OAR 8.0% at end of 10th year

Indicated Value \$10,645,000 "As Is" assuming adequate parking
\$ 5,945,000 "As Is" assuming garage lease from KCC-II

Per Sq. Ft. (NRA) \$96.96 "As Is" assuming adequate parking
\$54.14 "As Is" assuming garage lease from KCC-II

FINAL VALUE CONCLUSION

Market Value in Leased Fee Interest: **\$11,000,000** "As Is" assuming adequate parking
\$ 6,500,000 "As Is" assuming garage lease from KCC-II

Per Sq. Ft. (NRA): \$100.17 per sq. ft. "As Is" assuming adequate parking
\$ 59.19 per sq. ft. "As Is" assuming garage lease from KCC-II.

Exposure Time: 12 to 18 months

Extraordinary Assumptions: This appraisal considers no extraordinary assumptions.

Hypothetical Conditions: This appraisal assumes as a hypothetical condition that adjacent KCC II owners would be willing to lease 259 parking spaces to the owner/tenants of the subject whereby the legal parking requirements and tenant demand would be satisfied.