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UNITED STATES BANKRUPTCY COURT
DISTRICT OF ARIZONA

17 In re:
18 AMERICAN NATIONAL MORTGAGE
19 PARTNERS, LLC,
20 Debtor.

In Proceedings Under
Chapter 11
Case Nos: 03-03803 PHX RJH
03-03799 PHX RJH

21 In re:
22 ANMP 74TH ST., LLC,
23 Debtor.

**DEBTORS' DISCLOSURE
STATEMENT**

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
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| | | |
|-----------|---|----------|
| 1. | INTRODUCTION | 1 |
| 2. | DEFINITIONS | 2 |
| 3. | INFORMATION ABOUT THE DEBTORS | 2 |
| 4. | PRE-BANKRUPTCY EVENTS | 3 |
| 5. | POST-BANKRUPTCY EVENTS | 6 |
| 6. | FINANCIAL INFORMATION | 9 |
| 7. | DESCRIPTION OF THE PLAN | 9 |
| | 7.A Classes of Claims | 9 |
| | 7.A.1. Class 1 – Priority Claims | 10 |
| | Class 1.A – Administrative Claims | 10 |
| | (i) Law Offices of Michael W. Carmel, Ltd. | 10 |
| | (ii) James C. Sell, Receiver | 10 |
| | (iii) Jaburg & Wilk | 10 |
| | (iv) Mohr, Hackett, et al. | 11 |
| | (v) Robert Hubbard, CPA | 11 |
| | Class 1B Wage Claims | 11 |
| | Class 1C Tax Claims | 11 |
| | 7.A.2 Class 2 – Secured Claims | 11 |
| | 7.A.3 Class 3 – Unsecured, Non-Priority Claims | 11 |
| | Class 3.A General Unsecured Claims | 12 |
| | Class 3.B Deficiency Claims | 12 |
| | Class 3.C Unsecured Creditors Not Subject To Claims by Debtors | 12 |
| | Class 3.D Unsecured Creditors Subject to All Claims by the Debtors | 13 |
| | Class 3.E ANMP Interest on Net Principal Investment | 13 |

| | | |
|----|--|-----------|
| 1 | 7.A.4 Class 4 – Subordinated Claims of Insiders, Affiliates and Ineligible Investors..... | 13 |
| 2 | | |
| 3 | 7.A.5 Class 5 – Claims of Co-Debtors and Non-Debtor Consolidated Entities..... | 14 |
| 4 | 7.A.5 Class 6 – Equity Interests..... | 14 |
| 5 | 7.B The Plan Fund and Auxiliary Plan Fund..... | 14 |
| 6 | 7.C Management of the Reorganized Debtor..... | 15 |
| 7 | 8. CONFIRMATION DESPITE REJECTION..... | 15 |
| 8 | 9. DESCRIPTION OF THE REORGANIZATION..... | 16 |
| 9 | 10. RE-VESTING OF PROPERTY..... | 16 |
| 10 | 11. LIQUIDATION ANALYSIS..... | 16 |
| 11 | 12. FEASIBILITY OF THE PLAN AND FINANCIAL PROJECTIONS..... | 16 |
| 12 | | |
| 13 | 13. FAIRNESS OF THE PLAN..... | 17 |
| 14 | 14. TAX CONSEQUENCES..... | 17 |
| 15 | 15. COMPLIANCE WITH U.S. TRUSTEE REQUIREMENTS..... | 17 |
| 16 | 16. DISCLAIMER..... | 18 |
| 17 | 17. CLAIMS BAR DATE..... | 18 |
| 18 | 18. RECOMMENDATION OF THE DEBTORS-IN-POSSESSION..... | 18 |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
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3 **NO REPRESENTATIONS CONCERNING THE DEBTORS OR THE PLAN ARE**
4 **AUTHORIZED BY THE DEBTORS OTHER THAN THOSE STATED HEREIN.**
5 **YOU SHOULD NOT RELY ON ANY REPRESENTATIONS OR INDUCEMENTS**
6 **CONCERNING THE PLAN OTHER THAN THOSE CONTAINED IN THIS**
7 **DISCLOSURE STATEMENT.**

8 **AN ACCOUNTANT HAS NOT REVIEWED THE INFORMATION CONTAINED**
9 **IN THIS DISCLOSURE STATEMENT OR ITS EXHIBITS. THE DEBTORS**
10 **CANNOT WARRANT OR REPRESENT THAT THE INFORMATION IS**
11 **WITHOUT ANY ERROR. HOWEVER, THE INFORMATION IS ACCURATE**
12 **TO THE BEST OF THEIR KNOWLEDGE AND BELIEF.**

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1. INTRODUCTION.

This Disclosure Statement is submitted jointly by the Debtors and Debtors-in-Possession (“Debtors”), the Official Committee of Unsecured Creditors, (the “Creditors’ Committee”) and James C. Sell, the Court appointed receiver in the Receivership Action (the “Receiver”), pursuant to 11 U.S.C. Sec. 1125. Its purpose is to provide creditors with the information necessary to enable them to arrive at an informed decision for voting on the Debtors’ Plan of Reorganization (“Plan”), which is on file at the Bankruptcy Court. (A copy of the Plan is annexed hereto as Exhibit “A”).

The Plan provides for an orderly liquidation of the Debtors’ assets. While both the Plan and a case under Chapter 7 of the Bankruptcy Code would similarly provide for a liquidation of the Debtors’ assets, the Plan will provide a greater return to creditors than a liquidation under Chapter 7 because the Plan anticipates and provides for extended post-confirmation investigation and litigation to maximize the assets available for - and the revenue from - their liquidation.

As a creditor, your acceptance of the Plan is important. Acceptance of the Plan by a class of creditors requires a vote by at least two-thirds in claim amount, and more than fifty percent in number, of the Allowed Claims in the class that actually cast votes. Failure to vote on the Plan does not count as either an acceptance or rejection of the Plan.

1 **2. DEFINITIONS.**

2 Unless a word is otherwise defined in the Plan or this Disclosure Statement, it has
3 the meaning given to it the U.S. Bankruptcy Code and the U.S. Bankruptcy Court Rules.

4 **3. INFORMATION ABOUT THE DEBTORS.**

5 The Debtors and the Consolidated Non-Debtor Entities set forth on Exhibit “B”
6 annexed hereto (collectively, “ANMP”) were used as nothing more than a vehicle for a
7 sophisticated Ponzi scheme. On its face, ANMP was an investment vehicle which was to
8 raise capital from its creditors and investors, loan that capital to sub-prime or niche
9 borrowers in the form of allegedly secured loans, and return a higher than market rate of
10 return to its creditors and investors.

11 In reality, however, ANMP did not operate as it represented. Rather, it was
12 perverted by rogue management (the “Rogue Management”)¹ to become nothing more
13 than a criminal enterprise used to obtain massive amounts of capital, which Rogue
14 Management then converted and used for their own purposes.

15 ANMP operated during an economic climate which was ripe for such a Ponzi
16 scheme. Interest rates on certificates of deposit, money market funds and bonds were at
17 historic lows. The Rogue Management targeted individuals on fixed incomes that
18 normally relied on a stable interest yields on their savings to maintain their standard of
19 living, and who had experienced significant declines in their income due to the decline in
20 interest rates. The Rogue Management induced these individuals to invest in ANMP by
21 making fraudulent representations including that ANMP investments were secured by real
22 estate, that ANMP never missed a principal or interest payment, and that ANMP
23 investments were protected by an illusory fail safe mechanism, the Illinois Land Trust.

24 As the Rogue Management attracted more investors, and converted more funds,
25 ANMP became insolvent. However, no investor, creditor or outsider would have been
26 able to reasonably detect this insolvency because Rogue Management conspired with

27 _____
28 ¹ Larry Dunning, Phil Vigarino, Robert Rehm, Mark Kesler, Frank Caspare, Paul Meka, and Eric Strasser.

1 certain professionals, and certain financial institutions to: issue materially misleading
2 financial statements; employ deceptive accounting practices; make phantom loans; and
3 create unsound loan programs – all of which worsened ANMP’s financial condition,
4 deepened its insolvency, and sealed its ultimate fate – these Bankruptcy Cases.

5 **4. PRE-BANKRUPTCY EVENTS.**

6 ANMP was comprised of 112 interrelated entities. There were 16 management
7 entities. The remaining 96 entities were investor trusts and limited liability companies
8 that were organized, managed and controlled by one or more of the management entities.
9 The management entities shared common control and operational attributes. All of the
10 ANMP entities were, from time to time, dominated and controlled by the Rogue
11 Management.

12 ANMP observed no corporate formalities. While the investor trusts and limited
13 liability companies were represented as being stand-alone entities, their funds were co-
14 mingled and all equally flowed to the Rogue Management.

15 Rogue Management achieved its goals in part through deceptive accounting
16 practices which artificially inflated ANMP’s assets and equity. The techniques included
17 non-existent loans, fictitious equity created through related-party transactions, worthless
18 securities, undisclosed loans and fictitious or altered documents.

19 ANMP also covered up non-performing loans by curing defaults through the
20 extension of new loans or the rewriting of the terms of the old loans. Investors who
21 complained about their borrower or its performance were often switched “without
22 consideration” to other existing loans or to new loans by new borrowers. ANMP paid
23 investors in defaulted loans their scheduled interest payments by diverting funds from new
24 investors or from payments made by unrelated borrowers. In addition, ANMP used
25 investors’ funds to pay general operating expenses.

26 ANMP, in furtherance of Rogue Management’s own hidden agenda, used Illinois
27 Land Trusts as a vehicle to hide the existence of investor loans. A description of an
28 Illinois Land Trust is annexed hereto as Exhibit “C.” ANMP frequently, without the

1 knowledge or consent of the investors, entered into side agreements with borrowers.
2 These side agreements were detrimental to the Debtors. The centerpiece of ANMP's
3 typical side agreement was to not record a lien against the borrower's pledged properties
4 so long as they were not in default.

5 ANMP also engaged in deceptive practices regarding the property which
6 purportedly secured the real estate which was the alleged basis of many of ANMP's
7 transactions. Additionally, rather than invest the investors' proceeds as promised, ANMP
8 invested in highly speculative transactions to attempt to generate some revenue to cover
9 the actions of the Rogue Management. For example, ANMP arranged a series of 19
10 overlapping investor-financed loans for Castle Megastores, Inc., ("Castle"). The
11 cumulative total face amount of the 18 loans was \$20,099,447. The amount raised from
12 investors was \$14,097,723. The loans were to be secured by Castle's Real Property, which
13 were the subject of the Illinois Land Trusts.

14 However, even though ANMP began to accumulate unpaid Castle fees, and Castle
15 began defaulting on its outstanding loans in June 2001, ANMP continued to make the
16 scheduled interest payments to the investors through September 10, 2002, and continued
17 to represent to its creditors and investors that such loans were actually performing. The
18 source of the funds to make the interest payments to investors on defaulted Castle loans
19 was, like any classic Ponzi scheme, from new investors. These fraudulent payments were
20 likewise concealed through creative accounting practices.

21 As time progressed, ANMP began to lose its ability to cover up the impact of the
22 increasing defaults and needed to increase its money-raising pace, it added an additional
23 fictitious security "enhancement" feature to entice investors. Borrowers were required to
24 pay a loan guarantee fee to Guarantee Performance, Inc, one of the Non-Debtor Entities.

25 Guaranty Performance, Inc was formed to guarantee the investors that they would
26 not lose any of their principal or interest in the event of a borrower default. Investors
27 were told that if a borrower defaulted Guaranty Performance, Inc would pay off the
28

1 investors their principal balance, accrued interest, and fees. Because of its lack of capital,
2 Guaranty Performance, Inc. never had the ability to perform on any loan it guaranteed.

3 As time progressed, and ANMP's true financial condition worsened, ANMP
4 enlisted the aid of certain financial institutions to create a loan program to further
5 ANMP's Ponzi scheme. Prospective investors could borrow money from National Bank
6 of Arizona, a subsidiary of Zions Bank ("NBA"), for the specific purpose of investing the
7 loan proceeds with American National. If an investor did not have sufficient liquid assets
8 to satisfy National Bank of Arizona's lending criteria, the Rogue Management, in concert
9 with NBA, would circumvent such criteria and make a loan (through an ANMP entity) to
10 the investor to inflate his financial position. The corresponding loan liability would not be
11 disclosed on the investor's financial statement. Once the investor obtained the loan, the
12 investor would repay ANMP its loan and invest the National Bank of Arizona loan
13 proceeds in an American National investment program.

14 ANMP also attempted to raise capital through a series of public security offerings.
15 ANMP established Secura Fund Arizona, LLC to launch an Intrastate Public Offering for
16 \$15,000,000. Although Secura's preliminary prospectus was dated June 17, 2002, the
17 offering never took place because ANMP was not able to satisfy the financial and
18 organizational issues raised by the Securities Division.

19 Ultimately, the abject greed of Rogue Management caused the filing of these
20 Bankruptcy Cases. Specifically, Castle's default on its obligations to ANMP, and the
21 Castle Bankruptcy caused great concern among Rogue Management. In an attempt to
22 avoid the effect of the Castle Default and Bankruptcy, Rogue Management created ANMP
23 74th Street, as a vehicle to hold title to all of the Real Properties. Subsequent to its
24 creation, Rogue Management forfeited Castle's interests in the Illinois Land Trusts
25 holding title to the Castle Properties and then caused the Trusts to transfer the Titles to the
26 Properties to ANMP 74th Street for no true consideration.

27 Thereafter, to further attempt to shield the Castle Properties, Rogue Management
28 caused ANMP to commence these Bankruptcy Cases.

1 **5. POST-BANKRUPTCY FILING EVENTS.**

2 On March 10, 2003 the Debtors filed their petitions for protection under Chapter 11
3 of the United States Bankruptcy Code. Thereafter, on or about March 24, 2003, the
4 Arizona Corporation Commission (the “ACC”) caused to be filed, in the Superior Court in
5 and for the State of Arizona, Case No. CV2003-005724 (the “Receivership Action”), a
6 Complaint against the Debtors and the Consolidated Non-Debtor Entities seeking the
7 appointment of a Receiver over the named Defendants. A copy of the complaint is
8 annexed hereto as Exhibit “D.”

9 The Receivership Action sought to take control away from Rogue Management,
10 and to install a receiver over ANMP to attempt to re-organize AMPN or otherwise
11 liquidate its assets in the most equitable manner. In connection therewith, on April 2,
12 2003, the State Court issued its Order appointing James C. Sell (the “Receiver”) as
13 receiver for the Non-Debtor Entities. A copy of the order, as amended, is attached hereto
14 as Exhibit “E.”

15 As the assets, liabilities and management of all of the ANMP entities were
16 inextricably intertwined, on April 17, 2004 the ACC filed its Motion for Relief from the
17 Automatic Stay to allow the Receiver to also have the authority to act as receiver for the
18 Debtors. The rationale behind allowing a state-appointed receiver to oversee a bankruptcy
19 estate lay in the simple fact that, as Rogue Management had perverted ANMP’s corporate
20 structure, there was no distinction of assets or liabilities among the entities. Therefore, the
21 most equitable result would be for the Receiver to oversee all the ANMP Entities.

22 The Bankruptcy Court issued its Order granting the ACCs Motion on May 8, 2003,
23 thereby giving the Receiver control over the Debtors. On July 8, 2003, the Official
24 Committee of Unsecured Creditors (the “Creditors’ Committee”) was appointed in these
25 Bankruptcy Cases.

26 Since his appointment, the Receiver has worked with the Debtors’ Counsel and the
27 Creditors’ Committee to formulate a plan, and implement procedures which would
28 maximize the distributions to ANMP creditors. To that end, the Receiver has undertaken

1 a massive investigation into ANMP’s pre-bankruptcy business practices, which is
2 summarized in the Interim Report of the Receiver, (the “Receiver’s Report”), and which is
3 annexed hereto as Exhibit “F.”

4 The Receiver has also been actively attempting to maximize the value of the
5 Debtors’ estates through a variety of procedures including: selling properties, abandoning
6 worthless properties, pursuing claims of the Debtors, and where appropriate, entering into
7 Court approved settlement of same.

8 To date, the Receiver has disposed of non-performing and/or valueless property,
9 and where appropriate, sold off certain properties. Schedules detailing the Receiver’s
10 above-referenced activities in these Bankruptcy Cases and the Receivership Action are
11 annexed hereto as Exhibit “G.”

12 Additionally, the Receiver negotiated a settlement of ANMP’s Claims against
13 Castle in the Dexter Distributing Corporation Bankruptcy, filed in the United States
14 Bankruptcy Court for the District of Arizona, Case No. 03-03546, (the “Castle
15 Bankruptcy”) and a related settlement with Taylor Coleman (collectively, the “Castle
16 Settlement”), which together are anticipated to generate \$16,000,000.00 for the Plan Fund,
17 and which is discussed in detail Exhibit “H” annexed hereto.

18 The Receiver has negotiated with the ACC and obtained its consent to turnover any
19 restitution payments received as a result of its investigations (the “Restitution Payments”)
20 of ANMP to the Plan Fund. Although the Debtors cannot reasonably estimate the value of
21 the Restitution Payments, the Restitution Payments will be deposited into the Plan Fund
22 and distributed to ANMP’s creditors as set forth in the Plan.

23 As a direct result of the Receiver’s efforts and investigation, the Receiver obtained
24 Court Approval to commence, and has commenced actions against the individuals,
25 professionals, and financial institutions responsible for perpetuating the Ponzi scheme (the
26 “Financial Institution Litigation”). A copy of the complaint, as amended, in the Financial
27 Institution Litigation is annexed hereto as Exhibit “I.” Like the Restitution Payments, the
28 Debtors cannot reasonably estimate the value of any proceeds from the Financial

1 Institution Litigation. However, it is anticipated that the Financial Institution Litigation
2 will conservatively generate in excess of seven figures for the Plan Fund.

3 The Receiver's has also sought and obtained Court Approval to commence, and
4 has commenced other litigation (the "General Litigation") seeking in excess of
5 \$5,550,000. A copy of the complaint in such action is annexed hereto as Exhibit "J."

6 Based upon the Receiver's investigations, the Debtors have commenced various
7 actions under Chapter 5 of the Bankruptcy Code (the "Chapter 5 Litigation") seeking the
8 return of certain preferential and fraudulent transfers, which are anticipated to generate
9 \$2,269,639.45 for the Plan Fund, and are discussed in detail in Exhibit "K" annexed
10 hereto.

11 Most significantly, the Receiver's efforts and investigation has led to the
12 documentation set forth in the Receiver's Report which establishes that, prior to filing
13 Bankruptcy, ANMP observed no corporate formalities, and co-mingled and virtually all
14 funds provided by its investors and creditors.

15 Based upon this information, the Debtors, the Creditors' Committee, and the
16 Receiver, jointly filed a Motion for Substantive Consolidation (the "Consolidation
17 Motion"), seeking to consolidate the Non-Debtor Entities into this Bankruptcy, so as to
18 provide a vehicle for equitable distribution of any proceeds from the liquidation of the
19 ANMP assets to all ANMP Creditors, and which was granted on July 14, 2005. Simply
20 put, absent such consolidation, the massive Ponzi scheme and co-mingling of assets would
21 otherwise prevent any equity, and would have caused a manifest injustice to various
22 creditor groups.

23 This strategy of bringing the Consolidation Motion in Bankruptcy Court, as
24 opposed to attempting to distribute any funds through the Receivership Action, was
25 implemented to avail the creditors of the remedies set forth in the Bankruptcy Code.
26 Based upon the equitable nature of the Bankruptcy Court, the Code's provisions include
27 sections which will more quickly and equitably provide a distribution to the creditors.
28 Consequently, the Receiver concurred with the Debtors and the Creditors' Committee to

1 choose to opt out of State Court for this procedure, and avail themselves of the jurisdiction
2 of the Bankruptcy Court.

3 **6. FINANCIAL INFORMATION.**

4 During the course of its bankruptcy case, the Debtors have filed monthly reports as
5 required by the Bankruptcy Court rules. The monthly reports are on file at the Bankruptcy
6 Court Clerk's Office where they can be reviewed. The Debtors have made all of their
7 required payments to the U.S. Trustee and have paid current their post-petition operating
8 expenses and taxes.

9 These operating reports show that the Debtors' post-petition income has been
10 principally derived from the efforts of the Receiver. ANMP does not transact any Post-
11 Petition business activities. Rather, the Receiver has been attempting to strategically
12 implement an orderly liquidation of ANMP's assets.

13 **7. DESCRIPTION OF THE PLAN.**

14 Although not a substitute for careful reading of the Plan, the following is a
15 summary and general discussion of the treatment of claims and the means for executing
16 the Plan. The Debtor will fund the plan primarily from the funds collected from the
17 Castle Settlement, the Financial Institution Litigation, the General Litigation, the Chapter
18 5 Litigation, and monies from the Receiver's continued administration including monies
19 from the subsequent sales of ANMP property and assets.

20 **A. Classes of Claims.**

21 As required by Section 1122 of the Bankruptcy Code, creditors are divided
22 into classes, each of which includes creditors who are substantially similarly situated with
23 the other creditors in the same class. There are six classes provided for by the Plan, and
24 each is described in detail below.

25 Distributions under the Plan will be disbursed in the following order: (1)
26 Allowed Class 1 Claims will be paid in full; (2) Allowed Class 2 Claims will then be paid
27 in full; (3) Allowed Class 3 Creditors will then be paid as set forth below. The majority of
28 former ANMP investors are subsumed within the sub-classes under Class 3, and such

1 creditors must be paid in full prior to any payments to any Class 4 Creditors; (4) Class 4
2 Creditors will only receive any distributions if all senior classes of creditors are paid in
3 full. Class 5 and Class 6 claims shall be extinguished upon confirmation.

4 **7. A.1 Class 1 – Priority Claims.** This class consists of all Allowed Claims
5 that are entitled to such priority under 11 U.S.C. §§503, 507 and 1129. As required by 11
6 U.S.C. § 1129(a)(9), the Plan provides for full payment of such claims and for the timing
7 of such payments. All Class1 claims are unimpaired.

8 **Class 1.A Administrative Claims.** This class consists of all claims
9 entitled to a priority of payment under the provisions of the Bankruptcy Code. The
10 Debtor expects that the following Administrative Claims may be asserted:

11 (i) **Law Offices Of Michael W. Carmel, Ltd.** Mr. Carmel is the
12 Debtor’s bankruptcy counsel. Mr. Carmel has submitted Interim Applications for
13 Compensation as Attorneys for Debtor for fees and expenses through January 15, 2005,
14 all of which have been approved by the Bankruptcy Court and paid by the Debtors.

15 The Debtors expect to incur further fees and costs with Mr.
16 Carmel through the Plan confirmation and claims objection proceedings of approximately
17 \$25,000, but this is only an estimate.

18 (ii) **James C. Sell, Receiver** Mr. Sell is the Court appointed
19 Receiver, who has acted as the responsible party for the Debtors during these Bankruptcy
20 Cases. Mr. Sell has submitted Interim Applications for Compensation for Debtor for fees
21 and expenses through December 31, all of which have been approved by the Bankruptcy
22 Court and paid by the Debtors.

23 The Debtors expect to incur further fees and costs with Mr.
24 Sell through the Plan confirmation and claims objection proceedings of approximately
25 \$25,000, but this is only an estimate

26 (iii) **Jaburg & Wilk.** Jaburg & Wilk is the Receiver’s Counsel.
27 Jaburg & Wilk has submitted Interim Applications for Compensation as Attorneys for the
28

1 Receiver for fees and expenses through January 26, 2005, all of which have been
2 approved by the Bankruptcy Court and paid by the Debtors.

3 The Debtors expect to incur further fees and costs with Jaburg
4 & Wilk through the Plan confirmation and claims objection proceedings of approximately
5 \$150,000, a majority of which will be for fees resulting from the outstanding litigations,
6 but this is only an estimate.

7 (iv) **Mohr, Hackett et al.** Mohr Hackett is the Creditors'
8 Committee Counsel. Mohr Hackett has submitted Interim Applications for Compensation
9 which have been approved by the Bankruptcy Court and paid by the Debtors.

10 The Debtors expect to incur further fees and costs with Mohr
11 Hackett through the Plan confirmation and claims objection proceedings of approximately
12 \$5,000, but this is only an estimate.

13 (v) **Robert Hubbard, CPA.** Mr. Hubbard is the accountant for
14 the Receiver. Mr. Hubbard has submitted Interim Applications for Compensation as
15 Attorneys for the Committee for fees and expenses through December 21, 2004, all of
16 which have been approved by the Bankruptcy Court and paid by the Debtors.

17 The Debtors expect to incur further fees and costs with Mr.
18 Hubbard through the Plan confirmation and claims objection proceedings of
19 approximately \$5,000, but this is only an estimate

20 **Class 1.B Wage Claims.**

21 **Class 1.C Tax Claims.**

22 7. **A.2 Class 2 – Secured Claims.** This class is impaired and consists of all
23 claims secured by liens on property of a Debtor, to the extent allowable under 11 U.S.C. §
24 506.

25 7. **A.3 Class 3 – Unsecured, Non-Priority Claims.** The treatment for this
26 class is set forth in the Plan. All sub-classes of creditors under this section are impaired
27 and all allowed claims will be paid as set forth in the Plan.

28

1 This class consists of five distinct classes, as discussed in detail below. The
2 majority of former ANMP investors are included in Class 3.C. An alphabetical list
3 indicating the identity of the class 3.C Creditors and their Net Investment is annexed
4 hereto as Exhibit “L.” A similar list of Class 3.D creditors is annexed hereto as Exhibit
5 “M.” Class 3.D Creditors’ allowed claims have not been established and are subject to
6 setoff for any claims of the Debtors.

7 The order of distributions to Class 3 Creditors is as follows: (1) Allowed Class 3.A,
8 3.B and 3.C and 3.D will be paid, *pari passu*, distributions on their allowed claims; (2)
9 Class 3.E creditors will then be paid interest, on their Net Investment Amount, at the Rate
10 of 16% annual interest, calculated from the Filing Date.

11 **Class 3.A General Unsecured Claims.** This class consists of all trade-
12 claims and claims not classified elsewhere. This class is impaired.

13 **Class 3.B Deficiency Claims.** This Class is impaired and consists creditors
14 holding allowed secured claims where there is not adequate collateral to cover such
15 claims.

16 **Class 3.C Unsecured Creditors Not Subject to Claims By the Debtors.**

17 This Class is impaired and consists of creditors set forth on the list annexed
18 hereto as Exhibit “L”, who previously elected to be treated as an “Opt-In” creditor, in the
19 Castle Bankruptcy, and those who elected no treatment. In consideration for the
20 agreement to accept such treatment as an “Opt-In” creditor, the Debtors have released
21 Class 3.C creditors from any claims the Debtors may have against such creditors,
22 including any Avoidance Claims.

23 Each holder of a Class 3.C. Allowed Claim (i) shall have an Allowed Claim
24 in such Class equal to the holder’s Net Investment Amount, (ii) relinquish any asserted
25 Secured Claim, (iii) be released by the Reorganized Debtors from any Avoidance Claims,
26 (iv) receive pro-rata distributions to all other holders of a Class 3.C. Claim, and (v) agree
27 to execute any and all documents necessary to implement the Plan.

28

1 Each Holder of a Class 3.C. claim shall, in addition, also be automatically
2 entitled to be a holder of a Class 3.E. Claim.

3 **Class 3.D Unsecured Creditors Subject to All Claims By the Debtors.**

4 This Class is impaired and consists of creditors who previously elected no
5 treatment or to be treated as an “Opt-Out” creditor under the Plan of Reorganization filed
6 in the Castle Bankruptcy.

7 Each holder of a Class 3.D. will have Allowed Claims in the amount of their
8 Net Investment Amount, and shall, (i) be subject to objections, set-offs, disallowance
9 under Bankruptcy Code Section 502 (d), (ii) be subject to the Avoidance Claims of
10 Debtors, (iii) receive no more than the holder’s Net Investment amount, subject to the
11 Avoidance Claims and any objections, and (iv) Class 3 D Creditors shall have the option
12 to elect to be treated as a Class 3 D “Opt-in” creditor by providing written notice of such
13 election to debtors’ counsel, at the address set forth above, on or before the Confirmation
14 Hearing.

15 Each Holder of a Class 3.D. claim shall, in addition, also be automatically
16 entitled to be a holder of a Class 3.E. Claim.

17 An alphabetical list indicating the identity of the class 3.D Creditors is set
18 forth on Exhibit “M” annexed hereto. Once the Allowed Claim of a Class 3.D Creditor is
19 determined, the Class 3.D Creditor shall share *pari passu* with Class 3.A, 3.B and 3.C
20 Creditors.

21 **Class 3.E ANMP Interest on Net Principal Investment.** This Class is
22 impaired and consists of claims of Class 3.C and 3.D Creditors for accrued interest on
23 their Net Investment Amount, at the Rate of 16% annual interest, calculated from the
24 Filing Date. Class 3.E Creditors shall not receive any payments until the Net Investments
25 of Class 3.C and 3.D have been paid in full.

26 **7. A.4 Class 4 – Subordinated Claims of Insiders, Affiliates and**
27 **Ineligible Investors.** This Class is impaired. Class 4 Creditors will have claims in the
28 amount of their Net Investment Amount, subject to any objections and set-offs, Avoidance

1 Claims and disallowance under 11 U.S.C. § 502(d). Class 4 Creditors will receive no
2 distributions under the Plan unless and until all allowed claims are paid in full to Class 1,
3 2, and 3 Creditors. All Class 4 creditors are set forth on the list annexed hereto as Exhibit
4 “N”.

5 **7. A.5 Class 5 – Claims of Co-Debtors and Non Debtor Consolidated**
6 **Entities.** This Class is impaired and consists of claims of any co-debtor, Consolidated
7 Non-Debtor Entity or their subsidiaries and/or affiliates. No distributions will be made to
8 any Class 5 Creditor under the Plan. All Class 5 creditors are set forth on the list annexed
9 hereto as Exhibit “O”. All Class 5 Claims shall be extinguished at Confirmation.

10 **7. A.5 Class 6 – Equity Interests** This Class is impaired and consists of any
11 equity holder of the Debtors and/or the Consolidated Non-Debtor Entities. No
12 distributions will be made to any Class 6 Creditor under the Plan. All Class 6 Equity
13 Interests shall be extinguished at Confirmation.

14 **B. The Plan Fund and Auxiliary Plan Fund.**

15 The Plan Fund will be established to receive all monies which are to be paid
16 to Creditors under the provisions of the Debtor’s Plan. The Plan Fund will be a combined
17 money market checking/savings account, which will accrue some interest on the deposited
18 funds without significant risk, and will be in an FDIC institution listed as a qualified
19 institution for debtor-in-possession funds by the Office of the U.S. Trustee. The monies
20 held in the Plan Fund will be derived from funds received as a result of the Receiver’s
21 liquidation of ANMP’s assets, from the Castle Settlement, the Financial Institution
22 Litigation, the General Litigation, the Chapter 5 Litigation, and from any other claims or
23 actions brought by the Receiver, the Debtors, or the Creditors’ Committee on behalf of the
24 Debtors, the Consolidated Non-Debtor Entities, or their creditors and investors.

25 The Auxiliary Plan Fund will be established to receive the proceeds of any
26 awards of punitive or exemplary damages. Proceeds of the Auxiliary Plan Fund will first
27 be distributed to Class 3.C and 3.D Creditors until such creditors receive their entire Net
28 Investment Amount.

1 Any remaining proceeds of the Auxiliary Fund shall be distributed based
2 upon the discretion of James C. Sell, and upon Court approval of such distributions. Such
3 distributions may include distributions to charitable or educational institutions for investor
4 education, or bonuses to certain professionals or other individuals in this Bankruptcy
5 Case.

6 **C. Management of the Reorganized Debtor.**

7 Subsequent to the Effective Date, the Receiver shall manage the reorganized
8 Debtors and liquidate all assets of the Debtors and Consolidated Non-Debtor Entities.

9 **8. CONFIRMATION DESPITE REJECTION**

10 The Court may be asked to confirm the Plan as to any class that does not accept it.
11 To do so, the Court must find that the Plan (1) is fair and equitable with respect to any
12 impaired class that has not accepted the Plan; and (2) that each holder of a claim receives
13 or retains under the Plan, on account of such claim or interest, property of a value, as of
14 the Effective Date of the Plan, that is not less than the amount that would be received or
15 retained if the Debtors' property were liquidated under Chapter 7 of the Bankruptcy Code.

16 The Debtors believe that the first requirement is satisfied with respect to all classes.
17 As to secured creditors, the Code requires that the fair and equitable requirement is met if
18 secured creditors retain their liens and receive deferred cash payments of a present value
19 equal to the value of each claimant's secured interest in the collateral. The Debtors
20 believe that the Plan satisfies this requirement.

21 As to unsecured creditors, the Debtors believe that if a class of unsecured claims
22 does not accept the Plan and is not paid in full with a market rate of interest, the fair and
23 equitable requirement of the Code is still satisfied because the Plan equitably provides for
24 payment to all creditors and solely delays payments to the Rogue Management who
25 caused ANMP's demise until all other creditors are paid first.

26 The Debtors believe that the Plan also satisfies the second, liquidation value
27 requirement, as demonstrated in the discussion of the liquidation alternative in Section 11
28 below.

1 **9. DESCRIPTION OF THE REORGANIZATION.**

2 Except as otherwise provided in the Plan or Confirmation Order, the Confirmation
3 of the Debtor’s Plan acts as a discharge of all claims and liabilities of the Debtor arising
4 prior to the Confirmation Date pursuant to under Section 1141(d)(1) of the Bankruptcy
5 Code.

6 **10. RE-VESTING OF PROPERTY.**

7 Upon confirmation of the Plan, pursuant to 11 U.S.C. Section 1141(b), all property
8 of the estate will be re-vested in the Debtors, as administered by the Receiver, subject
9 only to outstanding liens which may not be avoided under Title 11 of the United States
10 Code, and the liens provided for in the Plan, and the Receiver will be entitled to manage
11 their affairs without further court order and subject to the Plan provisions.

12 **11. LIQUIDATION ANALYSIS.**

13 As set forth in detail on Exhibit “P”, an orderly liquidation as set forth in the Plan
14 will yield more for the Creditors than a liquidation under Chapter 7 of the Bankruptcy
15 Code.

16 **12. FEASIBILITY OF THE PLAN AND FINANCIAL PROJECTIONS.**

17 The Debtors believe that the proposed Plan is feasible and is unlikely to either
18 require further resort to the Bankruptcy Code’s Chapter 11 procedures, or to fail and
19 thereby require conversion to a case under the Bankruptcy Code’s chapter 7. The Plan
20 Account will, as soon as reasonably possible after Confirmation, receive the monies set
21 forth above, and begin to make the distributions provided for in the Plan.

22 While it is not now possible to know the amount that will actually accrue in the
23 Plan Account, the estimates provided herein by the Debtors are believed to be close to
24 accurate estimates.

25 Additionally, the Receiver has devoted, and will continue to devote his best efforts
26 to obtain the maximum recovery available for creditors. Consequently, regardless of
27 actual amounts realized, the faithful performance of the Plan will not be jeopardized.

1 **13. FAIRNESS OF THE PLAN.**

2 The Plan proposes an equitable framework for the payment of Allowed Claims. It
3 is structured to allow all creditors to share from one common fund, regardless of the
4 ANMP entity which they transacted business.

5 This framework provides the most equitable and fair distribution to the creditors as
6 the massive Ponzi scheme perpetuated by Rogue Management prevents any entity-based
7 allocation of revenues and expenses. Moreover, this measured and carefully administered
8 distribution will enable the creditors to receive more under the Plan than they would as a
9 result of a Chapter 7 liquidation.

10 **14. TAX CONSEQUENCES.**

11 The Debtors have not obtained a tax opinion as to the tax consequences of the Plan
12 as to any claim, interest, or creditor. However, payment of indebtedness and discharge of
13 debt may have significant tax consequences for creditors.

14 Additionally, the effect of calculating any distributions to Class 3.C, 3.D and 3.E
15 Creditors on the basis of Net Investment, reclassifies payments made by the Debtors to
16 such creditors prior to the filing of these Bankruptcy Cases - which were then designated
17 as interest, to a return of principal.

18 Consequently, Creditors are therefore advised to see their tax advisor for
19 information concerning the tax consequences of the Plan.

20 **15. COMPLIANCE WITH U.S. TRUSTEE REQUIREMENTS.**

21 The reorganized Debtors will file all post-confirmation financial reports on a
22 quarterly basis, with a copy to the Office of the United States Trustee pursuant to Federal
23 Rule of Bankruptcy Procedure 2015(a)(5). The reorganized Debtors will also make
24 timely payments of quarterly fees to the United States Trustee post-confirmation pursuant
25 to 28 U.S.C. § 1930.

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16. DISCLAIMER

Court Approval of the Plan and this Disclosure Statement does not constitute certification by the Court that it is without inaccuracy. As such, each creditor is urged to review the Plan and this Disclosure Statement with their legal and financial advisors.

Additionally, because the Debtors express no tax opinion and gives no tax advice, in no event will the Debtors or their professional advisors be liable if the tax consequences of the Plan are not as anticipated. Creditors must look solely to, and rely solely on, their own advisors as to the legal, financial and tax consequences of the Plan.

17. CLAIMS BAR DATE

Any creditor wishing to assert any claim in this Bankruptcy Case must submit a Proof of Claim to Debtors' Counsel in such a manner that it is received on or before the Date set pursuant to this Court's Order.

18. RECOMMENDATION OF THE DEBTORS-IN-POSSESSION

The Debtors, the Creditors' Committee and the Receiver urge the acceptance of the Plan, which provides a better result than liquidation under Chapter 7 and is in the best interest of the creditors.

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RESPECTFULLY SUBMITTED this 15th day of July 2005.

LAW OFFICES OF MICHAEL
W. CARMEL, LTD

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MOHR HACKETT, *et al*

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