

## CASTLE SETTLEMENT

The Castle Settlement was negotiated, proposed and approved as part of the Plan and Confirmation process in the Castle Bankruptcy. The dispute between Castle and the ANMP entities arose from loans to Castle beginning in 1999. Prior to the commencement of these chapter 11 proceedings, these disputes had erupted in Arizona state court litigation between these parties and enforcement proceedings commenced by the Arizona Corporation Commission.

The bankruptcy filings of Castle and ANMP and the creation of the ANMP Receivership estate temporarily restricted pursuit of this litigation. Many factual and legal issues remain unresolved and absent a settlement, these disputes would likely require millions of dollars in fees and expenses and several years to resolve.

Since the commencement of these proceedings, Castle's management and the Receiver and his professionals have cooperated in investigating the ANMP loans and evaluating the underlying issues. After extensive consideration of the circumstances and the risks associated with litigation over these loans, Castle and the Receiver entered into the ANMP Settlement to resolve the loan claims and also provide for the treatment of investors in these loans.

Castle and the Receiver jointly requested the Bankruptcy Court to approve the ANMP Settlement by motion filed on September 9, 2003. This motion was opposed by the Castle Creditors' Committee, the Delheim Parties and other parties. On September 30, after conducting an evidentiary hearing pursuant to Bankruptcy Rule 9019, the Bankruptcy Court approved the motion and the settlement.

The settlement required Castle to propose a plan of reorganization providing for (i) the allowance of a \$14 million claim in favor of the ANMP Receiver for all ANMP-arranged loans, (ii) the payment of the allowed amount of this claim, and all General Claims, in quarterly installments equal to or greater of \$500,000 per quarter, on a cumulative basis, or sixty percent (60%) of Debtors' Available Funds, (iii) the allocation of forty-five percent (45%) of such installment to the payment of the Receiver's allowed claims until all General Claims with the Castle Bankruptcy have been paid in full and 100% percent thereafter, and (iv) the securing of payments to the Receiver by a liquidation lien on Debtors' Real Properties, except the warehouse property at 7102 W. Roosevelt, and Coleman's Real Properties.

The settlement further required Castle to propose a plan of reorganization providing that, until the Receiver's claim is paid in full, Castle will be managed by a five-person Management Board, two members of which will be selected by the Receiver and two members of which will be selected by the holders of Castle General Claims until such claims are paid in full and, thereafter, by the Receiver.

The settlement required Castle to propose a plan permitting ANMP Investors to make an election as to the treatment of any claims they may assert against Debtors and to permit such investors who elect to participate (i) to have an allowed ANMP Investor Claim in the amount of their net investment in the ANMP Castle loan, (ii) to be released by Debtors and the Receiver from Avoidance Claims, and (iii) to be eligible to receive distributions from the Receiver of a portion of Debtor's payments on account of the Receiver's claim, as may be determined in the ANMP chapter 11 proceedings and the ANMP Receivership proceedings.

The settlement provided that, on the Effective Date of the Plan, the Receiver will cause ANMP 74<sup>th</sup> St. to re-convey Debtors' real properties and to take such other steps as are reasonably necessary to establish title to such properties in Reorganized Castle free of all existing ANMP-related liens, claims and encumbrances.

To date, all such requirements have been met.