

AFFORDABLE RESIDENTIAL COMMUNITIES INC  
Form SC 13D/A  
April 17, 2007

OMB APPROVAL  
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934**

**(Amendment No. 1) \***

Affordable Residential Communities Inc.  
(Name of Issuer)

Common Stock, par value \$0.01 per share  
(Title of Class of Securities)

008273104  
(Cusip Number)

Mark C. Wehrly

Farallon Capital Management, L.L.C.

One Maritime Plaza, Suite 2100

San Francisco, California 94111

(415) 421-2132  
(Name, Address, and Telephone Number of Person

Authorized to Receive Notices and Communications)

April 17, 2007  
(Date of Event which Requires Filing of this Statement)

Edgar Filing: AFFORDABLE RESIDENTIAL COMMUNITIES INC - Form SC 13D/A

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. *See* Section 240.13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on following pages)

Page 1 of 134 Pages

Exhibit Index Found on Page 29

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Farallon Capital Partners, L.P.**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

\*\* The reporting persons making this filing hold an aggregate of 5,653,582 Shares, which is 10.0% of the class of securities. The reporting person on this cover page, however, is a beneficial owner only of the securities reported by it on this cover page. [The reporting persons may be deemed part of a group with other persons holding Shares; see Preliminary Note and Items 4 and 5]

**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

	<b>California</b>	
<b>NUMBER OF</b>		<b>SOLE VOTING POWER</b>
	<b>7</b>	
<b>SHARES</b>		<b>-0-</b>
<b>BENEFICIALLY</b>		<b>SHARED VOTING POWER</b>
<b>OWNED BY</b>	<b>8</b>	
		<b>2,127,546</b>
<b>EACH</b>		<b>SOLE DISPOSITIVE POWER</b>
	<b>9</b>	
		<b>-0-</b>

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

2,127,546

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

2,127,546

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

3.8%

TYPE OF REPORTING PERSON (See Instructions)

**14**

PN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Farallon Capital Institutional Partners, L.P.**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

	<b>California</b>	
<b>NUMBER OF</b>		<b>SOLE VOTING POWER</b>
	<b>7</b>	
<b>SHARES</b>		<b>-0-</b>
<b>BENEFICIALLY</b>		<b>SHARED VOTING POWER</b>
<b>OWNED BY</b>	<b>8</b>	
		<b>2,555,539</b>
<b>EACH</b>		<b>SOLE DISPOSITIVE POWER</b>
	<b>9</b>	
		<b>-0-</b>

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

2,555,539

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

2,555,539

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

4.5%

TYPE OF REPORTING PERSON (See Instructions)

**14**

PN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Farallon Capital Institutional Partners II, L.P.**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

	<b>California</b>	
<b>NUMBER OF</b>		<b>SOLE VOTING POWER</b>
	<b>7</b>	
<b>SHARES</b>		<b>-0-</b>
<b>BENEFICIALLY</b>		<b>SHARED VOTING POWER</b>
<b>OWNED BY</b>	<b>8</b>	
		<b>147,425</b>
<b>EACH</b>		<b>SOLE DISPOSITIVE POWER</b>

**9**

**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

147,425

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

147,425

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

0.3%

TYPE OF REPORTING PERSON (See Instructions)

**14**

PN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Farallon Capital Institutional Partners III, L.P.**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

Delaware NUMBER OF   SHARES BENEFICIALLY  OWNED BY  EACH	<b>7</b>   <b>8</b>   <b>9</b>	SOLE VOTING POWER   -0- SHARED VOTING POWER  181,580 SOLE DISPOSITIVE POWER
---	--	--

-0-

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

181,580

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

181,580

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

0.3%

TYPE OF REPORTING PERSON (See Instructions)

**14**

PN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Tinicum Partners, L.P.**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

<b>NUMBER OF</b>	<b>New York</b>	<b>SOLE VOTING POWER</b>
	<b>7</b>	
<b>SHARES</b>		<b>-0-</b>
<b>BENEFICIALLY</b>		<b>SHARED VOTING POWER</b>
<b>OWNED BY</b>	<b>8</b>	
		<b>67,813</b>
<b>EACH</b>		<b>SOLE DISPOSITIVE POWER</b>

**9**

**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

67,813

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

67,813

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

0.1%

TYPE OF REPORTING PERSON (See Instructions)

**14**

PN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Farallon Capital Offshore Investors II, L.P.**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

Cayman Islands

**NUMBER OF**

**SOLE VOTING POWER**

**7**

**SHARES  
BENEFICIALLY**

**-0-  
SHARED VOTING POWER**

**OWNED BY**

**8**

**326,509  
SOLE DISPOSITIVE POWER**

**EACH**

**9**

**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

326,509

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

326,509

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

0.6%

TYPE OF REPORTING PERSON (See Instructions)

**14**

PN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

Farallon Capital Management, L.L.C.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

**2**

(b) \*\*

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SEC USE ONLY

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

Delaware NUMBER OF   SHARES BENEFICIALLY  OWNED BY  EACH	<b>7</b>   <b>8</b>   <b>9</b>	SOLE VOTING POWER   -0- SHARED VOTING POWER  247,170 SOLE DISPOSITIVE POWER  -0-
---	--	---

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

247,170

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

247,170

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

0.4%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IA, OO

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

Farallon Partners, L.L.C.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

**2**

(b) \*\*

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SEC USE ONLY

**3**

SOURCE OF FUNDS (See Instructions)

**4**

N/A

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT

TO ITEMS 2(d) OR 2(e)

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

Delaware  
NUMBER OF

SOLE VOTING POWER

**7**

SHARES  
BENEFICIALLY

-0-  
SHARED VOTING POWER

OWNED BY

**8**

5,406,412  
SOLE DISPOSITIVE POWER

EACH

**9**

-0-

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

5,406,412

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

5,406,412

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

9.6%

TYPE OF REPORTING PERSON (See Instructions)

**14**

OO

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Chun R. Ding**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

United States

**NUMBER OF**

**SOLE VOTING POWER**

**7**

**SHARES  
BENEFICIALLY**

**-0-  
SHARED VOTING POWER**

**OWNED BY**

**8**

**5,653,582  
SOLE DISPOSITIVE POWER**

**EACH**

**9**

**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

5,653,582

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

5,653,582

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**William F. Duhamel**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

United States

**NUMBER OF**

**SOLE VOTING POWER**

**7**

**SHARES  
BENEFICIALLY**

**-0-  
SHARED VOTING POWER**

**OWNED BY**

**8**

**5,653,582  
SOLE DISPOSITIVE POWER**

**EACH**

**9**

**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

5,653,582

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

5,653,582

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Richard B. Fried**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

United States

**NUMBER OF**

**SOLE VOTING POWER**

**7**

**SHARES  
BENEFICIALLY**

**-0-  
SHARED VOTING POWER**

**OWNED BY**

**8**

**5,653,582  
SOLE DISPOSITIVE POWER**

**EACH**

**9**

**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

5,653,582

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

5,653,582

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

NAMES OF REPORTING PERSONS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

1

Monica R. Landry

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

2

(b) \*\*

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SEC USE ONLY

3

SOURCE OF FUNDS (See Instructions)

4

N/A

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT

TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

United States

NUMBER OF

SOLE VOTING POWER

7

SHARES  
BENEFICIALLY

-0-  
SHARED VOTING POWER

OWNED BY

8

5,653,582  
SOLE DISPOSITIVE POWER

EACH

9

-0-

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

5,653,582

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

5,653,582

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Douglas M. MacMahon**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

United States

**NUMBER OF**

**SOLE VOTING POWER**

**7**

**SHARES  
BENEFICIALLY**

**-0-  
SHARED VOTING POWER**

**OWNED BY**

**8**

**5,653,582  
SOLE DISPOSITIVE POWER**

**EACH**

**9**

**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

5,653,582

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

5,653,582

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**William F. Mellin**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

\*\* The reporting persons making this filing hold an aggregate of 5,653,582 Shares, which is 10.0% of the class of securities. The reporting person on this cover page, however, may be deemed a beneficial owner only of the securities reported by it on this cover page. [The reporting persons may be deemed part of a group with other persons holding Shares; see Preliminary Note and Items 4 and 5]

**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

United States

**NUMBER OF**

**SOLE VOTING POWER**

**7**

**SHARES  
BENEFICIALLY**

**-0-  
SHARED VOTING POWER**

**OWNED BY**

**8**

**5,653,582  
SOLE DISPOSITIVE POWER**

**EACH**

**9**

**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

5,653,582

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

5,653,582

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

Stephen L. Millham

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

**2**

(b) \*\*

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SEC USE ONLY

**3**

SOURCE OF FUNDS (See Instructions)

**4**

N/A

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT

TO ITEMS 2(d) OR 2(e)

**5**

CITIZENSHIP OR PLACE OF ORGANIZATION

**6**

	United States	
NUMBER OF		SOLE VOTING POWER
	<b>7</b>	
SHARES		-0-
BENEFICIALLY		SHARED VOTING POWER
OWNED BY	<b>8</b>	
		5,653,582
EACH		SOLE DISPOSITIVE POWER
	<b>9</b>	

-0-

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

5,653,582

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

5,653,582

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Jason E. Moment**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

United States

**NUMBER OF**

**SOLE VOTING POWER**

**7**

**SHARES  
BENEFICIALLY**

**-0-  
SHARED VOTING POWER**

**OWNED BY**

**8**

**5,653,582  
SOLE DISPOSITIVE POWER**

**EACH**

**9**

**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

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AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**11**

5,653,582

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

**Rajiv A. Patel**

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

**TO ITEMS 2(d) OR 2(e)**

**5**

**CITIZENSHIP OR PLACE OF ORGANIZATION**

**6**

United States

**NUMBER OF**

**SOLE VOTING POWER**

**7**

**SHARES  
BENEFICIALLY**

**-0-  
SHARED VOTING POWER**

**OWNED BY**

**8**

**5,653,582  
SOLE DISPOSITIVE POWER**

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**-0-**

REPORTING  
PERSON WITH

**10**

SHARED DISPOSITIVE POWER

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AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

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5,653,582

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

Derek C. Schrier

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

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**TO ITEMS 2(d) OR 2(e)**

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**CITIZENSHIP OR PLACE OF ORGANIZATION**

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United States

**NUMBER OF**

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BENEFICIALLY**

**-0-  
SHARED VOTING POWER**

**OWNED BY**

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SOLE DISPOSITIVE POWER**

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**-0-**

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PERSON WITH

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**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

Thomas F. Steyer

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

**CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT**

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[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

13D

CUSIP No. 008273104

**NAMES OF REPORTING PERSONS**

**I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)**

**1**

Mark C. Wehrly

**CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)**

(a)

**2**

(b) \*\*

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**SEC USE ONLY**

**3**

**SOURCE OF FUNDS (See Instructions)**

**4**

N/A

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CERTAIN SHARES (See Instructions)

**12**

[ ]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**13**

10.0%

TYPE OF REPORTING PERSON (See Instructions)

**14**

IN

## Edgar Filing: AFFORDABLE RESIDENTIAL COMMUNITIES INC - Form SC 13D/A

Preliminary Note: This Amendment No. 1 to Schedule 13D amends the Schedule 13D initially filed on April 9, 2007 (collectively with all amendments thereto the Schedule 13D ). Except as provided herein, this Amendment does not modify any of the information previously reported on the Schedule 13D. Capitalized terms used and not otherwise defined have the meanings given to them in the prior Schedule 13D.

By virtue of the Support Agreement described in Item 4 below, the Reporting Persons may be deemed to have become members of a group with each of Gerald J. Ford, ARC Diamond, LP, a Texas limited partnership, and Hunter s Glen/Ford, Ltd., a Texas limited partnership (collectively, the Ford Entities ), with respect to the shares of Common Stock, par value \$0.01 per share (the Shares ), of Affordable Residential Communities Inc. (the Company ) beneficially owned by the Reporting Persons. This Amendment constitutes a separate filing on Schedule 13D by the Reporting Persons in accordance with Rule 13d-1(k)(2) under the Securities Exchange Act of 1934, as amended (the Exchange Act ). The Ford Entities are responsible solely for the information contained in their filings on Schedule 13D. See Item 5 for additional information regarding Shares which the Ford Entities may be deemed to beneficially own.

### Item 4. Purpose Of The Transaction

Item 4 of the Schedule 13D is amended and updated by adding the following:

On April 17, 2007, American Riverside Communities LLC (the Buyer ), a Delaware limited liability company formed by American Riverside Communities Holdings, LLC, a Delaware limited liability company formed by FCP, entered into a Transaction Agreement (the Transaction Agreement ) with the Company and certain of its subsidiaries (collectively, the Sellers ) pursuant to which, subject to the terms and conditions thereof and certain exceptions described therein, the Buyer has agreed to purchase all of the Sellers assets primarily related to, and to assume all of the Sellers liabilities (other than liabilities for indebtedness and certain other specified excluded liabilities) to the extent related to, the businesses conducted by the Company and its subsidiaries, including the owning and operating of manufactured homes communities, the provision of related financing services and businesses related thereto, but excluding the insurance business of NLASCO, Inc. and related insurance activities. The aggregate consideration payable by the Buyer is approximately \$1.794 billion consisting of cash and assumption of debt, subject to customary post-closing purchase price adjustments. Consummation of the transactions contemplated by the Transaction Agreement is subject to customary conditions, including the approval of the transaction by the Company s stockholders ( Stockholder Approval ) and certain consents of holders of: (i) the 7 1/2% Senior Exchangeable Notes due August 15, 2025 (the Notes ) of Affordable Residential Communities, LP ( ARC LP ), (ii) the Company s Trust Preferred Securities due 2035 and (iii) limited partnership interests of ARC LP.

In order to induce the Buyer to enter into the Transaction Agreement, each of Gerald J. Ford, ARC Diamond, LP, a Texas limited partnership, and Hunter s Glen/Ford, Ltd., a Texas limited partnership (each, a Stockholder ) has entered into a Support Agreement, dated as of April 17, 2007 (the Support Agreement ), with the Buyer. Pursuant to the Support Agreement, each respective Stockholder agreed, subject to certain terms and conditions, to vote, or cause to be voted, all of the Shares owned by such Stockholder, together with any Shares acquired after the date of the Support Agreement, whether upon the exercise of options or warrants, conversion of convertible securities or otherwise, and any other voting securities of the Company that are beneficially owned by such Stockholder or over which such Stockholder has, directly or indirectly, the right to vote (collectively, the Voting Shares ) in favor of (i) the approval of the transactions contemplated by the Transaction

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Agreement and (ii) any other matter that is required by applicable law or by any governmental entity to be approved by the stockholders of the Company to facilitate the transactions contemplated by the Transaction Agreement.

In addition, pursuant to the Support Agreement, each of the Stockholders agreed to vote the Voting Shares against certain other acquisition proposals made by third parties or any dissolution, liquidation or winding up, extraordinary dividend or change in capital structure by the Company or against any action that could reasonably be expected to impede, interfere, postpone or materially and adversely discourage the consummation of the transactions contemplated by the Transaction Agreement, each as described in greater detail in the Support Agreement. Pursuant to the Support Agreement, each of the Stockholders also (i) granted to the Buyer a proxy to vote such Stockholder's Voting Shares if the Stockholder does not take certain actions specified in the Support Agreement that are consistent with such Stockholder's voting covenants, (ii) agreed not to assign or dispose of, or enter into any contract to assign or dispose of, its Voting Shares until the termination of the Support Agreement, as described in greater detail in the Support Agreement and (iii) agreed to certain non-solicitation provisions as set forth in the Support Agreement.

The Support Agreement will terminate upon the earlier of the termination of the Transaction Agreement in accordance with its terms and the consummation of the transactions contemplated by the Transaction Agreement.

Pursuant to the Transaction Agreement, the Company has agreed from the date of the Transaction Agreement until the receipt of Stockholder Approval, the Company will not issue any equity securities of any class in an amount equal to or more than 5% of such class to any person, entity or group (as defined in Rule 13d-5 under the Exchange Act) unless the person, entity or group purchasing such securities concurrently executes an agreement in favor of the Buyer substantially identical to the Support Agreement.

Also in connection with the Transaction Agreement, certain of the Farallon Funds or their affiliates (collectively, the Note Holders) have entered into a Support Agreement, dated as of April 17, 2007 (the Notes Support Agreement), with the ARC LP, pursuant to which the Note Holders have agreed, subject to the terms and conditions thereof: (i) to consent to certain amendments to the terms of the indenture governing the Notes in connection with, and only in connection with, the transactions contemplated by the Transaction Agreement and which would not facilitate a competing transaction (a Qualifying Amendment) and (ii) to forego the receipt of any consent fee payable to holders of the Notes in connection with a consent for a Qualifying Amendment. The Notes Support Agreement will terminate upon the earliest of (i) the termination of the Transaction Agreement in accordance with its terms, (ii) the completion of a consent solicitation among holders for a Qualifying Amendment, (iii) the commencement by ARC LP of a consent solicitation with respect to the Notes other than for a Qualifying Amendment or (iv) any withdrawal or modification in a manner adverse to the Buyer of the recommendation by the Board of Directors of the Company with respect to the transactions contemplated by the Transaction Agreement, any approval or recommendation by the Board of a competing transaction or any approval, recommendation or public proposal by the Board to take any such action. Each of the Note Holders also agreed not to assign or dispose of, or enter into any contract to assign or dispose of, its Notes until the termination of the Notes Support Agreement, as described in greater detail in the Notes Support Agreement.

The foregoing descriptions of the Transaction Agreement, the Support Agreement and the Notes Support Agreement are qualified in their entirety by reference to the full text of the Transaction

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Agreement, the Support Agreement and the Notes Support Agreement, which are filed herewith as Exhibits 3, 4 and 5, respectively, and are incorporated herein by reference.

Except to the extent the foregoing may be deemed a plan or proposal, none of the Reporting Persons has any plans or proposals which relate to, or could result in, any of the matters referred to in paragraphs (a) through (j), inclusive, of the instructions to Item 4 of Schedule 13D. The Reporting Persons may, at any time and from time to time, review or reconsider their position and/or change their purpose and/or formulate plans or proposals with respect thereto.

### Item 5. Interest In Securities Of The Issuer

Item 5 of the Schedule 13D is amended and restated in its entirety as follows:

(a) The Farallon Funds

(a),(b) The information set forth in Rows 7 through 13 of the cover page hereto for each Farallon Fund is incorporated herein by reference for each such Farallon Fund. The percentage amount set forth in Row 13 for all cover pages filed herewith is calculated based upon the 56,393,513 Shares outstanding as of March 15, 2007 as reported by the Company in its Annual Report on Form 10-K for the fiscal year ended December 31, 2006 filed with the Securities and Exchange Commission on March 15, 2007.

(c) No transactions in the Shares have been consummated in the past 60 days.

(d) The Farallon General Partner has the power to direct the receipt of dividends relating to, or the disposition of the proceeds of the sale of, all of the Shares held by the Farallon Funds as reported herein. The Farallon Individual Reporting Persons are managing members of the Farallon General Partner.

(e) Not applicable.

(b) The Management Company

(a),(b) The information set forth in Rows 7 through 13 of the cover page hereto for the Management Company is incorporated herein by reference.

(c) No transactions in the Shares have been consummated in the past 60 days.

(d) The Management Company has the power to direct the receipt of dividends relating to, or the disposition of the proceeds of the sale of, all of the Shares held by the Managed Account as reported herein. The Farallon Individual Reporting Persons are managing members of the Management Company.

(e) Not applicable.

(c) The Farallon General Partner

- (a),(b) The information set forth in Rows 7 through 13 of the cover page hereto for the Farallon General Partner is incorporated herein by reference.

- (c) None.
  - (d) The Farallon General Partner has the power to direct the receipt of dividends relating to, or the disposition of the proceeds of the sale of, all of the Shares held by the Farallon Funds as reported herein. The Farallon Individual Reporting Persons are managing members of the Farallon General Partner.
  - (e) Not applicable.
- (d) The Farallon Individual Reporting Persons
- (a),(b) The information set forth in Rows 7 through 13 of the cover page hereto for each Farallon Individual Reporting Person is incorporated herein by reference for each such Farallon Individual Reporting Person.
  - (c) None.
  - (d) The Farallon General Partner has the power to direct the receipt of dividends relating to, or the disposition of the proceeds of the sale of, all of the Shares held by the Farallon Funds as reported herein. The Management Company has the power to direct the receipt of dividends relating to, or the disposition of the proceeds of the sale of, all the Shares held by the Managed Account as reported herein. The Farallon Individual Reporting Persons are managing members of both the Farallon General Partner and the Management Company.
  - (e) Not applicable.

The Shares reported hereby for the Farallon Funds are owned directly by the Farallon Funds and those reported by the Management Company on behalf of the Managed Account are owned directly by the Managed Account. The Management Company, as investment adviser to the Managed Account, may be deemed to be the beneficial owner of all such Shares owned by the Managed Account. The Farallon General Partner, as general partner to the Farallon Funds, may be deemed to be the beneficial owner of all such Shares owned by the Farallon Funds. The Farallon Individual Reporting Persons, as managing members of both the Farallon General Partner and the Management Company with the power to exercise investment discretion, may each be deemed to be the beneficial owner of all such Shares owned by the Farallon Funds and the Managed Account. **Each of the Management Company, the Farallon General Partner and the Farallon Individual Reporting Persons hereby disclaims any beneficial ownership of any such Shares.**

In addition, the Reporting Persons understand that the Ford Entities may be deemed to beneficially own an aggregate of 9,421,642 Shares, as reported in the Ford Entities Schedule 13D filed on or about the date of this filing. Accordingly, the Reporting Persons and the Ford Entities, if deemed to be members of the same group within the meaning of Rule 13d-5(b)(1) under the Exchange Act, would be deemed to beneficially own an aggregate of 15,075,224 Shares or approximately 26.7% of the outstanding Shares. The Reporting Persons have no information with respect to the Ford Entities beneficial ownership of the Shares, other than as reported in the Ford Entities Schedule 13D. The Reporting Persons have no financial interest in and, other than as set forth in the Support Agreement, no voting or dispositive power with respect to, any Shares beneficially owned by the Ford Entities, and disclaim beneficial ownership over any Shares beneficially owned by the Ford Entities.

Item 6. Contracts, Arrangements, Understandings Or

Relationships With Respect To Securities Of The Issuer

Item 6 of the Schedule 13D is amended and updated by adding the following:

The descriptions of the Transaction Agreement, the Support Agreement and the Notes Support Agreement set forth in Item 4 are qualified in their entirety by reference to the full text of the Transaction Agreement, the Support Agreement and the Notes Support Agreement, which are filed herewith as Exhibits 3, 4 and 5, respectively, and are incorporated herein by reference.

Except as described above, there are no contracts, arrangements, understandings or relationships (legal or otherwise) among the Reporting Persons or between such persons and any other person with respect to any securities of the Company, including but not limited to the transfer or voting of any securities of the Company, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, divisions of profits or loss, or the giving or withholding of proxies.

Item 7. Materials To Be Filed As Exhibits

The following documents are filed as exhibits to this Schedule 13D:

- |           |   |
|-----------|---|
| Exhibit 3 | Transaction Agreement, dated April 17, 2007   |
| Exhibit 4 | Support Agreement, dated April 17, 2007       |
| Exhibit 5 | Notes Support Agreement, dated April 17, 2007 |

**SIGNATURES**

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated: April 17, 2007

/s/ Monica Landry

FARALLON PARTNERS, L.L.C.,

On its own behalf and

as the General Partner of

FARALLON CAPITAL PARTNERS, L.P.,

FARALLON CAPITAL INSTITUTIONAL PARTNERS, L.P.,

FARALLON CAPITAL INSTITUTIONAL PARTNERS II, L.P.,

FARALLON CAPITAL INSTITUTIONAL PARTNERS III, L.P.,

TINICUM PARTNERS, L.P. and

FARALLON CAPITAL OFFSHORE INVESTORS II, L.P.

By Monica R. Landry,

Managing Member

/s/ Monica Landry

FARALLON CAPITAL MANAGEMENT, L.L.C.

By Monica R. Landry,

Managing Member

/s/ Monica Landry

Monica R. Landry, individually and as attorney-in-fact

for each of Chun R. Ding, William F. Duhamel,

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Richard B. Fried, Douglas M. MacMahon, William F. Mellin, Stephen L. Millham, Jason E. Moment, Rajiv A. Patel, Derek C. Schrier,

Thomas F. Steyer and Mark C. Wehrly

The Powers of Attorney executed by Duhamel, Fried, Mellin, Millham, Steyer and Wehrly authorizing Landry to sign and file this Schedule 13D on each person's behalf, which were filed with Amendment No. 2 to the Schedule 13D filed with the Securities and Exchange Commission on July 16, 2003, by such Reporting Persons with respect to the Common Stock of New World Restaurant Group, Inc., are hereby incorporated by reference. The Powers of Attorney executed by Ding and Schrier authorizing Landry to sign and file this Schedule 13D on each person's behalf, which were filed with Amendment No. 1 to the Schedule 13D filed with the Securities and Exchange Commission on July 2, 2003, by such Reporting Persons with respect to the Common Stock of Salix Pharmaceuticals, Ltd., are hereby incorporated by reference. The Power of Attorney executed by Patel authorizing Landry to sign and file this Schedule 13D on his behalf, which was filed with Amendment No. 4 to the Schedule 13G filed with the Securities and Exchange Commission on January 8, 2004, by such Reporting Person with respect to the Common Stock of Catalytica Energy Systems, Inc., is hereby incorporated by reference. The Power of Attorney executed by Moment authorizing Landry to sign and file this Schedule 13D on his behalf, which was filed with the Schedule 13D filed with the

Page 27 of 134 Pages

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Securities and Exchange Commission on January 9, 2006, by such Reporting Person with respect to the Common Stock of Vintage Petroleum, Inc., is hereby incorporated by reference. The Power of Attorney executed by MacMahon authorizing Landry to sign and file this Schedule 13D on his behalf, which was filed with the Schedule 13D filed with the Securities and Exchange Commission on January 5, 2007, by such Reporting Person with respect to the Class A Common Stock of Univision Communications Inc., is hereby incorporated by reference.

EXHIBIT INDEX

EXHIBIT 3	Transaction Agreement, dated April 17, 2007
EXHIBIT 4	Support Agreement, dated April 17, 2007
EXHIBIT 5	Notes Support Agreement, dated April 17, 2007

**EXHIBIT 3**

**EXECUTION COPY**

**TRANSACTION AGREEMENT**

**by and among**

**AFFORDABLE RESIDENTIAL COMMUNITIES INC.,**

**AFFORDABLE RESIDENTIAL COMMUNITIES LP,**

**THE OTHER SELLERS PARTY HERETO,**

**and**

**AMERICAN RIVERSIDE COMMUNITIES LLC**

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**Dated as of April 17, 2007**

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- Exhibit A - Interest Assignment Agreement
- Exhibit B - Asset Assignment Agreement
- Exhibit C - Trademark Assignment Agreement
- Exhibit D - Transition Services Agreement

## TRANSACTION AGREEMENT

This TRANSACTION AGREEMENT, dated as of April 17, 2007 (this Agreement), is entered into by and among Affordable Residential Communities Inc., a Maryland corporation ( ARC ), Affordable Residential Communities LP, a Delaware limited partnership ( ARC LP ), ARC Dealership, Inc., a Colorado corporation ( ARC Dealership ), ARC Management Services, Inc., a Delaware corporation ( ARC Management Services ), ARCIV GV, Inc., a Delaware corporation ( ARCIV ), ARCMS, Inc., a Delaware corporation ( ARCMS ), ARC TRS, Inc., a Delaware corporation ( ARC TRS ), Salmaho Irrigation Co. a Utah corporation ( Salmaho ), Windstar Aviation Corp., a Delaware corporation ( Windstar ), ARC/DAM Management, Inc., a Delaware corporation ( ARC/DAM ), and Colonial Gardens Water, Inc., a Kansas corporation ( Colonial ), and together with ARC, ARC LP, ARC Dealership, ARC Management Services, ARC IV, ARCMS, ARC TRS, Salmaho, Windstar and ARC/DAM, the Sellers ) and American Riverside Communities LLC, a Delaware limited liability company (the Buyer ). Each of the Sellers and the Buyer are sometimes referred to individually herein as a Party and collectively as the Parties. Certain other terms are defined throughout this Agreement and in Section 10.2 hereof.

## WITNESSETH:

WHEREAS, (i) ARC LP owns all of the issued and outstanding membership interests of ARC Real Estate, LLC, a Delaware limited liability company ( ARC Real Estate ), and all of the issued and outstanding membership interests of ARCAL LLC, a Delaware limited liability company ( ARCAL ), (ii) ARC LP and ARC Real Estate collectively own all of the issued and outstanding membership interests of ARC Real Estate Holdings, LLC, a Delaware limited liability company ( ARC Real Estate Holdings ), with ARC Real Estate holding membership interests representing a 99% interest in ARC Real Estate Holdings, and ARC LP holding membership interests representing a 1% interest in ARC Real Estate Holdings, and (iii) ARC Dealership owns all of the issued and outstanding membership interests of Enspire Finance LLC, a Delaware limited liability company ( Enspire Finance ); and

WHEREAS, ARC Real Estate, ARCAL, ARC Real Estate Holdings and Enspire Finance (collectively, together with their Subsidiaries (other than any such Subsidiary that is not a Pass Through Entity), the Acquired Companies, and the Equity Interests of the Acquired Companies, the Acquired Company Interests ) and each of the Sellers are engaged in the Acquired Business (as defined below); and

WHEREAS, each of the Sellers holds Acquired Assets (as defined below); and

WHEREAS, upon the terms and subject to the conditions contained in this Agreement, the Buyer desires to purchase all of the Equity Interests of the Acquired Companies from the Sellers, and the Sellers desire to sell all of the Equity Interests of the Acquired Companies to the Buyer; and

WHEREAS, upon the terms and subject to the conditions contained in this Agreement, the Buyer desires to purchase all Acquired Assets, and assume all Assumed Liabilities, of the Sellers, and the Sellers desire to sell their Acquired Assets to the Buyer; and

WHEREAS, no Subsidiary of ARC other than the Sellers and the Acquired Companies owns, leases, licenses, uses, holds for use or holds for sale any Acquired Asset or Acquired Company Interest; and

WHEREAS, concurrently with the execution of this Agreement, as a condition and inducement to the Sellers' willingness to enter into this Agreement, Farallon Guarantor is entering into the Farallon Guaranty (the "Farallon Guaranty") pursuant to which, subject to the terms, conditions and limitations set forth therein, the Farallon Guarantor guarantying certain obligations of the Buyer in connection with this Agreement, including payment of the Buyer Termination Fee, if and when due; and

WHEREAS, concurrently with the execution of this Agreement, as a condition and inducement to the Buyer's willingness to enter into this Agreement, each of Gerald J. Ford, ARC Diamond, LP and Hunters Glen/Ford, Ltd. are entering into a support agreement, of even date herewith (the "Support Agreement") pursuant to which such parties have agreed, subject to the terms thereof, among other obligations, to vote their shares of ARC Common Stock in favor of approval of the Transactions.

NOW THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

## ARTICLE I

### PURCHASE AND SALE

#### 1.1 Sale and Purchase.

Upon the terms and subject to the conditions set forth in this Agreement, at the Closing,

(a) ARC LP shall sell to the Buyer, and the Buyer shall purchase from ARC LP, all of the issued and outstanding membership interests of ARC Real Estate and all of the issued and outstanding membership interest of ARCAL;

(b) ARC LP shall sell to the Buyer, and the Buyer shall purchase from ARC LP, all of the issued and outstanding membership interests of ARC Real Estate Holdings held by ARC LP;

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(c) ARC Dealership shall sell to the Buyer, and the Buyer shall purchase from ARC Dealership, all of the issued and outstanding membership interests in Enspire Finance;

(d) each Seller shall sell, assign, transfer, convey and deliver to the Buyer, and the

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Buyer shall purchase, acquire and accept from such Seller, all of such Sellers' right, title and interest to the Acquired Assets;

in each of clauses (a) through (d) of this Section 1.1, free and clear of any and all Liens, other than Permitted Liens.

1.2 Acquired Assets. The capitalized term Acquired Assets shall mean all Assets owned, leased, licensed, used, held for use or held for sale by ARC or any its Subsidiaries, that are primarily related to the Acquired Business, including the following that are primarily related to the Acquired Business (but in each case excluding the Excluded Assets):

(a) cash in an amount equal to the sum of (i) petty cash-on-hand, (ii) any proceeds of sales of Assets held for sale as described in Section 1.2(a)(ii) of the Sellers Disclosure Letter, (iii) any proceeds of the sale of any manufactured home (w) not made in the ordinary course and on financial terms consistent with past practices, (x) sold at a rate in excess of 110% of the number of homes budgeted to be sold by the Acquired Business between the date of this Agreement and the Closing Date (as disclosed to the Buyer by the Sellers prior to the date hereof), (y) sold at a price resulting in a gross profit margin (before commissions and related costs) of less than 15% with respect to such home or (z) made to buyers other than residents that execute an associated pad lease of at least one year with an Acquired Company, (iv) cash received in respect of Insurance and Condemnation Claims, (v) any proceeds from the exercise of a Repurchase Right and (vi) cash held as security deposits (collectively, the Acquired Cash );

(b) all tangible personal property, including manufactured homes, motor vehicles, furniture, fixtures, office equipment, inventory, machinery and equipment (including spare parts), supplies, capital improvements in process, tools and other physical assets;

(c) all fee interests in real property (including improvements thereon) and all leases, easements, rights of access and other interests (not including fee interests) in real property);

(d) all promissory notes or Consumer Credit Contracts or other similar agreements payable to ARC or any of its Subsidiaries (the Acquired Notes );

(e) all Permits;

(f) all Contracts;

(g) all records, files, personal files (only to the extent allowed by Law), data, drawings, blueprints, schematics, reports, lists, plans and processes and all files of correspondence;

(h) all guarantees, rebates under sales or purchase orders, representations, warranties, indemnities and similar rights in favor of ARC or any of its Subsidiaries;

(i) all sales and promotional literature, and all marketing information and market research data;

(j) all Seller Intangible Property, including the trademarks listed in Section 1.2(j) of the Sellers Disclosure Letter (the Trademarks ), including the goodwill of the business symbolized by and associated with the Trademarks, all applications and registrations thereof throughout the world and

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all rights to proceeds of the foregoing, including any claim by any Seller against third parties for past, present, or future infringement of the Trademarks, but excluding the Enspire trademark and any trade names, trademarks, Internet domain names, identifying logos or service marks related thereto or employing the word Enspire ( Enspire Trademarks ) and any trademarks, Internet domain names, identifying logos or service marks primarily related to the Retained Business, including the NLASCO , American Summit (AS) trademark, the National Lloyds (NL) trademarks and all trademarks, Internet domain names, identifying logos or service marks related thereto or employing the word NLASCO , American Summit , AS , National Lloyds or NL ( NLASCO Trademarks );

(k) all rights and claims of ARC and each of its Subsidiaries (other than any Acquired Company) against any Acquired Company, including under any Contract, intercompany account payable or receivable, or otherwise;

(l) without duplication of clause (a)(iv) above, all rights to insurance and condemnation proceeds received or receivable in respect of any Assumed Liabilities, all insurance and condemnation proceeds (to the extent not already expended by ARC or its Subsidiary to restore or replace the lost, damaged or condemned Asset, which replacement Asset shall be an Acquired Asset) received or receivable in respect of any Asset damaged, lost or condemned and which, if not so damaged, lost or condemned would have been an Acquired Asset and all insurance and condemnation proceeds received or receivable in respect of business interruption of the Acquired Business to the extent relating to any period after Closing ( Insurance and Condemnation Claims ); and

(m) any aircraft (the Aircraft ).

1.3 Assumption of Liabilities. On the Closing Date and upon the terms and subject to the conditions set forth in this Agreement, the Buyer shall assume (or, without limiting the obligations of Buyer under Article IX, Buyer's designated Affiliate shall assume), and from and after the Closing Buyer (or its assignee) shall pay, discharge and perform as and when due, or in the case of Assumed Indebtedness, assume, prepay or defease, all Assumed Liabilities of the Sellers. The capitalized term Assumed Liabilities shall mean all Liabilities of ARC and its Subsidiaries to the extent resulting from, relating to or arising out of the Acquired Company Interests, the Acquired Business or the Acquired Assets, or from any operations relating to, arising out of or resulting from any of the foregoing, including the following (but in each case excluding the Excluded Liabilities):

(a) the Indebtedness set forth in Section 1.3(a) of the Sellers Disclosure Letter and Indebtedness incurred by the Sellers or the Acquired Companies between the date hereof and the Closing in compliance with Section 5.1(u) (excluding (x) Liability for defaults or breaches of any material covenants (including any defaults in respect of payment of principal or interest when due) occurring prior to the Closing in respect of Indebtedness and (y) Indebtedness related to the Aircraft) (collectively, the Assumed Indebtedness );

(b) all Liabilities with respect to or otherwise in connection with all pending, threatened or other actions, suits, proceedings, investigations or other claims to the extent relating to the Acquired Business or the Acquired Assets or any asset in the Acquired Business, at Law, in equity or otherwise, or any tort or other claims to the extent relating to or arising from the Acquired Business or the Acquired Assets or any asset in the Acquired Business or any matter, fact, circumstance or condition to the extent relating to the Acquired Business or the Acquired Assets or any asset in the Acquired Business;

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(c) all Liabilities to the extent relating to or arising from the ownership, operation, possession or management of the Acquired Business or the Acquired Assets or any asset in the Acquired Business, including accounts payable and trade obligations to the extent so relating or arising;

(d) all Liabilities under or in connection with the Contracts included in the Acquired Assets;

(e) all Liabilities for any violation of Law to the extent arising in connection with or related to the Acquired Business or the Acquired Assets;

(f) (i) the employment practices of the Sellers or any of their Affiliates and (ii) compliance with or violations of any Labor Laws prior to the Closing, in both cases other than Liabilities related to employment discrimination;

(g) all Liabilities to the extent relating to the condition of the Acquired Business or the Acquired Assets or any asset in the Acquired Business or the presence thereon of any Hazardous Materials or otherwise arising under any Environmental Law or constituting an Environmental Claim to the extent in relation to the Acquired Business or the Acquired Assets or any asset in the Acquired Business;

(h) all other Liabilities to the extent resulting from, arising out of or relating to Acquired Business or any asset in or activity to the extent resulting from, arising out of or relating to the Acquired Business or the Acquired Assets or any asset in the Acquired Business; and

(i) the obligation to pay any Stay Bonus pursuant to Section 5.7(f).

### 1.4 Excluded Assets; Corporate Subsidiaries.

(a) Notwithstanding anything to the contrary set forth herein, the Acquired Assets shall not include, and the Sellers shall not transfer to Buyer at the Closing, any of the following Assets (the Excluded Assets ): (i) cash and cash equivalents (other than Restricted Cash); (ii) Equity Interests in any Seller; (iii) all Assets of the Sellers and their Subsidiaries related solely to the Retained Business; (iv) rights, claims and interests of the Sellers under this Agreement or any other Transaction Document; (v) the Enspire Trademarks and the NLASCO Trademarks; and (vi) any assets set forth on Section 1.4 of the Sellers Disclosure Letter.

(b) Prior to the Closing, if any Acquired Company holds Equity Interests in a Subsidiary that is not a Pass-Through Entity (a Corporate Subsidiary ), other than any Corporate Subsidiary that is a Subsidiary of another Corporate Subsidiary, then the applicable Seller will cause such Acquired Company, and each parent entity of such Subsidiary, to distribute such Equity Interests such that, prior to Closing, such Equity Interests are held directly by such Seller. If any Corporate Subsidiary of any Acquired Company is not a party to this Agreement as a Seller (an Excluded Corporate Subsidiary ) hereunder, then prior to the Closing ARC shall cause such Excluded Corporate Subsidiary to become a Seller hereunder, subject to the same rights and obligations (including the right to have its Assumed Liabilities assumed and the obligation to transfer its Acquired Assets) as the other Sellers hereunder, and Buyer shall consent to the addition of such party to this Agreement.

### 1.5 Excluded Liabilities. Notwithstanding anything to the contrary set forth herein, the

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Assumed Liabilities shall not include, and neither Buyer nor its assignees will assume from any Seller, any Liabilities (the Excluded Liabilities ) relating to, arising out of or resulting from: (a) any Excluded Asset, (b) Indebtedness of ARC or any of its Subsidiaries (including any Acquired Company), excluding Indebtedness incurred by Buyer or its Subsidiaries after the Closing and excluding Assumed Indebtedness, but including (x) any Liability for defaults or breaches of material covenants (including any defaults in respect of payment of principal or interest when due) occurring prior to the Closing in respect of Indebtedness and (y) Indebtedness related to the Aircraft, (c) any Equity Interest in ARC or its Subsidiaries (other than the Acquired Interests), including Liabilities with respect to dividends or other distributions, Liabilities with respect to any stockholders agreement, registration rights agreement, voting trust or other Contract relating to such Equity Interests, Liabilities with respect to any option, warrant, exchangeable security or other right to acquire Equity Interests, Liabilities of ARC or its Subsidiaries under applicable securities or corporate Laws, and Liabilities arising from the decision of the Board of Directors of ARC to approve this Agreement and the transactions contemplated hereby (including any Liability for breach of duty), (d) Excluded Taxes, (e) except as otherwise provided under Section 5.7, (i) any existing Seller Plan, (ii) any former Seller Plan which has been terminated or frozen (iii) ERISA Affiliate Liability, (iv) any collective bargaining agreement, to the extent relating to periods prior to the Closing (regardless of when such Liability accrues or becomes known), (v) the employment or termination of employment of any current or former Company Employee during periods prior to the Closing, (vi) the employment practices of the Sellers or any of their Affiliates or compliance with or violations of any Labor Laws prior to the Closing, in each case to the extent relating to employment discrimination, (vii) the Severance Agreement by and among ARC, ARC Management Services and Lawrence E. Kreider dated February 18, 2004, and (viii) the Severance Agreement by and among ARC, ARC Management Services and Scott L. Gesell dated February 18, 2004, (f) Liabilities of the Sellers under this Agreement or any other Transaction Document, (g) any Liability for which the Buyer Indemnified Parties are indemnified pursuant to Article IX, to the extent so indemnified, (h) the Retained Business or (i) acts or omissions of ARC or its Subsidiaries (excluding the Acquired Companies) after the Effective Time. Prior to the Closing, ARC shall assume, pay, discharge and perform (or, without limiting the obligations of the Sellers under Article IX, ARC's designated Affiliate shall assume, pay, discharge and perform) all Excluded Liabilities of the Acquired Companies.

1.6 Expense Payments by the Sellers. Section 1.6 of the Sellers Disclosure Letter sets for certain items, services and other related matters for which the Sellers hereby assume financial responsibility (the Section 1.6 Items ). On the Closing Date, the Sellers shall deliver to the Buyer the Sellers' good faith calculation of the cost of the Section 1.6 Items that the Sellers have not already paid (the sum of such calculation being the Expense Payments Amount ). This Section 1.6 shall not limit any obligation of any Seller set forth elsewhere in this Agreement.

### 1.7 Adjustment Amount and Closing Payment Amounts.

(a) The term Tenant Note Amount means the aggregate principal amount of any tenant notes originated by the Sellers or the Acquired Companies with a note date between the date hereof and the Closing Date.

(b) The term New Home Amount means the sum of (x) the amount, not exceeding \$5,600,000 in the aggregate, paid by the Sellers or the Acquired Companies for any Manufactured Homes acquired between the date hereof and the Closing Date that are included in the Acquired Assets transferred at Closing ( Acquired New Homes ) plus (y) the amount, not exceeding \$500,000 in the aggregate, of capitalized costs related to buying, or costs incurred for selling and or renting such

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Acquired New Homes, as of the Closing Date.

(c) The term **Capital Expenditure Shortfall** means the amount by which (x) the aggregate amount of capital expenditures made by the Sellers and the Acquired Companies in respect of the Acquired Business prior to the Closing Date is less than (y) the product of (A) \$9 million multiplied by (B) the quotient of the number of days elapsed in 2007 prior to the Closing Date divided by 365.

(d) The term **Net Payment Amount** means a working capital assets and pro ration net payment amount corresponding to the **Net Payment Amount** set forth on Annex A, with such amount to be computed as of the close of business on the Business Day immediately prior to the Closing Date, in a manner consistent as to line items, accounting principles, methods of allocation and pro ration, and in all other significant respects, with the computation of **Net Payment Amount** set forth in Annex A. Such amount shall be expressed as a negative number if in favor of the Buyer or as a positive number if in favor of the Sellers.

(e) The term **Adjustment Amount** means an amount equal to the **Tenant Note Amount** increased by the **New Home Amount** reduced by the **Capital Expenditure Shortfall** (if any) reduced by the **Stay Bonus Amount** reduced by the aggregate amount of **Assumed Indebtedness** at the Closing and either (x) reduced by the absolute value of the **Net Payment Amount**, if the **Net Payment Amount** is a negative number or (y) increased by the absolute value of the **Net Payment Amount**, if the **Net Payment Amount** is a positive number.

(f) The term **Closing Payment** means an amount equal to the **Initial Purchase Price** reduced by the **Expense Payments Amount** (if any) and reduced by the absolute value of the **Estimated Adjustment Amount**.

(g) The term **Initial Purchase Price** shall mean an amount in cash equal to \$ 1,794,000,000.

1.8 **Purchase Price.** The aggregate consideration to be paid by the Buyer in respect of the purchase of the Acquired Company Interests and the Acquired Assets shall be an amount in cash equal to the **Closing Payment**, which amount shall be subject to adjustment in accordance with Section 1.9.

### 1.9 **Purchase Price Adjustment.**

(a) The Sellers shall, no later than 20 Business Days prior to the expected Closing Date begin preparing, and shall deliver to the Buyer no later than ten Business Days prior to the expected Closing Date, a statement (the **Estimated Closing Statement** ) setting forth ARC's good faith estimate of the **Adjustment Amount** (the **Estimated Adjustment Amount** ) and each of the components thereof. The **Estimated Closing Statement** shall be prepared in consultation with the Buyer and shall be reasonably acceptable to the Buyer. Promptly upon the Buyer's request, ARC shall make available to the Buyer and its Representatives copies of any back up materials used by ARC in preparing the **Estimated Closing Statement** and such other materials as the Buyer may reasonably request in connection with its review of the **Estimated Closing Statement**.

(b) Within 90 days after the Closing Date, the Buyer shall cause to be prepared and delivered to ARC a statement (the **Closing Statement** ) setting forth the Buyer's good faith determination the **Adjustment Amount** and each of the components thereof. Promptly upon ARC's request, the Buyer shall make available to ARC and its Representatives copies of any back up

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materials used by the Buyer in preparing the Closing Statement and such other materials as ARC may reasonably request in connection with their review of the Closing Statement.

(c) Within 30 days after ARC's receipt of the Closing Statement, ARC shall deliver to the Buyer a written statement either accepting the Closing Statement or specifying any objections thereto. If ARC does not deliver any such objections within such 30 day period, the Closing Statement shall become final and binding upon all parties. If ARC does deliver such objections within such period, then the parties shall negotiate in good faith for a period of 15 days following the Buyer's receipt of such objections to resolve any such objections. If the parties are able to resolve ARC's objections during such 15 day period, then the Closing Statement, as revised in accordance with such resolution, shall become final and binding upon all parties. If the parties are not able to resolve such objections during such period, then any remaining disputes shall be resolved by a nationally recognized accounting firm upon which ARC and the Buyer shall reasonably agree (the Accounting Firm). The Accounting Firm shall be instructed to resolve any such disputes within 30 days after its appointment. The resolution of such disputes by the Accounting Firm shall be set forth in writing and binding, shall be within the range of dispute between the Buyer and ARC and shall be conclusive upon all parties. Upon delivery of such resolution, the Closing Statement, as modified in accordance with such resolution, and the Adjustment Amount as modified in accordance with such resolution and set forth therein (the Final Adjustment Amount), shall become final and binding upon all Parties. The fees and expenses of the Accounting Firm shall be shared equally by the Buyer and the Sellers.

(d) Within three Business Days after the date on which the Closing Statement becomes final and binding in accordance with Section 1.9(b), (i) if the Final Adjustment Amount is less than the Estimated Adjustment Amount, ARC shall pay cash in the amount of such shortfall to the Buyer by wire transfer of immediately available funds to an account designated by the Buyer at least two Business Days prior to such payment; and (ii) if the Final Adjustment Amount is greater than the Estimated Adjustment Amount, the Buyer shall pay cash in the amount of such shortfall to ARC by wire transfer of immediately available funds to an account designated by the ARC at least two Business Days prior to such payment. Any such payment shall be made with interest at the Prime Rate from the Closing Date to the date of payment.

1.10 Calculation of Final Purchase Price. The Final Purchase Price shall be the amount equal to the Initial Purchase Price reduced by the Expense Payments Amount, if any, and reduced by the absolute value of the Adjustment Amount, if the Adjustment Amount is a negative number.

1.11 Closing. The parties agree that the closing of the Transaction (the Closing) shall take place at 10:00 a.m. local time, at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019-6064, as soon as practicable, but in any event not later than the fourth Business Day immediately following the date on which the last of the conditions set forth in Article VII (other than those conditions that by their nature have to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions) are satisfied or waived, or at such other date, time and place as the Parties may agree. The date on which the Closing will occur is referred to herein as the Closing Date, and the time at which the Closing occurs is referred to herein as the Effective Time. If the Sellers determine that such delay is necessary to satisfy the conditions to closing set forth in either Section 7.1(e) or 7.1(f), the Sellers shall have a one time option, by delivering written notice to Buyer no later than ten (10) days prior to the Closing Date, to delay the Closing Date to a date designated in such notice that is no more than 45 days following the date on which the Sellers would otherwise have been required to effect the Closing (but in no event later than the End Date).

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### 1.12 Closing Deliveries. At the Closing:

- (a) The Buyer shall deliver to the Sellers the amount in cash equal to the Closing Payment by wire transfer of immediately available funds to the bank account or accounts designated by the Sellers prior at least one Business Day to the Closing;
- (b) Each Seller shall deliver an Assignment Agreement to the Buyer transferring all Acquired Company Interests held by such Seller to the Buyer, in form and substance attached hereto as Exhibit A (each, an Interest Assignment Agreement ), and duly executed by such Seller;
- (c) Each Seller shall deliver an Assignment Agreement to the Buyer transferring all of such party's Acquired Assets to the Buyer, in form and substance attached hereto as Exhibit B (each, an Asset Assignment Agreement ), and duly executed by such Party;
- (d) Each Seller, and the Buyer shall deliver a Trademark Assignment Agreement transferring all of such Seller's Trademarks and related Assets to the Buyer, in form and substance attached hereto as Exhibit C (each, a Trademark Assignment Agreement ), and duly executed by such Parties;
- (e) ARC and the Buyer shall deliver a Transition Services Agreement, the purpose of which is to, among other things, designate the services, support and facilities use relating to the operation of the Retained Business that the Buyer will provide to ARC and its Affiliates after the Closing Date, in form and substance attached hereto as Exhibit D (the Transition Services Agreement ), and duly executed by such Parties; and
- (f) Each Party shall deliver the other documents required to be delivered by it pursuant to Article VII hereof and such other documents or instruments as may reasonably be required by the other Parties to effect the transactions contemplated hereby.

1.13 Change in Transaction Structure. If and to the extent that Buyer determines, not less than 10 days prior to the Closing, that it would be beneficial to transfer one or more of the Acquired Properties from its current owner at the Closing to an entity designated by the Buyer, then Sellers shall reasonably cooperate with Buyer in effecting such transfer; provided, however, that no such transfer shall (i) have the effect of increasing the obligations or reducing the rights of the Sellers hereunder in any respect greater than de minimis or increasing the costs or expenses of the Sellers hereunder, including increasing the amount of any Taxes due by the Sellers (unless Buyer pays such increased cost or expense including attorney's fees, title fees and transfer taxes associated with such transfers), (ii) reasonably be expected to impede or delay the consummation of the transactions contemplated hereby on the terms contemplated herein or (iii) constitute a waiver of any condition to the transactions provided herein.

### 1.14 Delayed Acquisition Assets.

- (a) Subject to Section 7.2(g), if and to the extent that the transfer or assignment from any Seller to Buyer of any Acquired Asset or any Acquired Company Interest would be a violation of applicable Law with respect to such Acquired Asset or Acquired Company Interest or otherwise adversely affect the rights of the transferee thereunder as a result of the failure to obtain or make any consent, approval, waiver, authorization, notice or filing required to be made in connection

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with the transactions contemplated by this Agreement, other than any consent, approval, waiver, authorization, notice or filing in respect of Assumed Indebtedness (to which this Section 1.14 shall not apply), then the transfer or assignment to Buyer of such Acquired Asset or Acquired Company Interest (each, a Delayed Acquired Asset ) shall be automatically deemed deferred and any such purported transfer or assignment shall be null and void until such time as all legal impediments are removed and/or any required authorizations have been made or obtained, but the Closing shall otherwise take place in all respects as provided for in this Agreement and the Initial Purchase Price shall not be reduced.

(b) If the transfer or assignment of any Acquired Asset or Acquired Company Interest intended to be transferred or assigned hereunder is not consummated at the Closing as a result of such Acquired Asset or Acquired Company Interest being a Delayed Acquired Asset, then the applicable Seller shall thereafter, directly or indirectly, hold such Delayed Acquired Asset for the use and benefit of Buyer (at the expense of Buyer), insofar as reasonably possible. In addition, to the extent not prohibited by Law, such Seller shall take or cause to be taken such other actions as may be reasonably requested by Buyer in order to place Buyer, insofar as reasonably possible, in the same position as if such Delayed Acquired Asset had been transferred as contemplated hereby and so that all the benefits and burdens relating to such Delayed Acquired Asset, including possession, use, risk of loss, potential for gain, and dominion, control and command over such Delayed Acquired Asset, are to inure from and after the Closing to Buyer. To the extent permitted by Law and to the extent otherwise permissible in light of any required consent or authorization, Buyer shall be entitled to, and shall be responsible for, the management of any Delayed Acquired Assets not yet transferred to it as a result of this Section 1.14 and the parties hereto agree to use commercially reasonable efforts to cooperate and coordinate with respect thereto.

(c) If and when the consent or authorization, the absence of which caused the deferral of transfer of any Acquired Asset or Acquired Company Interest pursuant to this Section 1.14 is obtained, the transfer of the applicable Acquired Asset or Acquired Company Interest to Buyer shall automatically and without further action be effected in accordance with the terms of this Agreement and the applicable Transaction Documents.

(d) Prior to the Closing Date, the Sellers shall deliver to Buyer a list identifying, in reasonable detail, to the Knowledge of the Sellers, the Delayed Acquired Assets and the authorizations required therefore (provided that this provision shall be disregarded for purposes of Section 7.2(a) and Article IX).

(e) The parties hereto further agree that, assuming as set forth in Section 1.14(b) that all or substantially all of the benefits and burdens relating to the Acquired Assets inure to Buyer, (i) any Delayed Acquired Assets referred to in this Section 1.14(e) shall be treated for all income Tax purposes as Assets of Buyer and (ii) neither Buyer nor Seller shall take, and each of Buyer and Seller shall prevent any of their respective Affiliates from taking, any position inconsistent with such treatment for any income Tax purposes (unless required by a change in applicable income Tax Law or a good faith resolution of a contest).

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Except as set forth in the Sellers Disclosure Letter (subject to Section 11.7), and except as set forth in the Annual Report on Form 10-K under the Securities Exchange Act of 1934, as amended (the Exchange Act ) filed by ARC with the Securities and Exchange Commission (the SEC ) on March 15, 2007 (the Form 10-K ) or in any Form 8-K under the Exchange Act filed by ARC with the SEC since January 1, 2007 and prior to the date hereof (in each case, excluding any amendment or supplement thereto made after the date hereof and excluding any disclosures set forth in any risk factor section and in the section relating to forward-looking statements, in each case to the extent that they are cautionary, predictive or forward-looking in nature), each of the Sellers, jointly and severally, represents and warrants to the Buyer as follows:

2.1 Organization and Qualification. Each of the Sellers is a corporation or limited partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite power and authority to carry on its business as it is now being conducted and is duly qualified or licensed to do business and in good standing in each of the jurisdictions in which the conduct of its business or the ownership, operation or leasing of its assets and properties requires it to be so qualified, licensed or in good standing, except for jurisdictions where the failure to be so qualified or licensed, individually or in the aggregate, has not had and would not reasonably be expected to have a Seller Material Adverse Effect.

2.2 Authority.

(a) Each of the Sellers has all necessary corporate or limited partnership power and authority to execute and deliver this Agreement and their other respective Transaction Documents and to consummate the Transactions. Other than the approval by certain Sellers of the sale of Acquired Company Interests (which the Sellers shall provide promptly following the date hereof), the execution and delivery of this Agreement and the Sellers' other Transaction Documents and the consummation of the Transactions have been duly and validly authorized by all requisite corporate or limited partnership action on the part of each Seller and, except for the ARC Stockholder Approval and the matters contemplated by the OP Consent Solicitation, no other corporate or similar proceedings on the part of any Seller are necessary to authorize this Agreement or the Sellers' other Transaction Documents or to consummate the Transactions. The affirmative vote of shares of ARC Common Stock and ARC Special Voting Stock entitled to cast a majority of all the votes entitled to be cast on the Transaction at the ARC Stockholder Meeting, voting as a single class, approving the transactions contemplated by this Agreement (the ARC Stockholder Approval ) is the only approval of any holder of Equity Interests of any Seller or Acquired Company that is required to approve the Transactions. This Agreement and each of the Sellers' other Transaction Documents have been (or, in the case of Transaction Documents to be executed after the date hereof, prior to Closing will have been) duly and validly executed and delivered by each Seller and, assuming the due authorization, execution and delivery thereof by the Buyer, constitutes (or, when executed and delivered, will constitute) legally valid and binding obligations of each Seller, enforceable against each Seller in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally or by general equitable principles.

(b) The Board of Directors of ARC has unanimously, by resolutions duly adopted at a meeting duly called and held (A) approved, and declared advisable, this Agreement and the transactions contemplated hereby, (B) determined that the terms of this Agreement are fair to, and in

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the best interests of, ARC, (C) directed that ARC submit the approval of the transactions contemplated by this Agreement to a vote at a meeting of the stockholders of ARC as promptly as practicable, (D) recommended that the stockholders of ARC approve the Transactions at the ARC Stockholder Meeting, and (E) taken such actions as are necessary to approve this Agreement, the Support Agreement and the Transactions for purposes of any restriction under the Organizational Documents of ARC, which resolutions have not (subject to Section 5.5) been subsequently rescinded, modified or withdrawn in any way.

(c) None of the restrictions set forth in Title 3, Subtitle 6 and Subtitle 7 of the Maryland General Corporation Law (the MGCL ) are or will be applicable to the Transactions.

2.3 Non-Contravention. Except as set forth in Section 2.3 of the Sellers Disclosure Letter, the execution and delivery of this Agreement and each of the Sellers' other Transaction Documents by the Sellers does not and will not, and the consummation of the Transactions will not: (i) conflict with or result in any breach of any provision of the Organizational Documents of any of the Sellers, (ii) result in a material violation or breach of any provision of, constitute (with or without due notice or lapse of time or both) a material default under, give rise to a right of termination, cancellation or acceleration of any obligation or the loss of any material benefit under, or require any consent under, any material Contract of any kind to which a Seller is a party or by which a Seller or any of its respective properties or assets may be bound or affected, (iii) result in the creation or imposition of any Lien upon any of the material properties or assets of the Sellers, or (iv) subject to the matters addressed in Section 2.4, violate in any material respect any material Law applicable to the Sellers.

2.4 Consents and Approvals. Except as set forth in Section 2.4 of the Sellers Disclosure Letter, and except for compliance with applicable securities Laws, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act ), and the rules of The New York Stock Exchange, no material consent, approval, order or authorization of, or registration, declaration or filing with, or Permit from any Governmental Entity is required by or with respect to the Sellers in connection with the execution and delivery by the Sellers of this Agreement or of any of the Sellers' other Transaction Documents, or the consummation by the Sellers of the Transactions.

2.5 Litigation. In each case except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Seller Material Adverse Effect, (a) there are no actions, suits, claims, hearings, proceedings, arbitrations, mediations, audits, inquiries or investigations (whether civil, criminal, administrative, for condemnation or otherwise) before any Governmental Entity or any arbitration ( Actions ) pending or, to the Sellers' Knowledge, threatened against the Sellers or any of their Subsidiaries (excluding the Acquired Companies, which is the subject of Section 3.5 below), (b) except as set forth in Section 2.5 of the Sellers Disclosure Letter, to the Sellers' Knowledge, there are no investigations or formal or informal inquiries by any Governmental Entity against or relating to the Sellers or any of their Subsidiaries (excluding the Acquired Companies, which is the subject of Section 3.5 below), (c) there are no material internal investigations or material and reasonably credible written whistle-blower complaints pending or, to the Sellers' Knowledge, threatened against or relating to the Sellers or any of their Subsidiaries (excluding the Acquired Companies) and (d) there are no judgments, decrees, injunctions, rules or orders of any Governmental Entity relating to the Sellers or any of their Subsidiaries (excluding the Acquired Companies, which is the subject of Section 3.5 below).

2.6 Proxy Statement; Other Information. The Proxy Statement (as hereinafter defined) will

not at the time of the mailing of the Proxy Statement to the stockholders of ARC, at the time of the ARC Stockholder Meeting, or at the time of any amendments thereof or supplements thereto, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, that no representation is made by ARC with respect to information supplied by the Buyer for inclusion on the Proxy. The letter to stockholders, notice of meeting, proxy statement and forms of proxy to be distributed to stockholders in connection with the ARC Stockholder Meeting and to be filed with the SEC in connection with seeking the approval of the transactions contemplated by this Agreement are collectively referred to herein as the Proxy Statement.

### **ARTICLE III**

#### **REPRESENTATIONS AND WARRANTIES OF THE SELLERS**

##### **AS TO THE ACQUIRED COMPANIES AND THE ACQUIRED ASSETS**

Except as set forth in the Sellers Disclosure Letter (subject to Section 11.7) and except as set forth in the Annual Report on the Form 10-K or in any Form 8-K under the Exchange Act filed by ARC with the SEC since January 1, 2007 and prior to the date hereof (in each case, excluding any amendment or supplement thereto made after the date hereof and excluding any disclosures set forth in any risk factor section and in the section relating to forward-looking statements, in each case to the extent that they are cautionary, predictive or forward-looking in nature), each of the Sellers, severally and jointly, represents and warrants to the Buyer, as follows:

#### **3.1 Organization and Qualification; Equity Interests; Subsidiaries.**

(a) Each of the Acquired Companies is a limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite power and authority to carry on its business as it is now being conducted and is duly qualified or licensed to do business and in good standing in each of the jurisdictions in which the conduct of its business or the ownership, operation or leasing of its assets and properties requires it to be so qualified, licensed or in good standing, except for jurisdictions where the failure to be so qualified or licensed, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect or to materially and adversely affect the ability of the Sellers to consummate the transactions contemplated by this Agreement. The Sellers have provided the Buyer with access to true, correct and complete copies of the Organizational Documents of each Acquired Company.

(b) Section 3.1(b)(i) of the Sellers Disclosure Letter lists all of the outstanding Equity Interests of the Acquired Companies. All outstanding Equity Interests of the Acquired Companies are duly authorized, validly issued, fully paid and non-assessable and free of pre-emptive rights and issued in compliance with all applicable Laws. Except as set forth on Section 3.1(b)(i) of the Sellers Disclosure Letter and except for the Acquired Company Interests, there are no outstanding Equity Interests or other securities of any Acquired Company and there are no outstanding subscriptions, options, warrants, calls, convertible securities or other similar rights, agreements or

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commitments relating to the issuance of Equity Interests or other securities of any Acquired Company obligating ARC or any of its Subsidiaries to (A) issue, transfer or sell any Equity Interests or other securities of any Acquired Company or securities convertible into or exchangeable for such Equity Interests or other securities of any Acquired Company, (B) grant, extend or enter into any such subscription, option, warrant, call, convertible securities or other similar right, agreement or arrangement or (C) redeem or otherwise acquire any such Equity Interests or other securities of any Acquired Company. There are no stockholder agreements, voting trusts or other agreements or understandings to which ARC or any of its Subsidiaries are a party with respect to the voting of Equity Interests of any Acquired Company.

(c) Section 3.1(c) of the Sellers Disclosure Letter sets forth a complete and correct list of each Subsidiary of ARC IV, ARC Real Estate, ARC Real Estate Holdings, ARCMS, ARCAL and Enspire Finance, and the jurisdiction of organization and ownership structure of each such Subsidiary. Upon the consummation of the transactions contemplated by this Agreement, the Buyer will wholly own, directly or indirectly, all of the Acquired Company Interests, free and clear of any and all Liens.

3.2 Non-Contravention. Except as set forth in Section 3.2 of the Sellers Disclosure Letter, the execution and delivery of this Agreement and each of the Sellers' other Transaction Documents by the Sellers does not and will not, and the consummation of the Transactions will not: (i) conflict with or result in any breach of any provision of the Organizational Documents of any of the Acquired Companies, (ii) result in a material violation or breach of any provision of, constitute (with or without due notice or lapse of time or both) a material default under, give rise to a right of termination, cancellation or acceleration of any obligation or the loss of any material benefit under, or require any consent under, any material Contract of any kind to which an Acquired Company is a party or by which an Acquired Company or any of its respective properties or assets may be bound or affected, (iii) result in the creation or imposition of any Lien upon any of the material properties or assets of any of the Acquired Companies, or (iv) subject to the matters set addressed in Section 3.3, violate in any material respect any material Law applicable to any Acquired Company.

3.3 Consents and Approvals. Except as set forth in Section 3.3 of the Sellers Disclosure Letter, and except for compliance with applicable securities Laws, the HSR Act, and the rules of The New York Stock Exchange, no material consent, approval, order or authorization of, or registration, declaration or filing with, or Permit from any Governmental Entity is required by or with respect to the Acquired Companies in connection with the consummation of the Transactions.

### 3.4 Compliance with Applicable Laws.

(a) Except as set forth in Section 3.4(a) of the Sellers Disclosure Letter and except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, each Acquired Company and the Acquired Business is, and since January 1, 2004 has been, in compliance with all Laws and Permits applicable to it, including the federal Truth in Lending Act, the federal Equal Credit Opportunity Act, the federal Fair Credit Reporting Act, the federal Fair Debt Collection Practices Act, the USA PATRIOT Act, state usury laws, state retail installment sales acts, state consumer credit disclosure statutes, state consumer credit licensing statutes and state laws and regulations governing the collection of debts.

(b) Except as set forth in Section 3.4(b) of the Sellers Disclosure Letter and except as would not, individually or in the aggregate, reasonably be expected to have a Company Material

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Adverse Effect, each Acquired Company and the Acquired Business is, and since January 1, 2004 has been, in possession of all permits, licenses, franchises, approvals, certificates, consents, waivers, concessions, exemptions, Governmental Orders, registrations, notices or other authorizations of any Governmental Entity (the Permits ) necessary for it to own, lease and operate its properties and to carry on its business as currently conducted.

(c) Except as set forth in Section 3.4(c) of the Sellers Disclosure Letter and except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, since January 1, 2004, no Acquired Company and none of their Affiliates in respect of the Acquired Business has received any written notification or communication from any Governmental Entity (i) asserting that an Acquired Company or any of its Affiliates is not in compliance with any material Law, including licensing requirements, which such Governmental Entity enforces or (ii) threatening to revoke any Permit.

(d) Except as set forth in Section 3.4(d) of the Sellers Disclosure Letter and except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, each Acquired Company and the Acquired Business has timely filed, or will have timely filed by the Closing without penalty or sanction outstanding, all reports ( Regulatory Documents ) required to be filed since January 1, 2004 by any Law or any Governmental Entity charged with the supervision of the Acquired Business (collectively, the Acquired Business Regulatory Authorities ) and have timely paid all fees and assessments due and payable in connection therewith. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, as of their respective dates, the Regulatory Documents complied with all requirements of applicable Law.

(e) Except as set forth in Section 3.4(e) of the Sellers Disclosure Letter, no Acquired Company and none of their Affiliates in respect of the Acquired Business has been advised in writing by any Governmental Entity that such Governmental Entity is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any order, decree, agreement, memorandum of understanding, supervisory agreement, cease and desist order, commitment letter, supervisory letter or similar submission.

(f) No representation or warranty is made under this Section 3.4 with respect to Taxes, ERISA, or environmental matters, which are covered exclusively by Sections 3.8, 3.9 and 3.12, respectively.

3.5 Litigation. Except as set forth in Section 3.5 of the Sellers Disclosure Letter and except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or to materially and adversely affect the ability of the Sellers to consummate the transactions contemplated by this Agreement, there are no (a) Actions pending or, to the Sellers Knowledge, threatened against the any Acquired Company or any of their Affiliates in respect of the Acquired Business, (b) investigations or formal or informal inquiries by any Governmental Entity against any Acquired Company or any of their Affiliates in respect of the Acquired Business, (c) internal investigations or material and reasonably credible written whistle-blower complaints pending or, to the Sellers Knowledge, threatened against or relating to the any Acquired Company or any of their Affiliates in respect of the Acquired Business or (d) Governmental Orders relating to any Acquired Company or any of their Affiliates in respect of the Acquired Business.

3.6 Absence of Undisclosed Liabilities.

(a) The Acquired Companies have no material Liabilities except for (i) Liabilities incurred in the ordinary course of business resulting from, related to or arising out of any Acquired Company, any Acquired Asset, or the Acquired Business, (ii) Liabilities disclosed in Section 3.6(a) of the Sellers Disclosure Letter, (iii) as reflected or reserved against in the consolidated balance sheet (or in the notes thereto) of ARC and its Subsidiaries as of December 31, 2006, included in the Form 10-K and (iv) for Liabilities pursuant to this Agreement.

(b) Each of the Persons listed on Section 3.6(b) of the Sellers Disclosure Letter (each, a Special Purpose Entity ) was formed for the sole purpose of holding the property or properties identified on Section 3.6(b) of the Sellers Disclosure Letter as being held by such Special Purpose Entity or holding other manufactured home communities that have been sold, and has conducted no activities and incurred no Liabilities, in each case other than activities or Liabilities that are incident to the ownership of such property or properties or, with respect to any Special Purpose Entity that has disposed of any property, activities or Liabilities incident to the ownership of such disposed property and for which such Special Purpose Entity has no further Liability, and in each case except for de minimus Liabilities or activities or Liabilities that would not be expected to adversely affect the Financing. Each of the Special Purpose Entities has complied in all material respects with the special purpose entity provisions contained in its Organizational Documents.

### 3.7 Material Contracts.

(a) Section 3.7(a)(i) of the Sellers Disclosure Letter lists all Material Contracts. The Sellers have made available, delivered, or caused to be delivered to the Buyer a true, complete and correct copy of each Material Contract. Except as set forth in Section 3.7(a)(ii) of the Sellers Disclosure Letter, each Material Contract is valid, binding and enforceable and in full force and effect. Neither ARC nor any of its Subsidiaries, nor, to the Knowledge of Sellers, any counterparty to any Material Contract, has violated or is alleged to have violated any provision of, or committed or failed to perform any act which, with or without notice, lapse of time or both, would constitute a default under the provisions of any Material Contract except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(b) For purposes of this Agreement, Material Contracts shall mean, to the extent primarily relating to any Acquired Company, the Acquired Business, any Acquired Assets or any Assumed Liability,

(i) any loan or credit agreement, indenture, note, bond, debenture or any other document or agreement evidencing Assumed Indebtedness;

(ii) each Seller Lease and each contract for the sale of real estate entered into by an Acquired Company during the three (3) year period prior to the date hereof;

(iii) each commitment, contractual obligation, borrowing, capital expenditure, agreement to acquire or to sell real property or any interest therein, or transaction entered into by an Acquired Company or otherwise constituting an Acquired Asset which may result in total annual payments by or liability of an Acquired Company in excess of \$100,000;

(iv) any other agreements filed or required to be filed as exhibits to the Seller SEC Documents pursuant to Item 601(b)(10) of Regulation S-K of Title 17, Part 229 of the Code of

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