

The developer behind the Ritz-Carlton Paradise Valley is facing foreclosure and is once again engaged in litigation. According to the Phoenix Business Journal, Five Star Development filed for Chapter 11 bankruptcy protection on November 4 in the Southern District of Texas.

By [Paul Thompson](#) – Managing Editor, Phoenix Business Journal
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The developer behind the \$2 billion Ritz-Carlton Paradise Valley and The Palmeraie luxury residential development has filed for Chapter 11 bankruptcy protection days ahead of a scheduled foreclosure sale.

Multiple entities connected to Five Star Development filed for the bankruptcy protection Nov. 4 in the Southern District of Texas. The company reported estimated assets between \$500 million and \$1 billion against estimated liabilities between \$500 million and \$1 billion, according to bankruptcy documents.

The move offers Five Star a reprieve in its high-stakes litigation with an affiliate of Madison Realty Capital, the lender for the 122-acre [Paradise Valley megaproject](#). Madison had been pursuing a November foreclosure sale for the stalled development, alleging that Five Star has [defaulted on a \\$585 million construction loan](#) tied to the project.

Five Star filed a lawsuit against Madison in May, alleging that the lender has undermined it in an effort to take control of the property. A flurry of claims have gone back and forth in the intervening months.

The bankruptcy marks the latest setback for the 122-acre luxury master-planned community, which was originally proposed in 2007 and has been hindered by [numerous delays](#) and [litigation](#). Once complete, the ambitious project is expected to feature the 215-room Ritz-Carlton Paradise Valley Resort, 80 condominiums and 32 single-family homes as well as The Palmeraie, a luxury shopping center.

While the Chapter 11 bankruptcy filing clouds the project's future, it also provides Five Star Development with time to get its financial affairs in order. The developer has signaled its intention to restructure and complete the project.

“This process provides the structure and transparency needed to bring the resort to completion and preserve the integrity of one of the most important developments in Arizona,” Gerald C. Ayoub, founder and principal of Five Star Development, [said in a statement](#). “Our commitment to the Ritz-Carlton brand, our buyers and our community remains unwavering.”

Bankruptcy filings typically receive what's called an automatic stay, which temporarily pauses all legal action tied to the filing entity. An automatic stay would forestall the foreclosure, while also halting progress on the ongoing lawsuit between the two parties.

An administrator with the Superior Court of Arizona confirmed to the Business Journal this morning that a Nov. 5 hearing — during which a judge was set to hear arguments about potentially appointing a receiver to manage the project — has been vacated.

More than 30 affiliates of Five Star Development filed for bankruptcy protection, with plans to request joint administration of the cases for procedural purposes, bankruptcy documents show.

Nicholas J. Hendrix of O'Melveny & Myers LLP represents Five Star in the bankruptcy process. Lance Miller of Pivot Management Group LLC “was appointed the Chief Restructuring Officer of the Companies effective as of November 3, 2025,” according to court documents.

Hendrix declined to comment for this story. Reached Wednesday morning, Madison Realty Capital attorney J. Christopher Gooch of Fennemore Craig PC said he was not authorized to comment at this time.

Five companies have unsecured claims in excess of \$500,000, according to the Chapter 11 bankruptcy filing. That includes contractor Armstrong Residential Services LLC, which has an unsecured claim of \$6,145,132, and The Ritz-Carlton Hotel Company LLC, which has an unsecured claim of \$2,196,804.

In total, 30 companies have unsecured claims of \$31,272 or higher.

Where Five Star's litigation with Madison Realty Capital was headed

The bankruptcy filing occurred on the eve of a evidentiary hearing in Arizona Superior Court set for Nov. 5. Judge Dewain D. Fox had allotted eight hours on Wednesday to hear key arguments in the lawsuit laid out across thousands of pages of recently filed court documents.

Among the key issues was Five Star's efforts to get a judge to enjoin, or order the halt of, the foreclosure sale scheduled by Madison Realty Capital for Nov. 12. Madison Capital was also hoping for a ruling on its Oct. 9 application seeking the appointment of a receiver to take control of the property from Five Star.

Both sides agree that the Madison affiliate, RC PV Lender I LLC, in 2023 issued a construction loan of up to \$585 million to Five Star to help it complete the project. They also agree that the project has since stalled.

However, the stories diverge from there.

Five Star Development filed a lawsuit in May alleging that Madison Realty Capital has put itself in a position to seize control of the project, arguing in that filing that the lender used its status to "interfere with and take over the project for its own financial gain" through tactics such as funding delays, withheld approvals and the weaponization of consent rights designed to "wrongfully force Five Star into financial concessions and chaos."

The developer has alleged in court documents that "Madison has used a construction loan agreement with funding up to \$585,000,000 to leverage Five Star and destabilize the project."

In an October filing arguing against the appointment of a receiver, Five Star accuses Madison of ignoring "the context of this litigation."

"Five Star sued Madison for rigging and inflating borrowings, and foisting the higher loan amounts on Five Star to create purported 'defaults,'" Five Star alleged in court documents. "Madison now unabashedly uses the very 'defaults' it caused to try to wrest control of Five Star's property away from Five Star."

For its part, the lender has denied allegations of wrongdoing, arguing in court documents that the Five Star lawsuit is a "last-ditch effort to evade the consequences of Five Star failing to perform its contractual promises," court documents show.

Madison has also alleged in court documents that Five Star has already spent the \$585 million, along with millions of dollars more that Madison provided to keep the project on track.

The lender alleged in an October filing that it has funded \$79 million for the project since filing a notice of default against Five Star in October 2024 — after the developer's "failure to make an interest payment on September 1, 2024."

Madison has claimed that from January 2024 to March 2025, Five Star signed 11 reservation of rights letters which "expressly stated" that Five Star Development was in default under the construction loan agreement. Such letters can be used to protect the contractual rights of lenders when they are negotiating with borrowers who are in default.

Five Star issued a \$4.8 million request as recently as Sept. 23 to fund construction of the project's residential villas, Madison alleged in its October application to appoint a receiver.

"Suffice it to say, the project is stalled because of Five Star's mismanagement and ineffectual efforts over nearly two decades," the lender alleged in another court document filed in late October. "Five Star is out of money and cannot complete the project (or even afford a bond to forestall foreclosure). Multiple contractors and material suppliers are seeking to foreclose on the project for unpaid construction work."