UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH DIVISION
www.flsb.uscourts.gov

In re:

CCH JOHN EAGAN II HOMES, L.P.,

Debtor.
_____/

Case No. 15-31082-EPK
Chapter 11

SECOND AMENDED DISCLOSURE STATEMENT FOR FIRST AMENDED PLAN OF REORGANIZATION FOR CCH JOHN EAGAN II HOMES, L.P. UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE

Respectfully Submitted,

Howard DuBosar, Esq.
DuBosar Sheres, P.A.
1800 N. Military Trail
Suite 470
Boca Raton, FL 33431
Telephone: (561) 544-8980
Facsimile: (561) 544-8988
Email: hdubosar@dubolaw.com

ATTORNEY FOR DEBTOR

Dated: August 31, 2016

THIS DISCLOSURE STATEMENT (THE "**DISCLOSURE STATEMENT**") MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN OF REORGANIZATION FOR CCH JOHN EAGAN II HOMES, LP. UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE (THE "**PLAN OF REORGANIZATION**" OR THE "**PLAN**"), AND NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS AGAINST OR INTERESTS IN THE DEBTOR.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

THE DESCRIPTION OF THE DEBTOR'S PLAN OF REORGANIZATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INTENDED AS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ITSELF. **EACH CREDITOR AND HOLDER OF AN INTEREST SHOULD READ, CONSIDER AND CAREFULLY ANALYZE THE TERMS AND PROVISIONS OF THE PLAN.**

THE SOLICITATION OF ACCEPTANCES OF THE PLAN OR THE GIVING OF ANY INFORMATION OR THE MAKING OF ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS OR DOCUMENTS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN IS NOT AUTHORIZED BY THE PLAN PROPONENT, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR. SUCH ADDITIONAL REPRESENTATIONS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, WHO IN TURN WILL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR ACTION AS MAY BE DEEMED APPROPRIATE. THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. CREDITORS AND HOLDERS OF INTERESTS ARE ENCOURAGED TO REVIEW THE BANKRUPTCY DOCKET IN THE REORGANIZATION CASE IN ORDER TO EVALUATE EVENTS WHICH OCCUR BETWEEN THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE OF THE CONFIRMATION HEARING. **ALL CREDITORS THAT ARE ENTITLED TO VOTE ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN OF REORGANIZATION AND THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT, PRIOR TO SUBMITTING A BALLOT PURSUANT TO THIS SOLICITATION.**

IN THE EVENT THAT ANY OF THE CLASSES OF HOLDERS OF IMPAIRED CLAIMS VOTE TO REJECT THE PLAN (1) THE DEBTOR MAY ALSO SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN WITH RESPECT TO THAT CLASS UNDER THE SO-CALLED "CRAMDOWN" PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE (11 U.S.C. §1129(b)) AND, IF REQUIRED, MAY FURTHER AMEND THE PLAN TO CONFORM TO SUCH REQUIREMENTS OR (2) THE PLAN MAY BE OTHERWISE MODIFIED OR WITHDRAWN AS PROVIDED THEREIN. THE REQUIREMENTS FOR CONFIRMATION, INCLUDING THE VOTE OF HOLDERS OF IMPAIRED CLAIMS TO ACCEPT THE PLAN AND CERTAIN OF THE STATUTORY FINDINGS THAT MUST BE MADE BY THE BANKRUPTCY COURT, ARE SET FORTH UNDER THE CAPTION "VOTING ON AND CONFIRMATION OF THE PLAN."

APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT INDICATE THAT THE BANKRUPTCY COURT RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN, NOR DOES SUCH APPROVAL CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTEREST OF CREDITORS AND HOLDERS OF INTERESTS. ALL CREDITORS AND HOLDERS OF INTERESTS ARE THEREFORE URGED TO VOTE IN FAVOR OF THE PLAN. TO BE COUNTED, YOUR BALLOT MUST BE COMPLETED AND EXECUTED AND RECEIVED BY NO LATER THAN THE TIME SET BY THE COURT.

INDEX TO EXHIBITS

[1] Class 5 claimants (Unsecured Claims of Trade Creditors) are provided with 2 options in the Plan. Exhibit 3-1 provides projections based on 100% of Class 5 claimants selecting Option 1. Exhibit 3-2 provides projections based on 50% of Class 5 claimants selecting Option 1 and 50% selecting Option 2. Exhibit 3-3 provides projections based on 100% of Class 5 claimants selecting Option 2.

DISCLOSURE STATEMENT
PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE

INTRODUCTION

CCH JOHN EAGAN II HOMES, L.P. (the "**Debtor**"), the Debtor and Debtor in Possession in the Reorganization Case, submits this Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code, in connection with the solicitation of votes on the Plan from holders of impaired Claims against the Debtor and the hearing on confirmation of the Plan as scheduled by the Bankruptcy Court.

This Disclosure Statement is subject to the approval of the Bankruptcy Court in accordance with Section 1125(b) of the Bankruptcy Code as containing information of a kind and in sufficient detail adequate to enable a hypothetical reasonable investor typical of the holders of Claims of the relevant Voting Classes (as defined below) to make an informed judgment whether to accept or reject the Plan. Effort has been made to provide meanings of capitalized and other terms used in this Disclosure Statement. Reference is made to the Plan, however, for the actual meanings of all capitalized and other terms used in this Disclosure Statement and in the Plan and for controlling language with respect to any provision referenced in this Disclosure Statement or in the Plan. Terms used in this Disclosure Statement and in the Plan are defined in Article 2 of the Plan. In the event of a conflict between the definition of any term or any other provision contained in this Disclosure Statement and the corresponding definition or provision contained in the Plan, the definition or provision contained in the Plan shall control.

In the opinion of the Debtor, the treatment of Claims and Interests under the Plan contemplates a substantially greater recovery than that which is likely to be achieved under other alternatives for the reorganization or liquidation of the Debtor. If the Plan is not confirmed, there is a substantial likelihood that unsecured creditors will be left with no recovery at all.

The Debtor believes that confirmation of the Plan is clearly in the best interests of Creditors and Holders of Partnership Interests, and strongly recommends that Creditors holding Allowed Claims in the Voting Classes vote to accept the Plan.

PURPOSE OF THIS DISCLOSURE STATEMENT

The purpose of this Disclosure Statement is to provide the Holders of Claims and Partnership Interests with adequate information to make an informed judgment about the Plan. This information includes, among other things, (a) a summary of the Plan and an explanation of how the Plan will function, including the means of implementing and funding the Plan, (b) general information about the history and business of the Debtor prior to the Petition Date and the events leading to the filing of the Reorganization Case, and (c) a brief summary of significant events which have occurred to date in the Reorganization Case.

This Disclosure Statement contains important information about the Plan and considerations pertinent to a vote for or against the Confirmation of the Plan. All Holders of Claims and Partnership Interests are encouraged to carefully review this Disclosure Statement.

Unless otherwise defined herein, all capitalized terms used in this Disclosure Statement have the meanings ascribed to them in the Plan. Any term used in the Plan or herein that is not defined in the Plan or herein and that is used in the Bankruptcy Code, the Bankruptcy Rules or the Local Rules of the Bankruptcy Court has the meaning assigned to that term in the Bankruptcy Code, the Bankruptcy Rules or the Local Rules, as the case may be. **IF THERE IS ANY CONFLICT BETWEEN THE DEFINITIONS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE DEFINITIONS CONTAINED IN THE PLAN, THE DEFINITIONS CONTAINED IN THE PLAN SHALL CONTROL**.

VOTING INSTRUCTIONS

Who May Vote

Only the holders of Claims and Partnership Interests that are deemed "allowed" under the Bankruptcy Code and that are "impaired" under the terms and provisions of the Plan (the **"Voting Classes"**) are permitted to vote to accept or reject the Plan. For purposes of the Plan, only the holders of Allowed Claims in the Voting Classes are impaired under the Plan and thus may vote to accept or reject the Plan. Under the Plan, the Claims classified in Classes 2, 6, and 9 are impaired under the Plan and are entitled to vote to accept or reject the Plan and thus constitute the "Voting Classes" thereunder.

How to Vote

Each holder of a Claim in a Voting Class should read this Disclosure Statement, together with the Plan and other exhibits, in their entirety. After carefully reviewing the Plan and this Disclosure Statement and their respective exhibits, please complete the enclosed Ballot, including indicating your vote thereon with respect to the Plan, and return the Ballot as provided below. Please note that your vote and election cannot count unless you return the enclosed Ballot.

If you are a member of a Voting Class and did not receive a Ballot, if your Ballot is damaged or lost, or if you have any questions concerning voting procedures, please contact Eli DuBosar at (561) 544-8980.

YOU SHOULD COMPLETE AND SIGN THE BALLOT AND RETURN IT AS DESCRIBED BELOW. IN ORDER TO BE COUNTED, BALLOTS MUST BE DULY COMPLETED AND EXECUTED AND RECEIVED BY NO LATER THAN THE DATE FIXED BY THE BANKRUPTCY COURT IN THE ORDER APPROVING DISCLOSURE STATEMENT AND FIXING DATES FOR CONFIRMATION (THE "BALLOT DEADLINE").

Completed Ballots should be sent by regular mail, hand delivery, or overnight delivery, **SO AS TO BE RECEIVED NO LATER THAN THE BALLOT DEADLINE,** to:

Clerk of the United States Bankruptcy Court
Flagler Waterview Building
1515 N. Flagler Drive, 8th Floor
West Palm Beach, Florida 33401

Acceptance of Plan and Vote Required for Class Acceptance

As the holder of an Allowed Claim in the Voting Classes, your vote on the Plan is extremely important. In order for the Plan to be accepted and thereafter confirmed by the Bankruptcy Court without resorting to the "cramdown" provisions of Section 1129(b) of the Bankruptcy Code as to other classes of Allowed Claims, votes representing at least two-thirds in amount and more than one-half in number of Allowed Claims of each impaired Class of Claims that are voted must be cast for the acceptance of the Plan. The Debtor is soliciting acceptances only from members of the Voting Classes. The Debtor or its agents may contact you with regard to your vote on the Plan.

To meet the requirement for confirmation of the Plan under the "cramdown" provisions of the Bankruptcy Code with respect to any impaired Class of Claims or Partnership Interests which votes to reject the Plan (a "**Rejecting Class**"), the Debtor would have to show that all Classes junior to the Rejecting Class will not receive or retain any property under the Plan unless all holders of Claims in the Rejecting Class receive, under the Plan, property having a value equal to the full amount of their Allowed Claims.

Confirmation Hearing and Objections to Confirmation

The Bankruptcy Court will schedule a hearing to consider confirmation of the Plan (the "**Confirmation Hearing**"), which may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. The Bankruptcy Court has directed that any objection to confirmation of the Plan must be in writing and specify in detail the name and address of the objector, the basis for the objection and the specific grounds for the objection, and the amount of the Claim held by the objector. Consistent with Rule 3020(b) of the Federal Rules of Bankruptcy Procedure and Local Rule 3020-1(a), any such objection must be filed with the Bankruptcy Court so as to be actually received on or before the deadline set by the Court.

HISTORY OF THE DEBTOR

The Debtor owns and operates a 180-unit multi-family low income apartment complex located at 60 Paschal Street, Atlanta, Georgia 30314, known as Magnolia Park, Phase II (the

"Property"). Seventy-three (73) of the units are public housing units ("Public Housing Units"). On or about May 20, 2003, the Debtor obtained a loan in the amount of $4,000,000 from ARCS Commercial Mortgage Co., L.P. ("ARCS") (the "Note"). As security for the Note, the Debtor executed a Multifamily Deed to Secure Debt, Assignment of Rends, and Security Agreement (the "Security Deed"). ARCS subsequently transferred and assigned the loan to Fannie Mae.

The Project was built on land owned by the Atlanta Housing Authority ("AHA"), pursuant to that certain Revitalization Agreement entered into by and between Creative Choice Homes, Inc. and AHA. Accordingly, on November 17, 2000, Debtor and AHA entered into that certain Amended and Restated Ground Lease Agreement (the "Ground Lease"), pursuant to which the Debtor leased the land on which the Project was situated from AHA for fifty-seven (57) years, after which time ownership of the Project would revert to AHA.

EVENTS LEADING TO THE FILING OF THE REORGANIZATION CASE[2]

In 2012, approximately twenty-five apartment units on the Property suffered severe damage from vandalism. Thereafter, disagreements arose between the Debtor and Fannie Mae relating to insurance proceeds and the availability of funds to address the vandalism, the costs of the repairs, and other issues. As a result, Fannie Mae sought the appointment of a receiver based on its contention that *non-monetary* defaults existed.

On August 29, 2014, a Georgia state court granted Fannie Mae's request to have Rick DeLisle of Fickling & Co. appointed as a receiver for the Property (the "Receiver"). The Receiver was charged with the duty of managing the daily operations of the Property, preserving the Property's condition, and making necessary repairs to the Property. Prior to the appointment of the Receiver, in April of 2014, the United States Department of Housing and Urban Development ("HUD") performed a REAC inspection on the Property to assess the state of the Property and the Public Housing Units. While there still existed significant damage to the vandalized units as a result of the dispute between Fannie Mae and CCH over the use of funds, the Property received a **passing** REAC score of 70b.

The Receiver neglected the Property after taking over the management of the Property. Within two months of the Receiver taking over and being charged with the responsibility of maintaining the Property, his neglect (compounded by Fannie Mae's refusal to permit the Debtor to use insurance proceeds where necessary) caused the Property to fall into disrepair. As a result, when HUD conducted a new REAC inspection in October of 2014, the Property received a failing REAC score of 35c which was the lowest score the Property ever received.

On December 1, 2014, Fannie Mae and the Debtor attended mediation in an attempt to resolve their differences. As a result of mediation, the Debtor and Fannie Mae executed a term sheet (the "Term Sheet").[3] On February 6, 2015, the Mediator entered Mediator's Final Decision, Order and Determination.

[2] The Debtor's version of events is expressed herein. Fannie Mae and AHA do not agree with all statements expressed herein.

[3] The Debtor initiated Adversary No. 16-01200-EPK based in part upon representations made by Fannie Mae to

Thereafter, disagreements arose between Fannie Mae and the Debtor regarding their respective obligations under the Term Sheet, resulting in the Debtor's filing of a motion to enforce the terms of the Term Sheet (which by this time had converted by its terms to a Consent Judgment).

From December 2014 through mid-July 2015, the Receiver was in complete control of the Property. During that time, the Receiver failed to complete the necessary repairs on the Property including many of those repairs identified in the October 2014 REAC report. In addition to failing to make necessary repairs on the Property, the Receiver also permitted liens to be placed on the Property by contractors and subcontractors he supervised during the time that he was receiver (the "Liens").

On July 10, 2015, the Georgia state court entered a Consent Order terminating the receivership. The Debtor asserts that the Receiver misrepresented to the Debtor and the Georgia state court that he had completed his duties and was permitted to withdraw as a receiver. By the time the new property management company – Hammond – took over, assessed the property, and ascertained that the Receiver had neglected his duties, there was insufficient time before the upcoming REAC inspection (in August of 2015) to remediate all of the damage caused by the Receiver or complete the repairs that he neglected.

While the Debtor and its new property manager made great strides to improve the mess left behind by the Receiver, all of the repairs contemplated by ¶2 of the Term Sheet were not completed before the next REAC inspection. In September of 2015, the Property received a REAC score of 59c (the "September 2015 REAC Inspection"), one point shy of a passing REAC score. Even after completing a large portion of the repairs left behind by the Receiver, the report indicated that there were 154 deficiencies to be addressed.

Pursuant to HUD's rules, the Debtor was entitled to cure those deficiencies to obtain a passing score. The Debtor did so and following HUD's re-inspection of the Property on October 13 and 14, 2015, and the Debtor received a passing score. Notably, all of the repairs contemplated by the Term Sheet were not yet completed due to the Receiver's failure to comply with his obligations.

Notwithstanding that (a) the September 2015 REAC score was the result of matters beyond the control of the Debtor and (b) the Debtor had timely cured deficiencies under HUD's rules such that the Property obtained a passing score, Fannie Mae and AHA asserted that the score of 59c was an event of default. On October 19, 2015, Fannie Mae served a notice on the Debtor accelerating the Note and seeking to impose improper fees and penalties against the Debtor (the "Default Notice"). In the Default Notice, Fannie Mae also claimed that the Liens which were caused by the Receiver constituted a second non-monetary default. Moreover, Fannie Mae asserted that the Debtor "failed to make the necessary payments to reinstate the Loan as required."

---

induce the Debtor to enter into the Term Sheet.

The Debtor believes that the Default Notice was improper and incorrect. Nevertheless, on Friday, October 30, 2015, Fannie Mae served its "Notice of Foreclosure," seeking to have the Property sold on December 1, 2015.[4] Following receipt of Fannie Mae's wrongful foreclosure notice, the Debtor's counsel advised Fannie Mae of its improper basis for seeking nonjudicial foreclosure, an expedited remedy under Georgia law (the "Response Letter"). Fannie Mae ignored the Response Letter and continued to wrongfully seek to foreclose on the Property. It is Debtor's position that Fannie Mae's misconduct constituted a breach of the express provisions of loan documents, as amended by the Term Sheet.[5]

In an attempt to prevent the irreparable harm that would be caused to the Debtor if the wrongful non-judicial foreclosure was completed, the Debtor sought a temporary injunction. Ultimately, after a two-day evidentiary hearing, the Georgia state court did not grant the temporary injunction nor did it make any findings of fact regarding Fannie Mae's declaration of default and the Debtor's defenses thereto. Prior to the completion of Fannie Mae's wrongful foreclosure and prior to any final judgment being entered, the Debtor filed its petition under Chapter 11 of the Bankruptcy Code.

SUMMARY OF PREPETITION FINANCIAL PERFORMANCE

As of the Petition Date, the occupancy rate was approximately 86.67%, and the average monthly income from operations was approximately $94,397.98, which is approximately $1,132,775.76 on an annualized basis. However, the Debtor's financial performance was declining, with net operating losses in excess of $400,000 for the prior 12 month period. Collection rates were less than satisfactory due to mismanagement and slow eviction rates. Units were not being turned for new tenants as quickly as possible due to cash flow issues. In November 2015, AHA had ceased making its required monthly subsidy payments due to its claim that it had overpaid previous subsidy payments. AHA's subsidy payments were supposed to be in excess of $30,000 per month, and without having those monies in its operations, the Debtor was facing a severe liquidity crisis.

SUMMARY OF POST-PETITION FINANCIAL PERFORMANCE

The occupancy rate has increased to approximately 91%, and the average monthly income from operations is approximately $113,250.35, which is approximately $1,359,004.20 on an annualized basis. This increase is due to the efforts of Grail Management, a new property manager that was retained with the Bankruptcy Court's approval at approximately the same time the bankruptcy case was filed. The Debtor and Grail Management have proactively increased their efforts to evict non-paying tenants, turn over vacant apartment units and increase occupancies as well as rental rates when allowed, thereby increasing gross revenues. Grail Management has also stabilized the Debtor's expense structure. In addition, through motion practice in the Bankruptcy Court, the Debtor was able to compel AHA to resume making the monthly subsidy payments, which has eased the constraints on the Debtor's cash flow. As a

[4] It is Debtor's position that the Notice of Foreclosure was insufficient under Georgia law.
[5] This claim for wrongful foreclosure is part of the basis of for the Debtor's adversary complaint pending against Fannie Mae.

result of the foregoing, the Debtor's monthly net operating income has stabilized, and the Debtor has realized positive cash flow over the post-petition period of approximately $80,000.00. It is anticipated that as the benefits of the management practices that have been implemented are realized over time, the Debtor's monthly income from operations will increase while the expenses continue to stabilize, thereby allowing the Debtor to have increasingly positive monthly net cash flow.

COMPARISON OF 2015 AND 2016 FINANCIAL PERFORMANCE

In order to demonstrate the appreciable difference between the Debtor's financial performance while under the management of Hammond Residential in 2015 with its financial performance in 2016 under Grail Management, the Debtor has provided the attached income statements showing the month to month and cumulative performance for these periods. The 2015 income statement is attached as **Exhibit 5** and the 2016 unaudited income statement is attached as **Exhibit 6**.[6] By way of example, by July of 2015 the Property's income was $681,360.37, while in 2016 the income by July of 2016 had increased to $806,674.51, reflecting an increase in income of $125,314.14 for the periods being compared.[7] Moreover, the 2016 income has steadily increased month-to-month, while the 2015 income had been decreasing throughout the year.

SIGNIFICANT EVENTS TO DATE IN THE REORGANIZATION CASE

On December 1, 2015, the Debtor filed its voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (ECF No. 1).

On December 7, 2015, the Debtor filed its Chapter 11 Case Management Summary (ECF No. 10).

On December 10, 2015, the Debtor filed its Emergency Motion to Use Cash Collateral on an Interim Basis (ECF No. 14). On December 17, 2015, the Court granted same on an interim basis. (ECF No. 29). The Court also entered additional subsequent orders on the Debtor's cash collateral motion.

On December 29, 2015, the Debtor filed its Initial Schedules and Statement of Financial Affairs (Doc. No. 40). Amended Schedules were filed on February 8, 2016. (ECF No. 89).

On January 12, 2016, the Court entered its Order Shortening Time for Filing Proofs of Claim, Establishing Plan and Disclosure Statement Filing Deadlines, and Addressing Related Matters. (ECF No. 52).

On January 12, 2016, the Debtor filed a Motion for Payment of Pre-Petition Claim of City of Atlanta Department of Watershed Management, in the Amount of $52,037.50. (ECF No. 53). The Court entered an order granting the motion on March 8, 2016. (ECF No. 139).

[6] These Exhibits contain the most up-to-date information and update any previously provided information.
[7] This included one catch-up subsidy payment from AHA in the amount of $27,825.00.

On February 25, 2016, the Debtor filed a Motion to Enforce Automatic Stay and to Compel AHA to Resume Subsidy Payments. (ECF No. 113) (the "Motion to Enforce"). The Court entered an order on March 9, 2016, (ECF No. 149), which granted the Motion to Enforce in part and also extended the exclusivity period for the Debtor to file its Disclosure Statement and Plan.

On April 12, 2016, the Debtor filed its Emergency Motion to Compel Fannie Mae to Disburse Funds from the Replacement Reserve, in addition to Emergency Motion to Approve REAC Contractor (ECF No. 200). On April 21, 2016, the Court entered an order granting the Debtor's motion in part. (ECF No. 216).

On April 13, 2016, Fannie Mae filed a complaint against the Debtor, thereby commencing Adversary Proceeding No. 16-01183-EPK. The complaint seeks declaratory relief and a determination of the validity, priority, and extent of Fannie Mae's interest in replacement reserve funds. The Debtor has filed a motion to dismiss this adversary proceeding. Fannie Mae filed a response to the Debtor's motion to dismiss and the Debtor filed a reply to Fannie Mae's response. The Court scheduled a hearing on the motion to dismiss for October 28, 2016.

On April 26, 2016, the Debtor filed a complaint against Fannie Mae, thereby commencing Adversary Proceeding No. 16-01200-EPK against Fannie Mae. The complaint filed against Fannie Mae seeks damages for breach of contract, breach of the covenant of good faith and fair dealing, wrongful foreclosure, and wrongful procurement of injury. Fannie Mae filed a motion to dismiss the complaint. The Debtor filed an amended complaint on August 2, 2016. The deadline for Fannie Mae to respond to the Debtor's amended complaint is September 7, 2016.

On June 14, 2016, the Debtor filed a Motion to Compromise Controversy with AHA. (ECF No. 280). The Court entered its order granting same on July 8, 2016 (ECF No. 314). The Motion to Compromise Controversy resolved various issues related to the Motion to Enforce. Specifically, the Debtor and AHA disputed the amount of monthly subsidy payments that AHA was required to pay to the Debtor. The parties agreed on a number for the year 2016. The stipulation between the parties provided for the payment of such amount for the remaining 2016 months and also included a lump sum owed on account of payments under such amount in the 2016 months prior to entry into the stipulation.

On June 30, 2016, the Debtor filed a Motion to Compel Mediation. The Court granted same and entered an order referring the Debtor, Fannie Mae, AHA, and MP Georgia, Investments, LLC to mediation. Mediation is currently scheduled for September 9, 2016.

On June 30, 2016, the Debtor also filed a complaint against AHA, thereby commencing Adversary Proceeding No. 16-01309-EPK against AHA.

On July 27, 2016, HUD, through its Real Estate Assessment Center ("HUD-REAC") completed a physical inspection of twenty (20) of the seventy-three (73) public housing units

("PHA Units"), as well as the common areas of the Property. HUD-REAC did not inspect any of the remaining fifty-three (53) PHA Units; nor did HUD-REAC inspect any of the seventy-two (72) market-rate units or any of the thirty-five (35) tax credit units. Pursuant to HUD's rules, if a property obtains a score of 59 or less, HUD will take certain procedural steps to ensure that the Property satisfies HUD's standards. On July 28, 2016, HUD-REAC issued a REAC Physical Inspection Summary Report (the "HUD-REAC Report"). The HUD-REAC Report indicates that the Property received a score of 44c. The HUD-REAC Report identified certain deficiencies at the Property, which were categorized as health and safety deficiencies. Debtor has addressed or is the process of addressing the issues identified in the HUD-REAC Report. In accordance with HUD's rules, Debtor has certified that all "exigent" health and safety deficiencies have been addressed. Moreover, the Debtor timely appealed the HUD-REAC Report and score. Debtor believes that the appeal will be successful. If successful, the Debtor would likely be awarded at least 16 additional points. Debtor believes it would be awarded an additional 24-25 points. Nevertheless, AHA has filed a motion to dismiss Debtor's bankruptcy case, or in the alternative, for the appointment of a Chapter 11 trustee [ECF No. 352] (the "Motion to Dismiss") primarily based on the HUD-REAC Report. Fannie Mae has filed a joinder to the Motion to Dismiss [ECF No. 365]. Debtor has filed a response in opposition to the Motion to Dismiss [ECF No. 374]. Debtor disputes the allegations therein and contends that the Motion to Dismiss is without merit. AHA and Fannie Mae disagree. The Court held a preliminary hearing on the Motion to Dismiss on August 24, 2016. An evidentiary hearing has been scheduled for October 24, 2016. The HUD-REAC Report is available upon written request to Debtor's counsel of record.

Debtor has obtained an appraisal of the Property. Creative Choice, Inc. paid for the appraisal. The appraisal values the Property at $9,810,000.00. A letter from the appraiser that summarizes information regarding the appraisal is attached hereto as **Exhibit 7**. A copy of the appraisal is available upon written request to Debtor's counsel of record.

RETENTION OF PROFESSIONALS

On December 4, 2015, the Debtor filed its Application for Authorization to Eric A. Rosen, Esq., (ECF No. 7) ("Fowler White Employment Application"). Fannie Mae filed a Limited Objection to same on December 8, 2015 (ECF No. 11). The Fowler White Employment Application was approved by the Court on an interim basis on December 14, 2015 (ECF No. 19) and on a final basis on January 14, 2016 (ECF No. 61).

On December 23, 2015, the Debtor filed its Application to Employ Grail Management Group as Property Manager (ECF No. 37). The Court approved same on an interim basis on January 12, 2016 (ECF No. 56) and extended same on an interim basis on February 8, 2016 (ECF No. 93). A final order approving Grail Management Group's employment was entered on March 8, 2016 (ECF No. 138).

On January 27, 2016, the Debtor filed its Application to Employ DuBosar Sheres, P.A. as Attorneys for Debtor and Daniel Y. Gielchinsky, P.A., of counsel to DuBosar Sheres. (ECF No. 74). The Court entered an order granting the Application to Employ DuBosar Sheres and Daniel Gielchinsky, P.A., on February 16, 2016. (ECF No. 102).

On January 29, 2016, the Debtor terminated Eric Rosen, Esq., and Mr. Rosen filed a Motion to Withdraw as Attorney of Record as a result. (ECF No. 79). The Court granted same on February 16, 2016 (ECF No. 101).

On March 22, 2016, the Court entered the Order Establishing Procedures to Permit Monthly Payment of Interim Fee Applications of Chapter 11 Professionals and for Modification of the Requirements of the Guidelines for Fee Applications for Professionals [ECF No. 159]. As reflected in paragraph 7 of said order:

> Any compensation and reimbursement of costs authorized hereunder shall be paid by Creative [Choice, Inc.], provided, however, that Creative (a) will not be considered to be a creditor of the Debtor's bankruptcy estate, (b) will not be considered to have provided a loan or other funding to the Debtor, (c) to the extent permitted under applicable law, will not be considered as new value in respect to any plan of reorganization (d) or otherwise have an administrative expense claim in this bankruptcy case to the extent it pays allowed legal fees and expenses incurred by the Debtor during the administration of this bankruptcy case. For avoidance of doubt, any payment by Creative under this Order shall be considered to be a gift to the Debtor.

On April 12, 2016, the Debtor filed it Application to Employ Mark Escoffery, CPA as auditor and tax accountant (ECF No. 198). The Court entered its order approving the Application to Employ Mr. Escoffery on May 10, 2016 (ECF No. 245).

On May 11, 2016, the Debtor filed its Application to Employ Robert Hein as Special Counsel (ECF No. 250). The Court entered its order approving Mr. Hein's employment on May 20, 2016 (ECF No. 264).

SUMMARY OF PLAN OF REORGANIZATION

Introduction

The Debtor believes that the Plan provides the greatest possible recovery to the Debtor's Creditors. The Debtor therefore believes that acceptance of the Plan is in the best interest of each and every Class of Claims and Partnership Interests and recommends that the Voting Classes vote to accept the Plan.

A summary of the principal provisions of the Plan is set forth below. This summary is qualified in its entirety by reference to the provisions of the Plan and, to the extent there is any conflict between this summary and the Plan, the language of the Plan will govern. All terms stated in initial capital letters in this summary are defined in the Plan.

Claims and Partnership Interests will be treated under the Plan in the manner set forth in Article 5 of the Plan. Except as otherwise specifically provided in the Plan, the treatment of, and the consideration to be received by, Holders of Allowed Claims and Holders of Allowed Partnership Interests pursuant to the Plan will be in full and final satisfaction, settlement, release,

extinguishment and discharge of their respective Allowed Claims (of any nature whatsoever) and Allowed Partnership Interests.

TREATMENT OF ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims, have not been classified in the Plan. The treatment accorded to Administrative Expense Claims and Priority Tax Claims is set forth in Article 3 of the Plan.

Administrative Expense Claims.

Except as otherwise provided in Articles 3.1.2 and 3.1.3 below, each Holder of an Allowed Administrative Expense Claim (including Allowed Administrative Expense Claims of Professionals)[8] shall be paid (a) on the Distribution Date, an amount, in Cash, by the Reorganized Debtor equal to the Allowed Amount of its Administrative Expense Claim, in accordance with Section 1129(a)(9)(A) of the Bankruptcy Code, or (b) under such other terms as may be agreed upon by both the Holder of such Allowed Administrative Expense Claim and the Debtor or the Reorganized Debtor, as the case may be, or (c) as otherwise ordered by a Final Order of the Bankruptcy Court.

The Debtor shall pay to the United States Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6), through confirmation, within fourteen (14) business days of the entry of the Confirmation Order. The Reorganized Debtor shall file with the Court post-confirmation Quarterly Operating Reports and pay the United States Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) for post-confirmation periods within the time period set forth in 28 U.S.C. §1930(a)(6), based upon all post-confirmation disbursements until the earlier of the closing of this case by the issuance of a Final Decree by the Bankruptcy Court, or upon the entry of an Order by this Court dismissing this case or converting this case to another chapter under the United States Bankruptcy Code.

All Allowed Administrative Expense Claims with respect to liabilities incurred by the Debtor in the ordinary course of business during the Reorganization Case shall be paid by the Reorganized Debtor (a) in the ordinary course of business in accordance with contract terms, or (b) under such other terms as may be agreed upon by both the Holder of such Allowed Administrative Expense Claim and the Debtor or the Reorganized Debtor, as the case may be, or (c) as otherwise ordered by a Final Order of the Bankruptcy Court.

Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim shall receive from the Reorganized Debtor, on account of such Allowed Priority Tax Claim, regular installment payments in Cash in accordance with Section 1129(a)(9)(C) of the Bankruptcy Code. Notwithstanding the above,

[8] Professionals who have been paid by Creative Choice, Inc. will not seek compensation from the Debtor for fees and costs that have already been paid by Creative Choice, Inc.

each Holder of an Allowed Priority Tax Claim may be paid under such other terms as may be agreed upon by both the Holder of such Allowed Priority Tax Claim and the Debtor or the Reorganized Debtor, as the case may be. Notwithstanding the foregoing, the only Priority Tax Claim of which the Debtor is aware is the asserted priority portion of the amended proof of claim filed by the IRS (Claim No. 3-2). The Priority Tax Claim of the IRS, in the amount of $348.11, will be paid in full on the Distribution Date for Allowed Administrative Expense Claims. The remaining portion of the Allowed Claim of the IRS will be treated in Class 8.

TREATMENT OF CLASSIFIED CLAIMS AND PARTNERSHIP INTERESTS

Claims and Partnership Interests shall be treated under the Plan in the manner set forth in Article 5 of the Plan. Except as otherwise specifically provided in the Plan, the treatment of, and the consideration to be received by, Holders of Allowed Claims and Holders of Allowed Partnership Interests pursuant to the Plan shall be in full and final satisfaction, settlement, release, extinguishment and discharge of their respective Allowed Claims (of any nature whatsoever) and Allowed Partnership Interests.[9]

Unclassified Claims.

Holders of Allowed Administrative Expense Claims and Allowed Priority Tax Claims shall receive the treatment set forth in Article 3 of the Plan.

Class	**Description**	**Status**	**Voting Status**
Class 1	Allowed Priority Claims	Unimpaired	No
Class 2	Allowed Secured Claim of Fannie Mae	Impaired	Yes
Class 3	Allowed Secured Claim of AHA	Unimpaired	No
Class 4	Allowed Secured Claims of Lien Claimants	Unimpaired	No
Class 5	Allowed Unsecured Claims of Trade Creditors	Unimpaired	No
Class 6	Allowed Unsecured Claim of MP Georgia Investments, LLC	Impaired	Yes
Class 7	Allowed Unsecured Claim of AHA (if any)	Unimpaired	No
Class 8	Allowed General Unsecured Claims	Unimpaired	No
Class 9	Allowed Unsecured Claims of Insiders	Impaired	Yes
Class 10	Allowed Partnership Interests	Unimpaired	No

[9] AHA and Fannie Mae contend that classes 5-8 should be combined into one class of unsecured creditors. The Debtor disagrees.

TREATMENT OF CLASSIFIED CLAIMS AND PARTNERSHIP INTERESTS

Claims and Partnership Interests shall be treated under the Plan in the manner set forth in Article 5. Except as otherwise specifically provided in the Plan, the treatment of, and the consideration to be received by, Holders of Allowed Claims and Holders of Allowed Partnership Interests pursuant to the Plan shall be in full and final satisfaction, settlement, release, extinguishment and discharge of their respective Allowed Claims (of any nature whatsoever) and Allowed Partnership Interests.

Unclassified Claims.

Holders of Allowed Administrative Expense Claims and Allowed Priority Tax Claims shall receive the treatment set forth in Article 3 of the Plan.

Class 1: Allowed Priority Claims.

Class 1 is comprised of all Allowed Priority Claims. The Debtor is not aware of any creditors with Allowed Priority Claims. The Debtor does not anticipate that any creditors will assert that they are the holder of an Allowed Priority Claim. Nevertheless, to the extent any Allowed Priority Claims exist, each Holder of an Allowed Priority Claim shall be paid (a) on the Distribution Date, an amount, in Cash, by the Reorganized Debtor equal to the Allowed Amount of its Priority Claim in accordance with Section 1129(a)(9)(B) of the Bankruptcy Code, or (b) under such other terms as may be agreed upon by both the Holder of such Allowed Priority Claim and the Debtor or the Reorganized Debtor. Class 1 is Unimpaired by the Plan. Each Holder of an Allowed Priority Claim conclusively is presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

Class 2: Allowed Secured Claim of Fannie Mae

(a) Description: Class 2 is comprised of the Allowed Secured Claim of Fannie Mae in connection with a first mortgage on the Magnolia Park II Apartments, and a security interest in the leases in rents by virtue of the Assignment Documents.

As of the Effective Date, Fannie Mae shall retain the lien securing its claim. The Reorganized Debtor shall enter into modified loan documents (the "**Loan Documents**"), if necessary, memorializing the treatment of Fannie Mae's Class 2 Claim, the form of which shall be commercially reasonable, and, if not mutually satisfactory to the Debtor and Fannie Mae, subject to resolution by the Bankruptcy Court as to the commercial reasonableness of any disputed provisions.

(b) Treatment: Fannie Mae's Allowed Secured Claim shall be paid in equal monthly principal and interest payments, with interest at four percent (4%)[10] and based upon a thirty-year amortization, with a balloon payment due on the tenth anniversary of the Effective Date. Commencing on the first day of the calendar month following the Effective Date, and continuing on the first day of each calendar month thereafter, the Debtor shall make principal and interest payments of $17,428.60 for 119 months (the "**Monthly Payment**") with a balloon payment due on the tenth anniversary[11] for the remaining amount of Fannie Mae's Allowed Secured Claim. The Debtor has objected to Fannie Mae's proof of claim within Adversary No. 16-01200-EPK.

Prepayment. Provided that no Default Event has occurred, the outstanding principal may be prepaid in whole or in part at any time without penalty, any time after June 30, 2018.

Insurance. Except as set forth herein, the Reorganized Debtor shall maintain insurance policies as set forth on the Loan Documents.

Property Manager. From and after the Effective Date, Grail Management Group, LLC shall manage the Magnolia Park II Apartments. The Debtor may change management companies upon notice to Fannie Mae and AHA.

Replacement Reserve. The Debtor's Replacement Reserve funds, in the amount of $180,000.00, that are currently held in the trust account with Fannie Mae or its servicer shall be turned over to the Debtor on the Effective Date, but leaving a balance of $54,000 in the account. Commencing on the Effective Date, and continuing on the first day of each month thereafter the Reorganized Debtor shall deposit the sum of $4,500.00, into the Replacement Reserve.

Tax Reserve. $16,292.73, of the Debtor's Tax Reserve funds that are currently held in the trust account at Fannie Mae or its servicer shall be turned over to the Debtor. These are funds in excess of the actual amount that will be needed to pay the 2016 real estate taxes. Commencing on the November 1, 2016, and continuing on the first day of each month thereafter until the Maturity Date, the Reorganized Debtor shall deposit monthly into the Tax Reserve Escrow Account an amount sufficient to pay real estate taxes for the ensuing tax year.

Insurance Reserve. $65,586.08, of the Debtor's Insurance Reserve funds that are currently held in the trust account at Fannie Mae or its servicer shall be turned over to the Debtor. These are funds in excess of the actual amount that will be needed to pay the 2017 real estate insurance. Commencing on the November 1, 2016, and continuing on the first day of each month thereafter until the Maturity Date, the Reorganized Debtor shall deposit monthly into the

[10] This rate would be reduced from the current interest rate of six percent (6%), as interest rates for similar multi-family projects have decreased similarly over time. Additionally, based on the recent appraisal obtained by the Debtor, the loan to value ratio is under forty percent (40%). Fannie Mae contends that the interest rate is 8.22% and that the loan to value ratio is higher. The Debtor disputes Fannie Mae's contentions.

[11] The Debtor will seek refinancing at such time. The Debtor expects that refinancing will not present difficulty at such time as the loan to value ratio will be around twenty percent (20%).

Insurance Reserve Escrow Account an amount sufficient to pay real estate insurance for the ensuing tax year.[12]

Waiver of Existing Defaults. All defaults which may have existed as of the Effective Date, except as otherwise noted within this Disclosure Statement, shall be deemed to have been cured as of the Effective Date and shall not be a basis for alleging the existence of a default following the Effective Date of the Plan.[13]

(c) Impairment: Class 2 is Impaired and Fannie Mae will have the right to vote to accept or reject the Plan.

Class 3: Allowed Secured Claim of AHA

(a) Description: Class 3 is comprised of the Allowed Secured Claim of AHA.

(b) Treatment: AHA will continue to receive payments in the amount of $45,360, per year, by the end of each July, representing interest only payments at 1%, per annum, for the total amount owed to AHA. AHA will continue to be paid pursuant to the terms of the existing ground lease agreement. AHA shall turn over $30,240, held pursuant to the Cash Collateral Order to the Debtor, on the Effective Date. This number represents amounts paid during the Bankruptcy Case for adequate protection payments, from December 2015 to July 2016.

Waiver of Existing Defaults. All defaults which may have existed as of the Effective Date, except as otherwise noted within this Disclosure Statement, shall be deemed to have been cured as of the Effective Date and shall not be a basis for alleging the existence of a default following the Effective Date of the Plan.[14]

(c) Impairment: Class 3 is Unimpaired, and is not entitled to vote to accept or reject the Plan.

AHA has filed a motion to estimate its claim for voting purposes [ECF No. 360]. In addition, AHA has filed a motion contesting Debtor's characterization of its claim under the Plan as being unimpaired and being classified solely as a secured claim (prior to amendment) [ECF

[12] Fannie Mae disputes the amounts listed for the Replacement Reserve, Tax Reserve, and Insurance Reserve or the amounts required to be maintained therein.

[13] Fannie Mae and AHA contend that the pledge to MP Georgia Investments, LLC of the general partner's interest in the Debtor is an event of default under their respective loan documents with the Debtor. As reflected in this Disclosure Statement, Class 6 of the Plan (to be amended) will provide that MP Georgia Investments, LLC will no longer retain its pledge of the general partner's interest in the Debtor as of Confirmation. As a result, this alleged non-monetary default will be cured as of confirmation. Additionally, Fannie Mae and AHA contend that the liens recorded against the Property constitute events of default. As reflected in this Disclosure Statement, Class 4 of the Plan will provide for the lien claimants to be paid in full shortly after confirmation and for their liens to be extinguished accordingly. Thus, these alleged non-monetary defaults will be cured in connection with the Plan. Any monetary defaults will be addressed in the adversary proceedings pending against Fannie Mae (16-01200-EPK) and AHA (16-01309-EPK). This waiver of existing defaults relates to defaults that may have existed that are not otherwise discussed herein.

[14] *See supra* n.9.

No. 358]. That motion claims that Debtor has gerrymandered various voting classes in the Plan, and thus, AHA contests Debtor's classification of certain creditor classes under the Plan into separate voting classes. *Id.* AHA asserts that the issues it raised in the Motions [ECF Nos. 358 and 360] continue to exist with respect to the Plan as amended. The Debtor disputes AHA's contentions.

Class 4: Allowed Secured Claims of Lien Claimants

(a) Description: Class 4 is comprised of the Allowed Secured Claims of Lien Claimants. HBR and TRC will not have claims in this class. HBR has released its Materialman's and Mechanic's Claim of Lien. TRC recorded its Materialman's and Mechanic's Claim of Lien more than 1 year prior to the filing of this Disclosure Statement. Therefore, TRC's claim of lien has expired.

(b) Treatment: Class 4 claimants shall be paid the full amount of their Allowed Secured Claims, within ninety (90) days of the Effective Date. The Confirmation Order shall provide for the extinguishment, satisfaction, and release of liens recorded by Class 4 claimants, subject to payment by the Reorganized Debtor in accordance with the Plan and Confirmation Order.

(c) Impairment: Class 4 is Unimpaired, and is not entitled to vote to accept or reject the Plan.

Class 5: Allowed Unsecured Claims of Trade Creditors

(a) Description: Class 5 is comprised of the Allowed Unsecured Claims of Trade Creditors. This is an administrative convenience class.

(b) Treatment:

Option 1: Class 5 claimants may elect to be paid an amount equal to ninety percent (90%) of their Allowed Claim, without interest, within ninety (90) days of the Effective Date, in full satisfaction of the claim.

Option 2: Class 5 claimants may elect to be treated in accordance with the treatment provided for General Unsecured Claims in Class 8 of the Plan.

(c) Impairment: Class 5 is Unimpaired, and is not entitled to vote to accept or reject the Plan.

Class 6: Allowed Unsecured Claim of MP Georgia Investments, LLC

(a) Description: Class 6 is comprised of the Allowed Unsecured Claim of MP Georgia Investments, LLC. MP Georgia Investments, LLC presently holds a pledge of the interests of the Debtor's general partner and limited partners.

(b) Treatment: Beginning ninety (90) days from the Effective Date, MP Georgia Investments, LLC shall be paid equal monthly payments over five (5) years, totaling ninety percent (90%) of its Allowed Claim, with seven percent (7%)[15] interest, compounded annually. The Confirmation Order shall provide that upon entry of said order, MP Georgia Investments, LLC shall not retain its pledge of the general partner's interest in the Debtor.[16]

(c) Impairment: Class 6 is Impaired, and is entitled to vote to accept or reject the Plan.

Class 7: Allowed Unsecured Claim of AHA (if any)

(a) Description: Class 7 is comprised of the Allowed Unsecured Claim of AHA (if any). The Debtor believes that AHA is fully secured. However, AHA contends that it is undersecured and that its claim should be bifurcated into secured and unsecured portions. To the extent any portion of AHA's claim is determined to be unsecured, AHA is not situated similarly to the other unsecured creditors. Specifically, AHA is the owner of the real estate on which the Property is located and has various rights by virtue of the ground lease agreement and other loan documents that the general unsecured creditors do not have. For instance, upon termination of

[15] The interest rate has been reduced from twelve percent (12%).

[16] As a result of the pledges which MP Georgia Investments, LLC possesses, it is in a unique position compared to other creditors. The fact that it will not retain the general partner pledge under the confirmed plan further differentiates it from other creditors.

the lease term, the Debtor is obligated to surrender and yield possession of the Property to AHA. Additionally, AHA is receiving additional benefits from the Debtor inasmuch as the Debtor is providing a public service to the residents of the City of Atlanta, Georgia. The Debtor is obligated to maintain 73 of its units as affordable housing units. As a result, HUD provides compensation to AHA.

(b) Treatment: AHA will continue to be paid pursuant to the terms of the existing ground lease agreement.

(c) Impairment: AHA is Unimpaired, and is not entitled to vote to accept or reject the Plan.

AHA asserts that to the extent that it maintains an unsecured claim against the Debtor, such claim should not be separately classified from other unsecured claims. AHA also contends that to the extent that it maintains an unsecured claim against the Debtor, such claim is impaired under the Plan. The Debtor disputes AHA's contentions.

Class 8: Allowed General Unsecured Claims

(a) Description: Class 8 is comprised of all Allowed General Unsecured Claims.

(b) Treatment: Beginning one (1) year following the Effective Date, Class 8 Claimants shall be paid equal monthly payments over the next forty-eight (48) months totaling one hundred percent (100%) of their Allowed General Unsecured Claim, without interest.

(c) Impairment: Class 8 is Unimpaired, and is not entitled to vote to accept or reject the Plan.

Class 9: Allowed Unsecured Claims of Insiders

(a) Description: Class 9 is comprised of Allowed Unsecured Claims of Insiders (CCH John Eagan II, Inc. and Creative Choice Homes, Inc.).

(b) Treatment: Beginning on December 1, 2021, the Debtor shall pay the monthly sum of $20,000.00 to Class 9 for fourteen (14) months, with a final payment in the amount of $17,936.80 in month fifteen (15), for a total of $297,936.80, representing eighty percent (80%) of the amount owed to Class 9 claimants.

(c) Impairment: Class 9 is Impaired, and is entitled to vote to accept or reject the Plan.

Class 10: Allowed Partnership Interests

(a) Description: Class 10 is comprised of Allowed Partnership Interests.

(b) Treatment: Holders of Allowed Class 10 Partnership Interests shall retain their Partnership Interests and are unaffected by the Plan.

(c) Impairment: Class 10 is Unimpaired, and is not entitled to vote to accept or reject the Plan.

Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases.

Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute (i) the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed pursuant to Article 7.1 hereof, (ii) the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Article 7.1 hereof, and (iii) the extension of time, pursuant to Section 365(d)(4) of the Bankruptcy Code, within which the Debtor may assume, assume and assign, or reject any unexpired lease of nonresidential real property through the date of entry of an order approving the assumption, assumption and assignment, or rejection of such unexpired lease. The assumption by the Debtor of an Assumed Contract shall be binding upon any and all parties to such Assumed Contract as a matter of law, and each such Assumed Contract shall be fully enforceable by the Reorganized Debtor in accordance with its terms, except as modified by the provisions of the Plan or an order of the Bankruptcy Court.

Inclusiveness.

Unless otherwise specified on **Exhibit A** of the Plan, each executory contract and unexpired lease listed or to be listed on **Exhibit A** shall include all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affect such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on **Exhibit A**.

Cure of Defaults.

Any lessor, lessee, or other party to an Assumed Contract (except those lessors, lessees, or other parties whose unexpired leases or executory contracts have been previously assumed by a Final Order of the Bankruptcy Court) asserting a Cure Claim in connection with the assumption of any unexpired lease or executory contract under Article 7.1, as contemplated by Section 365(b) of the Bankruptcy Code, must file such Cure Claim with the Bankruptcy Court on or before the Cure Claim Submission Deadline asserting all alleged amounts accrued or alleged defaults through the Effective Date. Any lessor or other party to an Assumed Contract failing to file a Cure Claim by the Cure Claim Submission Deadline shall be forever barred from asserting, collecting or seeking to collect any amounts or defaults relating thereto against the Debtor or the Reorganized Debtor. The Reorganized Debtor shall have ninety (90) days from the Effective Date to file an objection to any Cure Claim. Any disputed Cure Claims shall be resolved either consensually or by the Bankruptcy Court. Except as may otherwise be agreed to by the parties, by no later than one hundred eighty (180) days following the Effective Date, the Reorganized Debtor shall cure any and all undisputed Cure Claims. All disputed Cure Claims shall be cured either within one hundred twenty (120) days after the entry of a Final Order determining the

amount, if any, of the Debtor's liability with respect thereto or as may otherwise be agreed to by the parties. As of the date of the Plan, the Debtor does not believe there will be any Cure Claims.

Claims under Rejected Executory Contracts and Unexpired Leases.

Unless otherwise ordered by the Bankruptcy Court, any Claim for damages arising by reason of the rejection of any executory contract or unexpired lease must be filed with the Bankruptcy Court on or before the Bar Date for rejection damage Claims in respect of such rejected executory contract or unexpired lease or such Claim shall be forever barred and unenforceable against the Debtor or the Reorganized Debtor. With respect to the Rejected Contracts, the Bar Date for filing rejection damage and other Claims with the Bankruptcy Court shall be thirty (30) days after the Confirmation Date. The Plan and any other order of the Bankruptcy Court providing for the rejection of an executory contract or unexpired lease shall constitute adequate and sufficient notice to Persons or Entities which may assert a Claim for damages from the rejection of an executory contract or unexpired lease of the Bar Date for filing a Claim in connection therewith.

All Claims for damages from the rejection of an executory contract or unexpired lease, once fixed and liquidated by the Bankruptcy Court and determined to be Allowed Claims, shall be Allowed Unsecured Claims in Class 8

Insurance Policies.

All of the Debtor's insurance policies and any agreements, documents, or instruments relating thereto are treated as executory contracts under the Plan. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtor or the Reorganized Debtor may hold against any Person or Entity, including the insurers under any of the Debtor's insurance policies.

Indemnification Rights.

All Claims for Indemnification Rights against the Debtor by an Indemnitee for defense and indemnification shall be reinstated against the Reorganized Debtor and rendered Unimpaired to the extent that such Indemnitee is entitled to defense or indemnification under applicable law, agreement or past policy of the Debtor, but only to the extent that any such reinstated Claim for defense and indemnification in response to a claim against such Indemnitee is covered under any of the Debtor's insurance policies. The reinstated Claim against the Reorganized Debtor, and the Reorganized Debtor's corresponding defense and indemnification obligation, shall not be for any deductible or self-insured retention amount and shall not exceed the amount of available insurance coverage.

MEANS OF IMPLEMENTATION OF THE PLAN

General Overview of the Plan.

The Plan provides for the continued operation of the Debtor as the Reorganized Debtor. The Plan provides for Cash payments to Holders of Allowed Claims, as more particularly described in Articles 3 and 5 of the Plan.

The Plan shall be implemented on the Effective Date, and the primary source of the funds necessary to implement the Plan will be the net operating income of the Reorganized Debtor and monies received from replacement reserves.

Effective Date Actions.

Subject to the approval of the Bankruptcy Court and the satisfaction or waiver of the conditions precedent to the occurrence of the Effective Date contained in Article 10.2 of the Plan, on or as of the Effective Date, the Plan shall be implemented and the following actions shall thereafter immediately occur:

(a) the Reorganized Debtor shall make the Initial Distribution as provided in Article 9.1 of the Plan; and

(b) the Reorganized Debtor shall carry out its other Effective Date responsibilities under the Plan, including the execution and delivery of all documentation contemplated by the Plan and the Plan Documents.

Vesting of Property of the Estate in the Reorganized Debtor.

On the Effective Date, except as otherwise expressly provided in the Plan, all Property of the Estate (including the Causes of Action and any net operating losses) shall vest in the Reorganized Debtor free and clear of any and all Liens, Debts, obligations, Claims, Cure Claims, Liabilities, Partnership Interests, and all other interests of every kind and nature except the Permitted Liens, and the Confirmation Order shall so provide. The Reorganized Debtor intends to preserve net operating losses to the maximum extent permitted under applicable law. As of the Effective Date, the Reorganized Debtor may operate its business and use, acquire, and dispose of its Properties, free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order. All privileges with respect to the Property of the Debtor's Estate, including the attorney/client privilege, to which the Debtor is entitled shall automatically vest in, and may be asserted by or waived on behalf of, the Reorganized Debtor.

Continued Corporate Existence; Dissolution.

The Debtor will continue to exist after the Effective Date as a separate corporate entity, with all of the powers of a limited partnership under Georgia law and pursuant to its organizational documents in effect prior to the Effective Date, except to the extent such organizational documents are amended or amended and restated as provided in the Plan or the Confirmation Order, without prejudice to any right to terminate such existence (whether by merger, dissolution or otherwise) under applicable law after the Effective Date.

Corporate Action.

All matters provided for under the Plan involving the corporate structure of the Debtor or the Reorganized Debtor, or any corporate action to be taken by or required of the Debtor or the Reorganized Debtor shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement for further action by the Debtor or the Reorganized Debtor.

Management of the Reorganized Debtor.

Subject to any requirement of Bankruptcy Court approval pursuant to Section 1129(a)(5) of the Bankruptcy Code, as of the Effective Date, the Manager and the Property Manager of the Debtor immediately prior to the Effective Date, shall be deemed to be the Manager and the Property Manager of the Reorganized Debtor without any further action by any party.

On and after the Effective Date, the operations of the Reorganized Debtor shall continue to be the responsibility of the Manager and the Property Manager. The Manager and the Property Manager of the Reorganized Debtor shall serve from and after the Effective Date until its successor is duly appointed and qualified or until its earlier resignation or removal in accordance with the organizational documents of the Reorganized Debtor.

From and after the Confirmation Date, the Manager shall have all powers accorded by law to put into effect and carry out the Plan and the Confirmation Order on behalf of the Reorganized Debtor.

To the extent that, as of the Effective Date, the Manager, and/or the Property Manager, have in place employment, indemnification and other agreements with its officers and employees who will continue in such capacities after the Effective Date with respect to the management of the Debtor, such agreements shall remain in place after the Effective Date, and Manager, and/or the Property Manager, will continue to honor such agreements, except as otherwise provided in the Plan. Such agreements may include equity, bonus and other incentive plans in which officers and other employees of the Manager of the Reorganized Debtor may be eligible to participate.

Default

In the event of any default in payments required under the Plan, a Claimant shall provide written notice of the default to the Debtor and DuBosar Sheres, P.A. at the address listed on the first page of this Disclosure Statement. Thereafter, the Debtor shall have thirty (30) days (the "Cure Period") to cure any such default from the date of receipt of the required notice as provided herein. Upon cure of a default, payments shall continue under the Plan as if no default had occurred. In the event the default is not cured within the Cure Period and the Extension Period (as that term is defined below), the Claimant shall have the right to petition the Bankruptcy Court for such relief as it deems appropriate and is supported in law and fact. Notwithstanding the foregoing default provisions in this paragraph, the Cure Period for a default shall be extended (the "Extension Period") an additional ninety (90) days in the event of any act of terrorism or God which adversely impacts upon the ability of the Debtor or Reorganized Debtor to satisfy its obligation under the Plan.

Section 1146 Exemption.

Pursuant to Section 1146(a) of the Bankruptcy Code, the issuance, distribution, transfer or exchange of any Security, or the making, delivery or recording of any instrument of transfer, pursuant to, in implementation of or as contemplated by the Plan or any Plan Document, or the vesting, re-vesting, transfer or sale of any Property of, by or in the Debtor or its Estate or the Reorganized Debtor pursuant to, in implementation of or as contemplated by the Plan or any Plan Document, or any transaction arising out of, contemplated by or in any way related to the foregoing, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangible or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local governmental officials or agents shall be, and hereby are, directed to forego the collection of any such tax or governmental assessment and to accept for filing and recording any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

Pursuit of Causes of Action.

On the Effective Date, the Causes of Action shall be vested in the Reorganized Debtor, except to the extent a Creditor or other third party has been specifically released from any Cause of Action by the terms of the Plan or by a Final Order of the Bankruptcy Court. Reorganized Debtor will have the right, in its sole and absolute discretion, to pursue, not pursue, settle, release or enforce any Causes of Action without seeking any approval from the Bankruptcy Court except as provided in Article 8.13. The Debtor is currently not in a position to express an opinion on the merits of any of the Causes of Action or on the recoverability of any amounts as a result of any such Causes of Action. For purposes of providing notice, the Debtor states that any party in interest that engaged in business or other transactions with the Debtor Prepetition or that received payments from the Debtor Prepetition may be subject to litigation to the extent that applicable bankruptcy or non-bankruptcy law supports such litigation. The Reorganized Debtor will fund the costs and expenses (including legal fees) to pursue the Causes of Action.

No Creditor or other party should vote for the Plan or otherwise rely on the Confirmation of the Plan or the entry of the Confirmation Order in order to obtain, or on the belief that it will obtain, any defense to any Cause of Action. No Creditor or other party should act or refrain from acting on the belief that it will obtain any defense to any Cause of Action. ADDITIONALLY, THE PLAN DOES NOT, AND IS NOT INTENDED TO, RELEASE ANY CAUSES OF ACTION OR OBJECTIONS TO CLAIMS, AND ALL SUCH RIGHTS ARE SPECIFICALLY RESERVED IN FAVOR OF REORGANIZED DEBTOR. Creditors are advised that legal rights, claims and rights of action the Debtor may have against them, if they exist, are retained under the Plan for prosecution unless a Final Order of the Bankruptcy Court authorizes the Debtor to release such claims. As such, Creditors are cautioned not to rely on (i) the absence of the listing of any legal right, claim or right of action against a particular Creditor in the Disclosure Statement, the Plan, or the Schedules, or (ii) the absence of litigation or demand prior to the Effective Date of the Plan as any indication that the Debtor or Reorganized Debtor does not possess or does not intend to prosecute a particular claim or Cause of Action if a particular Creditor votes to accept the Plan. It is the expressed intention of the Plan to preserve rights, objections to Claims, and rights of action of the Debtor, whether now known or unknown, for the benefit of the Reorganized Debtor. A Cause of Action shall not, under any circumstances, be waived as a result of the failure of the Debtor to describe such Cause of Action with specificity in the Plan or in the Disclosure Statement; nor shall the Reorganized Debtor, as a result of such failure, be estopped or precluded under any theory from pursuing such Cause of Action. Nothing in the Plan operates as a release of any of the Causes of Action.

The Debtor does not presently know the full extent of the Causes of Action and, for purposes of voting on the Plan, all Creditors are advised that Reorganized Debtor will have substantially the same rights that a Chapter 7 trustee, Chapter 11 trustee, or Debtor-in-Possession would have with respect to the Causes of Action. Accordingly, neither a vote to accept the Plan by any Creditor nor the entry of the Confirmation Order will act as a release, waiver, bar or estoppel of any Cause of Action against such Creditor or any other Person or Entity, unless such Creditor, Person or Entity is specifically identified by name as a released party in the Plan, in the Confirmation Order, or in any other Final Order of the Bankruptcy Court. Confirmation of the

Plan and entry of the Confirmation Order is not intended to and shall not be deemed to have any *res judicata* or collateral estoppel or other preclusive effect that would precede, preclude, or inhibit prosecution of such Causes of Action following Confirmation of the Plan.

At this time, the Debtor believes the Causes of Action consist primarily of the Avoidance Actions and the adversary proceedings pending currently pending against Fannie Mae (16-01200-EPK) and AHA (16-01309-EPK).

The Debtor and the Reorganized Debtor reserve all rights under Section 506(c) of the Bankruptcy Code with respect to any and all Secured Claims.

The Estate shall remain open, even if the Reorganization Case shall have been closed, as to any and all Causes of Action until such time as the Causes of Action have been fully administered and the Causes of Action Recoveries have been received by the Reorganized Debtor.

Prosecution and Settlement of Claims and Causes of Action.

The Reorganized Debtor (a) may commence or continue in any appropriate court or tribunal any suit or other proceeding for the enforcement of any Cause of Action which the Debtor had or had power to assert immediately prior to the Effective Date, and (b) may settle or adjust such Cause of Action. From and after the Effective Date, the Reorganized Debtor shall be authorized, pursuant to Bankruptcy Rule 9019 and Section 105(a) of the Bankruptcy Code, to compromise and settle any Cause of Action or objection to a Claim in accordance with the following procedures, which shall constitute sufficient notice in accordance with the Bankruptcy Code and the Bankruptcy Rules for compromises and settlements: (i) if the resulting settlement provides for settlement of a Cause of Action or objection to a Claim originally asserted in an amount equal to or less than $25,000.00, then the Reorganized Debtor may settle the Cause of Action or objection to Claim and execute necessary documents, including a stipulation of settlement or release, subject to notifying the United States Trustee and the Notice Parties of the terms of the settlement agreement; provided, however, that if the United States Trustee or the Notice Parties indicate their approval or do not provide the Reorganized Debtor with an objection to the proposed settlement within ten (10) days after it receives notice of such settlement in writing, then the Reorganized Debtor shall be authorized to accept and consummate the settlement; and provided further, however, that if a timely written objection is made by the United States Trustee or the Notice Parties to the proposed settlement, then the settlement may not be consummated without approval of the Bankruptcy Court in accordance with Bankruptcy Rule 9019; and (ii) if the resulting settlement involves a Cause of Action or objection to a Claim originally asserted in an amount exceeding $25,000.00, then the Reorganized Debtor shall be authorized and empowered to settle such Cause of Action or objection to Claim only upon Bankruptcy Court approval in accordance with Bankruptcy Rule 9019 and after notice to the Notice Parties.

Effectuating Documents; Further Transactions.

The Manager shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, mortgages, and other agreements or documents and take such actions as may be necessary or appropriate, to effectuate and further evidence the terms and conditions of the Plan or to otherwise comply with applicable law.

PROVISIONS GOVERNING DISTRIBUTIONS

Initial Distribution.

As soon as reasonably practicable (as determined by the Reorganized Debtor) after the Effective Date, the Reorganized Debtor shall make the Distributions required under the Plan to Holders of Allowed Administrative Expense Claims (including Allowed Administrative Expense Claims of Professionals) and Allowed Claims in Class 1 (the "**Initial Distribution**"). Thereafter, the Reorganized Debtor shall make additional Distributions to Holders of Allowed Claims as and when required by the terms of the Plan.

Determination of Claims.

From and after the Effective Date, the Reorganized Debtor shall have the exclusive authority to, and shall, file, settle, compromise, withdraw, or litigate to judgment all objections to Claims. Except as to any late-filed Claims and Claims resulting from the rejection of executory contracts or unexpired leases, if any, all objections to Claims shall be filed with the Bankruptcy Court by no later than ninety (90) days following the Effective Date (unless such period is extended by the Bankruptcy Court upon motion of the Debtor or Reorganized Debtor), and the Confirmation Order shall contain appropriate language to that effect. Holders of Unsecured Claims that have not filed such Claims on or before the Bar Date shall serve the Notice Parties with any request to the Bankruptcy Court for allowance to file late Unsecured Claims. If the Bankruptcy Court grants the request to file a late Unsecured Claim, such Unsecured Claim shall be treated in all respects as a Class 8 Unsecured Claim. Objections to late-filed Claims and Claims resulting from the rejection of executory contracts or unexpired leases shall be filed on the later of (a) ninety (90) days following the Effective Date or (b) the date sixty (60) days after Reorganized Debtor receives actual notice of the filing of such Claim.

Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the Holder of the Claim if the Debtor or Reorganized Debtor, as the case may be, effect service in any of the following manners: (a) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004, (b) to the extent counsel for the Holder of a Claim is unknown, by first class mail, postage prepaid, on the signatory on the Proof of Claim or other representative identified on the Proof of Claim or any attachment thereto, or (c) by first class mail, postage prepaid, on any counsel that has filed a notice of appearance in the Reorganization Case on behalf of the Holder of a Claim.

Disputed Claims shall be fixed or liquidated in the Bankruptcy Court as core proceedings within the meaning of 28 U.S.C. § 157(b)(2)(B) unless the Bankruptcy Court orders otherwise. If the fixing or liquidation of a contingent or unliquidated Claim would cause undue delay in the administration of the Reorganization Case, such Claim shall be estimated by the Bankruptcy Court for purposes of allowance and Distribution. The Debtor or Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtor or Reorganized Debtor previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, such estimated amount will constitute either the Allowed Amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtor or Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate allowance of such Claim. The determination of Claims in Estimation Hearings shall be binding for purposes of establishing the maximum amount of the Claim for purposes of allowance and Distribution. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not exclusive of one another. Procedures for specific Estimation Hearings, including provisions for discovery, shall be set by the Bankruptcy Court giving due consideration to applicable Bankruptcy Rules and the need for prompt determination of the Disputed Claim.

Distributions as to Allowed Claims.

Each Holder of an Allowed Unsecured Claim shall receive a Cash Distribution, on the applicable Distribution Date, in the amount provided for in Article 5 of the Plan.

Notwithstanding any provision herein to the contrary, no Distribution shall be made to the Holder of a Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim. At such time that such Disputed Claim becomes an Allowed Claim, the Holder of such Allowed Claim shall receive the Distribution to which such Holder is then entitled under the Plan.

Notwithstanding any provision herein to the contrary, if, on any applicable Distribution Date, the Holder of a Claim is subject to a proceeding against it by Reorganized Debtor under Section 502(d) of the Bankruptcy Code, then Reorganized Debtor (in its sole discretion) may withhold a Distribution to such Holder until the final resolution of such proceeding.

Distributions to a Holder of an Allowed Claim shall be made at the address of such Holder set forth in the Schedules or on the books and records of the Debtor or Reorganized Debtor at the time of the Distribution, unless Reorganized Debtor has been notified in writing of a change of address, including by the filing of a Proof of Claim or statement pursuant to Bankruptcy Rule 3003 by such Holder that contains an address for such Holder different than the address for such Holder

as set forth in the Schedules. Reorganized Debtor shall not be liable for any Distribution sent to the address of record of a Holder in the absence of the written change thereof as provided herein.

Unclaimed Distributions.

If the Holder of an Allowed Claim fails to negotiate a check for a Distribution issued to such Holder within sixty (60) days of the date such check was issued, then Reorganized Debtor shall provide written notice to such Holder stating that, unless such Holder negotiates such check within thirty (30) days of the date of such notice, the amount of Cash attributable to such check shall be deemed to be unclaimed, such Holder shall be deemed to have no further Claim in respect of such check, such Holder's Allowed Claim shall no longer be deemed to be Allowed, and such Holder shall not be entitled to participate in any further Distributions under the Plan in respect of such Claim.

If a check for a Distribution made pursuant to the Plan to any Holder of an Allowed Claim is returned to Reorganized Debtor due to an incorrect or incomplete address for the Holder of such Allowed Claim, and no claim is made in writing to Reorganized Debtor as to such check within sixty (60) days of the date such Distribution was made, then the amount of Cash attributable to such check shall be deemed to be unclaimed, such Holder shall be deemed to have no further Claim in respect of such check, such Holder's Allowed Claim shall no longer be deemed to be Allowed, and such Holder shall not be entitled to participate in any further Distributions under the Plan in respect of such Claim.

Any unclaimed Distribution as described above sent by Reorganized Debtor shall become the property of Reorganized Debtor.

Transfer of Claim.

In the event that the Holder of any Claim shall transfer such Claim on and after the Effective Date, such Holder shall immediately advise Reorganized Debtor in writing of such transfer and provide sufficient written evidence of such transfer. Reorganized Debtor shall be entitled to assume that no transfer of any Claim has been made by any Holder unless and until Reorganized Debtor shall have received written notice to the contrary. Each transferee of any Claim shall take such Claim subject to the provisions of the Plan and to any request made, waiver or consent given or other action taken hereunder and, except as otherwise expressly provided in such notice, Reorganized Debtor shall be entitled to assume conclusively that the transferee named in such notice shall thereafter be vested with all rights and powers of the transferor under the Plan.

One Distribution Per Holder.

If the Holder of a Claim holds more than one Claim in any one Class, all Claims of such Holder in such Class shall be aggregated and deemed to be one Claim for purposes of Distribution hereunder, and only one Distribution shall be made with respect to the single aggregated Claim.

Effect of Pre-Confirmation Distributions.

Nothing in the Plan shall be deemed to entitle the Holder of a Claim that received, prior to the Effective Date, full or partial payment of such Holder's Claim, by way of settlement or otherwise, pursuant to an order of the Bankruptcy Court, provision of the Bankruptcy Code, or other means, to receive a duplicate payment in full or in part pursuant to the Plan; and all such full or partial payments shall be deemed to be payments made under the Plan for purposes of satisfying the obligations of the Debtor or Reorganized Debtor to such Holder under the Plan.

No Interest on Claims.

Except as expressly stated in the Plan or otherwise Allowed by a Final Order of the Bankruptcy Court, no Holder of an Allowed Claim shall be entitled to the accrual of Postpetition Interest or the payment of Postpetition Interest, penalties, or late charges on account of such Allowed Claim for any purpose. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a Disputed Claim becomes an Allowed Claim.

Compliance with Tax Requirements.

In connection with the Plan, the Reorganized Debtor shall comply with all tax withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities, and all Distributions hereunder shall be subject to such withholding and reporting requirements. Notwithstanding the above, each Holder of an Allowed Claim that is to receive a Distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Unit, including income, withholding, and other tax obligations, on account of such Distribution.

CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE

Conditions Precedent to Confirmation of the Plan.

The following are conditions precedent to Confirmation of the Plan, each of which may be waived by the Debtor:

The Bankruptcy Court shall have made such findings and determinations regarding the Plan as shall enable the entry of the Confirmation Order in a manner consistent with the provisions of the Plan.

Conditions Precedent to the Effective Date.

The Plan shall not be consummated and the Effective Date shall not occur unless each of the following conditions have been satisfied following the Confirmation Date or waived by the Debtor:

- The Confirmation Order, in form and substance satisfactory to the Debtor, shall be a Final Order.

- The Plan Documents, in form and substance satisfactory to the Debtor, have been executed.

Notice of the Effective Date.

Promptly following the satisfaction, or the waiver by the Debtor, of all of the conditions set forth in Article 10.2, the Debtor shall file a notice (the "**Effective Date Notice**") with the Bankruptcy Court designating the Effective Date. The Debtor shall serve the Effective Date Notice on all of the Notice Parties.

DISCHARGE, EXCULPATION FROM LIABILITY, RELEASE, AND GENERAL INJUNCTION[17]

Discharge of Claims.

Except as otherwise expressly provided in the Plan or in the Confirmation Order, the Confirmation Order shall operate as a discharge, pursuant to Section 1141(d) of the Bankruptcy Code, to the fullest extent permitted by applicable law, as of the Effective Date, of the Debtor and its Estate and the Reorganized Debtor from any and all Debts of and Claims of any nature whatsoever against the Debtor that arose at any time prior to the Effective Date, including any and all Claims for principal and interest, whether accrued before, on or after the Petition Date. Except as otherwise expressly provided in the Plan or in the Confirmation Order, but without limiting the generality of the foregoing, on the Effective Date, the Debtor and its Estate and the Reorganized Debtor, and their respective successors or assigns, shall be discharged, to the fullest extent permitted by applicable law, from any Claim or Debt that arose prior to the Effective Date and from any and all Debts of the kind specified in Section 502(g), 502(h), or 502(i) of the Bankruptcy Code, whether or not (a) a Proof of Claim based on such Debt was filed pursuant to Section 501 of the Bankruptcy Code, (b) a Claim based on such Debt is an Allowed Claim pursuant to Section 502 of the Bankruptcy Code, or (c) the Holder of a Claim based on such Debt has voted to accept the Plan. As of the Effective Date, except as otherwise expressly provided in the Plan or in the Confirmation Order, all Persons and Entities, including all Holders of Claims or Partnership Interests, shall be forever precluded and permanently enjoined to the fullest extent permitted by applicable law from asserting directly or indirectly against the Debtor

[17] This section is not intended to provide any third party releases.

or its Estate or the Reorganized Debtor, or any of their respective successors and assigns, or the assets or Properties of any of them, any other or further Claims, Debts, rights, causes of action, remedies, or Liabilities based upon any act, omission, document, instrument, transaction, event, or other activity of any kind or nature that occurred prior to the Effective Date or that occurs in connection with implementation of the Plan, and the Confirmation Order shall contain appropriate injunctive language to that effect. As of the Effective Date, Holders of Partnership Interests shall have no rights arising from or relating to such Partnership Interests, except as otherwise expressly provided in the Plan. In accordance with the foregoing, except as otherwise expressly provided in the Plan or in the Confirmation Order, the Confirmation Order shall be a judicial determination of the discharge or termination of all such Claims and other Debts and Liabilities against the Debtor, pursuant to Sections 524 and 1141 of the Bankruptcy Code, to the fullest extent permitted by applicable law, and such discharge shall void any judgment obtained against the Debtor, at any time, to the extent that such judgment relates to a discharged or terminated Claim, Liability, or Debt. Notwithstanding the foregoing, Reorganized Debtor shall remain obligated to make payments to Holders of Allowed Claims as required pursuant to the Plan.

***Exculpation from Liability*.**

The Debtor and its Partners (collectively, the "Exculpated Parties") shall neither have nor incur any liability whatsoever to any Person or Entity for any act taken or omitted to be taken in good faith in connection with or related to the formulation, preparation, dissemination, or confirmation of the Plan, the Disclosure Statement, any Plan Document, or any contract, instrument, release, or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the Plan or the Reorganization Case, in each case for the period on and after the Petition Date and through the Effective Date; provided, however, that this exculpation from liability provision shall not be applicable to any liability found by a court of competent jurisdiction to have resulted from fraud or the willful misconduct or gross negligence of any such party. The rights granted under this Article 11.2 are cumulative with (and not restrictive of) any and all rights, remedies, and benefits that the Exculpated Parties have or obtain pursuant to any provision of the Bankruptcy Code or other applicable law. In furtherance of the foregoing, the Exculpated Parties shall have the fullest protection afforded under Section 1125(e) of the Bankruptcy Code and all applicable law from liability for violation of any applicable law, rule or regulation governing the solicitation of acceptance or rejection of a plan. This exculpation from liability provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of this Article 11.2 shall not release, or be deemed a release of, any of the Causes of Action.

***General Injunction*.**

Pursuant to Sections 105, 1123, 1129 and 1141 of the Bankruptcy Code, in order to preserve and implement the various transactions contemplated by and provided for in the Plan, as of the Effective Date, except as otherwise expressly provided in the Plan or in the Confirmation Order, all Persons or Entities that have held, currently hold or may hold a Claim, Debt, or Liability that is discharged or terminated pursuant to the terms of the Plan are

and shall be permanently enjoined and forever barred to the fullest extent permitted by law from taking any of the following actions on account of any such discharged or terminated Claims, Debts, or Liabilities, other than actions brought to enforce any rights or obligations under the Plan or the Plan Documents: (a) commencing or continuing in any manner any action or other proceeding against the Debtor or the Reorganized Debtor or their respective Properties; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtor or the Reorganized Debtor or their respective Properties; (c) creating, perfecting or enforcing any Lien or encumbrance against the Debtor or the Reorganized Debtor or their respective Properties; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtor or the Reorganized Debtor; (e) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order; or (f) interfering with or in any manner whatsoever disturbing the rights and remedies of the Debtor or the Reorganized Debtor under the Plan and the Plan Documents and the other documents executed in connection therewith. The Debtor and the Reorganized Debtor shall have the right to independently seek enforcement of this general injunction provision. This general injunction provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of this Article 11.3 shall not release, or be deemed a release of, any of the Causes of Action.

Term of Certain Injunctions and Automatic Stay.

All injunctions or automatic stays for the benefit of the Debtor pursuant to Sections 105, 362 or other applicable provisions of the Bankruptcy Code, or otherwise provided for in the Reorganization Case, and in existence on the Confirmation Date, shall remain in full force and effect following the Confirmation Date and until the Final Decree Date, unless otherwise ordered by the Bankruptcy Court.

With respect to all lawsuits pending in courts in any jurisdiction (other than the Bankruptcy Court) that seek to establish the Debtor' liability on Prepetition Claims asserted therein and that are stayed pursuant to Section 362 of the Bankruptcy Code, such lawsuits shall be deemed dismissed as of the Effective Date, unless the Debtor affirmatively elects to have the Debtor's liability established by such other courts, and any pending motions seeking relief from the automatic stay for purposes of continuing any such lawsuits in such other courts shall be deemed denied as of the Effective Date, and the automatic stay shall continue in effect, unless the Debtor affirmatively elects to have the automatic stay lifted and to have the Debtor's liability established by such other courts; and the Prepetition Claims at issue in such lawsuits shall be determined and either Allowed or disallowed in whole or part by the Bankruptcy Court pursuant to the applicable provisions of the Plan, unless otherwise elected by the Debtor as provided herein.

No Liability for Tax Claims.

Unless a taxing Governmental Unit has asserted a Claim against the Debtor before the Governmental Unit Bar Date or Administrative Expense Claim Bar Date established therefor, no Claim of such Governmental Unit shall be Allowed against the Debtor, the Reorganized Debtor or their respective officers, employees or agents for taxes, penalties, interest, additions to tax or other charges arising out of (i) the failure, if any, of the Debtor, any of its Affiliates, or any other Person or Entity to have paid tax or to have filed any tax return (including any income tax return) in or for any prior year or period, or (ii) an audit of any return for a period before the Petition Date.

MISCELLANEOUS PROVISIONS

Retention of Jurisdiction. The Plan provides for the retention of jurisdiction by the Bankruptcy Court following the Effective Date to, among other things, determine all disputes relating to Claims, Partnership Interests, and other issues presented by or arising under the Plan. The Bankruptcy Court will also retain jurisdiction under the Plan for any actions brought in connection with the implementation and consummation of the Plan and the transactions contemplated thereby. *See* Article 12 of the Plan for a more detailed description.

Confirmation Order and Plan Control. To the extent the Confirmation Order or the Plan is inconsistent with the Disclosure Statement or any agreement entered into between the Debtor and any third party, unless otherwise expressly provided in the Plan, the Plan controls the Disclosure Statement and any such agreements, and the Confirmation Order (any and other orders of the Court) will be construed together and consistent with the terms of the Plan.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The tax consequences of the Plan to the Debtor and to Holders of Claims and Partnership Interests are discussed below. This discussion of the federal income tax consequences of the Plan to the Debtor and Holders under U.S. federal income tax law, including the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), is provided for informational purposes only. While this discussion addresses certain of the material tax consequences of the Plan, it is not a complete discussion of all such consequences and is subject to substantial uncertainties. Moreover, the consequences to a Holder may be affected by matters not discussed below (including, without limitation, special rules applicable to certain types of persons, such as persons holding non-vested stock or otherwise subject to special rules, nonresident aliens, life insurance companies, and tax-exempt organizations) and by such Holders' particular tax situations. In addition, this discussion does not address any state, local, or foreign tax considerations that may be applicable to particular Holders.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS

CONTEMPLATED BY THE PLAN, INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.

THE DEBTOR'S GENERAL BANKRUPTCY COUNSEL HAS NO TAX EXPERTISE AND HAS NOT RESEARCHED OR ANALYZED TAX CONSEQUENCES RESULTING FROM THE PLAN.

SOME OF THE ISSUES DISCUSSED BELOW ARE COMPLEX, AND THERE CAN BE NO ASSURANCE OF THE ACCURACY OF THIS INFORMATION.

General Federal Income Tax Consequences to Holders

In General. The following discussion addresses certain of the material consequences of the Plan to Holders. Under the Plan, the tax consequences of the Plan to a Holder will depend, in part, on the type of consideration received in exchange for the Claim or Partnership Interest and the tax status of the Holder, such as whether the Holder is an individual, corporation or other entity, whether the Holder is a resident of the United States, the accounting method of the Holder, and the tax classification of the Holder's particular Claim or Partnership Interest. **HOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT UNDER THE PLAN OF THEIR PARTICULAR CLAIM OR PARTNERSHIP INTEREST.**

Tax Consequences to Holders of Claims and Partnership Interests. The Holders of Claims against and Partnership Interests in the Debtor are urged to consult with their tax advisors as to the consequences of the Plan to them. Among the issues the Holders of Claims and/or Partnership Interests and their advisors may wish to consider are:

(1) The extent to which the Holder of a Claim and/or Partnership Interest is entitled to a bad debt deduction or a worthless securities loss.

(2) The extent to which the Holder of a Claim or Partnership Interest recognizes gain or loss on the exchange of its Claim or Partnership Interest for property, debt, and stock of the Debtor and the character of that gain or loss.

(3) The basis and the holding period for any property, debt, and stock received by the Holder of a Claim or Partnership Interest.

(4) Whether the original issue discount rules, market discount rule, and amortizable bond premium rules apply to any debt received by the Holder of a Claim or Partnership Interest.

(5) The treatment of property, stock, or debt, if any, received by the Holder of a Claim or Partnership Interest in satisfaction of accrued interest.

(6) The effect of a Holder of a Claim or Partnership Interest receiving a deferred distribution or distribution that is contingent in amount.

Certain Federal Income Tax Consequences to the Debtor

Cancellation of Indebtedness Income. Generally, cancellation of indebtedness triggers ordinary income to a debtor equal to the adjusted issue price (as determined for federal income tax purposes) of the indebtedness cancelled. If debt is discharged in a Chapter 11 case, however, a debtor does not recognize cancellation of indebtedness income. Instead, certain tax attributes otherwise available to the debtor are reduced by the amount of the indebtedness cancelled. Tax attributes subject to reduction include: (i) net operating losses (NOL) and NOL carryforwards; (ii) most credit carryforwards; (iii) capital losses and carryforwards; (iv) the tax basis of the debtor's depreciable and non-depreciable assets; (v) passive activity loss and credit carryovers; and (vi) foreign tax credit carryforwards.

Under Sections 108(b) and 1017 of the Tax Code, attributes are reduced in the following order: first, net operating loss carryover; second, general business credit carryovers; third, capital loss carryovers; and fourth, tax basis. In lieu of reducing net operating loss and carryovers, the taxpayer can elect to reduce tax basis first. Such an election shall not apply to an amount greater than the aggregate adjusted bases of depreciable property held by the taxpayer as of the beginning of the taxable year following the taxable year in which the discharge occurs.

Therefore, any cancellation of indebtedness income realized by the Debtor would require a reduction in their NOLs or other tax attributes. Because attribute reduction is calculated only after the tax for the year of discharge has been determined, however, the realization of substantial amounts of cancellation of indebtedness income as a result of implementation of the Plan should not diminish the NOLs and NOL carryforwards otherwise available to offset other income recognized in the year in which the Plan is consummated.

Additionally, any sale of Collateral pursuant to the Plan may result in taxable income to the Debtor if the tax basis in the Collateral is less than the sales price.

The Debtor does not believe that a principal purpose of the Plan is the avoidance of federal income tax within the meaning of Section 269 of the Internal Revenue Code.

Importance of Obtaining Professional Tax Assistance

This discussion is intended only as a summary of certain federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. The tax consequences are in many cases uncertain and may vary depending on a Holder's individual circumstances. Accordingly, Holders are urged to consult with their tax advisors about the federal, state, local and foreign tax consequences of the Plan.

VOTING ON AND CONFIRMATION OF THE PLAN

Confirmation and Acceptance by All Impaired Classes

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan if all of the requirements of Bankruptcy Code Section 1129 are met. Among the requirements for confirmation of a plan are that the plan be accepted by all impaired classes of claims and Partnership Interests, and satisfaction of the matters described below.

Feasibility. A plan may be confirmed only if it is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. As a liquidating plan, the Plan is *per se* feasible.

The obligations under the Plan to Holders of contingent, unliquidated, and Disputed Claims cannot be ascertained without the determination of the validity and amount of those Claims by the Bankruptcy Court. Until the Claim determination process is complete, the exact amount to be received by Unsecured Creditors cannot be ascertained.

Best Interest Standard. The Bankruptcy Code requires that the Plan meet the "best interest" test, which requires that members of a Class must receive or retain under the Plan, property having a value not less than the amount which the Class members would have received or retained if the Debtor was liquidated under Chapter 7, on the same date. The Debtor believes that the liquidation analysis attached hereto demonstrates that distributions to all Impaired Classes of Claims in accordance with the terms of the Plan would exceed the net distribution that would otherwise take place in Chapter 7, as no funds would be available to unsecured creditors in the event of a Chapter 7 liquidation. By contrast, Holders of Allowed Unsecured Claims will be paid in full under the Plan.

Confirmation Without Acceptance by All Impaired Classes

If one or more of the Impaired Classes of Claims or Partnership Interests does not accept the Plan, the Plan may nevertheless be confirmed and be binding upon the non-accepting Impaired Class under the "cram-down" provisions of the Bankruptcy Code, if the Plan does not "discriminate unfairly" and is "fair and equitable" to the non-accepting Impaired Classes under the Plan.

Discriminate Unfairly. The Bankruptcy Code requirement that a plan not "discriminate unfairly" means that a dissenting class must be treated equally with respect to other classes of equal rank. The Debtor believes that the Plan does not "discriminate unfairly" with respect to any Class of Claims or Partnership Interests because no class is afforded treatment which is disproportionate to the treatment afforded other Classes of equal rank.

Fair and Equitable Standard. The "fair and equitable" standard, also known as the "absolute priority rule," requires that a dissenting class receive full compensation for its allowed claims or interests before any junior class receives any distribution. The Debtor believes the Plan is fair and equitable to all Classes pursuant to this standard.

With respect to the Impaired Classes of Secured Claims, Bankruptcy Code Section 1129(b)(2)(A) provides that a plan is "fair and equitable" if: (i) the holders of such claims retain the lien securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims; and each

holder of a claim of said class receives on account of such claims deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property; or (ii) it provides for the sale, subject to Section 363(k) of the Bankruptcy Code, of any property free and clean of such liens; or (iii) it provides for the realization by such holders of the indubitable equivalent of such claims. With respect to US Bank, the Debtor believes that the Plan meets the standard for fair and equitable treatment pursuant to 1129(b)(2)(A) (i).

With respect to the Impaired Classes of Unsecured Claims, Bankruptcy Code Section 1129(b)(2)(B) provides that a plan is "fair and equitable" if it provides that (i) each holder of a claim of such a class receives or retains on account of such claim, property of a value as of the effective date of the plan equal to the allowed amount of such claim; or (ii) the Holder of any claim or interest that is junior to the claims of such class will not receive or retain any property under the plan on account of such junior claim or interest. The Debtor believes that the Plan meets these standards.

The Debtor intends to evaluate the results of the balloting and determine whether to seek Confirmation of the Plan in the event that less than all the Impaired Classes of Claims do not vote to accept the Plan. The determination as to whether to seek Confirmation under such circumstances will be announced before or at the Confirmation Hearing.

Absolute Priority Rule

The Bankruptcy Code and other applicable law establish the priority for distribution of funds in bankruptcy cases. These priority provisions are sometimes referred to as the "absolute priority" rule. Normally, and subject to exceptions not relevant here, valid secured claims are first paid to the extent of the amount of the claim or the value of the claimant's collateral (if less than the claim).

Any property in the Estate, net of the valid secured claims described above, is first distributed to holders of priority claims, including (a) the costs of administering the Reorganization Case; (b) certain wage and benefit claims; and (c) certain tax claims. After payment of priority claims, unsecured creditors share pro rata in the remaining funds until paid in full. Partnership holders (i.e., members) are paid only after all creditors have been paid.

Non-Confirmation of the Plan

If the Plan is not confirmed by the Bankruptcy Court, the Court may permit the filing of an amended plan, dismiss the case, or convert the case to Chapter 7. In a Chapter 7 case, the Debtor's assets would be sold and distributed to the Unsecured Creditors after the payment of all Secured Claims, costs of administration, and the payment of priority claims.

The cost of distributing the Plan and this Disclosure Statement, as well as the costs, if any, of soliciting acceptances, will be borne by the Estate.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed, the potential alternatives include (a) alternative plans under Chapter 11 (including a liquidation plan), (b) dismissal of the case, or (c) conversion of the case to a case under Chapter 7 of the Bankruptcy Code.

Alternative Plans of Reorganization

If the Plan is not confirmed, the Debtor could attempt to formulate and propose a different plan or plans. The Debtor believes that the Plan will enable Creditors to be paid the maximum amount possible for their Allowed Claims.

Liquidation under Chapter 7 or Chapter 11

If a plan is not confirmed, the Reorganization Case may be converted to a Chapter 7 liquidation case. In a Chapter 7 case, a trustee would be appointed to liquidate the assets of the Debtor. Converting the case to Chapter 7 would simply add an additional layer of administrative expenses to the Estate which would eliminate any funds available for distribution to Unsecured Creditors. The proceeds of the liquidation would be distributed to the Creditors of the Debtor in accordance with the priorities established by the Bankruptcy Code.

In general, the Debtor believes that liquidation under Chapter 7 would result in diminution of the value of the interests of the Creditors because of (a) additional administrative expenses involved in the appointment of a trustee and attorneys, accountants, and other professionals to assist such trustee; (b) additional expenses and claims, some of which might be entitled to priority, which would arise by reason of the liquidation; (c) failure to realize the full value of the Debtor's assets; (d) the inability to utilize the work-product and knowledge of the Debtor and its Professionals; (e) the substantial delay which would elapse before Creditors would receive any distribution in respect of their Claims; and (f) the loss to Unsecured Creditors.

The Debtor believes that the Plan is superior to liquidation under Chapter 7 or Chapter 11.

SUMMARY, RECOMMENDATION AND CONCLUSION

The Debtor believes that the Plan is in the best interests of all Creditors. In the event of a liquidation of the Debtor's assets under Chapter 7 of the Bankruptcy Code, the Debtor believes there would be little or no distribution to Unsecured Creditors. By contract, the Plan provides for payment to Holders of Allowed Unsecured Claims (excluding Class 9) of an amount equal to at least ninety percent (90%) of their Allowed Claim. For these reasons, the Debtor urges that the Plan is in the best interest of all Creditors and the Estate, and that the Plan be accepted.

Respectfully submitted,

CCH JOHN EAGAN II HOMES, L.P.,

By:
General Partner of CCH JOHN EAGAN II HOMES, L.P.
Its Manager

By: _____
Yashpal Kakkar
Its: President