UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re:	Chapter 11
ARLINGTON RIDGE LLC,	Case No. 8:08-bk-15678-CED (Jointly Administered)
BLAIR HOMECRAFTERS OF LEESBURG LLC,	Case No. 8:08-bk-15679-CED
BLAIR COMMUNITIES, INC.,	Case No. 8:08-bk-15681-CED
YS HOLDINGS, INC.,	Case No. 8:08-bk-15683-CED
Debtors. _____/	

JOINT DISCLOSURE STATEMENT
FOR THE DEBTORS' JOINT PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE

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Tampa, Florida
Dated as of December 12, 2008

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE DATED AS OF DECEMBER 12, 2008, AS AMENDED FROM TIME TO TIME. NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR SECURITIES LAWS OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS.

ALL CREDITORS AND HOLDERS OF EQUITY INTERESTS THAT ARE ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THE ENTIRE DISCLOSURE STATEMENT FURNISHED TO THEM AND THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT PRIOR TO SUBMITTING A BALLOT PURSUANT TO THIS SOLICITATION. THE DESCRIPTION OF THE PLAN 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 EQUITY INTEREST SHOULD READ, CONSIDER, AND CAREFULLY ANALYZE THE TERMS AND PROVISIONS OF THE PLAN.

THE DEBTORS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS. ALL CREDITORS ARE URGED TO VOTE IN FAVOR OF THE PLAN. VOTING INSTRUCTIONS ARE CONTAINED IN THE SECTION OF THIS DISCLOSURE STATEMENT TITLED "VOTING INSTRUCTIONS." TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED AND EXECUTED AND RECEIVED BY THE CLERK OF THE BANKRUPTCY COURT BY NO LATER THAN **_____, 2008**.

THE PLAN PROPOSES EXCULPATION FROM LIABILITY AS TO THE DEBTORS AND VARIOUS OTHER PARTIES FOR CERTAIN ACTIONS IN CONNECTION WITH THESE CHAPTER 11 CASES. ALL CREDITORS, HOLDERS OF EQUITY INTERESTS, MEMBERSHIP INTERESTS, AND OTHER PARTIES IN INTEREST ARE URGED TO READ CAREFULLY ARTICLE 11 OF THE PLAN ON EXCULPATION FROM LIABILITY.

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.

NO PERSON IS AUTHORIZED BY THE DEBTORS IN CONNECTION WITH THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTORS. SUCH ADDITIONAL REPRESENTATIONS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS WHO, IN TURN, SHALL 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. THIS DISCLOSURE STATEMENT IS DATED AS OF DECEMBER 12, 2008, AND CREDITORS AND HOLDERS OF EQUITY INTERESTS ARE ENCOURAGED TO REVIEW THE BANKRUPTCY DOCKET FOR THESE CHAPTER 11 CASES IN ORDER TO APPRISE THEMSELVES OF EVENTS WHICH OCCUR BETWEEN THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE OF THE CONFIRMATION HEARING.

IN THE EVENT THAT ANY IMPAIRED CLASS OF CLAIMS OR INTERESTS VOTES TO REJECT THE PLAN, (1) THE DEBTORS MAY ALSO SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN WITH RESPECT TO THAT CLASS UNDER THE BANKRUPTCY CODE'S "CRAMDOWN" PROVISIONS AND, IF REQUIRED, MAY AMEND THE PLAN TO CONFORM TO SUCH REQUIREMENTS OR (2) THE PLAN MAY BE OTHERWISE MODIFIED OR WITHDRAWN.

THE REQUIREMENTS FOR CONFIRMATION, INCLUDING THE VOTE OF IMPAIRED CLASSES OF CLAIMS AND INTERESTS TO ACCEPT THE PLAN, AND CERTAIN OF THE STATUTORY FINDINGS THAT MUST BE MADE BY THE BANKRUPTCY COURT, ARE SET FORTH IN THE SECTION OF THIS DISCLOSURE STATEMENT TITLED "VOTING ON AND CONFIRMATION OF THE PLAN."

DISCLOSURE STATEMENT PURSUANT TO
SECTION 1125 OF THE BANKRUPTCY CODE

INTRODUCTION

Arlington Ridge LLC, Blair Homecrafters of Leesburg LLC Blair Communities, Inc., and YS Holdings, Inc. (collectively, the "**Debtors**") have filed with the United States Bankruptcy Court for the Middle District of Florida, Tampa Division (the "**Bankruptcy Court**" or "**Court**"), their Joint Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code dated as of December 12, 2008 (as amended from time to time, the "**Plan**"). The Debtors' Disclosure Statement dated as of December 12 2008 (the "**Disclosure Statement**"), is submitted pursuant to Section 1125 of the Bankruptcy Code, 11 U.S.C. Section 101, et. seq. (the "**Bankruptcy Code**"), in connection with the solicitation of votes on the Plan from Holders of Impaired Claims against the Debtors and the hearing on Confirmation of the Plan scheduled for March 16, 2009, at 1:30 p.m.

This Disclosure Statement has been conditionally approved by 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 Holders of Claims in the relevant Voting Classes (as defined below) to make an informed judgment whether to accept or reject the Plan. The conditional approval of this Disclosure Statement by the Bankruptcy Court and the transmittal of this Disclosure Statement do not, however, constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan and should not be interpreted as being a recommendation by the Bankruptcy Court either to accept or reject the Plan.

IN THE OPINION OF THE DEBTORS, AS DESCRIBED BELOW, THE TREATMENT OF CLAIMS UNDER THE PLAN CONTEMPLATES A GREATER RECOVERY THAN THAT WHICH IS LIKELY TO BE ACHIEVED UNDER OTHER ALTERNATIVES FOR THE REORGANIZATION OR LIQUIDATION OF THE DEBTORS. ACCORDINGLY, THE DEBTORS BELIEVE THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

Accompanying or included as exhibits to this Disclosure Statement are copies of the following:

1. the Bankruptcy Court's Order Approving Disclosure Statement and Fixing Time for Filing Acceptances or Rejections of Plan, Combined with Notice of Hearing on Confirmation of Plan dated _____, 2008 (the "**Disclosure Statement Approval Order**"); and

2. in the case of Impaired Classes of Claims (Classes 3 through 5 and Class 8) (collectively, the "Voting Classes"), a Ballot for acceptance or rejection of the Plan.

PURPOSE OF THIS DISCLOSURE STATEMENT

The purpose of this Disclosure Statement is to provide the Holders of Claims and Interests with adequate information to make an informed judgment about the Plan. This information includes, among other things, (a) the procedures for voting on the Plan, (b) a summary of the Plan and an explanation of how the Plan will function, including the means of implementing and funding the Plan, (c) general information about the history and businesses of the Debtors prior to the Petition Date, (d) the events leading to the filing of the Chapter 11 Cases, and (e) a summary of significant events which have occurred to date in these cases.

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 Interests are encouraged to review carefully 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 Interests which are deemed "Allowed" under the Bankruptcy Code and which are "Impaired" under the terms and provisions of the Plan 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. ACCORDINGLY, A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN IS BEING PROVIDED ONLY TO MEMBERS OF THE VOTING CLASSES.

How to Vote

Each Holder of a Claim in a Voting Class should read the Disclosure Statement, together with the Plan and any exhibits hereto, in their entirety. After carefully reviewing the Plan and this Disclosure Statement and its exhibits, please complete the enclosed Ballot, including your vote with respect to the Plan, and return it as provided below. If you have an Impaired Claim in more than one Class, you should receive a separate Ballot for each such Claim. If you receive more than one Ballot you should assume that each Ballot is for a separate Impaired Claim and should complete and return all of them.

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 Michelle R. Clift at (813) 229-0144.

YOU SHOULD COMPLETE AND SIGN EACH ENCLOSED BALLOT AND RETURN IT TO THE BANKRUPTCY COURT AT THE ADDRESS PROVIDED BELOW. IN ORDER TO BE COUNTED, BALLOTS MUST BE DULY COMPLETED AND EXECUTED AND RECEIVED BY THE CLERK OF THE BANKRUPTCY COURT BY NO LATER THAN _____, 2008.

All Ballots should be returned either by regular mail, hand delivery or overnight delivery to:

United States Bankruptcy Court
Middle District of Florida
United States Courthouse
801 N. Florida Avenue
Tampa, Florida 33602

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 "cram-down" provisions of the Bankruptcy Code as to other Classes of Allowed Claims and Allowed Interests, votes representing at least two-thirds in dollar amount and more than one-half in number of Allowed Claims of each Impaired Class of Claims that are voted, and votes representing at least two-thirds in amount of Allowed Interests of each Impaired Class of Interests that are voted, must be cast for the acceptance of the Plan. The Debtor is soliciting acceptances only from Holders of Claims in Classes 3 through 5 and 8, which are the only Classes entitled to vote on the Plan. You may be contacted by the Debtors or their agents with regard to your vote on the Plan.

To meet the requirement for confirmation of the Plan under the "cram-down" provisions of the Bankruptcy Code with respect to any Impaired Class of Claims or Interests which votes to reject or is deemed to vote to reject the Plan (a "Rejecting Class"), the Debtors would have to show that all Classes junior to the Class rejecting the Plan will not receive or retain any property under the Plan unless all Holders of Claims or Interests in the Rejecting Class receive or retain under the Plan property having a value equal to the full amount of their Allowed Claims or Allowed Interests. For a more complete description of the implementation of the "cram down" provisions of the Bankruptcy Code pursuant to the Plan, see "VOTING ON AND CONFIRMATION OF THE PLAN -- Confirmation Without Acceptance by All Impaired Classes."

Confirmation Hearing and Objections to Confirmation

The Bankruptcy Court has scheduled a hearing to consider Confirmation of the Plan for **March 16, 2009, at 1:30 p.m.** (the "**Confirmation Hearing**"), at the United States Bankruptcy Court, Middle District of Florida, Tampa Division, United States Courthouse, 801 N. Florida Avenue, Tampa, Florida, which Confirmation Hearing 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.

Any objection to Confirmation of the Plan must be filed and served in accordance with the Disclosure Statement Approval Order. Pursuant to the Disclosure Statement Approval Order, any such objection must be filed with the Bankruptcy Court by no later than _____, 2008.

HISTORY OF THE DEBTORS PRIOR TO THE CHAPTER 11 FILING; CURRENT BUSINESS OPERATIONS OF THE DEBTORS

The information contained in this section of the Disclosure Statement is intended as a summary of the Debtors' history and business operations prior to and after the filing of the Voluntary Petitions on the Petition Date.

YS Holdings is a Florida corporation and holding company which owns ninety-two (92%) of the membership interests in Arlington Ridge and Blair HomeCrafters. Blair Communities is a Florida corporation which manages the operations of Arlington Ridge and Blair HomeCrafters, which are Florida limited liability companies.

Arlington Ridge is the owner and developer of approximately 492 acres of real property located in Lake County, Florida (the **"Development"**) which it acquired in December of 2003. Arlington Ridge is in the business of developing the infrastructure for the Development as well as developing and selling the lots. Blair Homecrafters is in the business of constructing homes and villas (collectively, "**Units**") in the Development. Blair HomeCrafters offers single-family homes and attached villas with 15 floor plans at various price points. Prior to the Petition Date, Blair HomeCrafters entered into a

contract with Arlington Ridge pursuant to which Blair HomeCrafters is obligated to purchase all of the lots within the Development, however, Blair HomeCrafters closes on the purchase of a lot simultaneously with the conveyance of the completed Unit to the buyer.

In order to have a finished product to show to customers and produce sales, Arlington Ridge, through Blair Homecrafters, built several furnished models in various styles, currently titled in the name of Arlington Ridge. Arlington Ridge also owns a number of "white-box" inventory homes which are completed but do not have finishing touches (cabinets, appliances, countertops, fixtures, floors, paint) to allow the customers to select their colors and options. These inventory Units are available for immediate sale to customers.

Arlington Ridge markets the developed lots through Blair Realty, Inc. (**"Blair Realty"**), a licensed real estate brokerage firm owned by M. Steven Sembler and Robert B. Young. Blair Realty maintains an on-site sales office. Blair Realty is the sole broker representing the Debtors and marketing the Development. Blair Realty operates at a loss, therefore, upon the sale of each Unit, at closing, the Debtors pay Blair Realty an amount equal to the cost of maintaining the sales office and marketing the Development. If these costs were not paid by the Debtors, they would lose their ability to effectively market the Development.

Tradition Title Insurance Agency LLC ("**Tradition Title**"), a licensed title company owned by M. Steven Sembler and Robert B. Young, closes the sales and issues the title insurance policies for all closings at the Development, unless the purchaser chooses another title company. The sales contract form used by Blair HomeCrafters requires the purchaser to pay all closing costs and title premiums. Tradition Title charges market rates for closing the transactions.

The Development is a planned unit development (**"PUD"**) with an adult concept, and upon completion, as contemplated, the Development will contain 1,036 residential units (942 single family homes and 94 villas). To permit the active adult nature of the Development, the deed restrictions require that eighty percent (80%) of the Units within the Development have a resident age of 55 or older and prohibit residents under the age of 18. The active adult concept requires that extensive schedule of activities, classes, and events be provided for the resident population.

Additionally, as part of the active adult concept, the Development includes certain amenities, including a clubhouse, a multi-purpose hall, an administration building, a fitness center, two pools, an 18 hole golf course and pro shop, a restaurant, a tavern, and an ice cream and coffee shop (collectively, the **"Amenities"**). All of the Amenities other than the golf course and the pro shop are owned and operated by the Arlington Ridge Community Development District (the **"CDD"**).

The CDD is a public entity created pursuant to the Florida Statutes. The CDD employs people, incurs expenses, and receives revenues in carrying out its business operations. The CDD experiences negative cash flow in these operations, and the shortfalls have been traditionally funded by the Debtors. It is essential to the Debtors' continued operations that the negative cash flow of the CDD be covered by some source.

Arlington Ridge leases the 18-hole golf course and pro shop to an affiliate, Arlington Ridge Golf Club, LLC (the "**Golf Club**"). The Golf Club employs people, incurs expenses, and collects revenues in carrying out its business operations. During the "season" commencing in December and running through approximately May of each year, the golf course has positive cash flow. In the "off season", the Debtors must supplement the cash flow of the Golf Club. It is essential for the Debtors' continued operations that the golf course remain open and be maintained to the highest standards.

For the year ended December 31, 2007, the Debtors' unaudited income statement reflected revenues of approximately $16.1 million. For the six (6) months ended July 31, 2008, gross revenues totaled approximately $7.4 million.

EVENTS LEADING TO THE BANKRUPTCY FILING

The immediate and precipitating causes of the Reorganization Cases were (1) the declaration by the Debtors' largest secured creditor, Wachovia Bank, N.A. ("**Wachovia**") that the Debtors were in default under the Acquisition and Development loan (the "**A&D Loan**"), (2) Wachovia's refusal to advance funds for the continued construction of Units under the Builder's Line of Credit (the "**BLOC**"), and (3) Wachovia's acceleration of the A&D loan. These actions followed Wachovia's demand that the Debtors make a substantial principal reduction, or "curtailment," payment to reduce the outstanding A&D loan balance. This curtailment payment demand was precipitated by an appraisal obtained by Wachovia on April 25, 2008, which reflected that the value of Wachovia's collateral excluding the golf course was approximately $16.88 million, after considering the effect of the CDD bonds. This value excluded the value of the golf course, previously appraised at $3 million, and the Debtors' equity in the model and "white-box" inventory Units and the Units currently under construction. In February 2007, essentially the same collateral was appraised by Wachovia at more than $36 million. In mid-2008 when Wachovia demanded the curtailment payment, the Debtors were current on all interest payments and they remained current on those obligations until Wachovia declared the aforesaid defaults and the negotiations between the parties collapsed in September 2008.

Concurrently with their efforts to work with Wachovia, the Debtors approached the CDD to restructure the bonded indebtedness in an effort to reduce pressure on the Debtors' cash flow and free up funds for the Development and, if permitted by the bondholders, Wachovia. These discussions were in their embryonic stages, but appeared to have significant potential when Wachovia declared the Debtors in default and refused to advance funds for construction of Units under the Builders Line of Credit. This action

required the Debtors to seek Chapter 11 protection to preserve the going concern value of their assets and to enhance their ability to obtain financing to complete construction of the Units in progress and cover the significant costs of operations.

SIGNIFICANT EVENTS IN THE CHAPTER 11 REORGANIZATION CASES

Filing of Petition

In order to preserve the going concern value of their assets, on October 8, 2009 (the "**Petition Date**"), the Debtors filed their Voluntary Petitions for Relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Middle District of Florida, Tampa Division.

Joint Administration

On October 9, 2008, the Debtors each filed Emergency Motions for Order Directing Joint Administration of Chapter 11 Cases Pursuant to Bankruptcy Rule 1015(B) (the "**Motions for Joint Administration**") and, on October 20, 2008, the Bankruptcy Court entered its orders granting the Motions for Joint Administration and jointly administering the cases under the lead case, *In re Arlington Ridge LLC*, Case No. 8:08-bk-15678-CED.

Applications to Employ Professionals

Stichter, Riedel, Blain & Prosser, P.A. On October 10, 2008, the Debtors filed their Application for Authorization to Employ Stichter, Riedel, Blain & Prosser, P.A. as Counsel for Debtors in Possession, and on December 11, 2008, the Court entered its final order approving the Application.

Algon Capital, LLC. On October 23, 2008, the Debtors filed their Application for Authorization to Employ Algon Capital, LLC d/b/a Algon Group as Financial Advisers and Lawrence S. Comegys of Algon Group as Chief Restructuring Officer. An order approving the Application is pending.

Chapter 11 Administration

Schedules and Statement of Financial Affairs. The Debtors each filed their Schedules and Statements of Financial Affairs, amending those documents from time to time, as needed.

Case Management Summary. The Debtors filed their Joint Case Management Summary on October 14, 2008, which provided, among other things, an overview of the

Debtors, their businesses and operations, events leading to the filing of the Chapter 11 cases, a summary of the amounts owed to creditors.

341 Meetings with Creditors. The Section 341 meetings of creditors were held and concluded on November 5, 2008.

Post-Petition Financing/Sales of Units/Use of Cash Collateral

Financing. The Debtors' most pressing priority upon the filing of their Chapter 11 petitions was to secure financing sources for continued operations and for construction costs to complete construction of pre-sold Units currently under construction. Given Wachovia's unwillingness to advance additional funds, two of the Debtors' owners, M. Steven Sembler and Robert B. Young (the "**Insider DIP Lenders**"), agreed to provide a $1 million debtor in possession financing facility (the "**Insider DIP Loan**") subordinate to all existing secured loans, to fund operating expenses related to the Development. One of the conditions to the Insider DIP Loan is that Wachovia not commence an action against either Mssr. Sembler or Young in connection with their personal guarantees to allow Mssrs. Sembler and Young to focus their efforts on restructuring the Debtors.

On October 10, 2008, the Debtors filed their Emergency Motion for Authority to Obtain Post-Petition Financing, to Grant Liens and Superpriority Administrative Expense Status (the "**Motion to Approve Insider DIP Loan**"). The Court entered an interim order granting the Motion to Approve Insider DIP Loan on October 23, 2008. The Court has granted the Motion to Approve Insider DIP Loan on a final basis and an order is pending. As of December 12, 2008, Mssrs. Sembler and Young have advanced a total of $617,448 to fund the Debtors' operating expenses. These funds were used to maintain the Development, to pay the Debtors' employees, and to fund the operating shortfalls on the Amenities. The Debtors' cash flow was also negatively impacted by Wachovia's freezing of the bank account of the Golf Club, a non-debtor affiliate. The frozen account is a merchant account where credit card receipts for the Golf Club are deposited. The merchant account contained several weeks' worth of credit card receipts when the account was frozen. The Insider DIP Loan has enabled the Debtors to maintain the Development in its award winning state and effectively market the Development. As a result, the Debtors have successfully acquired seven new contracts since the eve of the Chapter 11 filings. Furthermore, the Insider DIP Loan has allowed the CDD to continue to provide the Amenities to the hundreds of current residents of the Development who utilize the pool, fitness center, clubhouse and tavern.

In addition to needing funding for operations, the Debtors immediately needed access to construction financing. As of the Petition Date, the Debtors did not have the funds to complete construction of Units already under construction, much less start construction of new Units as contracts were received. As of the Petition Date, the Debtors had thirteen (13) homes under construction, twelve of which were under contract to sell. Additionally, as noted above, Blair Realty's continued sales efforts were

successful, and additional contracts for construction were entered into that needed to be financed. When Wachovia refused to advance funds for the continued construction of Units under the BLOC, Blair HomeCrafters promptly asked Wachovia to continue to advance funds to enable the Debtors to complete the Units currently under construction. Wachovia's refusal to do so was the immediate precipitating cause in the Debtors' Chapter 11 filings. Again, within a day after filing, the Debtors requested that Wachovia advance funds under the BLOC to enable the Debtors to complete construction of the Units currently under construction. Wachovia again refused to advance those funds.

Due to the overall viability of the Development and the collateral, the Debtors were able to secure preliminary proposals from two (2) third-party lenders willing to provide a debtor in possession financing facility for "hard" construction costs. The Debtors chose to pursue the Kass Pension Fund ("**Kass**") as a potential lender because Kass' proposal offered a lower interest rate and fees. The Kass proposal ultimately provided a $1.1 million revolving line of credit which could be used to complete construction of the Units currently under construction as well as commence construction on new Units as contracts were received, secured by a priming, superpriority lien on all of the Debtors' assets, subordinate only to the CDD Bonds. On October 16, 2008, the Debtors filed their Emergency Motion for Authority to: (1) Obtain Post-Petition Financing, (2) Grant Priming Liens, Superpriority Administrative Expense Status, and Adequate Protection, (3) Modify the Automatic Stay, (4) Enter into Post-Petition Agreements with Michael A. Kass, and (5) Schedule Final Hearing (the "**Kass DIP Financing Motion**").

Wachovia raised numerous objections to the proposed Kass financing and offered to provide financing only for the Units currently under construction. In addition, Wachovia imposed numerous conditions on its financing commitment including conditions on the Debtors which would put the Debtors in default under the Insider DIP Loan and conditions restricting other business activities of the Insider DIP Lenders. The terms offered by Wachovia were too onerous to be accepted and the Debtors' requested approval from the Court to proceed with the Kass financing. Upon Wachovia's request, the Court allowed Wachovia additional time to tweak the terms of the financing it was offering to provide. Because of the delay in the Debtors' ability to secure construction financing given Wachovia's position, the Debtors were required to seek a bridge loan from the Insider DIP Lenders to fund $300,000 of "hard" construction costs to prevent irreparable harm to the Debtors' businesses—the loss of essential contractors and material men. Accordingly, the Debtors requested that the Court authorize the Debtors to utilize some of the Insider DIP Loan funds to fund the bridge loan until the construction financing could be approved and the bridge loan could be repaid. The Court approved the bridge loan and the Insider DIP Lenders funded $300,000 which was used to pay contractors and material men who were furnishing goods and services for Units currently under construction. The bridge loan was repaid when the Wachovia DIP Loan (defined below) was ultimately funded.

After extensive negotiations, Wachovia offered to fund $900,000 debtor in possession loan (the "**Wachovia DIP Loan**") to be used exclusively to complete the construction of Units currently under construction and to be repaid from net proceeds from the sale of the thirteen (13) Units currently under construction. Unlike the Kass proposal, the Wachovia DIP loan did not allow the Debtors to utilize the proceeds from the sale of the thirteen (13) Units in excess of the DIP Loan to fund the construction of new Units as contracts are received. Despite the Debtors' trepidation that the lack of ability to use cash collateral to fund construction of new Units might cripple the project, the Debtors chose to proceed with the Wachovia DIP Loan in an effort to maintain their business relationship with Wachovia, preventing Wachovia from being primed by the Kass proposal, with the hope that Wachovia would independently agree to fund the construction of additional pre-sold Units. The Court approved the Wachovia DIP Loan at a final hearing held on November 3, 2008, and the final order is pending. As a result of the terms of the Wachovia DIP Loan, a portion of the BLOC is no longer subject to long-term restructuring under this Plan. This fact has necessitated the provision of additional exit financing.

Sales of Homes. On October 10, 2008, the Debtors filed their Emergency Motion for Order (1) Authorizing the Sale of Homes Pursuant to 11 U.S.C. §363 in Accordance with Existing Contracts Free and Clear of all Liens, Claims, and Encumbrances and (2) Establishing Procedures for Future Sales (the "**Sale Motion**"). By the Sale Motion, the Debtors sought authority to (a) sell Units currently under construction which were subject to existing contracts to sell, (b) sell existing model Units and "white-box" inventory Units, and (c) sell new Units as contracts are received. Wachovia objected to the relief requested in the Sale Motion on the ground that it would have required Wachovia to agree to provide postpetition financing (which it was not willing to do at the time) and consent to the Debtors' use of cash collateral. The Court entered an interim order granting the Sale Motion on November 6, 2008. The interim order authorized the Debtors to close on the sale of Units currently under construction which are the subject of existing contracts to sell. At a continued hearing on November 3, 2008, the Debtors modified the relief requested in the Sale Motion and requested that the Court approve procedures for the sale of new Units as contracts are received by the Debtors. The Debtors proposed that upon receipt of a contract, the Debtors would notify Wachovia of the terms of the contract and the funds needed (if any) to complete the Unit and Wachovia would have seven (7) days to object to the contract, proposed sale, and any funding requirement on Wachovia's part. Wachovia objected to this procedure as it placed an affirmative obligation upon Wachovia. The Debtor further modified its proposal and proposed as follows. If no funds were needed to complete/construct the Unit and Wachovia did not have a lien on the lot, the Debtors would be authorized to enter into the contract and sell the Unit without further order of the Court. If no funds were needed to complete/construct the Unit but Wachovia had a lien on the lot, the Debtors would be authorized to enter into the contract and sell the Unit unless Wachovia provided notice to Debtors' counsel within seven (7) days that it objected to the terms of the contract. If funds were needed to complete/construct the Unit, the Debtors, Wachovia

would have seven (7) days to notify Debtors' counsel whether it would agree to fund the construction costs. The Court approved this procedure on November 3, 2008, and a final order is pending. In order to accommodate the uncertainty surrounding the Debtors' ability to secure financing for contracts for new Units without losing a purchaser to a competitor, the Debtors prepared addenda for all of the contracts it has secured since the eve of the Chapter 11 filings. Each addendum provides Blair HomeCrafters with thirty (30) days to get the necessary approvals, or the contract becomes null and void.

After the Court's ruling on November 3, 2008, Debtors' counsel immediately and repeatedly requested contact information for the appropriate Wachovia representatives with whom the Debtors' representatives could discuss the need for additional construction financing to construct new Units for which contracts had been received. It took Wachovia more than two (2) weeks to produce even a contact name. Immediately upon receipt, the Debtors' Chief Financial Officer contacted Wachovia to discuss the necessary financing. The Debtors also had their Chief Restructuring Officer discuss the necessary financing with Wachovia. On Monday, November 25, three weeks after the Debtors' representatives initiated the discussions, Wachovia verbally communicated its unwillingness to provide financing for pre-sold Units citing its unwillingness to increase its exposure on the project or to proceed without complete financial information from Mssrs. Sembler and Young, who are guarantors on the Wachovia A&D Loan and the BLOC. Notably, the Kass financing proposal that the Debtors rejected at Wachovia's request required no personal guarantees from Mssrs. Sembler and Young. Wachovia's counsel confirmed the denial of financing in writing to Debtors' counsel claiming that Wachovia lacked necessary information, however, no requests for information related to the requested construction financing went unfulfilled. Wachovia denied the Debtors' request for additional necessary funding they would have been able to obtain from Kass, causing the contracts (and significant escrow deposits) the Debtors have been able to secure since the eve of the Chapter 11 filings to be in jeopardy.

Use of Cash Collateral. On October 10, 2008, the Debtors filed their Emergency Motion for Authority to Use Cash Collateral (the "**Motion to Use Cash Collateral**"), seeking authority to the net proceeds from the sale of Units to fund the cost to complete construction of other Units and to construct new Units as contracts are received. Wachovia objected to the use of cash collateral in conjunction with the issues it raised in objecting to the Kass DIP Financing Motion and the Sale Motion. In proceeding with the Wachovia DIP Loan, the Debtors agreed to forego the right to use cash collateral with respect to the thirteen (13) Units currently under construction. Accordingly, at the final hearing on November 3, 2008, the Debtors withdrew their request to use cash collateral with prejudice with respect to the thirteen (13) Units currently under construction. The Debtors withdrew their request to use cash collateral without prejudice with respect to the existing model Units and "white-box" inventory Units. According, at the November 3, 2008, hearing, the Court denied the Motion to Use Cash Collateral without prejudice. An order is pending.

Business Operations

Utility Services. On October 10, 2008, the Debtors filed their Emergency Motion for Order Pursuant to Sections 105(a) and 366 of the Bankruptcy Code (i) Prohibiting Utilities from Altering, Refusing, or Discontinuing Service on Account of Prepetition Invoices; (ii) Approving the Debtors' Proposed Adequate Assurance of Payment; and (iii) Establishing Procedures for Determining Additional Requests for Adequate Assurance of Payment, which motion was granted pursuant to the Bankruptcy Court's October 23 order.

Prepetition Wages. In order to preserve continuity of business operations, assure retention of key personnel, and maintain the support of their employees, on October 10, 2008, the Debtors filed their Emergency Motion for Authorization to Pay Prepetition Wages, Salaries, and Other Employee Benefits, which motion was granted pursuant to the Bankruptcy Court's October 22, 2008 order.

Rejection of Executory Contracts and Unexpired Leases

In the exercise of their business judgment, the Debtors determined that certain executory contracts and unexpired leases should be rejected because the goods and/or services were no longer necessary to the continued operation of the Debtors' businesses and rejection would eliminate unnecessary costs to the Debtors' estates. The Debtors have filed motions to reject the executory contracts and unexpired leases listed below:

Muzak, LLC. Music Service Agreement and a Maintenance Agreement between Arlington Ridge and Muzak, LLC.

Ballast Point Group. Lease agreement between Blair Communities and non-debtor affiliate, Ballast Point Group, for the lease of non-residential real property located at 11300 4th Street North, Suite 200, St. Petersburg, Florida 33716.

Culligan. Water services agreement between Arlington Ridge and Culligan.

Xerographics/CIT. Lease agreement between Blair Communities and Xerographics (subsequently assigned to CIT) for the lease of a Kyocera copier.

Media Graphics. Ten (10) Bulletin Display Agreements between Arlington Ridge and Media Graphics Inc. of Central Florida for outdoor advertising signs.

Claims Bar Date and Plan and Disclosure Statement Deadlines.

The Bankruptcy Court has entered an order fixing January 5, 2009, as the deadline for the filing of Proofs of Claim, and February 5, 2009, as the deadline for the Debtors to file this Disclosure Statement and a Plan of Reorganization.

SUMMARY OF THE PLAN

Introduction.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize and/or liquidate its business for the benefit of itself and its creditors and stockholders. The formulation of a plan is the principal objective of a Chapter 11 case. In general, a Chapter 11 plan (i) divides Claims and Interests into separate classes, (ii) specifies the property that each class is to receive under such plan, and (iii) contains other provisions necessary to the reorganization and/or liquidation of the debtor. Chapter 11 does not require each holder of a Claim or Interest to vote in favor of the plan in order for the Bankruptcy Court to confirm the plan. However, a plan must be accepted by the holders of at least one impaired Class of Claims without considering the votes of "insiders" as defined in the Bankruptcy Code.

The summary of the Plan contained herein addresses only certain provisions of the Plan. As a summary, it is qualified in its entirety by reference to the Plan itself. The Plan shall control and, upon Confirmation and the Effective Date, bind the Reorganized Debtors, all of the Debtors' Creditors and Holders of Interests and other parties in interest, except as expressly set forth in the Plan. TO THE EXTENT THAT THE TERMS OF THIS DISCLOSURE STATEMENT VARY OR CONFLICT WITH THE TERMS OF THE PLAN, THE TERMS OF THE PLAN SHALL CONTROL.

Classification of Claims and Equity Interests.

Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall classify the claims of a debtor's creditors and the interests of a debtor's equity holders. The Plan divides the Claims and Equity Interests into ten (10) Classes.

Section 101(5) of the Bankruptcy Code defines "claim" as a "right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured," or a "right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, disputed, undisputed, secured or unsecured." The Debtors are required under Section 1122 of the Bankruptcy Code to classify the Claims and Interests into separate Classes which contain Claims and Interests that are substantially similar to the other Claims and Interests within such Class.

The Debtors believe that they have classified all Claims and Interests in compliance with the provisions of Section 1122 of the Bankruptcy Code. However, it is possible that a Holder of a Claim or another interested party may challenge the classification of Claims and Interests contained in the Plan and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intent of the Debtors, to the extent permitted by the Bankruptcy Court, to make such reasonable modifications of the classifications under the Plan to provide for whatever classification might be required by the Bankruptcy Court for Confirmation and to use the Plan acceptances received in this solicitation for the purpose of obtaining the approval of the Class or Classes of which the accepting Holder is ultimately deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan. A reclassification of Claims after approval of the Disclosure Statement might necessitate a resolicitation of acceptances or rejections of the Plan.

Summary of Plan Distributions.

Set forth below is a summary of each Class of Claims and Interests and the expected distributions under the Plan to Holders of Allowed Claims against and Allowed Equity Interests in the Debtors. 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 Interests pursuant to the Plan shall be in full and final satisfaction, settlement, release, extinguishment, and discharge of their respective Allowed Claims and Allowed Interests (of any nature whatsoever).

Administrative Expense Claims. Except as otherwise provided below, each Holder of an Allowed Administrative Expense Claim shall be paid (a) on the Distribution Date, an amount, in Cash 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 respective Debtor, or (c) as otherwise ordered by a Final Order of the Bankruptcy Court.

All fees and charges assessed against the Estate under Chapter 123 of Title 28, United States Code, 28 U.S.C. §§ 1911-1930, through the Effective Date shall be paid to the United States Trustee by the Debtors by no later than thirty (30) days following the Effective Date. At the time of such payment, the Debtors shall also provide to the United States Trustee an appropriate report or affidavit indicating the disbursements for the relevant periods. Following the Effective Date, the Debtors shall be responsible for any such fees required pursuant to 28 U.S.C. §1930(a)(6) for disbursements. All such payments to the United States Trustee shall be in the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) based upon the applicable disbursements for the relevant post-confirmation periods and shall be made within the time period set forth in 28 U.S.C.

§1930(a)(6), until the earlier of (i) the closing of the Reorganization Cases by the issuance of a Final Order by the Bankruptcy Court or the Final Decree Date, or (ii) the entry of an order by the Bankruptcy Court dismissing the Reorganization Cases or converting the Reorganization Cases to another chapter under the Bankruptcy Code.

Priority Tax Claims. Subject to the provisions of Article 5.7 of the Plan, each Holder of an Allowed Priority Tax Claim shall receive 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. Holders of Allowed Priority Tax Claims shall receive interest on account of their Allowed Priority Tax Claims at the rate established for delinquent tax obligations pursuant to 26 U.S.C. § 6621; provided, however, that if the Holder of such Allowed Priority Tax Claim is a city, county or state, such Holder shall receive interest on account of its Allowed Priority Tax Claim at the applicable statutory rate under state law. Notwithstanding the above, 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 respective Debtor.

Pursuant to Section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Equity Interests. A Claim or Equity Interest (a) is classified in a particular Class only to the extent the Claim or Equity Interest qualifies within the description of that Class; and (b) is classified in a different Class to the extent the Claim or Equity Interest qualifies within the description of that different Class. For purposes of this Plan, the Claims and Equity Interests are classified as follows:

Treatment of Classified Claims and Interests

Claims and Interests shall be treated under the Plan in the manner set forth in this Article. 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 Interests pursuant to the Plan shall be in full and final satisfaction, settlement, release, extinguishment and discharge of their respective Allowed Claims and Allowed Interests (of any nature whatsoever).

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

Classified Claims:

Class 1: Priority Claims.

Class 1 comprises all Allowed Priority Claims. Each Holder of an Allowed Priority Claim shall be paid (a) on the Distribution Date, an amount, in Cash, equal to the Allowed Amount of its Priority Claim, in accordance with Section 1129(a)(9)(B) of the Bankruptcy Code, (b) under such other terms as may be agreed upon by both the Holder

of such Allowed Priority Claim and the Debtors, or (c) as otherwise ordered by a Final Order of the Bankruptcy Court. Class 1 is Unimpaired.

Class 2: Secured Claims of the CDD.

Class 2 comprises all Secured Claims of the CDD in connection with on-roll and off-roll debt service on the CDD Bonds and operating and maintenance assessments. The Debtors shall pay Allowed Amount of the CDD's Secured Claims including operating and maintenance assessments pursuant to the CDD Bonds. Class 2 is Unimpaired.

Class 3: Secured Claims of the Lake County Tax Collector.

Class 3 comprises all Secured Claims of the Lake County Tax Collector in connection with 2008 ad valorem real property taxes on the portion of the Development owned by Arlington Ridge. The Debtors shall pay the Allowed Amount of the Lake County Tax Collector's Secured Claims together with interest as agreed by the Debtors and the Lake County Tax Collector or as determined by the Court at the Confirmation Hearing in five (5) equal annual installments commencing twelve (12) months after the Effective Date. Class 3 is Impaired.

Class 4: Secured Claims of Wachovia Bank, N.A.

Class 4A comprises the Wachovia DIP Loan Claims pursuant to the Wachovia DIP Loan Order. The Wachovia DIP Loan Claims, to the extent that such claims have not been paid in full on the Effective Date, shall be paid in full pursuant to the terms of the Wachovia DIP Loan Order from the first available proceeds (after the payment of Closing Costs) from the sale of the Units listed on Exhibit A attached to the Wachovia DIP Loan Order. Class 4A is Unimpaired.

Class 4B comprises all Secured Claims of Wachovia in connection with the A&D Loan. The Allowed Amount of Wachovia's Class 4B Secured Claims shall be paid as follows. Commencing on the Effective Date, the Debtors shall make quarterly interest-only payments on the balance of the A&D Loan at the rate established for 5 year Treasury Bills as of the Effective Date plus 265 basis points. In addition, upon the sale of a Unit including Units subject to the Wachovia DIP Loan Order after payment in full of the Wachovia DIP Loan, Wachovia shall receive the following release prices (the **"Release Price"**) to be credited to the principal balance of the A&D Loan:

Year	Home Release Price	Villa Release Price
2009	$20,000	$15,000
2010	$25,000	$20,000
2011	$30,000	$25,000
2012	$35,000	$30,000
2013	$35,000	$30,000

In the event that the Debtors do not sell a sufficient number of Units to pay Wachovia the sum of $800,000 in 2009, the Debtors shall fund from operations or the Exit Financing Facility the difference between $800,000 and the total Release Prices paid. In the even that the Debtors do not sell a sufficient number of Units to pay Wachovia the sum of $1 million in 2010, 2011, 2012, or 2013, the Debtors shall fund from operations or the Exit Financing Facility the difference between $1 million and the total Release Prices paid. The balance of the A&D Loan shall mature and become due and payable five (5) years after the Effective Date. The representations and covenants contained in the A&D Loan documents shall not apply from and after the Effective Date. Class 4B is Impaired.

Class 4C comprises all Secured Claims of Wachovia in connection with the BLOC. The Allowed Amount of Wachovia's Class 4C Secured Claims shall be paid as follows:

(i) After payment of the Wachovia DIP Loan Claims and any applicable A&D Release Price on the Units subject to the Wachovia DIP Loan Claims, the BLOC shall be paid all remaining proceeds in accordance with the Wachovia DIP Loan Order.

(ii) Commencing on the Effective Date, the Debtors shall make quarterly interest-only payments on the balance of the BLOC at the rate established for 5 year Treasury Bills as of the Effective Date plus 265 basis points.

(iii) In addition, upon the sale of a Unit, the principal balance of the BLOC shall be revolved and the net proceeds from the sale of the Unit, after payment of Closing Costs and the Release Price, shall be deposited into a segregated cash collateral account to be used to fund construction of additional Units and operating expenses.

(iv) The BLOC shall mature and become due and payable five (5) years after the Effective Date.

The Debtors shall make available to purchasers of new Units end financing to be provided by Wachovia so long as the loan to value ratio does not exceed eighty percent (80%) and the purchasers have acceptable credit. The representations and covenants contained in the BLOC loan documents shall not apply from and after the Effective Date. Class 4C is Impaired.

Class 5: Secured Claims of M. Steven Sembler and Robert B. Young.

Class 5 comprises the Insider DIP Loan Claims of M. Steven Sembler and Robert B. Young pursuant to the Insider DIP Financing Order and shall be paid as follows. Commencing on the Effective Date, the Insider DIP Financing shall be converted to a ten (10) year note and shall be amortized over fifteen (15) years with interest at the rate established for 5 year Treasury Bills as of the Effective Date plus 265 basis points.

Commencing five (5) years after the Effective Date, the Debtors shall make quarterly principal and interest payments with the note maturing and becoming due and payable ten (10) years after the Effective Date. The Insider DIP Loan Claims shall be subordinated to the Exit Financing Facility and the Class 4 Claims of Wachovia. Class 5 is Impaired.

Class 6: Other Secured Claims (Not Otherwise Classified).

Class 6 comprises all other Secured Claims not otherwise classified under the Plan. Each Holder of an Allowed Secured Claim in Class 6 shall receive either the collateral securing such Allowed Claim or the value of such collateral within sixty (60) days following the later of the Effective Date or the date that such collateral is valued pursuant to a Final Order. Class 6 is Unimpaired.

Class 7: Unsecured Claims.

Class 7 comprises all Unsecured Claims. Within thirty (30) days of the Effective Date, each Holder of Allowed Class 7 Unsecured Claim shall be paid the principal amount of such claim in full from the Exit Financing Facility. Class 7 is Unimpaired.

Class 8: Intercompany Claims.

Class 8 comprises all Intercompany Claims (including those of non-debtor Affiliates). On the Effective Date, all Intercompany Claims shall be deemed cancelled, annulled, and extinguished without any further action by any party and shall be of no further force and effect. The Holders of Class 8 Intercompany Claims shall not receive any distribution or receive or retain any Property or Interest under the Plan on account of such Class 8 Intercompany Claims. Class 8 is Impaired.

Class 9: Equity Interests.

Class 9 comprises all Equity Interests in YS Holdings and Blair Communities. All Class 9 Equity Interests shall remain in effect; however, each Holder of an Allowed Equity Interest shall receive no distribution on account of its Allowed Equity Interest until all other Allowed Claims have been paid in full. Class 9 is Unimpaired.

Class 10: Membership Interests.

Class 10 comprises all Membership Interests in Arlington Ridge and Blair Homecrafters. All Class 10 Membership interests shall remain in effect; however, each Holder of an Allowed Membership Interest shall receive no distribution on account of its Allowed Membership Interest until all other Allowed Claims have been paid in full. Class 10 is Unimpaired.

Treatment of Executory Contracts and Unexpired Leases

Rejection of Executory Contracts and Unexpired Leases.

Pursuant to Sections 365 and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtors and another Person or Entity shall be deemed rejected by the Debtors as of the Confirmation Date (collectively, the **"Rejected Contracts"**), unless there is pending before the Bankruptcy Court on the Confirmation Date a motion to assume any executory contract or unexpired lease.

Approval of Rejection of Executory Contracts and Unexpired Leases.

Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute 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 of the Plan.

Claims under Rejected Executory Contracts and Unexpired Leases.

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 and served upon the Debtors or such Claim shall be forever barred and unenforceable against the Debtors and the Debtors. With respect to the Rejected Contracts, the Bar Date shall be thirty (30) days after the entry of the order granting the motion to reject the contract or lease if such a motion was filed or thirty (30) days after the Confirmation Date if no such motion was filed. Such Claims, once fixed and liquidated by the Bankruptcy Court and determined to be Allowed Claims, shall be Class 7 Allowed Claims. Any such Claims that become Disputed Claims shall be Class 7 Dispute Claims for purposes of administration of distributions under the Plan to Holders of Class 7 Allowed Claims. 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.

Means of Implementation of the Plan

General Overview.

The Plan contemplates the continued development and operation of the award winning Arlington Ridge project and the payment of all non-insider creditors in full either in cash or over time. Prepetition Claims of Insiders and Affiliates will be canceled and the Insider DIP Financing will be converted to a term note and paid within (10)

years. The principal amount of non-insider unsecured claims will be paid in full in cash within thirty (30) days of the Effective Date.

The Secured Claims of the CDD will be paid in full pursuant to the terms of the CDD Bonds. The Wachovia DIP Loan Claims will be paid in full pursuant to the terms of the Wachovia DIP Loan Order. Wachovia's A&D Loan will be paid in full within five (5) years of the Effective Date. Wachovia will receive quarterly interest-only payments on the A&D Loan as well as a Release Price upon the sale of a Unit and will receive a minimum of $800,000 on the A&D Loan in 2009 and a minimum of $1 million on the A&D Loan in each of 2010, 2011, 2012, and 2013. Wachovia's BLOC will be paid in full within five (5) years of the Effective Date and Wachovia will receive quarterly interest-only payments on the BLOC as well as all remaining proceeds from the sale of a Unit in accordance with the Wachovia DIP Loan Order.

The Plan will be funded by a combination of: (a) sales of existing model Units and "white-box" inventory Units, (b) completion of Units currently under construction and the sale of these Units (generally pursuant to existing contracts), (c) sales of lots and new Units to be constructed by the Debtors pursuant to contracts secured since the eve of the Chapter 11 filings, (d) exit financing in the form of new working capital and construction loans, (e) revolver of a portion of the BLOC for a period not to exceed five (5) years, and (f) if available, any positive operating funds from the operation of the Amenities other than those amenities owned by the CDD. The Wachovia DIP Loan will be paid as the Units currently under construction are completed and sold. The Insider DIP Financing will be converted to a term note and paid within ten (10) years.

Exit Financing Facility.

The Debtors are engaged in preliminary discussions with M. Steven Sembler and Robert B. Young, who have expressed tentative interest in providing a $2.3 million Exit financing Facility that would be comprised of two (2) components: a working capital loan, and a construction loan. The working capital loan would (a) fund the distributions to CDD, as well as any shortfall from the CDD's operations for the year following the Effective Date, (b) fund distributions to Holders of Class 7 Unsecured Claims, and (c) fund operating expenses for the first year following the Effective Date. The construction loan would provide funds to construct new Units. As contemplated, the construction loan would be paid as follows. The Debtors would propose to make semi-annual interest-only payments on the balance of the loan at the rate established for 5 year Treasury Bills as of the Effective Date plus 265 basis points. In addition, upon the sale of a Unit, the principal balance of the loan would be revolved and the net proceeds from the sale of the Unit, after payment of Closing Costs and the Release Price, would be deposited into a segregated cash collateral account to be used to fund construction of additional Units and operating expenses. Messrs. Sembler and Young's interest in providing the Exit Financing Facility is conditioned upon confirmation of the Plan, as proposed, including

the permanent injunction in favor of the Guarantors. As currently proposed, the Exit Financing Facility would be subordinated to Wachovia's Class 4 Claims.

Continued Corporate Existence.

From and after the Effective Date, each Debtor will continue to exist as a single corporate entity, with all of the powers of a corporation or limited liability company under the applicable Florida law, for all purposes.

Boards of Directors and Executive Officers of the Debtors.

The executive officers and directors of the Debtors immediately prior to the Effective Date shall continue their employment and in performance of their obligations as officers and directors of the Debtors following the Effective Date.

Corporate Action.

All matters provided for under the Plan involving the corporate structure of the Debtors or any corporate action to be taken by or required of the Debtors 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 stockholders, officers, or directors of the Debtors.

Revestment of Assets to Reorganized Debtors.

On the Effective Date, except as otherwise expressly provided in the Plan, the Reorganized Debtors will be revested with all of their assets free and clear of any and all Liens, Debts, obligations, Claims, Cure Claims, Liabilities, Interests, and all other interests of every kind and nature.

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 revesting, transfer or sale of any real or personal Property of, by or in the Debtors 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.

Effectuating Documents; Further Transactions.

The Confirmation Order shall provide that, on the Effective Date, Julie V. Fanelli 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 to appropriate, to effectuate and further evidence the terms and conditions of the Plan or to otherwise comply with applicable law.

Exclusivity Period.

The Debtors shall retain the exclusive right to amend or modify the Plan, and to solicit acceptances of any amendments to or modifications of the Plan, through and until the Effective Date.

Pursuit of Causes of Action.

On the Effective Date, the Causes of Action shall be pursued by the appropriate Debtors. The Debtors are not currently 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 Debtors state that any party in interest that engaged in business or other transactions with the Debtors Prepetition or that received payments from the Debtors Prepetition may be subject to litigation to the extent that applicable bankruptcy or non-bankruptcy law supports such litigation.

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 Causes 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 THE DEBTORS. Creditors are advised that legal rights, claims, and rights of action the Debtors may have against them, if they exist, are retained under the Plan for prosecution unless a specific order of the Bankruptcy Court authorizes the release of 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 Debtors do not possess or do 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, claims, and

rights of action of the Debtors, whether now known or unknown, for the benefit of the Estates and the Debtors' Creditors. A Cause of Action shall not, under any circumstances, be waived as a result of the failure of the Debtors to describe such Cause of Action with specificity in the Plan or the Disclosure Statement.

The Debtors do not presently know the full extent of the Causes of Action and, for purposes of voting on the Plan, all Creditors are advised that the Debtors will have substantially the same rights that a Chapter 7 Trustee 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 Causes 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, collateral estoppel or other preclusive effect which would precede, preclude, or inhibit prosecution of such Causes of Action following Confirmation of the Plan.

Provisions Governing Distributions

Determination of Claims.

Unless otherwise ordered by the Bankruptcy Court, and 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 Debtors), 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 notice of any request to the Bankruptcy Court for allowance to file late Unsecured Claims on the Debtors and such other parties as the Bankruptcy Court may direct. 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 7 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) thirty (30) days following the Effective Date or (b) the date sixty (60) days after the Debtors receive 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 Debtors effectuate service in any of the following manners: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, 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 Cases 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 Cases, such Claim shall be estimated by the Bankruptcy Court for purposes of allowance and distribution. Upon receipt of a timely-filed Proof of Claim, the Debtors or other party in interest may file a request for estimation along with its objection to the Claim set forth therein. 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. 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.

***De Minimis* Distributions as to Allowed Class 7 Unsecured Claims**.

In order to avoid the disproportionate expense and inconvenience associated with making a *de minimis* distribution to the Holder of an Allowed Class 7 Unsecured Claim, the Debtors shall not be required to make, and shall be excused from making, any distribution to such Holder which is less than $25.00.

Unclaimed Distributions.

If the Holder of an Allowed Claim fails to negotiate a check issued to such Holder within thirty (30) days of the date such check was issued, then the Debtors 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 Cash distribution made pursuant to the Plan to any Holder of an Allowed Claim is returned to the Debtors due to an incorrect or incomplete address for the Holder of such Allowed Claim, and no claim is made in writing to the Debtors as to such distribution within thirty (30) days of the date such distribution was made, then the amount of Cash attributable to such distribution shall be deemed to be unclaimed, such Holder shall be deemed to have no further Claim in respect of such distribution, 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 Cash distribution as described above shall revest in the Debtors.

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 the Debtors in writing of such transfer and provide sufficient written evidence of such transfer. The Debtors shall be entitled to assume that no transfer of any Claim has been made by any Holder unless and until the Debtors 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, the Debtors 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 distribution purposes, 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 Debtors hereunder.

No Interest on Claims or Interests.

Except as expressly stated in the Plan or otherwise Allowed by a Final Order of the Bankruptcy Court, no Holder of an Allowed Claim or an Allowed Interest 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 or Allowed Interest for any purpose. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Disputed Claim or Disputed Interest in respect of the period from the Effective Date to the date a final distribution is made when and if such Disputed Claim or Disputed Interest becomes an Allowed Claim or an Allowed Interest.

Default.

In the event that the Debtors default on the payments to Wachovia called for under the Plan, the Debtors shall deed Wachovia's then remaining collateral to it in full settlement and satisfaction of Wachovia's Class 4 Claims and Wachovia shall not have any other claims against the Debtors, their Estates, or the Guarantors. The Debtors' obligation to fund distributions to the Lake County Tax Collector shall cease upon a default on the payments to Wachovia called for under the Plan and a deed of the collateral to Wachovia.

Compliance with Tax Requirements.

In connection with the Plan, the Debtors 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.

Discharge, Limitation of Liability, Release, and General Injunction

Discharge of Claims and Termination of Interests.

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, as of the Effective Date, of the Debtors from any and all Debts of, Claims of any nature whatsoever against and Interests in the Debtors 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 Debtors and their respective successors or assigns, shall be discharged 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 a Claim or Interest, shall be forever precluded and permanently enjoined from asserting directly or indirectly against the Debtors 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, Liabilities or Interests 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, including any action or proceeding which may be brought pursuant to the Securities Act or the Exchange Act, and the Confirmation Order

shall contain appropriate injunctive language to that effect. 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, or Interests in, the Debtors, pursuant to Sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against the Debtors, at any time, to the extent that such judgment relates to a discharged or terminated Claim, Liability, Debt, or Interest.

Exculpation from Liability.

The Released 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, implementation, confirmation, or consummation 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 Cases; 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 of any such party. The rights granted under this Article are cumulative with (and not restrictive of) any and all rights, remedies, and benefits that Released Parties have or obtain pursuant to any provision of the Bankruptcy Code or other applicable law. 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 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, Liability or Interest that is discharged or terminated pursuant to the terms of the Plan are and shall be permanently enjoined and forever barred from taking any of the following actions on account of any such discharged or terminated Claims, Debts, Liabilities, or Interests, 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 Debtors and their respective properties; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors and their respective Properties; (c) creating, perfecting or enforcing any Lien or encumbrance against the Debtors, and their respective Properties; (d) asserting a setoff, right of subrogation or recoupment of

any kind against any debt, liability or obligation due to the Debtors; (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 Debtors. The Debtors 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 shall not release or be deemed a release of any of the Causes of Action.

Injunction in Favor of Guarantors.

As long as the Debtors are not in default on the payments to Wachovia called for under the Plan, Wachovia shall be permanently enjoined and forever barred from taking any of the following actions: (a) commencing or continuing in any manner any action or other proceeding against the Guarantors; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Guarantors; (c) creating, perfecting or enforcing any Lien or encumbrance against the Guarantors; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Guarantors; (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 Guarantors. The Debtors and the Guarantors shall have the right to independently seek enforcement of this injunction provision. This injunction provision is an integral part of the Plan and is essential to its implementation. This injunction provision is a condition precedent to the Guarantors consenting to: (a) convert the Insider DIP Financing into a term note, (b) provide any Exit Financing Facility to which they may hereafter agree with the Debtors, (c) subrogate the Insider DIP Financing to the Exit Financing Facility, and (d) subrogate the Exit Financing Facility to Wachovia's Allowed Class 4 Secured Claims.

Term of Certain Injunctions and Automatic Stay.

All injunctions or automatic stays provided for in the Reorganization Cases pursuant to Sections 105, 362 or other applicable provisions of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

Any preliminary or permanent injunction entered by the Bankruptcy Court shall continue in full force and effect following the Confirmation Date and the Final Decree Date, unless otherwise ordered by the Bankruptcy Court.

No Liability for Tax Claims.

Unless a taxing Governmental Authority has asserted a Claim against the Debtors before the Bar Date or Administrative Expense Claims Bar Date established therefore, no Claim of such Governmental Authority shall be Allowed against the Debtors for taxes, penalties, interest, additions to tax or other charges arising out of (i) the failure, if any, of the Debtors, any of their Affiliates, or any other Person or Entity to have paid any tax due or to have filed any tax return (including any income, sales or franchise tax return) in or for any tax period ending on or prior to the Effective Date or (ii) an audit of any tax return of the Debtors for a tax period ending on or prior to the Effective Date.

Regulatory or Enforcement Actions.

Nothing in this Plan shall restrict any federal governmental or regulatory agency from pursuing any police or regulatory enforcement action against any party, but only to the extent not prohibited by the automatic stay of Section 362 of the Bankruptcy Code or discharged or enjoined pursuant to Section 524 or 1141(d) of the Bankruptcy Code. No federal governmental or regulatory agency may pursue any action or proceeding of any type to recover monetary claims, damages, or penalties against the Debtors for any act or omission occurring prior to the Effective Date.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

HOLDERS OF CLAIMS AND INTERESTS 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 DEBTORS' BANKRUPTCY COUNSEL HAS NO TAX EXPERTISE AND HAS NOT RESEARCHED OR ANALYZED TAX CONSEQUENCES RESULTING FROM 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 equity 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. The Debtors

believe that the parties will be able to perform their obligations under the Plan without further financial reorganization.

The plan has been prepared based upon independent projections prepared by or at the direction of Wachovia. Accordingly, the Debtors believe that the Plan is 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 Interests 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 Debtors were liquidated under Chapter 7 on the same date. The Debtors submit that upon the liquidation of the Debtors' assets, which consist primarily of the Development, no funds would be available for distribution to Creditors after the payment of the Allowed Class 2 Secured Claims of the CDD, the Allowed Class 3 Secured Claims of the Lake County Tax Collector, and the Allowed Class 4 Secured Claims of Wachovia. Accordingly, the Debtors believe 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.

Confirmation without Acceptance by All Impaired Classes

If one or more of the Impaired Classes of Claims or 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 Debtors believe that the Plan does not "discriminate unfairly" with respect to any Class of Claims or 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 Debtors believe the Plan is fair and equitable to all Classes pursuant to this standard.

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 Debtors believe that the Plan meets these standards.

With respect to Impaired Classes of Interests, Bankruptcy Code Section 1129(b)(2)(C) provides that a plan is "fair and equitable" if it provides that (i) each holder of an interest receives or retains on account of its interest, property of a value equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest, or (ii) the holder of any interest that is junior to the interests of such class will not receive or retain any property under the plan. The Debtors believes that the Plan meets these standards.

Accordingly, if necessary, the Debtors believe that the Plan meets the requirements for Confirmation by the Bankruptcy Court, notwithstanding the non-acceptance by an Impaired Class of Claims or Holders of Equity Interests.

The Debtors intend to evaluate the results of the balloting to determine whether to seek Confirmation of the Plan in the event that less than all the Impaired Classes of Claims or Equity Interests 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.

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 cases, or (c) conversion of the cases to cases under Chapter 7 of the Bankruptcy Code.

Alternative Plans of Reorganization

If the Plan is not confirmed, the Debtors or any other party in interest in the Reorganization Cases could attempt to formulate and propose a different plan or plans. The Debtors believe 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 Cases may be converted to a Chapter 7 liquidation case. In a Chapter 7 case, a trustee would be elected or appointed to liquidate the assets of the Debtors. Converting the cases to Chapter 7 cases would simply add an additional layer of administrative expenses to the Estate which would substantially reduce and possibly eliminate any funds available for distribution to Unsecured Creditors. The proceeds of the liquidation would be distributed to the Creditors and Holders of Interests of the Debtors in accordance with the priorities established by the Bankruptcy Code.

In general, the Debtors believe 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 Debtors' assets; (d) the inability to utilize the work product and knowledge of the Debtors and their respective 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.

SUMMARY, RECOMMENDATION AND CONCLUSION

The Plan provides for an orderly and prompt distribution to Holders of Allowed Claims against the Debtors. The Debtors believe that their efforts to maximize the return for Creditors have been full and complete. The Debtors further believe that the Plan is in the best interests of all Creditors, because, among other things, it is anticipated that all Unsecured Creditors will be paid in full. In the event of a liquidation of the Debtors' assets under Chapter 7 of the Bankruptcy Code, the Debtors believe there would be no distribution to Unsecured Creditors. For these reasons, the Debtors urge that the Plan is in the best interests of all Creditors and that the Plan be accepted.

Dated as of December 12, 2008.

Respectfully submitted,

ARLINGTON RIDGE LLC

BLAIR HOMECRAFTERS OF LEESBURG LLC

BLAIR COMMUNITIES, INC.,

YS HOLDINGS, INC.,

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