

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION
www.flsb.uscourts.gov

IN RE:

CASE NO.: 11-32532-LMI

MAYSVILLE, INC.,

Chapter 11

Debtor.

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**SECOND AMENDED DISCLOSURE STATEMENT OF
MAYSVILLE, INC. DATED OCTOBER 21, 2011**

I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the case of Maysville, Inc. (the Debtor). This Disclosure Statement contains information about the Debtor and describes the “Plan” filed by the Debtor. Maysville, as the debtor and debtor-in-possession, is soliciting acceptances of a chapter 11 plan of reorganization (the “Plan of Reorganization” or “Plan”). A full copy of the Plan has been filed with the Court and accompanies this Disclosure Statement. This solicitation is being conducted at this time to obtain sufficient votes to enable the Plan of Reorganization to be confirmed by the Bankruptcy Court. Capitalized terms in this Disclosure Statement but not defined herein have the meanings ascribed to such terms in the Plan.

YOUR RIGHTS MAY BE AFFECTED. YOU SHOULD READ THE PLAN AND THIS DISCLOSURE STATEMENT CAREFULLY AND DISCUSS THEM WITH YOUR ATTORNEY. IF YOU DO NOT HAVE AN ATTORNEY, YOU MAY WISH TO CONSULT ONE.

NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED OTHER THAN AS SET FORTH HEREIN. ANY REPRESENTATIONS OR INDUCEMENTS MADE WHICH ARE OTHER THAN AS CONTAINED HEREIN SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION ABOUT THE PLAN.

THE PROPOSED DISTRIBUTIONS UNDER THE PLAN ARE DISCUSSED AT PAGES (6–8) OF THIS DISCLOSURE STATEMENT. GENERAL UNSECURED CREDITORS ARE CLASSIFIED IN CLASS (IV). GENERAL UNSECURED CREDITORS MAY RECEIVE A DISTRIBUTION UP TO 100 PERCENT OF THEIR ALLOWED CLAIM.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECTED TO AUDIT. FOR THAT REASON, AS WELL AS THE NATURE OF THE DEBTOR’S BUSINESS AND THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES AND PROJECTIONS WITH COMPLETE ACCURACY, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THE INFORMATION CONTAINED HEREIN IS

WITHOUT INACCURACY, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO INSURE THAT SUCH INFORMATION IS ACCURATE.

A. Purpose of this Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims,
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Attachments To Disclosure Statement

Accompanying this Disclosure Statement are copies of:

1. The Plan of Reorganization, annexed as Exhibit 1;
2. Liquidation Analysis, annexed as Exhibit 2;
3. deleted
4. Statement of Financial Operations, annexed as Exhibit 4;
5. deleted;
6. deleted;
7. deleted;
8. Statement of Financial Projection with 1111(b) election with Court’s valuation, annexed as Exhibit 8; and
9. Ballot to accept or reject the Plan of reorganization; annexed as Exhibit 9.

C. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed. Holders of impaired claims may vote to accept or reject the Plan. A claim is generally deemed impaired under section 1124 of the Code when under the Plan of Reorganization when it does not retain its full contractual and legal rights. Claim Holders in Classes I, II, III, IV and V are impaired.

THE DEBTOR RECOMMENDS THAT CREDITORS ENTITLED TO VOTE IN ALL CLASSES VOTE TO ACCEPT THE PLAN.

1. Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan.

The Court determined the approval of this Disclosure Statement at a hearing that took place on Monday, October 17, 2011, at 9:30 a.m., in Courtroom 1409, at the Claude Pepper Federal Bldg. 51 S.W. 1st Ave., Miami, FL 33130.

The hearing at which the Court will determine whether to confirm the Plan will take place on November 22, 2011, at 9:30 a.m. , in Courtroom 1409, at the Claude Pepper Federal Bldg., 51 S.W. 1st Ave., Miami, FL 33130.

2. Deadline For Voting to Accept or Reject the Plan.

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Scott Alan Orth, Esq., 3880 Sheridan Street, Hollywood, Florida 33021. Your ballot must be received by November 15, 2011 or it may not be counted.

3. Deadline For Objecting to Confirmation of the Plan.

Objections to Confirmation of the Plan must be filed with the Court and served Scott Alan Orth, Esq., 3880 Sheridan Street, Hollywood, Florida 33021 by Tuesday, November 15, 2011.

4. Identity of Person to Contact for More Information.

If you want additional information about the Plan, you should contact Scott Alan Orth, Esq., 3880 Sheridan Street, Hollywood, Florida 33021, scott@OrthLawOffice.com, 305-757-3300.

D. Disclaimer

The Court has not yet determined whether the Plan meets the legal requirements for confirmation. Nothing herein shall be construed to mean that the Court has endorsed the Plan nor is it the Court's role to make any recommendation for or against the Plan.

This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan, and nothing contained in it shall constitute an admission of any fact or liability by any party or be admissible in any proceeding involving the Debtor or any other party or be deemed conclusive advise on the tax or other legal effects of the reorganization on the holders of claims

The statements contained in herein are made as of this date unless another time is specified, and neither delivery of this Disclosure Statement nor any exchange of rights made in connection with this Disclosure Statement shall create an implication that there has been no change in the facts set forth herein since the date of this Disclosure Statement.

The financial projections attached to and incorporated into this Disclosure statement have been prepared by principals of the Debtor, principally by Carmen Redondo with input from Alex Redondo.

Carmen Redondo graduated with a degree in Finance and Marketing from the University of Miami. She has been a Real Estate Broker since March 1997. She has been a Community Association Manager (CAM) since January 1998. Carmen is an owner and active Broker of Kamany Realty & Property Management Inc., since 1997. Kamany Realty specializes in residential real estate purchase, sale, leasing and management in the Brickell, Biscayne & Downtown Miami. Under Carmen Redondo management, Kamany Realty presold and closed 98 of the 119 units at Platinum Condominium. Ms. Redondo currently works as Platinum Condominium Manager since 2007. She has been working in the Real Estate Business and Management in Miami for over 20 years.

Carmen Redondo holds the following Certifications:

Real Estate Broker

CAM - Community Association Manager

CSSA - Certified Short Sale Agent

CDPE - Certified Distressed Property Expert®,

CIAS - Certified Investor Agent Specialist

Equator REO Real Estate Own Certified REOS™

Equator Platinum Agent Certified

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR EQUITY INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM ANY INDEPENDENT TAX ADVISOR.

II. BACKGROUND

A. Background

The Debtor is the record title holder of a multi parcel property in Miami-Dade County, Florida (the "Property"). The Property consists of six apartment buildings with 133 apartment units (the "Apartment Units"). The Property also includes 21 unsold units in the Platinum Condominium (the "Condominium Units"). The Apartment Units and the Condominium Units generate gross monthly rental income of approximately \$98,000.00 and are expected to generate approximately \$120,000.00 per month by confirmation of the Plan. The Debtor is owned and operated by its

principals, Alex Guillermo Redondo, Aurora Brito de Redondo, Carmen Redondo, Jhosmar Redondo and Algemiho Redondo, Jr. (collectively the “Redondos”), who have owned and operated the Property for 24 years.

B. The Mellon Loan

On or about November 10, 2004, the Debtor executed and delivered to Mellon United National Bank n/k/a MUNB Loan Holdings, LLC (“Mellon”) two promissory notes in the total sum of \$41,600,000.00 (the “Mellon Loan”) to fund the development of a high-rise condominium property. The Debtor mortgaged all of its property as collateral for the MUNB Loan. In 2007, the Debtor successfully completed construction of the Platinum Condominium, a twenty-two story 119-unit high rise luxury condominium property. Within three months of completion, 89 units were sold and Mellon was repaid approximately \$32,000,000 of its loan. With the decline in the real estate market, however, sales at the Platinum Condominium declined. The Debtor continued to make regular payments to Mellon from the revenues of the Property, even after the loan maturity on June 10, 2008.

On June 1, 2009, Mellon commenced a foreclosure proceeding (the “Foreclosure Litigation”) in Eleventh Judicial Circuit Court in and for Miami-Dade County, Florida to foreclose its mortgages on the Property. As of the date of the commencement of the Foreclosure Litigation, the Debtor owed the approximate sum of \$17,374,002.21 in principal and interest, default interest, late fees, costs and attorney’s fees.

C. The First Bankruptcy

On June 28, 2010, the Debtor filed a voluntary petition for relief pursuant to Chapter 11 of the United States Bankruptcy Code, 11 U.S.C § 101, et seq. (the “First Chapter 11”). On July 23, 2010, the court in the First Chapter 11 granted Mellon relief from the automatic stay pursuant to continue the Foreclosure Litigation. On August 24, 2010, Mellon obtained a final summary judgment in the sum of \$24,489,076 and a judgment of foreclosure was entered. The final judgment was later amended on May 3, 2011, to reflect a credit of \$583,044.75 reducing the judgment to \$23,906,031.62. On January 28, 2011, the First Chapter 11 was dismissed by the court because the Debtor failed to timely file a confirmable plan. The order of dismissal precluded the Debtor from commencing a case for a six month period which expired on July 28, 2011. Mellon’s foreclosure sale was scheduled to occur on August 12, 2011. On August 10, 2011, Mellon assigned its interest in its foreclosure judgment and the right to credit bid at the foreclosure sale to Fifteen Encore Platinum, LLC.

D. The Construction Litigation

During the Construction of Platinum Condominium a faulty fire escape had to be rebuilt from the ground up. As a result of delays in the completion of the construction, Maysville suffered a resulting loss of income from unit buyers cancelling contracts and the inability to sell or rent units in the otherwise completed high-rise. By the time that the defects were corrected, the market softened and sales did not retire the construction loan as expected. The Debtor managed and operated the Property for 24 years up until the unfortunate change of events caused by the

general contractor hired to construct the Platinum Condominium. The Debtor has filed a lawsuit in the sum of \$5,000,000 in State Court against the general contractor, Whiting Turner, for breach of contract and expects relief. The lawsuit is still pending and the parties are currently conducting discovery.

E. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article VII of the Plan.

F. Current and Historical Financial Conditions

Prior to the commencement of this Chapter 11 case, the Debtor's properties were in foreclosure, as the Debtor had suffered difficulty in selling the condominium units due to the general decline in the real estate market and therefore could not meet its mortgage obligations. Unless the mortgages are adjusted, the Property will be sold at foreclosure as the Debtors are unable to satisfy the foreclosure judgment at this time. Further, the fall in the Debtor's property values due to current real estate values makes refinancing the properties' mortgages unlikely. Provided the secured debt can be recast to a fixed rate and into a reasonable term and interest rate to the current market value, pursuant to 11 U.S.C. §506(b), the Debtor can operate profitably and greatly reduce the liability owed to the Secured Creditor. Additionally, with new value being contributed by the Redondos, funds will be available to allow the Debtor to emerge from Chapter 11, fund operations and pay secured and unsecured creditors. Since the First Chapter 11, the Debtor has maintained the properties and has a cash flow of approximately \$98,000.00 each month which the Debtor expects to increase to \$120,000.00 by confirmation. Property valuations obtained since the filing of the First Chapter 11 have established that the value of all the Debtor's properties is less than the principal due on the secured debt and that payments based upon the current principal balances cannot be maintained. As a result, the Debtor proposes to commit all of its current operating revenue, after operation costs and property maintenance, and unit sales to the current secured debt, adjusted to the properties' current fair market value at a fixed rate of four and one quarter (4.25%) percent per annum. See Statement of Financial Operations and Statement of Financial Projections annexed hereto as Exhibits 4 and 8.

The Debtor's Bankruptcy Schedule F lists approximately 93 tenants each of which may have a claim against the Debtor for the return of a security deposit if all lease obligations are fulfilled by the tenants. As of the petition date, the Debtor is unaware of any claims by any tenants for the return of security deposits. Although Florida Statutes require the Debtor to maintain residential security deposits, as of the Petition Date, the Debtor was not holding deposits as they had been used for operations. All of the potential tenant claims for security deposits are contingent and unliquidated. If any claims are filed for the return of security deposits, those claims will be treated as unsecured along with all other creditors in Class IV.

G. Overview of Financial Projections [Note the projections attached have been amended for consistency to address the issue raised at the disclosure statement]

hearing on October 17, 2011 and further corrected to reflect the fact that the Court has determined the value of the Property. ***

Attached hereto as Exhibit 8 (Exhibits 5, 6, & 7 are deleted due to certain findings by the Court) the Debtor has included its budget projections for the proposed five (5) year Plan period. The projection is based upon the court's determination of value and the creditor's 1111(b) election. The Debtor will have more difficulty to perform the plan, the higher the valuation, however, that difficulty will be met by an increased capital contribution by the shareholders. THERE IS A RISK THAT FUNDING OF THE NEW VALUE WILL NOT BE ACHIEVED IN TIME OR THAT CONDITIONS TO IT WILL NOT BE MET, BUT THE DEBTOR IS PURSUING IT IN GOOD FAITH THE PARTIES HAVE STIPULATED THAT THE NEW VALUE MUST BE POSTED BY October 27th in a local attorneys special interest bearing trust account or else this Case will be dismissed with prejudice for one year.

Exhibit 8 This projection assumes the Debtor's property is valued at \$15.273 million and the 1111(b) election is made by the Judgment Creditor. The Debtor proposes to pay unsecured creditors in full, without interest over the length of the Plan. The Debtor will not pay any portion of the unsecured deficiency on the mortgage debt in this scenario. The Debtor's principals propose to pay a \$2,100,000 new value contribution, to fund plan obligations and pay creditors. The 1111(b) election will not impact the payment stream during the first 59 months of the Plan term, however it will be the debtor's obligation to pay the entire debt in the 60th Month of the Plan to satisfy the Secured Creditor's entire remaining claim.

The Debtor's Property, NOT INCLUDING THE PLATINUM CONDOS, was appraised at over \$30,000,000 in 2007 and over \$19,000,000 in 2009. The Debtor's principals expect the value to re-bounce over the Plan term to at least the 2009 levels.

H. The Adversary Proceeding

On September 26, 2011, the Debtor filed an adversary proceeding against the Judgment Creditor and Mellon in the instant bankruptcy case, to determine the extent, validity and priority of lien on the Debtor's Property, and for Valuation. The purpose of the adversary proceeding was to obtain a judicial finding of what rights Fifteen Encore Platinum and Mellon have to the Debtor's Property and the nature of those rights. The Debtor is requesting that the Court determine whether and to what extent Mellon and/or Fifteen Encore Platinum have an interest in: (i) cash collateral; (ii) the Rents Escrow Account. Additionally, the Debtor seeks a judicial determination of the value of the Debtor's property in light of the Debtor's intended use, as well as the amount of the unsecured deficiency claim resulting against the Debtor. On October 20, 2011 the Court determined that the value of the property is \$15,273,964.

III. PLAN DESCRIPTION AND TREATMENT OF CLAIMS

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN AND THE ATTACHMENTS THERETO.

The Code requires that a Plan of Reorganization place each creditor's claim in a class with other claims which are substantially similar. The Debtor believes that the Plan meets the classification requirements of the Code.

The Plan is premised upon the Debtor's belief that the unsecured creditors other than the Tax Collector and the Association would receive nothing upon a forced liquidation of the business under Chapter 7 of the Bankruptcy Code or a foreclosure of the property. In a forced liquidation of the business under Chapter 7 the Condominium Association is a statutory lien creditor which would be paid by the Judgment Creditor under the safe harbor pursuant to Chapter 718 of the Florida Statutes, which is equal to the lesser of 1 percent of the amount of the mortgage or 12 months of unpaid condominium association dues.

The Debtor's Plan of Reorganization seeks to reduce the amount of the secured debt on its real estate to the fair market value of said property and restate the terms of the secured debt to reflect reasonable commercial rates and terms and to pay the value of the resulting allowed secured claim. Claims are classified as follows:

Allowed Administrative Claims. Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under §507(a)(2) of the Code. Administrative expense claims are not classified, but must be paid in full through the Plan. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment. Allowed Administrative Claims are estimated to be \$50,000.00 consisting of the claims of counsel to the Debtor, Court approved bankruptcy counsel for the Debtor. All payments to Court approved professionals are subject to the approval of the Bankruptcy Court prior to payment. The Office of the U.S. Trustee's administration fees are also to be paid in full on the Effective Date, as are any other allowed administrative claims.

Class I – Secured Claim of Judgment Creditor

Class I consists of Secured Claims. Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate to the extent allowed as secured claims under §506 of the Code. Class I consists of the claim of the Judgment Creditor, Fifteen Encore Platinum, whose secured claim is subject to modification pursuant to 11 U.S.C. §506(b) and 11 U.S.C. §1129(b)(2)(A)(i). The Allowed Secured Claim of Class I will retain its lien securing its claims to the extent of the allowed amount of such claim and will receive deferred cash payments equal to at least the allowed amount of such claims. Court has found that the value of the Property is \$15,273,964. The restated loan balance shall be paid in full within 60 months of Plan Confirmation. The restated loan balance will be paid pursuant to a 30 year amortization schedule, with a balloon for the balance due at the end of the five (5) year Plan term. The interest rate shall be 4.25% based on the current prime rate of 3.25 % and a Treasury Rate of 2.78%, with a risk factor of 1%.

The Judgment Creditor has made the Section 1111(b) election and will not participate in the unsecured class.

The Debtor's principals will commit a \$2,100,000 new value contribution to assist the Debtor

with debt service.

As the Judgment Creditor elected to be treated as fully secured for the total amount of its allowed claim pursuant to Section 1111(b) of the Bankruptcy Code, it will be paid a stream of payments equal to its total claim and with a present value equal to the value of the collateral. In the event the Judgment Creditor makes the election, the Property will be listed for sale no later than the fourth anniversary of the Effective Date and will be sold or refinanced such that the Judgment Creditor's secured claim shall be paid in full. In the event that the property cannot be sold or refinanced to provide full cure and payment of the remaining Secured Claim at the end of the Plan, the Judgment Creditor shall have the right to direct the sale via auction or to accept deeds in lieu of foreclosure, which shall be prepared by the Judgment Creditor and executed by the reorganized debtor. All other terms of the existing secured debt will remain the same unless specifically altered by the Plan. *Class I is impaired.*

Class II - Platinum Condominium Association

Class II consists of the Platinum Condominium Association. The Association has statutory lien rights for unpaid assessments pursuant to Chapter 718 of the Florida Statutes and has the right to be paid the statutory "safe harbor" in any forced liquidation of the property. As of the date of the Petition the Association was owed the approximate sum of \$50,451.18 in unpaid condominium assessments. This Plan proposes to pay the Association the full amount of its claim over five (5) years under this Plan without interest. *Class II is impaired.*

Class III Secured Claim of Miami-Dade Tax Collector

Class III consists of the Secured Claims of the Miami-Dade County Tax Collector for 2009 and 2010 ad valorem taxes in the amount of \$688,345.06, plus statutory interest. The claimant holds perfected statutory liens on the Debtor's interest in the Real and Personal Property and will retain such liens after the Effective Date of the Plan. The Debtor intends to pay the claims of Miami-Dade County in part with a lump sum payment in the amount of \$500,000 from the New Value Contribution on the Effective Date for 2009 and 2010 taxes, with the balance to be paid through annual payments including interest accruing at 18% over the 5 year period of the Plan.

All 2011 and subsequent year taxes will be paid in the ordinary course of the Debtor's business and as they become due post confirmation. The Debtor will immediately begin escrowing taxes for the year 2011 commencing upon the Effective Date. Should the 2011 taxes not be paid in full as of the April 1, 2012 delinquency date, the Miami-Dade County Tax Collector shall be authorized to sell tax certificates on the Real Property and to collect taxes owed on Personal Property in accordance with Florida law. Notwithstanding any Plan provision to the contrary, the Miami-Dade Tax Collector shall not be required to petition for payment of a post-petition ad valorem tax as an Administrative Expense Claim.

Class III is impaired.

Class IV – Allowed General Unsecured Claims

Class IV consists of Allowed General Unsecured Claims. Allowed General Unsecured Claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. Class IV Allowed General Unsecured Debt will be paid from a contribution of new value by the Redondos and the Construction Litigation. Members of this class will share a *pro rata* distribution with the members of Class V from the new value contribution and the Construction Litigation. Class IV claimants are expected to be paid in full. *See Exhibit 6.*

The Debtor's Bankruptcy Schedule F lists approximately 93 tenants each of which may have a claim against the Debtor for the return of a security deposit if all lease obligations are fulfilled by the tenants. As of the petition date, the Debtor is unaware of any claims by any tenants for the return of security deposits. All of the potential tenant claims for security deposits are contingent and unliquidated. If any claims are filed for the return of security deposits, those claims will be treated as unsecured along with all other creditors in Class IV. IF YOU ARE A TENANT AND IF YOU DO NOT FILE A CLAIM YOU WILL NOT RECEIVE ANY DISTRIBUTION ON ACCOUNT OF YOUR SECURITY DEPOSIT. IF YOU DO FILE A CLAIM YOU MAY RECEIVE BETWEEN 5% AND 100% OF YOUR SECURITY DEPOSIT.

Class IV is impaired.

Class V – Judgment Creditor's Deficiency Claim

Class V consist of the resulting deficiency, if one exists, of Class I after the secured portion is determined pursuant to 11 U.S.C. § 506(b) as described above. If the Judgment Creditor elects to retain its lien for the full amount of its allowed claim pursuant to Section 1111(b), and such election is deemed applicable to this case, it will retain its under-secured lien but will not receive any payment on the under-secured portion of its mortgage by a sale of the property. *Class V is impaired.*

Class VI – Equity Holders

Class VI consists of the Debtor's equity holders whose interest will be cancelled. The common stock of the equity holders of the debtors will be cancelled and voided. However, the current equity will receive 100 shares of common stock out of the Reorganized Debtor in exchange for a new value capital contribution of up to \$2,100,000, depending on the valuation of the Property.

IV. MEANS OF IMPLEMENTING PLAN

This plan is predicated upon the Debtor's ability to maintain and potentially increase the rental income stream of their rental properties and condominium units. This will enable the Debtor to make the proposed Plan payments to the secured claim holders. Additionally, this Plan is predicated on the contribution of new value to Maysville by the Redondos in the sum of \$1,000,000 which sum will be used to pay administrative, secured, priority, and unsecured creditors, and if an 1111(b) election is made by the secured creditor, a portion of these funds will be used to pay for management and the operation of the Debtor's business. The Debtor's principals will commit a new value contribution of \$2,100,000, which sum will be used to pay

administrative, secured, priority, and unsecured creditors, a portion of these funds will be used to pay for management and the operation of the Debtor's business.

The Debtor's current shareholders have engaged in a transaction, subject to funding, that would transfer 20% of the equity interest in the Debtor Corporation to a group from Equador for \$1,000,000 and would transfer 40% of the equity in exchange for \$2,100,000. (\$100,000 was added to cover the potential impact of tenant security claims). The Debtor expects this money to be placed in an escrow account subject only to the entry of the Confirmation Order at least five business days before the Confirmation hearing. The Debtor expects to have the proof of funds from the offeror by October 27, 2011.

The Debtor will serve as distribution agent of all payments to be made. All distributions for Allowed Claims will commence thirty (30) days from the Confirmation Date of this Plan of Reorganization, the "Effective Date".

Upon confirmation of this plan, all property of the estate shall be retained by the Debtor.

Any Class I Claim Holder, whose secured claim has been affected by the Plan, shall amend such debt that remains pursuant to the terms contained in this Chapter 11 Plan of Reorganization within 30 days of Plan Confirmation. Any Class I Claim Holder whose debt has been deemed totally unsecured shall file a mortgage satisfaction within 30 days of Plan Confirmation.

Following the Effective Date, the Bankruptcy Court shall retain jurisdiction of this Case for the following limited purposes: (1) to resolve any dispute relating to any Claim, or issue arising under the Plan, or to take any action to resolve any disputes of creditors with respect to their Claims; (2) to construe or take any action to enforce the Plan; (3) to determine any applications pending on the Confirmation Date or thereafter; (4) to determine any contested matters; (5) to modify the Plan but only in accordance with the Plan or to remedy any apparent non-material defect or omission in the Plan, or to reconcile any non-material inconsistency in the Plan so as to carry out its intent and purposes.

The Effective Date shall be thirty (30) days after confirmation, or at the conclusion of all appeals from an order confirming this Plan.

The Debtor may object to the allowance of any Claim within 60 days of the Confirmation Date or such other time period as the Court may order. If and when a Disputed Claim is finally resolved, the Debtor will make any payments in respect of such Allowed Claim in accordance with and limited by the Plan. The Debtor will have the power and authority to settle and compromise a disputed claim with court approval.

V. RISK FACTORS AND TAX CONSEQUENCES

The Debtor does not believe there is any risk factor or adverse tax consequences to the unsecured creditors in that all material assets of the Debtor are secured by the judgment lien held by the

Judgment Creditor. To the extent there is any risk it related to whether Maysville can sell its assets in sufficient time to satisfy its obligation to the Judgment Creditor so that there will be a residual fund to pay to the unsecured creditors. The Plan is premised on the belief that the unsecured creditors would receive nothing upon forced liquidation whether by foreclosure proceedings or chapter 7 bankruptcy proceedings.

Creditors and Equity Interest Holders should consult their own accountants or other tax advisors to determine their tax situation.

VI. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor intends to assume all executory contracts and unexpired leases at confirmation. This includes all leases in the Apartment Units and the Condominium Units.

VII. CONFIRMATION REQUIREMENTS

In order to confirm the Plan, the Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including that (1) the Plan has classified claims in a permissible manner; (2) the Plan complies with the technical requirements of Chapter 11 of the Code; (3) the proponent of the Plan has proposed the Plan in good faith; (4) the disclosures concerning the Plan as required by Chapter 11 of the Code have been adequate and have included information concerning all payments made or promised by the Debtor in connection with the Plan; (5) the Plan has been accepted by the requisite votes of creditors; (6) the Plan is "feasible", meaning there is a reasonable prospect that the Debtor will be able to perform their obligations under the Plan and continue to operate its business without further financial reorganization; and (7) the Plan is in the best interest of all creditors, meaning that creditors will receive pursuant to the Plan more than they would receive in a Chapter 7 liquidation.

To confirm the Plan, the Bankruptcy Court must find that all of these conditions are met. Thus, even if the creditors of the Debtor accept the Plan by the requisite votes, the Court must make independent findings respecting the Plan's feasibility and whether it is in the best interest of the Debtor's creditors before it may confirm the Plan. The Debtor believes that the Plan fulfills all of the statutory conditions of §1129 of the Code, which are more fully discussed below.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

In this case, the Debtor, the Plan proponent, believes that classes I, II, III, IV and V are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

1. What Is An Allowed Claim

Only a creditor with an allowed claim has the right to vote on the Plan. Generally, a claim is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim unless an objection has been filed to such proof of claim. When a claim is not allowed, the creditor holding the claim cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The Debtor may object to the allowance of any Claim within 30 days of the Confirmation Date or such other time period as the Court may order in which event the claim objected to will be treated as a Disputed Claim under the Plan. If and when a Disputed Claim is finally resolved by allowance of the Claim in whole or in part, the Debtor will make any payments in respect of such Allowed Claim in accordance with and limited by the Plan. The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure. The deadline for filing a proof of claim in this case is December 12, 2011.

2. What Is an Impaired Claim

As noted above, the holder of an allowed claim has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in §1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. Who is not Entitled to Vote

The holders of the following five types of claims are *not* entitled to vote:

- holders of claims that have been disallowed by an order of the Court;
- holders of other claims that are not “allowed claims” (as discussed above), unless they have been “allowed” for voting purposes;
- holders of claims in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims in classes that do not receive or retain any value under the Plan;

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. One Class Who Can Vote in More Than

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by cram down on non-accepting classes, as discussed later in Section [B.2.].

1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by §1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims if it meets all the requirements for consensual confirmation except the voting requirements of §1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

THE DEBTOR RECOMMENDS THAT CREDITORS ENTITLED TO VOTE IN ALL CLASSES VOTE TO ACCEPT THE PLAN.

C. Liquidation Analysis (Best Interest of Creditors Test)

To confirm the Plan, the Court must find that all creditors who do not accept the Plan will receive at least as much under the Plan as such claim would receive in a Chapter 7 liquidation case. A liquidation analysis is attached to this Disclosure Statement as Exhibit 2.

The Liquidation Value would consist of the net proceeds from the disposition of the assets of the Debtor. From this amount would be deducted the amount of the Administrative and Priority Claims. Therefore nothing would remain to be paid to unsecured creditors.

The Plan of Reorganization contemplates paying the creditors' as provided in Article III herein.

The Debtor believes that all creditor classes will fare far better under Chapter 11 than under Chapter 7 liquidation, as it is likely that much lower or no distributions would likely be made to all Class holders, secured or unsecured, if the Case were converted to a Chapter 7 Case and the Debtor's assets were liquidated by foreclosure. Further, any amount of Liquidation Value available would be diminished by the costs and expenses of the foreclosure, as well as other administrative expenses that would be incurred by the Debtor's hypothetical Chapter 7 estate.

The Debtor's costs of liquidation under Chapter 7 would include the compensation of the

Chapter 7 Bankruptcy Trustee, as well as of counsel and other professionals retained by the trustee. All unpaid expenses incurred by the Debtor during the Chapter 11 case (such as compensation for attorneys, financial advisors and accountants) which are allowed in the Chapter 7 proceeding, together with litigation costs and claims arising from the operation of the Debtor during the pendency of the Chapter 11 reorganization and Chapter 7 liquidation cases would be entitled to priority over the unsecured creditors. These claims would be treated as Administrative Claims and must be paid in full out of the liquidation process before any sums would be available to pay general unsecured pre-petition claims.

The Debtor believes the Plan is in the best interest of all creditors. Thus, a conversion to Chapter 7 with the additional costs noted above would provide no greater return to unsecured creditors than the Plan would provide.

Notwithstanding acceptance of the Plan by each Impaired Claim, to confirm the Plan, the Court must determine that the Plan is in the best interests of each holder of a Claim or Interest in any such Impaired Claims who has not voted to accept the Plan. Accordingly, if any Impaired Class does not unanimously accept the Plan, the best interests test requires the Court to find that the Plan provides each member of such Impaired Claim a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such Class member would receive if Debtor were liquidated under chapter 7 of the Code on such date.

To estimate what members of each Impaired Class of unsecured creditors and equity security holders would receive if the Debtor was liquidated under chapter 7, the Court must first determine the aggregate dollar amount that would be generated from Debtor's assets if the Chapter 11 case was converted to a chapter 7 case and the assets were liquidated by a chapter 7 trustee (the "Liquidation Value" of the assets). The Liquidation Value would consist of the net proceeds from the disposition of Debtor's assets and would be augmented by any cash held by Debtor.

As detailed in the Liquidation Analysis attached here as Exhibit 2, the Liquidation Value of the Debtor's assets available to pay creditors would be reduced by the costs and expenses of the liquidation, as well as other administrative expenses of the chapter 7 case. The costs of liquidation under chapter 7 would include the compensation of a trustee, as well as counsel and other professionals retained by the trustee, disposition expenses, all unpaid expenses incurred by the Debtor during this chapter 11 (such as compensation of professionals) which are allowed in the chapter 7, and the costs and claims against the Debtor from its business operations during the chapter 11 and chapter 7. These costs, expenses and claims would be paid in full out of the liquidation proceeds before the balance would be made available to pay general unsecured claims.

Once the percentage recoveries in liquidation of the priority claimants and general unsecured creditors are ascertained, the value of the distribution available from the Liquidation Value is compared with the value of the property offered to each of the Classes of Claims under the Plan to determine that the Plan is in the best interests of each Class. The Debtor believes the Plan satisfies the best interests test, because the Debtor's general unsecured creditors are expected to

receive a portion of their claims under the Plan but would receive no distributions upon liquidation through chapter 7.

The Debtor has compared the proposed distributions under the Plan with the liquidation analysis attached as Exhibit 2 and believes the distributions under the Plan would provide a greater recovery to holders of Allowed Claims than distributions by a chapter 7 trustee.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan. The Plan's distributions to creditors depend upon success of Debtor's operations. The Debtor believes it will have sufficient funds from operations to allow it to fund all payments pursuant to this Plan of Reorganization and provide sufficient working capital to provide for maintaining the property until it can be sold or refinanced to pay off all of its reorganized debts.

The Debtor believes it will have sufficient funds from operations to allow it to fund all payments pursuant to this Plan of Reorganization and provide sufficient working capital to provide for profitable future operations. The Plan requires the payment upon the Plan Confirmation of approximately \$60,000 to satisfy the Administrative Claims, upon the Effective Date. A true and correct copy of the Debtor's budget projections for the five (5) year term of the Plan is attached to this Disclosure Statement as Exhibit 5.

VII. INFORMATION PERTAINING TO DEBTOR AND ITS MANAGEMENT

The Debtor's principals, the Redondos, have successfully managed the Debtor's property for over 24 years up until the unfortunate change of events created by the uncontrolled actions of the general contractor hired to construct the Platinum Condominium. Debtor has filed a lawsuit in State Court against the general contractor for breach of contract and expects relief. The insiders, the Redondos, would stay on as managers of the Debtor's, subject to the approval of the Bankruptcy Court. The Redondos propose to receive of a monthly management fee of \$8,000.00 over the 60 months of the Plan, which is below the market rate for management services of the Property. Prior to confirmation the Debtor will receive proposals from at least three other qualified and licensed management companies, to operate the Debtor's property. If the Debtor is unable to receive a proposed management agreement that comports with the Debtor's budget and projections, the Debtor will request at confirmation of the plan, that the Redondos remain the manager of the Property. **ANY PARTY IN INTEREST MAY PROPOSE AN ALTERNATE MANAGEMENT AGREEMENT BY FILING AN OBJECTION TO THE PLAN [WITH AN ALTERNATE MANAGEMENT AGREEMENT FROM A DISINTERESTED THIRD PARTY]. The Debtor has solicited at least three offers for management and the financial requirements thereof are greater than the proposed continued management.**

Additionally, the Redondos who previously occupied four (4) of the Condominium Units, have since vacated these units to increase revenues for the operation of the Property and to pay

creditors pursuant to the proposed plan. By vacating these four units and by recently implementing court approved evictions proceedings against non-paying tenants it has assisted the Debtor in reaching \$106,000 of monthly revenue and it has positioned the Debtor well on its way of achieving its goal of \$120,000 in revenues monthly. During the pendency of this case, the Debtor has abided by Orders of the Court in the Litigation and has operated at a positive cash flow. The Debtor believes that it will have sufficient funds available from operations to finance the Plan. The Debtor respectfully suggests that the proposed Plan of Reorganization is feasible and in the best interest of each class of creditors. The Debtor believes the only alternative to the proposed Plan of Reorganization is liquidation of the Debtor's assets, which the Debtor believes would greatly reduce the dividend to both secured, under secured and unsecured Claim Holders and ultimately render a final blow to the Debtor's business. Therefore, the Debtor believes that the proposed Plan is clearly preferable to liquidation.

A. Retention of Control

The Plan proposes to allow Class VI Claim holders, the equity parties, receive 100 percent of the equity of the Reorganized Debtor. In exchange for the equity holders' retention of control of the Reorganized Debtor, the Redondos will make a cash contribution to fund the Plan obligations of up to \$2,000,000. **ANY PARTY IN INTEREST MAY SUBMIT A HIGHER AND BETTER OFFER TO PURCHASE THE EQUITY OF THE REORGANIZED DEBTOR BY FILING AN OBJECTION TO THE PLAN.**

B. Restated Mortgages

If the Judgment Creditor elects to be treated as fully secured for the total amount of its allowed claim pursuant to Section 1111(b) of the Bankruptcy Code, then the Judgment Creditor will be paid a stream of payments equal to its total claim and with a present value equal to the value of the collateral. The value of the Property is (as determined by the Court) \$15,273,964.

The restructured mortgage shall be restated to bear a fixed interest rate of four and one quarter (4.25%) percent, with payments commencing on the Effective Date of the Plan. The restated loan balance shall be paid pursuant to the terms of the Mortgage Loan Agreement except that the entire restated mortgage loan principal and accrued interest shall be paid in full within 60 months of Plan Confirmation. All other terms of the existing mortgages will remain the same unless specifically altered by this Plan.

VIII. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor

Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all payments under the Plan, or as otherwise provided in Section 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under Section 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan. Upon request of the Debtor, the United States Trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

D. Conclusion

The Debtor submits that confirmation and implementation of the Plan is in the best interests of all creditors, and urges holders of all impaired Claims entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be actually received by the Clerk of the Bankruptcy Court no later on the Voting Deadline.

Respectfully submitted,
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