IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

IN RE:	)	Chapter 11
	)	
MILES PROPERTIES, INC., et al.,	)	CASE NO. 10-60797-MHM
Debtors.	)	
	)	Jointly Administered
	)	

DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED JOINT PLAN OF REORGANIZATION OF MPI PORTFOLIO I, LLC, MPI AZALEA, LLC, MILES-CHERRY HILL, LLC, MILES-OAK PARK, LLC, MILES-FOX HOLLOW, LLC, MPI CIMARRON, LLC, MPI SUNSET PLACE, LLC, MPI PALMS WEST, LLC, AND MPI BRITISH WOODS, LLC

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Dated: As of November 11, 2010, approved January 7, 2011

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I.
INTRODUCTION

MPI Portfolio I, LLC, MPI Azalea, LLC, Miles-Cherry Hill, LLC, Miles-Oak Park, LLC, Miles-Fox Hollow, LLC, MPI Cimarron, LLC, MPI Sunset Place, LLC, MPI Palms West, LLC, and MPI British Woods, LLC, as Debtors and Debtors in Possession (individually, a "***Debtor***," and collectively, "***Debtors***"), herein submit this Disclosure Statement with Respect to the Joint Plan of Reorganization of MPI Portfolio I, LLC, MPI Azalea, LLC, Miles-Cherry Hill, LLC, Miles-Oak Park, LLC, Miles-Fox Hollow, LLC, MPI Cimarron, LLC, MPI Sunset Place, LLC, MPI Palms West, LLC, and MPI British Woods, LLC (the "***Disclosure Statement***"). This Disclosure Statement is to be used in connection with the solicitation of votes on the First Amended Joint Plan of Reorganization, dated December 29, 2010 (the "***Plan***"), filed and proposed jointly by Arbor Realty SR, Inc. ("***Arbor***") and Debtors (together with Arbor, the "***Plan Proponents***"). A copy of the Plan is attached hereto as Exhibit A. Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed thereto in the Plan (see Article I of the Plan entitled "Definitions").

For a summary of the proposed treatment of your Claim or Interest under the Plan, please see the chart on pages 8-11 below.

A. Exhibits to Disclosure Statement

(i) The Plan (attached hereto as Exhibit A);

(ii) List of payments to third parties within the 90 day period preceding the Petition Date (attached hereto as Exhibit B and attached to the Plan as Exhibit J);

(iii) Debtors' Liquidation Analysis (attached hereto as Exhibit C);

(iv) Feasibility Analysis (attached hereto as Exhibit D).

II.
NOTICE TO HOLDERS OF CLAIMS AND INTERESTS

The purpose of this Disclosure Statement is to enable Creditors whose Claims are impaired under the Plan to make an informed decision in exercising their right to vote to accept or reject the Plan.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT CAREFULLY.

On December 29, 2010, the Bankruptcy Court held a hearing on the adequacy of the Disclosure Statement and subsequently entered an order pursuant to Section 1125 of the Bankruptcy Code (the "***Disclosure Statement Order***", Doc. No. 931) approving this Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor, typical of the solicited holders of Claims against any or all of

Debtors, to make an informed judgment with respect to the acceptance or rejection of the Plan. A copy of the Disclosure Statement Order is included in the materials accompanying this Disclosure Statement. **APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT REGARDING THE FAIRNESS OR MERITS OF THE PLAN**.

Each holder of a Claim entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and Section 1125 of the Bankruptcy Code. Except for the Plan Proponents and their professionals, no person has been authorized to use or promulgate any information concerning Debtors, their business, or the Plan, other than the information contained herein, in connection with the solicitation of votes to accept or reject the Plan. No holder of a Claim entitled to vote on the Plan should rely upon any information relating to Debtors, their business, or the Plan other than that contained in this Disclosure Statement and the exhibits hereto. Unless otherwise indicated, the source of all information set forth herein are Debtors and their professionals.

After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed ballot and returning the same to the address set forth on the ballot, in the enclosed return envelope so that it will be received by the Office of the Clerk, United States Bankruptcy Court, Northern District of Georgia, 1340 United States Courthouse, 75 Spring Street, S.W., Atlanta, GA 30303-3637, no later than 4:00 p.m. Eastern Time on February 11, 2011.

If you are a holder of a Claim in Class 2, 4, or 5 and you did not receive a Ballot with this Disclosure Statement, please contact:

Kerry Goins
Berger Singerman, P.A.
350 East Las Olas Blvd., Suite 1000
Ft. Lauderdale, FL 33301
Tel: (954) 525-9500
Fax: (954) 523-2872
Email: kgoins@bergersingerman.com

If you do not vote to accept the Plan, or if you are the holder of an unimpaired Claim, you may be bound by the Plan if it is accepted by the requisite holders of Claims.

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 4:00 P.M. EASTERN TIME, ON February 11, 2011.

Pursuant to Section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the "***Confirmation Hearing***"), on February 15, **2011, at 2.00 p.m. Eastern Time**, in the United States Bankruptcy Court for the Northern

District of Georgia, Atlanta Division. **The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before February 11, 2011**.

THE PLAN PROPONENTS SUPPORT CONFIRMATION OF THE PLAN AND URGE ALL HOLDERS OF IMPAIRED CLAIMS TO ACCEPT THE PLAN.

Identity of Persons to Contact For More Information

Any interested party desiring further information about the Disclosure Statement or the Plan should contact counsel for Debtors, Brian K. Gart, Esq. or Paul A. Avron, Esq., Berger Singerman, P.A., 350 East Las Olas Blvd., Suite 1000, Ft. Lauderdale, FL 33301, Tel: (954) 525-9900 or (561) 241-9500, or Jimmy C. Luke, Esq., Foltz Martin, LLC, 5 Piedmont Center, Ste. 750, Atlanta, GA 30305-1541, Tel: (404) 231-9397, or counsel for Arbor, Mark I. Duedall, Esq., Hunton & Williams, LLP, Bank of America Plaza, Ste. 4100, 600 Peachtree Street, N.E.. Atlanta, GA 30308, Tel: (404) 888-4034.

III.
EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, a debtor in possession attempts to reorganize its business for the benefit of the debtor, its creditors, and other parties in interest.

The commencement of a Chapter 11 case creates an estate comprising all the legal and equitable interests of a debtor in property as of the date the bankruptcy petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In the present Chapter 11 case, Debtors have remained in possession of their properties as debtors in possession.

The filing of a Chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all attempts to collect prepetition claims from a debtor or otherwise interfere with its property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the effective date of a confirmed plan of reorganization.

The formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan sets forth the means for satisfying the claims against and interests in a debtor. Generally, unless a trustee is appointed, only a debtor may file a plan during the first 120 days of a Chapter 11 case (the "***Exclusive Period***"). However, Section 1121(d) of the Bankruptcy Code permits the court to extend or reduce the Exclusive Period upon a showing of "cause." After the Exclusive Period has expired, a creditor or any other party in interest may file a plan, unless a debtor has filed a plan within the Exclusive Period, in which case, a debtor is generally given 60

additional days (the "***Solicitation Period***") during which it may solicit acceptances of its plan. The Solicitation Period may also be extended or reduced by the court upon a showing of "cause."

B. Purpose of Disclosure Statement

The purpose of this Disclosure Statement is to provide Creditors and other parties in interest who are entitled to vote on the Plan with sufficient information to enable them to make an informed decision with respect to acceptance or rejection of the Plan. This Disclosure Statement should be read in its entirety prior to voting on the Plan. This Disclosure Statement describes various transactions contemplated under the Plan. No solicitation of any vote for or against the Plan may be made except as is consistent with this Disclosure Statement, and no person has been authorized to utilize any information concerning Debtors, their businesses or the Plan other than the information contained in this Disclosure Statement. Each creditor or other party in interest is urged to carefully consider the Plan and this Disclosure Statement in their entirety and to consult legal or other counsel, if necessary, to understand the Plan and its effects, including possible tax consequences, before voting.

C. Plan of Reorganization

Although referred to as a plan of reorganization, a plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple sale of a debtor's assets. After a plan of reorganization has been filed, the holders of impaired claims against or interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, Section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to holders of Claims against Debtors to satisfy the requirements of Section 1125 of the Bankruptcy Code.

If all classes of claims and interests accept a plan of reorganization, the bankruptcy court may nonetheless deny confirmation of the plan unless the court independently determines that the requirements of Section 1129 of the Bankruptcy Code have been satisfied. Section 1129 sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests" test and be "feasible." The "best interests" test generally requires that the value of the consideration to be distributed to the holders of claims and interests under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation under Chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the court generally must find that there is a reasonable probability that a debtor will be able to meet its obligations under its plan without the need for further financial reorganization.

The Plan Proponents believe that the Plan satisfies all the applicable requirements of Section 1129(a) of the Bankruptcy Code, including, in particular, the "best interests of creditors" test and the "feasibility" requirement. The Plan Proponents support confirmation of the Plan and urge all holders of impaired Claims to accept the Plan.

Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the bankruptcy court to confirm the plan. At a

minimum, however, the plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting in at least one class of impaired claims under the plan. The Bankruptcy Code also defines acceptance of the plan by a class of interests (i.e., equity securities) as acceptance by holders of two-thirds of the number of shares actually voting. In the present case, only the holders of Claims who actually vote will be counted as either accepting or rejecting the Plan. For example, if a hypothetical class has ten creditors that vote and the total dollar amount of those ten creditors' claims is $1,000,000, then for such class to have accepted the Plan, six or more of those creditors must have voted to accept the Plan (a simple majority), and the claims of the creditors voting to accept the Plan must total at least $666,667 (a two-thirds majority).

In addition, classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan pursuant to Section 1126(f) of the Bankruptcy Code and thus are not entitled to vote. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity or payment in full in cash. The Claims in Classes 1 and 3 are unimpaired under the Plan, and, therefore, the holders of Claims in such Classes are conclusively presumed pursuant to Section 1126(f) of the Bankruptcy Code to have accepted the Plan. The Claims in Classes 2, 4, and 5 are impaired under the Plan and, therefore, the holders of Claims in such Classes are entitled to vote to accept or reject the Plan. The Interests in Class 6 are impaired under the Plan and will receive nothing under the Plan, and, therefore, are conclusively presumed pursuant to Section 1126(g) of the Bankruptcy Code to have rejected the Plan.

The Bankruptcy Court may confirm a plan of reorganization even though fewer than all the classes of impaired claims and interests accept it. For a plan of reorganization to be confirmed despite its rejection by a class of impaired claims or interests, the proponent of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or interests that has not accepted the plan.

Under Section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a class of rejecting claims if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; and (b) with respect to unsecured claims and equity interests, that the holder of any claim or equity interest that is junior to the claims or equity interests of such class will not receive or retain on account of such junior claim or equity interest any property at all unless the senior class is paid in full.

A plan does not "discriminate unfairly" against a rejecting class of claims if (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims, and (b) no senior class of claims is to receive more than 100% of the amount of the claims in such class.

The Plan Proponents believe that the Plan has been structured so that it will satisfy these requirements as to any rejecting Class of Claims or Interests, and can therefore be confirmed, if necessary, over the objection of any Class of Claims or Interests. The Plan Proponents, thus, reserve the right to request confirmation of the Plan under the "cramdown" provisions of Section 1129 of the Bankruptcy Code.

IV.
SUMMARY OF THE PLAN

A. General Overview

The Plan contemplates a sale of Debtors' apartment complex properties to Arbor, subject to higher or better bids at an auction to be convened in advance of the Confirmation Hearing. Under the Plan, Arbor will, through nine new entities, form a single holding company and then use the holding company's eight subsidiaries to purchase the eight residential apartment complexes owned by Debtors. These subsidiaries will also assume the debt, as modified by the various exhibits to the Plan owed to the Lender, which is Bank of America, N.A., Successor by Merger to Lasalle Bank National Association, as Trustee for the holders of Wachovia Bank Commercial Mortgage Trust, Commercial Mortgage Pass-Through Certificates, Series 2007-Whale 8. Arbor will also re-capitalize the properties by injecting $1,050,000 in equity, to be used to enhance the properties and their profitability, and to fund from Cash Collateral $250,000 to the Liquidating Trust under the Plan, which will form the basis for a distribution to holders of Allowed General Unsecured Claims. Arbor will also (i) provide a new guarantor of the debt owed to the Lender; (ii) form a new holding company for the eight subsidiaries, with that holding company assuming the debt (referred to in the Plan as the MPI Portfolio Note Claim) owed by MPI Portfolio to Arbor Realty Mortgage Securities 2004-1, Ltd. ("***Arbor 2004-1***"); and (iii) agree to retain Hediger Enterprises, Inc. ("***Hediger***") as property manager for the eight Properties for at least 90 days after closing. Because Miles Properties, Inc. ("***MPI***") shares in the management fees paid to Hediger pursuant to the Bankruptcy Court's order approving the sale of its management portfolio to Hediger, subject to the $50,000 in Fee Based Payments to be paid to the Liquidating Trust, this could enhance the return available to MPI's estate. The Plan Proponents will demonstrate at the Confirmation Hearing that confirmation and consummation of the Plan are in the best interests of creditors and that the Plan will provide maximum return to creditors.

The Plan Proponents compared Debtors' prospects as ongoing business enterprises with the estimated recoveries to creditors in various other sale scenarios and concluded that the recovery for holders of Allowed Claims would be maximized by the sale to Arbor as outlined above, subject to higher and better bids. Consistent with the liquidation analysis described herein and other analyses prepared by Debtors and their professionals, the value of Debtors' estates would be significantly greater if Debtors were to continue operating as a going concern through a sale instead of liquidating.

The Plan Proponents believe that the Plan maximizes Debtors' value for the benefit of their creditors. The Plan Proponents also believe that any alternative to confirmation of the Plan, such as liquidation or attempts by another party-in-interest to file a competing plan of

reorganization, would result in significant delays, unnecessary litigation, and additional costs, and ultimately would lower the recoveries for holders of Allowed Claims.

B. Classification and Treatment of Claims and Interests

The following is a summary of the classification and treatment of Claims and Interests under the Plan. The classification and treatment of Claims and Interests herein is without prejudice to a party in interest asserting that it is entitled to a different classification or treatment under the Plan or applicable law. The Administrative Expense Claims and Priority Tax Claims shown below constitute Debtors' estimate of the amount of such Claims, taking into account amounts, if any, paid or projected to be paid prior to the Effective Date. The total amount of Claims shown below reflects Debtors' current estimate of the likely amount of such Claims, subject to the resolution by settlement or litigation of Claims that Debtors believe are subject to disallowance or reduction. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims and Interests.

THE REMAINDER OF THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND MEANS FOR IMPLEMENTATION OF THE PLAN AND THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS THERETO AND DEFINITIONS IN THE PLAN).

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN THE DOCUMENTS REFERRED TO IN THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO IN THE PLAN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENT OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS IN THE PLAN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST, AND INTERESTS IN, DEBTORS UNDER THE PLAN AND WILL, UPON THE OCCURRENCE OF THE EFFECTIVE DATE, BE BINDING UPON ALL HOLDERS OF CLAIMS AGAINST, AND INTERESTS IN, DEBTORS, DEBTORS' ESTATES, ALL PARTIES RECEIVING PROPERTY UNDER THE PLAN AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT SHALL CONTROL.

Each Administrative Claim against Debtors as of the Effective Date that is or becomes an Allowed Claim against Debtors shall be paid in full in cash by the applicable Purchaser on the later of (i) the Effective Date or (ii) a date within 30 days after the date such Administrative Claim becomes an Allowed Claim; provided, however, that any undisputed Administrative Claims representing liabilities incurred by a Debtor in the ordinary course of business during the

Reorganization Case shall be paid by the applicable Purchaser in accordance with the terms and provisions of the particular transactions and agreements and orders of the Bankruptcy Court, if any, relating thereto, or on such other terms as have been or may be agreed to between the holder of such Claim and the Purchaser. Each Administrative Claim shall be filed by the Administrative Claim Bar Date. All Fee Requests shall be Filed no later than 30 days after the Effective Date, or by such other date established by the Bankruptcy Court, and the Bankruptcy Court shall convene a hearing to rule on such Fee Requests.

Except to the extent that a holder of an Allowed Priority Tax Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an Allowed Priority Tax Claim, in full satisfaction, release and discharge of and exchange for such Claim shall, at the option of the Purchasers, be paid by the Purchaser of that Debtor's assets (i) in full on the later of (A) the Effective Date or (B) a date within 30 days after the date such Priority Tax Claim becomes an Allowed Claim; (ii) in full by deferred cash payments over a period not exceeding six years after the date of assessment of such Claim, including an interest component as required by the provisions of 11 U.S.C. § 1129(a)(9)(C); or (iii) on such other terms as have been or may be agreed to between the holder of such Claim and the Purchaser. Notwithstanding the foregoing, the holder of an Allowed Priority Tax Claim shall not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim.

Debtors shall be responsible for timely payment of United States Trustee quarterly fees incurred pursuant to 28 U.S.C. § 1930(a)(6). Any fees due as of the most recent quarterly invoice prior to the Confirmation Date will be paid in full within thirty (30) days after the Effective Date. After the Effective Date, Reorganized Debtors shall pay United States Trustee quarterly fees as they accrue until the Bankruptcy Case is closed. Debtors shall serve on the United States Trustee a quarterly financial report for each quarter (or portion thereof) that the Bankruptcy Case remains open.

1. ***Classified Claims and Interests***

The following is an estimate of the numbers and amounts of classified Claims and Interests to receive treatment under the Plan:

CLASS	ESTIMATED AMOUNT OF CLAIMS	TREATMENT

Class 1 — Priority Claims.	**$0**[1]	**Unimpaired.** To the extent not previously paid pursuant to an order of the Bankruptcy Court, each Class 1 Claim that is or becomes an Allowed Claim against a particular Debtor shall be paid in full in cash by the Purchaser of that Debtor's assets on the later of (y) the Effective Date or (z) a date within 30 days of the date such Claim becomes an Allowed Claim.
Class 2 — Lender Claims.	**$73,300,544.20**	**Impaired.** On the Effective Date in a Reorganization via Debt Assumption, the Class 2 Claims shall be assumed by the Purchasers pursuant to the Amended Loan Documents. Alternatively, on the Effective Date in a Reorganization via Free and Clear Sale, the Lender shall receive the Free and Clear Sales Proceeds, plus the balance of the Cash Collateral pursuant to Section 6.2(d)(vi) of the Plan.
Class 3 — Other Secured Claims. Each Other Secured Claim shall be deemed a different subclass.	**$290,000**[2]	**Unimpaired.** To the extent not previously paid as allowed by the Bankruptcy Court, each Class 3 Claim (including all subclasses of Class 3) that is or becomes an Allowed Claim against a particular Debtor shall, at the option of the Purchaser of that Debtor's assets, either (i) retain all the legal, equitable, and contractual rights to

[1] Approximately $8,500 in Priority Claims were filed, and while the claims reconciliation process is ongoing, it appears most or all of these claims are either asserted improperly as Priority Claims, or were paid pursuant to a prior order of the Bankruptcy Court.

[2] Most or all of these are property tax claims, which may or may not be entitled to priority status; certain of them may have also been filed in a protective nature for taxes that were later paid or are not due until future dates. The Plan Proponents are in the process of reconciling these claims.

		which such Allowed Claim entitles the holder, with enforcement of those rights to be made against (y) the Purchaser of that Debtor's assets or (z) the particular assets acquired by the Purchaser which secured the Other Secured Claim, or (ii) be paid in full by the Purchaser of that Debtor's assets which was obligated on the Allowed Claim on the later of (y) the Effective Date and (z) a date within 30 days of the date such Claim becomes an Allowed Claim.
Class 4 — The MPI Portfolio Note Claim.	**$11,860.928**	**Impaired.** On the Effective Date in a Reorganization via Debt Assumption, the MPI Portfolio Note Claim (owed to Arbor 2004-1) shall be assumed by GA Portfolio (or, if the Purchasers are not the Arbor Purchasers, the parent company of the Purchasers), as modified by the Amended MPI Portfolio Note. Alternatively, on the Effective Date in a Reorganization via Free and Clear Sale, the holder of the MPI Portfolio Note Claim shall receive any Free and Clear Sales Proceeds after payment in full of the Lender Claims; if the Lender Claims are not paid in full, then the holder of the MPI Portfolio Note Claim shall receive nothing in a Reorganization via Free and Clear Sale.
Class 5 — General Unsecured Claims.	**$1,250,000**[3]	**Impaired.** On the Effective Date, regardless of whether there is a Reorganization via Debt Assumption or a Reorganization via Free and Clear Sale, the Liquidating Trustee shall receive and be fully vested

[3] Debtors are in the process of reconciling these claims. In addition, various creditors may have filed claims in affiliated cases that should be properly re-classified as claims against Debtors. Accordingly, this number may vary substantially once the claims reconciliation process is done.

		with the Unsecured Creditors' Assets, other than the Retained Actions which, on the Effective Date, shall vest in the Reorganized Debtors. Each holder of an Allowed General Unsecured Claim that is a member of Class 4, on the Effective Date, shall receive its pro rata share of the proceeds of the Unsecured Creditors' Assets, net of the costs of the Liquidating Trustee, as and when the Liquidating Trustee makes distributions under the Liquidating Trust Agreement.
Class 6 — Interests.	**N/A**	**Impaired.** No property or assets of any kind shall be distributed to, or retained by, the holders of Interests classified in Class 6 in respect of any such Interest so classified, regardless of whether such Interest is Allowed inasmuch as all such Interests are being canceled.

Nothing herein shall be dispositive of the allowance of any Claims or constitute a waiver by Debtors or any other party in interest of the right to object to such Claims. Debtors are not stipulating to the validity or amount of any of the foregoing Claims. The amounts set forth above for the classes of Claims are simply estimates based upon Debtors' Schedules and/or the proofs of Claim filed as of the Claims Bar Date for filing such proofs of Claim.

C. Substantive Consolidation

The Plan proposes the substantive consolidation of Debtors' Estates. The entry of the Confirmation Order shall constitute approval by the Bankruptcy Court, pursuant to Sections 105(a) and 1123(a)(5)(C) of the Bankruptcy Code, of substantive consolidation. To the extent the Plan is not confirmed, then the request of the Plan Proponents for substantive consolidation shall be deemed withdrawn, and absent any further order of the Bankruptcy Court, Debtors' Estates shall not be substantively consolidated. Under the Plan, substantive consolidation, if granted, shall not affect or change any Avoidance Action or Retained Actions that any Debtor or Reorganized Debtor would possess, respectively, or any defenses that any defendant in respect of any Avoidance Actions or Retained Actions would have in connection therewith, in the absence of such substantive consolidation.

In bankruptcy cases with affiliated debtors, a bankruptcy court may exercise its equitable powers to authorize the "substantive consolidation" of the estates of debtor affiliates for purposes

of the plan of reorganization. Substantive consolidation involves the pooling of assets and liabilities of the affected debtors. Generally, all debtors in the substantively consolidated group are treated as if they were a single corporate entity and economic entity. In that circumstance, a creditor of one of the substantively consolidated group of debtors will be treated as a creditor of the substantively consolidated group of debtors, and issues of individual corporate ownership or property and individual corporate liability or obligations are ignored.

Established case law in this circuit provides that substantive consolidation is appropriate when a movant demonstrates that (i) there is a substantial identity between entities to be consolidated, and (ii) consolidation is necessary to avoid some harm or to realize some benefit. See Eastgroup Props. v. Southern Motel Assocs., Ltd., 935 F.2d 245 (11th Cir. 1991). Moreover, in appropriate circumstances, bankruptcy courts have the power to order limited or partial substantive consolidation, or to place conditions on the substantive consolidation, such as the preservation of avoidance claims by the formerly separate estates. See In re Levitt & Sons, LLC, et al., Case No. 07-19845-RBR (Bankr. S.D. Fla. Feb. 20, 2009) (Doc. No. 4646) (amended order confirming Chapter 11 liquidating plan approved, among other things, substantive consolidation of multiple estates while preserving avoidance actions); In re Avery, 337 B.R. 264, 268 (Bankr. D. Alaska 2007) ("A bankruptcy court has discretion to order *nunc pro tunc* consolidation. This may enable a trustee to preserve fraudulent transfer and avoidance proceedings with regard to related entities which might otherwise be barred due to statutes of limitation."); see also In re Creditors Serv. Corp., 195 B.R. 680, 689 (Bankr. S.D. Ohio 1996) ("Substantive consolidation may be limited to certain classes of claims, specific property, or may be appropriately conditioned.").

There is a substantial identity between the eight Wachovia Portfolio Borrowers (defined below and eight of the nine Debtors) as they share a single senior secured Lender, and their equity interests secure the claim of another lender of Debtors. The eight Wachovia Portfolio Borrowers are all jointly and severally liable on the Lender's claims, and all of the Lender's claims are cross-collateralized with all of the Wachovia Portfolio Borrowers' assets. Arbor Realty Funding LLC ("***Arbor Funding***") is a junior participant in the Lender's secured debt. Arbor 2004-1, which is affiliated with Arbor Funding, has the only claim (which is the MPI Portfolio Note Claim) against the parent company of the eight Wachovia Portfolio Borrowers, MPI Portfolio. And as noted above, the equity interests in the eight Wachovia Portfolio Borrowers serve as collateral for the claims of Arbor 2004-1. In short, the combined debt owed to these senior and junior secured lenders predominates the total claim pool: $85 million of the estimated total $87 million in claims against Debtors are held by the Lender and Arbor 2004-1.

Moreover, substantive consolidation is consistent with the Court's prior ruling, in its amended final cash collateral order (Doc. No. 819), that "Cash Collateral may be used on a consolidated basis among … Debtors for the [Properties], but Debtors may not use any Cash Collateral for the benefit of any apartment complex, asset, or property owned by any non-Debtor." Allowing Debtors to use the Lender's Cash Collateral has allowed them to continue operating their respective Properties during their Reorganization Cases and facilitated the transaction contemplated by this Disclosure Statement and Plan through which the substantial debt owed to the Lender and Arbor 2004-1 will be assumed by the Purchaser. This transaction is also the basis upon which funds are being made available to unsecured creditors for distribution

on the Effective Date--the Lender has indicated its willingness, if the Plan is confirmed, to allow $250,000 of its Cash Collateral to go to fund a distribution to holders of allowed Class 5 Claims. Hence, substantive consolidation is necessary to benefit all Debtors' estates. Debtors expect that Wachovia, on behalf of the Lender, will not object to the Plan and the funds available for distribution to each holder of an Allowed General Unsecured Claim from Cash Collateral are equally available to such eligible claimants based on their pro rata share of such Claims.

Pursuant to the Plan, the Plan Proponents seek to place certain conditions on substantive consolidation, including specifically as it relates to preservation of Avoidance Actions and Retained Actions possessed by a Debtor or Reorganized Debtor, respectively. For the avoidance of doubt, the elimination of intercompany claims between and among Debtors in respect of the ZBA shall in no way impair the right or ability of Debtors, or any one or more Debtors, to prosecute claims or causes of action against any third parties including, but not limited to, former officers and directors of any Debtor, Affiliated Debtor or any non-Debtor affiliate (excluding Ronald L. Glass and James L. Mauck, Jr.) arising out of the implementation and operation of the ZBA and any transfers of property belonging to any Debtor to any other Debtor, Affiliated Debtors or non-Debtor affiliate. Moreover, in an abundance of caution, the elimination of intercompany claims between and among these Debtors in respect of the ZBA shall in no way impair the right or ability of Affiliated Debtors, including MPI, and non-Debtor affiliates, from prosecuting claims or causes of action against any third parties including, but not limited to, former officers and directors of any Debtor, Affiliated Debtor or any non-Debtor affiliate (excluding Ronald L. Glass and James L. Mauck, Jr.) arising out of the implementation and operation of the ZBA and any transfers of property belonging to any Debtor to any other Debtor, Affiliated Debtors or non-Debtor affiliate.

Accordingly, the Plan Proponents believe that the facts and circumstances support substantive consolidation of Debtors and will further demonstrate at the Confirmation Hearing that substantive consolidation is in the best interests of Debtors' Estates.

The United States Trustee is continuing to review Debtors' proposed substantive consolidation and may or may not object to substantive consolidation at the Confirmation Hearing.

V.
DEBTORS' BANKRUPTCY CASE

A. Factors Leading to Chapter 11 Filing

1. *Industry/Business Conditions*

With the exception of MPI Portfolio I, LLC, Debtors' operations are in the real estate industry, with each of them owning and, through a management company, operating residential real estate projects, i.e., multi-family apartment complexes (collectively, the "***Properties***"). The economy, generally, and the real estate industry, specifically, suffered a dramatic slowdown after years of strong growth driven, in part, by low consumer confidence and tightening credit

availability.[4] Debtors, certain Affiliated Debtors[5] and non-Debtor affiliates (collectively, the "***Company***") accumulated past due payables that created operational issues as vendor refusal to continue to provide goods and services precluded or slowed down unit turnover. Moreover, bad debt losses were significantly above historical levels as the available tenant base had a lower economic/credit profile than historically normal for multi-family properties of the type owned and operated by the Company. This was the result of several factors, including rising unemployment and the large "shadow market" of available single-family homes and condominiums for rent that applied downward pricing pressure to apartment rents. Further, turnover rates were also well above normal levels, primarily due to the circumstances noted above. These higher turnover rates negatively impacted both repair and maintenance expenses and utility costs, which, in conjunction with a lack of adequate capital, negatively affected the Company's ability to turn and lease units and, consequently, led to a decline in occupancy rates.

In respect to the economy, the commercial real estate capital markets experienced considerable liquidity and other business challenges stemming from, among other things, high default rates on the loans, declining asset values and a steep decline in loan originations, impairing the ability to originate loans that could be sold on profitable terms and substantially reducing lender cash flows and net income. According to the FDIC, one hundred forty banks failed between January 2009 and November 2009,[6] including Corus Bank, N.A. (Chicago, Illinois), Colonial Bank (Montgomery, Alabama) and BankUnited, FSB (Coral Gables, Florida), as well as two Atlanta area banks—Silverton Bank, N.A. and Integrity Bank—that through either the FDIC or subsequent note buyers are creditors of certain non-Debtor affiliates. The turmoil in the U.S. economy resulted in the acquisition of Bear Stearns by JP Morgan Chase, a bankruptcy filing for Lehman Brothers Holdings Inc., an $85 billion bailout of AIG and a massive economic rescue plan exceeding $700 billion approved by Congress. While the stock market, and other macro economic indicators generally improved prior to the filing of the Reorganization Cases, the fundamental problems associated with the real estate market and the lack of liquidity remained as substantial obstacles.

As described above, certain of Debtors' financial conditions deteriorated, in large part due to the substantial economic downturn, including tightening capital markets, rising unemployment and declining rents, among other items. Further, certain Debtors were severely impacted by intercompany claims through use of a zero balance account system.

Prior to February 2009, Debtors shared a common cash management system. Specifically, MPI and most affiliates, including Debtors, utilized a so-called "Zero Balance Account System" (the "***ZBA***") as their primary cash management system since 1999, or

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[4] Some of the information contained in this section of this Disclosure Statement was derived from a review of publicly available information.

[5] Additional affiliated entities also filed Chapter 11 cases with Debtors in January 2010: (i) MPI, (ii) MPI Development Group, Inc., (iii) Miles-April Ridge, LLC and (iv) MPI Chaucer, LLC (collectively, "***Affiliated Debtors***"). Affiliated Debtor entities are *not* the subject of this Disclosure Statement and accompanying Plan.

[6] *See* http://www.fdic.gov/bank/historical/bank.html.

inception of the respective entity, whichever came later. The ZBA was comprised of a top-level master account and sub-accounts for MPI and the aforementioned affiliates, including Debtors. Each day, funds deposited into the sub-accounts were up-streamed into the master account. When checks or other debits were presented for a particular entity sub-account, the necessary funds were down-streamed from the master account into the respective sub-account, regardless of whether or not the specific sub-account was owed money from the master account, and then processed like any other debit. Remaining funds in the master account in excess of the down-streamed amounts were not returned to their respective sub-accounts. Beginning in November 2008, at the advice and direction of counsel, no additional funds were down-streamed from the master account into sub-accounts which constituted affiliate advances. The use of the ZBA was subsequently discontinued in February 2009 and all existing ZBA sub-accounts were either closed, converted into a stand-alone account at the existing depository bank, or closed and opened as a stand-alone account at a new depository bank.

As a result of the manner in which Debtors previously operated their cash management system, there are significant intercompany claims owed by and among the Debtors (and their Affiliated Debtors and non-Debtor affiliates), as cash generated by one Debtor, Affiliated Debtor or non-Debtor affiliate was used to pay expenses of another Debtor, Affiliated Debtor or non-Debtor affiliate on a regular basis.

As explained in his *Declaration in Support of First Day Pleadings* (Doc. No. 10), based on a review by then Chief Restructuring Officer now Interim Chief Executive Officer of Debtors Ronald L. Glass of the books and records of Debtors (and their Affiliated Debtors and non-Debtor affiliates), the exact amount of intercompany claims cannot be readily or precisely quantified. Mr. Glass concluded that it would require the expenditure of an inordinate amount of professional fees in order to re-create thousands of transactions between Debtors (and their Affiliated Debtors and non-Debtor affiliates), spanning up to ten years, and that it was not practically or economically feasible to do so. Mr. Glass explained that, even if the forensic re-creation of such intercompany claims were practical and economically feasible, it is highly doubtful that the results achieved would be reliable as there is substantial doubt as to the accuracy of the books and records of Debtors (and their Affiliated Debtors and non-Debtor affiliates) over the past ten years. Mr. Glass further explained that it is impossible to recover in respect of intercompany claims from affiliated LLC entities whose underlying properties have since been foreclosed and otherwise have no assets.[7]

[7] Mr. Glass advised that, based on the foregoing and at his direction, management of Debtors (and their Affiliated Debtors and non-Debtor affiliates) had taken a balance sheet approach to establishing the estimated intercompany claims. Specifically, each Debtor (and Affiliated Debtors and non-Debtor affiliate) established its reconciled general ledger account balance upon closing of the ZBA in February 2009. Next, based on the actual master account bank balance and the general ledger balances of the master account and each sub-account upon ZBA closing, each Debtor (and Affiliated Debtors and non-Debtor affiliate) calculated their pro-rata portion of actual cash in the bank. The difference between this calculated pro-rata cash balance and the reconciled general ledger balance of each Debtor (and Affiliated Debtors and non-Debtor affiliate) was used to establish the amount of the intercompany claim.

2. ***Retention of CFO, Interim Management and Counsel; Pre-Bankruptcy Restructuring Efforts***

In September 2007, James L. Mauck Jr. was hired to serve as Chief Financial Officer (the "***CFO***") for MPI. Mr. Mauck was brought in to assume responsibility for overseeing Debtors' (and their Affiliated Debtors and certain non-Debtor affiliates') accounting, financial planning & analysis, cash management and purchasing functions. Shortly after beginning his employment, the CFO discovered, among other things, that most balance sheet accounts for most of Debtors (and their Affiliated Debtors and non-Debtor affiliates) had not been fully reconciled in quite some time, including the ZBA cash accounts. The CFO began implementing processes for improving balance sheet controls, starting with cash, including basic bank reconciliations. In January 2008, the CFO, on behalf of MPI, engaged Tatum, LLC ("***Tatum***"), a professional Accounting and Finance firm, to assist with completing bank reconciliations and other cash-related internal control improvements, among other items. Tatum was engaged for approximately three months, during which time two additional CPAs were hired and significant accounting and internal control improvements were made; however, all cash sub-accounts within the ZBA were not fully reconciled to the top-level master account until August of 2008. Shortly thereafter, in light of the economic downturn noted above, coupled with the potential intercompany claims resulting from the use of the ZBA, MPI began interviewing legal and financial advisory firms specializing in corporate restructuring.

In October 2008, Mr. Miles retained GlassRatner Advisory & Capital Group, LLC ("***GlassRatner***") and the law firm of Berger Singerman, P.A. to help address Debtors' financial issues and assist in restructuring or reorganizing Debtors, Affiliated Debtors and certain non-Debtor affiliates.

In March 2009, Debtors, Affiliated Debtors and certain non-Debtor affiliates retained GlassRatner to provide interim management services, including providing the services of Ronald L. Glass as Chief Restructuring Officer.

From October of 2008 through July of 2009, as the economy continued to deteriorate, the above referenced professionals attempted to address the Company's financial issues. Despite the best efforts of Mr. Glass and the other professionals, occupancy levels and revenues at MPI and many of Debtors, Affiliated Debtors and non-Debtor affiliates continued to decline as a result of the economic and market conditions discussed above, coupled with tightening cash balances. Property maintenance, advertising and the ability to turn units to lease to new residents suffered. In addition, employee turnover increased due, in part, to the lack of capital and growing frustration over the inability to appropriately manage the Properties. Generally speaking, the situation at many Debtors, Affiliated Debtors and non-Debtor Affiliates continued to deteriorate and several Properties had reached critical points where it was clear that the only possible way to protect certain Properties worth saving was through a Chapter 11 filing.

Additionally, Debtors' cases were necessitated because Wachovia, as special servicer under the Wachovia Portfolio Debt (defined below), asserted a technical default based upon an

artificially high debt service coverage ratio resulting in the establishment of a Curtailment Reserve. This curtailment had a significant negative impact on the capital necessary to operate and maintain the Properties which were otherwise capable of meeting debt service.

Debtors (and Affiliated Debtors) commenced these Reorganization Cases in order to gain breathing room to allow them to pursue a financial restructuring intended to maximize the value of their assets for all constituents. Debtors (and Affiliated Debtors) engaged in discussions with certain lenders and noteholders regarding loan restructuring or extension options. In addition, significant steps were taken to reduce operating expenses, including the reduction in discretionary expenses, property tax appeals. Debtors (and Affiliated Debtors) have continued to pursue cost reductions, where applicable, during the course of their Reorganization Cases.

3. ***Liquidity and Capital Structure***

(i) MPI Portfolio I, LLC

MPI Portfolio I, LLC ("***MPI Portfolio***") is indebted to Arbor 2004-1, as successor to Wachovia Bank, N.A. n/k/a Wells Fargo, N.A. ("***Wachovia***") in the approximate amount of $11,860,930.00 (the "***MPI Portfolio I Debt***").[8] The MPI Portfolio I Debt is secured by a lien on the equity of MPI Azalea, Miles-Cherry Hill, Miles-Oak Park, Miles-Fox Hollow, MPI Cimarron, MPI Sunset Place, MPI Palms West, and MPI British Woods. The MPI Portfolio Debt is evidenced by that Loan and Security Agreement (Mezzanine Loan) entered into on May 17, 2007, in favor of Arbor 2004-1, as successor to Wachovia, and by the following: (a) Promissory Note, dated May 17, 2007, in the amount of $15,000,000.00 in favor of Arbor 2004-1 as successor to Wachovia; (b) Collateral Assignment of Interest Rate Hedge Agreement, dated May 17, 2007, in favor of Arbor 2004-1 as successor to Wachovia; and (c) Mezzanine Lockbox Agreement, dated May 17, 2007, in favor of Arbor 2004-1 as successor to Wachovia (collectively the "***MPI Portfolio I Loan Documents***").

Under the MPI Portfolio I Loan Documents, MPI Portfolio was required to pay, on a monthly basis, beginning on July 9, 2007, and through and including June 9, 2010, all accrued but unpaid interest on the outstanding principal amount of the loan at the Interest Rate as provided in the MPI Portfolio I Loan Documents. The unpaid principal balance of the Note, together with all accrued and unpaid interest, was due and payable in full on June 9, 2010.

(ii) MPI Azalea, Miles-Cherry Hill, Miles-Oak Park, Miles-Fox Hollow, MPI Cimarron, MPI Sunset Place, MPI Palms West, and MPI British Woods

[8] The MPI Portfolio I Debt is guaranteed by Daniel J. Miles. Mr. Miles is a Chapter 7 debtor before the Bankruptcy Court (Case No. 09-92601-MHM), and James Cifelli is the Chapter 7 Trustee. The MPI Portfolio I Debt is nonrecourse to MPI Portfolio pursuant to section 4.1 of the Promissory Note entered into on May 17, 2007, which provides, in part, as follows: "Notwithstanding anything to the contrary contained in this Note or the other Loan Documents, the obligations of Borrower hereunder shall be non-recourse except with respect to the Property and as otherwise provided in Section 8.01 of the Security Instrument…."

MPI Azalea, Miles-Cherry Hill, Miles-Oak Park, Miles-Fox Hollow, MPI Cimarron, MPI Sunset, MPI Palms West and MPI British Woods (collectively, the "***Wachovia Portfolio***" or the "***Wachovia Portfolio Borrowers***"), are jointly and severally liable for and indebted to the Lender, for which Wachovia serves as special servicer, in the approximate amount of $73,300,543.00 (the "***Wachovia Portfolio Debt***").[9] The Wachovia Portfolio Debt is evidenced by the following: (a) Promissory Note, dated May 17, 2007, as amended, in favor of Wachovia, in the principal amount of $92,700,000.00; (b) Deed to Secure Debt, Security Agreement, Assignment of Rents and Fixture Filing, dated May 17, 2007, in favor of Wachovia; (c) Assignment of Leases and Rents and Security Deposits, dated May 17, 2007, in favor of Wachovia; and (d) Rent Account Agreement, dated May 17, 2007, in favor of Wachovia (collectively, the "***Wachovia Portfolio Loan Documents***"). The outstanding principal amount on the Note reflects indebtedness of the entities comprising the Wachovia Portfolio Borrowers. The underlying assets held by the entities comprising the Wachovia Portfolio Borrowers are cross-collateralized and cross-defaulted. Pre-petition, the Wachovia Portfolio Debt was transferred to the Lender, but Wachovia remains as special servicer of the Wachovia Portfolio Debt.

Under the Wachovia Portfolio Loan Documents, each of the Wachovia Portfolio Borrowers was required to pay interest, on a monthly basis, at the Interest Rate as provided in the Wachovia Portfolio Loan Documents. The Wachovia Portfolio Borrowers were also required to pay replacement reserve, property tax and insurance escrows on a monthly basis. The principal balance of the Note, together with all accrued and unpaid interest and any other amounts due and payable thereon, was due and payable in full on June 9, 2010, or, if such date was not a business day, the immediately preceding business day. The maturity on the Note was eligible for a one-year extension through June 9, 2011, if certain conditions were met, including a DCSR of 1.20 to 1.00 on the consolidated Wachovia Portfolio and a Loan-To-Value Ratio of .75 on the consolidated Wachovia Portfolio.

On October 9, 2009, the entities comprising the Wachovia Portfolio received notice from the Wachovia, as the special servicer, that because the DCSR for the Wachovia Portfolio had fallen below 1.05:1.00, the Note entered into an O&M Operative Period in which all cash flow in excess of required interest payments, escrows and budgeted operating expenses were to be held in a Curtailment Reserve at Wachovia. This curtailment had a significant impact on the availability of working capital needed to operate and maintain the Properties. As a result of the

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[9] The Wachovia Portfolio Debt is guaranteed by Daniel J. Miles. The Wachovia Portfolio Debt is nonrecourse to the entities comprising the Wachovia Portfolio Debtors pursuant to section 4.1 of the Promissory Note entered into on May 17, 2007, as amended, which provides, in part, as follows: "Notwithstanding anything to the contrary contained in this Note of the other Loan Documents, the obligations of Borrower hereunder shall be non-recourse except with respect to the Property and as otherwise provided in Section 18.32 of the Security Instrument…." There were two non-Debtor obligors on the Promissory Note, MPI Fountain Square, LLC and MPI Timbers, LLC; however, the properties owned by these two entities were sold to unrelated third parties in the first quarter of 2008 and the Wachovia Portfolio Loan Documents (as defined below) were modified to reflect, among other things, the sale of these properties.

lack of necessary working capital, the Wachovia Portfolio Borrowers' monthly revenue, on a combined basis, declined significantly from approximately $1,100,000 in September 2009 to approximately $1,006,000 in December 2009. These cases were commenced, in part, as a result of the foregoing.

Since the inception of the Loan, the entities comprising the Wachovia Portfolio have made all prepetition loan and escrow payments required of them, including payments for November 2009 and December 2009 in the aggregate amounts of $274,316.50 and $270,043.65, respectively, and have continued to do so pursuant to the various cash collateral orders of the Bankruptcy Court. As of the Petition Date, the entities comprising the Wachovia Portfolio had a cash position, inclusive of cash held in Lender-controlled accounts in excess of the January 2010 required interest and escrow payments, as follows: (i) MPI Azalea—approximately $83,000; (ii) Miles-Cherry Hill—approximately $146,000; (iii) Miles-Oak Park—approximately $78,000; (iv) Miles-Fox Hollow—approximately $103,000; (v) MPI Cimarron—approximately $266,000; (vi) MPI Sunset—approximately $80,000; (vii) MPI Palms West—approximately $85,000; and (viii) MPI British Woods—approximately $199,000.

B. Commencement of the Bankruptcy Case

Debtors filed for protection under the Bankruptcy Code on January 8, 2010. Debtors' Reorganization Cases were initially assigned to the Honorable Paul W. Bonapfel, but after his recusal, which was memorialized in an Order dated January 12, 2010 (Doc. No. 11), the Reorganization Cases were reassigned to the Honorable Margaret H. Murphy, United States Bankruptcy Judge, in the Northern District of Georgia. The Bankruptcy Court entered an Order dated January 25, 2010 authorizing the joint administration of Debtors' Reorganization Cases (Doc. No. 78).

C. Significant Events Since Commencement of Bankruptcy Case

1. *Stay of Litigation*

An immediate effect of the filing of a bankruptcy case is the imposition of the automatic stay under the Bankruptcy Code, which, with limited exceptions, enjoins the commencement or continuation of all litigation against Debtors. This injunction will remain in effect until the Effective Date unless otherwise modified by the order of the Bankruptcy Court.

2. *Retention of Professionals*

By Order dated February 4, 2010 (Doc. No. 177), the Bankruptcy Court granted Debtors' application to retain Berger Singerman, P.A. ("***Berger Singerman***") as general bankruptcy counsel to the Debtors (and Affiliated Debtors) in their Reorganization Cases subject to objection, if any, filed by the U.S. Trustee. Certain persons filed a motion for reconsideration denominated as an Objection to the Order (Doc. No. 204), to which Berger Singerman filed a response (Doc. No. 366), with the moving parties filed a supplemental pleading (Doc. No. 349). After conducting multiple hearings the Bankruptcy Court, by subsequent Order dated May 17, 2010 (Doc. No. 465), granted the Debtors' (and Affiliated Debtors') application to retain Berger

Singerman as general bankruptcy counsel to Debtors (and Affiliated Debtors) in the Reorganization Cases and overruled the Objection to the extent not withdrawn. The Order provided that the $450,000.00 retainer obtained by Berger Singerman from Daniel J. Miles could not be applied absent further Order of the Bankruptcy Court; however, as a result of a settlement by and between Berger Singerman and Mr. Cifelli in his capacity as Chapter 7 Trustee for Daniel J. Miles' bankruptcy estate, Berger Singerman retained $112,500.00 of the $450,000.00 retainer provided, with the balance of the funds--$337,500.00--returned to Mr. Cifelli, as Trustee. This settlement was memorialized in an Order of the Bankruptcy Court dated August 17, 2010 (Doc. No. 670). The $112,500.00 being held is to be applied to fees and costs incurred by Berger Singerman to the extent there is a shortfall regarding any awards of compensation and reimbursement of expenses. If and to the extent that this $1125,500.00 is not needed to satisfy legal fees and reimbursement of expenses awarded by the Bankruptcy Court during Debtors' (and Affiliated Debtors') Reorganization Cases then such excess amounts, if any, shall be turned over by Berger Singerman to the Liquidating Trustee for distributions to Creditors as provided for in the Plan.

By Order dated February 4, 2010 (Doc. No. 179), the Bankruptcy Court granted Debtors' (and Affiliated Debtors') application to retain Foltz Martin, LLC ("***Foltz Martin***") as (local) general bankruptcy counsel to Debtors (and Affiliated Debtors) in their Reorganization Cases subject to objection, if any, filed by the U.S. Trustee. The Objection filed to the application to retain Berger Singerman (Doc. No. 204), contained a footnote which suggested that the issues raised also applied to Foltz Martin. To the extent that the Objection applied to Foltz Martin and was not withdrawn, it was overruled. Foltz Martin received a pre-Petition Date fee retainer in the amount of $39,295.00. If and to the extent that legal fees awarded by the Bankruptcy Court during Debtors' (and Affiliated Debtors') Reorganization Cases is less than the retainer provided to Foltz Martin then such excess amounts, if any, shall be turned over by Foltz Martin to the Liquidating Trustee for distributions to Creditors as provided for in the Plan.

3. ***Use of Cash Collateral***

By various orders of the Bankruptcy Court, including supplements thereto (Doc. Nos. 178, 185, 440, 459, 500, 506, 510 and 819), Debtors have had authority to use cash collateral of the Lender to operate their apartment properties pursuant to agreed budgets. Other salient terms of the cash collateral orders have included the following:

- An investigation period during which time Debtors and other parties in interest were permitted to investigate and, if needed challenge the liens of the Lender or assert any claims against the Lender; no such challenges were filed nor were any claims asserted, and the liens and claims of the Lender, as set forth in the cash collateral orders, became final and no longer subject to challenge;

- The sharing of financial information relating to Debtors' operation among key creditors and parties in interest, including the Lender, Arbor Funding, and the Office of the United States Trustee; and

- The granting of replacement liens and a superpriority claim for the benefit of the Lender.

The most recent cash collateral order was entered on November 8, 2010 (Doc. 819). This order amended the previously entered "final" cash collateral order and extended Debtors' right to use the Lender's Cash Collateral up to and through December 5, 2010. To the extent that further use of Cash Collateral is required—which will almost certainly be the case—Debtors, the Lender and Arbor Funding will work together as they have done throughout the Reorganization Cases to submit an agreed order and budget(s) that will allow Debtors to continue using the Lender's Cash Collateral through the Effective Date.

4. ***Schedules and Statement of Financial Affairs***

On January 29, 2010, Debtors filed their schedules of assets and liabilities and statements of financial affairs (Doc. Nos. 102, 103, 106, 107, 108, 109, 110, and 115). From time to time these have been updated and amended, and all information contained therein has been incorporated into the Plan and this Disclosure Statement.

5. ***Retention of Brokers***

In April, 2010, Debtors retained three separate brokers pursuant to an orders of the Bankruptcy Court (Doc. Nos. 411, 415, and 438) to market all of their apartment properties. In addition, both prior to the Petition Date and since, Debtors, and their professionals have solicited interest from real estate investment firms to acquire some, or the entire Debtors' portfolio of properties, either through a sale under Section 363 of the Bankruptcy Code or by sponsoring a plan of reorganization.

After several months of working with their professionals and discussions with other potential plan sponsors, it appeared to Debtors that the sale of their properties to Arbor, through the Plan, subject to higher and better offers, would provide the greatest recovery for creditors.

6. ***Negotiations with Arbor***

Since early in the case, Debtors have, in conjunction with their discussions with other potential equity sponsors, engaged in discussions with two affiliated parties in interest in these cases, Arbor 2004-1, and Arbor Realty Funding LLC ("***Arbor Funding***"). As noted above, Arbor 2004-1 is owed approximately $11.8 million by MPI Portfolio on account of the MPI Portfolio Note Claim, secured by MPI Portfolio's equity interests in the Wachovia Portfolio Borrowers. Arbor Funding is the holder of a "Junior Participation Interest" in the amount of $17.9 million; that is part of the $73.3 million outstanding amount owed by all Debtors except MPI Portfolio to the Lender.

In August of 2010, negotiations among Arbor 2004-1, Arbor Funding, and Debtors came to a head, resulting in the execution of a letter of intent (the "***Letter of Intent***", a copy of which is

attached to the Plan as Exhibit I). The Letter of Intent provides for a plan funding arrangement whereby Arbor has become the co-sponsor of the Plan.

D. Potential Causes of Action and Preservation of Such Causes of Action

1. *Potential Bankruptcy Causes of Action*

Debtors' Avoidance Actions, if any, will be pursued by Debtors prior to the Effective Date and by the Liquidating Trustee after the Effective Date. Proceeds of the Avoidance Actions will be used to make Distributions under the Plan, including to holders of Allowed Claims. Debtors' Avoidance of Actions, if any, are each preserved herein and pursuant to Sections 6.2(c) and 6.3 of the Plan. Debtors' Retained Actions, if any, will be pursued by Debtors prior to the Effective Date and the Reorganized Debtors after the Effective Date. Proceeds of the Retained Actions will be used to make Distributions under the Plan, including to holders of Allowed Claims.

Included in the Avoidance Actions that Debtors may have under state and other federal laws and pursuant to Section 541 of the Bankruptcy Code are causes of action that allow a debtor to recover transfers it has made prior to its bankruptcy filing. The most common such causes of action are those to recover preferences and fraudulent transfers.

2. *Preference Actions*

Under Sections 547 and 550 of the Bankruptcy Code, a debtor may seek to avoid and recover certain payments made by the debtor to or for the benefit of a creditor, within the ninety days prior to the petition date, in respect of an antecedent debt if such transfer was made when the debtor was insolvent. Transfers made to a creditor that was an "insider" of the debtor are subject to these provisions if the payment was made within one year of a debtor's filing of a petition under Chapter 11. Under Section 547, certain defenses, in addition to the solvency of the debtor at the time of the transfer, are available to a creditor from which a preference recovery is sought. Among other defenses, a debtor may not recover a payment to the extent such creditor subsequently gave new value to the debtor for which the creditor was not paid pursuant to a payment that is not otherwise avoidable (the "***New Value Defense***"). A debtor may not recover a payment to the extent such payment was part of a substantially contemporaneous exchange between the debtor and the creditor (the "***Substantially Contemporaneous Exchange Defense***"). Further, a debtor may not recover a payment if such payment was made in the ordinary course of business of both the debtor and the creditor (the "***Ordinary Course Defense***"). The debtor has the initial burden of proof in demonstrating the existence of all the elements of a preference, although there is a rebuttable presumption that the debtor was insolvent during the ninety days prior to the commencement of its bankruptcy case. The creditor has the initial burden of proof as to the foregoing defenses.

Each of Debtors' Schedules include a listing of payments made in the 90 days immediately preceding the Petition Date and a listing of all payments to insiders made in the one year prior to the Petition Date. As set forth in such Schedules, Debtors made approximately $1.5 million of payments during the applicable preference period. Attached hereto as Exhibit B

is a listing of all such transfers, as well as the recipient and amount of money transferred to such recipients, by Debtors during the 90 day period prior to the Petition Date. Debtors have not performed an analysis of such payments. Because Debtors have yet to conduct an analysis of the potential for recovery of all of these payments, the Plan Proponents cannot estimate the amount of any potential recovery, if any, from litigation surrounding such payments. Debtors and/or the Liquidating Trustee will review such transfers and determine whether and which transfers will be pursued in future litigation.

THE SCHEDULE OF POTENTIAL PREFERENCE PAYMENTS ATTACHED TO THIS DISCLOSURE STATEMENT AS EXHIBIT B IS NON-EXHAUSTIVE AND MEANT TO BE ILLUSTRATIVE AND SHALL NOT PRECLUDE THE DEBTORS, THE ESTATES, THE LIQUIDATING TRUSTEE OR ANY OTHER AUTHORIZED PERSON OR ENTITY FROM PURSUING OTHER AND ADDITIONAL AVOIDANCE ACTIONS. THE DEBTORS HAVE EXCLUDED PAYMENTS TO RONALD L. GLASS, IN HIS THEN-CAPACITY AS CHIEF RESTRUCTURING OFFICER, GLASSRATNER ADVISORY & CAPITAL GROUP, LLC, AND OTHER PRE-PETITION DATE PROFESSIONALS, INCLUDING DEBTORS' COUNSEL, BERGER SINGERMAN, P.A. AND FOLTZ MARTIN, LLP.

3. ***Fraudulent Conveyances and Transfers***

Under Sections 548 and 550 of the Bankruptcy Code and under state law made applicable in bankruptcy cases by Section 544(b) of the Bankruptcy Code, a debtor in possession or a trustee in bankruptcy, if a trustee is appointed or elected, may recover a transfer of property if the transfer was made while the debtor was insolvent, was unable to pay its debts as they mature, or has unreasonably small capital if, or to the extent, the debtor received less than reasonably equivalent consideration or fair value for such property and may recover a transfer made by the debtor with actual intent to hinder, delay or defraud its creditors. Such rights of the debtor or trustee preclude any creditor as to whom a transfer was also fraudulent from pursuing a similar action unless the trustee declines to bring such action or to administer such claim. Section 548 of the Bankruptcy Code applies to transfers made during the two years prior to the Petition Date. Various State laws may provide a considerably longer period of up to six years within which such action may be brought.

4. ***Disallowance of Claims***

Under Section 502(d) of the Bankruptcy Code, any Claim asserted by a Creditor shall be disallowed in its entirety if such Creditor has received a transfer, such as a preference or fraudulent transfer, that is voidable under the Bankruptcy Code and has failed to repay such transfer.

5. ***Specific Claims***

Debtors have not yet conducted an investigation into potential preference and fraudulent conveyance causes of action under Sections 547, 548 and 544 of the Bankruptcy Code and applicable state law. Debtors and/or the Liquidating Trustee will conduct this investigation and, if warranted, preference and fraudulent conveyance claims will be asserted.

Debtors are continuing to analyze the ZBA previously in place and investigate claims based thereon that might be pursued against, among others, Daniel J. Miles' Chapter 7 bankruptcy estate (Mr. Miles is a Chapter 7 debtor before the Bankruptcy Court, Case No. 09-92601-MHM). With respect to such a claim, and other claims against Mr. Miles' estate, Debtors (excepting MPI Portfolio) filed a Proof of Claim (Claim No. 65-1). In relevant part, the Proof of Claim asserts any claims on behalf of limited liability companies for which MPI served or serves as property manager, that is, Debtors (excepting MPI Portfolio), as well as claims by Debtor MPI Portfolio=, against Mr. Miles' estate for contribution and/or indemnification or other legal theory. Any ZBA-related claims might be asserted against other directors and officers of MPI, excluding Ronald L. Glass, Debtors' Interim Chief Executive Officer, and James L. Mauck, Jr., Miles Properties, Inc.'s Chief Financial Officer.

Debtors and the Liquidating Trustee intend to continue such investigation into the above Retained Actions and Avoidance Actions, respectively, and any other causes of action that may exist.

6. ***Preservation of Claims and Causes of Action***

Section 6.2(c) of the Plan provides, in part, that the Avoidance Actions "are hereby preserved and retained for enforcement solely and exclusively and in the discretion of the Liquidating Trustee and are vested in the Liquidating Trustee on the Effective Date, who shall be designated as the representative of the Debtors' Estates pursuant to 11 U.S.C. § 1123(b)(3)(B)." The Liquidating Trustee shall, therefore, have the right to prepare, file, pursue, prosecute and settle the Avoidance Actions, whether or not such Avoidance Actions have been asserted or commenced as of the Effective Date, as a representative of the estate pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code appointed for such purpose for the benefit of holders of Allowed Claims.

To the extent that certain Avoidance Actions are filed by Debtors and are not resolved prior to the Effective Date, such Avoidance Actions will be transferred to and vest in the Reorganized Debtors under the control of the Liquidating Trustee pursuant to the terms of the Plan.

The Avoidance of Action include specifically, but without limitation, the following:[10]

(a) Any and all claims and causes of action under state or federal law against any and all of the members, managers, shareholders, principals, employees, agents and affiliates of, and professionals employed by, Debtors and of any affiliates of Debtors, including without limitation, in any way related to, including providing aid and assistance in connection with: (i) the operation, management, funding and fund raising of Debtors, including without limitation, breach of fiduciary duty, negligence, negligent management, fraud, civil theft, civil RICO or

[10] Notwithstanding the specificity of the claims and causes of action described in this Disclosure Statement, nothing in the Plan or this Disclosure Statement will limit or restrict in any way the rights of the Liquidating Trustee in connection with pursuing any and all Avoidance Actions, and pursuant to the terms of the Plan.

conspiracy, conversion, alter ego, misrepresentation, professional malpractice, corporate advantage, theft of corporate opportunities, wasting of corporate assets, equitable subordination of claims, breach of contract and federal or state statutory claims (including securities laws violations), as well as aiding and abetting any of the above; (ii) the sale, transfer, exchange or disposition of any property of Debtors or any of their respective affiliates, or any preferred stock, common stock or equity or similar interest or securities therein, either prior to or after the Petition Date; or (iii) the conversion, misappropriation or misapplication of property of Debtors or any of their respective affiliates or any products or proceeds therefrom.

(b) Any and all claims and causes of action, including Avoidance Actions, under state or federal law, including federal or state securities laws, against those persons or entities, who participated or had any involvement in, as transferor, transferee, recipient or otherwise, related to the sale, transfer, exchange or disposition of any property of Debtors or any of their respective affiliates, any preferred stock, common stock, or equity or similar interests or securities in Debtors or any of their respective affiliates or the products or proceeds thereof, including without limitation, under and pursuant to state preference and fraudulent conveyance laws and Sections 542 through 550 of the Bankruptcy Code.

(c) Any and all claims and causes of action involving or in any way related to the collection of accounts receivables, notes receivables, loans receivables or other receivables owed to Debtors.

(d) Any and all claims and causes of action seeking to subordinate, equitably or otherwise Claims filed against the Debtors' Estates, or to re-characterize such Claims as equity Interests in Debtors.

The Retained Actions include specifically, but without limitation, the following:[11] Any claims or causes of action not included among the claims comprising Avoidance Actions including, but not limited to, claims or causes of actions against former directors and officers,[12] including Daniel J. Miles or his bankruptcy estate, Case No. 09-92601-MHM, but excluding Ronald L. Glass, Debtors' Interim Chief Executive Officer, and James L. Mauck, Jr., Miles Properties, Inc.'s Chief Financial Officer, in any way related to providing aid and assistance in connection with: (i) the operation, management, funding and fund raising of Debtors, including without limitation, breach of fiduciary duty, negligence, negligent management, fraud, civil theft, civil RICO or conspiracy, conversion, alter ego, misrepresentation, professional malpractice, corporate advantage, theft of corporate opportunities, wasting of corporate assets, equitable

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[11] Notwithstanding the specificity of the claims and causes of action described in this Disclosure Statement, nothing in the Plan or this Disclosure Statement will limit or restrict in any way the rights of Reorganized Debtors in connection with pursuing any and all Retained Actions, and pursuant to the terms of the Plan.

[12] All such claims and causes of action shall include and encompass, without limitation, any and all claims, including bad faith claims, under any policies of insurance maintained by Debtors applicable to such claims and causes of action, including, without limitation, any directors' and officers' liability insurance policies.

subordination of claims, breach of contract and federal or state statutory claims (including securities laws violations), as well as aiding and abetting any of the above; (ii) the sale, transfer, exchange or disposition of any property of Debtors or any of their respective affiliates, or any preferred stock, common stock or equity or similar interest or securities therein, either prior to or after the Petition Date; (iii) the conversion, misappropriation or misapplication of property of Debtors or any of their respective affiliates or any products or proceeds therefrom; and (iv) concerning the ZBA.

In addition to the above, there may be claims and causes of action which currently exist or may subsequently arise that are not set forth specifically herein because the facts upon which such claims and causes of action rest are not fully or currently known by Debtors. The failure to list any such claims or causes of action is not intended to limit the rights of Reorganized Debtors and the Liquidating Trustee to pursue their respective claims and causes of action at such time as the facts giving rise thereto become fully known.

Unless any of the above described claims and causes of action are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or by Final Order of the Bankruptcy Court, all such claims and causes of action are expressly reserved and preserved for later adjudication and, therefore, no preclusion doctrine, including without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to such claims and causes of action upon or after confirmation or consummation of the Plan.

Furthermore, notwithstanding any provision or interpretation to the contrary, nothing in the Plan or the Confirmation Order, including the entry thereof, shall be deemed to constitute a release, waiver, impediment, relinquishment or bar, in whole or in part, of or to any recovery rights or any other claim, right or cause of action possessed by Debtors or Debtors' Estates prior to the Effective Date.

ANY CREDITOR OR PARTY IN INTEREST VOTING ON THE PLAN SHOULD ASSUME IN CONNECTION WITH SUCH VOTE THAT AVOIDANCE ACTIONS AND RETAINED ACTIONS EXIST AGAINST SUCH CREDITOR OR PARTY IN INTEREST, AND THAT REORGANIZED DEBTORS AND THE LIQUIDATING TRUSTEE INTEND TO AND SHALL PURSUE SUCH CAUSES OF ACTION.

VI.
MEANS OF IMPLEMENTATION OF THE PLAN

A. Termination of Equitable, Legal, and Contractual Subordination Rights

The classification and manner of satisfying all Claims and Interests under the Plan takes into consideration all contractual, legal, and equitable subordination and subrogation rights, whether arising under general principles of equitable subordination, Section 510(c) of the Bankruptcy Code or otherwise, that any Creditor or holder of an Interest may have against any other Creditor or holder of an Interest with respect to any distribution made pursuant to the Plan. Upon Confirmation, all contractual, legal, or equitable subordination or subrogation rights that a Creditor or holder of an Interest may have with respect to any distribution to be made pursuant to

the Plan shall be discharged and terminated, and all actions related to the enforcement of such subordination or subrogation rights shall be permanently enjoined. Accordingly, holders of Allowed Claims shall not be subject to payment to a beneficiary of such terminated subordination or subrogation rights, or to levy, garnishment, attachment, or other legal process by any such beneficiary, on account of such terminated subordination or subrogation rights. Notwithstanding the foregoing, nothing herein shall in any way alter the subordination provisions or other rights of the parties under the Participation Agreement Amendment or the Amended Intercreditor Agreement, which shall be fully enforceable according to their terms.

B. Transfer and Vesting of Debtors' Assets

1. ***Reorganization via Debt Assumption***

On the Effective Date in a Reorganization via Debt Assumption, the Purchasers shall (i) acquire all assets set forth in the Purchase and Sale Agreement from Debtors, (ii) make the Arbor Contribution (or the amount of the Arbor Contribution plus the Auction Overbid, if higher) to the Cash Collateral, and (iii) execute the Amended Loan Documents, and assume all obligations of Debtors thereunder. Also on the Effective Date in a Reorganization via Debt Assumption, the Arbor Guarantor (or, if the Purchasers are not the Arbor Purchasers, an affiliate of the Purchasers) shall execute the Arbor Guaranty, and GA Portfolio (or, if the Purchasers are not the Arbor Purchasers, the parent company of the Purchasers) shall execute the Amended MPI Portfolio Note, and assume all obligations of MPI Portfolio thereunder. As a result, Debtors and their Estates shall no longer own any assets, except for the Unsecured Creditors' Assets; nor shall Debtors or their Estates have any interest in the Cash Collateral, except for the distributions from Cash Collateral required by Section 6.2(d) of the Plan.

2. ***Reorganization via Free and Clear Sale***

Alternatively, on the Effective Date in a Reorganization via Free and Clear Sale, the Purchasers shall acquire all assets set forth in the Purchase and Sale Agreement from Debtors. As a result, Debtors and their Estates shall no longer own any assets except for the Unsecured Creditors' Assets; nor shall Debtors or their Estates have any interest in the Cash Collateral, except for the distributions from Cash Collateral required by Section 6.2(d) of the Plan.

3. ***Vesting of the Debtors' Assets***

Regardless of whether there is a Reorganization via Debt Assumption or a Reorganization via Free and Clear Sale, on the Effective Date all assets and property of each Debtors' Estate transferred to the Purchasers pursuant to the Purchase and Sale Agreement shall vest in the applicable Purchaser free and clear of all liens and other encumbrances, except for the liens and encumbrances of the Lender in a Reorganization via Debt Assumption, and the liens and encumbrances of any party holding an Allowed Class 3 Claim that is reinstated under Section 4.3(i) of the Plan. In addition, pursuant to prior cash collateral orders of the Bankruptcy Court, any utility deposits made by Debtors shall be returned to Debtors' estate for the credit of the Purchaser, and shall, in a Reorganization via Debt Assumption, be treated as Property revenues and applied in strict adherence to the Amended Loan Documents, or in a

Reorganization via Free and Clear Sale, shall be treated as additional sale proceeds and applied against the Lender Claims. All Unsecured Creditors' Assets, except the Retained Actions, which on the Effective Date shall vest in Reorganized Debtors, are hereby preserved and retained for enforcement solely and exclusively and in the discretion of the Liquidating Trustee and are vested in the Liquidating Trustee on the Effective Date, who shall be designated as the representative of the Debtors' Estates for purposes of liquidating all Unsecured Creditors' Assets (except the Retained Actions), pursuant to 11 U.S.C. § 1123(b)(3)(B). The Retained Actions shall vest solely in the Reorganized Debtors pursuant to 11 U.S.C. § 1123(b)(3)(B).

4. ***Distributions on the Effective Date***

First, no later than two business days after the Confirmation Date, all parties expecting to submit a Fee Request shall provide an estimate of their unpaid and expected fees and expenses through the Effective Date to Arbor and Wachovia. On the Effective Date, an amount equal to that estimate shall be segregated from the Cash Collateral and placed in escrow pending approval of the Fee Requests. To the extent that amount is insufficient to pay all Fee Requests in full once approved by a Final Order, Wachovia shall supplement the amount from Cash Collateral upon entry of a Final Order; and to the extent that amount is greater than what is necessary to pay all Fee Requests in full once approved by a Final Order, the balance of the funds set aside shall be returned to Wachovia as Cash Collateral.

Second, the Liquidating Trust shall receive the Estates' Share of Proceeds, $250,000 of which shall come from Cash Collateral and $50,000 of which shall be delivered by MPI in connection with certain monthly fee based payments received from Hediger, pursuant to the Purchase and Sale Agreement , related to the management of Miles-Cherry Hill, Miles-Fox Hollow, Miles-Oak Park, MPI Azalea, MPI British Woods, MPI Cimarron, MPI Palms West and MPI Sunset Place (the "***Fee Based Payments***"). MPI shall deliver to the Liquidating Trust the Fee Based Payments no later than the 20th day of each month until $50,000 has been delivered in aggregate. If MPI ceases receiving the Fee Based Payments prior to delivering $50,000 in aggregate to the Liquidating Trust, then MPI shall deliver the balance of the $50,000 due to the Liquidating Trust within 10 business days of receiving notice that the Fee Based Payments will be discontinued. The Liquidating Trust shall also receive the Estates' Share of Auction Overbid which shall be delivered by the Purchasers.

Third, to the extent not already paid, Wachovia's Expenses shall be paid out of Cash Collateral.

Fourth, in a Reorganization via Debt Assumption, the Purchasers shall receive $150,000 from the Cash Collateral to be applied against their professional fees incurred in connection with the Reorganization Cases. To the extent the Arbor Purchasers are not the Successful Bidder at the Auction, regardless of whether there is a Reorganization via Debt Assumption or a Reorganization via Free and Clear Sale, Arbor shall receive the break-up fee from the Free and Clear Sale Proceeds on the terms and conditions set forth in the Plan Support and Bidding Procedures Order.

Any Cash Collateral distributed or advanced by Wachovia prior to the Effective Date to Debtors or their property manager for the payment of Allowed Administrative Claims against the Debtors shall, if such funds have not be paid to holders of Allowed Administrative Claims (with checks in float assumed to be amounts paid as long as the funds subsequently clear the payor's account) either be (i) immediately paid to holders of Allowed Administrative Claims designated by the Purchasers, or (ii) returned to Wachovia and treated as Cash Collateral.

The balance of the remaining Cash Collateral after the distributions described above shall be retained by Wachovia and (y) in Reorganization via Debt Assumption, allocated to the various reserves and escrow accounts in accordance with the Amended Loan Documents, or (z) in a Reorganization via Free and Clear Sale, applied against the Lender's Claims, provided, however, that in either case, sufficient reserves or escrows shall be established in the event the amount set aside for Fee Requests is insufficient to pay all Allowed Fee Requests.

C. Appointment of the Liquidating Trustee and Transfer of Unsecured Creditors' Assets

(a) Subject to subpart (b) immediately below, on the Effective Date or as soon thereafter as is practicable, the Unsecured Creditors' Assets, except the Retained Actions (which shall, upon the Effective Date, vest in Reorganized Debtors), shall be transferred to the Liquidating Trust. The Liquidating Trust shall also assume all Administrative Claims which arise after the Effective Date, including, without limitation, all fees payable pursuant to Section 1930 of Title 28 of the United States Code arising after the Effective Date, until a final decree is entered in the Reorganization Cases.

(b) At any time prior to the Effective Date, Ronald L. Glass, Debtors' Interim Chief Executive Officer, may determine in his sole discretion to liquidate and distribute the Unsecured Creditors' Assets by use of a plan administrator instead of a Liquidating Trustee if (i) in his business judgment he determines that doing so is advantageous to the holders of General Unsecured Claims and (ii) doing so does not diminish the expected distribution to holders of General Unsecured Claims under the Plan. If such an election is made, then there shall not be a Liquidating Trust and all references to the Liquidating Trust or the Liquidating Trustee under the Plan shall be deemed to refer to the plan administrator.

(c) On or as soon as practicable after the Effective Date, the Liquidating Trustee shall be authorized to pay from the Unsecured Creditors' Assets all Allowed Administrative Claims, to the extent not assumed by the Purchasers.

(d) As of the Effective Date, the Liquidating Trustee shall act in a fiduciary capacity for the holders of all Allowed General Unsecured Claims and shall have only those rights, powers, and duties conferred to him/her by the Plan, as well as the rights and powers of a trustee under Sections 542 through 552 of the Bankruptcy Code and the duties of a trustee under Sections 704(1), (2), (4), (5), (7), and (9) of the Bankruptcy Code. The Liquidating Trustee shall administer the Plan subject to the foregoing duties and powers, which shall include the following:

(i) To prosecute, compromise, or settle objections to General Unsecured Claims and to make or direct that Distributions be made to holders of Allowed General Unsecured Claims;

(ii) To make decisions regarding the retention or engagement of professionals and to pay all reasonable fees and expenses incurred by such professionals after the Effective Date;

(iii) To make or direct distributions to holders of Allowed General Unsecured Claims and to otherwise implement and administer the Plan;

(iv) To pursue, litigate or settle all Avoidance Actions, and to the extent reasonable or necessary, to cooperate with the Reorganized Debtors to the extent any Retained Actions prosecuted by Reorganized Debtors are also pursued against a party that may be liable on an Avoidance Action;

(v) To file with the Bankruptcy Court the reports and other documents, and to pay any and all fees required by the Plan or otherwise required, to close the Reorganization Cases;

(vi) To set off amounts owed to Debtors against any and all amounts otherwise due to be distributed to the holder of any Allowed Claim under the Plan; and

(vii) To take all other actions not inconsistent with the provisions of the Plan deemed necessary or desirable in connection with administering the Plan.

(e) The Liquidating Trustee shall be compensated from the Unsecured Creditors' Assets. The Liquidating Trustee shall be entitled to bill for his services at the hourly rate he/she charges in the ordinary course of business and shall be compensated for such services from available Cash. The Liquidating Trustee may engage counsel and other professionals to represent him/her in connection with his/her duties hereunder (the "Post-Confirmation Professionals"); provided, however, that Post-Confirmation Professionals shall not be precluded from representing the Liquidating Trustee to the extent that certain of their Administrative Claims remain unpaid. Any fees and expenses of such Post-Confirmation Professionals shall

constitute post-confirmation Administrative Claims, but shall be paid solely from the Unsecured Creditors' Assets.

(f) The Post-Confirmation Professionals shall be paid 90% of their fees and 100% of their costs on a monthly basis from the Unsecured Creditors' Assets. Post-Confirmation Professionals shall file fee applications no less frequently than every 120 days seeking approval of fees and expenses to be awarded by the Bankruptcy Court, including approval of the amounts paid on a monthly basis. A Post-Confirmation Professional who fails to file an application seeking approval of compensation and expenses previously paid when such application is due every 120 days shall preclude such Post-Confirmation Professional from being paid monthly as provided herein until an interim fee application has been filed and heard by the Bankruptcy Court. Upon the filing of each such application, the Post-Confirmation Professionals shall be entitled to request the payment of some or all of any pending holdbacks in fees. The Bankruptcy Court shall retain jurisdiction to allow or disallow all post-confirmation Administrative Claims of the Liquidating Trustee and the Post-Confirmation Professionals. The invoices for services rendered and out-of-pocket expenses incurred which are to be submitted shall be sufficiently detailed to identify the hours worked, the rates charged, and the work performed.

(g) The Liquidating Trustee may employ such staff as is reasonably necessary to carry out his/her functions and duties, store the books and records of Reorganized Debtors, and compensate such staff and pay for such premises from the Unsecured Creditors' Assets.

(h) The Liquidating Trustee may resign at any time; provided, however, that he/she shall file a motion with the Bankruptcy Court in connection therewith and request that a successor or replacement be appointed in accordance herewith, which motion shall be on notice to the twenty (20) largest creditors of each Debtor holding Allowed General Unsecured Claims and the Office of the United States Trustee. The Office of the United States Trustee or any party in interest, by motion filed with the Bankruptcy Court, or the Bankruptcy Court on it own order to show cause, may seek to remove the Liquidating Trustee for cause, including under Section 324 of the Bankruptcy Code, for the violation of any material provision of the Plan, or in the event the Liquidating Trustee becomes incapable of acting hereunder as a result of physical or mental disability and such physical or mental disability continues for a period in excess of thirty (30) days (except in the case of death, in which instance the procedures for replacement will begin immediately). In the event of a resignation or removal, the Liquidating Trustee, unless he/she is incapable of doing so, shall continue to perform his/her duties hereunder until such a time as a successor is approved by a Final Order of the Bankruptcy Court. In the event the Liquidating Trustee resigns or is removed, the successor shall be elected in the manner prescribed by Section 1104(b) of the Bankruptcy Code.

D. Management

On the Effective Date, all managers, officers, or other officials of Debtors shall be deemed to have resigned, without any further action on the part of any Person. Unless already set forth in the Disclosure Statement, on or before the Plan Documents Filing Date, the Plan Proponents shall have Filed a notice listing the Liquidating Trustee and the responsible party or

parties of Reorganized Debtors, and such notice shall include, in accordance with Section 1129(a)(5) of the Bankruptcy Code, (i) identity of and affiliations of the Liquidating Trustee and the responsible party or parties of Reorganized Debtors, and (ii) the identity of any insider (as such term is defined in Section 101(13) of the Bankruptcy Code) that will be employed and retained by the Liquidating Trustee or Reorganized Debtors, and the nature of any compensation for such insider.

E. Manner of Payments Under the Plan

At the option of the applicable payer, any cash payment to be made pursuant to the Plan may be made by a check or wire transfer or as otherwise required or provided in applicable agreements. Except as otherwise provided in the Plan, any payment or other distribution which any payer is required by the Plan to make to the holder of an Allowed Claim on the Effective Date shall be deemed timely made if made on or as soon as reasonably practicable after the Effective Date.

F. Unclaimed Consideration

If any Person entitled to receive cash or other consideration under the Plan cannot be located, does not respond to mailings to such Person's last known address according to Debtors' books and records, or does not negotiate any check representing a distribution within six months of receipt thereof, any such cash or other consideration (and accrued interest or dividends thereon) will revert to the payer, and in the case of the Liquidating Trust as payer, shall remain for the benefit of all other beneficiaries of the Liquidating Trust. The Liquidating Trustee shall not be required to attempt to locate such Person beyond six months after the Effective Date.

G. Term of Injunctions or Stays

Unless otherwise provided, all injunctions or stays provided for in the Reorganization Cases pursuant to Section 105 or 362 of the Bankruptcy Code or otherwise in effect on the Confirmation Date shall remain in full force and effect until the Effective Date. All distributions and transfers of property pursuant to the terms of the Plan shall be made free and clear of all Claims and Interests, except for in a Reorganization via Debt Assumption (i) the liens and encumbrances of the Lender, (ii) the liens and encumbrances granted to Arbor 2004-1 in the equity interests of the Arbor Purchasers, and (iii) the liens and encumbrances of any party holding an Allowed Class 3 Claim that is reinstated under Section 4.3(i) of the Plan. Upon the Confirmation of the Plan, all holders of Claims or Interests will be permanently enjoined from and restrained against commencing or continuing any suit, action, or proceeding, or asserting against any of Debtors, the Purchasers, or their assets or property, any Claim, Interest or cause of action based upon any act or omission, transaction or other activity of any kind or nature that occurred before the Confirmation Date.

H. Date for Objections to Claims or Interests

Unless an earlier date has been set by the Bankruptcy Court or a later date is set by the Bankruptcy Court upon a motion (that may be Filed *ex parte* by Reorganized Debtors or Liquidating Trustee), all objections to Claims or Interests shall be Filed no later than the later of

(i) 120 days after the Effective Date, or (ii) 120 days after a particular proof of Claim or Interest is Filed; provided, however, that all proofs of Claim or proofs of Interest Filed after the Effective Date shall be deemed disallowed by operation of the Plan and without any Person having to File an objection thereto, with the exception of those Claims which may be filed after the Confirmation Date pursuant to Section 7.2 of the Plan. Notwithstanding anything to the contrary in the Plan or the Liquidating Trust Agreement, on and after the Effective Date, only Arbor shall have the right to prosecute or seek to settle any objections to Administrative Claims, Priority Tax Claims, Class 1 Priority Claims, and Class 3 Other Secured Claims.

I. Corporate Action

On the Effective Date, the cancellation of all Interests, the execution and delivery of all documents contemplated by the Plan or any exhibit thereto to be executed and delivered in connection with the Plan, and all other matters provided for by the Plan involving corporate action by Debtors shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to applicable state law governing Debtors, without any requirement of further action by any members, managers, or holders of Interests in Debtors or Reorganized Debtors.

J. Compliance with Tax Requirements

To the extent applicable, Reorganized Debtors and the Liquidating Trustee will comply with all tax withholding and reporting requirements imposed on them in connection with any distribution made pursuant to the Plan.

K. Dissolution of the Debtors

After the entry of a final decree in the Reorganization Cases, or earlier if deemed appropriate by Reorganized Debtors, Reorganized Debtors shall be dissolved. To the extent necessary or appropriate, Reorganized Debtors or the Liquidating Trustee shall file papers with the appropriate Governmental Unit (as defined under the Bankruptcy Code) to effectuate such dissolution, and the Plan and Confirmation Order shall be conclusive evidence of all necessary corporate authority to cause such dissolution to occur and be recognized.

L. Post-Confirmation Insurance Cancellation Reimbursement

To the extent there are fees, unpaid premiums and/or taxes arising out of the cancellation of insurance policies covering Debtors' Properties such fees, unpaid premiums and/or taxes, if any, shall be reimbursed to MPI or Affiliated Debtors in whose names the policies were issued, through the Arbor Contribution.

M. Plan Binding

The provisions of the Plan shall bind all Creditors and holders of Interests, regardless of whether they accept the Plan as contemplated by Section 1141(a) of the Bankruptcy Code.

N. Discharge

Pursuant to Sections 363(f), 524, and 1141(d)(1) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or the Confirmation Order, as of the Effective Date, Confirmation shall discharge and release Debtors and their Estates, Reorganized Debtors, the Purchasers, and all property of Debtors and their Estates or the Purchasers from any and all Claims, debts, liens, security interests, encumbrances and Interests that arose before the Confirmation Date including, but not limited to, all principal and any interest accrued thereon, and all liabilities in respect thereof shall be extinguished completely. The distributions of cash and other property or other performance under the Plan shall be in exchange for and in complete satisfaction, discharge, and release of all Claims against and Interests in Debtors, Reorganized Debtors, the Purchasers, or any of their assets or properties that arose prior to the Confirmation Date, including any Claim for interest accruing after the Petition Date and prior to the Effective Date. On and after the Effective Date, except as specifically provided in the Plan, all holders of Claims and Interests arising prior to the Confirmation Date shall be permanently barred and enjoined from asserting against any Debtor, Reorganized Debtor, the Purchasers, or their respective assets any other or further Claims or Interest that arose prior to the Confirmation Date, including Claims based on any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date.

O. Release of Arbor Released Parties

As of the Effective Date, and except for the specific obligations and Claims assumed under the Plan, the Arbor Released Parties shall be released by the Debtor Released Parties and the Wachovia Released Parties from any and all Claims, Avoidance Actions, Retained Actions, debts, liens, security interests, encumbrances, and Interests that arose before the Confirmation Date (including, but not limited to, all principal and any interest accrued thereon) held by the Debtor Released Parties or the Wachovia Released Parties and that are in any way relating to Debtors or their bankruptcy cases.

Under the Plan, the "***Arbor Released Parties***" means Arbor, Arbor Realty Mortgage Securities 2004-1, Ltd., Arbor Realty Funding, LLC, Arbor Realty Trust, Inc., and their respective affiliates, including their respective officers, directors, members, managers, representatives, legal counsel, financial advisors, and/or other agents, and their respective successors and assigns.

P. Release of Debtor Released Parties

As of the Effective Date, and except for the specific obligations and Claims assumed under the Plan, the Debtor Released Parties shall be released by the Arbor Released Parties and the Wachovia Released Parties from any and all Claims, including the Lender Claims and the MPI Portfolio Note Claim, Avoidance Actions, debts, liens, security interests, encumbrances, and Interests that arose before the Confirmation Date (including, but not limited to, all principal and any interest accrued thereon) held by the Arbor Released Parties and the Wachovia Released Parties and that are in any way relating to Debtors or their bankruptcy cases.

Under the Plan, the "***Debtor Released Parties***" means Miles-Cherry Hill, Miles-Fox Hollow, Miles-Oak Park, MPI Azalea, MPI British Woods, MPI Cimarron, MPI Palms West, MPI Portfolio, and MPI Sunset Place, and their respective officers, including Ronald L. Glass, Debtors' Interim Chief Executive Officer, directors, members, managers, representatives, legal counsel, financial advisors and/or other agents, and their respective successors and assigns, and James L. Mauck, Jr., Miles Properties, Inc.'s Chief Financial Officer; provided, however, that Debtor Released Parties shall not under any circumstances include Daniel J. Miles or his Chapter 7 bankruptcy estate, Case No. 09-92601-MHM, which case is also pending before the Bankruptcy Court.

Q. Release of Wachovia Released Parties

As of the Effective Date, and except for the specific obligations and Claims assumed under the Plan, the Wachovia Released Parties shall be released by the Arbor Released Parties and Debtor Released Parties from any and all Claims, Avoidance Action, Retained Actions, debts, liens, security interests, encumbrances, and Interests that arose before the Confirmation Date (including, but not limited to, all principal and any interest accrued thereon) held by the Arbor Released Parties or the Debtor Released Parties and that are in any way relating to Debtors or their bankruptcy cases.

Under the Plan, the "***Wachovia Released Parties***" means Wachovia and its affiliates, the Lender and its affiliates, and Wachovia Bank Commercial Mortgage Trust, Commercial Mortgage Pass-Through Certificates, Series 2007-Whale 8, including their respective officers, directors, members, managers, representatives, legal counsel, financial advisors, and/or other agents, and their respective successors and assigns.

R. Section 1146 Exemption

Pursuant to Section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of any security under the Plan, the making or delivery of any and all instruments evidencing the transfer of property interests, or the making or delivery of mortgages, deeds to secure debt, or other security instruments executed pursuant to, in implementation of, or as contemplated by the Plan including, without limitation, deeds and mortgages to which any Debtor or Purchaser is a party whether as grantor or grantee, shall not be taxed under any law imposing a stamp tax, deed stamps, documentary stamp tax, transfer tax, mortgage recording tax, intangible tax, or similar tax.

The exempt transfer instruments shall include, without limitation, all instruments evidencing the transfer of the Properties to the Purchasers and, in a Reorganization via Debt Assumption, the Purchasers' granting of security interests, mortgages, deeds of trust, or deeds in favor of Wachovia or the Lender.

S. Exculpations and Injunctions

Exculpations. Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, the Debtor Released Parties, the Arbor Released Parties, and the Wachovia Released Parties (collectively, the "Exculpated Parties"), shall be deemed to

have been released by each other, the Purchasers, the Newco SPEs (as defined in the Letter of Intent), and all holders of Claims or Interests, of and from any Claims, obligations, rights, causes of action and liabilities for any act or omission occurring from and after the Petition Date in connection with, or arising out of, the **Reorganization Cases, including, without limiting the generality of the foregoing, any sales of assets of some or all of Debtors' Estates, the negotiation of the terms of the Plan and the Disclosure Statement, the pursuit of approval of the Disclosure Statement, the pursuit of confirmation of the Plan, the consummation of the Plan, and the administration of the Plan or the property to be distributed under the Plan, except for acts or omissions which constitute bad faith, willful misconduct, self dealing, breach of fiduciary duty, or gross negligence, and all such Persons, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and under the Bankruptcy Code. Notwithstanding anything herein to the contrary, the exculpations and releases provided for herein shall not apply to any acts or omissions that occurred prior to the Petition Date, and for the avoidance of doubt, the defined term "Exculpated Parties" does not include Daniel J. Miles or his Chapter 7 bankruptcy estate, Case No. 09-92601-MHM, which case is also pending before the Bankruptcy Court.**

Injunctions. As of the Confirmation Date, except as otherwise provided in the Plan or the Confirmation Order, the Purchasers, the Newco SPEs (as defined in the Letter of Intent), the Wachovia Released Parties, the Arbor Released Parties, and any Persons that have held, currently hold, or may hold a Claim, Interest, or other debt or liability that is treated pursuant to the terms of the Plan are enjoined from taking any of the following actions on account of any such Claims, Interests, debts, or liabilities, other than actions brought to enforce any rights or obligations under the Plan, against Debtors, Reorganized Debtors, the property of Debtors' respective estates, the Liquidating Trustee, or the Purchasers (or any of the foregoing parties respective affiliates): (i) commencing or continuing in any manner any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any lien or encumbrance; (iv) asserting a setoff or right of recoupment of any kind against any debt, liability, or obligation; and (v) 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. Notwithstanding the foregoing, the Plan does not release, impair, waive, or serve as any impediment whatsoever of the prosecution of any Retained Actions, except for those Retained Actions against the Arbor Released Parties and the Wachovia Released Parties that are released under Sections 8.3 and 8.5 of the Plan.

VII.
CONFIRMATION OF THE PLAN

A. Requirements For Confirmation of a Plan

At the Confirmation Hearing, the Bankruptcy Court must determine whether the Bankruptcy Code's requirements for confirmation of the Plan have been satisfied, in which event

the Bankruptcy Court will enter an order confirming the Plan. As set forth in Section 1129 of the Bankruptcy Code, these requirements are as follows:

- The plan complies with the applicable provisions of the Bankruptcy Code.
- The proponent of the plan complied with the applicable provisions of the Bankruptcy Code.
- The plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised by the debtors, by the plan proponents, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in or in connection with the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.
- The proponent of the plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under the plan; and the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy.
- The proponent of the plan has disclosed the identity of any insider that will be employed or retained by the debtor, and the nature of any compensation for such insider.
- Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.
- With respect to each impaired class of claims or interests: each holder of a claim or interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor was liquidated on such date under Chapter 7 of the Bankruptcy Code on such date; or if Section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.
- With respect to each class of claims or interests: such class has accepted the plan or such class is not impaired under the plan.

- Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that:

(a) with respect to a claim of a kind specified in Section 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(b) with respect to a class of claims of a kind specified in Section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive:

(i) if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(ii) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim; and

(c) with respect to a claim of a kind specified in Section 507(a)(8) of the Bankruptcy Code, the holder of a claim will receive on account of such claim regular installment payments in cash —

(i) of a total value, as of the effective date of the plan, equal to the allowed amount of such claim;

(ii) over a period ending not later than five years after the date of the order for relief under Section 301, 302, or 303; and

(iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under Section 1122(b); and

(d) with respect to a secured claim which would otherwise meet the description of an unsecured claim of a governmental unit under Section 507(a)(8), but for the secured status of that claim, the holder of that claim will receive on account of that claim, cash payments, in the same manner and over the same period, as described in subparagraph (c) above.

If a class of claims is impaired under the plan, at least one class of claims that is impaired has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim of such class.

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 under the plan, unless such liquidation or reorganization is proposed in the plan.

All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payments of all such fees on the effective date of the plan.

The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in Section 1114 of the Bankruptcy Code, at the level established pursuant to Subsection (e)(1)(B) or (g) of Section 1114, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.

The Plan Proponents believe that the Plan satisfies all the statutory requirements of Chapter 11 of the Bankruptcy Code, that they have complied or will have complied with all the requirements of Chapter 11, and that the Plan is proposed in good faith.

The Plan Proponents believe that holders of all Allowed Claims impaired under the Plan will receive payments under the Plan having a present value as of the Effective Date not less than the amounts likely to be received if Debtors were liquidated in a case under Chapter 7 of the Bankruptcy Code. At the Confirmation Hearing, the Bankruptcy Court will determine whether holders of Allowed Claims would receive greater distributions under the Plan than they would receive in a liquidation under Chapter 7.

B. Cramdown

In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Plan Proponents if, as to each impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to that Class. A plan of reorganization "does not discriminate unfairly" within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its claims or equity interests.

"Fair and equitable" has different meanings with respect to the treatment of secured and unsecured claims. As set forth in Section 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

With respect to a class of secured claims, the plan provides:

(a) (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims; and

(ii) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property;

(b) for the sale, subject to Section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with

such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) and (b) of this subparagraph; or

(c) the realization by such holders of the "indubitable equivalent" of such claims.

With respect to a class of unsecured claims, the plan provides:

(a) that each holder of a claim of such class receive or retain 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

(b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

With respect to a class of equity interests, the plan provides:

(a) that each holder of an interest of such class receive no Distribution under the Plan and that all existing Interests shall be cancelled on the Effective Date; or

(b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property.

In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any rejecting impaired Class of claims or equity interests. For the reasons set forth above, the Plan Proponents believe the Plan does not discriminate unfairly against, and is fair and equitable with respect to, each impaired Class of Claims

VIII.
FINANCIAL INFORMATION AND FEASIBILITY

See Exhibit D hereto for an analysis of the feasibility of the Plan and certain financial information relating to Debtors' operating performance.

Under section 1129(a)(11) of the Bankruptcy Code, the Plan Proponents must show that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of Debtors or any successor to Debtors (unless such liquidation or reorganization is proposed in the Plan). The Bankruptcy Code does not require a guarantee of a successful reorganization, only that the Debtors can realistically carry out the provisions of the Plan and that the Plan offers a reasonable prospect of success. In the Matter of IPC Atlantic Ltd. P'ship, 142 B.R. 547, 559-60 (Bankr. N.D. Ga. 1992). The Plan complies with this requirement because (A) the Liquidating Trustee will use (i) $250,000 to be funded through Cash Collateral, (ii) $50,000 in Fee Based Payments, and (iii) funds added to Cash on hand after the Effective Date from the prosecution and/or settlement of Causes of Action and Retained Actions to fund

the Plan; and (B) all of the Retained Actions shall vest in and be retained by the Reorganized Debtors under their sole and exclusive control for the benefit of all holders of Allowed Claims under the Plan pursuant to and in accordance with the terms of section 1123(b)(3)(B) of the Bankruptcy Code or otherwise. The cash or property that is and will be made available to the Liquidating Trust will be sufficient to meet all obligations set forth in this Disclosure Statement and the accompanying Plan including, but not limited to, payments to holders of Allowed Claims. Provided the Plan is confirmed and consummated, confirmation of the Plan is not likely to be followed by the liquidation, or the need for a future reorganization or liquidation, and the Plan offers more than a reasonable prospect of success. *See id.*; 11 U.S.C. § 1129(a)(11).

DEBTORS' PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD LOOKING STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE BASED ON VARIOUS ASSUMPTIONS AND ESTIMATES WILL NOT BE UPDATED TO REFLECT EVENTS OCCURRING AFTER THE DATE HEREOF. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT RISKS INCLUDING, AMONG OTHER THINGS, THOSE DESCRIBED HEREIN. CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY SUCH PROJECTED FINANCIAL INFORMATION AND SUCH OTHER FORWARD LOOKING STATEMENTS.

IX.
RISK FACTORS

The following is intended as a summary of certain risks associated with the Plan, but it is not exhaustive and must be supplemented by the analysis and evaluation made by each holder of a Claim or Interest of the Plan and this Disclosure Statement as a whole with such holder's own advisors.

A. Insufficient Acceptances

For the Plan to be confirmed, each impaired Class of Claims is given the opportunity to vote to accept or reject the Plan. With regard to such impaired voting Classes, the Plan will be deemed accepted by a Class of impaired Claims if the Plan is accepted by claimants of such Class actually voting on the Plan who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Allowed Claims of the Class voted. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. The Plan Proponents reserve the right to request confirmation pursuant to the cramdown provisions in Section 1129(b) of the Bankruptcy Code, which will allow confirmation of the Plan regardless of the fact that a particular Class of Claims or Interests has not accepted the Plan. However, there can be no assurance that any impaired Class of Claims under the Plan will accept the Plan or that the Debtors would be able to use the cramdown provisions of the Bankruptcy Code for confirmation of the Plan.

B. Confirmation Risks

The following specific risks exist with respect to confirmation of the Plan:

First, any objection to confirmation of the Plan filed by a member of a Class of Claims or Interests can either prevent confirmation of the Plan or delay confirmation for a significant period of time.

Second, since the Plan Proponents may be seeking to obtain approval of the Plan over the rejection of one or more impaired Classes of Claims or Interests, the cramdown process could delay confirmation.

C. Conditions Precedent

Confirmation of the Plan and occurrence of the Effective Date are subject to certain conditions precedent that may never occur. The Plan Proponents, however, are working diligently with all parties in interest to ensure that all conditions precedent are satisfied.

D. The Debtors Have No Duty To Update

The statements contained in this Disclosure Statement are made by the Plan Proponents as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Plan Proponents have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

E. No Representations Outside The Disclosure Statement Are Authorized

No representations concerning or related to the Debtors, the Reorganization Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance, or rejection, of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the Debtors' counsel and the Office of the United States Trustee.

F. Information Presented Is Based On The Debtors' Books And Records

While the Plan Proponents have endeavored to present information fairly in this Disclosure Statement, because of Debtors' financial difficulties, as well as the complexity of Debtors' financial matters, Debtors' books and records upon which this Disclosure Statement is based might be incomplete or inaccurate. The financial information contained herein, unless otherwise expressly indicated, is unaudited.

G. All Information Was Provided by Debtors And Was Relied Upon By Professionals

All counsel and other professionals for Debtors, including Interim Chief Executive Officer Ronald L. Glass, have relied upon information provided by Debtors in connection with preparation of this Disclosure Statement. Although counsel for Debtors and the other Plan Proponents have performed certain limited due diligence in connection with the preparation of

this Disclosure Statement, counsel has not verified independently the information contained herein.

H. No Legal Or Tax Advice Is Provided To You By This Disclosure Statement

The contents of this Disclosure Statement should **not** be construed as legal, business, or tax advice. Each Creditor or holder of an Interest should consult his, her, or its own legal counsel and accountant as to legal, tax, and other matters concerning his, her, or its Claim or Interest. This Disclosure Statement is **not** legal advice to you. This Disclosure Statement may **not** be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

I. No Admissions Made

Nothing contained herein shall constitute an admission of any fact or liability by any party (including, without limitation, Debtors) or to be deemed evidence of the tax or other legal effects of the Plan on Debtors or on holders of Claims or Interests.

J. No Waiver Of Right To Object Or Right To Recover Transfers And Estate Assets

A creditor's vote for or against the Plan does not constitute a waiver or release of any Claims or rights of Debtors (or any party in interest, as the case may be) to object to that creditor's Claim, or recover any Avoidance Action, Retained Action or other estate claim against that creditor, regardless of whether any Claims of Debtors or their respective estates are specifically or generally identified herein or in the Plan.

K. Bankruptcy Law Risks and Considerations

1. *Confirmation of the Plan is Not Assured*

Although Debtors believe that the Plan will satisfy all requirements necessary for Confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. There can also be no assurance that modifications to the Plan will not be required for Confirmation or that such modifications would not necessitate re-solicitation of votes.

2. *The Plan May Be Confirmed Without the Approval of All Creditors Through So-Called "Cramdown"*

If one or more Impaired Classes of Claims does not accept the Plan, the Bankruptcy Court may nonetheless confirm the Plan at Debtors' request, if all other conditions for Confirmation have been met and at least one Impaired Class of Claims has accepted the Plan (without including the vote of any insider in that Class) and, as to each Impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan does not discriminate unfairly and is fair and equitable. The votes of holders of Interests under Class 6 are not being solicited because such holders are not entitled to receive or retain under the Plan any interest in property on account of their Interests and such Interests are being canceled as part of the

confirmation process. That Class therefore is deemed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code. Accordingly, Debtors are seeking confirmation of the Plan pursuant to Section 1129(b) of the Bankruptcy Code with respect to all impaired Classes and may seek confirmation pursuant to "cramdown" if such Classes vote to reject the Plan. Notwithstanding the actual or deemed rejection by such Classes, Debtors believe that impaired Classes are being treated fairly and equitably under the Bankruptcy Code. Debtors therefore believe the Plan may be confirmed despite its deemed rejection by these Classes.

3. ***The Effective Date Might Be Delayed or Never Occur***

There can be no assurance as to the timing of the Effective Date or that it will occur. If the conditions precedent to the Effective Date set forth in the Plan have not occurred or been waived, the Confirmation Order shall be vacated in accordance with the Plan and such Confirmation Order. In that event, no Distributions would be made, and the holders of Claims and Interests would be restored to their previous position as of the moment before Confirmation, and the Debtors' obligations for Allowed Claims and the Interests would remain unchanged.

4. ***Allowed Claims in the Various Classes May Exceed Projections***

Debtors have also projected the allowed amount of Claims in each Class in the Best Interests Analysis. Certain Classes, and the Classes below them in priority, could be significantly affected by the allowance of Claims in an amount that is greater than projected.

X.
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Plan Proponents' primary alternative to the Plan is the liquidation of Debtors' assets under Chapter 7. After studying this alternative, the Plan Proponents have concluded that the Plan is the best option for creditors because the Plan was drafted to maximize recoveries by holders of Claims, assuming confirmation of the Plan and consummation of the transactions contemplated by the Plan. The following discussion provides a summary of the Plan Proponents' analysis leading to their conclusion that the Plan will provide the highest value to holders of Claims.

The Plan Proponents have analyzed whether a Chapter 7 liquidation of Debtors' assets would be in the best interest of holders of Claims. That analysis reflects a liquidation value that is substantially lower than the value that may be realized through the Plan. The Plan Proponents believe that a Chapter 7 conversion would result in substantial diminution in the value to be realized by holders of Claims because of (1) additional administrative expenses involved in the appointment of a trustee or trustees, attorneys, accountants, and other professionals to assist such trustee(s) in the case of a Chapter 7 proceeding; (2) additional expenses and claims, some of which would be entitled to priority in payments, that would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with an immediate sale or cessation of Debtors' operations; and (3) the substantial time that would elapse before creditors would receive any distribution in respect of their Claims. Consequently, the Plan Proponents believe that the Plan, which provides for satisfaction of all priority and administrative

claims, assumption of the Lenders' claims, and cash distributions to all other creditors, provides a greater return to holders of Claims than would liquidation under Chapter 7.

A preliminary liquidation analysis is on Exhibit C**.** The liquidation analysis assumes an orderly three month liquidation under Chapter 7, and as disclosed on Exhibit C, utilizes figures estimated by Debtors' management and professionals. Nothing in the liquidation analysis shall be dispositive of the allowance of any Claims or constitute a waiver by Debtors of their right to object to such Claims. Debtors are not stipulating to the validity or amount of any of the Claims set forth in the liquidation analysis. The amounts set forth in the liquidation analysis are simply based upon the proofs of Claim filed as of the bar date for filing such proofs of Claim, as well as amounts reflected on Debtors' Schedules. The liquidation analysis will continue to be updated as Debtors continue to analyze the Claims and bring any appropriate objections to the Claims.

XI.
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. In General.

The following discussion summarizes certain material U.S. federal income tax consequences expected to result from the consummation of the Plan. This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "***IRC***"), applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service.(the "***Service***"). There can be no assurance that the Service will not take a contrary view. No ruling from the Service has been or will be sought nor will any counsel provide a legal opinion as to any of the expected tax consequences set forth below.

Legislative, judicial or administrative changes or interpretations may be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences to the beneficial owners of Claims (each a "***Holder***" and collectively, the "***Holders***") or the Debtors. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences described herein.

The following summary is for general information only. The tax treatment of a Holder may vary depending upon such Holder's particular situation. This summary does not address all of the tax consequences that may be relevant to a Holder, including any alternative minimum tax consequences and does not address the tax consequences to a Holder that has made an agreement to resolve its claim in a manner not explicitly provided for in the Plan. This summary also does not address the U.S. federal income tax consequences to persons not entitled to vote on the Plan or Holders subject to special treatment under the U.S. federal income tax laws, such as brokers or dealers in securities or currencies, certain securities traders, tax-exempt entities, financial institutions, insurance companies, foreign persons, partnerships and other pass- through entities, Holders that hold Claims as a position in a "straddle" or as part of a "synthetic security," "hedging," "conversion" or other integrated transaction, Holders that have a "functional currency" other than the United States dollar and Holders that have acquired Claims in

connection with the performance of services. The following summary assumes that the Claims are held by Holders as "capital assets" within the meaning of Section 1221 of the IRC and that all Claims denominated as indebtedness are properly treated as debt for U.S. federal income tax purposes.

The tax treatment of Holders and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the distributions provided for by the Plan may vary, depending upon, among other things: (i) whether the Claim (or portion thereof) constitutes a Claim for principal or interest; (ii) the type of consideration received by the Holder in exchange for the Claim and whether the Holder receives distributions under the Plan in more than one taxable year; (iii) whether the Holder is a citizen or resident of the United States for tax purposes, is otherwise subject to U.S. federal income tax on a net basis, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the Holder acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the Holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (viii) whether the Holder has previously included in income accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the Holder; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; and (xi) whether the "market discount" rules are applicable to the Holder. Therefore, each Holder should consult its tax advisor for information that may be relevant to its particular situation and circumstances, and the particular tax consequences to such Holder of the transactions contemplated by the Plan.

THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT ITS TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND APPLICABLE NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, TAXPAYERS ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER UNDER THE INTERNAL REVENUE CODE, (B) ANY SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN, AND (C) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

B. U.S. Federal Income Tax Consequences to Debtors.

If there is a discharge of a debt obligation by a debtor (in the case of indebtedness with multiple obligors, indebtedness that is allocable to such debtor) for an amount less than the adjusted issue price (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments), such discharge generally would give rise to cancellation of debt ("***COD***") income, which must be included in the debtor's income. However, Debtors should be able to utilize a special tax provision which excludes from income debts discharged in a chapter 11 case (the "***Bankruptcy Exception***").

Under Section 108(b) of the IRC and Treasury Regulations that apply to members of a consolidated group, if Debtors do not recognize COD income under the Bankruptcy Exception they will be required to reduce certain tax attributes, including consolidated attributes, such as consolidated net operating losses and net operating loss carryforwards (and certain other losses, credits and carryforwards, if any) attributable to Debtors, attributes that arose in separate return limitation years of Debtors (if any), and Debtors' tax basis in their assets (but not below the amount of their liabilities remaining immediately after the discharge of indebtedness), in an amount generally equal to the amount of Debtors' COD income excluded from income under the Bankruptcy Exception. A "look-through rule" applies when asset basis reduction reduces the basis of stock of another member of the consolidated group and requires corresponding adjustments to be made to the attributes attributable to the lower-tier member.

As a result of the required attribute reduction resulting from the discharge of indebtedness, Debtors believe that a significant portion of NOLs (and alternative minimum tax NOLs) of Debtors will be eliminated after consummation of the Plan. Because Debtor is liquidating rather than continuing to operate in reorganized form, and because substantially all of Debtors' assets were sold to Hediger, any remaining NOLs allocable to Debtor are not expected to have material value.

The sale to Hediger and the liquidation of Debtors may trigger income or gain recognition by Debtors, However, Debtors' existing NOLs and capital losses (prior to being reduced as a result of any attribute reduction) should generally first be available to offset any such income or gain (with any capital losses available to only offset capital gains). Based on the amount of the Debtors' NOLs, Debtors do not anticipate owing regular U.S. federal income tax with respect to taxable years ending after the Petition Date. If, however, the Service were to prevail in assessing U.S. federal income tax for any of these years or for tax years ending prior to the Petition Date, payments of such taxes could reduce the amounts otherwise available for distribution under the Plan.

A corporation or a consolidated group of corporations may incur alternative minimum tax ("***AMT***") liability even where a NOL is generated for regular corporate income tax purposes or where NOL carryovers and certain other tax attributes are sufficient to eliminate taxable income as computed under the regular corporate income tax. In general, the AMT is imposed on a corporation's alternative minimum taxable income at a twenty percent (20%) rate to the extent such tax exceeds the corporation's regular U.S. federal income tax. For purposes of computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances

allowed in computing a corporation's regular U.S. federal income tax are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular tax purposes by available NOL carryforwards, a portion of a corporation's taxable income for AMT purposes may not be offset by available NOL carryforwards (as computed for AMT purposes). Although it is possible that Debtors could be liable for the AMT, at this time Debtors do not expect to incur a material amount of AMT.

C. U.S. Federal Income Tax Consequences to Holders of Claims.

The U.S. federal income tax consequences of the implementation of the Plan to the Claimants, typical of the holders of Claims and Interests who are entitled to vote to confirm or reject the Plan, will depend on a number of factors, including (i) whether the Claim constitutes a "security" for U.S. federal income tax purposes, (ii) the nature and origin of the Claim, (iii) the manner in which the holder acquired the Claim, (iv) the length of time the Claim has been held, (v) whether the Claim was acquired at a discount, (vi) whether the holder has taken a bad debt deduction or loss with respect to the Claim (or any portion thereof) in the current year or in any prior year, (vii) whether the holder has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (viii) the holder's method of tax accounting, (ix) whether the Claim is an installment obligation for U.S. federal income tax purposes, and (x) the timing of any distributions under the Plan.

1. ***Gain or Loss Recognition on the Satisfaction of Claims and Character of Gain or Loss***

Claimants will generally not recognize gain, but may recognize loss, with respect to the amount in which the Claimants receive on their Claims (generally, the amount of cash and the fair market value of any other property received in satisfaction of Debtors' obligations) that either exceeds, on one hand, or is less than, on the other hand, the Claimant's basis in the Claim. Thus, it is possible that certain Claimants may recognize a gain or loss as a result of distributions under the Plan.

In general, gain or loss recognized by any such Claimant is either capital or ordinary in character. The character is dependent upon the underlying nature of the Claim and whether such Claim, in the hands of the Claimant, constitutes a capital asset. To the extent that a debt instrument is acquired after its original issuance for less than the issue price of such instrument, it will have market discount. A holder of a Claim with market discount must treat any gain recognized on the satisfaction of such Claim as ordinary income to the extent that it does not exceed the market discount that has already been accrued with respect to such Claim. There may also be state, local or foreign tax considerations applicable to particular holders of Claims, none of which are discussed herein. **Claimants should consult their own tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.**

2. ***Interest Income with respect to Allowed Claims***

Holders of Allowed Claims will be treated as receiving a payment of interest (includible in income in accordance with the Holder's method of accounting for tax purposes) to the extent that any cash or other property received (or deemed received) pursuant to the Plan is attributable

to accrued but unpaid interest, if any, on such Allowed Claims. The extent to which the receipt of cash or other property should be attributable to accrued but unpaid interest is unclear. The Liquidating Trustee intends to take the position, and the Plan provides, that such cash or property distributed pursuant to the Plan will first be allocable to the principal amount of an Allowed Claim and then, to the extent necessary, to any accrued but unpaid interest thereon. Each Holder should consult its tax advisor regarding the determination of the amount of consideration received under the Plan that is attributable to interest (if any). A Holder generally will be entitled to recognize a loss to the extent any accrued interest was previously included in its gross income and is not paid in full.

3. ***Backup Withholding and Information Reporting***

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the IRS. Moreover, such reportable payments may be subject to backup withholding. Under the Tax Code's backup withholding rules, a U.S. Claimant may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the Claimant: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct U.S. taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Payments made to Foreign Claimants, if any, may also be subject to withholding, which may be reduced under an applicable Treaty.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U. S. federal income tax liability, and a the Claimant may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

THE FOREGOING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH HOLDER SHOULD CONSULT ITS TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE PLAN DESCRIBED HEREIN AND THE APPLICATION OF FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS. NEITHER THE DEBTORS NOR THEIR PROFESSIONALS SHALL HAVE ANY LIABILITY TO ANY PERSON OR HOLDER ARISING FROM OR RELATED TO THE U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE PLAN OR THE FOREGOING DISCUSSION.

XII.
CONCLUSION

The Plan Proponents believe that acceptance of the Plan is in the best interest of Creditors and urge holders of Claims to vote to ACCEPT the Plan.

DATED: November 11, 2010, approved as modified on January 7, 2011
Atlanta, Georgia

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Exhibit A - First Amended Plan

[see separate file on this cd]

EXHIBIT B
List of Transfers Within 90 Days of Petition Date

Payments to Creditors Within 90 Days of the Petition Date

Name of Debtor	Name of Recipent of Payment/Transfer	Date of Payment/Transfer	Amount of Payment/Transfer
MPI Azalea, LLC	B Jay Contracting	12/3/09, 12/14/09, 12/29/09, 1/4/10	$6,560.00
MPI Azalea, LLC	City of Atlanta Water Dept.	12/15/2009	$44,826.82
MPI Azalea, LLC	CSS Services, Inc.	10/13/09, 10/22/09, 11/10/09, 12/2/09	$11,409.00
MPI Azalea, LLC	Gas South	10/22/09, 11/20/09, 12/22/09	$18,888.92
MPI Azalea, LLC	Landscape Management Services	10/12/2009	$12,000.00
MPI Azalea, LLC	Nasworthy Carpet Care	10/26/09, 12/3/09, 12/14/09, 12/29/09, 12/30/09	$12,340.00
MPI Azalea, LLC	Seagull Enterprises	10/8/09, 10/13/09, 10/14/09, 10/15/09, 10/21/09	$6,067.17
SUBTOTAL			**$112,091.91**

Name of Debtor	Name of Recipent of Payment/Transfer	Date of Payment/Transfer	Amount of Payment/Transfer
MPI Cherry Hill, LLC	B Jay Contracting	10/20/09, 11/9/09, 12/3/09, 12/14/09, 12/29/09	$10,000.00
MPI Cherry Hill, LLC	Dekalb County Water	10/22/09, 11/16/09, 12/15/09	$24,182.57
MPI Cherry Hill, LLC	Gas South	10/22/09, 12/10/09, 12/15/09, 12/22/09, 1/4/10	$8,665.13
MPI Cherry Hill, LLC	Jennie Carpentry	10/22/09, 11/12/09, 12/3/09, 12/15/09	$8,486.00
MPI Cherry Hill, LLC	Seagull Enterprises	10/9/09, 10/15/09, 10/22/09, 10/23/09, 11/9/09, 11/19/09, 12/21/09	$12,686.18
MPI Cherry Hill, LLC	Wilmar Industries	10/14/2009	$6,756.57
SUBTOTAL			**$70,776.45**

Name of Debtor	Name of Recipent of Payment/Transfer	Date of Payment/Transfer	Amount of Payment/Transfer

Payments to Creditors Within 90 Days of the Petition Date

MPI Oak Park, LLC	Dekalb County Water	12/15/2009	$9,424.47
SUBTOTAL			**$9,424.47**

Name of Debtor	Name of Recipent of Payment/Transfer	Date of Payment/Transfer	Amount of Payment/Transfer
Miles-Fox Hollow, LLC	Dekalb County Water	11/16/2009	$10,142.59
Miles-Fox Hollow, LLC	Georgia Power	10/22/09, 11/16/09, 12/15/09	$8,864.43
Miles-Fox Hollow, LLC	Home Depot Supply	11/12/2009	$9,184.09
Miles-Fox Hollow, LLC	Imagistics International, Inc.	10/14/2009	$5,948.01
Miles-Fox Hollow, LLC	Seagull Enterprises	11/13/09, 11/18/09, 12/11/09, 12/24/09	$5,475.33
Miles-Fox Hollow, LLC	The Overseer Protective Svc	10/22/09, 12/11/09, 12/22/09, 1/4/10	$8,316.00
SUBTOTAL			**$47,930.45**

Name of Debtor	Name of Recipent of Payment/Transfer	Date of Payment/Transfer	Amount of Payment/Transfer
MPI Cimarron,LLC	City of Tampa Utilities	10/23/09, 11/12/09, 12/15/09	$27,014.83
MPI Cimarron,LLC	Critical Intervention Services	10/23/09, 11/12/09, 11/16/09, 12/15/09	$12,660.32
MPI Cimarron,LLC	Hillsborough Cnty Water Dept.	10/23/09, 11/12/09, 12/15/09	$28,622.73
MPI Cimarron,LLC	Home Depot Supply	11/12/09, 12/14/09, 12/22/09	$15,315.65
MPI Cimarron,LLC	Llifestyle Carpets	11/17/09, 12/17/09	$7,477.17
MPI Cimarron,LLC	Tampa Electric	10/23/09, 11/1/09, 11/12/09, 11/18/09, 12/15/09	$14,768.84
SUBTOTAL			**$105,859.54**

Name of Debtor	Name of Recipent of Payment/Transfer	Date of Payment/Transfer	Amount of Payment/Transfer
MPI Sunset Place, LLC	City of St. Petersburg Real Estate & Prop. Mgt. Dept.	10/13/09, 10/23/09, 11/12/09, 12/15/09	$22,098.87

Payments to Creditors Within 90 Days of the Petition Date

MPI Sunset Place, LLC	Lifestyle Carpets	11/12/2009	$5,489.46
SUBTOTAL			**$27,588.33**

Name of Debtor	Name of Recipent of Payment/Transfer	Date of Payment/Transfer	Amount of Payment/Transfer
MPI Palms West, LLC	Critical Intervention Services	10/13/09, 12/11/09, 12/14/09	$20,144.20
MPI Palms West, LLC	Orlando Utilities Commission	11/10/09, 12/16/09	$21,409.12
MPI Palms West, LLC	Waste Services of FL	10/23/09, 12/10/09, 12/16/09	$7,117.95
SUBTOTAL			**$48,671.27**

Name of Debtor	Name of Recipent of Payment/Transfer	Date of Payment/Transfer	Amount of Payment/Transfer
MPI British Woods, LLC	City of Durham	10/22/09, 11/12/09, 12/7/09, 12/29/09	$38,786.30
MPI British Woods, LLC	Duke Energy	10/22/09, 10/23/09, 10/27/09, 10/31/09, 11/23/09, 12/29/09	$10,471.50
MPI British Woods, LLC	Home Depot Supply	10/14/09, 11/12/09, 12/14/09	$17,902.44
MPI British Woods, LLC	Reliable Roofing	10/31/2009	$6,728.10
MPI British Woods, LLC	Waste Management of Atlanta	10/22/09, 11/12/09, 11/24/09	$10,348.20
SUBTOTAL			**$84,236.54**

Name of Debtor	Name of Recipent of Payment/Transfer	Date of Payment/Transfer	Amount of Payment/Transfer
MPI Portfolio I, LLC	Wachovia Bank, N.A.	10/9/09, 11/9/09, 12/9/09	$458,979.36

Payments to Creditors Within 90 Days of the Petition Date

MPI Portfolio I, LLC	Wachovia Bank, N.A.	$173,955.20
MPI Portfolio I, LLC	Wachovia Bank, N.A.	$356,848.06
SUBTOTAL		**$989,782.62**
TOTAL		**$1,496,361.58**

EXHIBIT C

Liquidation Analysis

	Owner	Complex	Appraisals (April 2010)	Notes
GA	MPI Azalea, LLC	Highland Brooke	$ 3,325,000	
	Miles-Cherry Hill, LLC	Highland North	$ 6,350,000	
	Miles-Oak Park, LLC	Highland Estates	$ 3,050,000	
	Miles-Fox Hollow, LLC	Highland Enclave	$ 5,625,000	
FL	MPI Cimarron, LLC	Royal Oaks	$ 14,500,000	
	MPI Sunset Place, LLC	Royal Ridge	$ 5,600,000	
	MPI Palms West, LLC	Royal Springs	$ 3,630,000	
NC	MPI British Woods, LLC	Hampton Forest	$ 11,500,000	
	Total		**$ 53,580,000**	**Note 1**

Other Estate Assets		Value	Notes
Wachovia Cash Collateral Account		$2,434,508	Note 2
Debtors' Cash on Hand		$403,491	Note 3
Utility Deposits		$291,436	Note 4
Prepaid Expenses		$216,909	Note 5
Tenant Receivables		$88,035	Note 6
Property level petty cash (all eight properties as of 10/31/10)		$2,450	
Estate Causes of Action		0	Note 7
	Subtotal:	$3,436,828	
Total Value Available to Estate:	**$**	**57,016,828**	

Notes:

Note 1: In the course of their marketing process during the summer of 2010, Debtors received indications of interest or other proposals on their eight properties that totaled approximately $52.6mm in gross proceeds. It is likely that a competitive, property-by-property auction process could have driven these values higher, and closer to their appraised values. Accordingly, based on this information, and the appraisals reflected above, Debtors believe a reasonable approximation of the properties is the appraised value.

Note 2: Amount on hand at Wachovia as of 11/8/10. These figures include amounts allocated to expected property taxes and insurance costs, accrued interest, and improvement reserves.

Note 3: Represents cash on hand at Debtors as of 12/21/10.

Note 4: Represents paid utility deposits as of 10/31/2010. Given that utilities are paid and presumably would be paid through closing of liquidation sales, it is assumed that these would revert to Debtors' estates in a liquidation.

Note 5: Represents prepaid insurance premiums as of 10/31/2010. Given that insurance is being paid and presumably would be paid through closing of liquidation sales, it is assumed that these would revert to Debtors' estates in a liquidation.

Note 6: Amounts owed by tenants as of 10/31/10 are $176,069; expected net recovery of 50% in a liquidation, in light of difficulty in collecting and costs to collect.

Note 7: See Disclosure Statement pages 13-15, and pages 21-26 for a description of potential estate causes of action. The value of these claims is unknown at this time.

Uses of Proceeds in a Hypothetical Chapter 7 Liquidation

	Amount	Notes
Brokers Fees	$1,090,150	Note A
Chapter 7 Trustee Fees	$1,733,755	Note B
Property Taxes Payable	$183,004	Note C
Estimated Attorney and Closing Fees	$267,900	
Unpaid Administrative Claims	$415,655	Note D
Total Claims to be paid in Chapter 7 Liquidation:	$3,690,464	
Net Proceeds Available to Creditors:	**$53,326,365**	

Notes:

Note A: Based on brokerage commission agreements approved in this case by the Bankruptcy Court for these properties. For Southeast Apartment Partners (broker for MPI Azalea), the commission was a flat $120,000. For Cushman & Wakefield of Georgia, Inc. (broker for Miles-Fox Hollow, Miles-Oak Park, Miles-Cherry Hill and MPI British Woods), the commission approved by the Court was 3% for Fox Hollow, 4% for Oak Park, 2% for Cherry Hill, and 1.5% for British Woods. The commissions could have been lower if there had been a sale of the entire Wachovia 8 portfolio except for Azalea, but it is unlikely that the entire portfolio would be sold in a group in a Chapter 7 liquidation. For Cushman & Wakefield of Florida, Inc. (broker for MPI Palms West, MPI Cimarron, and MPI Sunset Place), the commission approved by the Court was 3% for Palms West, 1% for Cimarron, and 2.25% for Sunset Place, again assuming all individual sales and not the entire portfolio.

Note B: Calculated pursuant to 11 U.S.C. section 326(a). That statute provides that the trustee's services may be paid an amount not to exceed 25 percent on the first $5,000 or less, 10 percent on any amount in excess of $5,000 but not in excess of $50,000, 5 percent on any amount in excess of $50,000 but not in excess of $1,000,000, and reasonable compensation not to exceed 3 percent of such moneys in excess of $1,000,000, upon all moneys disbursed or turned over in the case by the trustee to parties in interest, excluding the debtor, but including holders of secured claims.

Note C: This figure assumes (i) a closing date of 2/28/2011; and (ii) 2010 taxes remaining consistent with the amounts owing in 2009, resulting in approximately two calendar months of accrued property taxes that a buyer would likely require Debtor to pay or escrow at closing.

Note D: As Chapter 11 administrative expenses, they may not be paid in a Chapter 7. They are included here for illustrative purposes on the assumption that they would need to be paid as having been incurred to support Debtors' property and operations pending sale.

Allocation of Net Proceeds in a Hypothetical Chapter 7 Liquidation

	Amount	Estimated Recovery %
Class 1: Priority Claims	$0	0.00%
Class 2: Lender Claims	$73,300,544	72.46%
Class 3: Other Secured Claims	$290,000	72.46%
Class 4: MPI Portfolio Note Claim	$11,860,928	0.00%
Class 5: Unsecured Claims	$1,250,000	0.00%

EXHIBIT D
Feasibility Analysis

As set forth in the Plan, Arbor Realty SR, Inc. ("Arbor") intends to recapitalize the Properties with the investment of $1.05 million in new funds, a portion of which shall be allocated to capital expenditures to improve the Properties. Arbor is currently working with the Debtors' current property manager to finalize a 2011 budget, which shall be filed with the Court in advance of confirmation and which shall be used to prove feasibility of the Plan and otherwise satisfy the requirements of Section 1129(a)(11). In further support of the feasibility analysis, and subject to finalizing the 2011 budget and Sources & Uses statement, Arbor submits the following:

1. As set forth in the attached, during the twelve months the Properties were in bankruptcy, on a cash basis, the Properties had revenues of $11.5 million and Operating Expenses of $8.1 million, yielding Net Operating Income of $3.4 million. On an accrual basis, the properties have incurred an additional approximate $344,000 in unpaid administrative claims as of November 30, 2010, which would reduce Net Operating Income to approximately $3.0 million.

2. The Properties' Operating Expenses are expected to decrease materially upon an emergence from bankruptcy, as most (and expected to be all) of the line items on the attached relating to (i) Corporate Allocations ($217,000), (ii) Professional Fees/Appraisals ($153,000), (iii) Administrative Expenses ($63,000) and (iv) US Trustee Fees ($119,000) will no longer be incurred or borne by the Properties.

3. The removal of these bankruptcy-related expenses will improve Net Operating Income, and would have a pro forma increase to 2010 Net Operating Income in the amount of $552,000.

4. Likewise, it is expected that no additional utility deposits will be required on behalf of the Properties post-confirmation; therefore the "Utility Deposits" line item on the attached ($167,000) would be a reduction to pro forma 2010 Cash Flow. Further, as noted above, the initial contribution by Arbor under the Plan should be sufficient to fund expected 2011 capital expenditures; therefore, the "Capital Improvements" ($590,000) line item on the attached would further reduce pro forma 2010 Cash Flow. Accordingly, there would be an additional $757,000 available in 2011 that was otherwise funded for utility deposits and capital expenditures in 2010 from Net Operating Income.

5. Thus, taking into account the pro forma effect of the above, Arbor expects in 2011 an additional $552,000 in Net Operating Income and an additional $757,000 that was used for capital improvements and utility deposits in 2010.

6. This additional $1,309,000 in pro forma Cash Flow is more than sufficient to fund both the $520,000 year-to-date Cash Flow shortfall in 2010 that is set forth in the attached and the approximate $344,000 in unpaid administrative claims noted above as it yields pro forma 2010 Cash Flow of $445,000. Notwithstanding the above, it should be noted that there are certain risks to the pro forma 2010 Cash Flow noted above, including the following:

(a) Arbor is currently in negotiations with the Lender regarding the amount of required insurance escrow, if any. Any insurance escrow requirements could reduce the $445,000 in pro forma 2010 Cash Flow noted above.

(b) Arbor is currently in negotiations with the Lender regarding a rate cap agreement that would place a cap on potential increases to pro forma 2010 Debt Service – Senior. Any increases in LIBOR above the current rate and up to the amount provided for in the rate cap agreement would reduce pro forma 2010 Cash Flow noted above.

7. The pro forma 2010 Cash Flow of $445,000, subject to the risks noted above, will either provide for further payments on the Wachovia debt (leading to lower interest charges beyond 2011) and/or fund further capital improvements to the Properties, which is expected to increase their revenues in the future.

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

FOR THE PERIOD BEGINNING 12/27/10 AND ENDING 01/02/11

Name of Debtor: Consolidated CDO Properties Case Number various
Name of Account: Consolidated
Date of Petition: 01/08/10

	Period Actual	Period Budget	Period Variance	Cumulative Actual	Cumulative Budget	Cumulative Variance
Revenue						
Rental/Other Income	-	25,000	-	-	11,814,484	-
RUBS	-	-	-	-	152,770	-
Total Revenue	**46,230**	**25,000**	**21,230**	**11,461,056**	**11,967,254**	**(506,198)**
Operating Expenses						
Utilities	8,376	-	8,376	1,940,867	2,166,825	(225,958)
Repairs and Maintenance	27,548	30,187	(2,639)	1,598,237	1,627,845	(29,608)
General & Administrative	10,275	8,166	2,109	421,223	455,498	(34,275)
General & Administrative - Corp Allocation	17,490	17,490	-	216,504	216,504	-
Payroll& Employee Benefits	-	-	-	2,245,705	2,637,401	(391,696)
Management Fee	-	-	-	557,638	585,878	(28,240)
Advertising	1,826	4,615	(2,789)	95,850	235,365	(139,515)
Insurance - Financing Premium	-	-	-	674,629	791,865	(117,236)
Professional Fees/Appraisals	14,257	-	14,257	152,751	343,120	(190,369)
Administrative Expenses	-	-	-	62,755	141,120	(78,365)
Unsecured Creditor Committee Fees	-	-	-	-	-	-
UST Fees	-	-	-	118,941	137,150	(18,209)
Total Operating Expenses	**79,773**	**60,458**	**19,315**	**8,085,100**	**9,338,571**	**(1,253,471)**
Net Operating Income	**(33,543)**	**(35,458)**	**1,915**	**3,375,956**	**2,628,683**	**747,273**
Capital Expenses						
Less: Utility Deposits	-	-	-	166,796	42,000	124,796
Less: Capital Improvements	13,796	10,091	3,705	590,384	590,779	(395)
Net Cash Flow after Capital Expenses	**(47,339)**	**(45,549)**	**(1,790)**	**2,618,775**	**1,995,904**	**622,871**
Less: Reserve - Replacement Reserve	-	-	-	625,728	625,728	-
Less: Reserve - Property Taxes	-	-	-	936,972	936,972	-
Less: Reserve - Insurance	-	-	-	136,590	113,825	22,765
Less: Reserve - Debt Service - Senior	-	-	-	1,439,672	1,454,875	(15,203)
Cash Flow	**(47,339)**	**(45,549)**	**(1,790)**	**(520,187)**	**(1,135,496)**	**615,309**