NOTICE: This Disclosure Statement has not yet been approved by the Bankruptcy Court. It is not intended to solicit your vote for or against a plan of reorganization at this time. It is being sent to you pursuant to Rule 3017 of the Federal Rules of Bankruptcy Procedure to provide you an opportunity to participate in the process of approval of this document by the Bankruptcy Court, should you choose to so participate. [*This notation to be removed upon Bankruptcy Court approval of this document*]

IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	
	§	
MARHABA PARTNERS LIMITED	§	Case No. 10-30227
PARTNERSHIP	§	
	§	
Debtor.	§	(Chapter 11)

DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT OF PLAN OF REORGANIZATION

PORTER & HEDGES, L.L.P.
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ATTORNEYS FOR DEBTOR AND DEBTOR-IN-POSSESSION

Dated: May 15, 2010

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I.

INTRODUCTION

Marhaba Partners Limited Partnership ("Marhaba" or the "Debtor"), the debtor and debtor-in-possession in the above-referenced bankruptcy case, submits this Disclosure Statement ("Disclosure Statement") pursuant to Bankruptcy Code § 1125 for use in the solicitation of votes on the Debtor's Plan of Reorganization (the "Plan"), which is attached as Exhibit 1 to this Disclosure Statement.

This Disclosure Statement[1] sets forth certain relevant information regarding the Debtor's prepetition operations and financial history and the need to seek Chapter 11 protection. This Disclosure Statement also describes the Plan's terms and provisions, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which distributions will be made under the Plan. This Disclosure Statement also discusses the confirmation process and the voting procedures that holders of Claims must follow for their votes to be counted.

A. Filing of the Debtor's Chapter 11 case

The Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on January 5, 2010 (the "Petition Date"), in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"). The Debtor has continued to manage its property and assets as debtor-in-possession pursuant to Bankruptcy Code §§ 1107 and 1108.

B. Purpose of Disclosure Statement

The Debtor submits this Disclosure Statement in accordance with Bankruptcy Code § 1125 to solicit acceptances of the Plan from holders of certain Classes of Claims. The only Claimants whose acceptances of the Plan are sought are those whose Claims are "impaired" (as that term is defined in Bankruptcy Code § 1124) by the Plan and who are receiving distributions under the Plan.

In general, the Plan provides that the Reorganized Debtor will continue owning all of the Properties, the obligations to the respective Secured Lenders will be satisfied by the sale or refinance of the Properties, an equity infusion or consensual modification of the loan obligations. Distributions will be made to holders of Allowed Claims using available cash on hand, allotted funds made available through any equity contribution, and income generated from the refinance, sale or operations at the Properties. The Plan proposes that the Reorganized Debtor pursue multiple avenues to generate funds for satisfaction of Claims including the sale or refinance of properties or an equity contribution.

The Plan provides for full payment in Cash on the Effective Date to all holders of Allowed Administrative and Allowed Priority Claims. The Reorganized Debtor will object to

[1] All capitalized terms shall have the same meaning as defined in the Plan unless context dictates otherwise.

any objectionable Claims and will escrow payments to disputed creditors until their claims are allowed or disallowed.

The Debtor believes the reorganization proposed in the Plan is reasonable and feasible. The Debtor bases this assessment based on the Properties' values, the Debtor's equity in the Properties,and historical performance with an anticipated gradual improvement in economic and market conditions in the Houston area.

The Debtor prepared this Disclosure Statement pursuant to Bankruptcy Code § 1125, which requires that a copy of the Plan, or a summary thereof, be submitted to all holders of Claims against, the Debtor, along with a written disclosure statement containing adequate information about the Debtor of a kind, and in sufficient detail, as far as is reasonably practicable, that would enable a hypothetical, reasonable investor typical of Claimants to make an informed judgment in exercising their right to vote on the Plan. A copy of the Plan is included as Exhibit 1 with the materials sent along with this Disclosure Statement.

The Bankruptcy Court approved the Disclosure Statement as containing adequate information to solicit votes on ____, 2010. The Bankruptcy Code requires such approval, but this approval does not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or as to the value or suitability of any consideration offered in the Plan. Such approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement meets the requirements of Bankruptcy Code § 1125 and contains adequate information to permit the Claimants to make an informed judgment regarding acceptance or rejection of the Plan.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED HEREIN IS INTENDED SOLELY FOR THE USE OF THE DEBTOR'S CREDITORS IN EVALUATING THE PLAN AND VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON, OR WHETHER TO OBJECT TO, THE PLAN. THE DEBTOR'S REORGANIZATION PURSUANT TO THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES, AND THERE CAN BE NO ABSOLUTE ASSURANCE THAT THE PLAN WILL BE EFFECTUATED AS CONTEMPLATED.

THE DEBTOR BELIEVES THAT THE PLAN AND THE TREATMENT OF CLAIMS UNDER THE PLAN IS IN THE BEST INTERESTS OF CLAIMANTS. THE DEBTOR URGES THAT YOU VOTE TO ACCEPT THE PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED ON THE

ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE PLAN SHOULD BE REVIEWED CAREFULLY.

C. Hearing on Confirmation of the Plan

The Bankruptcy Court has set _____ ____, 2010, at __:__ _.m. Central Time, as the time and date for the hearing to determine whether the Plan has been accepted by the requisite number of Claimants and whether the other requirements for confirmation of the Plan have been satisfied (the "Confirmation Hearing"). Holders of Claims against the Debtor may vote to accept or reject the Plan by completing and delivering the enclosed ballot to Porter & Hedges, L.L.P., 1000 Main Street, 36th Floor, Houston, Texas 77002 (Attn: Kim Steverson), on or before __:__ _.m. Central Time on ___, 2010. If the Plan is rejected by one or more impaired Classes of Claims, the Bankruptcy Court may still confirm the Plan, or a modification thereof, under Bankruptcy Code § 1129(b) (commonly referred to as a "cramdown") if it determines, among other things, that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class or Classes of Claims impaired under the Plan. In the event that this Plan is not confirmed for any reason, an alternative plan may be proposed by the Debtor, or if the Court permits, by any other party. The procedures and requirements for voting on the Plan are described in more detail below.

D. Sources of Information and the Accounting Method Used

1. Sources of Information

Except as otherwise expressly indicated, the information set forth in this Disclosure Statement and the attached exhibits was provided by the Debtor and its Professionals.

In addition, certain of the materials contained in this Disclosure Statement are taken directly from other readily accessible documents or are digests of other documents. While the Debtor has made every effort to retain the meaning of such other documents or portions that have been summarized, they urge that any reliance on the contents of such other documents should depend on a thorough review of the documents themselves. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of such document shall govern and apply.

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

No statements concerning the Debtor, the value of its Properties, or the value of any benefit offered to the holder of a Claim in connection with the Plan should be relied on other than as set forth in this Disclosure Statement. In arriving at a decision, parties should not rely on any representation or inducement made to secure their acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be immediately reported to counsel for the Debtor, Elizabeth Freeman,

Porter & Hedges, L.L.P., 1000 Main Street, 36th Floor, Houston, Texas 77002 (Telephone: 713-226-6000).

2. Accounting Method

The Debtor maintains its books and records in accordance with the accrual method of accounting and pursuant to generally accepted accounting principles used in the United States.

II.

EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. The commencement of a Chapter 11 case creates an estate comprising all of the Debtor's legal and equitable interests in property as of the date the petition is filed. Bankruptcy Code §§ 1101, 1107 and 1108 provide that a Chapter 11 debtor may continue to control the assets of its estate as a "debtor-in-possession," as the Debtor has done in this case since the Petition Date.

The filing of a Chapter 11 petition also triggers the automatic stay under Bankruptcy Code § 362. The automatic stay halts essentially all attempts to collect prepetition claims from the debtor or to otherwise interfere with the debtor's business or estate.

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 of creditors against, and interests and security holders in, the debtor. Only a debtor may file a plan during the first 120 days of a Chapter 11 case (the "Exclusive Period"). The Debtor's original exclusive period to solicit their Plan, without extension by the Court, expired on May 15, 2010. If the debtor does file a plan within the Exclusive Period, the debtor receives sixty (60) additional days (the "Solicitation Period") to solicit acceptance of its plan. Bankruptcy Code § 1121(d) permits the Bankruptcy Court to extend or reduce the Exclusive Period and the Solicitation Period upon a showing of adequate "cause." If the Exclusive Period is terminated or if the Plan proposed by the Debtor is not confirmed or is rejected by the creditors, the Court can allow the Debtor to propose a different plan or may allow other parties to file their own plan.

B. Plan of Reorganization

A plan of reorganization provides the manner in which a debtor will satisfy the claims of their creditors. After the plan has been filed, the holders of claims against, or interests in, a debtor are permitted to vote on whether to accept or reject 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 in order for confirmation of the plan. At a minimum, however, a plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting from at least one class of claims impaired under the plan.

Classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan, and therefore are not entitled to vote. A class

is "impaired" if the plan modifies the legal, equitable or contractual rights attaching to the claims or interests of that class. Modification for purposes of impairment does not include curing defaults and reinstating maturity or payment in full in cash. Classes of claims or interests that receive or retain no property under a plan of reorganization are conclusively presumed to have rejected the plan, and therefore not entitled to vote.

Even if all classes of claims and interests accept a plan of reorganization the Bankruptcy Court may nonetheless still deny confirmation. Bankruptcy Code § 1129 sets forth the requirements for confirmation and, among other things, requires that a plan be in the "best interests" of impaired and dissenting creditors and interest holders and that the plan be feasible. The "best interests" test generally requires that the value of the consideration distributed to impaired and dissenting creditors and interest holders under a plan may not be less than those parties would receive if the debtor was liquidated under a hypothetical liquidation occurring under Chapter 7 of the Bankruptcy Code.

The Bankruptcy Court may confirm a plan of reorganization or liquidation even though fewer than all of the classes of impaired claims and interests accept it. The Court may do so under the "cramdown" provisions of Bankruptcy Code § 1129(b). In order for a plan to be confirmed under the cramdown provisions, despite the rejection of 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 it is fair and equitable with respect to each impaired class of claims or interests that has not accepted the plan.

The Bankruptcy Court must further find that the economic terms of the particular plan meet the specific requirements of Bankruptcy Code § 1129(b) with respect to the subject objecting class. If the proponent of the plan proposes to seek confirmation of the plan under the provisions of Bankruptcy Code § 1129(b), the proponent must also meet all applicable requirements of Bankruptcy Code § 1129(a) (except § 1129(a)(8)). Those requirements include the requirements that (i) the plan comply with applicable Bankruptcy Code provisions and other applicable law, (ii) that the plan be proposed in good faith, and (iii) that at least one impaired class of creditors or interest holders has voted to accept the plan.

III.

VOTING PROCEDURES AND CONFIRMATION REQUIREMENTS

A. Ballots and Voting Deadline

A ballot for voting to accept or reject the Plan is enclosed with this Disclosure Statement, and has been mailed to Claimants (or their authorized representative) entitled to vote. After carefully reviewing the Disclosure Statement, including all exhibits, each Claimant entitled to vote should indicate its vote on the enclosed ballot. All Claimants entitled to vote must (i) carefully review the ballot and instructions thereon, (ii) execute the ballot, and (iii) return it to the address indicated on the ballot by the deadline (the "Voting Deadline") for the ballot to be considered.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than ___, 2010, at 5:00 p.m. Central Time, at the following address:

Kim Steverson
Porter & Hedges, L.L.P.
1000 Main Street, 36th Floor
Houston, Texas 77002

BALLOTS MUST BE RECEIVED AT THE ABOVE ADDRESS NO LATER THAN ___, 2010, at 5:00 P.M. CENTRAL TIME. ANY BALLOTS RECEIVED AFTER THAT DEADLINE WILL NOT BE COUNTED.

B. Claimants Entitled to Vote

Any Claimant of the Debtor whose Claim is impaired under the Plan is entitled to vote if either (i) the Debtor has scheduled the Claimant's Claim and such scheduled Claim is not identified as disputed, contingent or unliquidated, or (ii) the Claimant has filed a proof of Claim on or before the deadline set by the Bankruptcy Court for such filings. Any holder of a Claim or interest as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court (on motion by a party whose Claim or interest is subject to an objection) temporarily allows the Claim in an amount that it deems proper for the purpose of accepting or rejecting the Plan. Such motion must be heard and determined by the Bankruptcy Court before the first date set by the Bankruptcy Court for the Confirmation Hearing of the Plan. In addition, a Claimant's vote may be disregarded if the Bankruptcy Court determines that the Claimant's acceptance or rejection was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code.

C. Bar Date for Filing Proofs of Claim

The Bankruptcy Court established a bar date for filing proofs of Claim in this Chapter 11 case of May 10, 2010.

D. Definition of Impairment

Under Bankruptcy Code § 1124, a class of claims or equity interests is impaired under a plan of reorganization/liquidation unless, with respect to each claim or equity interest of such class, the plan:

1. leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest;

2. notwithstanding any contractual provision or applicable law that entitles the holder of a claim or interest to receive accelerated payment of his claim or interest after the occurrence of a default;

(a) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in Bankruptcy Code § 365(b)(2);

(b) reinstates the maturity of such claim or interest as it existed before the default;

(c) compensates the holder of such claim or interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and

(d) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other that a default arising from failure to operate a nonresidential real property lease subject to § 365(b)(1)(A), compensates the holder of such claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and

(e) does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or interest.

E. Classes Impaired Under the Plan

Except for the creditors holding Administrative Claims and Priority Claims, all Classes of Claims are impaired under the Plan. Therefore, all holders of those Claims are eligible, subject to the limitations set forth above, to vote to accept or reject the Plan.

F. Vote Required for Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that actually cast ballots for acceptance or rejection of the plan; that is, acceptance takes place only if creditors holding claims at least two-thirds in amount of the total amount of claims and more than one-half in number of the creditors actually voting cast their ballots in favor of acceptance.

G. Information on Voting and Ballots

1. Transmission of Ballots to Creditors

Except as otherwise provided in the **Order (I) Approving Disclosure Statement In Support Of Plan; (II) Establishing Time For Filing Acceptances or Rejections of The Plan; and (III) Establishing Objection Deadlines**, entered on ____, 2010, ballots are being forwarded to all Claimants except the Class of Equity Interests.

2. Ballot Tabulation Procedures

For purposes of voting on the Plan, the amount and classification of a Claim and the procedures that will be used to tabulate acceptances and rejections of the Plan shall be exclusively as follows:

(a) If no proof of Claim has been timely filed, the voted amount of a Claim shall be equal to the amount listed for the particular Claim in the Schedules of Assets and Liabilities, as and if amended, to the extent such Claim is not listed as contingent, unliquidated or disputed, and the Claim shall be placed in the appropriate Class, based on the Debtor's records, and consistent with the Schedules of Assets and Liabilities, the Claims registry of the Clerk of the Bankruptcy Court (the "Clerk") and the respective registry of holders of interests;

(b) If a proof of Claim has been timely filed, and has not been objected to before the expiration of the Voting Deadline, the voted amount of that Claim shall be as specified in the proof of Claim filed with the Clerk;

(c) Subject to subparagraph (d) below, a Claim that is the subject of an objection filed before the Voting Deadline shall be disallowed for voting purposes, except to the extent and in the manner that the Debtor indicates in their objection that the Claim should be allowed for voting or other purposes;

(d) If a Claim has been estimated or otherwise allowed for voting purposes by order of the Bankruptcy Court, the voted amount and classification shall be that set by the Bankruptcy Court;

(e) If a Claimant or its authorized representative did not use the Ballot, as applicable, provided by the Debtor, or the Official Ballot Form authorized under the Federal Rules of Bankruptcy Procedure, such Ballot will not be counted;

(f) If the Ballot is not received by the Debtor on or before the Voting Deadline at the place fixed by the Bankruptcy Court, the Ballot will not be counted;

(g) If the Ballot is not signed by the Claimant or its authorized representative, the Ballot will not be counted;

(h) If the individual or institution casting the Ballot (whether directly or as a representative) was not the holder of a Claim on the Voting Record Date (as that term is defined below), the Ballot will not be counted;

(i) If no Ballots are received on or before the Voting Deadline with respect to a particular class of Claims, then the Debtor may ask the Bankruptcy Court to deem such class of Claims as accepting the Plan;

(j) Whenever a Claimant (or its authorized representative) submits more than one Ballot voting the same Claim(s) before the applicable deadline for submission of Ballots, except as otherwise directed by the Bankruptcy Court after notice and a hearing, the last such Ballot shall be deemed to reflect the voter's intent and shall supersede any prior Ballots.

3. Execution of Ballots by Representatives

If a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, such persons must indicate their capacity when signing and, at the Debtor's request, must submit proper evidence satisfactory to the Debtor of their authority to so act.

4. Waivers of Defects and Other Irregularities Regarding Ballots

Unless otherwise directed by the Bankruptcy Court, all questions concerning the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Debtor in its sole discretion, whose determination will be final and binding. The Debtor reserves the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtor or its counsel, be unlawful. The Debtor further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtor (or the Bankruptcy Court) determine. Neither the Debtor nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots, nor will any of them incur any liability for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until any irregularities have been cured or waived.

5. Withdrawal of Ballots and Revocation

Any holder of a Claim (or its authorized representative) in an impaired Class who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to counsel for the Debtor at any time before the Voting Deadline.

To be valid, a notice of withdrawal must: (i) contain the description of the Claims to which it relates and the aggregate principal amount represented by such Claims; (ii) be signed by the Claimant (or its authorized representative) in the same manner as the Ballot; and (iii) be received by counsel for the Debtor in a timely manner at the addresses set forth herein. The Debtor expressly reserves the absolute right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots that are not received in a timely manner by the Debtor will not be effective to withdraw a previously furnished Ballot.

Any Claimant (or its authorized representative) who has previously submitted a properly completed Ballot to counsel for the Debtor before the Voting Deadline may revoke such Ballot and change its vote by submitting to counsel for the Debtor before the Voting Deadline a subsequent, properly completed Ballot for acceptance or rejection of the Plan.

H. Confirmation of the Plan

1. Solicitation of Acceptances

The Debtor is soliciting your vote for acceptance of the Plan. The Debtor will bear the cost of any solicitation. No other additional compensation shall be received by any party for any solicitation other than as disclosed to the Bankruptcy Court.

NO REPRESENTATIONS OR ASSURANCES, IF ANY, CONCERNING THE DEBTOR OR THE PLAN ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE YOUR VOTE OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED ON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR.

THIS IS A SOLICITATION SOLELY BY THE DEBTOR, AND IS NOT A SOLICITATION BY ANY SHAREHOLDER, ATTORNEY OR ACCOUNTANT FOR THE DEBTOR. THE REPRESENTATIONS, IF ANY, MADE HEREIN ARE THOSE OF THE DEBTOR AND NOT OF SUCH SHAREHOLDERS, ATTORNEYS OR ACCOUNTANTS, EXCEPT AS OTHERWISE SPECIFICALLY AND EXPRESSLY INDICATED.

The solicitation of votes on the Plan is governed by Bankruptcy Code § 1125(b). Violation of Bankruptcy Code § 1125(b) may result in sanctions by the Bankruptcy Court, including disallowance of any improperly solicited vote.

2. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of Bankruptcy Code § 1129 have been satisfied, in which event the Bankruptcy Court shall enter an Order confirming the Plan. For the Plan to be confirmed, Bankruptcy Code § 1129 requires that:

(a) The Plan comply with the applicable provisions of the Bankruptcy Code;

(b) The Debtor complies with the applicable provisions of the Bankruptcy Code;

(c) The Plan be proposed in good faith and not by any means forbidden by law;

(d) Any payment or distribution made or promised by the Debtor or by a person issuing securities or acquiring property under the Plan for services or for costs and expense in connection with the Plan be disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment be subject to the approval of the Bankruptcy Court as reasonable;

(e) The Debtor discloses the identity and affiliation 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 Plan with the Debtor, or a successor to the Debtor under the Plan; the appointment to, or continuance in, such office of such individual is consistent with the interests of Creditors and Equity Interest holders and with public policy; and the Debtor disclose the identity of any insider that will be employed or retained by the Debtor and the nature of any compensation for such insider;

(f) Any government regulatory commission with jurisdiction (after confirmation of the Plan) over the rates of the Debtor have approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval;

(g) With respect to each impaired Class of Claims or Equity Interests, either each holder of a Claim or Equity Interest of the Class has accepted the Plan, or will receive or retain under the Plan on account of that Claim or Equity 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. If Bankruptcy Code § 1111(b)(2) applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in the Debtor's interest in the property that secures that Claim;

(h) Each Class of Claims or Equity Interests has either accepted the Plan or is not impaired under the Plan;

(i) Except to the extent that the holder of a particular Administrative Claim or Priority Claim has agreed to a different treatment of its Claim or as otherwise provided by the Bankruptcy Code, the Plan provides that Administrative Claims and Priority Claims shall be paid in full on the Effective Date or the Allowed Date;

(j) If a Class of Claims is impaired under the Plan, at least one such Class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim of that Class; and

(k) 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. The Debtor believes that the Plan satisfies all of the statutory requirements of the Bankruptcy Code for confirmation and that the Plan is proposed in good faith. The Debtor believes it has complied, or will have complied, with all the requirements of the Bankruptcy Code governing confirmation of the Plan.

3. Acceptances Necessary to Confirm the Plan

Voting on the Plan by each holder of a Claim (or its authorized representative) is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim vote in favor of the Plan in order for the Court to confirm the Plan. Generally, to be confirmed under the acceptance provisions of Bankruptcy Code § 1126(a), the Plan must be accepted by each Class of Claims that is impaired under the Plan by parties holding at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class actually voting in connection with the Plan. Even if all Classes of Claims accept the Plan, the Bankruptcy Court may refuse to confirm the Plan. In the event that this Plan is not confirmed for any reason, an alternative plan may be proposed by the Debtor, or if the Court permits, by any other party.

4. 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 Debtor if, as to each impaired Class that has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable." 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 for holders of secured and unsecured Claims and Equity Interests.

With respect to a Secured Claim, "fair and equitable" means either (i) the impaired Secured Creditor retains its liens to the extent of its Allowed Claim and receives deferred cash payments at least equal to the allowed amount of its Claims with a present value as of the Effective Date of the Plan at least equal to the value of such Creditor's interest in the property securing its liens, (ii) property subject to the lien of the impaired Secured Creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be treated in accordance with clauses (i) and (iii) hereof; or (iii) the impaired Secured Creditor realizes the "indubitable equivalent" of its Claim under the Plan.

With respect to an Unsecured Claim, "fair and equitable" means either (i) each impaired Creditor receives or retains property of a value equal to the amount of its Allowed Claim or (ii) the holders of Claims and Equity Interests that are junior to the Claims of the dissenting Class will not receive any property under the Plan.

With respect to Equity Interests, "fair and equitable" means either (i) each impaired Equity Interest receives or retains, on account of that Equity Interest, property of a value equal to

the greater of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of the Equity Interest; or (ii) the holder of any Equity Interest that is junior to the Equity Interest of that Class will not receive or retain under the Plan, on account of that junior Equity Interest, any property.

In the event at least one Class of impaired Claims or Equity Interests rejects or is deemed to have rejected the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired Class of Claims or Equity Interests.

The Debtor believes that the Plan does not discriminate unfairly and is fair and equitable with respect to each impaired Class of Claims and Equity Interests and is confirmable. Section 6.3 of the Plan constitutes the Debtor's request, pursuant to Bankruptcy Code § 1129(b)(1), that the Bankruptcy Court confirm the Plan notwithstanding the fact that the requirements of § 1129(a)(8) may not be met and their intent to pursue a cramdown if necessary to confirm the Plan.

IV.

BACKGROUND OF THE DEBTOR

A. The Debtor's Background

Marhaba is a limited partnership formed in 2001 under the laws of Texas to acquire and develop land in the Houston, Texas area. The Debtor's current holdings are described below. Marhaba's general partner is Kifsah, L.L.C., which owns 1% of Marhaba. Yanta Land Limited Partnership is Debtor's 49% class A limited partner. David Lucyk is Marhaba's 50% Class B limited partner.

B. The Debtor's Business

Marhaba was formed in 2001 for the acquisition and development of a 1,500 acre master planned community in Missouri City known as Olympia Estates. Since that time, Marhaba has acquired and sold numerous tracts of land in the Houston area for development into single family lots, commercial tracts, and mixed use. Marhaba also owns two contiguous properties with a small apartment complex on each tract.

This bankruptcy case was precipitated by Compass Bank posting two parcels of property for foreclosure. Marhaba believes it has substantial equity in the properties and that this filing was necessary to preserve the equity and is in the best interests of creditors. The Debtor owns two contiguous, small apartment complexes in the Galleria area of Houston, Texas (collectively, the "McCue Property"). The Debtor generates the majority of its current revenues from the development and sale of properties and to a much lesser degree from rental income associated with the McCue Property. The Debtor has approximately 200 tenants in the McCue Property.

C. The Debtor's Management Company

The Debtor retains a professional apartment management company, Olympus Nelson, to manage one complex at McCue under a separate Management Agreement. Marhaba manages the other McCue property.

D. Description of the Properties

The Debtor currently owns the following Properties:

- Baytown Property - 124 acres of undeveloped land located at the Northwest Corner of Garth Road at Wallisville Road.
- Brookshire Property - 1,528 acres of undeveloped land located at Interstate 10 and Woods Road.
- Flamingo Island Property - 59 lots of undeveloped land located in the Lake Olympia Subdivision.
- McCue Apartments Property – two small apartment complexes located at 2306 and 2320 McCue Street, Houston, Texas.
- Olympia Residential Property - 343 acres of undeveloped land located at Lake Olympia Bl. and the Fort Bend Toll Way.
- Olympia Commercial Property - 395 acres of undeveloped land located at Lake Olympia Bl. and the Fort Bend Toll Way.
- Spring Trace Residential Property - 281 acres of undeveloped land located at Lockwood and Beltway 8.
- Spring Trace Future Property - 475 acres of undeveloped land located at Lockwood and Beltway 8.
- Spring Trace Industrial Property - 156 acres of undeveloped land located at Lockwood and Lake Houston.
- Spring Trace Retail Property - 70.54 acres of undeveloped land located at Beltway 8 and Lake Houston.
- Spring Trace CAD Sites - 5.96 acres of undeveloped land located at Lockwood & Beltway 8.

V.

EVENTS LEADING TO BANKRUPTCY

A. Reasons for Filing Chapter 11

1. Economic and Market Challenges.

Since 2007, the Houston real estate market has faced significant unanticipated economic hardships. These hardships stemmed initially from the downturns in the housing market. These problems are exacerbated by a the recession and in the development of apartment complexes and other residential housing like the Debtor's Properties. Accordingly, real estate development and apartment complexes like the Debtor's Property have been unable to achieve their expected revenues and maximize values.

Despite these economic and market challenges, the Debtor has worked diligently to comply with the terms and conditions of the Secured Lenders' Notes from the inception of the loans. The Debtor's efforts to satisfy the terms and conditions of the Notes are highlighted by the fact that additional Collateral has been offered to the respective secured lenders and while the Debtor has substantial equity in the Properties; all are encumbered, many with second and third liens.

2. The Debtor Seeks Relief from the Bankruptcy Court to Protect the Properties.

The Debtor filed this Chapter 11 case to protect the Properties as going concern businesses and to preserve the Properties value for all of the Debtor's creditors and interest holders. The Debtor has put forth the Plan in good faith to reorganize their capital structure to provide the highest recovery possible for all of the Debtor's creditors and interest holders.

3. Efforts to Refinance

The Debtor has been diligently pursuing various avenues to satisfy the claims of creditors, including the refinance of properties, securing equity investments and sales of properties.

4. The Debtor Continues to Pursue Various Alternatives.

The Debtor is continuing to work and negotiate with potential lenders and investors on the terms for satisfaction of the Claims of the Debtor's creditors. The Debtor intends to continue these efforts until all claims are fully satisfied or resolved, and deem the pursuit of both alternatives at this time to be in the best interest of the estate's creditors and parties in interest.

B. Assets and Liabilities

In the Schedules of Assets and Liabilities filed in these cases, the Debtor lists its assets and liabilities.

1. Assets

The Debtor's primary assets are the Properties, certain MUD receivables, and the personal property detailed in each Debtor's Schedule B filed with the Bankruptcy Court.

2. Liabilities

The primary liabilities of the Debtor include (i) the Secured Lender Notes, (ii) accrued real estate taxes; and (iii) general trade creditor claims; and other claims detailed in the Schedules and in proofs of claim filed in these cases.

VI.

POST-BANKRUPTCY OPERATIONS AND SIGNIFICANT EVENTS

A. Post-Bankruptcy Operations

Since the Petition Date, the Debtor has continued to manage its Properties for the benefit of creditors as debtor-in-possession pursuant to Bankruptcy Code § 1107 and 1108.

B. Significant Orders Entered During the Cases

The Debtor filed an Expedited Motion for Interim and Final Orders Authorizing the Debtor's Use of Cash Collateral (the "Cash Collateral Motion," Docket No. 31). On February 17, 2009, the Court held a hearing on the Cash Collateral Motion and entered an agreed interim order entered into with City Bank.

On April 29, 2010, the Court entered an order authorizing the Debtor to sell two acres from the Brookshire Property. Also on April 29, 2010, the Court entered an agreed order memorializing a agreement reached with City Bank regarding City Bank's request for relief from the automatic stay with to pursue foreclosure of the McCue Property. The terms of that agreed order have been incorporated into the Debtor's Plan.

C. Professionals

1. Professionals Employed by the Debtor

On January 20, 2010, the Debtor filed its application to employ the law firm of Porter & Hedges, L.L.P. ("P&H") as its general bankruptcy counsel in connection with the Chapter 11 case (the "Application to Employ P&H"). The Bankruptcy Court approved the Debtor's Application to Employ P&H on January 27, 2010.

2. No Committee

No official committees have been appointed in this Chapter 11 case.

VII.

DESCRIPTION OF THE PLAN

A. Introduction and General Overview of the Plan

In general, the Plan provides that the Reorganized Debtor will continue owning all of the Properties. Distributions will be made holders of Allowed Claims using a combination of available cash on hand as of the Effective Date, allotted funds made available through any equity contribution, and income generated from sale, refinance or operations of the Properties.

As part of the Plan, the Debtor will dedicate $100,000 for pro rata distribution to holders of General Unsecured Claims commencing on March 31, 2011. Any Claim attributable to any deficiency amount in the event any Property is foreclosed upon by a Secured Lender will be an Unsecured Claim.

The Plan provides for full payment in cash on the Effective Date to all holders of Allowed Claims, other than any Allowed Secured Claim, General Unsecured Claims, and claims of Equity Interest Holders. The Reorganized Debtor will object to any objectionable Claims and will escrow payments to disputed creditors until their claims are allowed or disallowed.

A summary of the principal provisions of the Plan and the treatment of Classes of Allowed Claims and Equity Interests is set out below. The summary is entirely qualified by the Plan. This Disclosure Statement is only a summary of the terms of the Plan; it is the Plan and not the Disclosure Statement that governs the rights and obligations of the parties.

B. Designation of Claims and Interests

The following is a designation of the Classes of Claims and Equity Interests under the Plan. In accordance with Bankruptcy Code § 1123(a)(1), Administrative Expenses, Fee Claims, and Priority Tax Claims are not true Classes for voting purposes. A Claim is classified in a particular Class only to the extent that the Claim qualifies within the description of that Class, and is classified in another Class or Classes to the extent that any remainder of the Claim or qualifies within the description of such other Class or Classes. A Claim is classified in a particular Class only to the extent that the Claim is an Allowed Claim in that Class and has not been paid, released or otherwise satisfied before the Effective Date; a Claim which is not an Allowed Claim is not in any Class. Notwithstanding anything to the contrary contained in the Plan, no distribution shall be made on account of any Claim that is not an Allowed Claim.

Unclassified Claims

- Administrative Expenses
- Priority Non-Tax Claims
- Priority Tax Claims

Secured Claims

- 1A – Compass – Brookshire
- 1B – Compass – Baytown
- 2 – Lasco
- 3A – City Bank – Spring Trace
- 3B – City Bank – McCue
- 3C – City Bank – Olympia
- 3D - City Bank – Bridge
- 4 – Bank of Houston
- 5 – Memorial Hermann
- 6 – Fortune Lending
- 7 – Trustmark
- 8 – Tax Ease Flamingo Island
- 9 – Tax Ease Spring Trace
- 10 – M&M Lien Claims
- 11 – Secured Tax Claims
- 13 – Central Bank

Unsecured Claims

- 12 - General Unsecured Claims

Equity Interests

- Equity Interests in Marhaba

C. Estimated Size of Allowed Claims in Classes

Class	Impaired	Amount
Unclassified Claims		
Administrative Expenses	No	$_____
Priority Non-Tax Claims	No	$0
Priority Tax Claims	No	$77,814.45
Secured Claims		
1A – Compass – Brookshire	Yes	$20,812,465.97
1B – Compass – Baytown	Yes	$2,364,828.00
2 – Lasco	Yes	$4,299,178.04
3A – City Bank – Spring Trace	Yes	$8,387,564.94
3B – City Bank – McCue	Yes	$10,911,031.25
3C – City Bank – Olympia	Yes	$233,230.19
3D – City Bank – Bridge	Yes	$753,839.87
4 – Bank of Houston	Yes	$2,327,180.42
5 – Memorial Hermann	Yes	$7,063,929.21
6 – Fortune Lending	Yes	$3,553,000.00
7 – Trustmark	Yes	$8,430,403.64
8 – Tax Ease – Flamingo Island	Yes	$79,181.68

9 – Tax Ease – Spring Trace	Yes	$226,546.28
10 – M&M Lien Claims	Yes	$82,609.16
11 – Secured Tax Claims	Yes	$968,755.03
13 – Central Bank	No	$100,000
Unsecured Claims		
12 - General Unsecured Claims	Yes	$925,098.42
Equity Interests		
Equity Interests in Marhaba		N/A

D. Treatment of Claims and Interests

1. Treatment of Unclassified Claims

(a) Administrative Expenses and Fee Claims

Administrative Expenses are Claims for any cost or expense of the Chapter 11 case allowable under Bankruptcy Code §§ 503(b) and 507(a)(1). Those expenses include all actual and necessary costs and expenses related to the preservation of the bankruptcy estate or the operation of the Debtor's business, all claims for cure payments arising from the assumption of executory contracts and unexpired leases under Bankruptcy Code § 365, and all United States Trustee quarterly fees.

The holder of any Administrative Expense other than (i) a Fee Claim, (ii) a liability incurred and paid in the ordinary course of business by the Debtor, or (iii) an Allowed Administrative Expense, must file with the Bankruptcy Court and serve on the Debtor and their counsel, notice of such Administrative Expense within 30 days after the Effective Date.

(b) Fee Claims

Each Person asserting a Fee Claim for services rendered or expenses incurred before the Effective Date shall file with the Bankruptcy Court, and serve on the U. S. Trustee, the Debtor and its counsel, a Fee Application within 30 days after the Effective Date.

(c) Allowance of Administrative Expenses

An Administrative Expense with respect to which notice has been properly filed and served pursuant to the Plan shall become an Allowed Administrative Expense if no objection is filed within 30 days after the filing and service of notice of such Administrative Expense. If an objection is timely filed, the Administrative Expense shall become an Allowed Administrative Expense only to the extent allowed by Final Order. An Administrative Expense that is a Fee Claim, and with respect to which a Fee Application has been timely filed pursuant to section 4.1 of the Plan, shall become an Allowed Administrative Expense only to the extent Allowed by Final Order.

Each holder of an Allowed Administrative Expense Claim shall receive from the Reorganized Debtor, at the option of the Reorganized Debtor: (i) the amount of such holder's Allowed Claim in one Cash payment on the later of the Effective Date or the next Business Day after such Claim becomes an Allowed Claim; (ii) the amount of such holder's Allowed Claim in accordance with the ordinary business terms of such expense or cost; or (iii) such other treatment to which the holder of such Administrative Expense and the Reorganized Debtor may agree in writing.

The Debtor anticipate legal fees and expenses to be incurred by P&H as legal counsel for the debtor.

The Debtor estimates that Allowed Administrative Expense Claim will total approximately $\$\_\_\_\_\_$.

(d) Priority Non-Tax Claims

Certain claims are entitled to priority pursuant to §§ 507(a)(3) (Claims for wages, salaries, or commissions), 507(a)(4) (Claims for contributions to employee benefit plans), and 507(a)(6) (Claims by individuals for refunds of deposits) of the Bankruptcy Code.

Each holder of an Allowed Priority Non-Tax Claim shall receive from the Reorganized Debtor, at the option of the Reorganized Debtor: (i) the amount of such holder's Allowed Claim in one Cash payment on the later of the Effective Date or the next business day after such Claim becomes an Allowed Claim; (ii) such other treatment to which the holder of such Allowed Priority Non-Tax Claim and the Reorganized Debtor may agree in writing; or (iii) the amount of such holder's Allowed Claim in accordance with Bankruptcy Code § 1129(a)(9)(B).

The Debtor estimates that there will not be any Priority Non-Tax Claims on the Effective Date.

(e) Priority Tax Claims

Certain claims of governmental units and taxing authorities are entitled to priority pursuant to § 507(a)(8) of the Bankruptcy Code.

Each holder of an Allowed Priority Tax Claim shall receive from the Reorganized Debtor, at the option of the Reorganized Debtor: (i) the amount of such holder's Allowed Claim in one Cash payment on the later of the Effective Date, the next business day after such Claim becomes an Allowed Claim; such other treatment to which the holder of such Allowed Priority Tax Claim and the Reorganized Debtor may agree in writing; or (iii) the amount of such holder's Allowed Claim in accordance with Bankruptcy Code § 1129(a)(9)(C).

The Debtor estimates Allowed Priority Tax Claims of approximately $77,814 on the Effective Date.

2. Classification and Treatment of Claims and Equity Interests

(a) Secured Claims

Classes 1A, 1B, 2, 3A, 3B, 3C, 3D, 4, 5, 6, 7, 8, 9, 10, 11 and 13, are composed of Allowed Claims secured by a Lien on Collateral. Secured Claims fall into three groups, including (i) Secured Claims held by taxing authorities; (ii) Secured Claims secured by mechanics or materialmen, or other liens created by operation of law, other than a consensual Lien held by the a governmental unit, an HOA; and (iii) Secured Claims held by Secured Lenders.

Classes 1A, 1B, 2, 3A, 3B, 3C, 3D, 4, 5, 6, 7, 8, 9 and 13 are Secured Claims held by Secured Lenders.

With the exception of Class 3B and Class 13, the Debtor proposes that, subject to extension or modification by the written agreement of the parties, the Debtor shall, not later than December 31, 2010, pay to the respective Secured Lender, the full amount of the outstanding respective Notes, including post-petition interest at the contract rate, late charges and other reasonable amounts due and payable under the Note. If the obligations due under the respective Note is not paid in full by December 31, 2010, subject to extension by the written agreement of the parties, then the Secured Lender will be permitted to pursue all remedies available to it with regards to its collateral. In the event that there is a deficiency after all proceeds have been applied, the Secured Lender will be authorized to file an unsecured proof of claim for the deficiency balance, if any. The Secured Lenders' liens in and remedies against its collateral shall remain in full force and effect.

With regards to Class 3B – City Bank McCue Note, the Debtor has agreed to Subject to extension or modification by the written agreement of the parties, the Debtor shall, not later than September 1, 2010, pay to City Bank the full amount of the City Bank McCue Note, including post-petition interest at the contract rate, late charges and other reasonable amounts due and payable under the Note. Furthermore, in the event that a sale or refinance of the McCue Property produces funds in excess of the amount due and payable to City Bank under the Note (including interest and attorneys fees), the Plan will provide that City Bank shall be paid the additional proceeds from such sale, re-finance, or disposition to be applied towards the Additional Indebtedness. If the City Bank McCue Note is not paid in full by September 2, 2010, subject to extension by the written agreement of the parties, then City Bank will be permitted to pursue all remedies available to it with regards to the Property. In the event that there is a deficiency after all proceeds have been applied, City Bank is authorized to file an unsecured proof of claim for the deficiency balance, if any. City Bank's liens in and remedies against its collateral shall remain in full force and effect.

Claimants in Classes 1A, 1B, 2, 3A, 3B, 3C, 3D, 4, 5, 6, 7, 8, and 9 are impaired.

Class 13- Class 13 - Central Bank Claim. The Central Bank Promissory Note dated December 31, 2009 is not modified by this Plan.

The Class 13 Claim of Central Bank is not impaired.

Class 10 – M&M Lien Claims. Each holder of an Allowed M&M Lien Claim shall receive from the Reorganized Debtor, at the option of the Reorganized Debtor: (i) the amount of such holder's Allowed Claim in one Cash payment on the later of the Effective Date or upon the sale or refinance of the Property to which the M&M lien is attached; or (ii) such other treatment to which the holder of such Allowed M&M Lien Claim and the Reorganized Debtor may agree in writing. The Debtor estimates that Allowed Claims in Class 10 will total approximately $82,609.16.

Claimants in Class 10 are impaired.

Class 11 – Secured Tax Claims. Each holder of an Allowed Secured Tax Claim shall receive from the Reorganized Debtor, at the option of the Reorganized Debtor: (i) the amount of such holder's Allowed Claim in one Cash payment on the later of the Effective Date or upon the sale or refinance of the Property to which the tax lien is attached; or (ii) such other treatment to which the holder of such Allowed Secured Tax Claim and the Reorganized Debtor may agree in writing.

The Debtor estimate that the Secured Tax Claims due and owing as of the Effective Date will total approximately $968,755.03. Claimants in Class 11 are impaired.

Claimants in Class 11 are unimpaired.

(b) Class 12 –Unsecured Claims

Class 10 and 11 are comprised of Allowed unsecured claims against the Debtor. Unsecured claims are claims not secured by any lien or security interest in the Debtor's Assets and are not entitled to priority under Bankruptcy Code § 507 or similar provision. The Plan further divides unsecured claims into two groups, including classes for general unsecured claims held by trade vendors and other miscellaneous creditors who do business with the Debtor and unsecured claims of insiders that have been subordinated to other unsecured claims by order the Bankruptcy Court or operation of law. The treatment for each unsecured class is detailed below and in the Plan. The Plan impairs all classes of unsecured claims.

Class 12 – General Unsecured Claims. Class 12 includes any Claim other than an Administrative Expense, a Secured Claim, a Priority Claim, or Equity Interests. Most vendors and parties who extended credit to the Debtor at each of the Properties will be treated in this class.

The Plan provides for pro rata payment to all holders of Allowed General Unsecured Claims. However, during the pendency of these bankruptcy cases, several Claims in this Class have already received certain payments from the Debtor on account of utility deposits. Any such post-petition amounts paid by the Debtor to holders of Allowed General Unsecured Claims will serve to offset the amounts such holders of Allowed General Unsecured Claims will receive under this Plan.

Accordingly, each holder of an Allowed General Unsecured Claim shall receive from the Reorganized Debtor a pro rata payment, based on its claim amount, from the "Unsecured Claims

Distribution." The Unsecured Claims Distribution shall be $100,000. The Debtor shall make the Unsecured Claims Distribution on or before March 31, 2011.

Claimants in Class 12 are impaired.

Equity Interests. Holders of Equity Interests in the Debtor will retain such interests under the Plan.

E. Means of Implementation of the Plan

The Plan provides that on the Effective Date, all Assets of the Debtor will be transferred to, and will vest in, the Reorganized Debtor. The Reorganized Debtor will continue to own the Debtor's business, and use the cash on hand as of the Effective Date, any contribution received through an equity contribution, the proceeds from the sale or refinance of any Property and the revenues subsequently generated to satisfy the Claims either on the Effective Date or over time pursuant to the Class treatments detailed above. As noted above, the Debtor is currently working on either an equity arrangement, refinancing or a sale of Properties to generate cash. The Debtor expects net operating income to improve and an appreciable increase in the valuation and marketability of the Properties based on an anticipated gradual improvement in economic and market conditions in the Houston area.

1. Powers and Duties of the Reorganized Debtor

Subject to the provisions of the Plan, the Reorganized Debtor will take possession of all the Assets and manage the estate.

The Reorganized Debtor will be a representative of the Debtor's estate pursuant to Code § 1123(b)(3) and will have the power to prosecute any of the Litigation Claims that the Reorganized Debtor in good faith believes to be valid. Additionally, the Reorganized Debtor will have power to do all acts contemplated by the Plan and other acts that may be necessary or appropriate to comply with the Plan's terms.

2. Management of the Reorganized Debtor

The Reorganized Debtor will maintain the Debtor's current management. The Debtor is managed by its General Partner, Kifsah, and by David Lucyk.

F. Provisions Governing Distribution

Any payments or distributions to be made by the Reorganized Debtor pursuant to the Plan shall be made on the Effective Date except as otherwise provided for in the Plan, or as may be ordered by the Bankruptcy Court.

Distributions and deliveries to holders of Allowed Claims shall be made at the addresses set forth on the proofs of Claim or proofs of interest filed by such holders (or at the last known addresses of such holders if no proof of Claim or proof of interest is filed); or if the Reorganized Debtor has been notified of a change of address, at the address set forth in such notice. All Unclaimed Property shall revert to the Reorganized Debtor.

No interest shall be paid on any Claim unless, and only to the extent that, the Plan specifically provides otherwise.

G. Contested and Contingent Claims

Unless a different date is set by order of the Bankruptcy Court, all objections to Claims shall be served and filed no later than ninety (90) days after the Effective Date or ninety (90) days after a particular proof of Claim is filed, whichever is later. Any proof of Claim filed more than thirty (30) days after the Confirmation Date shall be of no force and effect, shall be deemed disallowed, and will not require objection. All Contested Claims shall be litigated to Final Order; *provided*, *however*, that the Reorganized Debtor may compromise and settle any Contested Claim, without approval of the Bankruptcy Court.

No payment or distribution shall be made with respect to any Contested Claim unless and until such Contested Claim becomes an Allowed Claim.

H. Executory Contracts and Leases

The Plan constitutes and incorporates a motion by the Debtor to assume, as of the Effective Date, all prepetition executory contracts and unexpired leases to which the Debtor is a party, except for executory contracts or unexpired leases that (a) have been assumed or rejected pursuant to Final Order of the Bankruptcy Court or (b) are the subject of a separate motion pursuant to § 365 of the Bankruptcy Code to be filed and served by the Debtor on or before the Effective Date. The Debtor lists all executory contracts to this Disclosure Statement at Exhibit 2 to this Disclosure Statement.

If the rejection of an executory contract or an unexpired lease by the Debtor results in damages to the other party or parties to such contract or lease, a Claim for such damages shall be forever barred and shall not be enforceable against the Debtor or the Reorganized Debtor or their properties or agents, successors, or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon the Trustee by the earlier of (a) 30 days after the Confirmation Date or (b) such other deadline as the Court may set for asserting a Claim for such damages.

Any Rejection Claim arising from the rejection of an unexpired lease or executory contract not barred by Section 10.2 of the Plan shall be treated as a Class 10 General Unsecured Claim against the Debtor pursuant to Article 5.0 of the Plan; provided, however, that any Rejection Claim based upon the rejection of an unexpired lease of real property either prior to the Confirmation Date or upon the entry of the Confirmation Order shall be limited in accordance with § 502(b)(6) of the Bankruptcy Code and state law mitigation requirements.

For executory contracts assumed by the Reorganized Debtor, all cure payments which may be required by Bankruptcy Code § 365(b)(1) under any executory contract or unexpired lease that is assumed, or assumed and assigned, under this Plan shall be made by the Reorganized Debtor; provided, however, in the event of a dispute regarding the amount of any cure payments, the cure of any other defaults, the ability to provide adequate assurance of future performance, or any other matter pertaining to assumption or assignment, the Reorganized Debtor shall make such cure payments and cure such other defaults and provide adequate assurance of future performance, all as may be required by Bankruptcy Code § 365(b)(1),

following the entry of a Final Order resolving such dispute. To the extent that a party to an assumed executory contract or unexpired lease has not filed an appropriate pleading with the Bankruptcy Court on or before the thirtieth (30th) day after the Confirmation Date disputing the amount of any cure payments offered to it by the Reorganized Debtor, disputing the cure of any other defaults, disputing the promptness of the cure payments, or disputing the provisions of adequate assurance of future performance, then such party shall be deemed to have waived its right to dispute such matters.

I. Causes of Action

At this time, the Debtor does not anticipate prosecuting or seeking any affirmative recoveries in the prosecution of claims for preferences, fraudulent transfers or other avoidance actions. All Avoidance Actions are being released as an affirmative recovery, but may be used as a setoff against a filed claim.

1. Preferences

Pursuant to the Bankruptcy Code, a debtor may recover certain preferential transfers of property, including cash, made while insolvent during the ninety (90) days immediately prior to the filing of its bankruptcy petition with respect to pre-existing debts to the extent the transferee received more than it would have in respect of the pre-existing debt had the debtor been liquidated under Chapter 7 of the Bankruptcy Code. In the case of "insiders," the Bankruptcy Code provides for a one-year preference period. There are certain defenses to preference actions. Transfers made in the ordinary course of a debtor's and the transferee's business according to the ordinary business terms are not recoverable. If the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension may constitute a defense, to the extent of any new value, against any otherwise recoverable transfer of property. If a transfer is recovered by the debtor, the transferee has a general unsecured claim against the debtor to the extent of the recovery. The Reorganized Debtor is waiving all rights to pursue, in its sole discretion, any preferences

2. Fraudulent Transfers

Under the Bankruptcy Code and various state laws, a debtor may recover certain transfers of property, including the grant of a security interest in property, made while insolvent or which rendered it insolvent if, and to the extent, the debtor receives less than fair value for such property. A debtor may also recover certain transfers if the transfer was made with actual intent to hinder, delay or defraud any creditor. These transfers are referred to as "fraudulent transfers." The Reorganized Debtor is waiving all rights to pursue any fraudulent transfers.

3. Other Potential Litigation

The Debtor may also have claims and causes of action against third parties and creditors arising prior to the Petition Date. These causes of action may be prosecuted by the Reorganized Debtor or enforced by way of setoff against Claims filed against the bankruptcy estate. The Reorganized Debtor has sole discretion to prosecute any such litigation and to object to any Claims as they see fit.

J. Discharge of the Debtor and Related Injunctions.

ALL CLAIMANTS SHOULD REVIEW THESE INJUNCTION AND DISCHARGE PROVISIONS CAREFULLY WITH THEIR COUNSEL. THE PLAN'S INJUNCTIONS AND DISCHARGE WILL AFFECT YOUR RIGHTS.

1. Discharge of Debtor.

The Plan provides a discharge of Claims against the Debtor to the fullest extent allowed by the Bankruptcy Code. To the extent permitted by § 1141 of the Bankruptcy Code, all consideration distributed under the Plan shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Equity Interests of any nature whatsoever against the Debtor or any of their assets or properties. Except as otherwise provided herein, upon the Effective Date, the Debtor and their successors in interest shall be deemed discharged and released pursuant to § 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims treated in the Plan, as well as all other Claims and Equity Interests, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in §§ 502(g), 502(h), or 502(i) of the Bankruptcy Code, whether or not (a) a proof of Claim based upon such debt is filed or deemed filed under § 501 of the Bankruptcy Code; (b) a Claim based upon such debt is Allowed under § 502 of the Bankruptcy Code; (c) the holder of a Claim based upon such debt has accepted this Plan; or (d) the Claim has been Allowed, disallowed, or estimated pursuant to § 502(c) of the Bankruptcy Code. The Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtor and its successors in interest other than those obligations specifically set forth pursuant to this Plan.

2. Injunction Regarding Actions against the Debtor and its Assets.

To implement the Plan, including the Debtor's discharge, Sections 7.2, 13.2 and other Plan provisions act to enjoin certain actions against the Debtor, the Reorganized Debtor and its property.

The injunction in Plan Section 7.2 provides that, except as otherwise provided in the Plan, from and after the Confirmation Date, all holders of Claims against and Equity Interests in the Debtor are permanently restrained and enjoined (a) from commencing or continuing in any manner, any action or other proceeding of any kind with respect to any such Claim or Equity Interest against the Debtor and its Assets; (b) from enforcing, attaching, collecting, or recovering by any manner or means, any judgment, award, decree, or order against the Assets or the Debtor; (c) from creating, perfecting, or enforcing any encumbrance of any kind against the Assets and the Debtor; (d) from asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due the Debtor; and (e) from performing any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan; provided, however, (i) that each holder of a Contested Claim may continue to prosecute its proof of claim in the Bankruptcy Court and all holders of Claims and Equity Interests shall be entitled to enforce their rights under the Plan and any agreements executed or delivered pursuant to or in connection with the Plan, and (ii) the holder of a Lien on any Collateral which is surrendered

pursuant to this Plan or hereafter by the Reorganized Debtor may exercise its legal and contractual rights and remedies, including foreclosure sale, with respect thereto.

The injunction in Plan Section 13.2 provides that, except as otherwise expressly provided in the Plan, the Confirmation Order shall provide, among other things, that from the Confirmation Date, all Persons who are or may be past, current or future holders of a Claim or Equity Interest against Debtor or its estate:

(a) shall receive recovery on account of such Claim, if Allowed, solely from the Reorganized Debtor and on the Effective Date such Claim, if Allowed, shall exist and be valid only to the extent it is solely asserted against the Reorganized Debtor;

(b) hereby permanently, irrevocably and unconditionally release and discharge Debtor and each of their officers, directors, agents, employees, representatives, financial advisors, attorneys and accountants from all liabilities, rights of contribution, and rights of indemnification, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise, that are based in whole or in part on any act, omission, transaction, or other occurrence taking place on, or prior to, the Effective Date in any way relating to the Debtor, its estate and business affairs, the Chapter 11 case and the Plan; and

(c) are and shall be permanently, irrevocably and unconditionally enjoined and barred from asserting or taking any of the following actions (all of which shall be permanently, irrevocably and unconditionally waived, released and discharged) against Debtor or any of its property on account of any liability, claim or interest in any way relating to the Debtor, and its estate, the Chapter 11 case and the Plan:

(i) commencing or continuing, in any manner or in any place, any suit, cause of action or other proceeding;

(ii) enforcing attaching, collection or recovering in any manner any judgment, award, decree or order;

(iii) creating, perfecting or enforcing any Lien or other encumbrance; and

(iv) commencing or continuing, in any manner or in any place, any suit, action or proceeding that does not comply with or is inconsistent with the provisions of the Plan.

K. Exculpation and Limitation of Liability

Section 13.4 of the Plan provides for the exculpation of the Debtor (including its officers, directors and employees) and professional Persons retained by the Debtor from liability related

to the Debtor's Chapter 11 case, the Plan and its administration. This limitation of liability excludes gross negligence or willful misconduct as may be determined by the Bankruptcy Court.

L. U.S. Trustee Quarterly Fees

The Reorganized Debtor 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 date of confirmation of the Plan will be paid in full on or before the Effective Date of the Plan. After confirmation, the Reorganized Debtor shall pay United States Trustee quarterly fees as they accrue until its case is closed by the Court. The Reorganized Debtor shall file with the Court and serve on the United States Trustee a financial report for each quarter, or portion thereof, that its Chapter 11 case remains open in a format prescribed by the United States Trustee.

VIII.

FEASIBILITY AND RISKS

A. Business Risks

The Plan provides that the Reorganized Debtor will continue owning all of the Properties, using available cash on hand as of the Effective Date, allotted funds made available through an equity contribution, sale or refinance of property, and income generated from operations at the Properties to make distributions to holders of Allowed Claims.

Nevertheless, the Reorganized Debtor's business plan faces risks. The Debtor's financial situation deteriorated primarily due to historically unfavorable economic and market conditions. The Plan assumes a moderate improvement in these conditions in the near term; however, the Debtor cannot guaranty that market conditions will improve. If the Houston real estate market and general credit market experience further declines, or fail to recover from the current recession, it will negatively affect the Reorganized Debtor's ability to realize the needed cash to satisfy the claims of Secured Creditors and to fund the Plan distributions.

The Debtor believes its projections are reasonable, will provide the Reorganized Debtor sufficient income to fund distributions to creditors and support confirmation of the Plan. Nevertheless, all Claimants should consider these and all risks in voting on the Plan.

THIS DISCLOSURE STATEMENT AND THE MATERIAL INCORPORATED BY REFERENCE HEREIN (THE "INCORPORATED MATERIALS") INCLUDE "FORWARD-LOOKING STATEMENTS" AS DEFINED IN SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21 E OF THE SECURITIES EXCHANGE ACT OF 1934. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDED IN THIS DISCLOSURE STATEMENT AND THE INCORPORATED MATERIALS REGARDING THE REORGANIZED DEBTOR'S FINANCIAL POSITION, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS AND INDEBTEDNESS COVENANT COMPLIANCE, INCLUDING BUT NOT LIMITED TO STATEMENTS USING WORDS SUCH AS

"ANTICIPATES," "EXPECTS," "ESTIMATES," "BELIEVES" AND "LIKELY" ARE FORWARD-LOOKING STATEMENTS. MANAGEMENT BELIEVES THAT ITS CURRENT VIEWS AND EXPECTATIONS ARE BASED ON REASONABLE ASSUMPTIONS; HOWEVER, THERE ARE SIGNIFICANT RISKS AND UNCERTAINTIES THAT COULD SIGNIFICANTLY AFFECT EXPECTED RESULTS. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN THE FORWARD-LOOKING STATEMENTS ("CAUTIONARY STATEMENTS") ARE DISCLOSED THROUGHOUT THIS DISCLOSURE STATEMENT AND INCLUDE, WITHOUT LIMITATION, THE RISK FACTORS DISCUSSED HEREIN, CONDITIONS IN THE CAPITAL MARKETS, AND COMPETITION. ALL WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE DEBTOR, OR PERSONS ACTING ON THEIR BEHALF, ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS. THE REORGANIZED DEBTOR DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE HEREOF OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

B. Risk of Nonconfirmation of the Plan

Even if all Classes of Claims and Equity Interests that are entitled to vote accept the Plan, the Bankruptcy Court may not confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor, and that the value of distributions to dissenting creditors and equity interest holders not be less than the value of distributions such creditors and equity interest holders would receive if the Debtor was liquidated under Chapter **7** of the Bankruptcy Code. The Debtor believes that the Plan satisfies all the requirements for confirmation of a plan of reorganization under the Bankruptcy Code. There can be no assurance, however, that the Bankruptcy Court will also conclude that the requirements for confirmation of the Plan have been satisfied.

C. Nonoccurrence of Effective Date of the Plan

Even if all Classes of Claims and Interests that are entitled to vote accept the Plan, the Plan may not become effective. The Plan sets forth conditions to the occurrence of the Effective Date of the Plan which may not be satisfied. The Debtor believes it will satisfy all requirements for consummation under the Plan. There can be no assurance, however, that the Bankruptcy Court will also conclude that the requirements for consummation of the Plan have been satisfied.

IX.

ALTERNATIVES TO PLAN

There are three possible consequences if the Plan is rejected or if the Bankruptcy Court refuses to confirm the Plan: (a) the Bankruptcy Court could dismiss the Debtor's Chapter 11 case, (b) the Debtor's Chapter 11 case could be converted to liquidation case under Chapter 7 of the Bankruptcy Code, or (c) the Bankruptcy Court could consider an alternative plan of reorganization proposed by some other party.

A. Dismissal

If the Debtor's Chapter 11 case was dismissed, the Debtor would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. The Debtor anticipates that the Secured Lenders would foreclose on the Properties. In such a scenario, the Debtor believes the General Unsecured Creditors would not receive a recovery on their Claims.

B. Chapter 7 Liquidation

If the Plan is not confirmed, it is likely that the Debtor's Chapter 11 Case would be converted to a case under Chapter 7 of the Bankruptcy Code. In Chapter 7, the Court would appoint (or the creditors elect) a trustee to liquidate the Debtor's assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. Whether a bankruptcy case is one under Chapter 7 or Chapter 11, Secured Creditors, Administrative Expenses and Priority Claims are entitled to be paid in cash and in full before General Unsecured Creditors receive any funds.

If the Debtor's Chapter 11 Case is converted to Chapter 7, the present Administrative Expense may have a priority lower than priority claims generated by the Chapter 7 case, such as the Chapter 7 trustee's fees or the fees of attorneys, accountants and other professionals engaged by the trustee.

Debtor's creditors will receive substantially less in a liquidation of the Debtor's assets. Specifically, in a Chapter 7 liquidation, it is unlikely that General Unsecured Claims would receive recovery on their Claims.

C. Alternative Plan

No party other that the Debtor can propose an alternative plan at this time because the Debtor filed the Plan and seek its confirmation within the Exclusive Period. If the Exclusive Period is terminated or if the Plan proposed by the Debtor is not confirmed or is rejected by the creditors, the Court can allow the Debtor to propose a different plan or may allow other parties to file their own plan.

X.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FOLLOWING DISCUSSION IS A SUMMARY OF CERTAIN SIGNIFICANT FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO THE DEBTOR AND TO HOLDERS OF CLAIMS AND EQUITY INTERESTS AND IS BASED ON THE INTERNAL REVENUE CODE OF 1986 (TITLE 26, UNITED STATES CODE), AS AMENDED TO THE DATE HEREOF (THE "TAX CODE"), TREASURY REGULATIONS PROMULGATED AND PROPOSED THEREUNDER, JUDICIAL DECISIONS AND PUBLISHED ADMINISTRATIVE RULES AND PRONOUNCEMENTS OF THE IRS AS IN EFFECT ON THE DATE HEREOF. CHANGES IN SUCH RULES OR NEW INTERPRETATIONS THEREOF COULD SIGNIFICANTLY AFFECT THE TAX CONSEQUENCES DESCRIBED BELOW. NO RULINGS HAVE BEEN REQUESTED FROM THE IRS. MOREOVER, NO LEGAL OPINIONS HAVE BEEN REQUESTED FROM COUNSEL WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN.

THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN TO THE HOLDERS OF CLAIMS AND EQUITY INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. IN ADDITION, THIS DISCUSSION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTOR OR THE HOLDERS OF ALLOWED CLAIMS OR EQUITY INTERESTS (SUCH AS HOLDERS WHO DO NOT ACQUIRE THEIR CLAIM ON ORIGINAL ISSUE), NOR DOES THE DISCUSSION DEAL WITH TAX ISSUES PECULIAR TO CERTAIN TYPES OF TAX PAYERS (SUCH AS DEALERS IN SECURITIES, S CORPORATIONS, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, TAX-EXEMPT ORGANIZATIONS AND FOREIGN TAXPAYERS). NO ASPECT OF FOREIGN, STATE, LOCAL OR ESTATE AND GIFT TAXATION IS ADDRESSED.

THE FOLLOWING SUMMARY IS, THEREFORE, NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE

INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR EQUITY INTEREST. HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES PECULIAR TO THEM UNDER THE PLAN. THE DEBTOR ASSUMES NO RESPONSIBILITY FOR THE TAX EFFECT THAT CONFIRMATION AND RECEIPT OF ANY DISTRIBUTION UNDER THE PLAN MAY HAVE ON ANY GIVEN CREDITOR OR OTHER PARTY IN INTEREST.

A. General

No administrative rulings will be sought from the Internal Revenue Service (hereinafter "IRS") with respect to any of the federal income tax aspects of the Plan. Consequently, there can be no assurance that the treatment described in the Plan will be accepted by the IRS. No opinion of counsel has either been sought or obtained with respect to the federal income tax aspects of the Plan.

B. IRS Circular 230 Disclosure

THIS DISCLOSURE STATEMENT IS WRITTEN TO SUPPORT THE PROMOTION OR THE MARKETING OF TRANSACTIONS DISCUSSED HEREIN. TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, THE DEBTOR IS INFORMING YOU THAT THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES THAT MAY BE IMPOSED ON SUCH TAXPAYER UNDER THE TAX CODE. TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

C. Consequences to Holders of Claims

1. Realization and Recognition of Gain or Loss in General

The federal income tax consequences of the implementation of the Plan to a holder of a Claim will depend, among other things, upon the origin of the holder's Claim, when the holder's claim becomes an Allowed Claim, when the holder received payment in respect of such Claim, whether the holder reports income using the accrual or cash method of accounting, whether the holder has taken a bad debt deduction or worthless security deduction with respect to such claim, whether the Claimant receives consideration in more than one tax year of the Claimant, whether the Claimant is a resident of the United States, whether all the consideration received by the Claimant is deemed to be received by that Claimant in an integrated transaction and whether the holder's Claim constitutes a "security" for federal income tax purposes.

Generally, a holder of an Allowed Claim will realize gain or loss on the exchange under the Plan of its Allowed Claim for stock and other property (such as Cash and new debt instruments), in an amount equal to the difference between (i) the sum of the amount of any Cash and the issue price of any debt instrument (other than any consideration attributable to a Claim for accrued but unpaid interest), and (ii) the adjusted basis of the Allowed Claim exchanged therefore (other than basis attributable to accrued but unpaid interest previously included in the holder's taxable income). The treatment of accrued but unpaid interest and amounts allocable thereto varies depending on the nature of the holder's claim, such as (i) the nature and origin of the Claim; (ii) the tax status of the holder of the Claim; (iii) whether the holder is a financial institution; (iv) whether the Claim is a capital asset in the hands of the holder; (v) whether the Claim has been held for more than one (1) year; (vi) the extent to which the holder previously

claimed a loss, bad debt deduction or charge to a reserve for bad debts with respect to the Claim, and is discussed below.

Whether or not such realized gain or loss will be recognized for federal income tax purposes will depend in part upon whether such exchange qualifies as a recapitalization or other "reorganization" as defined in the Tax Code, which may in turn depend upon whether the Claim exchanged is classified as a "security" for federal income tax purposes. The term "security" is not defined in the Tax Code or in the Treasury Regulations. One of the most significant factors considered in determining whether a particular debt instrument is a security is the original term thereof. In general, the longer the term of an instrument, the greater the likelihood that it will be considered a security. Generally, a debt instrument having an original term of 10 years or more will be classified as a security, and a debt instrument having an original term of fewer than five years will not. Debt instruments having a term of at least five years but less than 10 years are likely to be treated as securities, but may not be, depending upon their resemblance to ordinary promissory notes, whether they are publicly traded, whether the instruments are secured, the financial condition of the debtor at the time the debt instruments are issued, and other factors. Each holder of an Allowed Claim should consult his or her own tax advisor to determine whether his or her Allowed Claim constitutes a security for federal income tax purposes.

2. Accrued Interest

The Debtor intends to take the position that all payments in respect of Allowed Claims will be first allocated to the principal amount of the Allowed Claim, with any excess allocated to accrued unpaid interest. However, there is no assurance that such allocation would be respected by the IRS for federal income tax purposes. In general, to the extent any amount received by a holder of an Allowed Claim is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally will recognize a deductible loss to the extent any accrued interest claimed was previously included in gross income and is not paid in full. Each holder of an Allowed Claim is urged to consult its tax advisor regarding the allocation of consideration and deductibility of unpaid interest for tax purposes.

A holder, who, under his accounting method, was not previously required to include in income, accrued but unpaid interest attributable to its existing Claims, and who exchanges its interest Claim for cash, or other property, pursuant to the Plan will be treated as receiving ordinary interest income to the extent of any consideration so received allocable to such interest, regardless of whether that holder realizes an overall gain or loss as a result of the exchange of its existing Claims.

3. Withholding

All distributions to holders of Claims under the Plan are subject to any applicable withholding. Under federal income tax law, interests, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at a 28% rate. Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified

statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

4. Consequences to Debtor or Reorganized Debtor – Discharge of Indebtedness Income Generally

In general, the discharge of a debt obligation by a debtor for an amount less than the adjusted issue price (generally, the amount received upon incurring the obligation plus the amount of any previously amortized original issue discount and less the amount of any previously amortized bond issue premium) gives rise to cancellation of indebtedness ("COD") income which must be included in a debtor's income for federal income tax purposes, unless, in accordance with § 108(e)(2) of the Tax Code, payment of the liability would have given rise to a deduction. A corporate debtor that issues its own stock or its own debt in satisfaction of its debt is treated as realizing COD income to the extent the fair market value of the stock or the issue price of new debt issued is less than the adjusted issue price of the old debt. COD income is not recognized by a taxpayer that is a debtor in a title 11 (bankruptcy) case if a discharge is granted by the Bankruptcy Court or pursuant to a plan approved by the Bankruptcy Court (the "Bankruptcy Exclusion Rules").

The Debtor has not determined if any COD income will be realized pursuant to the Plan, but believes that the COD income, if any, will not be recognized by the Debtor due to the Bankruptcy Exclusion rules. However, the Debtor, as a result of the exception, may be subject to a reduction of certain of its "tax attributes" to the extent that COD income is not recognized under the Bankruptcy Exclusion Rules. Thus, while the Debtor will not recognize taxable income from discharge of indebtedness, they may experience reductions in (i) any net operating losses ("NOL") that have accumulated, (ii) the tax basis of its property, and (iii) other tax attributes, as set forth in § 108(b)(2) of the Tax Code.

Nothing herein shall be construed as advice to the Reorganized Debtor; the Reorganized Debtor is relying solely on its own counsel and/or professionals for such advice.

The federal income tax consequences of the Plan are complex and subject to uncertainties. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary does not address foreign, state or local tax consequences of the Plan, and it does not purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, insurance companies, financial institutions, small business investment corporations, regulated investment companies, tax-exempt organizations or investors in pass through entities).

ACCORDINGLY, ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE

FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES TO THEM OF THE PLAN.

XI.

CONCLUSION

This Disclosure Statement has attempted to provide information regarding the Debtor's bankruptcy estate and the potential benefits that accrue to holders of Claims against the Debtor under the Plan as proposed. The Debtor urge creditors to vote in favor of the Plan.

Dated: May 15, 2010.

MARHABA PARTNERS LIMITED PARTNERSHIP

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