

UNITED STATES BANKRUPTCY COURT  
MIDDLE DISTRICT OF ALABAMA

IN RE: )  
PARKWAY PROPERTIES, LLC ) CHAPTER 11  
DEBTOR. ) CASE NO. 13-30461

**AMENDED**  
DISCLOSURE STATEMENT  
SUBMITTED BY PARKWAY PROPERTIES, LLC

DATED: May 22, 2013

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## DISCLOSURE STATEMENT

### ARTICLE I: INTRODUCTION

#### A. General

PARKWAY PROPERTIES, LLC (hereinafter referred to at various times as the Debtor, Debtor in Possession or DIP), provides this Disclosure Statement pursuant to 11 U.S.C. §1125 to all of its known creditors and interest holders in order to disclose information deemed by the Debtor to be material, important and necessary for its creditors and interest holders to arrive at a reasonable and informed decision in exercising their right to vote for acceptance of the Debtor's Plan of Reorganization (hereinafter referred to as the "Plan") which is fully set forth herein. NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND PLAN. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE THAT ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND PLAN SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. ANY SUCH OTHER OR ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION IN ANY PROCEEDING OR ACTION OR BE DEEMED TO BE ADVICE ON THE TAX OR LEGAL EFFECT OF THE PLAN ON ANY HOLDER OF A CLAIM OR INTEREST. THIS DISCLOSURE STATEMENT AND PLAN WAS COMPILED

FROM INFORMATION AVAILABLE TO THE UNDERSIGNED AND THROUGH COOPERATION WITH THE DEBTOR. HOWEVER, NEITHER A CERTIFIED AUDIT NOR INDEPENDENT APPRAISAL WAS PERFORMED. THE STATEMENTS MADE IN THIS DISCLOSURE STATEMENT AND PLAN ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED IN THIS DOCUMENT. THE DELIVERY OF THIS DISCLOSURE STATEMENT AND PLAN SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY FACTS SET FORTH IN THIS DISCLOSURE STATEMENT AND PLAN SINCE THE DATE HEREOF. THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF CREDITORS WHOSE CLAIMS AGAINST THE DEBTOR'S ESTATE ARE IMPAIRED UNDER THE PLAN TO ENABLE SUCH CREDITORS TO MAKE AN INFORMED DECISION IN VOTING ON THE PLAN. AMENDMENTS TO THE PLAN THAT DO NOT MATERIALLY AND/OR ADVERSELY CHANGE THE TREATMENT OF CLASSES MAY BE MADE TO THE PLAN PRIOR TO CONFIRMATION WITHOUT FURTHER SOLICITATION. SUCH AMENDMENTS MAY BE APPROVED BY THE COURT AT THE CONFIRMATION HEARING WITHOUT ENTITLING MEMBERS OF ANY CLASSES WHOSE TREATMENT IS NOT ADVERSELY CHANGED TO WITHDRAW ANY VOTES TO ACCEPT OR REJECT THE PLAN. FOR A DEFINITIVE UNDERSTANDING OF THE TERMS OF THE PLAN, THE DEBTOR RECOMMENDS THAT YOU CAREFULLY REVIEW THE PLAN AND CONSULT YOUR ATTORNEY AND/OR TAX PROFESSIONAL. THE UNDERSIGNED ATTORNEY FOR THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT OTHER INFORMATION HEREIN IS WITHOUT ANY INACCURACIES.

## B. Filing of Reorganization Case

On February 22, 2013, PARKWAY PROPERTIES, LLC, filed its voluntary Chapter 11 Petition in the United States Bankruptcy Court for the Middle District of Alabama. The Debtor continued in possession of its property immediately thereafter by order of the Court pursuant to the presumption allowed under 11 U.S.C. §§1104 and 1107, which allowed the Debtor to manage its business affairs and to continue overseeing its day to day operations. At the filing of the case, the Debtor retained the firm of Wilson & Jackson, LLC, as attorneys for the Debtor and Debtor-in-Possession.

A Meeting of Creditors pursuant to §341(a) was held in Room 105 of the Frank M. Johnson, Jr. Federal Building in Montgomery, Alabama on March 22, 2013. A Statement of Financial Affairs for the Debtor, Schedule of Assets and Liabilities and Statement of Financial Condition have been filed with the Court as part of the bankruptcy petition. Creditors herein are expressly referred to these statements for the purpose of becoming more fully informed of the assets, liabilities and affairs of the Debtor.

Pursuant to Chapter 11, the Debtor is filing a Plan of Reorganization in combination with this Disclosure Statement setting out all material facts that the Debtor believes may have a bearing on this proceeding.

## C. Nature of Chapter 11 Reorganization Proceedings

Chapter 11 of the Bankruptcy Code is a remedial statute designed to effect the rehabilitation and reorganization of financially distressed individuals and/or entities. The statutory aims of a reorganization proceeding include the following: (1) preservation of any "going concern" value of the Debtor's business and property; (2) avoidance of a forced and destructive liquidation of the Debtor's assets; (3) the protection of the interests of creditors, both

secured and unsecured; and (4) the restructuring of the debts and finances of the Debtor such as would enable it to retain those assets necessary to rehabilitate its business finances and (at the same time) produce the greatest recovery for the creditors. The formulation and confirmation of a Plan of Reorganization is the principal function of a Chapter 11 case. Such a plan normally includes provisions for (1) altering and modifying rights of creditors; (2) dealing with the property of the Debtor; (3) paying costs and expenses of administering the Chapter 11 case; and (4) execution of the Plan. The Plan may affect the interest of all parties and creditors, reject unexpired leases and executory contracts, and provide for prosecution of settlements and claims belonging to the Debtor. In order to be confirmed by the Court, the Code requires that there be a finding that the Plan receive the votes of certain requisite classes and that the Plan be fair, equitable, and feasible as to any dissenting class of creditors. A class will be deemed as having approved the Plan if their members are not impaired or if the Plan has received an affirmative vote of a majority (in number) of creditors holding two-thirds (in amount) of the claims voting and allowed by each class. In order to fully understand how a plan is confirmed, individual creditors should consult their own attorney and receive full advice of the inner workings of 11 U.S.C. §506(a), 1111, 1122, 1123, 1124 and 1129.

THE FOREGOING IS A BRIEF SUMMARY OF THE HIGHLIGHTS OF A PLAN AND CONFIRMATION OF SUCH, AND THIS FOREGOING SUMMARY SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. CREDITORS ARE URGED TO CONSULT WITH THEIR OWN COUNSEL BEFORE MAKING ANY DECISIONS ON A PLAN FILED HEREIN.

In addition to the above, 11 U.S.C. §1125 requires that there be post-petition disclosure in the form of a Disclosure Statement which provides "adequate information" to creditors before

anyone may solicit acceptances of a Chapter 11 Plan. THIS DISCLOSURE STATEMENT IS PREPARED IN ACCORDANCE WITH 11 U.S.C. §1125 SO AS TO PROVIDE "ADEQUATE INFORMATION" TO THE CREDITORS IN THIS PROCEEDING. CREDITORS ARE URGED TO CONSULT WITH THEIR OWN INDIVIDUAL COUNSEL OR EACH OTHER AND TO REVIEW WITH THEIR OWN INDIVIDUAL COUNSEL OR EACH OTHER AND TO REVIEW ALL OF THE PLEADINGS FILED IN THIS BANKRUPTCY PROCEEDING IN ORDER TO FULLY UNDERSTAND THE DISCLOSURES MADE HEREIN, ANY PLANS OF REORGANIZATION FILED HEREIN, AND ANY OTHER PERTINENT MATTERS IN THIS PROCEEDING. ANY PLAN OF REORGANIZATION WILL BE COMPLEX, ESPECIALLY SINCE IT REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BY THE DEBTOR (OR ANY OTHER PROPONENT OF A PLAN); AND ANY INTELLIGENT JUDGMENT CONCERNING ANY PROPOSED PLANS CANNOT BE MADE WITHOUT FULLY UNDERSTANDING THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE FULL COMPLEXITIES OF ANY PLAN PROPOSED HEREIN.

This Chapter 11 case is being conducted under the jurisdiction of Honorable Dwight Williams, Bankruptcy Judge of the United States Bankruptcy Court for the Middle District of Alabama. This Court may (1) authorize the Debtor, as Debtor-in-Possession, to operate its business and manage its property; (2) permit rejection of executory contracts and unexpired leases; (3) authorize the Debtor-in-Possession to borrow money; (4) authorize the Debtor-in-Possession to lease or sell the property of the Debtor; (5) grant or deny relief from the stay of any suit against the Debtor and of any acts or proceedings to enforce a lien against the Debtor's property; and (6) approve and confirm any plans or reorganization.

A Statement of Financial Affairs and Schedules of Assets and Liabilities for the Debtor have been filed with the Court in conjunction with the Debtor's bankruptcy petition; and the creditors herein are expressly referred to these statements and schedules for the purpose of becoming more fully informed as to the assets, liabilities and affairs of the Debtor. Under Chapter 11 of the United States Bankruptcy Code, the Debtor is required to file, and is concurrently filing as part of this document, a Plan of Reorganization which contains the provisions through which the Debtor proposes to treat and repay its pre-petition debts.

#### D. Confirmation of Plan

1. Solicitation of Votes. This Disclosure Statement is intended to assist creditors in evaluating the Plan and in determining whether to accept the Plan. UNDER THE BANKRUPTCY CODE, YOUR VOTE FOR ACCEPTANCE OR REJECTION MAY NOT BE SOLICITED UNLESS YOU RECEIVE A COPY OF THIS DISCLOSURE STATEMENT PRIOR TO OR CONCURRENTLY WITH SUCH SOLICITATION. The Solicitation of votes on the Plan is governed by the provisions of 11 U.S.C. §1125(b), the violation of which may result in sanctions by the Court, including disallowance of the solicited vote and loss of the safe harbor provisions of 11 U.S.C. §1125(e).

2. Persons Entitled to Vote on the Plan. Only the votes of claimants impaired under the Plan are counted in connection with confirmation of the Plan. Pursuant to the provisions of 11 U.S.C. §1124, a claimant is deemed to be impaired under a Plan unless the legal, equitable, and contractual rights of the claimant are left unaltered. The Debtor would aver that the claimants in Class 2 and 3 are impaired and will therefore be entitled to vote on the Plan.

3. Hearing on Confirmation of the Plan. The Court will set a hearing to determine whether the Plan has been accepted by the requisite number of creditors and whether the other

requirements for confirmation of the Plan have been satisfied. Each creditor will receive, either with this Disclosure Statement or separately, the Bankruptcy Court's Notice of Hearing on Confirmation of the Plan.

4. Acceptances Necessary to Confirm Plan. At the scheduled confirmation hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by each "impaired" class (an "impaired class" is one which includes one or more claims that will not be paid in full upon final confirmation or which contains interests that are adversely affected). Under 11 U.S.C. §1126, an impaired class is deemed to have accepted the Plan if at least two-thirds in amount and more than one-half in number of claims of class members who are entitled to vote and have voted for acceptance of the Plan. A class of interest holders is deemed to have accepted the Plan if two-thirds of the outstanding shares of stock that are voted are voted in favor of the Plan.

5. Confirmation of Plan without Necessary Acceptances. The Plan may be confirmed even if it is not accepted by all of the impaired classes. If at least one impaired class votes to accept the Plan, the Debtor is then permitted to request the Bankruptcy Court to confirm the Plan; and if the Bankruptcy Court finds the Plan does not discriminate unfairly against, and is fair and equitable to, such non-accepting class or classes, the Court may confirm the Plan under a procedure referred to as "cram-down". This procedure is codified at 11 U.S.C. §1129(b) and is a relatively complex statement of law. The Debtor may choose to rely upon this provision to seek confirmation of the Plan, if the Plan is not accepted by all impaired classes of creditors.

ARTICLE II:  
DESCRIPTION OF THE DEBTOR'S BUSINESS  
AND EVENTS LEADING UP TO ITS CHAPTER 11 BANKRUPTCY CASE

A. The Debtor's Business

The Debtor, Parkway Properties, LLC, owns and operates an apartment complex located at 3090 Alabama River Parkway, Montgomery, Alabama 36110 in Montgomery County, Alabama. The Debtor was formed for this purpose on September 18, 2002 and has been in existence through the date of the instant Chapter 11 case.

**B. Events Leading To Chapter 11 Bankruptcy**

In 2011, the Debtor began to experience financial difficulties. The downturn in the market led to a decrease in income and an inability for the Debtor to stay current on payments it had on its loan to the secured lender. When it became obvious that Debtor would not be able to sustain payments on these properties, the Debtor filed a Chapter 11 case on February 22, 2013.

**C. Description of the Debtor's Assets**

As of the date of filing of the Debtor's voluntary Petition, the principal assets owned by the Debtor (as reflected in its Schedule of Assets) consisted of the following general categories with estimated values indicated opposite each, to-wit:

ASSET DESCRIPTION	EST. MARKET VALUE	SECURED CLAIM / LIENHOLDER	EST. EQUITY
Apartment Complex	\$5,000,000.00 <sup>1</sup>	Lenox Mortgage XIX, LLC by alleged assignment	\$0.00
Escrow Account	\$57,553.43	Lenox Mortgage XIX, LLC by alleged assignment of rents and leases	\$0.00
Operating Account	\$20,192.52	Lenox Mortgage XIX, LLC by alleged assignment of rents and leases	\$0.00
Tenant Security Deposit Trust	\$16,794.96	None	\$0.00

<sup>1</sup> The Debtor's Schedule A, as submitted on February 22, 2013, lists the value of the apartment complex at \$10,926,000.00, which value is based on the most recent Montgomery County Revenue Commissioner's tax appraisal. The basis of the Debtor's revised estimated market value of \$5,000,000.00 is expert testimony and evidence presented at the April 18, 2013 evidentiary hearing before the Court. The Debtors believe that \$5,000,000.00 accurately reflects the current market value of the apartment complex.

Account			
Receivables	\$18,595.35	Lenox Mortgage XIX, LLC by alleged assignment of rents and leases	\$0.00
Furnishings and Equipment	\$18,557.76	None	\$18,557.76
Machinery	\$1,362.31	None	\$1,362.31
TOTAL	\$5,133,056.33	N/A	\$19,920.07

As required, the Debtor has filed and intends to file its Monthly Financial Reports as they come due. Any creditor or interested party who wishes to review the above referenced operating reports can access them through the Bankruptcy Administrator's office.

D. Description of the Debtor's Liabilities and Interest Holders

The Debtor's liabilities and other debts consist of the following:

1. SECURED DEBTS: (a) LENOX MORTGAGE XIX, LLC - The Debtor owes Lenox Mortgage XIX, LLC approximately \$7,400,000.00 which is secured by a mortgage on the apartment complex owned by Debtor located at 3090 Alabama River Parkway, Montgomery, Alabama 36110.

2. GENERAL UNSECURED DEBT: (a) The Debtor owed at date of petition approximately \$2,078,976.93 on unsecured non-priority debt.

ARTICLE III:  
THE CHAPTER 11 CASE

On February 22, 2013, (the "Petition Date") the Debtor filed a voluntary petition commencing this Chapter 11 case. From the Petition Date to the present, Debtor has managed its property as a Debtor-in-Possession under the Bankruptcy Code.

A. Creditors Committee

There has been no appointment of a creditors committee in this instant case.

B. Executory Contracts and Unexpired Leases

Section 365 of the Bankruptcy Code gives the Debtor the ability, subject to bankruptcy court approval, to assume, assume and assign, or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the other party to the rejected agreement may file a claim for damages incurred by reason of the rejection. Where a debtor rejects a lease for real property, any damage claim arising from the rejection is subject to certain limitations imposed by the Bankruptcy Code. To the extent there are any executory contracts or unexpired leases that have not been assumed or rejected during the course of the case, the Plan provides that all such contracts and leases unless noted otherwise, will be considered rejected pursuant to Section 365(g) of the Bankruptcy Code, and all Allowed Claims arising from the rejection of executory contracts and unexpired leases shall be treated in the Plan as Unsecured Claims.

#### C. Litigation/Avoidance Actions

The Bankruptcy Code provides the Debtor, its estate, and other approved representatives with potential claims and causes of action against creditors and/or other parties arising from their relationship with the Debtor pursuant to, among other applicable sections, sections 542, 543, 544, 546, 547 and/or 549. In addition, the Debtor may have potential claims and causes of action against creditors and/or third parties arising under applicable non-bankruptcy law.

#### D. Claims Process and Bar Date

On February 22, 2013, the Debtor filed its Schedules with the Bankruptcy Court. The Bankruptcy Court set May 21, 2013 as the Deadline to file proofs of claim. Bankruptcy law generally provides for claims arising before the commencement of a bankruptcy case to be asserted in two ways. First, a creditor may file a proof of claim as directed on the appropriate official form. Second, a creditor is excused from the requirement of filing a proof of claim if the creditor's claim is listed in the schedule of liabilities filed with the bankruptcy court by the

Chapter 11 Debtor, and such claim is not listed therein as an obligation that is disputed, unliquidated or contingent.

Once a claim has been properly asserted, it is automatically allowed unless and until an objection is timely filed by an interested party. The Debtor has reserved in the Plan the right to object to any and all proofs of claim filed and other Claims asserted in the Case including those not listed on the Schedules as disputed, liquidated or contingent. The Plan provides that the Debtor will be vested with the authority necessary to pursue objections to Claims on behalf of the Estate. The Debtor reserves the right to request verification of the amounts set forth on the Debtor's Schedules filed with the Bankruptcy Court from holders of Claims who have not filed proofs of claim with respect to those Claims not listed on the schedules as disputed, liquidated or contingent. If an objection is made to a claim listed on the Debtor's Schedules or on a proof of claim, the Claimant will have an opportunity to submit a response and, if appropriate, to be heard by the Bankruptcy Court. The Plan provides that no distribution will be made on account of any Disputed Claim until the dispute is resolved. Any creditor whose Claim is scheduled as contingent, unliquidated, or disputed will not receive any distribution on account of such Claim, in whole or in part, until resolution through the Claims reconciliation process.

The Bankruptcy Code provides that any party in interest may file a request that the Bankruptcy Court estimate for purposes of distribution the amount of any contingent or unliquidated claim, if liquidation of the claim would unduly delay administration of the Case. In this case, a Disputed Claims Reserve will be established for each such contingent, unliquidated, or disputed Claim based on the amount, if any, estimated by the Debtor and the holder of such Claim by agreement or as is determined by the Final Order resolving a request for estimation.

Certain claimants (such as (i) those claimants with a Claim that is scheduled on the Debtor's Schedules of liabilities as undisputed, not contingent, fixed or liquidated and who do not dispute the amount of such scheduled Claim, (ii) creditors that had already filed proofs of claim with the Bankruptcy Court, (iii) creditors holding Claims that have already been Allowed by a Final Order of the Bankruptcy Court, and (iv) claims of certain professional persons retained by the Debtor) are not required to file proofs of claim. The Clerk of the Court caused notice of the Commencement of Chapter 11 Case to be served on all of the Debtor's known creditors on February 25, 2013.

Proofs of claim (with certain limited exceptions) filed after May 21, 2013 will be disallowed. Therefore, any proofs of claim that were required to be filed by the Bar Date, but were not, will be disallowed (unless otherwise allowed by order of the Court) and will not be paid even if such Claims would otherwise have been entitled to payment.

#### ARTICLE IV FINANCIAL INFORMATION REGARDING THE DEBTOR

##### A. General

The Financial information hereinafter presented represents the Debtor's best information and belief as conveyed to its undersigned attorney concerning the condition of the Debtor's estate at the time of the filing of these proceedings, and as modified by these proceedings to the present date.

Schedules of all assets and liabilities of the Debtor as of the petition date of February 22, 2013 were filed with the Court on February 22, 2013. The values assigned to the assets in the Bankruptcy Schedules range between liquidation to going concern values. The figures listed in the Bankruptcy Schedules and Petition were not intentionally deflated or inflated, but were the best estimates of the Debtor at the time of the filing of the bankruptcy petition.

The actual value of the respective properties of the estate may be greater or less than as shown in the schedules or set forth above. All values, as reflected in the schedule of assets and as set forth above, represent the book value as reflected in the Debtor's financial records, the value as agreed to by the creditor or the Debtor's best estimate of value.

EACH CREDITOR AND INTEREST HOLDER SHOULD FORM ITS OWN OPINION OF THE VALUE OF THE DEBTOR'S ASSETS, WHICH OPINION MAY BE AFFECTED BY INDEPENDENT INVESTIGATION, INDEPENDENT APPRAISAL WORK AND OTHER MATTERS UNKNOWN TO THE DEBTOR.

The Debtor has disclosed in its Statement of Affairs and Schedules or in documents filed with the papers of this case, all payments made to any party as required by 11 U.S.C. § 1129(a)(4), and any payments required to be disclosed under 11 U.S.C. § 1129(a)(4) which are made after confirmation will be made only upon application, notice and a hearing before the Court.

ARTICLE V  
FEASIBILITY OF PLAN

Following is a table setting forth a summary of the Debtor's proposed plan payments:

CLASS	MONTHLY PAYMENT
Class 1	\$0.00
Class 2	\$31,603.40
Class 3	\$5,000.00
TOTAL MONTHLY PAYMENTS	\$36,603.40

A projected monthly income and expense statement is attached hereto and incorporated herein as Exhibit "A". Total monthly projected funds available to pay debt as of the date of submission of this plan totals **\$62,336.00**. Debtor's calculation of total monthly projected funds available is based on current monthly rent rolls and expenses. The Debtor expects the total income available for repayment to increase in the coming months.

ARTICLE VI:  
AMENDMENT, MODIFICATION, WITHDRAWAL OR  
REVOCATION OF THE PLAN

The Debtor reserves the right, in accordance with the Bankruptcy Code, to amend, modify or revoke the Plan prior to the Confirmation Date. After the Confirmation Date, upon order of the Bankruptcy Court, the Debtor may amend or modify the Plan in accordance with Section 1127(b) of the Bankruptcy Code, or remedy and defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purposes and intent of the Plan. The Plan may be altered or amended before or after confirmation as provided in Section 1127 of the Bankruptcy Code if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of holders of the Claims and Interests. The Plan may be altered or amended before or after Confirmation in a manner which, in the opinion of the Bankruptcy Court, materially and adversely affects holders of Claims and Interests after a further hearing and acceptance of the Plan as so altered or modified as provided in Section 1127 of the Bankruptcy Code. A holder of a Claim that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or rejection.

ARTICLE VII:  
ACCEPTANCE AND CONFIRMATION OF THE PLAN

The Bankruptcy Code provides that any class of creditors or stockholders whose rights are “impaired” (in general terms, not fully honored) under a proposed plan has the right to vote, as a class, to accept or reject such plan. A class of creditors accepts a plan if more than one-half of the ballots that are timely received from members of the class, representing at least two-thirds of the dollar amount of claims for such ballots that are timely received, are cast in favor of the

plan. If a plan impairs any class of claims, then at least one class of impaired claims must vote to accept the plan in order for it to be confirmed.

#### A. Voting Procedures

##### 1. Submission of Ballots

Each creditor whose claim is in Class 2 or 3 shall receive, with this Disclosure Statement, a form of ballot entitled “BALLOT FOR ACCEPTING OR REJECTING REORGANIZATION PLAN” to be used in voting whether to accept or reject the Plan. A preaddressed envelope for returning the ballot to the Debtor is enclosed for your convenience. Holders of unimpaired Claims that are not required to be classified are NOT entitled to vote under the Bankruptcy Code and votes by holders of such unimpaired and unclassified Claims are not being solicited.

Each holder of a Claim in Class 2 or 3 should first review this Disclosure Statement and the Plan and then complete the ballot. All votes to accept or reject the Plan must be cast by using the ballot provided, or a copy of such ballot. The ballot must be signed by the creditor, or an officer, partner or authorized agent of the creditor. If a ballot is signed by trustee, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such person should indicate such capacity when signing and submit proper evidence satisfactory to the Debtor of its authority to so act when the ballot is returned to the Debtor. Only original signed ballots will be effective.

Completed and signed ballots must be returned to the Court and a copy sent to the Debtor at following address:

PARKWAY PROPERTIES, LLC  
c/o L. Bailey Jackson  
Wilson & Jackson, LLC  
1785 Taliaferro Trail  
Montgomery, Alabama 36117

Ballots should be returned as soon as possible, and in any event must be returned so that they are actually received by 4:00 p.m. (Alabama time) on the date set by the Court. Ballots received thereafter, or ballots not conforming to the requirements set forth above, may not be accepted and counted. Except as provided below, unless the ballot being furnished is timely submitted on or prior to the voting deadline, together with any other documents required by such ballot, the Debtor may, in its discretion, reject such ballot as invalid and decline to count it in connection with seeking confirmation of the Plan by the Bankruptcy Court.

Any vote to accept or reject the Plan cast with respect to any Claim to which an objection has been filed will not be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise. A creditor's vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the creditor's acceptance or rejection of the Plan was not in good faith or was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

## 2. Claim Amounts on Ballots

On each ballot there is a space in which each creditor may write the amount of its Claim. If the Claim amount differs from the amount of the Claim as allowed by Final Order of the Bankruptcy Court or as shown on the Debtor's Schedules, then the dollar amount of such Claim, for voting and distribution purposes, is determined first, by reference to the Final Order allowing such Claim, or if no such order has been entered, then by the amount specified in the proof of Claim, or if not proof of Claim has been filed, then as determined by the Debtor's Schedules. THE AMOUNT OF THE CLAIM SPECIFIED ON THE BALLOT WILL NOT SUPERSEDE THE ALLOWED AMOUNT OF A CLAIM AS DETERMINED IN ACCORDANCE WITH

THE PROCEEDING SENTENCE. THE DEBTOR RESERVES ALL RIGHTS TO OBJECT TO ANY CLAIM OR TO THE VOTING OF ANY CLAIM.

### 3. Incomplete Ballots

Any ballot received which does not indicate either acceptance or rejection of the Plan constitutes an invalid ballot.

### 4. Waiver of Defects, Irregularities, etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance and revocations or withdrawal of ballots will be determined by the Debtor, whose determination is final and binding. The Debtor reserves the absolute right to: (i) contest the validity of any revocation or withdrawal of any vote on the Plan, (ii) reject any and all ballots not in proper form, and (iii) waive any defects or irregularities or conditions of delivery as to any particular ballot. The interpretation of the applicable requirements (including those with respect to the ballot and the instructions thereto) by the Debtor unless otherwise directed by the Bankruptcy Court, is final and binding on all parties. Unless waived, any defects or irregularities in connection with the delivery of ballots must be cured within such time as the Debtor (or the Bankruptcy Court) determines. Neither the Debtor nor any other person are under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court or agreed to by the Debtor such irregularities are not cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) are invalid.

### B. Confirmation of the Plan

The Bankruptcy Court must hold a Confirmation Hearing before deciding whether to confirm the Plan. The Plan will not be valid until the Bankruptcy Court has entered a Final Order confirming the Plan. Once confirmed, the Plan will become effective on the Effective Date.

#### 1. Confirmation Hearing

A hearing on confirmation of the Plan, and on any objections to the Plan, will be held before the Honorable Dwight H. Williams, Jr., United States Bankruptcy Judge, United States Bankruptcy Court for the Middle District of Alabama, One Church Street, Montgomery, Alabama, on a day to be set by the Court. Any creditor or other party in interest desiring to object to confirmation of the Plan, must file an objection in writing, conforming to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, and serve such objection upon (i) L. Bailey Jackson, Wilson & Jackson, LLC, 1785 Taliaferro Trail, Montgomery, Alabama 36117; and (ii) Teresa Jacobs, Bankruptcy Administrator, One Church Street, Montgomery, Alabama 36104, so as to be received no later than 4:00 p.m. three (3) business days prior to the date set by the Court for the Confirmation Hearing. In order to preserve an objection, anyone filing an objection to confirmation must also attend the hearing on confirmation, either in person or through counsel, except that a corporation may appear only through counsel. The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an adjournment made at the confirmation hearing or an adjournment of that hearing UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

#### ARTICLE VIII: REQUIREMENTS FOR CONFIRMATION OF THE PLAN

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements for confirmation listed in section 1129 of the Bankruptcy Code. One of the requirements for confirmation is that the Plan must be accepted by at least one (1) class by at least two-thirds in amount and a majority in number of such Allowed Claims whose holders actually cast ballots for the acceptance or rejection of the Plan. For purposes of calculating the number of Allowed Claims in a Class of Claims that have voted to accept or reject the Plan under Section 1126(c) of the Bankruptcy Code, all Allowed Claims in such Class held by one entity or any affiliate thereof (as defined in the Securities Act of 1933 and the rules and regulations promulgated thereunder) shall be aggregated and treated as one Allowed Claims in such Class. If the Bankruptcy Court determines that all confirmation requirements are satisfied, it will enter an order confirming the Plan. At the Confirmation Hearing, the Debtor will prove that the provisions of Section 1129(b) of the Bankruptcy Code are satisfied in order to confirm the plan over the rejection, if any, of any Class entitled to vote to accept or reject the Plan.

ARTICLE IX:  
ALTERNATIVES TO REORGANIZATION PLAN AND LIQUIDATION ANALYSIS

If the Plan is not confirmed, then the Case could be converted to a Case under Chapter 7 of the Bankruptcy Code. In that event, the Debtor would cease its reorganization and distribution efforts and a trustee would be appointed to liquidate and distribute the remaining assets of the Estate. The Debtor believes that a liquidation under Chapter 7 would likely result in a lower return to creditors due to: 1) additional administrative costs which would be incurred by the Chapter 7 trustee and his professional, (2) reduced recoveries from liquidation, and (3) increased claims amounts. An estimated comparison of recoveries is set forth as follows:

LIQUIDATION ANALYSIS

CLAIMS AND CLASSES	PLAN EST. PAYOUT	PAYOUT EST. UNDER CHAPTER 7 LIQUIDATION
Class 1	100%	100%*
Class 2	100%	100%
Class 3	8.65%	0%**

\* Percentage of recovery would depend upon liquidation of collateral securing debt.

\*\* Expected that property would be surrendered to secured creditors.

**ARTICLE X:  
CONSIDERATIONS IN VOTING ON THE PLAN/RISK FACTORS**

The Debtor has proposed a Plan based upon the reorganization of its debts. In the event a Plan cannot be confirmed, this case will likely be converted to one under Chapter 7 liquidation) and an additional layer of administrative expense will be added. Furthermore, the Debtor does not believe its assets can be sold one by one for sufficient monies to pay secured creditors, and this would leave very little monies (if any) for unsecured creditors and/or potential deficiencies of secured creditors. NO REPRESENTATIONS CONCERNING THE DEBTOR IS AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. ANY SUCH OTHER OR ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE. THE UNDERSIGNED ATTORNEY FOR THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT OTHER INFORMATION HEREIN IS WITHOUT ANY INACCURACIES.

**ARTICLE XI:**

## CONCLUSION AND RECOMMENDATIONS

The Debtor believes that confirmation and implementation of the Plan will provide each creditor with a greater recovery than it would receive if the Debtor were to liquidate and distribute its assets under Chapter 7, in which case there would likely be a delay in making distributions to creditors and creditors would likely receive smaller distributions. Thus, the Debtor believes that confirmation and implementation of the Plan is the best possible outcome for creditors and is in their best interest. The Debtor proposes the Plan and recommends its acceptance. While the Debtor would prefer to pay its creditors sooner, it is believed that the Plan that has been proposed is the “best effort” of the Debtor, based on realistic projections, past considerations and the amount of the debt. The Debtor recommends its Chapter 11 Plan to all the creditors of this estate and encourages each creditor to file a ballot to accept the plan.

Respectfully submitted,

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