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

IN RE: Case No.: 12-14247-BKC-RAM

PONCE TRUST, LLC,

Chapter 11

Debtor.
_______________________________/

DEBTOR-IN-POSSESSION'S
DISCLOSURE STATEMENT
FOR PLAN OF REORGANIZATION

Dated: May 23, 2012

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I. INTRODUCTION

A. Generally.

The Debtor, PONCE TRUST, LLC, has proposed its Plan of Reorganization (the "Plan") under Chapter 11 of the United States Bankruptcy Code. A copy of the Plan is attached hereto as **Exhibit A**. Creditors have the opportunity to vote to accept or reject the Plan. The Plan is summarized in this Disclosure Statement (the "Disclosure Statement"). The Plan provides the means for distributing the funds collected by the Debtor to creditors. The purpose of this Disclosure Statement is to provide information deemed to be material, important and necessary to enable Creditors[1] to arrive at a reasonably informed decision.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT CONCERNING THE FINANCIAL CONDITION OF THE DEBTOR'S BANKRUPTCY ESTATE IS BASED UPON FINANCIAL, AND OTHER, INFORMATION DEVELOPED BY THE DEBTOR'S MANAGEMENT AND ITS PROFESSIONALS FROM THE DEBTOR'S RECORDS. THE INFORMATION IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO AN AUDIT AND THEREFORE MAY BE SUBJECT TO ERROR. SOME FINANCIAL INFORMATION MAY HAVE BEEN OVERLOOKED INADVERTENTLY IN THE PREPARATION OF THIS DISCLOSURE STATEMENT, BUT IT IS BELIEVED THAT THE DISCLOSURE STATEMENT IS GENERALLY ACCURATE.

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE COURT AS CONTAINING "ADEQUATE INFORMATION" FOR HOLDERS OF CLAIMS AND INTERESTS TO MAKE AN INFORMED DECISION, IN ACCORDANCE WITH 11 U.S.C. § 1125(b), REGARDING WHETHER TO ACCEPT OR REJECT THE DEBTOR'S PROPOSED CHAPTER 11 PLAN. APPROVAL OF THIS DISCLOSURE STATEMENT BY THE COURT DOES NOT INDICATE THAT THE COURT RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN.

YOU SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN. THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN TERMS OF THE PLAN, BUT THE PLAN ITSELF WILL BE THE GOVERNING DOCUMENT. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

Under the Bankruptcy Code, only classes of Claims or Interests that are "impaired" under the Plan may vote to accept or reject the Plan. The Plan sets forth those Classes the Debtor believes are impaired Classes entitled to vote on the Plan. **ACCORDINGLY, A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN IS ONLY BEING PROVIDED TO MEMBERS OF SUCH VOTING CLASSES.**

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[1] Unless otherwise provided herein, capitalized terms have the same meaning ascribed to them in the Plan.

After carefully reviewing the Plan, including all its attachments and this Disclosure Statement and its exhibits, please indicate your vote by accepting or rejecting the Plan on the enclosed Ballot and return it in the envelope provided. *See* Subsection B: "Voting Instructions." Please read the balloting package instructions carefully and vote every ballot you receive.

For a summary description of the treatment of each Class of Claims and Interests and the estimated value of distributions to each Class of Claims and Interests, *see* Section VI.

The Court has scheduled a hearing to consider confirmation of the Plan for, ___________,2012, at ___________p.m. in the United States Bankruptcy Court, Claude Pepper Federal Building, 51 SW First Avenue, Miami, Florida 33130 (the "Confirmation Hearing"). The Court has directed that objections, if any, to confirmation of the Plan be filed with the Court and served so as to actually be received by various parties on or before ____________. The date of the Confirmation Hearing may be adjourned from time to time without further notice.

B. Voting Instructions.

(1) Ballots

In voting for or against the Plan, please use only the ballot sent to you with this Disclosure Statement. **IF YOU RECEIVE MORE THAN ONE BALLOT, YOU SHOULD ASSUME THAT EACH BALLOT IS FOR A SEPARATE CLAIM AND YOU SHOULD COMPLETE AND RETURN ALL OF THEM.**

(2) Returning Ballots

IN ORDER TO BE COUNTED, BALLOTS MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT IDENTIFIED ON THE BALLOT ON OR BEFORE ___________, 2012, AT 4:00 P.M., YOUR BALLOT MAY NOT BE COUNTED IF IT IS RECEIVED LATER.

C. Objections to the Plan.

The Bankruptcy Court has established ______________, 2012, as the latest date on which all objections to the confirmation of the Plan must be **actually received** at the following address: Clerk of the Court, United States Bankruptcy Court, Claude Pepper Federal Building, 51 SW First Avenue, Miami, Florida 33130 and served upon the Debtor at 8950 SW 74th Ct., # 2213 Miami, FL 33156, with copies to Joel Tabas, Tabas Freedman, 14 N.E. 1st Ave. Penthouse Miami, FL 33132.

The Objection Deadline is ____________, 2012 at 4:00 p.m.
(Prevailing Eastern Time)

Section 1128 of the Bankruptcy Code requires a bankruptcy court to hold a hearing on the confirmation of a plan of reorganization under Chapter 11. Section 1128 of the Bankruptcy Code also provides that any party in interest may object to confirmation of the plan.

The Confirmation Hearing will be held on ___________, 2012 at _____ ____.m.

before the Honorable Robert A. Mark, United States Bankruptcy Judge,

in the United States Bankruptcy Court for the Southern District of Florida,

Miami Division, United States Bankruptcy Court,

Claude Pepper Federal Building, 51 SW First Avenue, Miami, Florida 33130.

(Prevailing Eastern Time)

As a creditor, your vote is important. In order for the Plan to be deemed accepted, of the ballots cast, creditors that hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims of impaired Classes must accept the Plan. However, you are advised that the Debtor may be afforded the right under the Bankruptcy Code to have the Plan confirmed over the objections of dissenting creditors consistent with the limitations set forth in the Bankruptcy Code.

NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED 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 IN ARRIVING AT YOUR DECISION IN CASTING YOUR BALLOT(S) ON THE PLAN. SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE PLAN PROPONENT, WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE UNITED STATES TRUSTEE FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

You are urged to carefully read the contents of this Disclosure Statement before making your decision to accept or reject the Plan. Particular attention should be directed to the provisions of the Plan affecting or impairing your rights as they presently exist. The terms used herein have the same meaning as in the Plan unless the context hereof requires otherwise.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN SUBMITTED BY THE DEBTOR'S MANAGEMENT, UNLESS SPECIFICALLY STATED TO BE FROM OTHER SOURCES. NO REPRESENTATIONS, OTHER THAN THOSE SET FORTH HEREIN, CONCERNING THE DEBTOR ARE AUTHORIZED BY THE DEBTOR.

II. SUMMARY OF CHAPTER 11

A. Property of the Estate.

The commencement of a chapter 11 bankruptcy case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. No trustee has been appointed in this case, although the Bankruptcy Court allowed the state court foreclosure Receiver to remain in place and monitor operations until otherwise ordered and until the Debtor submitted its Plan for the Court's consideration.

B. Automatic Stay.

Pursuant to 11 U.S.C. § 362, the filing of a chapter 11 petition operates as an automatic stay applicable to all entities of various actions, including actions to collect pre-petition claims from the Debtor or otherwise interfere with its property or business.

C. Plan of Reorganization.

The chapter 11 plan of reorganization sets forth the terms of the Debtor's financial reorganization. The Bankruptcy Code requires the Debtor to file a plan within a certain period after filing a bankruptcy petition. The Court has set May 23, 2012 as that deadline. The Bankruptcy Court has scheduled a hearing on June 18, 2012, in order to make a preliminary assessment of the feasibility of the Plan. If a debtor files a plan within the exclusivity period, then the debtor is given 60 additional days during which the debtor may solicit acceptances of its plan. The solicitation period may be extended or reduced by the court upon a showing of "cause." In the instant case, the Debtor has not sought an extension of the exclusivity period. The Debtor in this case may decide to waive the exclusivity period in order to comply with "market test" requirements under the Bankruptcy Code and the case law construing those requirements.

D. Disclosure Statement.

An acceptance or rejection of a plan may not be solicited after the commencement of a chapter 11 case from the holder of a Claim or Equity Interest unless, at the time of or before such solicitation, there is transmitted to such holder, the plan and a written disclosure statement approved by the court as "containing adequate information," after notice and a hearing on the contents therein. "Adequate information" means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, that would enable a hypothetical, reasonable investor typical of holders of claims or interest of the relevant class to make an informed judgment about the plan.

E. Voting.

(1) Who May Vote or Object

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

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

(a) What Is an Allowed Claim or an Allowed Equity Interest?

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either: (1) the Debtor has scheduled the claim on its schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated; or (2) the creditor has filed a proof of claim or equity interest, and no objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless, after notice and hearing, the Court either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case has not expired. The deadline for non-governmental entities to file a proof of claim is June 19, 2012, and for governmental entities it is August 20, 2012.

(2) What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is impaired under the Plan. As provided in 11 U.S.C. § 1124, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

In this case, the Plan Proponent believes that Classes: 1, 2(a), 2(b), 3, 4(a), 4(b) and 4(c) are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that Class 5 is unimpaired and that the holders of claims in this class, therefore, do not have the right to vote to accept or reject the Plan.

(3) Who is NOT Entitled to Vote

The holders of the following types of claims and equity interests are not entitled to vote to accept or reject the Plan:

- holders of claims and equity interests that have been disallowed by an order of the Court;

- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to 11 U.S.C. §§ 507(a)(2), (a)(3), and (a)(8);
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- administrative expense claimants.

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

(4) Who Can Vote in More Than One Class

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

(5) Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless: (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by a cramdown on non-accepting classes.

(a) Votes Necessary for a Class to Accept the Plan

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

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

(b) Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by 11 U.S.C. § 1129(b). A plan that binds nonaccepting classes is commonly referred to as a cramdown plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of 11 U.S.C.

§ 1129(a)(8), does not discriminate unfairly, and is fair and equitable toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a cramdown confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

F. Impairment.

A class of Claims or Interests is "impaired" if the legal, equitable, or contractual rights attaching to the Claims or Interests of that class are modified. Modification for purpose of determining impairment, however, does not include curing defaults and reinstating maturity.

G. Confirmation Standards.

(1) General

The proponent of the plan of reorganization must meet all applicable requirements of 11 U.S.C. § 1129(a) (except 11 U.S.C. § 1129(a)(8) if the proponent proposes to seek confirmation of the plan under the provisions of 11 U.S.C. § 1129(b)). These requirements include, among other things, that: (a) the plan comply with applicable provisions of Title 11, United States Code and other applicable law; (b) the plan be proposed in good faith; (c) at least one impaired Class of claims must accept the plan, without counting votes of insiders; (d) the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and (e) the Plan must be feasible. These requirements are not the only requirements listed in 11 U.S.C. § 1129, and they are not the only requirements for confirmation.

(2) Cramdown

The Bankruptcy Court may confirm a plan of reorganization even though fewer than all the classes of impaired Claims and Interests have accepted the plan. If a plan of reorganization is to be confirmed despite the rejection of a class of impaired Claims or Interest, then the proponent of the plan must show, among other things, that the plan of reorganization does not discriminate unfairly and that the plan is fair and equitable with respect to each impaired class of Claims or Interest that has not accepted the plan of reorganization. *See* discussion below.

(3) Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement at **Exhibit B**.

(4) Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

(a) Ability to Initially Fund Plan

The Debtor believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

(b) Ability to Make Future Plan Payments And Operate Without Further Reorganization

The plan proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. Schedules of the projected plan payments are attached at **Exhibits D and E**.

The Debtor has provided projected financial information. Those projections are detailed in **Exhibit C**, and described more fully in Section VI (E) below.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

III. DEFINITIONS

The terms used herein have the same meaning as in the Plan unless the context hereof requires otherwise.

IV. THE DEBTOR

A. History of the Debtor.

The Debtor is a Florida limited liability company, formed on January 7, 2004, which has its offices at 8950 S.W. 74 Ct., Suite 2213, Miami, Florida 33156. The Debtor owns 1300 Ponce de Leon Blvd., a 125-unit 12-story luxury condominium building (the "Real Property"). The condominium units in the Real Property are configured as one-bedroom, two-bedroom and three-bedroom units, all with a wide selection of floor plans in a highly amenitized community including a 25,000 square foot lushly landscaped pool deck on the fifth floor with dramatic city views and 12,000 square feet of retail units at the street level. The condominium building was designed by the renowned architectural firm of Fullerton & Diaz.

The Debtor borrowed in total about $50 million from MUNB for the construction of the Real Property. The Debtor also borrowed $4 million in mezzanine debt and raised about another $5.3 million from investors. In total the Debtor raised about $59.3 million in debt and equity for this project.

The Debtor's initial projections and sale were based on an expected average price per square foot for the project in the amount of $450.00. From June 8, 2009 to January 8, 2011, the Debtor sold 41units at an average per square foot price of $450.00 and paid down its obligations to MUNB from about $50 million to about $28 million in 18 months.

The loan documents established a construction start date of July 1, 2007 and a construction completion date of June 1, 2009. On June 8, 2009, the note matured. At that time,

the construction of the project had been delayed for about 45 days because of MUNB's inability to find a participant in the loan as required by the loan documents. The Debtor assisted MUNB in ultimately finding a loan participant, namely Great Florida Bank. On July 10, 2009, the Debtor completed the project on budget and just 10 days after the scheduled completion date despite the 45 days funding delay. At that time, MUNB agreed to extend the loan for 6 months for an extension fee of $500,000.

In July 2007, MUNB was sold to the Bank of New York and all oversight for the loan was transferred to new bank officers in New York. In July 2009, Bank of New York agreed to sell MUNB's banking operations to Banco Sabadell. MUNB's loan to the debtor, however, was not sold to Sabadell United Bank, and instead was transferred to MUNB Loan Holdings, LLC an unregulated special asset recovery and disposition company charged with liquidating loans and assets.

On July 10, 2009, after completing construction, the Debtor had about$40,000,000 in pre-sales and held over $8,000,000 in buyer deposits. In February 2009, the Debtor met with MUNB to discuss its purchasers' inability to secure financing for condominium purchases.. In January 2010, MUNB provided some limited financing to unit purchasers, but, notwithstanding, the Debtor lost half of the then existing purchasers. During that same time MUNB received an additional $1,500,000 in interest on its loan to the Debtor.

MUNB agreed to three loan extensions. The first extension occurred between June 8, 2009 and December 8, 2009. During the first extension, the principal balance was reduced by $4,133,173, from $48,609,429 to $44,476,256. The second extension occurred between December 9, 2009 and June 8, 2010. During the second extension, the principal balance was reduced by $11,369,477 from $44,476,256 to $33,106,779. Finally, the third extension occurred between June 8, 2010 and January 8, 2011. During the third extension, the balance was reduced by another $4,375,548 from $33,106,779 to $28,731,231.

On July 29, 2010, MUNB declared the loan in default because the Debtor allegedly had failed to make interest payments since May 10, 2010, which was prior to the third loan extension. On September 16, 2010, MUNB met with the Debtor to discuss the interest arrearage. The Debtor and MUNB discussed that there were a number of deposits that would become the property the Debtor in short order which could be used to pay all or a portion of the interest arrearage. By November 1, 2010, the Debtor had over $500,000 available in cash from sales and forfeited deposits. Additionally, during the month of November 2010, the Debtor sold and closed on an additional 3 units generating $1,344,480 in net revenues. In December 2010, MUNB refused the Debtor's request to use a portion of the available cash to fund operations and continue sales efforts. Instead, MUNB applied all of the net cash to reduce the principal balance of the loan and commenced a foreclosure lawsuit against the Debtor. In addition, MUNB would not agree to allow the Debtor to rent units, even though such rental income would have been sufficient to cover both operational costs and interest accruing on the loan to MUNB.

Prior to the commencement of this Chapter 11 Case, MUNB initiated a foreclosure action against the Real Property in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida (the "State Court"). On January 19, 2012, the State Court entered its *Amended Final Judgment of Foreclosure* in favor of MUNB. The Debtor filed Chapter 11 in light of (a)

the declining real estate market, (b) its inability to reduce condominium prices in response to the changing market, (c) the refusal by MUNB to continue to work with the Debtor through the difficult market conditions, or to allow the Debtor to lease units so as to mitigate the slow sales rates and (d) its inability, due to circumstances beyond the Debtor's control, to renew, repay, or refinance its secured mortgage debt owed to 1300 Ponce Holdings, LLC, as assignee of MUNB Loan Holdings, LLC which matured in 2011.

The Debtor currently has 83 unsold residential units (approximately 95,000 square feet of space) remaining in the condominium building. Out of the 83 unsold units, approximately 40 of those units are currently rented. The Debtor has sold, or has under contract to sell, all of the retail condominium units. Recently, sales activity has picked up considerably and the Debtor is closing on the sale of the remaining commercial unit to CT Charters with a gross sales price of about $2.9 million and is under contract to close on Unit 1208 for a gross sales price of $269,000.00.

In August 2007, two unit purchasers, Carlos Otaola and Pristina S.L., entered into Purchase Agreements with the Debtor for the purchase of certain units at the Property. The purchasers assert entitlement to a refund of their earnest money purchase deposits as a result of the Debtor's alleged failure to timely close on the sales. The earnest money deposits in the total amount of $263,600 (the "Deposits") are currently held by Chicago Title Insurance Company ("Chicago Title") as escrow agent. The Debtor believes that the escrow deposits are not property of the estate and will be returned to the purchasers if they prevail. On the other hand, if the Debtor prevails, the deposits may be deemed property of the estate, but either way, the purchasers will not be creditors with claims against the Debtor. As a result, the Purchasers are not identified or treated as creditors under the Plan. The Debtor anticipates that the deposit issue will be addressed by the Bankruptcy Court upon motion by the Debtor or the Purchasers.There are also four other purchasers' deposits being held by Chicago Title in connection with Units 301, 306, 511, 700 and 1205, which (with the exception of unit 511) may ultimately close depending on the circumstances. Debtor believes that the $10,000 being escrowed in connection with Unit 511 should be returned.

B. Events Leading to the Commencement of the Bankruptcy Case.

The main impetus for the Debtor's bankruptcy filing was the foreclosure action initiated by MUNB, in the case styled *MUNB Loan Holdings, LLC v. Ponce Trust, LLC, et al.*, Case No. 10-63470-CA-15 (the "Foreclosure Action"), filed in the Circuit Court of Miami-Dade County on December 17, 2010. On July 21, 2011, the State Court entered an Order Appointing Receiver which appointed Jeremy Larkin as the receiver (the "Receiver") of the Real Property for the purposes of taking possession of the Real Property, the rents, income and profits derived from the Property, and accounting for, protecting, preserving, maintaining, operating and managing the property, and all agreements, contracts, records and books, and other necessary aspects and matters concerning the Real Property. On January 19, 2012, an Amended Final Judgment of Foreclosure was entered in favor of MUNB in the amount of $37,346,025.50. The judgment was subsequently assigned to 1300 Ponce Holdings, LLC. A foreclosure sale was set for February 24, 2012.

V. DEBTOR'S OPERATIONS IN CHAPTER 11

On February 22, 2012 (the "Petition Date"), the Debtor filed its voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. § 101 *et seq.* (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of Florida (the "Bankruptcy Court"). The Debtor has continued to operate its business as a Debtor-in-Possession pursuant to 11 U.S.C. §§ 1107 and 1108.

A. First Day Motions.

Shortly after the Petition Date the Debtor filed a series of motions and applications with the Bankruptcy Court seeking relief designed to minimize disruption of its business operations and to facilitate the chapter 11 rehabilitation process (collectively, the "First Day Motions"). A summary of each of the First Day Motions and related orders are provided below.

(1) The Emergency Motion for Turnover

On February 23, 2012, the Debtor filed an Emergency Motion for Turnover of Property (ECF No. 9) seeking an Order of the Bankruptcy Court requiring the Receiver to Turnover Possession and Control of Real Property and all rents from the Real Property. On February 24, 2012, 1300 Ponce Holdings filed an Emergency Motion to Avoid Turnover of Property Pursuant to 11 U.S.C. § 543(d) seeking to avoid turnover from the Receiver to the Debtor. The Court heard this motion on February 27, 2012, and entered an order determining that the Receiver should remain in place; however, the Receiver was not to interfere with the marketing, leasing, or sales in connection with the Real Property (ECF No. 34). The Court determined that the Receiver's only role was to provide oversight to the financial concerns of the Real Property and control the Debtor's operating account. All functions relating to the maintenance of the Real Property were to be performed by the same management company that was servicing the real property prepetition, the Continental Group, Inc. Furthermore, the Receiver was prohibited from paying any net excess cash to 1300 Ponce Holdings without order from the Court.

(2) The Cash Collateral Motion

Also on February 23, 2012, the Debtor filed its motion to authorize the Debtor's use of cash collateral (ECF No. 11) (the "Cash Collateral Motion"). On February 24, 2012, 1300 Ponce Holdings filed a motion to prohibit use of cash collateral and instead asked that the Court provide the Receiver the authority to continue to maintain the operating accounts of the Debtor. On February 27, 2012 the Court held a hearing on the Cash Collateral Motion and 1300 Ponce Holdings motion to prohibit use of cash collateral. On March 5, 2012, the Court entered an order denying the Debtor's use of cash collateral (ECF No. 33). However, the Receiver was authorized to continue to control the Debtor's operations accounts and pay the ordinary expenses and liabilities associated with the maintenance, management and operations of the Real Property.

B. Developments During the Chapter 11 Case.

(1) Debtor's Schedules of Liabilities and Assets and Statement Financial Affairs

On March 14, 2012, the Debtor filed its schedules of assets and liabilities and statement of financial affairs (collectively, the "Schedules and SOFA") (ECF No. 50). The Schedules and SOFA provide information concerning the Debtor's assets, liabilities (including accounts payable), executory contracts, and other financial information as of the Petition Date, all information required by 11 U.S.C. § 521, and Rule 1007 of the Federal Rules of Bankruptcy Procedure.

(2) Establishment of Bar Date

On February 24, 2012, the Court established June 19, 2012 (the "Bar Date"), as the deadline for each person or entity asserting a claim against the Debtor to file a written proof of claim (ECF No. 17) (the "Bar Date"). The Court also established August 20, 2012, as the deadline for all governmental units to file a written proof of claim against the Debtor.

(3) Claims Filed Against the Debtors

As of May 23, 2012, a summary of all filed and scheduled claims is attached as **Exhibit F**.

(4) 1300 Ponce Holding's Stay Relief Motion

On March 13, 2012, 1300 Ponce Holdings filed a motion for relief from the automatic stay (ECF No. 44) (the "Stay Relief Motion"). By the Stay Relief Motion 1300 Ponce Holdings alleged, among other things, that the Debtor has no equity in the Real Property and that the 1300 Ponce Holdings is not adequately protected. On April 10, 2012, the Debtor filed a limited response to the Stay Relief Motion indicating that it would be agreeable to stay relief subject to certain limitations (ECF No. 72). On April 25, 2012, the Court entered an Order Granting the Stay Relief Motion in Part (ECF No. 77) (the "Stay Relief Order"). According to the Stay Relief Order 1300 Ponce Holdings was granted relief from the automatic stay to reschedule the foreclosure sale in the State Court provided that no sale may be scheduled earlier than June 25, 2012. The Stay Relief Order reserved jurisdiction to enjoin the foreclosure sale for cause by motion, without the necessity of the Debtor filing an adversary complaint. The Stay Relief Order further required the Debtor to file a plan and disclosure statement by **5:00 p.m. on May 23, 2012**. According to the Stay Relief Order if the plan and disclosure statement are filed on time the Court will hold a disclosure statement hearing and a hearing on the Debtor's motion to enjoin the foreclosure sale on **June 18, 2012**. The Debtor will be required to establish a *prima facie* case for confirmation of its plan at the disclosure hearing.

(5) Employment of Professionals

On March 6, 2012, the Debtor filed its Application to Employ the law firm of Tabas, Freedman, Soloff, Miller & Brown, P.A. as Bankruptcy Counsel *Nunc Pro Tunc* to February 22, 2012 (ECF No. 41). Upon notice and a hearing, on April 12, 2012 the Court granted the application *nunc pro tunc* to February 22, 2012 pursuant to 11 U.S.C. § 327 and 330.

On April 2, 2012, the Debtor filed its Application to Employ Forch & Associates, CPA, LLC as Tax Accountants *Nunc Pro Tunc* to February 22, 2012 to prepare the Debtor's 2011 tax return (ECF No. 68). On April 23, 2012, the Court entered an Order Granting the application *nunc pro tunc* to February 22, 2012 pursuant to 11 U.S.C. § 327 and 330 (ECF No. 80).

On April 25, 2012, the Debtor filed its Application to Employ Jeffrey Levy, P.A. as Special Real Estate Counsel to the Debtor to perform closing services as the closing agent for the sale of condominium units (ECF No. 80). On May 15, 2012, the Court approved the Debtors' Application to Employ Jeffrey Levy, P.A. as Special Real Estate Counsel to the Debtor (ECF No. 98).

(6) The Debtor's Business Operations

On March 5, 2012, the Debtor filed an Expedited Motion for Order Establishing Procedures for the Sale and Rental of Remaining Condominium Units (ECF No. 38) (the "Procedures Motion"). By the Procedures Motion, the Debtor sought the Court's authority to sell the condominium units 1300 Ponce Holdings asserted that the Debtor should be prohibited from leasing the condominium units. By the Procedures Motion, the Debtor has sought the Court's authority to lease the condominium units. To maintain the status quo the Court denied the Debtor's Procedures Motion pending the Court's determination that the Debtor has proposed a confirmable plan of reorganization.

On March, 2012, the Debtor filed an Expedited Motion to Assume Commercial Unit Purchase Agreement with C & T Charters, Inc. Dated October 12, 2010 (ECF No. 37). The Court approved the Debtor's request and this closing will yield approximately $2.4 million in net proceeds which will be paid to 1300 Ponce Holdings (ECF No. 93).

On May 9, 2012, the Debtor filed an Expedited Motion for Order Authorizing Sale of Unit 1208 and Approving Purchase Agreement in Connection with Sale of Unit 1208 (ECF No. 86). The Court approved this sale as well (ECF No. 96). This sale will yield about $230,000.00 in net proceeds which will be paid to 1300 Ponce Holdings.

Various other motions related to rental operations and other operational considerations have also been filed.

As of April 30, 2012, the Receiver has reported collections of $189,140.00 in rent since the Petition Date (ECF No. 99) and had $86,824.25 in the operating account.

VI. SUMMARY OF THE PLAN

A. Classification and Treatment of Claims and Interests.

(1) Unclassified Claims

(a) Administrative expenses

Each holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release and discharge of such Allowed Administrative Claim, either (A) an amount

equal to the unpaid amount of such Allowed Administrative Claim in Cash commencing on the later of (i) the Effective Date, (ii) the date that such Claim becomes an Allowed Administrative Claim by a Final Order, or (iii) a date agreed to by the Claimholder and the Debtor; or (B) such other treatment (i) as may be agreed upon in writing by the Claimholder and the Debtor, or (ii) as the Bankruptcy Court has ordered or may order. Notwithstanding the foregoing, Allowed Administrative Claims representing (a) liabilities, accounts payable or other Claims or obligations incurred in the ordinary course of business of the Debtor consistent with past practices subsequent to the Petition Date, and (b) contractual liabilities arising under contracts, loans or advances to the Debtor, whether or not incurred in the ordinary course of business of the Debtor subsequent to the Petition Date, shall be paid or performed by the Debtor in accordance with the terms and conditions of the particular transactions relating to such liabilities and any agreements or contracts relating thereto; provided, notwithstanding any contract provision, applicable law or otherwise, that entitles a holder of an Allowed Administrative Claim to post-petition interest, no holder of an Allowed Administrative Claim shall receive post-petition interest on account of such Claim. Administrative expenses include professional fees and are presently estimated to be approximately $130,000.00.

(b) U.S. Trustee Fees

All outstanding U.S. Trustee fees shall be paid on the Effective Date of the Plan. These expenses are estimated to be under $5,000.00.

(c) Priority Tax Claims

Each holder of an Allowed Priority Tax Claim shall receive, at the sole discretion of the Debtor, and in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, (A) an amount equal to the unpaid amount of such Allowed Priority Tax Claim in Cash commencing on the later of (i) the Effective Date, (ii) the date that such Claim becomes an Allowed Priority Tax Claim by a Final Order, or (iii) a date agreed to by the Claimholder and the Debtor; (B) as provided in section 1129(a)(9)(C) of the Bankruptcy Code, cash payments made in equal monthly installments beginning on the Effective Date, with the final installment payable not later than the sixtieth (60th) month following the Petition Date, together with interest (payable in arrears) on the unpaid portion thereof at 18% from the Effective Date through the date of payment thereof; or (C) such other treatment as to which the Debtor and such Claimholder shall have agreed in writing or the Bankruptcy Court has ordered or may order; provided, however, that the Debtor reserves the right to pay any Allowed Priority Tax Claim, or any remaining balance of any Allowed Priority Tax Claim, in full at any time on or after the Effective Date without premium or penalty; and, provided further, that no holder of an Allowed Priority Tax Claim shall be entitled to any payments on account of any pre-Effective Date interest accrued on or penalty arising before or after the Petition Date with respect to or in connection with such Allowed Priority Tax Claim. The Debtor is not aware of, and does not anticipate, any Priority Tax Claims.

(2) Secured Claims

(a) Class 1: 1300 Ponce Holdings

This class consists of 1300 Ponce Holdings' secured claim equal to the extent of its interest in the Real Property. The Real Property was appraised at $23.6 million (the "Valuation"). The Debtor agrees with the Valuation. The Valuation includes the value attributable to the two units at the Property which have been approved for sale - C & T Charters commercial unit and the value of Unit 1208. The sales of both of those units (and perhaps other units, as well) will close before confirmation. When those two sales close, the Valuation of the remaining units will be **$20,968,500.00** (the "Remaining Valuation"). 1300 Ponce Holdings' Allowed Secured Claim shall then be the Remaining Valuation, reduced and adjusted by the superior liens of the Class 2(a) Miami Dade Tax Collector secured claim and the Class 2(b) Condo Association secured claim.

The 1300 Ponce Holdings Allowed Secured Claim shall be paid, with interest accruing at 4% per annum as set forth in **Exhibit D**. The source of the funds that will used to pay the claim shall be derived from unit sales revenues and rental income in accordance with the 7 year plan projections attached as **Exhibit C**. This claimant will maintain its security interest in the Real Property to the same extent, validity and priority it enjoyed prior to the Petition Date.

The 7 year plan projection also accommodates an election by 1300 Ponce Holdings to be treated as fully secured for the total amount of its allowed claim pursuant to 11 U.S.C. § 1111(b). If 1300 Ponce Holdings elects to be treated as fully secured for the total amount of its allowed claim pursuant to 11 U.S.C. § 1111(b), then it will be paid a stream of payments equal to or greater than its total claim and with a present value equal to the value of the claimant's interest in the Debtor's interest in the Real Property as set forth in attached **Exhibit E**. All other terms of the existing secured debt will remain the same unless specifically altered by the Plan.

The Debtor's payments to 1300 Ponce Holdings under the Plan shall be due on the first business day of each month, subject to a grace period of 10 business days and shall be based upon the unit closings that occurred in the previous month and on the net rental income collected for the previous month as projected on either **Exhibit D or Exhibit E**. The rate of unit sales on the projection is estimated and if units do not sell at the estimated rate in a particular month, 1300 Ponce Holdings will still receive net income from rentals for that month after allowed expenses.

The following events shall be deemed a default by the Debtor under the Plan: (i) failure to pay any net sales proceeds and any net rental proceeds for the previous month to 1300 Ponce Holdings under the Plan prior to the expiration of the grace period, provided however that the Debtor's proposed payments from the sales of units are projected annually and shall be paid upon closing of the applicable sales; any payment shortfall in a particular month resulting from the absence of a sale closing shall not constitute a default; provided further that the Debtor's failure to pay the aggregate projected payments to 1300 Ponce Holdings in any 12 month period shall constitute a default hereunder; (ii) failure to obtain, assign, deliver, or keep in force policies of insurance for the Real Property with the types and amounts of coverage no less than that currently maintained by the Debtor; (iii) any sale, transfer, pledge, hypothecation, or further

encumbering of any part of the Real Property except as provided for under the Plan or as agreed to by 1300 Ponce Holdings; or (v) failure to timely pay the allowed Secured Claim of the Miami-Dade County Tax Collector as provided in the Plan (any or all of the above shall be referred to as a "Default").

In the event of a Default, 1300 Ponce Holdings shall provide written notice of the Default (the "Notice") to the Debtor. If the Debtor does not cure the Default within 30 days from receipt of the Notice, 1300 Ponce Holdings shall immediately have the right to file a motion to reset its foreclosure sale and amend its Final Judgment, which motion shall be accompanied by an Affidavit of Default certifying the Debtor's Default and all amounts received by 1300 Ponce Holdings from or on behalf of the Debtor and/or the Guarantors, which amounts shall be credited against the Final Judgment

The Class 1 claim is subject to a guarantee by Dayco Properties Ltd. and a limited guarantee by Franco D'Agostino (collectively, the "Guarantors"). To the extent that 1300 Ponce Holdings collects any sums from any of the Guarantors, the amounts collected shall be offset against 1300 Ponce Holdings Allowed Secured Claim.

Class 1 is impaired.

(b) Class 2(a): Secured Real Estate Tax Claims

Class 2(a) consists of the Miami-Dade Tax Collector's secured claim for the 2011 *ad valorem* taxes in the amount of $153,028.37 (75% of the 2011 taxes were paid by 1300 Ponce Holdings in conjunction with the tax appeal process, and the amount so paid has been added to 1300 Ponce Holdings unsecured deficiency claim). This claim will be paid over a 4 year term and shall be paid a rate of interest of 18 percent per annum. The claimant holds a perfected statutory lien on the Debtor's interest in the Real Property and will retain such liens after the Effective Date of the Plan. Both the 2011 and 2010 ad valorem taxes are currently the subject of appeals. The 2010 taxes have been appealed by the Miami-Dade Tax Collector and the 2011 taxes have been appealed by the Debtor. The Debtor's tax liability is subject to change upon determination of the appeals.

The Debtor's projections make provision for 2012 and future year's real estate taxes. Notwithstanding any Plan provision to the contrary, the Miami-Dade Tax Collector shall not be required to petition for payment of a post-petition ad valorem tax as an Administrative Expense Claim. The payments to this class shall be made in accordance with the projections attached hereto.

Class 2(a) is impaired.

(c) Class 2(b): Secured Condominium Association Claim

Class 2(b) consists of the Condominium Association secured claim. The Association has statutory lien rights for unpaid assessments pursuant to Chapter 718 of the Florida Statutes and has the right to be paid the statutory "safe harbor" in any forced liquidation of the property. As of the date of the Petition the Association was owed the approximate sum of $284,680.00 in

unpaid condominium assessments. The Plan proposes to pay the Association the full amount of its claim over a 4 year term under this Plan with interest at a rate of 4% per annum. The payments to this class shall be made in accordance with the projections attached hereto.

Class 2(b) is impaired.

(3) Class 3: Mezzanine Loans

Class 3 consists of the claims of Infracommerce and Dayco HC LLC for the mezzanine loans to the Debtor. The Mezzanine Loans total $7,173,658.64 and shall be paid in accordance with the projections attached hereto. The payments to this class shall be made in accordance with the projections attached hereto as **Exhibit D**. If, however, 1300 Ponce Holdings, makes the § 1111(b) election, the distributions to Class 3 shall be as set forth in **Exhibit E**.

Class 3 is impaired.

(4) Unsecured Claims

(a) Class 4(a): General Unsecured Claims

Class 4(a) claims shall be paid in monthly installments over seven years in graduated payments through the life of the Plan. The payments to this class shall be made in accordance with the projections attached hereto as **Exhibit D**. If, however, 1300 Ponce Holdings, makes the § 1111(b) election, the distributions to Class 4(a) shall be as set forth in **Exhibit E**.

Class 4(a) is impaired.

(b) Class 4(b): General Unsecured Convenience Class

Class 4(b) consists of those general unsecured vendors whose claims are equal to or less than $10,000 or who elect to be treated as a class 4(b) claimant. Creditors in this class and creditors that make the election to join this class will be paid no more than $10,000. In total there are approximately 20 creditors of the Debtor that fall within this category for a total of approximately $46,818.91 in unsecured claims. Creditors of this class will be paid without interest. Class 4(b) claims will be paid in full on the Effective Date.

Class 4(b) is impaired.

(c) Class 4(c): Unsecured Deficiency Claim of 1300 Ponce Holdings

Class 4(c) consists of the unsecured portion of 1300 Ponce Holdings claim, in the approximate amount of $15,011,798.65. This class only exists to the extent that 1300 Ponce Holdings does not elect to retain its lien for the full amount of its allowed claim pursuant to 11 U.S.C. § 1111(b). If 1300 Ponce Holdings makes the § 1111(b) election it will be treated as fully secured as set forth in Class 1 above. 1300 Ponce Holdings will retain its under-secured lien but will not receive any distribution on account of its Class 4(c) claim. If 1300 Ponce does not make the election it will be paid in accordance with the projections attached hereto as **Exhibit D**. In the event that a Class 4(c) claimant's pro rata share of any Plan payment is less than $10, the Debtor shall not be obliged to make a payment unless and until later of (i) the accrued amounts

due and payable under the Plan to the claimant are equal to or more than $10; or (ii) the final month of the Plan.

Class 4(c) is impaired.

(5) Equity Claims

(a) Class 5: Equity Security Interests

The holders of equity security interests in the Debtor shall retain their equity interests, in exchange for the proposed New Value Contribution.

Class 5 is unimpaired.

B. Claimants and Impaired Interest Holders.

Claimants and Interest Holders entitled to vote under the Plan must affirmatively act in order for the Plan to be confirmed by the Court. According to the Debtor's Plan, Classes 1, 2(a), 2(b), 3, 4(a), 4(b) and 4(c) are "impaired" classes within the meaning of 11 U.S.C. § 1124. These classes, accordingly, must vote to accept the Plan in order for the Plan to be confirmed without a cramdown. A Claimant who fails to vote to either accept or reject the Plan will not be included in the calculation regarding acceptance or rejection of the Plan.

A Ballot to be completed by the holders of Claims and/or Interests is included herewith. Instructions for completing and returning the ballots are set forth thereon and should be reviewed at length. The Plan will be confirmed by the Bankruptcy Court and made binding upon all Claimants and Interest holders if: (a) with respect to impaired Classes of Claimants, the Plan is accepted by holders of two-thirds (2/3) in amount and more than one-half (1/2) in number of Claims in each such class voting upon the Plan, and (b) with respect to classes of Interest Holders, if the Plan is accepted by the holders of at least two-thirds (2/3) in amount of the allowed interests of such class held by holders of such interests. In the event the requisite acceptances are not obtained, the Bankruptcy Court may, nevertheless, confirm the Plan if it finds that the Plan accords fair and equitable treatment to any class rejecting it. Your attention is directed to 11 U.S.C. § 1129 for details regarding the circumstances of such "cramdown" provisions.

C. Legal Proceedings.

(1) Potential Bankruptcy Causes of Action

The Debtor's potential causes of action, as set forth herein, will be pursued by the Debtor after the Effective Date. The proceeds thereof, if any, will be used, in part, to make Distributions under the Plan, including to holders of allowed general unsecured claims. The Debtor's causes of action, if any, are each preserved herein, and pursuant to the Plan. At the present time, the Debtor has not identified any causes of action to pursue

In addition to causes of action that the Debtor may have under state and other federal laws, the Bankruptcy Code creates certain causes of action that allow a debtor to recover

transfers it has made prior to its bankruptcy filing. The most common such causes of action are those to recover preferences and fraudulent transfers.

THE PLAN DOES NOT, AND IS NOT INTENDED TO, RELEASE ANY SUCH OF CAUSES ACTION, AVOIDANCE ACTIONS, OR OBJECTIONS TO PROOFS OF CLAIM. ALL SUCH RIGHTS ARE SPECIFICALLY RESERVED IN FAVOR OF THE DEBTOR.

Creditors should understand that legal rights, Claims, and Causes of Action the Debtor may have against them, if any exist, are retained under the Plan for prosecution unless a specific order of the Court authorizes the Debtor to release such Claims. As such, Creditors are cautioned not to rely on: (i) the absence of the listing of any legal right, Claim or Cause of Action against a particular creditor in the Disclosure Statement, Plan, Schedules of Assets and Liabilities, or Statement of Financial Affairs; or (ii) the absence of litigation or demand prior to the Effective Date of the Plan as any indication that the Debtor does not possess or does not intend to prosecute a particular right, Claim, or Cause of Action if a particular Creditor votes to accept the Plan. It is the expressed intention of the Plan to preserve rights, Claims, and Causes of Action of the Debtor, whether now known or unknown, for the benefit of the Debtor's Estate and its Creditors.

ANY CREDITOR OR PARTY IN INTEREST VOTING ON THE PLAN SHOULD ASSUME IN CONNECTION WITH SUCH VOTE THAT CAUSES OF ACTION EXIST AGAINST SUCH CREDITOR OR PARTY IN INTEREST AND THAT THE REORGANIZED DEBTOR INTENDS TO AND SHALL PURSUE SUCH CAUSES OF ACTION.

What follows is a general discussion of the different types of causes of action the Debtor may pursue.

(a) Preference Actions

Under 11 U.S.C. §§ 547 and 550, the Debtor may seek to avoid and recover certain payments or transfers made by the Debtor to or for the benefit of a creditor, within the ninety days prior to the Petition Date, in respect of an antecedent debt if such transfer was made when the Debtor was insolvent. Transfers made to a creditor that was an "insider" of the Debtor are subject to these provisions if the payment was made within one year of the Debtor's filing of a petition under Chapter 11. Under 11 U.S.C. § 547, certain defenses, in addition to the solvency of the Debtor at the time of the transfer, are available to a creditor from which a preference recovery is sought. The Debtor has the initial burden of proof in demonstrating the existence of all the elements of a preference, although there is a rebuttable presumption that the Debtor was insolvent during the ninety days prior to the commencement of its bankruptcy case. The creditor has the initial burden of proof as to any defenses.

(b) Fraudulent Conveyances and Transfers

Under 11 U.S.C. §§ 548 and 550 and under state law made applicable in bankruptcy cases by 11 U.S.C. § 544(b), the Debtor or a trustee in bankruptcy, if a trustee is appointed or elected, may recover a transfer of property if the transfer was made while the Debtor was

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

(c) Disallowance of Claims

Under 11 U.S.C. § 502(d), any Claim asserted by a creditor shall be disallowed in its entirety if such creditor has received a transfer, such as a preference or fraudulent transfer, which is voidable under the Bankruptcy Code and has failed to repay such transfer.

(d) Specific Claims

As of the filing of this Disclosure Statement the Debtor has not yet fully investigated potential preference and fraudulent conveyance Causes of Action under 11 U.S.C §§ 547, 548 and 544 and applicable state law, but does believe that certain litigation claims exist.

(2) Preservation of Claims and Causes of Action

The Plan provides that the Debtor shall retain the right to prepare, file, pursue, prosecute, and settle the causes of action, whether or not such Causes of Action have been asserted or commenced as of the Effective Date, as a representative of the estate pursuant to 11 U.S.C. § 1123(b)(3)(B).

To the extent that certain Causes of Action are filed by the Debtor, and are not resolved prior to the Effective Date, such Causes of Action will re-vest in the Debtor pursuant to the terms of the Plan.

D. Debtor's Post-Confirmation Structure.

(1) Equity Structure

Upon the Effective Date, the Debtor shall continue operations and shall have the same equity structure as existed as of the Petition Date. A true and correct list of the holders of the membership interests in the Debtor is attached as **Exhibit G.**

(2) Officers

Upon the Effective Date, the Debtor's remaining officers shall continue as officers of the Reorganized Debtor: Randall Hill shall retain his position as President; Luis Lamar shall retain his position as Vice President.

(3) Board of Directors

The Debtor's Board of Directors shall remain unchanged.

(4) Management

The Debtor shall continue to be managed by Luis Lamar and Randall Hill. Since 1988 Mr. Hill has been a real estate broker and developer who has closed over $1.1 billion in transactions in his career. Mr. Hill's clients include: (i) the Miami Heat; (ii) Archdiocese of Miami; and (iii) Dade County Public Schools. Since 2008, Mr. Hill has been involved in over $150 million in condominium sales in the Coral Gables, Florida. Mr. Lamar is a former bank officer and experienced real estate developer with over 34 years of professional experience and has been involved in the development of over 3,000 multifamily residential units including rental and condominium properties and several office and mixed use developments. Mr. Lamar also has extensive experience in real estate construction finance and management of income properties. However, the day to day operations and management of the Real Property will be performed by the Continental Group, Inc. On the Effective Date, Mr. Larkin will be discharged as Receiver.

(5) Compensation

Currently, the officers receive no compensation for their services. As detailed more fully in the financial projections attached hereto at **Exhibit C**, the Debtor only intends only to pay for the Continental Group, Inc. or any other management company employed by the Debtor for its management services.

E. <u>Means for Implementing Plan.</u>

The funds required for the initial payments to creditors upon the Effective Date will come from continued operations and a new value equity contribution from the principals of the Debtor in the amount of $200,000 (the "New Value Contribution"). With the New Value Contribution, the principals will repurchase their equity interest in the Debtor. Due to the amount of the deficiency judgment held by 1300 Ponce Holdings, the Debtor believes that the current value of the equity security interests in the Debtor is $0. Accordingly, the New Value Contribution is greater than the value of the equity to be retained by the Debtor's principals. The New Value Contribution will be funded by certain of Debtor's equity interest holders and/or mezzanine lenders.

As is detailed in the financial projections, attached hereto at **Exhibit C**, the Debtor is anticipating significant increases in its operating revenue based upon increased marketing activities and full implementation of its business plan. Specifically, the Debtor believes that it can lease the unsold units soon after the Effective Date. Furthermore the Debtor believes that the unsold condominium units can be sold at a rate of at least 1 unit per month, or an average of at least 3 units per quarter. The financial projections were prepared by Luis Lamar based upon his experience in the field, upon consultation with experienced brokers and appraisers, and based upon the response of the market to current advertising and the corresponding increased sales activity, as well as the historical sales results of the Debtor's prior history.

As discussed above in Section V, the Debtor's sole source of revenue is its continued rental and sale of residential units. The Debtor anticipates that with proper marketing of the unsold units, and a solid base of short term and long-term leases, the Debtor will have sufficient revenues to make all Plan Payments, as provided in the projections attached hereto.

F. U.S. Trustee Fees.

The Debtor shall pay the United Stated Trustee the appropriate sum required pursuant to 28 U.S.C. § 1930(a)(6) within ten days of the entry of the confirmation order for pre-confirmation periods and simultaneously provide to the United States Trustee the monthly operating reports for each pre-confirmation period; and the reorganized debtor shall further file monthly operating reports for each post-confirmation period and pay the United States Trustee the appropriate sum required pursuant to 28 U.S.C § 1930(a)(6), until the earlier of the closing of this case by the issuance of Final Decree by the Court, or upon the entry of an Order by this Court dismissing this case or converting this case to another chapter under the United States Bankruptcy Code.

G. Executory Contracts and Unexpired Leases.

The Bankruptcy Code gives the Debtor the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. Rejection or assumption may be effected pursuant to a plan of reorganization. In addition to any executory contract or unexpired lease previously assumed or rejected pursuant to order of the Bankruptcy Court, and in addition to motions to assume executory contracts currently pending or which will be heard at or prior to confirmation, the Plan constitutes and incorporates any motion to:

(1) Assume the following executory contracts and unexpired leases:

The Debtor intends to assume all residential leases currently in effect and the management agreement with Continental Group, Inc., which, as of the time of this filing including those detailed in the Plan at Exhibit 1.

(2) Reject all executory contracts and unexpired leases not listed in paragraph 1(a), above, or assumed pursuant to Final Order of the Bankruptcy Court.

If the Bankruptcy Court has not previously entered an order approving assumption, rejection, and/or assignment of lease and executory contracts, then the Confirmation Order shall constitute an order of the Bankruptcy Court approving all such assumptions, assignments, and rejections of executory contracts and unexpired leases, as the case may be, as of the Effective Date. Any monetary amounts by which the contracts and lease to be assumed under the Plan are in default shall be satisfied and agreed by the parties.

If an executory contract or unexpired lease is rejected, then the other party to the agreement may file a Claim for damages incurred by reason of rejection within such time as the Bankruptcy Court may allow. In the case of rejection of employment agreements and leases of real property, damages are limited under the Bankruptcy Code. The Debtor is aware of no other leases or executory contracts to be rejected. To the extent there are any executory contracts or leases rejected by the Debtor, **ANY PROOF OF CLAIM FOR DAMAGES ARISING FROM**

THE REJECTION OF AN EXECUTORY CONTRACT OR LEASE MUST BE FILED WITH THE COURT WITHIN THIRTY DAYS AFTER THE ENTRY OF THE ORDER CONFIRMING THE PLAN.

VII. ALTERNATIVES TO PLAN AND LIQUIDATION ANALYSIS

All payments by the Debtor as provided for in the Plan shall be financed by the operation of the Debtor's business, other recoveries made by the Debtor, and an equity infusion by the Debtor's principals.

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 Bankruptcy Case, (b) the Debtor's Chapter 11 Bankruptcy Case could be converted to a liquidation case under Chapter 7 of the Bankruptcy Code, or (c) the Bankruptcy Court could consider an alternative plan of reorganization proposed by the Debtor or by some other party.

A. Dismissal.

If the Debtor's Bankruptcy Case was to be dismissed, the Debtor would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. Dismissal would force a race among creditors to take over and dispose of the Debtor's available assets. In this, 1300 Ponce Holdings holds a first priority lien on all assets of the Debtor. 1300 Ponce Holdings already has a foreclosure judgment. Thus, the Debtor's assets could be sold at foreclosure and no creditors, other than 1300 Ponce Holdings, the Miami-Dade County Tax Collector and the unpaid condominium assessments, would likely receive consideration.

B. Chapter 7 Liquidation.

If the Plan is not confirmed, it is possible that the Debtor's Bankruptcy Case will be converted to a case under Chapter 7 of the Bankruptcy Code, in which case a trustee would be appointed 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 Claims, Administrative Claims, and Priority Unsecured Claims are entitled to be paid in full before unsecured creditors receive any funds. The Chapter 7 trustee would be entitled to receive the compensation allowed under 11 U.S.C. § 326. The trustee's compensation is based on 25% of the first $5,000 or less; 10% of any amount in excess of $5,000 but not in excess of $50,000; 5% of any amount in excess of $50,000 but not in excess of $1,000,000; and reasonable compensation not to exceed 3% percent of any amount in excess of $1,000,000, upon all moneys disbursed or turned over in the case by the trustee to parties in interest, excluding the debtor, but including holders of secured claims.

Given that the Real Property is fully encumbered by 1300 Ponce Holding's lien, a chapter 7 Trustee would likely abandon the Real Property and the result for creditors would be the same as a dismissal.

Attached hereto as **Exhibit B** is the Debtor's liquidation analysis. Attached hereto as **Exhibit F** is a table showing the Debtor's estimate of claims in each class.

Predicated upon the foregoing, it is management's opinion that the liquidation value of the Debtor would be insufficient to make payments to any class of creditors other than the secured creditors, leaving no monies available for the claims of any other classes of creditors such as general unsecured creditors.

VIII. RISK ANALYSIS

The Debtor believes there is minimal risk to the creditors if the Plan is confirmed. As illustrated in the Liquidation Analysis, there would be no funds available to distribute to unsecured creditors if the case were converted to a Chapter 7 proceeding. As a result, the Plan provides for a distribution to unsecured creditors that they would not receive if this case were converted to one under Chapter 7.

However, there are risks to unsecured creditors in confirming the Plan. Because the Plan funding relies primarily on the revenues generated in the operation of the Debtor's business, the Plan bears the risks inherent to the operation of any business including, but not limited to, market fluctuations, changes in the real estate market, and the Debtor's ability to attract and maintain a client base.

There are also risks to secured creditors in confirming the Plan. The risks to secured creditors include, but are not limited to, a potential decrease in value of the secured collateral due to continued use of the collateral in the Debtor's operations.

While acknowledging there are risks inherent to both confirmation and liquidation, the Debtor believes that a greater recovery is possible for all creditors through confirmation of the Plan.

IX. CERTAIN U.S. FEDERAL INCOME TAX

CONSEQUENCES OF THE PLAN

A summary description of certain United States federal income tax consequences of the Plan is provided below. The description of tax consequences below is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various U.S. federal income tax consequences of the Plan as discussed herein. Only the potential material U.S. federal income tax consequences of the Plan to the Debtor and to a typical holder of claims and interests who are entitled to vote or to accept or reject the Plan are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan, and no tax opinion is being given in this Disclosure Statement. No rulings or determination of the Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtor or to any holder of claims or interests. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of the U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated and proposed thereunder, judicial authorities, and administrative rulings and pronouncements of the IRS and other applicable authorities, all as in effect on the date of this document. Legislative, judicial, or administrative changes or interpretations enacted or promulgated in the future could alter or modify the analyses and conclusions set forth below. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences to the holders of claims and interests (the "Claimants"). Any such changes or interpretations may be retroactive and could significantly affect the U.S. federal income tax consequences discussed below.

THIS DISCUSSION DOES NOT ADDRESS FOREIGN, STATE, OR LOCAL TAX CONSEQUENCES OF THE PLAN, NOR DOES IT PURPORT TO ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN ENTITIES, NONRESIDENT ALIEN INDIVIDUALS, PASS-THROUGH ENTITIES SUCH AS PARTNERSHIPS AND HOLDERS THROUGH SUCH PASS-THROUGH ENTITIES, S CORPORATIONS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, CERTAIN SECURITIES TRADERS, BROKER-DEALERS AND TAX-EXEMPT ORGANIZATIONS). FURTHERMORE, ESTATE AND GIFT TAX ISSUES ARE NOT ADDRESSED AND TAX CONSEQUENCES RELATING TO THE ALTERNATIVE MINIMUM TAX ARE GENERALLY NOT DISCUSSED.

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT A TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

A. U.S. Federal Income Tax Consequences to the Debtor.

(1) Cancellation of Indebtedness Income

Generally, the discharge of a debt obligation owed by a debtor for an amount less than the "adjusted issue price" (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments) gives rise to cancellation of indebtedness ("COD") income to the debtor, subject to certain rules and exceptions. However, when the discharge of indebtedness occurs pursuant to a plan approved by the Bankruptcy Court in a case under title 11 of the Bankruptcy Code (e.g., a chapter 11 case), there is a special rule under the Tax Code that specifically excludes from a debtor's income the amount of such discharged indebtedness (the so-called "bankruptcy exception"). Instead, certain of the debtor's tax attributes otherwise available generally must be reduced by the amount of the COD income that is excluded from the debtor's income. Such reduction of tax attributes generally occurs in the following order: (i) net operating losses and net operating loss carryovers (collectively, "NOLs"), (ii) general business

credits, (iii) minimum tax credits, (iv) capital loss carryovers, (v) the tax basis of debtor's property (both depreciable and non-depreciable), (vi) passive activity loss and credit carryovers, and (vii) foreign tax credit carryovers (although there is a special rule in the Tax Code which allows the debtor to elect to first reduce the tax basis of depreciable property before having to reduce NOLs and other attributes).

Under current Income Tax Regulations, the availability of the "bankruptcy exception" in the context of an affiliated group is made on a "separate entity" basis and not on an "affiliated group" basis. In addition, with regard to tax attribute reduction in the context of an affiliated group, recently adopted Income Tax Regulations (§ 1.1502-28) suggest a "hybrid" method of attribute reduction. Under the current Tax Regulations only member corporations can file on a consolidated tax basis.

Under these regulations, the tax attributes of the separate corporate member having excluded COD income is first reduced, followed by a reduction of the tax attributes of the subsidiary members (to the extent of any stock basis reduction). Then, to the extent a corporate member's excluded COD income exceeds that corporate member's separate entity tax attributes, the consolidated tax attributes allocated to the other corporate members are proportionately reduced.

B. U. S. Federal Income Tax Consequences to a Investor Typical of the Holders of Claims and Interests.

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

(1) Gain or Loss Recognition on the Satisfaction of Claims and Character of Gain or Loss

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

In general, gain or loss is recognized by any such Claimant is either capital or ordinary in character. The character is dependent upon the underlying nature of the claim and whether such

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

(a) Holders of Disputed Claims

Although not free from doubt, holders of disputed claims should only be required to report their gain or loss on the cash or other property that is ultimately distributed out to the Claimant free from any further restrictions. **Holders of disputed claims are urged to consult their own tax advisors regarding the taxation of their disputed claims and the timing and amount of income or loss recognized relating to the Disputed Claims Reserve.**

(b) Information Reporting and Backup Withholding

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

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

C. Importance of Obtaining Professional Tax Assistance.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U. S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIMHOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CLAIMHOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U.S.

FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

D. Circular 230 Disclaimer.

THE IRS REQUIRES WRITTEN ADVICE REGARDING ONE OR MORE U.S. FEDERAL TAX ISSUES TO MEET CERTAIN STANDARDS. THOSE STANDARDS INVOLVE A DETAILED AND CAREFUL ANALYSIS OF THE FACTS AND APPLICABLE LAW WHICH WE EXPECT WOULD BE TIME CONSUMING AND COSTLY. WE HAVE NOT MADE AND HAVE NOT BEEN ASKED TO MAKE THAT TYPE OF ANALYSIS IN CONNECTION WITH ANY ADVICE GIVEN IN THE FOREGOING DISCUSSION. AS A RESULT, WE ARE REQUIRED TO ADVISE YOU THAT ANY U.S. FEDERAL TAX ADVICE RENDERED IN THE FOREGOING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED AND CANNOT BE USED FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED BY THE IRS.

X. ACCEPTANCE AND CONFIRMATION OF PLAN

As a condition of confirmation of the Plan, the Bankruptcy Code requires that the Court determine that: (i) the Plan complies with the technical requirements of Chapter 11 of the Bankruptcy Code; and (ii) that the Debtor's disclosures concerning the Plan have been adequate and have included information concerning all payments made or promises by the Debtor in connection with the Plan and the Chapter 11 Case.

Section 1129 of the Bankruptcy Code, which sets forth the requirements that must be satisfied in order for the Plan to be confirmed, lists the following requirements for the approval of any plan of reorganization:

1. A plan must comply with the applicable provisions of the Bankruptcy Code, including, *inter alia*, § 1123(a)(4), which provides that a plan must "provide the same treatment for each claim or interest of a particular class, unless the holder of a particular claim or interest agrees to a less favorable treatment of such particular claim or interest." Such anti-discrimination provision applies to contingent claims (such as guaranty claims) as well as all other claims and interests.

2. The proponent of a plan must comply with the applicable provisions of the Bankruptcy Code.

3. A plan must be proposed in good faith and not by any means forbidden by law.

4. Any payment made or to be made by the proponent, by the Debtor, or by a person issuing securities or acquiring property under a plan, for services or for costs and expenses in or in connection with the case, or in connection with such plan and incident to the case, must be approved by, or by subject to the approval of, the court as reasonable.

5. (i) (A) The proponent of a plan must disclose the identity and affiliations of any individual proposed to serve, after confirmation of such plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under such plan; and

(B) The appointment to, or continuance in, such officer or such individual, must be consistent with the interests of creditors and equity security holders and with public policy; and;

(ii) The proponent of a plan must disclose the identity of any insider that will be employed or retained by the reorganized debtor, and the nature of any compensation of each insider.

6. Any governmental regulatory commission with jurisdiction, after confirmation of a plan, over the rates of the Debtor must approve any rate change provided for in such plan, or such rate change is expressly conditioned on such approval. The Debtor's Plan proposes no such change, nor does the Debtor have rates over which any governmental authority exercises jurisdiction.

7. Each holder of a claim or interest in an impaired class of claims or interest must have accepted the plan or must receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date; or, if the class is a class of secured claims that elects non-recourse treatment of the claims under 11 U.S.C. § 1111(b), each holder of a claim in such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

8. With respect to each class of claims or interest, such class must accept the plan or not be impaired under the plan (subject to the "cramdown" provisions discussed above and below under "Confirmation Without Acceptance By All Impaired Classes.")

9. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, a plan must provide that:

a. with respect to an administrative claim and certain claims in an involuntary case, on the effective date of the Plan, the holder of the claim will receive on account of such claim cash equal to the allowed amount of the claim;

b. with respect to a class of priority wage, employee benefit, consumer deposit and certain other claims described in 11 U.S.C. § 507(a)(3)-(6), each holder of a claim of such class will receive:

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

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

c. with respect to a priority tax claim of a kind specified in 11 U.S.C. § 507(a)(8), the holder of such claim will receive on account of such claim deferred cash payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the date of assessment of such claim of a value, as of the effective date of the plan equal to the allowed amount of such claim.

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

11. Confirmation of a plan must not be 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. This is the so-called "feasibility" requirement.

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

13. A plan must provide for the continuation after its effective date of payment of all retiree benefits, as that term is defined in 11 U.S.C. § 1114, at the level established pursuant to 11 U.S.C. § 1114(e)(1)(B) or (g), at any time prior to confirmation of such plan, for the duration of the period the debtor has obligated itself to provide such benefits. The Debtor has no such benefits.

This Disclosure Statement discusses three of these requirements: (a) the feasibility of the Plan; (b) acceptance by impaired classes; and (c) the minimum value standard. Further, the required disclosures described in paragraph (5) above are also contained herein. The Debtor believes that the Plan meets all the requirements of 11 U.S.C. § 1129(a) (other than as to voting, which has not taken place) and will seek a ruling of the Court to this effect at the hearing on confirmation of the Plan. You are urged to consult your own counsel to evaluate each and every one of the standards for confirmation of the Plan under the Bankruptcy Code.

XI. RELEASE PROVISIONS

A. Injunction.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE CONFIRMATION ORDER, OR A SEPARATE ORDER OF THE BANKRUPTCY COURT, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS AGAINST OR EQUITY INTEREST IN THE DEBTOR AND OTHER PARTIES IN INTEREST, ALONG WITH THEIR RESPECTIVE PRESENT OR FORMER EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, OR PRINCIPALS, ARE PERMANENTLY ENJOINED, ON AND AFTER THE EFFECTIVE DATE, FROM: (I) COMMENCING OR CONTINUING IN ANY MANNER, ANY ACTION, OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTOR OR

REORGANIZED DEBTOR WITH RESPECT TO ANY SUCH CLAIM OR EQUITY INTEREST; (II) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS OF ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST THE DEBTOR OR REORGANIZED DEBTOR ON ACCOUNT OF ANY SUCH CLAIM OR EQUITY INTEREST; (III) CREATING, PERFECTING, OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST THE DEBTOR OR REORGANIZED DEBTOR OF ANY SUCH CLAIM OR EQUITY INTEREST; (IV) COMMENCING OR CONTINUING IN ANY MANNER, ANY ACTION, OR OTHER PROCEEDING OF ANY KIND WITH RESPECT TO ANY CLAIMS AND CAUSES OF ACTION WHICH ARE EXTINGUISHED OR RELEASED PURSUANT TO THE PLAN; AND (V) TAKING ANY ACTIONS TO INTERFERE WITH THE IMPLEMENTATION OR CONSUMMATION OF THE PLAN.

B. Terms of Injunctions or Stays.

UNLESS OTHERWISE PROVIDED IN THE PLAN, THE CONFIRMATION ORDER, OR A SEPARATE ORDER OF THE BANKRUPTCY COURT, ALL INJUNCTIONS OR STAYS ARISING UNDER OR ENTERED DURING THE CHAPTER 11 CASE UNDER 11 U.S.C. §§ 105 OR 362, OR OTHERWISE, AND IN EXISTENCE ON THE CONFIRMATION DATE, SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL THE LATER OF THE EFFECTIVE DATE OR THE DATE INDICATED IN SUCH APPLICABLE ORDER.

NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREIN, THE FOREGOING RELEASES AND INJUNCTIONS SHALL NOT PROHIBIT OR IMPAIR THE RIGHTS OF ANY PARTIES TO COMMENCE OR PURSUE ACTIONS BASED ON FRAUD OR VIOLATIONS OF APPLICABLE SECURITIES LAW.

XII. MISCELLANEOUS PROVISIONS

(A) Notwithstanding any other provisions of the Plan, any claim which is scheduled as disputed, contingent, or unliquidated or which is objected to in whole or in part on or before the date for distribution on account of such claim shall not be paid in accordance with the provisions of the Plan until such claim has become an Allowed Claim by a final Order. If allowed, the claim shall be paid on the same terms as if there had been no dispute.

(B) At any time before the Confirmation Date, the Debtor may modify the Plan, but the Debtor may not modify the Plan so that the Plan, as modified, fails to meet the requirements of 11 U.S.C. § 1122 and 1123. After the Debtor files a modification with the Bankruptcy Court, the Plan, as modified, shall become the Amended Plan.

(C) At any time after the Confirmation Date, and before substantial consummation of the Plan, the Debtor may modify the Plan with permission of the Court so that the Plan, as modified, meets the requirements of 11 U.S.C. § 1122 and 1123. The Plan, as modified under this paragraph, shall become the Amended Plan.

(D) After the Confirmation Date, the Debtor may, with approval of the Bankruptcy Court, and so long as it does not materially and adversely affect the interest of creditors, remedy any defect or omission, or reconcile any inconsistencies in the Plan or in the Order of

Confirmation, in such manner as may be necessary to carry out the purposes and effect of the Plan.

(E) Pursuant to 11 U.S.C. § 1125(e), the transmittal of Plan solicitation packages (including Disclosure Statement and the Plan), the Debtor's solicitation of acceptances of the Plan, and the Reorganized Debtor's and any other person's participation in such activities are not and will not be governed by or subject to any otherwise applicable law, rule or regulation governing the solicitation of acceptance or rejection of a plan of reorganization or the offer, issuance, sale or purchase of securities.

XIII. EFFECT OF CONFIRMATION OF PLAN

A. Discharge.

This Plan provides that upon the Effective Date, Debtor shall be discharged of liability for payment of debts incurred before confirmation of the Plan, to the extent specified in 11 U.S.C. § 1141. However, any liability imposed by the Plan will not be discharged.

B. Re-vesting of Property in the Debtor.

Except as provided in the Plan, the confirmation of the Plan re-vests all of the property of the estate in the Debtor.

C. Final Decree.

Once the estate has been fully administered as referred to in Bankruptcy Rule 3022, the Debtor, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case.

XIV. CONCLUSION

THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS DESIRABLE AND IN THE BEST INTERESTS OF CREDITORS AND INTEREST HOLDERS. The Plan provides for equitable distributions to all Classes of the Debtor's creditors and reserves value, subject to certain restrictions, for equity security holders. Any alternative to confirmation of the Plan, such as liquidation under Chapter 7 of the Bankruptcy Code or attempts by another party in interest to file a plan, would result in significant delays, litigation, and cost. More importantly, the Plan proposes a distribution to unsecured creditors substantially greater than such creditors would receive in the absence of this Plan. The Debtor believes that a plan filed by another party in interest could only be confirmed over the objection of one or more impaired Classes, and would generate costly and time-consuming litigation. Any delays in the confirmation of this Plan would jeopardize the viability of the Debtor as a going concern, and therefore diminish the probability of distributions to unsecured creditors.. As described in Section VII(B) "Liquidation Analysis," the Debtor believes that its creditors will receive greater recoveries under the Plan than those which could otherwise be achieved. FOR THESE REASONS, THE DEBTOR URGES YOU TO RETURN YOUR BALLOT ACCEPTING THE PLAN.

Dated: May 23, 2012

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PONCE TRUST, LLC

By: ______________________
Name: Luis Lamar
Title: Vice President