

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF GEORGIA
SAVANNAH DIVISION**

IN RE:

SAVANNAH OUTLET SHOPPES,
LLC,

Debtor.

CHAPTER 11

CASE NO. 10-42135-LWD

**DISCLOSURE STATEMENT
FOR DEBTOR'S CHAPTER 11 PLAN**

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Co-Counsel to Debtor

Dated: July 25, 2011

I. INTRODUCTION

This Disclosure Statement (the "Disclosure Statement") has been prepared pursuant to Section 1125 of the United States Bankruptcy Code on behalf of **Savannah Outlet Shoppes, LLC** (hereinafter referred to as "Debtor") in connection with Debtor's solicitation of votes for its Chapter 11 Plan dated July 25, 2011 (the "Plan"). It contains important information about Debtor and the Plan.

In providing this Disclosure Statement to parties in interest, Debtor expressly seeks to enable such parties to make an informed judgment on whether to approve or reject the Plan.

This Disclosure Statement contains a summary of the Plan, general information about Debtor and its Chapter 11 case and important information concerning Debtor's current and future financial condition.

The information contained herein has been prepared by Debtor in good faith, based upon information available to Debtor. Debtor has never caused any of the financial information contained herein to be verified by an audit. However, all financial information was compiled from the records of Debtor.

The description of the Plan contained in this Disclosure Statement is intended as a summary only and is qualified in its entirety by reference to the Plan itself, which has been filed contemporaneously herewith. **Each creditor is encouraged to read, consider and carefully analyze the terms and provisions of the Plan.**

The statements contained in this Disclosure Statement are made as of the date hereof, unless another time is specified herein, and delivery of this Disclosure Statement shall not create an implication that there has been no change in the facts set forth herein since the date of this Disclosure Statement and the date the materials relied upon in preparation of this Disclosure Statement were compiled.

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

THIS DISCLOSURE STATEMENT HAS NEITHER BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER GOVERNMENTAL AGENCY, NOR HAS THE COMMISSION OR ANY SUCH OTHER GOVERNMENTAL AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN, WHICH IS ANNEXED HERETO, SHOULD BE READ IN ITS ENTIRETY. ADDITIONALLY, IT MAY BE ADVISABLE FOR CREDITORS TO CONSULT THEIR OWN

COUNSEL OR OTHER ADVISORS WITH RESPECT TO THE MATTERS CONTAINED HEREIN.

NO REPRESENTATIONS CONCERNING THE DEBTOR, ITS FUTURE BUSINESS OPERATIONS, FINANCIAL CONDITION OR THE VALUE OF ITS PROPERTY ARE AUTHORIZED BY DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO CREDITORS TO SECURE AN ACCEPTANCE OF THE PLAN WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION.

II. BRIEF DISCUSSION OF CHAPTER 11 OF THE BANKRUPTCY CODE

Under Chapter 11 of the Bankruptcy Code a Debtor is afforded an opportunity to rehabilitate its business and to restructure its financial obligations to its creditors. In some instances, a Debtor may also change the structure of its equity securities ("interests") by canceling one or more classes of equity securities or issuing new securities.

In general, a Debtor files a "Chapter 11 Plan" which sets forth a proposal for settlement of the Debtor's debts. A Debtor's debts are classified as either being unsecured or secured, depending on whether the Debtor has pledged any of its property to the creditor as collateral for the debt.

The Bankruptcy Code (the "Code") requires that certain unsecured debts receive priority in payment over other debts. Examples of unsecured debts entitled to priority are expenses and fees incurred during the Chapter 11, wages and certain employee benefits, certain consumer obligations, and taxes.

The Code requires that a Plan propose full cash payment to all priority unsecured creditors except taxing authorities. Taxes under the Code may be paid over time in installments. Unsecured creditors may receive all or a portion of their claims under a Plan.

A Debtor under Chapter 11 may restructure its secured debt by paying its secured creditors in cash in full or in installment payments. A Debtor may also arrange for a secured creditor's collateral to be sold or surrendered.

In any event, unless the creditors agree differently, a Plan must provide creditors with at least the same consideration which creditors would receive in a liquidation of Debtor under Chapter 7 of the Code.

The Debtor or other proponent of a Plan files the Plan with the Clerk of the Bankruptcy Court. The Code requires that a Plan be accompanied by a Disclosure Statement. The Disclosure Statement must contain a summary of the Plan and sufficient information about the Debtor and its financial affairs to enable a creditor or other party in interest to intelligently determine whether to vote for or against the

Plan.

After the Plan and Disclosure Statement are filed, the Court holds a hearing on the adequacy of the Disclosure Statement. If the Court determines that the Disclosure Statement makes proper disclosure, then it is approved and the Plan and Disclosure Statement, along with a ballot are mailed to creditors and equity security holders for vote.

Typically, a date is set by the Court as the last day votes may be counted. The Court also schedules a Confirmation Hearing at which time the votes are counted and the Court hears evidence as to whether the Plan complies with various standards for confirmation under the Code. In order for the Plan to be approved by creditors and interest holders, a vote of two-thirds in amount and a majority in number of creditors of each class of "impaired" creditors who vote must affirmatively vote for the Plan.

If a class of impaired creditors does not accept the Plan, then the Plan may still be confirmed if it is "fair and equitable" respecting such class. The Code defines "fair and equitable" regarding unsecured creditors as generally meaning payment of the entire amount of each creditor's claim or that no class of creditors or interest holders with a lesser priority will receive any consideration under the Plan. Regarding secured creditors, "fair and equitable" generally means that the creditor receives the "indubitable equivalent" of its secured claim or cash or deferred payments with a present value equal to the amount of the secured claim.

When a Plan is confirmed notwithstanding the lack of acceptance of all impaired classes, it is said that the Debtor has effected a "cramdown" of the Plan. "Impaired" means that the creditor or interest holder is not receiving precisely the same rights it was entitled to under its contract with the Debtor. Generally, unless an unsecured creditor receives one hundred percent of its claim in cash, it is said to be impaired.

When a Debtor's Plan is confirmed, the Debtor receives a discharge or release of all indebtedness which it does not pay under the provisions of the Plan. The discharge applies whether or not a creditor received notice of the Chapter 11 proceeding.

III. GENERAL INFORMATION AND BACKGROUND CONCERNING DEBTOR

A. Pre-bankruptcy History of Debtor

1. General Background

Debtor was formed in 2006 to purchase a shopping center and outlet mall on a parcel of real property located in Savannah, Chatham County, Georgia. The shopping center is known as Savannah Festival Outlet Center (the "Center"). A true

and correct copy of the legal description of the Center is attached hereto and incorporated herein as Exhibit "A." The Center contains three (3) buildings with 30 units of retail shopping space. The total square footage of the three buildings is approximately 139,000 square feet. The Center is located on approximately 20 acres of land, which includes a large parking lot for customers and common areas for tenants and members of the public who frequent the Center for shopping.

The purchase of the Center, including the real property on which the Center is located, was funded through a loan agreement between the Debtor and General Electric Capital Corporation ("GE Capital"), as Collateral Agent (and its successors and assigns) for the benefit of the holder or holders of the A Note and the B Note and their respective successors and assigns (the "Loan Agreement") dated September 29, 2006. The Loan Agreement was structured as two loans. The first loan was evidenced by a certain Promissory Note (Note A) dated September 29, 2006 in the original principal amount of \$9,600,000.00 ("Note A"). The second loan was evidenced by a certain Promissory Note (Note B) dated September 29, 2006 in the original principal amount of \$600,000.00 ("Note B"). Both Note A and Note B are secured by a first priority deed to secure debt and security agreement related to the real property which was purchased by the Debtor and the improvements upon the same (*i.e.*, the Center) (the "Security Deed"). Additionally, pursuant to the Security Deed, Debtor granted to GE Capital a security interest in substantially all property of the Debtor then owned or thereafter acquired. In addition to the Security Deed, Debtor executed an Assignment of Leases and Rents dated September 29, 2006, assigning to GE Capital all of Debtor's rights and interest to its leases, rents, and other rights with respect to the Center.

Pursuant to that certain Intercreditor Agreement Among Note Holders dated as of September 29, 2006, the holder of Note B agreed to be subordinate to the holder of Note A with respect to payment on Note B and with respect to exercising any right under the Security Deed. Note A is currently held by Comm 2006-C8 Gateway Boulevard Limited Partnership ("Comm 2006-C8"). Note B is currently held by U.S. Bank National Association, as trustee for the registered holders of Mezz Cap Commercial Mortgage Trust 2006-C4, Commercial Pass-Through Certificates, Series 2006-C4 ("U.S. Bank").

Pursuant to Section 2.4 of the Loan Agreement, Debtor was required to establish certain reserve escrow funds as follows: (a) a one time deposit of \$47,469 for the required repair fund (the "Required Repair Fund"); (b) monthly payments of \$1,640.00 for annual replacements and repairs required to the Center (the "Replacement Escrow Fund"); and (c) monthly payments of \$9,982.00 for tenant improvements and leasing commission obligations incurred by Debtor (the "Rollover Escrow Fund") (hereinafter the Required Repair Fund, Replacement Escrow Fund, and Rollover Escrow Fund shall be collectively referred to as the "Reserve Fund"). No additional deposits were required to the Rollover Escrow Fund once the Rollover Escrow Fund balance reached \$500,000.00 (the "Maximum Balance"). If any funds were distributed from the Rollover Escrow Fund after the Rollover Escrow Fund reached the Maximum Balance, Debtor was required to replenish the Rollover

Escrow Fund to the Maximum Balance through monthly payments of \$9,982.00.

After Debtor purchased the Center, Debtor operated the Center as a retail outlet mall shopping center with multiple tenants catering to retail shopping customers.

2. Events Leading to Chapter 11 Filing

i. General Economic Conditions

After Debtor purchased the Center in 2006, the United States economy slid into a severe recession. The recession seriously impacted the commercial real property market and the ability of prospective purchasers to obtain financing for real property purchases and refinancing of existing obligations. Additionally, the retail shopping sector experienced contractions as consumers slowed down on their consumption of retail products. The economic downturn and credit crunch made it nearly impossible for Debtor to continue to collect the pre-recession rents from its tenants and required the Debtor to make concessions to its tenants to keep the tenants at the Center. Additionally, some tenants failed to renew their leases or vacated the Center. These concessions and loss of rental revenue resulted in reduced cash flow for Debtor.

ii. Use of Rollover Escrow Fund

During the economic recession Debtor made numerous requests to Midland Loan Services ("Midland"), the servicer of Loan A held by Comm 2006-C8, for reimbursement of funds from the Rollover Escrow Fund to make tenant improvements, to attract new tenants, and to compensate leasing brokers, all anticipated expenses which were reasons the Debtor was required to fund the Rollover Escrow Fund. Midland repeatedly denied the Debtor's request. Due to this denial, Debtor continued to pay for these items out of its monthly cash flow which was being reduced by the current economic environment.

Beginning in October 2009, Debtor was forced to begin to reduce its payments to Midland by failing to pay the monthly amount required to fund the Reserve Fund. Debtor continued to pay both principal and interest to Midland, for the benefit of Comm 2006-C8 on Note A. Additionally, Debtor continued to pay interest on Note B. Debtor continued to try to negotiate with Midland regarding the payments to the Reserve Fund. Midland refused to negotiate with Debtor. During this time Debtor continued to pay principal and interest on Note A and interest on Note B.

iii. Default and Foreclosure Notice

In June 2010, Midland on behalf of Comm 2006-C8 declared Note A in default. Debtor again attempted to negotiate with Midland to resolve the Reserve Fund dispute. Midland again declined to negotiate with Debtor. After Debtor failed to cure the default, Comm 2006-C8 advertised the Center for foreclosure sale to occur on

October 5, 2010. On October 4, 2010, Debtor filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code.

B. Summary of Activities in Debtor's Chapter 11 Case

Debtor's Chapter 11 case is pending before the Honorable Lamar W. Davis, Jr., U.S. Bankruptcy Judge for the United States Bankruptcy Court, Southern District of Georgia, Savannah Division. Debtor has continued in possession of its assets, and no Trustee has been appointed.

In conjunction with its Chapter 11 petition filing, Debtor filed several motions seeking what is commonly referred to as "first day" relief. This first day relief was designed to meet the goals of (1) continuing Debtor's business operations in Chapter 11 with as little disruption as possible, (2) maintaining the confidence and support of tenants, employees, and other key constituencies, and (3) establishing procedures for the smooth and efficient administration of the Chapter 11 case.

The Court approved the requested first day relief in various orders ("First Day Orders") entered by the Court on October 13, 2010, and such First Day Orders provided for, among other things:

- a. Debtor's interim use in the ordinary course of its business of the cash collateral otherwise pledged to secure the indebtedness to Comm 2006-C8 and U.S. Bank, in accordance with a budget; and
- b. Granting Debtor the authority to honor and pay certain pre-petition obligations, including payment of payroll to Debtor's management company and payment of insurance premiums due.

Debtor also sought and subsequently obtained the following relief:

- a. Authority to retain Cohen Pollock Merlin & Small, P.C. as its legal co-counsel; the Bulovic Law Firm, LLC, as its legal co-counsel; Mellon, Johnson and Reardon, CPAs, LLP, as its accountants; and Devine Realty Consultants, Inc., as a real estate leasing broker, in the Chapter 11 case;
- b. An Order approving post-petition financing to pay utility bills to prevent utilities from being shut off at the Center;
- c. Authority to compromise and settle preference and other claims against Robert E. Knudsen in the amount of \$123,825.50¹ (the "Knudsen

¹ Funds received from the Knudsen Settlement have been used by Debtor to pay its attorney's fees during the pendency of its Chapter 11 case. If the Court approves the requested interim compensation at a scheduled hearing on July 26, 2011, the amount of funds remaining from the Knudsen Settlement will be approximately \$82,000.00.

Settlement"); and

d. Further interim and final authority to use cash collateral in the ordinary course of business.

IV. SUMMARY OF THE PLAN

Debtor's Plan provides for the satisfaction of all allowed administrative claims on the Effective Date or as soon as practicable thereafter. As to each administrative claim allowed thereafter, payment will be made as soon as practicable. Debtor's Plan also provides for the satisfaction of all priority tax indebtedness either in cash or over a five year period in installments with interest as provided in 11 U.S.C. § 1129. There are no known priority claims other than administrative expense claims and priority tax claims.

Respecting other creditors, Debtor's Plan provides for full payment of the principal amounts owing to its general unsecured creditors in two equal installments, other than any unsecured claims held by insiders, as defined by U.S. Bankruptcy Code.

As further detailed in Section A below, Debtor's Plan further provides for payments to Debtor's senior secured creditor Comm 2006-C8 and the resumption of monthly payments to Comm 2006-C8. As further detailed in Section B below, Debtor's Plan further provides for the resumption of monthly interest-only payments to Debtor's junior secured creditor U.S. Bank.

All equity interest in the Debtor shall be deemed cancelled and rendered null and void as of the Effective Date.

A. Claim of Comm 2006-C8

Comm 2006-C8 holds a first priority security interest related to the Center. Comm 2006-C8 holds an aggregate claim of **\$9,533,747.27** (the "Allowed Claim of Comm 2006-C8"). On the Effective Date, Debtor shall pay to Comm 2006-C8 fifty percent (50%) of the New Value Investment (as defined below), plus all amounts remaining of the Knudsen Settlement after the payment of all allowed claims (other than the Allowed Claim of Comm 2006-C8 and the Allowed Claim of U.S. Bank (as defined below)) under the Plan, including administrative claims, plus all amounts of cash collateral of Comm 2006-C8 held by Debtor on the Effective Date pursuant to the various Orders entered by the Court directing use and retention of Comm 2006-C8's cash collateral. These payments shall reduce the Allowed Claim of Comm 2006-C8.

After the reduction of the Allowed Claim of Comm 2006-C8, as provided above, the remaining amount of the Allowed Claim of Comm 2006-C8 (the "Remaining Secured Claim") shall be paid as follows: Debtor will pay to Comm 2006-C8 monthly principal and interest payments on the Remaining Secured Claim

amortized over a twenty-five (25) year period on the fifteenth (15th) day of each month following the Effective Date. All unpaid amounts of the Remaining Secured Claim and accrued interest on the Remaining Secured Claim shall be paid in full on the tenth (10th) anniversary of the Effective Date.

Additionally, all amounts of the Reserve Fund held by Comm 2006-C8 that have not been distributed to the Debtor or on the Debtor's behalf, shall remain in the specific Reserve Fund as required under Section 2.4 of the Loan Agreement. No additional Reserve Fund payments shall be made pursuant to Section 2.4 of the Loan Agreement.

Comm 2006-C8 will retain its security interest, and its related state law rights, in the Center until such time as the Allowed Claim of Comm 2006-C8 is paid in full, with interest as provided in the Plan. Debtor will also continue to maintain insurance and pay taxes on the Center and will continue to pay and escrow with Comm 2006-C8 all post-petition insurance premiums and *ad valorem* taxes.

Interest will accrue on the Remaining Secured Claim at the fixed rate of 5.25% per annum for the first 36 months following the Effective Date of the Plan and thereafter each month's per annum interest rate shall be equal to the Wall Street Journal Prime Rate of Interest as published by the Wall Street Journal on the first business day of each month plus 2%, per annum. Debtor is also entitled to notice and a 14-day cure period for any default which Comm 2006-C8 asserts, for which Comm 2006-C8 must provide notice in writing to Debtor at the addresses and email addresses specified in the Plan.

B. Claim of U.S. Bank

U.S. Bank holds a second priority security interest related to the Center. U.S. Bank holds an aggregate claim of \$600,000.00 (the "Allowed Claim of U.S. Bank"). On the Effective Date, Debtor shall commence monthly interest payments to U.S. Bank on the Allowed Claim of U.S. Bank on the fifteenth (15th) day of each month following the Effective Date. All unpaid amounts of the Allowed Claim of U.S. Bank and accrued interest on the Allowed Claim of U.S. Bank shall be paid in full on the tenth (10th) anniversary of the Effective Date.

U.S. Bank will retain its security interest (subordinated to the rights of the security interest of Comm 2006-C8), and its related state law rights, in the Center until such time as the Allowed Claim of U.S. Bank is paid in full, with interest as provided in the Plan.

Interest will accrue on the Allowed Claim of U.S. Bank at the fixed rate of 12.75%, per annum. Debtor is also entitled to notice and a 14-day cure period for any default which U.S. Bank asserts, for which U.S. Bank must provide notice in writing to Debtor at the addresses and email addresses specified in the Plan.

C. General Unsecured Creditors

General unsecured claimants, except holders of Insider Claims, as stated herein, will receive payment on their Allowed Claims in the full principal amount owing in two separate equal payments. The first payment shall occur on the Effective Date and the second payment will be made on the 60th day following the Effective Date. No interest shall be paid on any Unsecured Claim.

D. Interests

As of the Effective Date, the equity membership interests held by Fusco Properties, LLC; Carlo Fusco, Sr.; CK Fusco Properties, LLC; GGC, LLC; Net Worth, LLC; Anthony Digati; and Savannah Outlet Shoppes Management Company, LLC (the "Old Equity Holders") shall be deemed cancelled and rendered null and void. The Old Equity Holders shall not receive or retain any property under the Plan on account of such Interests, and no distributions or dividends will be paid with respect to said equity membership interests.

E. New Equity Membership Interests

Blue Skies of Savannah, LLC will purchase all of the equity membership interests in the Reorganized Debtor for \$100,000.00 (the "New Value Investment"). Giuseppe Fusco, an owner of Fusco Properties, LLC; GGC, LLC; and Savannah Outlet Shoppes Management Company, LLC, each a current member of the Debtor, and Carlo Fusco, Jr., an owner of CK Fusco Properties, LLC; and GGC, LLC, each a current member of the Debtor, will purchase all of the equity membership interests in Blue Skies of Savannah, LLC. Giuseppe Fusco shall own 90% of Blue Skies of Savannah, LLC and Carlo Fusco, Jr. shall own 10% of Blue Skies of Savannah, LLC.

F. Funding for the Plan.

The distributions contemplated by this Plan shall be made through (a) the use of earnings and revenues of the Debtor and the Reorganized Debtor during the pendency of the Case and following the Effective Date, including without limitation the cash collateral of Comm 2006-C8, which is subject to the Allowed Claim of Comm 2006-C8 until such claim is paid in full pursuant to the Plan; (b) the purchase of new equity membership interests in the Reorganized Debtor by Blue Skies of Savannah, LLC in a total amount of \$100,000.00; and (c) the utilization of the sums remaining from the Knudsen Settlement.

Due to the purchase of all of the equity membership interests in the Reorganized Debtor by Blue Skies of Savannah, LLC, it will be the owner of the Reorganized Debtor. Giuseppe Fusco will be named the Managing Member of the Blue Skies of Savannah, LLC. None of the Insiders named herein will receive compensation from the Reorganized Debtor pursuant to the terms of the Plan. However, management company fees will continue to be paid to Savannah Outlet

Shoppes Management Company, LLC as have been paid during the pendency of this Chapter 11 Case. Giuseppe Fusco owns 100% of Savannah Outlet Shoppes Management Company, LLC.

H. Other Plan Provisions

Since most, if not all of Debtor's executory contracts are leases with respect to the Center, Debtor will assume all executory contracts and unexpired leases not previously rejected.

THE ABOVE SUMMARY IS A BROAD OUTLINE OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH HAS BEEN FILED CONTEMPORANEOUSLY HEREWITH.

V. DISCUSSION OF BEST INTEREST OF CREDITORS: TREATMENT IN A CHAPTER 11 VS. CHAPTER 7

Another confirmation requirement is the "Best Interest Test," which requires a liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is an impaired class and that claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must receive or retain under the Plan property of a value not less than the amount that such holder would receive or retain if the debtor were liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, the debtor's assets are usually sold by a Chapter 7 trustee. Secured creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien. Administrative claims are paid next. Then unsecured creditors are paid from any remaining sales proceeds according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the amount of total allowed unsecured claims. Finally, interest holders receive the balance that remains, if any, after all creditors are paid.

For the Court to be able to confirm this Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a Chapter 7 liquidation. After considering the effect that a Chapter 7 liquidation would have on the value of the Debtor's estate, including the costs of and claims resulting from a Chapter 7 liquidation, the adverse effect of a forced sale on the prices of Debtor's assets, and, the Debtor has determined that confirmation of the Plan will provide each holder of a claim or interest with a recovery that is no less than each such holder would receive pursuant to liquidation of Debtor's assets under Chapter 7 liquidation.

Attached as Exhibit "B" is a liquidation analysis (the "Liquidation Analysis") demonstrating the basis for Debtor's belief as stated herein. Since the Liquidation Analysis has not been audited or reviewed by an independent public accountant, no opinion or any other form of assurance as to its accuracy is expressed. The

Liquidation Analysis reflects the Debtor's estimate of the value that may be realized by Debtor's estate and the potential recoveries that may be available to holders of allowed claims and allowed equity interests if the Debtor's assets were liquidated and the proceeds distributed in accordance with Chapter 7 of the Bankruptcy Code. Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by the Debtor, are subject to inherent economic and competitive uncertainties and contingencies beyond the control of the Debtor, and are based upon assumptions with respect to liquidation decisions that are subject to change. Accordingly, there can be no assurance that the values and costs reflected in the Liquidation Analysis would be realized if the Debtor's assets were, in fact, to undergo such a liquidation.

For purposes of the Liquidation Analysis, it is assumed hypothetically that a plan of reorganization could not ultimately be confirmed at the confirmation hearing and, on or about that date, the Chapter 11 case is converted to a Chapter 7 case. In connection with the hypothetical commencement of the Chapter 7 case, it is assumed that the role of the Debtor terminates on or about the hypothetical conversion date and a Chapter 7 trustee is appointed to, among other things, manage the liquidation process and distribute the liquidation proceeds ultimately realized in accordance with the priorities established by the Bankruptcy Code. In such a case, the Chapter 7 trustee would have to consider, and ultimately pursue, one or more recovery strategies other than the Plan.

The classification and dollar amounts of estimated allowed claims incorporated within the Liquidation Analysis are subject to modification pending further analysis and the receipt of additional information with respect to such claims. Potential recoveries resulting from alleged preference claims are not addressed in the Liquidation Analysis.

VI. FINANCIAL INFORMATION

Debtor has included with this Disclosure Statement two exhibits which analyze its cash flow, net income and current assets. Attached as Exhibit "B" is a Liquidation Analysis. Attached as Exhibit "C" is a twelve month "Projected Revenues and Expenses" which contains Debtor's best estimate of net income during the next twelve months.

VII. ANALYSIS OF CLAIMS AND APPROXIMATE DISTRIBUTIONS TO CREDITORS UNDER THE PLAN

A. Projected Administrative Expenses

Debtor provides the following as an estimate of administrative expenses incurred and to be incurred in connection with confirmation of the Plan and closing of the Bankruptcy Estate:

Bankruptcy Counsel fees and expenses	\$	46,000.00 ²
Plan and Disclosure Statement printing and mailing		250.00
Total administrative expenses incurred in connection with confirmation and closing	\$	46,250.00

B. Projected Priority Claims³

As of the date of this Disclosure Statement, Debtor is unaware of any non-tax priority claims. Additionally, as of the date of this Disclosure Statement, Debtor is unaware of any unpaid Priority Tax Claims. To the extent that there are any unpaid Priority Tax Claims such claims will be paid on the Effective Date, or as soon thereafter as practical, but in no event later than the end of five (5) years from the Petition Date.

C. Analysis of Claims Payments

Debtor's preliminary analysis of unsecured claims, excluding claims related to taxes, any disputed claims, and insider claims, indicates that pre-petition unsecured non-priority non-insider claims, total approximately \$22,000.00. Each Allowed Claim of a unsecured creditor will be paid in full in two-equal installments. Comm 2006-C8 shall receive 50% of the New Value Investment; approximately \$13,750 of the Knudsen Settlement; and its cash collateral in an amount of

² Co-counsel for Debtor estimates that their total fees and expenses for representing the Debtor and Debtor in Possession in this Chapter 11 case will be approximately \$140,000.00. Of this amount, approximately \$69,000.00 has already been approved by the Court on an interim basis. Approximately \$25,000.00 has been submitted to the Court for approval. The remaining \$46,000.00 (estimated) is for fees from July 1, 2011 through and including the closing of the Case after Confirmation for Cohen Pollock Merlin & Small, P.C. and for fees from June 14, 2011 through and including the closing of the Case after Confirmation for the Bulovic Law Firm, LLC.

³ Debtor knows of no other allowable priority claims other than administrative claims, as analyzed in Section A, and as above set forth in this section.

approximately \$125,000. Both Comm 2006-C8 and U.S. Bank will begin to receive monthly payments on the 15th day of each month following the Effective Date.

D. Projected Plan Pay-outs

Projected approximate initial pay-outs under Debtor's Plan are as follows:

Category or Class of Claim	Initial Payment
Administrative Expenses - one time payment	\$ 46,250.00
Priority Claims - one time payment	\$ 0.00
General Unsecured - distribution in 2 installments	\$ 22,000.00
Comm 2006-C8 - one time distribution	\$ 188,750.00 ⁴
Total Initial Pay-out	\$ 257,000.00⁵

VIII. LITIGATION; BANKRUPTCY CAUSES OF ACTION; AND RECOVERY OF ASSETS

Debtor knows of no litigation which will be instituted and/or continued against any party following confirmation of the Plan except for routine objections which may be instituted against claimants whose claims are disputed by Debtor.

Further, aside from the settlement of preference and other claims reached with Robert E. Knudsen, Debtor knows of no preference, fraudulent conveyance or other bankruptcy related cause of action for which the possibility of a material recovery for the benefit of the Bankruptcy Estate exists; therefore those claims will be extinguished upon Confirmation.

IX. INFORMATION RELEVANT TO THE RISKS POSED TO CREDITORS UNDER THE PLAN

There is no risk to any of Debtor's creditors under the Plan that the Reorganized Debtor and its sole member will not be able to fund the initial payments, as well as the subsequent payments, assuming no catastrophic event

⁴ This amount includes \$50,000 of the New Value Investment; \$13,750 of the Knudsen Settlement; and \$125,000 of Comm 2006-C8 cash collateral.

⁵ The total excludes the first monthly payments due to Comm 2006-C8 in the amount of approximately \$57,000.00 and to U.S. Bank in the amount of approximately \$6,400.00, which are due on the 15th day of the month following the Effective Date.

occurs to the Center.

X. FEDERAL AND STATE TAX IMPLICATIONS TO CREDITORS

Debtor does not believe that there are any adverse federal and state tax implications to creditors by virtue of the treatment of their claims under the Plan, except to the extent that any creditor has written off all or a portion of its claim against Debtor as a bad debt.

In any event creditors are well advised to consult their tax advisors as to whether the Plan provides any individual adverse tax implications.

XI. CONCLUSION

Debtor submits that its Plan provides for an orderly and expeditious payment of its indebtedness to its creditors. Debtor further submits that the alternative of a Chapter 7 liquidation does not appear to Debtor as a viable method of maximizing recovery to creditors in this case.

[SIGNATURES ON THE FOLLOWING PAGE]

Respectfully submitted this 25th day of July, 2011.

Savannah Outlet Shoppes, LLC

Debtor

By: Savannah Outlet Shoppes
Management Company,
LLC, its Managing Member

By: /s/ Giuseppe Fusco
Giuseppe Fusco, Managing
Member of Savannah Outlet
Shoppes Management
Company, LLC

By: /s/ Karen Fagin White
Karen Fagin White
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EXHIBIT "A"

LEGAL DESCRIPTION OF THE CENTER

Legal Description

ALL that certain lot, tract or parcel of land situate, lying and being in the State of Georgia, County of Chatham, more fully and accurately shown and designated on that certain ALTA/ASCM Land Title Survey prepared by James M. Sims, Georgia Registered Land Surveyor No. 2280, Hussey, Gay & Bell & Deyoung, Consulting Engineers, dated May 3, 1988, as revised February 27, 1989, August 27, 1997, September 25, 1997, and September 14, 2006 and recorded in the Office of the Clerk of the Superior Court of Chatham County, Georgia in Plat Book 34-P, Pages 72A and 72B and more fully described as follows:

Tract One:

Commencing at the point intersection of the south right of way line of Fort Argyle Road (St. Rt. 204) and the east right of way line of Gateway Boulevard South; extend thence South 73 degrees 33 minutes 06 seconds West along the east right of way line of Gateway Boulevard South a distance of 13.21 feet to a point; extend thence along said east right of way line along a curve to the right having a delta angle of 08 degrees 03 minutes 09 seconds, a radius of 946.73, a chord bearing and distances of South 29 degrees 13 minutes 04 seconds West 132.94 for an arc distance of 133.06 feet to a point; extend thence along said east right of way line South 33 degrees 14 minutes 40 seconds West a distance of 141.98 feet to a point; extend thence along said east right of way line South 39 degrees 04 minutes 10 seconds West a distance of 347.70 feet to a point; extend thence North 50 degrees 55 minutes 50 seconds West across said right of way a distance of 60.00 feet to a point; which point is the Point of Beginning of the hereinafter described property; extend thence South 39 degrees 04 minutes 10 seconds West along the west right of way line of Gateway Boulevard South a distance of 821.17 feet to a point; extend thence South 84 degrees 04 minutes 10 seconds West a distance of 212.13 feet to a point; extend thence North 50 degrees 55 minutes 50 seconds West a distance of 568.61 feet to a point on the southeast right of way line of Interstate Highway No. 95; extend thence North 37 degrees 48 minutes 40 seconds East along said right of way line a distance of 317.28 feet to a point; extend thence North 38 degrees 21 minutes 10 seconds East along said right of way line a distance of 105.72 feet to a point; extend thence North 45 degrees 55 minutes 25 seconds East along said right of way line a distance of 51.96 feet to a point; extend thence North 55 degrees 32 minutes 10 seconds East along said right of way line a distance of 517.91 feet to a point; extend thence South 50 degrees 55 minutes 50 seconds East a distance of 573.89 feet to the Point of Beginning.

Tract Two:

Those certain non-exclusive permanent easements described in the Grant of Easements between M.B. Hosterter, Creed H. Reagan, and Joseph J. Tribble, as grantors, and Festival Developers, Ltd., a Georgia limited partnership, as grantee, dated July 8, 1987, and recorded in Deed Book 135-C, Folio 10, and as amended June 16, 1988, and recorded in Deed Book 139-F, Folio 708, in the Clerk's Office, Chatham Superior Court, including without limitation the following non-exclusive permanent easements:

- (a) A 60' wide easement strip for purposes of ingress and egress to and from the 10 Acre Tract as described herein as Tract Two and the 60' right-of-way of Gateway South, and for the construction, use and maintenance of power, telephone, gas, water, sewer and other utility lines, the strip of land subject to this easement being shown and designated as "60' ingress and egress easement" on a certain plat of survey prepared by James M. Sims, Georgia Registered Land Surveyor No. 2280, Hussey, Gay & Bell, Consulting Engineers, Savannah, Georgia, dated the 26th day of June, 1987, prepared for Festival Developers, Ltd., a Georgia limited partnership and Liberty Savings Bank, entitled "Plat of Parcel "C" and a 60' Ingress and Egress Easement, and a 25' Drainage Easement, 7th G.M. District, Chatham County, Georgia", a copy of said survey plat being recorded in the Office of the Clerk of the Superior Court of Chatham County, Georgia, in Plat Record Book 9-P, Folio 30, which survey plat by this reference is incorporated herein and made a part hereof.
- (b) A 25' drainage easement as more particularly shown and delineated on a certain survey plat prepared by James M. Sims, Georgia Registered Land Surveyor No. 2280, Hussey, Gay & Bell, Consulting Engineers, Savannah, Georgia, dated the 26th day of June, 1987, prepared for Festival Developers, Ltd., a Georgia Limited Partnership, and Liberty Savings Bank, entitled "Plat of Parcel "C" and a 60' Ingress and Egress Easement, and a 25' Drainage Easement, 7th G.M. District, Chatham County, Georgia", a copy of said plat being recorded in the Office of the Clerk of the Superior Court of Chatham County, Georgia, in Plat Record Book 9-P, Folio 30, which plat by this reference is incorporated herein and made a part hereof.
- (c) An easement to provide for the drainage of surface waters through a certain existing ditch, the center line of which is designated and delineated upon a certain survey plat prepared by James M. Sims, Georgia Registered Land Surveyor No. 2280, Hussey, Gay & Bell, Consulting Engineers, Savannah, Georgia, dated the 29th day of June, 1987, entitled "Plat showing off-site storm drainage through lands of M. b. Hostetter, Creed H. Reagan, and Joseph J. Tribble, 7th G.M. District, Chatham County, Georgia", prepared for Festival Developers, Ltd., a Georgia Limited Partnership, and Liberty Savings Bank, a copy of said survey plat being recorded in the Office of the Clerk of the Superior Court of Chatham County, Georgia, in Plat Record Book 9-P, Folio 33, which by this reference is incorporated herein and made a part hereof.
- (d) An easement for the construction, use and maintenance of a certain earth berm on a portion of Grantors property, said earth berm, and the location and size thereof being more particularly shown on a certain survey plat prepared by James M. Sims, Georgia Registered Land Surveyor No. 2280, Hussey, Gay & Bell, Consulting Engineers, Savannah, Georgia, dated the 29th day of June, 1987, entitled "Plat showing off-site storm drainage through lands of M. b. Hostetter, Creed H. Reagan, and Joseph J. Tribble, 7th G.M. District, Chatham County, Georgia", prepared for Festival Developers, Ltd., a Georgia Limited Partnership, and Liberty Savings Bank, a copy of said survey plat being recorded in the Office of the Clerk of the Superior Court of Chatham County, Georgia, in Plat Record Book 9-P, Folio 33, which by this reference is incorporated herein and made a part hereof.

Included within this easement is a reasonable non-exclusive easement for ingress and egress to the site of said earth berm to provide the construction, maintenance and repair thereof.

(e) Easement for the detention of surface waters from the 10 acre tract over adjoining property as described in the easement agreement.

(f) Easement for storm drainage through an underground pipe from Tract One as granted in the above-referenced amendment to the easement agreement.

Tract Three:

A non-exclusive perpetual easement for purposes of the drainage of surface water over, upon and across that certain .062 acre, more or less, tract lying and being in the 7th G.M. District of Chatham County, Georgia, as more particularly shown upon a plat of survey prepared by James M. Sims, dated June 26, 1987, a copy of which is recorded in the Plat Records of Chatham County, Georgia, in Plat Record Book 13-P, Folio 59, to which reference is hereby made for a more particular description thereof. Said easement was created under and by virtue of that certain easement agreement between Abercorn Utilities, Inc., as grantor, and Festival Developers, Ltd., as grantee, dated July 1, 1987, and recorded in Deed Book 135-C, Folio 29, in the Clerk's Office, Chatham Superior Court.

Tract Four:

A non-exclusive perpetual easement for purposes of the drainage of surface water over, upon and across that certain tract of land being in the 7th G.M. District of Chatham County, Georgia, and being shown as "Existing Pond" upon the plat of survey, dated December 1, 1987, prepared by Hussey, Gay, Bell & DeYoung, being a Subdivision map of Savannah Festival, Lot 2-A, recorded in Subdivision Map Book 9-S, Page 40, and revised May 20, 1988, recorded in Plat Record Book 13-P, Folio 59, of the records of the Office of the Clerk of the Superior Court of Chatham County, Georgia.

ALL TRACTS HEREBY LYING AND BEING IN THE 7th General Militia District, Chatham County, Georgia, and being more particularly described on that certain ALTA/ACSM Land Title Survey prepared by James M. Sims, Georgia Registered Land Surveyor No. 2280, of Hussey, Gay, Bell & DeYoung, dated May 3, 1988, as revised February 27, 1989, August 27, 1997, and September 25, 1997, said property having an address of 11 Gateway Boulevard South, Savannah, Georgia 31419, according to the present system of numbering in Chatham County, Georgia.

EXHIBIT "B"

LIQUIDATION ANALYSIS

In Debtor's opinion, a Trustee in a Chapter 7 would likely distribute substantially less to creditors than creditors will receive under the Plan. This is based on the following analysis:

1. Secured Creditors.

Debtor believes that the current value of the Savannah Festival Outlet Center is approximately the value of the debt, \$10,133,747. Accordingly, a Trustee in a Chapter 7 would likely abandon the Savannah Festival Outlet Center and it would be expected that Comm 2006-C8 would foreclose, resulting in U.S. Bank becoming an unsecured creditor.

2. Unsecured Creditors.

In a Chapter 7, all unsecured creditors would be in a single class, and each would receive a pro-rata distribution of the liquidation proceeds of any assets of the bankruptcy Estate. Without considering insider claims, included in this class of creditors would be the general creditors.

Debtor anticipates that a Trustee would be unable to sell the Center for more than the amounts owed to lenders Comm 2006-C8 and U.S. Bank. In all likelihood, a Chapter 7 Trustee would abandon the Center, and Comm 2006-C8 would foreclose same, such that U.S. Bank would have an unsecured claim of approximately \$600,000.00. With the addition of the U.S. Bank claim to the general unsecured creditor class, the percentage distribution to the unsecured creditors would be significantly less than is proposed under the Debtor's Plan.

3. Debtor's Plan.

Under Debtor's Plan, Comm 2006-C8 would receive a one time payment of approximately \$188,750.00 and Debtor would continue to make monthly principal and interest payments. This is more than Comm 2006-C8 would receive in a Chapter 7. Debtor would begin making payments to U.S. Bank on Note B. Both Comm 2006-C8 and U.S. Bank would retain their security interests in the Center and would ultimately be paid in full. Finally, general creditors, excluding Insiders, would receive approximately 100% of their claims in cash in two separate installments, a sum substantially more than they would receive in a Chapter 7.

The following chart shows the comparison of payments via liquidation versus payments through Debtor's Plan:

	Liquidation	Debtor's Plan
Value of Center	\$ 9,533,747 ¹	\$ 10,133,747
Cash Collateral	\$ 125,000	\$ 125,000
Knudsen Settlement	\$ 82,000	\$ 82,000
New Value Investment	\$ -	\$ 100,000
Total Assets	\$ 9,740,747	\$ 10,440,747
Payment of Administrative Claims	\$ 46,000	\$ 46,250
Payment of Priority Claims	\$ -	\$ -
Payment to Comm 2006-C8	\$ 9,533,747 ²	\$ 9,533,747
Payment to U.S. Bank (secured)	\$ 125,000 ³	\$ 600,000
Total Secured, Administrative, & Priority Claims	\$ 9,704,747	\$ 10,179,997
Amounts remaining for unsecured creditors	\$ 36,000	\$ 260,750
Unsecured Claim of U.S. Bank	\$ 475,000	\$ -
General Unsecured Claims	\$ 22,000	\$ 22,000
Total Unsecured Claims	\$ 497,000	\$ 22,000
Payment to U.S. Bank (undersecured portion due to likely foreclosure by Comm 2006-C8)	\$ 34,407 ⁴	\$ -
Payment to Other Unsecured Creditors	\$ 1,594	\$ 22,000
Unsecured Creditors' Percentage of Recovery	7.2435%	100.00% ⁵

1 While Debtor believes that the value of the Center is approximately \$10,133,747, in a foreclosure that would be the likely result of a liquidation, it is assumed that Debtor's senior secured lender, Comm 2006-C8 would be the purchaser at the foreclosure sale, and would not bid at the foreclosure sale an amount greater than the amount of its claim, i.e., \$9,533,747.

2 This would be the highest amount Comm 2006-C8 would credit bid at a foreclosure sale.

3 Under this scenario, after Comm 2006-C8 forecloses the Center, U.S. Bank would be entitled to the remaining amount of Cash Collateral.

4 Under this scenario, after Comm 2006-C8 forecloses the Center, U.S. Bank have an unsecured claim remaining, after payment of the cash collateral, of \$475,000. The total unsecured claim pool would total \$497,000. U.S. Bank would be receive 95.57344% of the remaining funds of \$36,000.

5 This percentage excludes U.S. Bank, as U.S. Bank's claim under the Debtor's Plan is fully secured.

EXHIBIT "C"

PROJECTED REVENUES AND EXPENSES

Projected Revenue and Expenses 12 months

	July - Dec 2011	Jan-June 2012
Projected Rent	\$773,016.00	\$782,262.00
Payroll	\$35,500.00	\$33,000.00
Property Taxes	\$74,167.56	\$74,167.56
Utilities	\$24,118.00	\$24,118
Office	\$625.00	\$625.00
Repairs/Maint	\$42,000.00	\$52,000.00
Accounting	\$12,500.00	\$7,400.00
Insurance	\$18,214.98	\$18,214.98
Advertising	\$67,000.00	\$67,000.00
Management Fee	\$38,658.00	\$39,113.00
Comm 2006-C8 Principal & Interest	\$345,132.00	\$345,132.00
U.S. Bank Interest Payment	<u>\$39,097.60</u>	<u>\$32,051.85</u>
Total Expense 6 months	<u>\$697,013.14</u>	<u>\$692,822.39</u>
Monies remaining 6 months	\$76,002.86	\$89,439.61