

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF LOUISIANA

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In re:	:	Chapter 11 Case No.
	:	09-11725
Sherwood/Clay-Austin Lights LLC	:	
7525 Picardy Ave., Suite 220	:	
Baton Rouge, LA 70808	:	
Tax ID #: 32-xxxxxx9375	:	
	:	
Debtor	:	

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AMENDED DISCLOSURE STATEMENT AS OF JUNE 18, 2010

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE CHAPTER 11 PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THERE WILL BE A HEARING ON THIS DISCLOSURE STATEMENT TO DETERMINE IF IT PROVIDES ADEQUATE INFORMATION. IF THE DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT, THERE WILL BE A SUBSEQUENT HEARING TO CONSIDER CONFIRMATION OF THE PLAN. ALL CREDITORS AND EQUITY INTEREST HOLDERS WILL BE NOTIFIED OF THE DATE OF SUCH CONFIRMATION HEARING.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

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EXHIBITS TO DISCLOSURE STATEMENT

EXHIBIT D-1

AMENDED CHAPTER 11 PLAN OF REORGANIZATION
FOR SHERWOOD/CLAY-AUSTIN LIGHTS LLC

INTRODUCTION

Sherwood/Clay-Austin Lights LLC referred to as “Sherwood/Clay” or the “Debtor”, or on and after the Effective Date of the Plan, the “Reorganized Debtor”, has filed a Chapter 11 Plan of Reorganization (the “Plan”). The Plan is attached to this Disclosure Statement as **Exhibit D-1**. The Debtor submits this Disclosure Statement (“Disclosure Statement”), pursuant to Section 1125 of title 11 of the United States Code (the “Bankruptcy Code”), to holders of Claims against and Interests in the Debtor, in connection with (i) the solicitation of acceptances or rejections of the Plan (together with any modification, amendment or supplement, of the Plan), and (ii) the hearings to consider approval of the Plan to be scheduled before the United States Bankruptcy Court for the Middle District of Louisiana (the “Bankruptcy Court”) on the date(s) set forth in the accompanying notice.

In the event of a conflict or difference between the definitions used, and provisions contained, in this Disclosure Statement and the Plan, the definitions and provisions contained in the Plan shall control.

I. PURPOSE AND SUMMARY OF THE PLAN

THE DESCRIPTION OF THE PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY. HOLDERS OF CLAIMS AND INTERESTS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW AND ANALYZE THE PLAN IN ITS ENTIRETY.

The primary purpose of the Plan is to sell Debtor’s Property to the Purchaser in satisfaction of Purchaser’s Claim. Debtor will satisfy the remaining Claims out of its remaining assets pursuant to the terms of the Plan.

II. SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

A. TREATMENT OF CLAIMS AND INTERESTS

The Plan contemplates payment of all Allowed Claims against the Debtor based upon a sale of the Property to the Purchaser who will make the payments set forth therein. It is not anticipated that the holders of Membership Interests will receive any distribution.

B. CLAIMS UNDER THE PLAN

The following is a summary of the classification and treatment of Claims under the Plan:

CLASS	TREATMENT
<p>Unclassified. Allowed Administrative Expense Claims.</p> <p>It is anticipated additional fees and expenses of approximately \$40,000, over the retainer already received, will be owed to Heller Draper through the Effective Date.</p>	<p>Unimpaired. Not entitled to vote.</p> <p>Subject to the bar date provisions herein, each holder of an Allowed Administrative Claim against the Debtor shall be paid on account of and in full satisfaction of such Allowed Administrative Claim, Cash equal to the amount of the Allowed Administrative Claim, on the later of: (a) the Effective Date, or (b) the date such Administrative Claim becomes an Allowed Administrative Claim, or, in either case, as soon thereafter as is practicable.</p> <p>On or before the Effective Date, the Debtor shall pay all fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, in Cash in full.</p> <p>Except as provided below for professionals and non-tax liabilities incurred in the ordinary course of business by the Debtor in Possession, requests for payment of Administrative Claims must be Filed no later than thirty (30) days after the Effective Date. Holders of Administrative Claims (including, without limitation, any governmental units asserting claims for federal, state, or local taxes) that are required to File a request for payment of such Claims and that do not File such requests by such bar date shall be forever barred from asserting such claims against the Debtor, Reorganized Debtor, any other person or entity, or any of their respective property.</p> <p>Holders of Allowed Administrative Claims shall not be entitled to interest on their Administrative Claims.</p> <p>All professionals or other entities requesting compensation or reimbursement of expenses under sections 327, 328, 330, 331, 503(b), 506 and 1103 of the Bankruptcy Code for services rendered before the Effective Date (including any compensation requested by any professional for any other entity for making a substantial contribution in the Reorganization Case or under any Bankruptcy Code section) shall File and serve on the Reorganized Debtor an application for final allowance of compensation and reimbursement of expenses no later than sixty (60) days after the Effective Date.</p>

	<p>Holders of Administrative Claims based on liabilities incurred in the ordinary course of business of the Debtor in Possession prior to the Effective Date (other than professionals or other entities described above, and governmental units that hold claims for taxes or claims and/or penalties related to such taxes) shall not be required to File any request for payment of such claims. Such Administrative Claims shall be assumed and paid by the Reorganized Debtor in the ordinary course of business under the terms and conditions of the particular transaction giving rise to such Administrative Claim, without any further action by the holders of such claims.</p> <p>Estimated percentage recovery: 100%</p>
<p>Unclassified: Allowed Priority Tax Claims.</p> <p>The total estimate of Allowed Priority Tax Claims is approximately \$240,000.00. These Claims may be paid by the time the Plan is confirmed and the sale closed.</p>	<p>Unimpaired. Not entitled to vote.</p> <p>Each holder of an Allowed Priority Tax Claim shall receive one of the following two treatments, as determined by the Purchaser in its sole and absolute discretion, on account of and in full satisfaction of such Allowed Priority Tax Claim: (a) Cash on the Effective Date, or on such other date on which such Priority Tax Claim becomes an Allowed Claim, in an amount equal to the amount of the Allowed Priority Tax Claim or (b) equal monthly payments over sixty (60) months with interest at the rate required by 11 U.S.C. §511. Holders of Priority Tax Claims shall not be entitled to receive any payment on account of penalties with respect to or arising in connection with, such Priority Tax Claims.</p> <p>Estimated percentage recovery: 100%</p>
<p>Class 1. Legg Mason Real Estate CD) I, Ltd</p> <p>The total estimate of the Allowed Class 1 Claim is approximately \$17,688,469.78, inclusive of interest and escrow but excluding attorneys' fees and expenses and advances to pay applicable property taxes.</p>	<p>Impaired. Entitled to vote.</p> <p>Legg Mason 's Class 1 Claim shall be satisfied in the following manner:</p> <p>Legg Mason shall receive the net sales proceeds from the sale of the Property less and except for any amounts payable to the Class 2 creditors.</p> <p>Estimated percentage recovery: 100%</p>
<p>Class 2. Lien Claims.</p> <p>The total estimate of Allowed Class 2 Claims is approximately \$7,997.52</p>	<p>Impaired. Entitled to Vote.</p> <p>Holders of Allowed Class 2 Claims shall receive the following treatment:</p> <p>Each holder of an Allowed Class 2 Claim to the extent claimant's lien is superior under applicable law to the lien of the Class 1 claimant, shall be paid in full on the Closing of the sale. If the Class 2 claimant's lien is not superior to that of the Class 1 claimant, then the Class 2 claimant shall share pro-rata with the Class 3 creditors.</p> <p>It is believed no lien held by a Class 2 creditor is superior under applicable law to Legg Mason's lien.</p> <p>Estimated Percentage Recovery: 100% or pro rata with Class 3 Claims</p>
<p>Class 3: General Unsecured</p>	<p>Impaired. Entitled to Vote.</p>

<p>Claims.</p> <p>The total estimate of Allowed General Unsecured Claims is approximately \$263,652.20.</p>	<p>Each holder of an Allowed Class 3 Claim shall share pro-rata in the funds held by the Debtor after payment of the Debtor's administrative claims and the Class 1 or Class 2 creditors. The Class 3 creditors shall share pro rata by Claim.</p> <p>Holders of Allowed Class 3 Claims, and holders of Allowed Class 2 Claims sharing in this Class, shall not be entitled to interest with respect to their Allowed Claims for any period after the Petition Date and before the Effective Date.</p> <p>Estimated percentage recovery: 10%</p>
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The Claims and Claim amounts listed above are amounts estimated by the Debtor as of the filing of this Disclosure Statement and all such Claims are still being reviewed by the Debtor. A listing of Claims or any amounts with respect thereto above or elsewhere in this Disclosure Statement shall not constitute, or be deemed to constitute, allowance of such Claims and all such Claims and amounts are subject, and will remain subject, to challenge and objection by the Debtor and the Reorganized Debtor prior to voting on the Plan and at any time thereafter as provided in the Plan.

C. INTERESTS UNDER THE PLAN

The following is a summary of the classification and treatment of Interests under the Plan:

<p>Class 4: Membership Interests.</p>	<p>Impaired. Deemed to Reject the Plan.</p> <p>The holders of Membership Interests in the Debtor shall retain their Membership Interests however the Debtor shall be liquidated shortly after the closing of the sale contemplated by the Plan.</p> <p>Estimated percentage recovery: No Recovery.</p>
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III. GENERAL OVERVIEW AND BACKGROUND INFORMATION

A. BACKGROUND AND GENERAL INFORMATION

1. Overview and Background of the Debtor

The Debtor is the owner of the apartment complex known as The Heritage at Hillcrest, a 286 unit community located in Austin, Texas. The Heritage at Hillcrest is strategically located in

the North/Central region of the city just east of I-35 and a few hundred yards north of one of Austin's biggest mixed-use projects, the "Mueller Redevelopment Master Plan".

The Heritage at Hillcrest was originally purchased in February 2001 as a value-add play. In early 2007, the Debtor began a complete overhaul of the property and stripped the individual buildings to their studs. Both the interior and exterior of the units were completely renovated and the roofs were converted from flat to pitch. To date, the Debtor has infused the property with approximately \$11,500,000 of capital improvements.

The residents of The Heritage at Hillcrest enjoy amenities such as a clubhouse with an executive business center, three swimming pools, a 24-hour fitness center, monthly resident socials, controlled access gates, and private patios and balconies.

The Heritage at Hillcrest has a unit mix of 64 one-bedroom apartments, 221 two-bedroom apartments and 1 three-bedroom unit with an occupancy rate of 46% and a 48% lease rate.

As a single asset real estate company, the Debtor's primary asset is The Heritage at Hillcrest multifamily residential apartment complex owned by the Debtor.

Also, to assist the Debtor with leasing, maintenance coordination, and on-site and management of the apartment complex, the Debtor entered into a contract with Peek Howe Real Estate, Inc. Peek Howe Real Estate specializes in the day to day physical property management of commercial real estate properties. Peek Howe Real Estate currently serves as the manager of the property owned by the Debtor.

2. Debtor's Corporate Structure

The members of Sherwood/Clay-Austin Lights LLC ("Sherwood Clay") and their respective membership interests are as follows:

Thomas Barfield (.54%), Kathleen Barlow (.38%), Malcolm Brignac (1.34%), DSS Interests, LTD (1.48%), Isaac Gregorie (.44%), Josephine Holt (1.09%), Hunter Hibbs Howe

Revocable Trust (1.34%), M. Clinton Ivey (.40%), Leonard Kilgore, III (.44%), Lancaster & Associates (26.99%), Lincoln Trust Company (.53%); Kathleen Quirk (.53%), Robert Peek (.67%), Sherwood/clay Capital (53.62%), Sherwood/Clay Partners, LLC (7.53%), Jeff Springmeyer (.53%), Milton Womack, Jr. (.46%), Faye Young (.84%), and Jon Young (.84%).

B. THE MANAGING MEMBER OF DEBTOR

The managing member of the Debtor is Peek/Howe-Austin Lights, Inc. Robert S. Peek is the president of Peek/Howe-Austin Lights, Inc.

C. THE DEBTOR'S DEBT STRUCTURE

The Debtor's Capital Structure is as follows:

Legg Mason - \$17,688,469.78 + attorneys' fees and expenses and advances to pay
property taxes

Lien Claims - \$7,997.52

Other General Unsecured Claims - \$263,652.20

D. EVENTS LEADING TO THE CHAPTER 11 CASE

In the past two years, the United States mortgage industry has suffered an unprecedented liquidity crisis that has crippled many of the Nation's largest mortgage companies. The secondary mortgage markets have also seen a similarly severe contraction in liquidity. These significant problems were caused, in part, by a weakened housing market, falling real estate prices, homebuilder construction defaults, and a spike in consumer defaults and delinquencies on mortgage loan obligations. This rapid and severe devaluation of mortgage backed securities and the effect of the liquidity crisis on the housing market has had a drastic effect on the Debtor.

As a result of the foregoing, the Debtor started to experience financial difficulties that hindered its abilities to timely comply with its secured debt obligations and the Debtor defaulted in its payment obligations to Legg Mason. In light of these factors, the Debtor determined that it

would be necessary to address and resolve its operational issues and financial difficulties by filing the Reorganization Case.

In order to avoid foreclosure and to protect what the Debtor believes to be value for creditors, the Debtor filed its petition for reorganization relief in the Bankruptcy Court.

The causes of the Debtor's filing for relief under Chapter 11 include, but are not limited to, (i) construction overruns; (ii) a longer than expected lease up period; and (iii) cash flow issues and overruns on other projects constructed or owned by the principals of the Debtor.

E. SIGNIFICANT POST-PETITION EVENTS

On November 2, 2009 (the "Petition Date"), Sherwood/Clay-Austin Lights LLC filed for relief under Chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its properties as debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

1. Continuation of Business; Stay of Litigation.

Following the Petition Date, the Debtor has continued to operate as debtor-in-possession with the protection of the Bankruptcy Court. The Bankruptcy Court has certain supervisory powers over the Debtor's operations during the pendency of the Chapter 11 Case, including the power to approve any transactions that are outside the ordinary course of the Debtor's business.

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

2. First Day Pleadings

Following the filing of the petition, the Debtor filed, among other pleadings, the following "first day pleadings" with the Bankruptcy Court:

(a) Emergency Motion For Entry of Order Pursuant to Sections 361 and 363 of the Bankruptcy Code and Bankruptcy Rule 4001 for Interim and Final Orders: (1) Authorizing Use of Cash Collateral; (2) Granting Adequate Protection; (3) Scheduling and Approving the Form and Method of Notice For a Final Order; and (4) For Related Relief [P-7];

(b) Application by Debtor for Entry of an Order Authorizing the Employment and Retention of Douglas S. Draper and the Law Firm of Heller, Draper, Hayden, Patrick, & Horn, L.L.C. [P-5];

(c) Motion for Interim and Final Orders: (A) Prohibiting Utilities from Altering, Refusing or Discontinuing Services to, or Discriminating Against, the Debtor on Account of prepetition Amounts Due; (B) Determining that the Utilities are Adequately Assured of Future Payment; (C) Establishing Procedures for Determining Requests for Additional Assurance; and (D) Permitting Utility Companies to Opt Out of the Procedures Established [P-8]; and

(d) Ex Parte Motion Seeking Extension of Time to File Schedules and Statements of Financial Affairs [P-10].

3. Compliance with Bankruptcy Code, Bankruptcy Rules, Local Court Rules, and U.S. Trustee Deadlines.

On November 30, 2009, the Debtor filed its Statement of Financial Affairs, Schedules of Assets and Liabilities, Schedules of Executory Contracts and Unexpired Leases, and Lists of Equity Security Holders.

Pursuant to section 341 of the Bankruptcy Code, a meeting of creditors for the Debtor was held on December 8, 2009.

4. Asset Purchase Agreement Between the Debtor and Legg Mason

The Debtor and Legg Mason have negotiated an Asset Purchase Agreement whereby Legg Mason will purchase the Property.

The purchase price for the project is the sum of the allowed claim of Legg Mason, the allowed tax claims, and the taxes paid pursuant to the Asset Purchase Agreement.

After the acquisition of the property, The Heritage at Hillcrest will be managed by a management company to be determined by the Purchaser.

IV. THE PLAN

The Debtor has proposed the Plan and believes that the classification and treatment of Claims and Membership Interests provided for in the Plan are consistent with the requirements of the Bankruptcy Code. Under the Bankruptcy Code, holders of Allowed Claims against and Membership Interests in the Debtor that are Impaired and that receive distributions under the Plan are entitled to vote on the Plan. A copy of the Plan accompanies this Disclosure Statement as **Exhibit D-1**. A summary of the classification and treatment of Claims and Interests under the Plan is set forth above in this Disclosure Statement.

A. VALUATION OF THE DEBTOR

No thorough valuation has been conducted on behalf of the Debtor. The Debtor believes that the fair market value of the property owned by Sherwood/Clay is greater than the debt on the property, however the liquidation value of the property is less than the amount owed Legg Mason. The Debtor's view of value is largely irrelevant due to the fact that the property will be auctioned and thus market tested.

B. TREATMENT OF UNCLASSIFIED CLAIMS UNDER THE PLAN

The Plan provides for the payment of Claims against the Debtor, including the treatment of unclassified Claims. The principal administrative claims known to the Debtor are the fees and expenses of the Debtor's attorneys, Heller, Draper, Hayden, Patrick and Horn, LLC. It is anticipated that approximately \$40,000.00 in additional fees and expenses, over the retainer already received, will be incurred through the Effective Date of the Plan.

1. Administrative Claims.

a. Generally.

Subject to the bar date provisions herein, the Debtors shall pay each holder of an Allowed Administrative Claim against the Debtor on account of and in full satisfaction of such Allowed Administrative Claim, Cash equal to the amount of the Allowed Administrative Claim, on the later of: (a) the Effective Date, or (b) the date such Administrative Claim becomes an Allowed Administrative Claim, or, in either case, as soon thereafter as is practicable.

b. Payment of Statutory Fees.

On or before the Effective Date, the Purchaser shall pay all fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, in Cash in full.

c. Bar Date For Administrative Claims.

i. General Provisions.

Except as provided below for professionals and non-tax liabilities incurred in the ordinary course of business by the Debtor in Possession, requests for payment of Administrative Claims must be filed no later than thirty (30) days after the Effective Date. Holders of Administrative Claims (including, without limitation, any governmental units asserting claims for federal, state, or local taxes) that are required to File a request for payment of such Claims and that do not File such requests by such bar date shall be forever barred from asserting such claims against the Debtor, Reorganized Debtor, any other person or entity, or any of their respective property.

Holders of Allowed Administrative Claims shall not be entitled to interest on their Administrative Claims.

ii. Professionals.

All professionals or other entities requesting compensation or reimbursement of expenses under sections 327, 328, 330, 331, 503(b), 506 and 1103 of the Bankruptcy Code for services

rendered before the Effective Date (including any compensation requested by any professional for any other entity for making a substantial contribution in the Reorganization Case or under any Bankruptcy Code section) shall File and serve on the Reorganized Debtor and Purchaser an application for final allowance of compensation and reimbursement of expenses no later than sixty (60) days after the Effective Date.

iii. Ordinary Course Liabilities.

Holders of Administrative Claims based on liabilities incurred in the ordinary course of business of the Debtor in Possession prior to the Effective Date (other than professionals or other entities described in subparagraph (ii) above, and governmental units that hold claims for taxes or claims and/or penalties related to such taxes) shall not be required to File any request for payment of such claims. Such Administrative Claims shall be assumed in the ordinary course of business under the terms and conditions of the particular transaction giving rise to such Administrative Claim, without any further action by the holders of such claims

2. Priority Tax Claims.

Each holder of an Allowed Priority Tax Claim shall receive one of the following two treatments, as determined by the Purchaser in its sole and absolute discretion, on account of and in full satisfaction of such Allowed Priority Tax Claim: (a) Cash on the Effective Date, or on such other date on which such Priority Tax Claim becomes an Allowed Claim, in an amount equal to the amount of the Allowed Priority Tax Claim or (b) payment in sixty equal monthly payments with interest calculated in accordance with 11 U.S.C. § 511.

The Allowed Priority Tax Claims may be paid by the time the Plan is confirmed and the sale closed.

C. TREATMENT OF CLASSIFIED CLAIMS UNDER THE PLAN

1. Class 1 – Legg Mason

The Legg Mason Claim is treated in Class 1 of the Plan. Class 1 is impaired under the Plan. Under the Plan, Legg Mason's Class 1 Claim shall be satisfied in the following manner:

In full satisfaction of its Claim, Legg Mason shall receive the net sales proceeds from the sale of the Property less and except for any amounts payable to the Class 2 creditors.

2. Class 2 –Lien Claims.

Class 2 is impaired under the Plan and the holder of a Class 2 Claim, to the extent its claim is superior under applicable law to the Class 1 Claim, shall be paid in full on the Closing of the sale. If its lien is not superior to the Class 1 Claim, it shall share pro-rata with the Class 3 creditors. **It is believed no lien of a Class 2 creditor is superior under applicable law to the lien held by Legg Mason.**

3. Class 3 - General Unsecured Claims.

Class 3 is impaired under the Plan, and the holders of Class 3 Claims are entitled to vote on the Plan. Each holder of an Allowed Class 3 Claim shall share pro-rata in the funds held by the Debtor after payment of the Debtor's administrative claims and the Class 1 or Class 2 creditors. The Class 3 creditors shall share pro rata by Claim.

Holders of Allowed Class 3 Claims, and holders of Allowed Class 2 Claims sharing with this Class, shall not be entitled to interest with respect to their Allowed Claims for any period after the Petition Date and before the Effective Date.

D. TREATMENT OF CLASSIFIED INTERESTS UNDER THE PLAN

1. Class 4 - Membership Interests

Class 4 is impaired under the Plan and each holder of a Class 4 Interest is deemed to reject the Plan since they will receive no distribution pursuant to the Plan. The Debtor shall be liquidated shortly after the closing of the sale contemplated by the Plan.

E. MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN

1. Effective Date.

The Effective Date of the Plan shall be August 2, 2010 if the Plan is confirmed at least 14 days prior to that date. If the Plan is confirmed after July 19, 2010, the Effective Date shall be a day at least fourteen (14) days after the Confirmation Date and not later than thirty (30) days after the Confirmation Order becomes a final and non-appealable order and upon which all conditions to the effectiveness of the Plan have been satisfied or waived.

2. Effective Date Conditions.

Notwithstanding any other provision of the Plan, the Effective Date shall not occur until each of the following conditions have been either satisfied or waived by the Debtor (or will be satisfied or waived contemporaneously with the occurrence of the Effective Date):

i. The Confirmation Order, in form and substance satisfactory to the Debtor and Purchaser, shall have become a Final Order and not subject to appeal.

ii. The Bankruptcy Court shall have approved the sale of the Property through the Confirmation Order.

iii. Execution of the Closing documents for the sale by the Debtor and the placing of such documents in escrow.

3. Notice of Occurrence of Effective Date

The Reorganized Debtor shall File with the Court a notice of the occurrence of the

Effective Date within two Business Days of the occurrence of the Effective Date which notice shall state: (1) that the foregoing conditions to the occurrence of the Effective Date have occurred or been waived; (2) the date of the Effective Date, and (3) that the Effective Date has occurred on and as of said date.

From and after the Effective Date, any Person who desires notice of any pleading or document filed in the Reorganization Case, or of any hearing in the Court, or of any matter as to which the Bankruptcy Code requires notice to be provided, shall file a request for post-confirmation notice and shall serve the request on counsel for the Debtor; provided however, the United States Trustee shall be deemed to have requested post-confirmation notice.

4. Vesting of Assets and Operations of Property.

The Property subject to the Asset Purchase Agreement shall be transferred to the Purchaser on the Effective Date. All other property shall become property of the Reorganized Debtor on the Effective Date.

5. Means to Implement the Plan.

The Reorganized Debtor shall act as Disbursing Agent under the Plan and make all distributions required under the Plan.

6. Means for Funding the Plan.

The Plan proposed by the Debtor is a plan that is based upon the sale of the Property subject to the Asset Purchase Agreement to the Purchaser in exchange for the payments set forth in the Plan. All other property of the Debtor shall be transferred to the Reorganized Debtor for distribution in accordance with the waterfall established by this Plan.

Certain creditors of the Debtor possess rights pursuant to 11 U.S.C. § 363(k). The Debtor shall file with the Court a Motion for Bidding Procedures to allow such creditors to exercise their rights pursuant to 11 U.S.C. § 363(k).

The bidding procedures will entail that each creditor wishing to exercise 363(k) rights or purchase the property pursuant to the Plan shall send to the Debtor a signed purchase and sale agreement in the form of the Asset Purchase Agreement attached to the Plan setting forth such creditor's bid for the property. A purchase and sale agreement may either be an all cash bid or a credit bid setting forth credit terms equal to or greater than the terms of the treatment of Legg Mason pursuant to the Plan. Any assumption of the Legg Mason Payoff Amount shall be subject to the consent of Legg Mason which consent shall not be unreasonably withheld. A signed copy of the Asset Purchase Agreement shall be received by the Debtor in accordance with the bid procedures approved by the Court. Any creditor who does not exercise its 11 U.S.C. §363(k) rights in accordance with the bid procedures approved by the Court shall waive its rights under 363(k).

F. OBJECTIONS TO CLAIMS/ADMINISTRATIVE CLAIMS/INTERESTS

1. Objections to Claims or Interests; Prosecution of Disputed Claims or Disputed Interests.

The Debtor before the Effective Date and the Reorganized Debtor after the Effective Date, shall have the right to object to the allowance, amount or classification of Claims or Interests asserted in the Reorganization Case, and such objections may be litigated to Final Order by the Reorganized Debtor or other objecting party who shall succeed to the rights and defenses to such claims possessed by Debtor. Unless otherwise provided herein or ordered by the Bankruptcy Court, all objections to Claims or Interests shall be filed no later than ninety days after the Effective Date, subject to any extensions granted pursuant to a further order of the Bankruptcy Court. Such extensions may be obtained by the Reorganized Debtor upon *ex parte* motion.

2. Estimation of Disputed Claims.

The Debtor before the Effective Date and the Reorganized Debtor after the Effective Date may, at any time, request that the Bankruptcy Court estimate for all purposes, including distribution under the Plan, any Disputed, contingent or unliquidated Claim or Interest pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtor or Reorganized Debtor have previously objected to such Claim or Interest. The Bankruptcy Court shall retain jurisdiction to estimate any such Claim or Interest at any time, including, without limitation, during the pendency of an appeal relating to such objection.

3. No Distribution on Account of Disputed Claims.

No Distribution shall be made with respect to all or any portion of any Disputed, contingent, or unliquidated Claim or Interest until the entire Claim or Interest becomes an Allowed Claim or an Allowed Interest. The Reorganized Debtor shall set aside or reserve a portion of the consideration payable to the holders of Allowed Claims and Allowed Interests in a particular Class to be held in the Disputed Claims or Disputed Interests reserve for such Class in an amount sufficient to pay to the holders of all Disputed Claims or Disputed Interests in such Class the full distributions they may be entitled to if their respective Claims or Interests were allowed in full.

G. DISPUTED CLAIMS

Pending resolution of a Disputed Claim, all Cash to be distributed to the holder of the Disputed Claim shall be placed in a segregated bank account at a federally insured financial institution and maintained by the Reorganized Debtor until distribution to the holder of such Claim under the Plan. Distribution shall be made only from the Disputed Claims reserve and only at such time as a particular Claim is determined to be an Allowed Claim. The holder of a Disputed Claim that is ultimately allowed shall have no recourse against the Reorganized Debtor

or its property for the payment of its Allowed Claim. No interest shall accrue or will be paid with respect to any Disputed Claim for the period from the Effective Date to the date a distribution, if any, is made with respect to said Disputed Claim upon becoming an Allowed Claim. To the extent that a Disputed Claim ultimately is disallowed or allowed in an amount less than the amount of the reserves for such Disputed Claim, any resulting surplus in the reserve shall be transferred from the reserve to Legg Mason.

H. CLAIMS AGAINST OTHERS

The Debtor has not conducted a complete analysis of its avoidance claims arising under the Bankruptcy Code. The Debtor does not believe that it will pursue any Avoidance Actions. The Debtor will not pursue claims against MMAR or PHL.

I. DISSOLUTION OF DEBTOR

Upon the transfer of the assets of the Debtor to the Purchaser pursuant to the Plan, payment of the Reorganized Debtor's wind down and other expenses, and the completion of all other actions of or by the Reorganized Debtor contemplated in the Plan, the Reorganized Debtor shall be deemed to be dissolved under applicable state law without the necessity of any further action or approval by the holders of Claims or Interests in the Debtor or the Reorganized Debtor, all of which shall be deemed to have been given or occurred. The Managing Member of the Reorganized Debtor is authorized to execute any notices, instruments, pleadings or other documents, or make any filing, deemed necessary or useful in his discretion to reflect or document the dissolution of the Reorganized Debtor.

J. EXECUTION OF DOCUMENTS AND MEMBERSHIP ACTION

The Debtor and Debtor in Possession, on behalf of themselves and the Reorganized Debtor, shall execute such documents and take such other action as is necessary to effectuate the transactions provided for in the Plan.

ARTICLE V.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. REJECTION

Each executory contract or unexpired lease of the Debtor that has not expired by its own terms before the Effective Date, has not been stated as being assumed either in the Plan or by separate Motion or previously been rejected by the Debtor in Possession pursuant to an order of the Bankruptcy Court, shall be rejected by the Debtor as of the Effective Date pursuant to sections 365 and 1123 of the Bankruptcy Code.

B. ASSUMPTION

The Debtor with the consent of the Purchaser may assume and assign leases to Purchaser by one of the following means (i) filing with the Plan or an amendment thereto a Schedule of Executory Contracts and Unexpired Leases to be Assumed and Assigned to Purchaser” (to be Filed on or before the day that is ten (10) days prior to the Confirmation Hearing), (ii) obtaining an Order of the Bankruptcy Court, (iii) filing a separate motion for assumption and assignment to Purchaser of such executory contract or unexpired lease prior to the Effective Date, or (iv) adding such executory contract or unexpired lease to the “Schedule of Executory Contracts and Unexpired Leases to be Assumed and Assigned to Purchaser”.

Any executory contract or unexpired lease assumed pursuant to the Plan and assigned to Purchaser shall be and hereby is assumed by the Debtor and assigned by the Debtor to the Purchaser as of the Effective Date and shall be fully enforceable by the Purchaser in accordance with the terms thereof, and shall include all modifications, amendments, supplements of said executory contract or unexpired lease and, as with respect to executory contracts or unexpired leases that relate to real property, shall include all agreements and leases appurtenant to the premises, including easements, licenses, permits, rights, privileges, immunities, options, rights of

first refusal, powers, uses, reciprocal easements, and any other interests in real property or rights *in rem* related to such premises. Listing a contract or lease on the Schedule of Executory Contracts and Unexpired Leases to be Assumed and Assigned to Purchaser is not deemed an admission by the Debtor or Reorganized Debtor that such contract is an executory contract or unexpired lease or that the Debtor or Reorganized Debtor has any liability thereunder.

The Debtor reserves the right at any time before the Effective Date to amend the Schedule of Executory Contracts and Unexpired Leases to be Assumed and Assigned to Purchaser to: (a) delete any executory contract or unexpired lease listed on the Schedule, thus providing for its rejection or (b) add any executory contract or unexpired lease to the Schedule, thus providing for its assumption and assignment to Purchaser under the Plan. The Debtor shall provide notice of any amendment of the Schedule of Executory Contracts and Unexpired Leases to be Assumed and Assigned to Purchaser to the party to the affected executory contract and unexpired lease and the Office of the U.S. Trustee.

The Debtor will assume and assign to the Purchaser all leases with the current tenants of The Heritage at Hillcrest.

C. CURE PAYMENTS, COMPENSATION FOR PECUNIARY LOSS, AND ADEQUATE ASSURANCE

All payments, including any and all cure payments, adequate assurance or compensation for actual pecuniary loss, that are required to be paid or provided by Section 365(b)(1)(A)-(C) of the Bankruptcy Code (collectively, all cure payments, and any and all provisions for adequate assurance and/or compensation for actual pecuniary loss due or required to be paid under Section 365(b)(1)(A)-(C) of the Bankruptcy Code, the “Cure Payments”) for any executory contract or unexpired lease that is being assumed and assigned to Purchaser under the Plan, unless disputed by the Debtor, shall be made by the Purchaser on the Effective Date. Any non-Debtor party to

any executory contract or unexpired lease to be assumed and assigned to Purchaser under the Plan that believes that the Cure Payment it is due in connection with such assumption and assignment is different from the amount set forth on the Schedule of Executory Contracts and Unexpired Leases to be Assumed and Assigned to Purchaser for the applicable contract or lease must File a written objection to the assumption and assignment of such executory contract or unexpired lease and state in the written objection a request for such different Cure Payment at least five (5) days before the commencement of the Confirmation Hearing, unless the amount of such Cure Payment has been previously agreed to in writing by the Debtor. Any claims for Cure Payments different than as are set forth in the Schedule of Executory Contracts and Unexpired Leases to be Assumed and Assigned to Purchaser not Filed as part of a written objection within such time period will be forever barred from assertion against the Debtor, its Estate, the Reorganized Debtor, its property and the Purchaser

. Unless the non-debtor party to any executory contract or unexpired lease to be assumed and assigned files and serves on the Debtor and its respective counsel an objection to assumption and assignment of such executory contract or unexpired lease to the Purchaser for any reason, including objecting to the proposed Cure Payment, or asserting that any other Cure Payment is required or owed in connection with such assumption and assignment to Purchaser, on or before the last date established by the Bankruptcy Court to File and serve objections to Confirmation of the Plan, then the executory contracts and unexpired leases shall be assumed and assigned to the Purchaser, and any default then existing in the executory contract and/or unexpired lease shall be deemed cured upon the making of any Cure Payment set forth in the Schedule of Executory Contracts and Unexpired Leases to be Assumed and Assigned to Purchaser, if any, as of the Effective Date, and there shall be no other cure obligation or Cure Payment due or owed by

anyone in connection with such assumption and assignment of the executory contract or unexpired lease to Purchaser. In the event of an objection to the assumption and assignment of executory contracts or unexpired leases regarding the amount of any Cure Payment, including the ability of the Reorganized Debtor or Purchaser to provide adequate assurance of future performance or any other matter pertaining to assumption and assignment, (a) the Bankruptcy Court will hear and determine such dispute at the Confirmation Hearing, and, in the discretion of the Debtor, and with Purchaser's consent, (b) the Debtor (i) may assume and assign to Purchaser such disputed executory contract or unexpired lease by curing any default or providing adequate assurance in the manner determined by the Bankruptcy Court, or (ii) the Debtor may reject the contract or lease as of the Effective Date. The Purchaser shall make any disputed Cure Payment on the later of the Effective Date and the date such Cure Payment is due pursuant to a Final Order, provided however that the Reorganized Debtor shall have five (5) days after any order determining the amount of a disputed Cure Payment becomes a Final Order in which to reject such executory contract or unexpired lease with Purchaser's consent and, in such an event, such executory contract or unexpired lease shall be deemed rejected as of the Effective Date.

D. EFFECT OF CONFIRMATION ORDER ON EXECUTORY CONTRACTS AND UNEXPIRED LEASES

(1) Subject to the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of such assumptions pursuant to Section 365(a) and of the assignment to Purchaser under Section 365(f) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption and assignment is in the best interests of the Debtor, its estate, and all parties in interest. In addition, the Confirmation Order shall constitute a finding of fact and conclusion of law that (i) there are no defaults of the Debtor, no Cure Payments owing (including that there is no compensation due for any actual pecuniary loss) other than as set out on the

Schedule of Executory Contracts and Unexpired Leases to be Assumed and Assigned to Purchaser, (ii) there is adequate assurance of future performance with respect to each such assumed and assigned executory contract or unexpired lease, (iii) such assumption and assignment is in the best interest of the Debtor and its estate, (iv) upon the Effective Date, the assumed and assigned executory contracts or unexpired leases constitute legal, valid, binding and enforceable contracts in accordance with the terms thereof, and (v) the counter party to each assumed executory contract or unexpired lease is required to and ordered to perform under and honor the terms of the assumed executory contract or unexpired lease. All executory contracts and unexpired leases assumed under the Plan or during the Reorganization Case and assigned to the Purchaser constitute valid contracts and leases, as applicable, enforceable by the Purchaser against the non-Debtor counterparties regardless of any cross-default or change of control provisions in any contracts or leases assumed or rejected under the Plan or during the Reorganization Case.

(2) The Confirmation Order shall constitute an order of the Bankruptcy Court approving the rejections of all executory contracts and unexpired leases which are not assumed and assigned under the Plan as of the Effective Date, with the rejection effective as of the day before the Petition Date, as being burdensome and not in the best interest of the estate. Any claims for damages arising from the rejection under the Plan of an executory contract or unexpired lease must be Filed within thirty (30) days after the Effective Date or be forever barred and unenforceable against the Debtor, Reorganized Debtor, and their properties and barred from receiving any distribution under the Plan.

VI. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtor and certain U.S. holders of Claims and Interests.

The following summary is based on the Internal Revenue Code of 1986, as amended (the “Tax Code”), Treasury Regulations promulgated thereunder, judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the “IRS”), all as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. No assurance can be given that legislative or administrative changes or court decisions may not be forthcoming which would require significant modification of the statements expressed in this section. Certain tax aspects of the Plan are uncertain due to the lack of applicable regulations and other tax precedent. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND ANY INTERESTS ARE HEREBY NOTIFIED THAT (a) ANY DISCUSSION OF TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE TAX CODE, AND (b) THIS DISCUSSION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OF THE PLAN.

HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT THEIR TAX ADVISOR TO DETERMINE THE AMOUNT AND TIMING OF ANY INCOME OR LOSS SUFFERED AS A RESULT OF THE CANCELLATION OF THE CLAIMS OR STOCK OPTIONS HELD BY SUCH PERSON, WHETHER SUCH INCOME OR LOSS IS ORDINARY OR CAPITAL AND THE TAX EFFECT OF ANY RIGHT TO, AND RECEIPT OF DEFERRED PAYMENT.

THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, ALL HOLDERS SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

The Debtor is a limited liability company and, as such, pays no taxes. The plan treatment of the Debtor's assets generates a potential tax event for the equity holders of the Debtor. The tax event can be a gain or loss depending on the equity owner's basis in the limited liability company and the gain or loss can either be a capital gain or ordinary income depending on the individual's treatment of the investment in the Debtor.

VII. LIQUIDATION ANALYSIS UNDER CHAPTER 7

Under the Bankruptcy Code, in order for a plan to be confirmed, each creditor must receive or retain under the Plan a recovery that has a value at least equal to the value of the distribution that such creditor would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

Pursuant to the Debtor's liquidation analysis, the Debtor believes that recoveries under a Chapter 7 liquidation scenario would be significantly lower than that proposed by the Plan for a variety of reasons. First, the sale of the Debtor's primary asset under a compressed timeframe and the distressed nature of a Chapter 7 liquidation will most likely result in lower sale values than the Debtor will receive under the terms of the Plan due to the lack of liquidity in today's market. Second, the conversion of the case to Chapter 7 liquidation would necessitate the payment of fees to the Chapter 7 Trustee, and attorneys, accountants and other professionals retained by the Chapter 7 Trustee, for disposition of the assets. These fees directly reduce any recovery otherwise available to creditors and/or the holders of Membership Interests.

Accordingly, each holder of a Claim will receive or retain under the Plan a recovery that has a value at least equal to the value of the distribution that such creditor would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

VIII. CONFIRMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. VOTING AND OTHER PROCEDURES

A Ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement submitted to the holders of Claims that are entitled to vote to accept or reject the Plan. Each holder of a Claim in Classes 1, 2, and 3, shall be entitled to vote to accept or reject the Plan. Each holder of an Interest in Class 4 is deemed to have rejected the Plan.

Pursuant to the provisions of the Bankruptcy Code, only holders of claims in classes of claims that are impaired under the terms and provisions of a chapter 11 plan and are to receive distributions thereunder are entitled to vote to accept or reject the plan. Classes of claims in which the holders of claims and interests will not receive or retain any property under a chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the

plan. Classes of claims in which the holders of claims or interests are Unimpaired under a Chapter 11 plan are deemed to have accepted the plan and also are not entitled to vote to accept or reject the plan.

The Bankruptcy Code defines “acceptance” of a plan by a class of: (i) claims, as acceptance by creditors actually voting in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims; and (ii) Interests, as acceptance by interest holders in that class actually voting that hold at least two-thirds in number of the shares of the common stock of a debtor.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or otherwise in accordance with the provisions of the Bankruptcy Code.

With respect to the Plan, any holder of a Claim in an Impaired Class (i) whose Claim has been listed by the Debtor in the Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated), or (ii) who filed a proof of claim on or before the applicable bar date (or, if not filed by such date, any proof of claim filed within any other applicable period of limitations or with leave of the Bankruptcy Court), which Claim has not been disallowed and is not the subject of an objection, is entitled to vote. Holders of Claims that are disputed, contingent and/or unliquidated are entitled to vote their Claims only to the extent that such Claims are Allowed for the purpose of voting pursuant to an order of the Bankruptcy Court. The Debtor may seek a determination that any Class of Claims that is entitled to vote to accept or reject the Debtor’s Plan that does not vote to accept or reject the Debtor’s Plan be deemed to accept the Plan, as applicable.

After carefully reviewing this Disclosure Statement, including any exhibits, each holder of an Allowed Claim or Membership Interest entitled to vote may vote whether to accept or reject the Debtor's Plan. A Ballot for voting on the Plan accompanies this Disclosure Statement. If you hold a Claim or Membership Interest in more than one Class and you are entitled to vote Claims in more than one Class, you may receive a Ballot or Ballots, which will permit you to vote in all appropriate Classes of Claims. Please vote and return your Ballot to Heller, Draper, Hayden, Patrick & Horn, LLC as follows, whether by U.S. mail, or by hand delivery or courier service:

**Heller, Draper, Hayden, Patrick & Horn, LLC
Attention: Douglas S. Draper
650 Poydras Street, Suite 2500
New Orleans, LA 70130**

ANY EXECUTED BALLOT THAT FAILS TO INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED. BALLOTS RETURNED TO THE HELLER, DRAPER, HAYDEN, PATRICK, & HORN, LLC BY FACSIMILE TRANSMISSION OR ANY OTHER ELECTRONIC MEANS WILL NOT BE COUNTED.

**THE VOTING DEADLINE IS
5:00 P.M., CENTRAL
TIME ZONE, ON
_____, 2010.**

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN. ALL CREDITORS THAT ARE ENTITLED TO VOTE TO ACCEPT OR

REJECT THE PLAN SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

Ballots must be received by Heller, Draper, Hayden, Patrick, & Horn, LLC by the Voting Deadline. If a Ballot is received after the Voting Deadline, it will not be counted. Complete the Ballot by providing all the information requested, and sign, date and return the Ballot by mail, overnight courier or personal delivery to Heller, Draper, Hayden, Patrick, & Horn, LLC at the address set forth above.

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN THE TIME AND DATE SET FORTH IN THE ACCOMPANYING NOTICE.

ANY OBJECTIONS TO THE CONFIRMATION OF THE PLAN MUST BE FILED IN ACCORDANCE WITH AND NO LATER THAN THE TIME AND DATE SET FORTH IN THE ACCOMPANYING NOTICE.

If you are entitled to vote on the Plan and you did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the procedures for voting on the Plan, please telephone the Voting Agent at the following telephone number: **1-504-299-3300**.

B. DISCLAIMERS AND ENDORSEMENTS

This Disclosure Statement contains information about the Debtor's Plan. Holders of Claims and Membership Interests are urged to study the text of the Plan carefully to determine the impact of the Plan on their Claims or Membership Interests and to consult with their financial, tax and legal advisors.

Nothing contained in this Disclosure Statement or the Plan will be deemed an admission or statement against interest that can be used against the Debtor in any pending or future

litigation. Any reference to creditors or Claims or Membership Interests in this Disclosure Statement is not an admission with respect to the existence, ownership, validity, priority, or extent of any alleged Lien, Claim, Membership Interest or encumbrance.

Certain statements and assertions in this Disclosure Statement may be subject to dispute by parties in interest.

C. THE CONFIRMATION HEARING

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing with respect to the Plan. The Confirmation Hearing in respect of the Plan has been scheduled for the date and time set forth in the accompanying notice before the Honorable **Douglas D. Dodd**, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Middle District of Louisiana, [insert date]. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice other than an announcement of the adjourned date made at the Confirmation Hearing or posted at the courthouse at the Confirmation Hearing or at an adjournment thereof. Any objection to confirmation (i) must be made in writing, (ii) must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or a description of the interest in the Debtor held by the objector, and (iii) must be timely made. Any such objections must be filed with the Bankruptcy Court and served so that they are received by the Bankruptcy Court, and the following counsel, on or before the date and time set forth in the accompanying notice:

Counsel to the Debtor:

Heller, Draper, Hayden, Patrick, & Horn, LLC
Douglas S. Draper, La. Bar Roll No 5073
Leslie A. Collins Bar Roll No. 14891
650 Poydras Street, Suite 2500
New Orleans, LA 70130-6103
Telephone: (504) 299-3300
Fax: (504) 299-3399

D. CONFIRMATION

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan if the requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all Impaired Classes of Claims or, if rejected by an Impaired Class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (ii) feasible, and (iii) in the "best interests" of creditors that are Impaired under the Plan.

E. UNFAIR DISCRIMINATION AND FAIR AND EQUITABLE TESTS

Under the Bankruptcy Code, a plan does not have to be accepted by every class of creditors or interest holders to be confirmed. If a class of claims rejects a plan or is deemed to reject a plan, the plan proponent has the right to request confirmation of the plan pursuant to Section 1129(b) of the Bankruptcy Code the so-called "cramdown" provision of the Bankruptcy Code. Section 1129(b) permits the confirmation of a plan notwithstanding the non-acceptance of such plan by one or more impaired classes of claims and interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class, and meets the other legal criteria for confirmation.

In the event that any Class of Claims or Membership Interests fails to accept the Plan in accordance with section 1129(a)(8) of the Bankruptcy Code, the Debtor reserves the right to (a) request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code, and/or (b) modify the Plan in accordance with section 1127(a) of the Bankruptcy Code.

Accordingly, to obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan does not “discriminate unfairly” and is “fair and equitable” with respect to each Impaired, non-accepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase “fair and equitable.” The Bankruptcy Code establishes “cram down” tests for Classes of Secured Claims, unsecured Claims and Interests that do not accept the plan, as follows:

1. Secured Creditors

Either (a) each Impaired Secured creditor retains the Liens securing its Secured Claim and receives on account of its Secured Claim deferred cash payments (x) totaling at least the Allowed Amount of the Secured Claim and (y) having a present value at least equal to the value of the Secured creditor’s collateral, (b) each Impaired Secured creditor realizes the “indubitable equivalent” of its Allowed Secured Claim, or (c) the property securing the Claim is sold free and clear of Liens with the Secured creditor’s Lien to attach to the proceeds of the sale and such Lien on proceeds is treated in accordance with clause (a) or (b) of this subparagraph.

2. Unsecured Creditors

Either (a) each Impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its Allowed Claim, or (b) the holders of Claims and Interests that are junior to the Claims of the dissenting Class will not receive any property under the plan, and the “best interest” test is met so that each Impaired unsecured creditor recovers at least what that creditor would receive if the case was converted to a chapter 7 case.

3. Holders of Membership Interests

Either (a) each holder of Impaired Interests receives or retains under the plan property of a value equal to the greatest of the Allowed Amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value

of such interest, or (b) no holder of junior interests receives or retains any property, and the “best interest” test is met, so that each Impaired Membership Interest holder recovers at least what that Membership Interest holder would receive if the case was converted to a chapter 7 case.

4. No Unfair Discrimination

In addition, the “cram down” standards of the Bankruptcy Code prohibit “unfair discrimination” with respect to the claims of any impaired, non-accepting class. While the “unfair discrimination” determination depends upon the particular facts of a case and the nature of the claims at issue, in general, courts have interpreted the standard to mean that the impaired, non-accepting class must receive treatment under a plan of reorganization which allocates value to such class in a manner that is consistent with the treatment given to other classes with claims against the debtor of equal or junior status.

All Classes of creditors will receive distributions under the Plan; thus, no Class of creditors is conclusively presumed to have rejected the Plan. The Debtor believes that the treatment of all Classes of Claims and Interests under the Plan satisfies the “no unfair discrimination” requirement for nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code. With respect to each such Impaired, non-accepting Class, there is no Class of equal priority receiving more favorable treatment under the Plan, and no Class that is junior to such Impaired, non-accepting Class will receive or retain any property under the Plan on account of the Claims or Interests in such Class.

F. FEASIBILITY

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization unless the liquidation of the debtor is provided for in the plan. It is not likely that the confirmation will be followed by liquidation or the need for further financial reorganization of the Debtor. Inasmuch as the assets of the Debtor

are being liquidated, no projections are required. The Legg Mason bid of \$17,688,469.78 plus the payment of all property taxes sets a floor as to the recovery under the Debtor's Plan.

G. BEST INTEREST TEST

In order to confirm a plan of reorganization, the Bankruptcy Court must determine that the plan is in the best interests of all classes of creditors and equity security holders impaired under that plan. The "best interest" test requires that the Bankruptcy Court find that the plan provides to each member of each impaired class of claims and interests (unless each such member has accepted the plan) a recovery which has a value at least equal to the value of the distribution that each creditor or interest holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code.

All Classes of creditors will receive distributions under the Plan; thus, no Class of creditors is conclusively presumed to have rejected the Plan. The Debtor requests confirmation of the Plan over the rejection of any Classes. In so doing, the Debtor seeks to establish that the Plan complies with the best interest of creditors test with respect to any such Class or Classes, and satisfy all other legal criteria for confirmation.

As reflected in the discussion above, and as demonstrated in the Liquidation Analysis contained in this Disclosure Statement, the Debtor believes that the Plan provides to each holder of a Claim and Interest holder a value at least equal to the value of the distribution that each holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

H. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST AND MEMBERSHIP INTERESTS IN THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, THE PLAN (AND ANY DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE),

BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND THE IMPLEMENTATION OF THE PLAN. THE MAJOR RISK FACTOR IS THAT A PURCHASER OTHER THAN LEGG MASON, IF LEGG MASON IS NOT THE PURCHASER, WOULD BE UNABLE TO CLOSE THE SALE.

I. CERTAIN BANKRUPTCY CONSIDERATIONS

5. Risk of Liquidation of the Debtor's Estate

If the Plan is not confirmed and consummated, there can be no assurance that the Debtor's Chapter 11 Case will continue as chapter 11 reorganization case rather than be converted to liquidation, or that any alternative plan of reorganization would be on terms as favorable or more favorable to holders of Claims and Membership Interests as the terms of the Plan. If a liquidation or different reorganization were to occur, the distributions to certain holders of Allowed Claims may be reduced, or possibly completely eliminated. As previously noted, the Debtor believes that in a liquidation under chapter 7, additional administrative expenses of a chapter 7 trustee and such trustee's attorneys, accountants, and other professionals, would cause a diminution in the value of the Debtor's Estate. In addition, certain additional Claims may arise in a chapter 7 liquidation and from the rejection of unexpired leases and other executory contracts in connection with any cessation of the Debtor's operations. As described above, this might negatively impact the amount of distributions under the Plan, if any, to holders of Allowed Claims or Allowed Membership Interests. As a result of these circumstances, the Debtor believes that the Plan provides a significantly higher return to holders of Claims against and Membership Interests in the Debtor, as compared to liquidation.

6. Risk of Non-Occurrence of the Effective Date

The occurrence of the Effective Date in the Plan is conditioned upon the happening of certain events. There can be no assurance that all of these events will occur or that those that do not occur will be waived. Accordingly, even if the Plan is confirmed, there can be no assurance that the Effective Date will occur.

7. Uncertainty Regarding Objections to Claims

The Plan provides that certain objections to Claims can be filed with the Bankruptcy Court after the Effective Date. A creditor may not know that its Claim will be objected to until after the Effective Date.

8. Performance of Obligations by the Purchaser under the Plan

Although the Debtor and the Reorganized Debtor believe that the Purchaser can successfully perform all of its obligations under the Plan, there can be no assurance that the Purchaser will do so.

IX. CONCLUSION AND RECOMMENDATION

The Debtor believes that confirmation and implementation of the Plan is preferable to any alternative. In addition, any other alternative would involve significant delay, litigation, uncertainty, substantial additional administrative costs, and may result in the Debtor's liquidation. The Debtor urges holders of Impaired Claims and Membership Interests against the Debtor to vote in favor of the Plan.

[signature on following page]

Dated: June 18, 2010

DISCLOSURE STATEMENT FILED BY:

/s/ Douglas S. Draper

Douglas S. Draper, La. Bar Roll No. 5073

Leslie A. Collins, La. Bar Roll No. 14891

Heller, Draper, Hayden, Patrick, & Horn, LLC

650 Poydras Street, Suite 2500

New Orleans, LA 70130-6103

Telephone: (504) 299-3300

Fax: (504) 299-3399

Email: ddraper@hellerdraper.com

lcollins@hellerdraper.com

Counsel to Sherwood/Clay-Austin Lights LLC