**UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF GEORGIA
VALDOSTA DIVISION**

In re: **STAFFORD RHODES, LLC BEAUFORT CROSSINGS, LLC STAFFORD VISTA, LLC AND STAFFORD WESLEY, LLC,** **Debtors.**	**Chapter 11** **Case No. 12-70859** **Jointly Administered**

DISCLOSURE STATEMENT TO JOINT CHAPTER 11 PLAN OF REORGANIZATION OF THE DEBTORS

October 29, 2012

DARRYL S. LADDIN
SEAN C. KULKA

ARNALL GOLDEN GREGORY LLP

171 17th Street, N.W., Suite 2100
Atlanta, Georgia 30363-1031
(404) 873-8500

Counsel for the Debtors and Debtors in Possession

DISCLOSURE STATEMENT TO JOINT CHAPTER 11 PLAN OF REORGANIZATION OF THE DEBTORS

DISCLAIMER

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

THE SUMMARY OF THE PLAN, AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN FILED BY THE DEBTORS CONTEMPORANEOUSLY HEREWITH, THIS DISCLOSURE STATEMENT, AND ANY EXHIBITS ANNEXED HERETO. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF. NO ASSURANCES EXIST THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME HEREAFTER.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN, AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO REPRESENTATIONS CONCERNING THE DEBTORS ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY OTHER REPRESENTATIONS OR INDUCEMENTS MADE TO SOLICIT YOUR ACCEPTANCE THAT ARE NOT CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION TO ACCEPT OR REJECT THE PLAN. FURTHERMORE, SUCH OTHER REPRESENTATIONS OR INDUCEMENTS SHOULD BE IMMEDIATELY REPORTED TO COUNSEL FOR THE DEBTORS. COUNSEL FOR THE DEBTORS SHALL, IN TURN, COMMUNICATE SUCH INFORMATION TO THE COURT FOR APPROPRIATE ACTION.

WITH RESPECT TO ADVERSARY PROCEEDINGS, CONTESTED MATTERS, OR OTHER ACTIONS OR THREATENED ACTIONS, NEITHER THIS DISCLOSURE STATEMENT NOR ANY PARTY'S FAILURE TO OBJECT THERETO SHALL CONSTITUTE, OR BE CONSTRUED AS, AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION, OR A WAIVER. INSTEAD, THIS DISCLOSURE STATEMENT SHALL CONSTITUTE STATEMENTS MADE IN CONNECTION WITH SETTLEMENT NEGOTIATIONS.

THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY. NO PERSON SHALL CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, OR FINANCIAL ADVICE,

INCLUDING, BUT NOT LIMITED TO, ADVICE REGARDING THE TAX EFFECTS OF THIS PLAN. EACH PERSON SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, OR TAX ADVISORS AS TO ANY SUCH MATTERS.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED. THE INFORMATION SET FORTH HEREIN WAS DERIVED FROM THE DEBTORS' BOOKS AND RECORDS. THE DEBTORS' BOOKS AND RECORDS ARE DEPENDENT UPON INTERNAL ACCOUNTING METHODS. AS A RESULT, VALUATIONS OF ASSETS AND CLAIM LIABILITIES ARE ESTIMATED. ALTHOUGH SUBSTANTIAL EFFORT HAS BEEN MADE TO BE COMPLETE AND ACCURATE, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THE FULL AND COMPLETE ACCURACY OF THE INFORMATION CONTAINED HEREIN.

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

I. INTRODUCTION

On June 29, 2012 (the "Petition Date"), Stafford Rhodes, LLC ("Rhodes"), Beaufort Crossing, LLC ("Beaufort"), Stafford Vista, LLC ("Vista"), and Stafford Wesley, LLC ("Wesley"; Rhodes, Beaufort, Vista, and Wesley are collectively, the "Debtors") each filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On July 3, 2012, the Court entered an order [Docket No. 22] pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") providing for the joint administration of the Debtors' separate Chapter 11 cases (collectively, the "Bankruptcy Cases") for procedural purposes only. The Debtors have retained possession of their assets, and are authorized to continue to operate their businesses as debtors and debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

On October 29, 2012, the Debtors filed their *Joint Chapter 11 Plan of Reorganization of the Debtors* [Docket No. 153] (as hereinafter modified or amended, the "Plan")[1] in the Bankruptcy Cases pursuant to 11 U.S.C. § 1125 and Rule 3016 of the Bankruptcy Rules. The Plan provides for an infusion of new capital by one or more of the Debtors' Members in the amount of not less than $1.5 million (the "Effective Date Fund"). The Plan provides for the substantive consolidation (merger) of the Debtors into a single entity (the "Reorganized Debtor"). The Reorganized Debtor will utilize the Effective Date Fund to fund the payments that are necessary to allow the Reorganized Debtor to emerge from Chapter 11 and to recapitalize the Reorganized Debtor so that it will be able to satisfy its liabilities under the Plan. THE PLAN DOES NOT RELEASE ANY NON-DEBTOR, INCLUDING THE DEBTORS' AFFILIATE STAFFORD DEVELOPMENT COMPANY ("SDC"), FROM THIRD PARTY CLAIMS.

---

[1] Capitalized terms that are used herein, but not defined in this Disclosure Statement, shall have the meanings ascribed to such terms in the Plan.

The Debtors submit this Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code in connection with the solicitation of acceptances of the Plan, a copy of which is annexed hereto as **Exhibit A**.

A. <u>The Disclosure Statement</u>

The purpose of this Disclosure Statement is to set forth information that: (i) outlines the history of the Debtors, their businesses, and the reasons the Debtors were forced to file the Bankruptcy Cases, (ii) summarizes significant events during the Bankruptcy Cases, (iii) summarizes the Plan, and (iv) assists any Holder of a Claim against, or Equity Interest in, the Debtors entitled to vote for acceptance or rejection of the Plan in making an informed decision of whether to vote to accept or reject the Plan. No solicitation for votes on the Plan may be made except pursuant to this Disclosure Statement, and no person has been authorized to utilize any other information concerning the Debtors or their businesses for such purpose.

This Disclosure Statement does not purport to be a complete description of the Plan, the financial status of the Debtors, the applicable provisions of the Bankruptcy Code, or of other matters that may be deemed significant to Holders of Claims or other parties-in-interest. The Disclosure Statement necessarily involves a series of compromises between extensive "raw data" and the legal language in documents or statutes on the one hand and considerations of readability and usefulness on the other. For further information, you should examine the Plan directly and consult your legal, financial, business, and tax advisors.

B. <u>Bankruptcy Court Approval of this Disclosure Statement</u>

After notice and a hearing, the Court approved this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable each Holder of a Claim against or Equity Interest in the Debtors to make an informed judgment as to whether to vote to accept or reject the Plan.

II. <u>VOTING PROCEDURES AND REQUIREMENTS</u>

A. <u>Eligibility to Vote</u>

The Debtors are soliciting acceptances of the Plan from each Class that is identified in the Plan as impaired and is not deemed to have rejected the Plan. A Class is "impaired" unless the Plan: (1) leaves unaltered the legal, equitable, and contractual rights to which the Holder of a Claim is entitled; or (2) cures any default, reinstates the original terms of such obligation, compensates the Holder of a Claim for any damages incurred as a result of non-performance of the contract, and otherwise does not alter the legal, equitable, or contractual rights to which the Holder of a Claim might otherwise be entitled. A Class is deemed to have rejected the Plan under Section 1126(g) of the Bankruptcy Code if the Class will receive no distribution under the Plan.

This Disclosure Statement and the accompanying Plan are being sent to all Holders of Claims and Equity Interests, whether or not that Holder is entitled to vote. Under Section 1141 of the Bankruptcy Code, the Plan, if approved (or confirmed) by the Court, will bind all parties, whether or not such parties are entitled to vote for or against the Plan.

B. Ballots and Voting Deadlines

1. Ballots

Holders of Claims entitled to vote on the Plan will receive a Ballot accompanying this Disclosure Statement. All votes to accept or reject the Plan must be cast by using the Ballot enclosed with this Disclosure Statement (or manually executed copies thereof). No other votes will be counted.

Please fill out the Ballot and return it to the Court at the address listed below:

Clerk, United States Bankruptcy Court
Middle District of Georgia (Valdosta Division)
U.S. Courthouse and Post Office
401 North Patterson Street
Valdosta, Georgia 31601

Holders of Claims entitled to vote should also mail a copy of their Ballot to the Debtors' counsel or record:

Darryl S. Laddin
Sean C. Kulka
Arnall Golden Gregory, LLP
171 17th Street, N.W., Suite 2100
Atlanta, Georgia 30363-1031
(404) 873-8500

DO NOT RETURN ANY SECURITIES, NOTES OR PROOFS OF CLAIM WITH YOUR BALLOT.

If delivery is by mail, enough time should be allowed to ensure timely delivery to and actual receipt by the Court by the Voting Deadline established in the Disclosure Statement Order.

AS PROVIDED IN THE DISCLOSURE STATEMENT ORDER, IN ORDER TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED AND ACTUALLY RECEIVED IN PROPER FORM BY THE COURT AT THE ABOVE ADDRESS ON OR BEFORE MIDNIGHT (EASTERN TIME) ON THE DATE SPECIFIED IN THE NOTICE (THE "VOTING DEADLINE"), OR SUCH LATER DATE TO WHICH THIS SOLICITATION IS EXTENDED BY THE DEBTORS OR THE COURT. BALLOTS RECEIVED AFTER THIS TIME MAY NOT BE COUNTED IN THE VOTING UNLESS THE COURT SO ORDERS. IF YOU HAVE ANY QUESTIONS ABOUT PROCEDURES FOR VOTING, OR IF YOU DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT OR HAVE LOST YOUR BALLOT, OR HAVE ANY QUESTIONS ABOUT THE PLAN OR DISCLOSURE STATEMENT, PLEASE CALL COUNSEL FOR THE DEBTORS AS SET FORTH ON THE COVER PAGE OF THIS DOCUMENT.

The Debtors in their sole discretion may waive objections to Ballots filed after the Voting Deadline, or related to Disputed Claims. Otherwise such Ballots will not be counted unless otherwise ordered by the Court.

If a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such Persons should indicate such capacity when signing.

2. Revocation of Ballots

Ballots to accept or reject the Plan may be revoked or changed at any time prior to the Voting Deadline by notifying the Court in a writing received by the Court prior to the Voting Deadline. Thereafter, Ballots may be revoked or changed only with the approval of the Court.

3. Voting Multiple Claims

Holders of Claims in more than one Class will vote such Claims in each Class.

4. Incomplete Ballots

Any Ballot received which is unsigned or does not indicate either an acceptance or a rejection of the Plan will not be counted. Incomplete Ballots may be amended by the Holder of the Claim on account of which the Ballot is cast to cure the deficiency, provided the amendment is filed before the beginning of the Confirmation Hearing.

5. Waivers of Defects, Irregularities, Etc.

Unless otherwise directed by the Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, revocation, change, or withdrawal of Ballots will be determined by the Court, which determination will be final and binding. The Debtors reserve the absolute right to contest the validity of any change, revocation, or withdrawal. The Debtors also reserve the right to request the Court to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right to request the Court to waive any defects or irregularities or conditions of delivery as to any particular Ballot. The Court's interpretation (including its interpretation of the Ballot and the respective instructions thereto), unless otherwise directed by the Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Court determines. Neither the Debtors nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. The Debtors will provide copies of any contested Ballots to the Debtors, counsel for the Secured Party, the proponent of any competing plan, and to the United States Trustee contemporaneously with the filing of the "balloting report" with the Court.

C. Confirmation Hearing

The Confirmation Hearing will be held on the date and time specified in the accompanying Notice before the Honorable John T. Laney, III, Chief United States Bankruptcy Judge, in the Courtroom of the United States Bankruptcy Court for the Middle District of Georgia, Valdosta Division, 401 N. Patterson Street, Valdosta, Georgia, 31601, as stated above. Such Confirmation Hearing, held pursuant to Section 1128 of the Bankruptcy Code, may be adjourned from time to time by additional notice prior to the Confirmation Hearing or by announcement in the Court on the scheduled date of such hearing, with notice of such continued hearing being given to only such parties as directed by the Court. At the Confirmation Hearing, the Court will: (i) determine whether the requisite votes have been obtained for each of the Classes that are entitled to vote under the Plan, (ii) hear and determine objections, if any, to the Plan and to confirmation of the Plan that have not been previously disposed of, and (iii) determine whether to confirm the Plan.

In the Disclosure Statement Order, the Court has directed that all objections, if any, to confirmation of the Plan must be filed with the Court and served in a manner so as to be actually received by counsel to the Debtors, Arnall Golden Gregory LLP, 171 17th Street, NW, Suite 2100, Atlanta, Georgia 30363-1031, to the attention of Darryl S. Laddin and Sean C. Kulka, and by the Office of the United States Trustee, Middle District of Georgia, to the attention of Elizabeth Hardy and Amber Bagley, 440 Martin Luther King, Jr., Blvd. Suite 302 Macon, Georgia, 31201, on or before 12:00 midnight on the objection deadline specified in the Order and Notice.

D. Recommendations

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST AND MOST EFFICIENT APPROACH TO THE PAYMENT OF CLAIMS IN THE DEBTORS' BANKRUPTCY CASES THROUGH THE CONTINUING OPERATION OF THE DEBTORS' BUSINESSES AND MAXIMIZES THE VALUE OF THE DEBTORS' ASSETS FOR THE BENEFIT OF THE DEBTORS' CREDITORS AND EQUITY INTEREST HOLDERS. THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

III. HISTORY OF THE DEBTORS AND EVENTS LEADING TO CHAPTER 11

A. Description of the Debtors

1. The Debtors' Ownership Structure

Each of the Debtors are limited liability companies organized under the laws of the State of Georgia. Rhodes has two members: (i) CRE Holdings-SC, LLC, a Georgia limited liability company ("CRE Holdings-SC"), and (ii) David J. Oliver, a Georgia resident ("Mr. Oliver"). CRE Holdings-SC owns 62% of the membership interests in Rhodes, and Mr. Oliver owns the remaining 38% of the membership interests in Rhodes. Beaufort has two members: (i) CRE Holdings-S&S, LLC ("CRE Holdings-S&S"), and (ii) Mr. Oliver. CRE Holdings-S&S owns 90% of the membership interests in Beaufort, and Mr. Oliver owns the remaining 10% of the membership interests in Beaufort. Vista has two members: (i) CRE Holdings-SC, and

(ii) Mr. Oliver. CRE Holdings-SC owns 90% of the membership interests in Vista, and Mr. Oliver owns the remaining 10% of the membership interests in Vista. Wesley has two members: (i) CRE Holdings-SC, and (ii) Mr. Oliver. CRE Holdings-SC owns 90% of the membership interests in Wesley, and Mr. Oliver owns the remaining 10% of the membership interests in Wesley.[2]

2. The Debtors' Businesses

a. *Background and Overview*

The Debtors consist of four (4) limited liability companies, which all own real property that are improved by commercial income generating shopping centers sometimes referred to as the 278 Commercial Center or Best Buy Center, the Crossings of Beaufort, Vista Grove Plaza, and the Wesley Chapel Retail Shopping Center (collectively, the "Shopping Centers"). Two of the Debtors' properties are located in the Hilton Head area in South Carolina, and the other two properties are located in metro Atlanta, Georgia.

Each Debtor's corporate headquarters is located at 1805 Highway 82 West, Tifton, Georgia 31793, which is the principal office of each Debtor's sole manager, Stafford Capital Corporation ("SCC" or "Manager"). Each of the Debtors is a party to an Exclusive Leasing and Management Agreement with Stafford Properties Inc. ("SPI" or "Property Manager").[3] Pursuant to these agreements, SPI serves as the property manager for the Shopping Centers, and acts as the Debtors' agent for the day-to-day operations of the Shopping Centers and the Debtors' businesses. SPI's primary responsibilities as property manager of the Shopping Centers include: (i) maintenance and upkeep of the Shopping Centers, (ii) collecting rent from the Shopping Centers' respective tenants and depositing such collections in the appropriate operating account, (iii) paying the Debtors' respective operating expenses, (iv) procuring necessary insurance, (v) leasing vacant spaces at the Shopping Centers, and (vi) overseeing the build-out of space leased to the Shopping Centers' respective tenants.

b. *Rhodes*

Rhodes is managed by its sole manager, SCC. Rhodes does not have any employees, officers or directors. Rhodes owns Units 1 and 2 and the "Future Phase" land in the HPR (hereafter described) totaling approximately 27.41 acres of land located in Bluffton, Beaufort County, South Carolina. Unit 1 is improved by a 95,233 square foot retail shopping center anchored by Best Buy Stores (the "Best Buy Center"). In addition, to the Best Buy Center, the Bluffton, South Carolina land includes 3.5 acres of vacant "Future Phase" land for future development for office or retail space, and an additional 10 acres of permanent wetlands, which cannot be developed.

[2] Mr. Oliver's interests in Rhodes, Beaufort, Vista, and Wesley are subject to dilution to the extent that Mr. Oliver has not or does not participate in past or future capital calls issued by the Manager of the Debtors. As of the Petition Date, Mr. Oliver's interest in the Debtors had not been diluted nor had his adjusted interests been calculated.

[3] SPI is an affiliate of each of the Debtors.

The Best Buy Center and the above-described Units are subject to a condominium type structure entitled "Fording 278 Horizontal Property Regime" (the "HPR").[4] Unit 1 of the HPR includes the Best Buy Center, which currently has 15 tenants, including Best Buy Stores, Petco, and Dollar Tree. One of the Best Buy Center's current tenants, Abracadabra Land, LLC ("Abracadabra"), is in default under its lease agreement and has vacated its leased space, but remains contractually obligated to Rhodes under its lease agreement. Rhodes recently filed suit against Abracadabra in South Carolina. Unit 1 of the Best Buy Center has three additional spaces to be leased with 1,932, 2,071, and 1,878 square feet respectively. Not including Abracadabra, as of September 30, 2012, the Best Buy Center had a physical occupancy rate of approximately 86% and an economic occupancy rate of approximately 86%. Unit 2 of the HPR is also owned by Rhodes, and is subject to a ground lease in favor of a bank user.

c. *Beaufort*

Beaufort is managed by its sole manager, SCC. Beaufort does not have any employees, officers or directors. Beaufort owns approximately 10 acres of land located in the City of Beaufort, Beaufort County, South Carolina, which is improved by an unanchored 19,600 square foot shopping center (the "Crossings of Beaufort").

Beaufort currently has seven tenants, and one additional space to be leased with 1,750 square feet. One of Beaufort's tenants, Southern Wings LLC, which was not occupying its leased space as of the Petition Date, has now occupied its leased space and is projected to commence making rental payments on November 7, 2012. One of the Beaufort's current tenants, Feel Better Inc., was in default under its lease agreement with Beaufort, but is now operating under a new restructured lease which should allow Feel Better Inc. to remain in business and meet its new rental obligations going forward. Beaufort also sold outparcels to IHOP, Arby's, and Verizon,[5] which serve as draws to the Crossings of Beaufort's patrons. As of September 30, 2012, the Crossings of Beaufort had a physical occupancy rate of approximately 91% and an economic occupancy rate of approximately 81%. Beaufort also owns an additional 4.5 acres of undeveloped land that is available for sale or future development for a specific user.

d. *Vista*

Vista is managed by its sole manager, SCC. Vista does not have any employees, officers or directors. Vista owns 5.69 acres of land located in Decatur, DeKalb County, Georgia, which is improved by an unanchored 45,450 square foot shopping center ("Vista Grove Plaza"). Vista Grove Plaza currently has 15 tenants, and one additional space to be leased. As of September 30, 2012, Vista Grove had a physical occupancy rate of approximately 97% and an economic occupancy rate of approximately 97%. In addition to Vista Grove Plaza, an unoccupied gas station structure is located on Vista's land that Vista continues to market for lease.

---

[4] As required by applicable South Carolina law, the HPR has a property owners association known as "Fording 278 Owners' Association, Inc." (the "Association"). The "Declarant" in the by-laws of the Association and in the Master Deed for the HPR is Rhodes.

[5] Proceeds from the sales of the IHOP, Arby's, and Verizon outparcels were used to reduce the balance of the Beaufort Loan.

e. ***Wesley***

Wesley is managed by its sole manager, SCC. Wesley does not have any employees, officers or directors. Wesley owns 2.34 acres of land located in Decatur, DeKalb County, Georgia, which is improved by an unanchored 30,683 square foot shopping center (the "Wesley Chapel Retail Shopping Center"). The Wesley Chapel Retail Shopping Center currently has seven tenants, and one additional space to be leased with 900 square feet. Wesley's current tenants include Aaron Rents and Dollar General. As of September 30, 2012, the Wesley Chapel Retail Shopping Center had a physical occupancy rate of approximately 97% and an economic occupancy rate of approximately 97%.

B. The Debtors' Pre-Petition Debt Structure

1. Rhodes

On or about January 11, 2006, Rhodes borrowed approximately $14.5 million from Regions Bank ("Regions"), which loan amount was subsequently increased to approximately $21 million, in order to, among other things, fund the construction of the Best Buy Center (the "Rhodes Loan"). The Rhodes Loan was secured by a mortgage lien in favor of Regions on all or substantially all of Rhodes' assets. As of the Petition Date, the principal balance of the Rhodes loan was approximately $18.81 million. Upon information and belief the note that evidences the Rhodes Loan is currently held by Wells Fargo Bank, N.A. ("Wells Fargo") through a collateral assignment from one or more Lone Star entities.[6]

As of the date of this Disclosure Statement, the Secured Party has not filed a proof of claim with respect to the Rhodes Loan. Rhodes' Schedules indicate that as of the Petition Date, Rhodes owed approximately $73,156 in unsecured non-priority claims (the "Rhodes Scheduled Claims"). The total maximum amount of non-priority unsecured claims against Rhodes, exclusive of any deficiency claim held by Secured Party and Ameris, if any, are approximately $59,313. Some of the proof of claims filed against Rhodes may be subject to a valid claim objection.

2. Beaufort

On or about August 10, 2006, Beaufort borrowed approximately $5.655 million from Regions, which loan amount was subsequently increased to approximately $7.115 million, in order to, among other things, fund the construction of the Crossings of Beaufort (the "Beaufort Loan"). The Beaufort Loan was secured by a mortgage lien in favor of Regions on all or substantially all of Beaufort's assets. As of the Petition Date, the principal balance of the Beaufort Loan was approximately $2.815 million. Upon information and belief the note that

---

6 Hudson's counsel has represented that the Lone Star entities operate as a family of funds. The Debtors do not know at this time which entities make up the Lone Star entities. However, upon information and belief, the Lone Star entities would include LSREF2 BARON Trust 2011, LSREF2 BARON Trust 2011-2, LSREF2 Baron 4, LLC, LSREF2 Baron, LLC, LSREF2 Baron 2, LLC, LSREF2 Baron REO Holdings, LLC, and their affiliates.

evidences the Beaufort Loan is currently held by Wells Fargo through a collateral assignment from one or more Lone Star entities.

As of the date of this Disclosure Statement, the Secured Party has not filed a proof of claim with respect to the Beaufort Loan. Beaufort's Schedules indicate that as of the Petition Date, Beaufort owed approximately $126,504 in unsecured non-priority claims (the "Beaufort Scheduled Claims"). As of the date of this Disclosure Statement, one creditor of Beaufort has filed a non-priority unsecured claim against Beaufort. When filed non-priority unsecured claims against Beaufort are compared against the Beaufort Scheduled Claims, the total maximum amount of non-priority unsecured claims against Beaufort, exclusive of any deficiency claim held by Secured Party and Ameris, if any, are approximately $39,771. Some of the proof of claims filed against Beaufort may be subject to a valid claim objection.

3. Vista

On or about June 19, 2007, Vista borrowed approximately $3.89 million from Regions, in order to, among other things, fund the purchase of Vista Grove Plaza (the "Vista Loan"). The Vista Loan was secured by a security deed lien in favor of Regions on all or substantially all of Vista's assets. As of the Petition Date, the principal balance of the Vista Loan was approximately $3.95 million. Upon information and belief the note that evidences the Vista Loan is currently held by LSREF2 Baron, LLC.

As of the date of this Disclosure Statement, the Secured Party has not filed a proof of claim with respect to the Vista Loan. Vista's Schedules indicate that as of the Petition Date, Vista owed approximately $29,353 in unsecured non-priority claims (the "Vista Scheduled Claims"). As of the date of this Disclosure Statement, two creditors of Vista have filed non-priority unsecured claims against Vista. When filed non-priority unsecured claims against Vista are compared against the Vista Scheduled Claims, the total maximum amount of non-priority unsecured claims against Vista, exclusive of any deficiency claim held by Secured Party and Ameris, if any, are approximately $30,125. Some of the proof of claims filed against Vista may be subject to a valid claim objection.

4. Wesley

On or about June 19, 2007, Wesley borrowed approximately $2.075 million from Regions, in order to, among other things, fund the purchase of the Wesley Chapel Retail Shopping Center (the "Wesley Loan"; the Rhodes Loan, the Beaufort Loan, the Vista Loan, and the Wesley Loan are collectively, the "Loans"). The Wesley Loan was secured by a security deed lien in favor of Regions on all or substantially all of Wesley's assets. As of the Petition Date, the principal balance of the Wesley Loan is approximately $1.431 million. Upon information and belief the note that evidences the Wesley Loan is currently held by LSREF2 Baron 2, LLC.

As of the date of this Disclosure Statement, the Secured Party has not filed a proof of claim with respect to the Wesley Loan. Vista's Schedules indicate that as of the Petition Date, Wesley owed approximately $10,540 in unsecured non-priority claims (the "Wesley Scheduled

Claims"). The total maximum amount of non-priority unsecured claims. against Wesley, exclusive of any deficiency claim held by Secured Party and Ameris, if any, are approximately $10,540. Some of the proof of claims filed against Wesley may be subject to a valid claim objection.

5. Cross Collateralization and Co-Borrower Nature of the Loans

On or about September 5, 2010, each of the Debtors executed a Consolidated Agreement which, with certain exceptions, provides for the guaranty of payment of the full amount of each of the Loans by each respective Debtor, and further provides for the cross collateralization of the Collateral that secures each of the Loans.[7]

6. Ameris Setoff Claim

As of the Petition Date, the Debtors maintained eight (8) bank accounts (the "Bank Accounts"), which consisted of four (4) operating accounts (the "Operating Accounts," and each an "Operating Account"), and four (4) tax reserve accounts (the "Tax Accounts," and each a "Tax Account") at Ameris Bank ("Ameris") located in Tifton, Georgia.[8] On or about May 22, 2012, each of the Debtors, as co-borrowers, executed a promissory note in favor of Ameris wherein Ameris agreed to provide the Debtors with an unsecured line of credit up to the maximum amount of $95,000 (the "Ameris Line of Credit"). As of the Petition Date, the Debtors owed $95,000 under the Ameris Line of Credit. The amount of funds on deposit in the Bank Accounts as of the Petition Date exceeded $95,000.

The Debtors have a claim against Ameris for the funds that were on deposit in the Bank Accounts as of the Petition Date. In addition, Ameris held a claim against each of the Debtors under the Ameris Line of Credit. Accordingly, Ameris had a right of setoff and/or recoupment against the Debtors that is fully secured. Ameris' right of setoff was preserved by this Court's Final Cash Collateral Order.

7. Guaranties Related to the Loans and the Ameris Line of Credit

SDC executed one or more guaranties of the payment of the Loans. In addition, the Ameris Line of Credit is secured by a CD that is owned by SDC. Accordingly, unlike the Debtors' general unsecured creditors, the Secured Party and Ameris both have an alternative source of payment.

---

7 The Debtors reserve the right to argue that the obligations incurred and/or the interests transferred under this agreement are avoidable under Chapter 5 of the Bankruptcy Code and/or applicable non-bankruptcy law.

8 Since the Petition Date, each Debtor has opened an utility deposit account. Accordingly, the Debtors currently maintain twelve (12) bank accounts with Ameris.

8. Aggregate Claims Against the Debtors

a. *Secured Party's Claim Against the Debtors*

The Debtors are co-obligors with respect to the notes and related loan documents that evidence the Loans and the Loans are cross-collateralized. As of the filing of the disclosure Statement, the total outstanding balance under the Loans was approximately $27.5 million. The Debtors assert that the Secured Party's Claim may be subject to one or more valid claim objections.

Section 506 of the Bankruptcy Code separates or bifurcates claims secured by property of a debtor into a "secured" portion equal to the value of the lender's collateral on the effective date of a plan, and an "unsecured" portion for any deficiency. The Debtors estimate[9] that the value of the Secured Party's Collateral, including the Shopping Centers and related personal property is approximately $28 million and that as of confirmation the Secured Party's Claim will total approximately $27.5 million, and that the Secured Party's Claim is accordingly fully secured. In the absence of an agreement between the Debtors and the Secured Party as to the value of the Shopping Centers, the Court will determine the value of the Shopping Centers at the Confirmation Hearing, which value shall be fixed as the amount of the Secured Party Secured Claim. The balance of the Secured Party's Claim, if any, that is not treated as an Allowed Class 2 Secured Party Secured Claim, shall be treated as a Class 4 Deficiency Claim.

b. *Ameris' Claim Against the Debtors*

The Debtors are co-obligors with respect to the Ameris Line of Credit. As of the Petition Date, the total outstanding balance under the Ameris Line of credit was approximately $95,000.

Section 506 of the Bankruptcy Code separates or bifurcates claims secured by property of a debtor, including a right of setoff, into a "secured" portion equal to the value of the lender's collateral on the effective date of a plan, and an "unsecured" portion for any deficiency. The Debtors estimate that the value of the Ameris right of setoff as of the Petition Date exceeded the amount due under the Ameris Line of credit, and therefore Ameris' Claim is fully secured. In the absence of an agreement between the Debtors and Ameris as to the value of Ameris' right of setoff, the Court will determine the value of Ameris' setoff rights, which value shall be fixed as the amount of Ameris' Secured Claim. The balance of Ameris' Claim, if any, that is not treated as an Allowed Class 3 Ameris Secured Claim, shall be treated as a Class 4 Deficiency Claim.

c. *Unsecured Claims Against the Debtors Excluding Deficiency Claims*

The Debtors' Schedules indicate that as of the Petition Date, the Debtors owed $138,977 in unsecured non-priority claims on a consolidated basis exclusive of any deficiency claim held by the Secured Party or Ameris (the "Debtors' Scheduled Claims"). As of the date of the

---

9 The Debtors' estimate is simply a midpoint of the CBRE and Colliers Appraisals. The Debtors have sought to retain McColgan to prepare new appraisals of the Debtors' properties. The Debtors will modify their valuation of their properties as appropriate depending on the outcome of the McColgan application and any report prepared by McColgan.

Disclosure Statement, three different creditors have filed non-priority unsecured claims against the Debtors. When non-priority unsecured claims filed against the Debtors to date are compared against the Debtors' Scheduled Claims, the maximum total amount of non-priority unsecured claims against the Debtors, excluding any deficiency claim held by the Secured Party or Ameris, if any, are approximately $139,749. After further reducing this amount to exclude certain contingent Non-Priority Unsecured Claims for return of security deposits held by parties to various lease agreements with the Debtors as well a handful of Non-Priority Unsecured Claims held by parties to executory contracts with the Debtors that the Debtors intend to assume and assign to the Reorganized Debtor, the Debtors project that the maximum amount of non-priority unsecured claims against the Debtors are approximately $13,304.[10]

C. Events Leading to Chapter 11

Starting in September of 2011, and on multiple occasions thereafter, through its servicer, Midland Loan Services, and then Hudson Americas LLC ("Hudson"), the Debtors approached LSREF2 BARON Trust 2011 and LSREF2 BARON Trust 2011-2[11] in order to refinance and/or restructure the Loans. However, those lenders were unwilling to refinance or restructure the Loans.

Each of the Loans matured on May 5, 2012. On May 7 and 8, 2012, the Debtors received notices from Hudson demanding the immediate payment of the full amount of the Loans. After receiving these demand notices, the Debtors again engaged in negotiations with Hudson in order to refinance and/or restructure the Loans. However, those attempts were unsuccessful.

On or about May 31, 2012, Hudson mailed notices to Vista and Wesley notifying those Debtors of its intent to conduct non-judicial foreclosure sales on behalf of Wells Fargo on July 3, 2012, on Vista's and Wesley's respective properties. After receiving these foreclosure notices, the Debtors again attempted to engage in negotiations with Hudson in order to refinance and/or restructure the Loans. However, those attempts were once again unsuccessful.

On June 14, 2012, Hudson filed suit, as attorney in fact for Wells Fargo, against the Debtors, SDC, and the Association in the United States District Court for the District of South Carolina (Civil Action No. 9:12-cv-1616-SB) (the "South Carolina Action"), seeking, among other things, judicial foreclosure of Rhodes' and Beaufort's respective properties, breach of contract, and the appointment of a receiver.

---

[10] The Debtors' Schedules identify certain contingent Non-Priority Unsecured Claims for return of security deposits held by parties to various lease agreements with the Debtors as well a handful of Non-Priority Unsecured Claims held by parties to executory contracts with the Debtors. The Debtors intend to assume and assign those leases and contracts to the Reorganized Debtor. Because the Debtors are not in default under any of the subject lease agreements (the Debtors do not have a current obligation to return any security deposits) and the amounts due under the other executory contracts to be assumed and assigned will be paid as a cure as a condition of assumption, the Debtors have subtracted those Claims from the projected Claims for the General Unsecured Claim Class (Class 5).

[11] At that time, the Debtors believed that LSREF2 BARON Trust 2011 and LSREF2 BARON Trust 2011-2 or another Loan Star entity owned the notes that evidence the Loans.

Without sufficient liquidity to pay the demanded amount or any immediate ability to refinance their obligations under the Loans, and given the pending foreclosure sales with respect to the Vista and Wesley properties and the South Carolina Action, the Debtors were left with no choice but to initiate these Chapter 11 Bankruptcy Cases in order to maximize the value of their respective assets for all creditors and parties in interest.

Additional information about the Debtors' businesses and the events leading up to the commencement of the Bankruptcy Cases can be found in the: (i) Declaration of Frank J. Jones, Jr., Vice-President, Treasurer, and Chief Financial Officer of the Debtors' Sole Manager in Support of Chapter 11 Petitions and First-Day Orders [Docket No. 13], (ii) Supplemental Declaration of Frank J. Jones, Jr., Vice-President, Treasurer, and Chief Financial Officer of the Debtors' Sole Manager in Support of Chapter 11 Petitions and First-Day Orders [Docket No. 21], (iii) Declaration of Frank J. Jones, Jr., Vice-President, Treasurer, and Chief Financial Officer of the Debtors' Sole Manager in Support of Debtors' Motion Requesting Entry of Interim and Final Orders Authorizing Debtors' Use of Cash Collateral and Granting Adequate Protection Pursuant to Sections 361 and 363 of the Bankruptcy Code and Fed. R. Bankr. P. 4001 [Docket No. 65], and (iv) Supplemental Declaration of Frank J. Jones, Jr., Vice-President, Treasurer, and Chief Financial Officer of the Debtors' Sole Manager [Docket No. 92] (collectively, the "Jones Declarations"), and are incorporated herein by reference.

IV. SIGNIFICANT EVENTS DURING THE BANKRUPTCY CASES

Since the Petition Date, the Debtors have continued to operate their businesses as debtors and debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code, and during that time period, the Debtors' overall condition has improved and/or stabilized. For example, comparing the Petition Date to September 30, 2012, the Debtors' consolidated physical occupancy, economic occupancy, and trailing twelve month ("TTM") total revenue were stabilized or up (on a consolidated basis, physical occupancy, economic occupancy, and TTM total revenue on June 29, 2012 were 91%, 90%, and approximately $3,071,534 respectively, compared to 91%, 90%, and approximately $3,180,517 on September 30, 2012). Since the Petition Date, the Debtors have all individually filed Monthly Operating Reports (the "Operating Reports"), which provide financial information with respect to each Debtor's financial performance since the Petition Date. The following is a description of significant events that have taken place during the Bankruptcy Cases.

A. Retention of Professionals

On June 29, 2012, the Debtors filed: (i) Debtors Application Pursuant to Section 327(a) of the Bankruptcy Code and Bankruptcy Rule 2014 for an Order Authorizing the Retention and Employment of Arnall Golden Gregory LLP as Attorneys for the Debtors Nunc Pro Tunc to the Petition Date [Docket No. 7] (the "AGG Application") to retain Arnall Golden Gregory LLP ("AGG") as their bankruptcy counsel, and (ii) Debtors Application Pursuant to Section 327(a) of the Bankruptcy Code and Bankruptcy Rule 2014 for an Order Authorizing the Retention and Employment of Akin Webster & Matson PC as Conflicts Counsel for the Debtors Nunc Pro Tunc to the Petition Date [Docket No. 8] (the "Akin Application") to retain Akin Wesbter &

5056299v1

Matson PC ("Akin") as their conflicts counsel. On July 25, 2012, the Court entered orders approving the AGG Application [Docket No. 72] and the Akin Application [Docket No. 73].

On July 3, 2012, the Debtors' filed an Application to retain Colliers International Valuation & Advisory Services, Inc. ("Colliers") as their real estate appraisers in the Debtors' Bankruptcy Cases *nunc pro tunc* to the Petition Date [Docket No. 27] (the "Colliers Application"). On July 10, 2012, the Bankruptcy Court entered an order approving the Colliers Application [Docket No. 51].

Colliers prepared certain real estate appraisals with the Court related to the debtors' properties [Docket No. 83] (the "Colliers Appraisals"), and provided expert testimony related to the Colliers Appraisals during the pendency of the Bankruptcy Cases. On September 5, 2012, the Court held a hearing related to the Motion to Dismiss and the Related Motions (discussed supra), and pursuant to Rule 7052 of the Bankruptcy Rules, the Court made detailed findings of facts and conclusions of law related to those motions. As part of those findings of fact, the Court determined that the Colliers Appraisals were unreliable. The Debtors have entered into a settlement agreement, subject to Court approval, which, among other things, liquidated Colliers' administrative expense claim, if any, against the Debtors, in an amount that is less than Colliers' pre-petition retainer. Accordingly, as a result of that settlement the Debtors expect to receive a refund from Colliers of the excess amount of Colliers' pre-petition retainer.

Prior to filing this Disclosure Statement, the Debtors determined that it was not in the best interest of their bankruptcy estates to continue to utilize the services of Colliers as their real estate appraiser in these Bankruptcy Cases. Further, the Debtors determined that they will need the assistance of another real estate appraiser to assist the Debtors with various valuation issues related to the plan confirmation process. In addition to hiring a new real estate appraiser, the Debtors also determined that they will need the assistance of an expert witness to assist the Debtors with other issues related to the plan confirmation process, including appropriate loan terms and feasibility issues, in addition to valuation issues. Accordingly, on October 17, 2012 and October 18, 2012, the Debtors filed: (i) Debtors' Application to Employ McColgan and Company, LLC as Real Estate Appraisers to The Debtors Nunc Pro Tunc to October 17, 2012 [Docket No. 137] (the "McColgan Application") seeking to retain McColgan and Company, LLC ("McColgan") as their new real estate appraiser, and (ii) the Debtors' Application to Employ Deloitte Financial Advisory Services LLP as Expert Witness to the Debtors Nunc Pro Tunc to October 8, 2012 [Docket No. 138] (the "Deliotte Application") seeking to retain Deloitte Financial Advisory Services LLP ("Deloitte") as an expert. As of the date of this Disclosure Statement, the Court had not yet considered the McColgan or Deliotte Applications.

B. Cash Collateral

On June 29, 2012, the Debtors filed Debtors' Motion Requesting Entry of Interim and Final Orders Authorizing Debtor's Use of Cash Collateral and Granting Adequate Protection Pursuant to Sections 361 and 363 of the Bankruptcy Code and Fed. R. Bankr. P. 4001 [Docket No. 6] (the "Cash Collateral Motion") seeking, among other things, authorization and approval, pursuant to Section 363 of the Bankruptcy Code and Bankruptcy Rule 4001(b), for the Debtors to use cash collateral and to provide adequate protection to the Secured Party

and Ameris. On July 3, 2012, the Court entered an Interim Order Approving the Cash Collateral Motion [Docket No. 26] (the "Interim Cash Collateral Order"), authorizing the Debtors' to use of cash collateral on an interim basis pursuant to a budget. On September 10, 2012, the Court entered a Final Order Approving the Cash Collateral Motion [Docket No. 105] (the "Final Cash Collateral Order"), authorizing the Debtors to use cash collateral on a final basis pursuant to a budget. As adequate protection for the Debtors' use of the cash collateral, the Court granted the Secured Party, among other things, a replacement lien in the Debtors' properties to the same extent and priority as the Secured Party's prepetition liens, and directed the Debtors to make material adequate protection payments to the Secured Party. As adequate protection of Ameris' interest in the cash collateral, the Court ordered that Ameris' right of setoff was preserved to the extent that it existed as of the Petition Date notwithstanding the application of Section 553 of the Bankruptcy Code.

C. Competing Real Estate Appraisals

On August 8, 2012, the Secured Party filed real estate appraisals with the Court related to the Debtors' properties that were prepared by CBRE [Docket No. 82] (the "CBRE Appraisals"). The CBRE Appraisals indicated that the Debtors' real properties and improvements had the following values as of various dates in July 2012: (i) Rhodes $16.625 million, (ii) Beaufort $3.33 million, (iii) Vista $4.55 million, and (iv) Wesley $1.6 million, or $26.105 million on a consolidated basis.

On August 8, 2012, the Debtors filed the Colliers Appraisals (discussed infra) with the Court [Docket No. 83]. The Colliers Appraisals indicated that the Debtors real properties and improvements had the following values as of various dates in July 2012: (i) Rhodes $19 million, (ii) Beaufort $3.655 million, (iii) Vista $5.553, and (iv) Wesley $2.2 million, or $30.408 million on a consolidated basis.

On September 5, 2012, the Court held a hearing related to the Motion to Dismiss and the Related Motion (discussed supra), and pursuant to Rule 7052 of the Bankruptcy Rules, the Court made detailed findings of facts and conclusions of law related to those motions. As part of those findings of fact, the Court determined that the CBRE and Colliers Appraisals were both unreliable. Subject to the proposed valuation of the Debtors' properties by McColgan, the Debtors estimate[12] that their real properties and improvements currently have a value of approximately $28 million on a consolidated basis.

D. Motion to Dismiss and Motions for Relief from the Automatic Stay

On July 6, 2012, the Secured Party (or its predecessors as the case may be) filed a Motion to Dismiss Cases or, in the Alternative, for Stay Relief [Docket No. 38] (the "Motion to Dismiss"), and subsequently filed several other additional motions requesting relief from the automatic stay under Section 362(d) of the Bankruptcy Code, including the Secured Party's:

[12] The Debtors' estimate is simply a midpoint of the CBRE and Colliers Appraisals. The Debtors have sought to retain McColgan to prepare new appraisals of the Debtors' properties. The Debtors will modify their valuation of their properties as appropriate depending on the outcome of the McColgan application and any report prepared by McColgan.

(i) Motion for Stay Relief [Docket No. 40], (ii) Amended Motion for Stay Relief and Waiver of 11 U.S.C. § 362(e) 30-Day Requirement [Docket No. 43], (iii) Second Amended Motion for Stay Relief and Waiver of 11 U.S.C. § 362(e) 30-Day Requirement [Docket No. 57], and (iv) Lender's Supplemental Brief in Support of (I) Motion to Dismiss Cases (II) Motion for Stay Relief [Docket No. 87] (collectively, the "Related Motions"). On September 10, 2012, the Court entered an order denying the Related Motions [Docket No. 106], and on September 11, 2012, the Court entered an order denying the Motion to Dismiss Docket No. 107]. On September 24, 2012, the Secured Party filed a Notice of Appeal of both of these orders. Both appeals currently remain pending.

E. Claims Process and Bar Date

1. Schedules and Statements

On August 8, 2012, each of the Debtors filed their schedules and statements of financial affairs required by Rule 1007 of the Bankruptcy Rules (collectively, the "Schedules").[13] The Schedules provide a detailed analysis of the Debtors' financial condition on or about the Petition Date.

2. Proof of Claim Bar Date for Pre-Petition Claims Other Than Governmental Claims

As of the date of this Disclosure Statement, the Bar Date had not expired in these Bankruptcy Cases. Pursuant to MDGA Local Rule 3001-1(d), the deadline for filing proofs of claim in these Bankruptcy Cases is November 14, 2012 (the "Bar Date").

The total amount of Priority Unsecured and Non-Priority Unsecured Claims, for which a proof of claim was filed against each Debtor (excluding proofs of Claim filed by the Secured Party and Ameris) as compared to the total amount of Priority Unsecured and Non-Priority Unsecured Claims scheduled by each Debtor (excluding Claims scheduled for Secured Party and Ameris), as well as such amounts on a consolidated basis, are set forth in the charts below:

[13] Each Debtor filed its own set of Schedules in its respective bankruptcy case. The values in the Debtors' Schedules were based on book value. The Debtors reserve the right to amend the Schedules as they deem appropriate.

Priority Unsecured Claims as Filed and as Scheduled (excluding the Secured Party's and Ameris' Claim)

Debtor	**Priority Unsecured Claims Filed Plus Scheduled**	**Priority Unsecured Claims Scheduled**
Rhodes	$83,890	$83,500 (represents prorated amount of 2012 real estate taxes)
Beaufort	$24,890	$24,500 (represents prorated amount of 2012 real estate taxes)
Vista	$32,515	$32,125 (represents prorated amount of 2012 real estate taxes)
Wesley	$11,690	$11,300 (represents prorated amount of 2012 real estate taxes)
Consolidated	$152,985[14]	$151,425 (represents prorated amount of 2012 real estate taxes for all Debtors)

14 The Internal Revenue Service has filed *protective* proofs of claim in the amount of $390 in each of the Bankruptcy Cases for interest and penalties for the Debtors' year-end 2011 tax returns. However, the Debtors have each timely requested extensions of the time to file their 2011 year-end tax returns. Accordingly, no interest and penalties are currently due for the Debtors' year-end 2011 taxes.

Non-Priority Unsecured Claims as Filed and as Scheduled (excluding the Secured Party's and Ameris' Deficiency Claims, if any)

Debtor	**Non-Priority Unsecured Claims Filed Plus Scheduled**	**Non-Priority Unsecured Claims Scheduled**
Rhodes	$59,313	$59,313
Beaufort	$39,771	$39,771
Vista	$30,125	$29,353
Wesley	$10,540	$10,540
Consolidated	$139,749	$138,977
Consolidated *Less* Scheduled Claims from Executory Contracts and Unexpired Leases to be Assumed and Assigned[15]	$13,304	$12,532

---

15 The Debtors' Schedules identify certain contingent Non-Priority Unsecured Claims for return of security deposits held by parties to various lease agreements with the Debtors as well a handful of Non-Priority Unsecured Claims held by parties to executory contracts with the Debtors. The Debtors intend to assume and assign those leases and contracts to the Reorganized Debtor. Because the Debtors are not in default under any of the subject lease agreements (the Debtors do not have a current obligation to return any security deposits) and the amounts due under the other executory contracts to be assumed and assigned will be paid as a cure as a condition of assumption, the Debtors have subtracted those Claims from the projected Claims for the General Unsecured Claim Class (Class 5).

As of the date of this Disclosure Statement, the Secured Party had not filed a proof of claim. The total amount of Claims held by the Secured Party for which a proof of claim was filed against each Debtor (currently not applicable) as compared to the total amount of Claims held by the Secured Party which was scheduled by each Debtor, as well as the consolidated Claim of Secured Party against the Debtors, is set forth in the chart below:

Secured Party Claims as Filed and as Scheduled

Debtor	Secured Party Claims Filed	Secured Party Claims as Scheduled
Rhodes	N/A	$27,006,000 Contingent
Beaufort	N/A	$27,006,000 Contingent
Vista	N/A	$27,006,000 Contingent
Wesley	N/A	$27,006,000 Contingent
Consolidated	N/A	$27,006,000[16]

The data in the above-referenced charts encompasses purported claims that may be unsecured, secured, priority, unknown, and administrative. Further, this data is raw data, and the claims scheduled and filed have not yet been reviewed for duplicity, accuracy, or veracity. Additionally, these amounts do not include potential claims that might be incurred as a result of the rejection or assumption of executory contracts (although the Debtors do not anticipate any). Therefore, the actual amounts of Claims that may be asserted against each Debtor may differ from the numbers provided in the chart above after such Claims are analyzed and become Allowed Claims.

3. Administrative Expense Claim Bar Date

The Court has not entered an order and the Debtors are not aware of a Local Rule that establishes a deadline for filing Administrative Expense Claims. The Plan seeks to establish a deadline for requesting allowance of Administrative Expense Claims not filed prior to the Effective Date, of thirty (30) days after the Effective Date, or such other date as may be established by the Court. The Debtors are not aware of any significant Administrative Expense Claims in these Bankruptcy Cases other than Administrative Expenses Claims for Professional Fees. The Plan proposes to pay all Administrative Expense Claims on the Effective Date or as soon as feasible once such Administrative Expense Claims are Allowed by the Court.

[16] The Debtors are co-obligors with respect to their respective obligations under each of the Loans. Accordingly, the Secured Party holds a contingent claim against each Debtor for the total amount outstanding under the Loans. However, because the Secured Party is only entitled to one satisfaction of its aggregate Claim, the Secured Party's Claim against the Debtors on a consolidated basis is equivalent to the total Claim held against each Debtor on an entity level.

E. The Debtors' Exclusive Time Periods to File and Solicit Plans

The Debtors' exclusive right to file a plan of reorganization and to solicit acceptances thereof provided under Section 1121(c)(2) of the Bankruptcy Code is currently set to expire on October 29, 2012. By filing the Disclosure Statement and the Plan prior to the expiration of that time period, pursuant to Section 1121(c)(3) of the Bankruptcy Code, the Debtors have an additional 60 days to solicit and obtain approval of the Plan. There are no other plans currently filed with this Court. The Secured Party has filed a motion to terminate exclusivity [Docket No. 128] (the "Motion to Terminate"). However, as of the date of this Disclosure Statement, the Court has not yet considered the Motion to Terminate.

V. PLAN SUMMARY

THE DISCUSSION OF THE PLAN SET FORTH BELOW IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED PROVISIONS SET FORTH IN THE PLAN AND ITS EXHIBITS, THE TERMS OF WHICH ARE CONTROLLING. HOLDERS OF CLAIMS AND EQUITY INTERESTS AND OTHER INTERESTED PARTIES ARE URGED TO READ THE PLAN IN ITS ENTIRETY SO THAT THEY MAY MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

All exhibits to the Plan will be contained in a Plan Supplement, which will be filed with the Clerk of the Court no later than ten (10) days prior to the deadline for filing objections to confirmation of the Plan, or in accordance with such other deadline as may be established in the Disclosure Statement Order or another Final Order of the Court. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement, once filed, by making a written request or telephone call to the Debtors' counsel of record:

Darryl S. Laddin
Sean C. Kulka
Arnall Golden Gregory, LLP
171 17th Street, N.W., Suite 2100
Atlanta, Georgia 30363-1031
(404) 873-8500

In addition, there may be other agreements and documents that have been filed or that are referenced in the Plan and/or the Disclosure Statement and which are available for review or will be made available prior to the Confirmation Hearing. No solicitation materials, other than the Disclosure Statement, have been authorized by the Court for use in soliciting acceptances or rejections of the Plan.

A. General Description and Means of Implementation

The Plan provides for an equity infusion by one or more of the Debtors' Members. If the Plan is confirmed by the Court, the contributing Members shall contribute at least $1.5 million in new capital to the Reorganized Debtor in order to facilitate the Effective Date Payment and otherwise satisfy the Debtors' obligations under Section 5 and 6 of the Plan.

The Plan provides for the substantive consolidation (merger) of the Debtors into the Reorganized Debtor, with all assets of the Debtors vesting in the Reorganized Debtor on the Effective Date. Following the Effective Date, the Reorganized Debtor will continue to operate the Debtors' assets as going concerns. The Reorganized Debtor will be responsible for making distributions under and in accordance with the provisions of the Plan. The Reorganized Debtor will have standing and the authority to resolve any Disputed Claims, and continue and pursue any litigation, including the Causes of Action, following confirmation of the Plan. Subsequent to the Effective Date, the Reorganized Debtor shall have the right and authority to settle or compromise such actions, subject to Court approval.

The Reorganized Debtor shall use the Effective Date Fund to make any Cash payments that are contemplated under Sections 5 and 6 of the Plan. The Reorganized Debtor shall use any remaining portions of the Effective Date Fund, which are not utilized to make the Cash payments required under Sections 5 and 6 of the Plan, to maximize the Reorganized Debtor's business operations.

B. Substantive Consolidation

Summary. The Plan provides for the substantive consolidation of the Debtors, and this Plan shall constitute the articles of merger for such substantive consolidation pursuant to Sections 105 and 1123(a)(5)(C) of the Bankruptcy Code, which shall be treated as a merger of the Debtors under the laws of the State of organization of each respective Debtor. The Debtors shall have the option to effectuate the merger by either (a) having all of the Debtors merge into a newly formed entity, such that none of the Debtors will be the survivor of the merger or (b) identifying one of the Debtors to be the survivor of the merger and having all of the other Debtors merge into such designated Debtor with only such Debtor being the surviving entity. If necessary to accomplish such merger in accordance with applicable State Law, the Holders of the New Equity Interests, in their sole discretion, may elect to change the form of organization of the Debtors, including the surviving Debtor, from limited liability companies to a different form of entity including partnership, incorporation or other organization. The Plan shall serve as a motion by the Debtors seeking entry of an order by the Court substantively consolidating the Estates of the Debtors, and the Confirmation Order authorizing substantive consolidation shall constitute an order of the Court approving the substantive consolidation of the Debtors. On the Confirmation Date, and effective thereafter, the Estate of each of the Debtors shall be substantively consolidated into the Reorganized Debtor for all purposes.

Effect of Substantive Consolidation. On and after the Confirmation Date, (a) all assets and liabilities of the Debtors shall be treated as though they were merged into and transferred to the Reorganized Debtor, (b) the intercompany Claims among the Debtors will be discharged, (c) for all purposes associated with Confirmation (including, without limitation, for purposes of tallying acceptances and rejections of the Plan) and distributions under the Plan, the Estates of the Debtors shall be deemed to be consolidated in the Reorganized Debtor, (d) any guarantees of any Debtor of the obligations of any other Debtor shall be eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint and several liability of any Debtor shall be one obligation of the Reorganized Debtor, as modified by the Plan, and (e) each and every Claim filed or to be filed in the Bankruptcy Cases against the

Debtors shall be deemed filed against one Estate, and shall be Claims against and obligations of the Reorganized Debtor as limited and modified by the Plan.

Reasons for Substantive Consolidation. Established case law in this circuit provides that substantive consolidation is appropriate when a movant demonstrates that (i) there is substantial identity between entities to be consolidated, and (ii) consolidation is necessary to avoid some harm or to realize some benefit. *See Eastgroup Props. v. Southern Motel Assocs. Ltd.*, 935 F.2d 245 (11th Cir, 1991). In the Debtors' view, there is substantial identity between the Debtors and substantive consolidation of the Estates of the Debtors is appropriate for a number of reasons, including:

i. the Debtors are all already co-obligors under each of the Loans and each of the Loans are already cross-collateralized by substantially all of the Debtors' properties;

ii. there will be no harm to Secured Party under the Plan, because the Reorganized will remain obligated under each of the Loans and the Secured Party will retain its Lien in the same Collateral that it held prior to the Petition Date;

iii. each of the Debtors is a limited liability company organized under the laws of the State of Georgia;

iv. the Debtors share common ownership and common officers;

v. the Debtors all have the same sole Manager, SCC;

vi. the Debtors all have the same property manager, SPI;

vii. the Debtors all have same principal place of business, Tifton, Georgia;

viii. the Debtors are all engaged in the same business, owning and operating commercial income generating properties;

ix. there will be no harm to Secured Party under the Plan, because the Debtors are all co-obligors under each of the Loans and each one of the Loans are cross-collateralized by substantially all of the Debtors' properties;

x. there will be no harm to Ameris under the Plan, because the Debtors are all co-obligors under the Ameris Line of Credit;

xi. as argued by the Secured Party in numerous filed pleadings, the Debtors have a limited number of unsecured creditors;

xii. there will be no harm to General Unsecured Creditors under the Plan because the Plan proposes to pay all Allowed General Unsecured Claims in full over time; and

xiii. The Debtors' obligations to the Secured Party and Ameris are guaranteed by SDC.

Further, substantive consolidation under the Plan will benefit the Estates by allowing the Debtors to avoid unnecessary duplicative costs of preparing individual Plans and seeking acceptance of those individual Plans, and it would eliminate claim objections by the Debtors based on a creditor's filing a proof of claim in the wrong case due to confusion among the separate Debtors.

As currently structured, some intercompany receivables have been created. By consolidating Debtors, such intercompany receivables are eliminated by discharge through merger.

The due process rights of all creditors, equity security holders, and other interested parties will be protected. All such interested parties will receive notice of the hearing on the Disclosure Statement and will receive notice of the confirmation hearing on the Plan, and will be afforded the opportunity to review such documents and to object, if so desired. Additionally, the Debtors' creditors holding Allowed Claims will receive substantial benefits and avoid harm to them if the Plan is confirmed, since they will likely receive more in a consolidation (payment in full) than if the Bankruptcy Cases were converted to Chapter 7. In addition, absent avoidance of the Secured Party's cross-collateralization and related co-obligor obligations (which would likely be very expensive) it may not be feasible for the Debtors to confirm individual plans.

In sum, in the view of the Debtors, substantive consolidation provides substantial benefits to creditors of the Debtors and is in the best interests of the Debtors' Estates. Moreover, the Debtors believe that the prejudice to creditors resulting from substantive consolidation, if any, is substantially outweighed by the benefit to the Debtors' Estates.

Effect if Substantial Consolidation is Denied. In the event that the Court does not order substantive consolidation of the Debtors, the Debtors will modify the Plan in order to satisfy the confirmation requirements of Section 1129 of the Bankruptcy Code for each of the Debtors. In addition, in the event that the Court does not order substantive consolidation, nothing in the Plan or the Disclosure Statement shall constitute or be deemed to constitute an admission that one of the Debtors is subject to or liable for any Claim against any other Debtor.

C. Classification of Claims and Equity Interests

All Claims and Equity Interests in these Bankruptcy Cases are classified in the Classes below. Notwithstanding any other provision of the Plan, a Claim in a particular Class is entitled to receive distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class, and only to the extent such Claim has not been paid, released, or otherwise satisfied prior to the Effective Date.

Claims and Equity Interests under the Plan are classified as follows:

Class 1 shall consist of Priority Claims.

Class 2 shall consist of the Secured Party Secured Claim.

Class 3 shall consist of the Ameris Secured Claim.

Class 4 shall consist of the Deficiency Claims.

Class 5 shall consist of the General Unsecured Claims.

Class 6 shall consist of the Equity Interests.

D. Description, Treatment, and Impairment of Claims and Equity Interests

The Classes of Claims and Equity Interests, as well as their treatment and an analysis of whether they are impaired or unimpaired, are described as follows:

***Class 1* - Priority Claims**

(1) Description and Treatment: Class 1 consists of Unsecured Claims that are entitled to priority under Section 507 or Section 364 of the Bankruptcy Code, excluding Priority Tax Claims. The Debtors estimate that no payments will be required under the Plan to Holders of Priority Claims. To the extent that a Holder of a Priority Claim exists, each Holder of an Allowed Priority Claim shall be paid in Cash in an amount equal to their Allowed Priority Claim on the Effective Date.

(2) Impairment: Class 1 is unimpaired by the Plan.

***Class 2* - Secured Party Secured Claim**

(1) Description and Treatment: Class 2 consists of the Secured Claim of the Secured Party. As set forth herein, the Debtors believe that the value of Secured Party's Collateral exceeds the amount of the Secured Party's Claim and therefore, the Secured Party is over-secured. If the Secured Party is undersecured the unsecured portion of the Secured Party's Claim shall be treated as a Class 4 Deficiency Claim, and shall be paid in full in Cash on the Effective Date.

All of the Debtors' defaults under the Loan Documents shall be deemed cured or waived as of the Effective Date. All of the terms and conditions of the Loan Documents will remain unchanged or modified except as modified by the Plan, the Plan Supplement, and/or the Confirmation Order. To the extent that the Loan Documents contain any terms, covenants, representations and warranties, and/or remedies that are inconsistent with the terms of the Plan, the Plan Supplement, and/or the Confirmation Order, such terms, covenants, representations and warranties, and/or remedies are deemed cancelled and any obligation of the Debtors and/or Claims by the Holder of the Secured Party Secured Claim arising from such terms, covenants, representations and warranties, and/or remedies shall be discharged on the Effective Date. To

the extent that there is any inconsistency between the Loan Documents and the Plan, the Plan Supplement, and/or the Confirmation Order, the terms of the Plan, the Plan Supplement, and/or the Confirmation Order shall control.

The Secured Party shall retain its Lien(s) against the Shopping Centers and any other Collateral in which they held a Lien(s) as of the Petition Date to the same extent, validity, and priority as the Lien(s) held by the Secured Party upon the Debtors' assets on the Petition Date.

On the Effective Date, the Reorganized Debtor shall pay the Secured Party the lesser of: (i) the Effective Date Payment, or (ii) the remaining amount of the Effective Date Payment after making the payments, if any, required to pay the Holder(s) of Class 4 Deficiency Claims in full in Cash on the Effective Date. This payment shall be allocated among the Holders of the Allowed Secured Party Secured Claim based on their Pro Rata Share of Secured Party Debt.

The Reorganized Debtor shall pay the remaining balance of the Post-Confirmation Loan Amount over a seven (7) year term bearing interest at the Post-Confirmation Contract Rate of Interest. The Post-Confirmation Loan Amount shall be amortized over a thirty (30) year period of time. The Reorganized Debtor shall utilize funds from operations to pay the Secured Party twenty (28) consecutive equal quarterly amortization payments of approximately Four Hundred Fifty Thousand Dollars ($450,000), commencing on the fifteenth (15th) day of the calendar month following the Effective Date. These payments shall be allocated among the Holders of the Allowed Secured Party Secured Claim based on their Pro Rata Share of Secured Party Debt. The Reorganized Debtor shall pay the remaining balance of the Post-Confirmation Loan Amount in a balloon payment equal to the then unpaid principal balance of the Post-Confirmation Loan Amount payable the fifteenth (15th) day of the calendar month following seven (7) years from the Effective Date. This balloon payment shall be allocated among the Holders of the Allowed Secured Party Secured Claim based on their Pro Rata Share of Secured Party Debt.

(2) Impairment: Class 2 is impaired by the Plan.

***Class 3* – Ameris Secured Claim**

(1) Description and Treatment: Class 3 consists of Secured Claim of Ameris, which is secured by a right of setoff and/or recoupment. The Debtor believes that Ameris' right of setoff or recoupment exceeds the amount of Ameris' Claim. In the event that Ameris' right of setoff or recoupment is less than the amount of Ameris' Claim, the unsecured operation of Ameris' Claim shall be treated as a Class 4 Deficiency Claim, and shall be paid in full in Cash on the Effective Date.

To secure the Ameris Secured Claim, the Reorganized Debtor shall maintain one or more deposit accounts at Ameris and maintain deposit account balance(s) equal to or in excess of the then unpaid balance of the Allowed Ameris Secured Claim until the Ameris Secured Claim is paid in full.

The Ameris Secured Claim shall bear interest at the Post-Confirmation Contract Rate of Interest fully amortized over a five (5) year term. The Reorganized Debtor shall utilize funds

5056299v1

from operations to pay the Ameris Secured Claim in twenty (20) equal quarterly payments of approximately Six Thousand One Hundred Dollars ($6,100), commencing on the fifteenth (15th) day of the calendar month following the Effective Date with the last payment quarterly being payable the fifteenth (15th) day of the calendar month following five (5) years from the Effective Date.

(2) Impairment: Class 3 is impaired by the Plan.

***Class 4* – Deficiency Claims**

(1) Description and Treatment: Class 4 consists of the Deficiency Claims of the Secured Party and Ameris, if any. The Debtors estimate that no payments will be required under the Plan to Holders of Deficiency Claims. If the Court determines that the Secured Party's or Ameris' respective Claims exceed the value of their Collateral or right of setoff (as the case may be), the remaining balance of the Secured Party's or Ameris' respective Claims that are not treated as a Class 2 or Class 3 Secured Claims (as the case may be) shall be treated as a Class 4 Deficiency Claim.

To the extent that any Deficiency Claims exist on the Effective Date of the Plan, the Reorganized Debtor shall utilize the Effective Date Fund to pay each Holder of an Allowed Deficiency Claim in full in Cash on the Effective Date or as soon thereafter as such Claim can be determined and, if necessary, Allowed by the Court. To the extent that a payment is required to be made to the Secured Party under Class 4 of the Plan, such payment shall be allocated among the Holders of the Allowed Secured Party Secured Claim based on their Pro Rata Share of Secured Party Debt.

(2) Impairment: Class 4 is unimpaired by the Plan.

***Class 5* - General Unsecured Claims**

(1) Description and Treatment: Class 5 consists of General Unsecured Claims. The Debtors estimate that the total amount of General Unsecured Claims on a consolidated basis are approximately $13,304.

Each Holder of a General Unsecured Claim will receive payment of one hundred percent (100%) of the present value of such Holder's Allowed Unsecured Claim. The Reorganized Debtor shall utilize funds from operations to pay each Holder of an Allowed General Unsecured Claims in Class 5 one hundred percent (100%) of the Allowed amount of such Claim in twelve (12) equal monthly payments, plus interest at the Post-Confirmation Contract Rate of Interest, commencing on the fifteenth (15th) day of the calendar month following the Effective Date with the last payment being payable the fifteenth (15th) day of the calendar month following one (1) year from the Effective Date.

(2) Impairment: Class 6 is impaired by the Plan.

***Class 6* - Equity Interests**

(1) Description and Treatment: Class 6 consists of the Equity Interests of the Members in the Debtors. On the Effective Date, the Equity Interests in the Debtors shall be converted into New Equity Interests in the Reorganized Debtor, which shall be issued to the New Members. The New Members shall receive the New Equity Interests in the Reorganized Debtor representing a percentage determined by the aggregate ownership interest of the Equity Interests of the Member in each Debtor, after dilution, immediately prior to the Effective Date, divided by the aggregate ownership interest of the New Equity Interests in the Reorganized Debtor issued to all New Members as of the Effective Date.

(2) Impairment: Class 6 is impaired by the Plan

E. Provisions Relating to Administrative Expense and Priority Tax Claims

The Plan contains provisions that set forth the treatment of Claims of a kind specified in Sections 507(a)(2) through 507(a)(10) of the Bankruptcy Code. Such treatment is consistent with the requirements of Section 1129(a)(9) of the Bankruptcy Code, and the Holders of such Claims are not entitled to vote on this Plan. Notwithstanding any other provision of this Plan, pursuant to Section 1123(a)(1) of the Bankruptcy Code, Claims under Sections 507(a)(2) through 507(a)(10) of the Bankruptcy Code are not designated as Classes of Claims under the Plan.

To the extent that any Administrative Expense Claims have not been satisfied prior to the Effective Date, the Holders of Allowed Administrative Expense Claims shall be paid (a) Cash on the Effective Date or as soon thereafter as the such Claim can be determined and, if necessary, Allowed by the Court, or (b) such other treatment as to which the Debtors or the Reorganized Debtor and the Holder of such Allowed Administrative Expense Claim will have agreed upon in writing, in full satisfaction, release, and discharge of such Administrative Expense Claim.

To the extent that any Priority Tax Claim has not been satisfied prior to the Effective Date of the Plan, each Holder of an Allowed Priority Tax Claim shall receive: (a) Cash on the Effective Date equal to the amount of such Allowed Priority Tax Claim or as soon thereafter as such Claim can be determined and, if necessary, Allowed by the Court, (b) the present value of the such Allowed Priority Tax Claim in regular installment payments in Cash over a period of not more than five (5) years from the Petition Date in accordance with Section 1129(a)(9)(C)(ii) of the Bankruptcy Code, or (c) such other treatment as to which the Debtors or the Reorganized Debtor (as the case may be) and the Holder of such Priority Tax Claim will have agreed upon in writing, in full satisfaction, release, and discharge of such Claim.

F. Treatment of Executory Contracts and Unexpired Leases

All executory contracts or unexpired leases not identified on Plan Exhibit 7.8.1 as executory contracts and unexpired leases to be assumed and assigned or assigned, shall be deemed rejected by the Debtors as of the Effective Date. Any defaults arising under the executory contracts or unexpired leases to be assumed by the Debtors and assigned to the Reorganized Debtor or to be assigned by the Debtors to the Reorganized Debtor under the Plan

shall be promptly cured to the extent required by Section 365 of the Bankruptcy Code. The cure claim for each executory contract or unexpired lease to be assumed by the Debtors and assigned to the Reorganized Debtor or to be assigned by the Debtors to the Reorganized Debtor under the Plan shall be deemed to be $0.00 unless the counterparty to such executory contract or unexpired lease files a cure claim objection at least ten (10) days prior to the hearing held in these Bankruptcy Cases to consider confirmation of the Plan, and after filing a timely objection the Court determines that such counterparty is entitled to a different cure claim amount as a condition to the Debtors.

A Claim for damages arising from the rejection of an executory contract or unexpired lease shall be FOREVER BARRED and shall not be enforceable against the Debtors, the Reorganized Debtor or the Estates of the Debtors, and no Holder of any such Claim shall participate in any distribution under the Plan with respect to that Claim unless: (i) a proof of claim is served on the Debtors and filed with the Court within thirty (30) days from the Confirmation Date, or such other deadline (whether earlier or later) as may be set by the Court generally or with respect to any executory contract or unexpired lease rejected under the Plan, and (ii) such proof of claim is determined to be an Allowed Claim, either because no timely objection is filed or because the Court allows the Claim after a timely filed objection.

VI. ACCEPTANCE AND CONFIRMATION

The Bankruptcy Code requires the Court to hold a hearing on confirmation of the Plan (the "Confirmation Hearing"). At the Confirmation Hearing, the Court will confirm the Plan only if all of the requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a Plan are that: (i) the Plan is accepted by all impaired Classes of Claims and Equity Interests or, if rejected by an impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (ii) the Plan is feasible (that is, confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization), and (iii) the Plan is in the "best interests" of creditors and Holders of Claims and Equity Interests impaired under the Plan.

A. Acceptance of the Plan by Impaired Creditors

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following sections, each class of claims or equity interests that is impaired under a plan, accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is "impaired" unless the plan: (1) leaves unaltered the legal, equitable and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; or (2) cures any default, reinstates the original terms of such obligation, compensates the holder for any damages incurred as a result of non-performance of the contract, and otherwise does not alter the legal, equitable or contractual rights to which the holder of the claim might otherwise be entitled.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if

two-thirds in amount and a majority in number actually voting cast their ballots in favor of acceptance. Pursuant to Section 1129 of the Bankruptcy Code, the Holders of Claims in the those Classes entitled to vote must accept the Plan in order for the Plan to be confirmed without application of the "fair and equitable test" to such Classes and without considering whether the Plan "discriminates unfairly" with respect to such Classes, as both standards are described herein. Class 1 is Unimpaired under the Plan and is conclusively deemed to have voted to accept the Plan. Holders of Claims and Equity Interest in Classes 2, 3, 5, and 6 are Impaired under the Plan and are entitled to vote to accept or reject the Plan. Classes 1 and 4 are Unimpaired under the Plan and will not be receiving Distributions under the Plan; therefore, Classes 1 and 4 are conclusively deemed to have voted to accept the Plan. Because the Secured Party has indicated in filed pleadings, *see e.g.* Motion to Terminate, that it will vote to reject *any* plan that does not satisfy its Claims in full in cash on the effective date of such plan, it is not anticipated that the Debtors will be able to seek confirmation of the Plan on a consensual basis. The Debtors reserve the right to seek non-consensual confirmation of the Plan with respect to any Class of Claims that is entitled to vote to accept or reject the Plan, including Classes 2, 3, 5, or 6, if such Class rejects the Plan.

B. Confirmation Without Acceptance by All Impaired Classes

The Bankruptcy Code permits the Court to confirm a Chapter 11 plan over the rejection or deemed rejection of a plan by any class of claims or interests as long as the standards in Section 1129(b) of the Bankruptcy Code are met. Section 1129(b) allows a bankruptcy court to confirm the plan - even if all other impaired classes entitled to vote on the plan have not accepted it; provided that the plan has been accepted by at least one impaired class - so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan. This power to confirm a plan over dissenting classes - commonly known as "cram down" - is an important part of the reorganization process. It assures that no single group (or multiple groups) of claims or interests can block a restructuring that otherwise meets the requirements of the Bankruptcy Code, and is in the interests of the other constituents in the case.

Because it is anticipated that Holders of Claims in Class 2 will vote to reject the Plan, unless the votes of Holders of claims in Class 2 are designated by the Court, the Debtors will likely seek to have the Plan approved and confirmed by the Court pursuant to Section 1129(b) of the Bankruptcy Code. In addition, it is possible that other Impaired Classes may vote to reject the Plan, in which case the Debtors will request a ruling that the Plan meets the requirements of the Bankruptcy Code with respect to such Class.

In order for an impaired Class of Claims to accept the Plan, Holders of Claims (excluding claims designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds (2/3) in dollar amount of the Allowed Claims in such Class of Claims and more than one half in number of the Allowed Claims actually voting in such Class (excluding claims designated under Section 1126(e) of the Bankruptcy Code), must vote to accept the Plan.

1. No Unfair Discrimination

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be exactly the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (e.g., classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

The Plan does not unfairly discriminate given that Classes of Claims or Equity Interests of equal priority and such Claims and Equity Interests are similarly treated under the Plan because all Holders of Claims are receiving the full amount of their Allowed Claim plus interest at the Post-Confirmation Rate of Interest. While the Plan proposes to make distributions to Holders of Claims in Class 4 (Deficiency Class), if any, on the Effective Date, and therefore slightly faster than Holders of Claims of Class 5 (General Unsecured Claims), which are being paid over a one-year period of time from the Effective Date, such treatment is largely reflective of the fact that the Debtors do not believe that there are any Holders of Deficiency Claims. The Effective Date Payment is intended to pay down the Secured Party's Secured Claim, and shift the risk of loss from the Secured Party to the New Members. Accordingly, the Plan does not unfairly discriminate.[17]

2. Fair and Equitable Test

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to the non-accepting class, the test sets different standards depending on the type of claims or equity interests in such class.

Secured Claims: The condition that a plan be "fair and equitable" to a non-accepting class of secured claims includes the requirements that: (i) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens; (ii) for a sale under Section 363 of the Bankruptcy Code, the liens securing such claims attach to the proceeds of such sale; or (iii) the holders of such secured claims realize the indubitable equivalent of such claims. See 11 U.S.C. § 1129(b)(2)(A).

[17] The Debtors also respectfully submit that separating the unsecured claims of the Secured Party and Ameris (Class 4), if any, into a separate class from the General Unsecured Claim Class (Class 5) does not violate 11 U.S.C. § 1122 for several reasons, including (i) the fact that Secured Party and Ameris, unlike general creditors, may look to a third party to realize a recovery of their Claim, and (ii) that the Secured Party and Ameris have very different voting motivations (voting their unsecured claim to advance their interests as a secured creditor without regard to the proposed recovery on their unsecured claim) with respect to the unsecured portion of their claims, if any, than the motives of general unsecured creditors.

Unsecured Claims: The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims includes the following requirement that either: (i) the plan provides that each holder of a claim of such class receive or retain, on account of such claim, property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (ii) the holder of any claim or any equity interest that is junior to the claims of such class will *not* receive or retain under the plan, on account of such junior claim or junior equity interest, any property. See 11 U.S.C. § 1129(b)(2)(B).

Equity Interests: The condition that a plan be "fair and equitable" to a non-accepting class of equity interests includes the requirements that either: (i) the plan provides that each holder of an equity interest in that class receives or retains under the plan on account of that equity interest property of a value, as of the effective date of the plan, 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 (ii) the holder of any claim or any equity interest that is junior to the claims of such class will not receive or retain under the plan, on account of such junior claim or junior equity interest, any property. See 11 U.S.C. § 1129(b)(2)(C).

The Debtors believe that the Plan satisfies the "fair and equitable" requirement notwithstanding that the Holders of Equity Interests in Class 6 are receiving the New Equity Interests under the Plan. The Plan is fair and equitable with respect to the Secured Creditors in Classes 2 and 3 because such Secured Creditors are retaining Liens or rights of setoff on the Reorganized Debtor's property securing their Claims to the extent of the Allowed amount of such Secured Claims under Section 506 of the Bankruptcy Code, and on account of such Secured Claims are receiving the indubitable equivalent of such Secured Claim or deferred cash payments totaling at least the Allowed amount of such Secured Claims, of a value, as of the Effective Date of the Plan, of at least the value of the Secured Creditors' interest in the Reorganized Debtor's interest in such property. Moreover, the Plan is fair and equitable with respect to Holders of Claims in Class 5 because such Creditors are receiving payments under the Plan of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim. Further, the Plan is fair and equitable with respect to Holders of Equity Interests in Class 6 because the Members are receiving the New Equity Interests in the Reorganized Debtor equivalent to their consolidated ownership percentages, after dilution, in the Debtors.

C. Feasibility

As a condition to confirmation of the Plan, Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by the liquidation of the Reorganized Debtor unless such liquidation is proposed in the Plan. *See* the discussion below concerning feasibility.

D. "Best Interests of Creditors" Test

Confirmation of the Plan also requires that each Holder of a Claim either: (i) accept the Plan or (ii) under the Plan, receive or retain property with a value, as of the Effective Date, that is not less than the value such Holder would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. This requirement is referred to as the "best interests of the

5056299v1

creditors test." To determine what Holders of Claims and Equity Interests of each Impaired Class would receive if the Debtors were liquidated under Chapter 7, the Court must determine the dollar amount that would be generated if the Debtors assets were liquidated under Chapter 7 of the Bankruptcy Code.

The Debtors conducted a liquidation analysis to determine what Holders of Claims and Equity Interests would receive if the Debtors' Estates were liquidated under Chapter 7 (the "Liquidation Analysis"), which is attached to the Disclosure Statement as **Exhibit B**. In undertaking the Liquidation Analysis, the Debtors determined an estimated liquidation value of the assets of each Debtor, including estimating the net realizable proceeds of each Debtor's current assets, such as their accounts receivable, cash on hand, and fixed assets such as real estate and improvements.

In addition, in a Chapter 7 bankruptcy case, a Chapter 7 trustee would be elected or appointed to liquidate the Debtors' assets. Therefore, the Liquidation Analysis takes into account the costs of liquidation, such as Chapter 7 trustee fees, brokerage commissions, wind down costs, and payments of taxes and insurance necessary to protect the assets of the Debtors' Estates during the Chapter 7 liquidation. These Chapter 7 expense claims would be paid prior to Chapter 11 administrative expense claims. However, both types of administrative claims would take priority over Unsecured Claims. Chapter 11 administrative expenses will include, among other things, any outstanding trade debt incurred since the Petition Date but unpaid as of the date of any liquidation, and unpaid professional compensation and any administrative taxes due, if any.

As illustrated in the Liquidation Analysis, the Debtors project that a Chapter 7 liquidation would likely result in no payments to Unsecured Creditors. Projected proceeds from the forced liquidations of the Shopping Centers would be insufficient to satisfy the Secured Party's Secured Claim. Further, projected proceeds from the liquidations of the Causes of Action, the Debtors' only assets that are not encumbered by the Secured Party's Liens, will likely be insufficient to pay the Chapter 7 Trustee's administrative expenses and the unpaid Chapter 11 administrative expenses. Therefore, the Debtors believe that this Plan is more favorable than a Chapter 7 liquidation because the Plan provides for a higher payment to Holders of Administrative Expense Claims and Holders of Unsecured Claims than those creditors would likely receive in a Chapter 7 liquidation. Moreover, as set forth in the Business Plan, the Secured Party will also receive a greater recovery on its Claim under the Plan than it would in the context of a Chapter 7 liquidation.

VII. FEASIBILITY OF THE PLAN

The Debtors' business plan and financial projection is attached to the Disclosure Statement as **Exhibit C** (the "Business Plan").[18] The Business Plan projects sufficient revenues to make the payments proposed to all Allowed Claims in each Class under the Plan, including the Assumed Liabilities. Certain assumptions that were made in connection with the Business Plan - which the Debtors suggest are conservative - are itemized on the Exhibit. Because the

---

[18] As set forth herein, the Debtors have sought Court approval of McColgan as their real estate appraiser and Deloitte as an expert witness. Provided that those applications are approved the Debtors may modify the Business Plan based on McColgan's and Deloitte's input.

projections are based on historical performance and anticipated revenue and expenses, the actual results will likely vary from the projection, but the projection should be reasonably accurate over its term. Provided that the Reorganized Debtor timely satisfies its payment obligations under the Plan, there will be no event of default under the Plan if the Reorganized Debtor fails to meet its projected revenues in a given year.

The Debtors believe that the Plan is feasible, and provides the best potential for payment of the claims of creditors.

VIII. CERTAIN TAX CONSEQUENCES

The following is a summary of certain United States federal income tax consequences of the Plan to the Debtors and certain Holders of Claims. This summary is based on the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), Treasury Regulations thereunder ("Treasury Regulations") and administrative and judicial interpretations and practice, all as in effect on the date of this Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below.

No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the Internal Revenue Service as to any of the tax consequences of the Plan discussed below. There can be no assurance that the Internal Revenue Service will not challenge one or more of the tax consequences of the Plan described below. This summary does not apply to Holders of Claims that are not United States persons (as such term is defined in the Internal Revenue Code) or that are otherwise subject to special treatment under United States federal income tax law (including, without limitation, banks, governmental authorities or agencies, financial institutions, insurance companies, pass-through entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies, employees, persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction, and regulated investment companies). Moreover, this summary does not purport to cover all aspects of United States federal income taxation that may apply to the Debtors and Holders of Allowed Claims based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences that may arise under any laws other than United States federal income tax law, including under state, local, or foreign tax law.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Certain U.S. Tax Consequences to Holders of Allowed Claims

A Holder that receives Cash in exchange for its Claim pursuant to the Plan generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between: (i) the amount of Cash received in exchange for its Claim, and (ii) the Holder's adjusted tax basis in the Claims surrendered by such Holder. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Claim in such Holder's hands, whether the Claim constitutes a capital asset in the hands of the Holder, whether the Claim was purchased at a discount and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Claim. Any capital gain or loss recognized by a Holder of a Claim will be long-term capital gain or loss with respect to those Claims for which the holding period of the Holder of a Claim is more than twelve (12) months, and short-term capital gain or loss with respect to such Claims for which the holding period of the Holder of the Claim is twelve (12) months or less.

1. Receipt of Interest

A portion of the consideration received by Holders of Claims may be attributable to accrued interest on such Claims. Such amount should be taxable to that Holder as interest income if such accrued interest has not been previously included in the Holder's gross income for United States federal income tax purposes.

2. Market Discount

Under the "market discount" provisions of the Internal Revenue Code, some or all of any gain realized by a Holder of a Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its Holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (b) in the case of a debt instrument issued with original issue discount, its adjusted issue price, in each case, by at least a *de minimis* amount (equal to 0.25% of the sum of all

remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity). Any gain recognized by a Holder on the taxable disposition of Allowed Claims (determined as described above) that were acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Allowed Claims were considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued).

3. Backup Withholding

In general, information reporting requirements may apply to distributions or payments under the Plan. Additionally, under the backup withholding rules, a Holder of a Claim may be subject to backup withholding (currently at a rate of 28 percent) with respect to distributions or payments made pursuant to the Plan unless that Holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) timely provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; provided that the required information is timely provided to the Internal Revenue Service. The Debtors will withhold all amounts required by law to be withheld from payments of interest. The Debtors will comply with all applicable reporting requirements of the Internal Revenue Service.

B. Tax Consequences to the Debtors and Interest Holders

With respect to the Debtors and Holders of Equity Interests, the tax considerations of confirmation of the Plan may be more complex. Each Debtor is a limited liability company, and is therefore not a tax-paying entity. Rather, each Debtor is a "flow-through" entity and the tax consequences of its operations and disposition of assets are determined at the member or partner level. The Plan poses potential tax issues concerning allocation of capital gains and losses as well as net operating losses among the Holders of Equity Interests, and creates the potential for recognition of cancellation of debt income and/or depreciation recapture by the Holders of Equity Interests.

1. Cancellation of Debt Income

Cancellation of debt ("COD") income arises when a debtor does not repay the full amount of a debt. The general rule is that the amount of COD income equals the excess of the face amount of the debt over the amount paid to discharge it.

Section 108(a)(1)(A) of the IRC provides that the amount realized from COD income is excluded from gross income of a taxpayer if the discharge occurs in a Title 11 case. This exception has limited utility in the context of partnerships and partners because, pursuant to Section 108(d)(6) of the IRC, the bankruptcy exception applies at the partner level. Accordingly, for the bankruptcy exception to apply to a partner's share of COD income from a partnership, the discharge of partnership liabilities must occur in a Title 11 case and the partner must also be a debtor in a Title 11 case. As such, COD income in a partnership environment has the potential to

trigger significant taxable income inclusion implications to the partners of the enterprise that would not exist in a corporate structure. However, because the Plan proposed to pay all Creditors in full over time, the projected debt forgiveness may not exist or may not be material.

C. Importance of Obtaining Processional Tax Advice

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIM HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE, AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN

IX. SECURITIES REGISTRATION EXEMPTION

A. Securities Registration Exemption

The securities to be issued pursuant to the Plan, to the extent there are any, will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon the exemptions set forth in Section 1145 of the Bankruptcy Code. To the extent Section 1145 of the Bankruptcy Code is inapplicable, the issuance of securities pursuant to the Plan would otherwise be exempt from registration under the Securities Act or any similar federal, state, or local law in reliance on the exemption set forth in Section 4(2) of the Securities Act or Regulation D promulgated thereunder.

B. Section 1145 of the Bankruptcy Code

Section 1145(c) of the Bankruptcy Code provides that securities issued pursuant to a registration exemption under Section 1145(a)(1) of the Bankruptcy Code are deemed to have been issued pursuant to a public offering. Therefore, the securities issued pursuant to the exemption under Section 1145(a)(1) of the Bankruptcy Code may generally be resold by any holder thereof without registration under the Securities Act pursuant to the exemption provided by Section 4(1) thereof, unless the holder is an "underwriter" with respect to such securities, as such term is defined in Section 1145(b)(1) of the Bankruptcy Code. In addition, such securities generally may be resold by the recipients thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the individual states. However, recipients of securities issued under the Plan should consult with their own counsel as to the availability of any such exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" for purposes of the Securities Act as one who, subject to certain exceptions, (a) purchases a claim with a view to distribution of any security to be received in exchange for such claim, or (b) offers to sell

securities offered or sold under the plan for the holders of such securities, or (c) offers to buy securities offered or sold under the plan from the holders of such securities, if the offer to buy is made with a view to distribution of such securities, and if such offer is under an agreement made in connection with the plan, with the consummation of the plan or with the offer or sale of securities under the plan, or (d) is an issuer, as used in Section 2(a)(11) of the Securities Act, with respect to such securities.

The term "issuer," as used in Section 2(a)(11) of the Securities Act, includes any person directly or indirectly controlling or controlled by, an issuer of securities, or any person under direct or indirect common control with such issuer. "Control" (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be "in control" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. Moreover, the legislative history of Section 1145 of the Bankruptcy Code suggests that a creditor who owns at least ten percent (10%) of the voting securities of a reorganized debtor may be presumed to be a "control person."

To the extent that a person that is deemed an "underwriter" receives securities under the Plan, resales of such securities by such person would not be freely transferable unless such person complies with the safe harbor provided by Rule 144 (other than the holding period), another exemption from registration for resale is available or such resale is registered under the Securities Act; provided, however, that any such resale will be subject to the restrictions on transfer and assignment contained in the operating agreement of the Reorganized Debtor.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A RECIPIENT OF SECURITIES PURSUANT TO THE PLAN MAY BE AN UNDERWRITER OR AN AFFILIATE OF THE ISSUER OF SUCH SECURITIES, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRANSFER THE SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, POTENTIAL RECIPIENTS OF SECURITIES UNDER THE PLAN SHOULD CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRANSFER SUCH SECURITIES.

X. RISK FACTORS

Holders of Claims against and Equity Interests in the Debtors should read and consider carefully the factors set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or referred to herein by reference), prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

A. Bankruptcy Considerations

Although the Debtors believe that the Plan satisfies all requirements necessary for confirmation by the Court, there can be no assurance that the Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes.

The Plan contemplates occurrence of the Effective Date within 30 days after entry of the Confirmation Order. However, the Effective Date of the Plan is based upon the occurrence of certain conditions precedent enumerated in the Plan, the occurrence of which are not a certainty. Further, although the Debtors intend at present to support the Plan, the Debtors may, at their discretion, withdraw the Plan at any time before entry of the Confirmation Order.

B. The Effective Date Fund

The Plan is partially predicated on one or more of the Members contributing not less than $1.5 million to the Debtors or the Reorganized Debtor. The Plan also provides that the Reorganized Debtor will assume the Assumed Liabilities. The infusion of the Effective Date Fund is a significant aspect of the Plan in order to reduce the amount of the Secured Party's Claim and ensure the prompt payment of Administrative Expense Claims.

To date, the Members have not escrowed the Effective Date Fund. However, it is anticipated that the Members will escrow the required funds prior to the Confirmation Hearing.

C. The Debtors Cannot State with any Degree of Certainty the Number or Amount of Claims that will be Allowed

As of the date of this Disclosure Statement, the Bar Date has not expired, and the Secured Party has not filed a proof of claim or claims on account of the Loans. Accordingly, the Debtors cannot know with certainty, at this time, the number or amount of Claims that will ultimately be Allowed in each of the Classes that are eligible to vote for or against the Plan.

D. Risk of Tenants Defaults at the Shopping Centers

The Debtors intend to fund the Plan through the Effective Date Payment and out of future operations. The Debtors' primary source of income is rental income from tenants at the Shopping Centers. As set forth herein and in various pleadings filed with the Court, from time to time some of the Shopping Centers' tenants have defaulted under their respective leases. In the event that the Debtors experience a spike in tenant defaults or if several tenants were to vacate their leased spaces, the Debtors' income and operations would suffer, which would negatively impact the Debtors' ability to satisfy the Assumed Liabilities under the Plan.

E. Risk that, if the Plan is Not Confirmed, then the Debtors' Bankruptcy Cases May Be Converted To Liquidations under Chapter 7

There is a risk that, if the Plan is not confirmed, the Bankruptcy Cases may be converted to Chapter 7 liquidations pursuant to Section 1112 of the Bankruptcy Code. Whether such conversion may occur will be at the discretion of the Court and may turn on the existence of factors that the Debtors do not now know, such as the cost of attempting to confirm the Plan or any other plans on file, if any, and the Debtors' continuing financial performance.

F. Alternative/Competing Plans

As of the date of the Disclosure Statement, no other party-in-interest has filed a plan with this Court. However, after exclusivity expires, there is a risk that the Secured Party or another party-in-interest may propose competing plan(s) of reorganization or liquidation. If the process of attempting to confirm a plan becomes too costly and/or lengthy, the Bankruptcy Cases may convert to Chapter 7 liquidation cases. If the Chapter 11 cases of the Debtors are converted to Chapter 7 liquidation cases, Holders of Unsecured Claims will likely receive no recovery.

G. Relief from the Automatic Stay and Motion to Dismiss

On July 6, 2012, the Secured Party (or its predecessors as the case may be) filed the Motion to Dismiss (discussed infra), and subsequently filed the Related Motion (discussed infra). On September 10, 2012, the Court entered an order denying to Related Motions [Docket No. 106], which denied the Related Motions, and on September 11, 2012, the Court entered an order denying the Motion to Dismiss [Docket No. 107]. On September 24, 2012, the Secured Party filed a Notice of Appeal of both of these orders.

There is a risk that the Secured Party may file a new motion for relief from the automatic stay imposed by Section 362 of the Bankruptcy Code, renew its previously filed motions in order to assert their rights against the Debtors' encumbered property, or prevail in its appeals of the Court's orders denying to Motion to Dismiss and the Related Motions. The Debtors do not anticipate that the Secured Party will be successful in its appeals or in moving or prosecuting a motion to dismiss or a motion for relief from stay. However, depending on the complexity, duration, and expense of the plan confirmation process related to the Plan and other external factors, there is a risk that such appeals or motions may be filed or further prosecuted.

XI. ALTERNATIVES TO CONFIRMATION OR CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the alternatives include (a) liquidation of the Debtors under Chapter 7 of the Bankruptcy Code or (b) an alternative plan of reorganization. The Debtors believe that if the Plan is not confirmed and the Bankruptcy Cases are converted to cases under Chapter 7 of the Bankruptcy Code, Holders of Allowed Claims against the Debtors will receive a smaller dividend than proposed under the Plan.

A. Liquidation Under Chapter 7

If no Plan can be confirmed, the Bankruptcy Cases may be converted to cases under

Chapter 7 of the Bankruptcy Code. A Chapter 7 trustee would be appointed to liquidate the remaining assets of the Debtors for distribution to their creditors in accordance with the priorities established by the Bankruptcy Code. A Chapter 7 trustee would need time to investigate the Debtors' pre-petition transactions and their assets and liabilities. A Chapter 7 trustee would retain and liquidate the Debtors' remaining assets, and, if necessary, investigate and pursue the Causes of Action. The liquidation of the Debtors' assets would result in distressed recoveries and would therefore likely eliminate any recovery to Holders of Unsecured Claims. The Debtors also believe that the conversion of the Bankruptcy Cases to cases under Chapter 7 of the Bankruptcy Code and the appointment of a Chapter 7 trustee would increase the costs of administration, and reduce and postpone any distribution to Holders of Allowed Claims.

For all of the foregoing reasons, the Debtors have concluded that Creditors are likely to receive an amount under the Plan that is substantially greater than the amount such Creditors would receive under Chapter 7 liquidations of the Debtors.

B. Alternative Plan of Reorganization

If the Plan is not confirmed, any other party-in-interest, including the Secured Party, could attempt to formulate a different plan or reorganization. The Debtors believe that the Plan described herein enables the Creditors of the Debtors and all parties-in-interest to realize the best payout under the circumstances.

XII. CONCLUSION

Based on the foregoing analysis of the Debtors, their remaining assets, and the Plan, the Debtors believe that the best interests of all parties-in-interest would be served through confirmation of the Plan. **ALL CREDITORS ARE URGED TO VOTE TO "ACCEPT" THE PLAN.**

Dated: October 29, 2012.

STAFFORD RHODES, LLC, BEAUFORT CROSSING, LLC, STAFFORD VISTA, LLC, AND STAFFORD WESLEY, LLC

By: /s/ Frank Jones

Name: Frank Jones
Title: Vice President, Treasurer, CFO of Stafford Capital Corporation, Sole Manager of Stafford Rhodes, LLC, Beaufort Crossing, LLC, Stafford Vista, LLC, and Stafford Wesley, LLC

Prepared by:

ARNALL GOLDEN GREGORY LLP
Darryl S. Laddin (Georgia Bar No. 460793)
Sean C. Kulka (Georgia Bar No. 648919)
171 17th Street, N.W., Suite 2100
Atlanta, Georgia 30363-1031
Telephone: (404) 873-8500
Facsimile: (404) 873-8501

Attorneys for the Debtors and Debtors in Possession