IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:	§	
	§	
LITTLETON APARTMENTS LLC,	§	
and MS 128 LITTLETON LIMITED	§	**CASE NO. 11-34564-SGJ**
PARTNERSHIP,	§	**(Jointly Administered)**
	§	
DEBTORS.	§	**CHAPTER 11**
	§	
	§	
	§	

DEBTORS' DISCLOSURE STATEMENT WITH RESPECT TO JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: November 11, 2011

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I. INTRODUCTION

Littleton Apartments LLC ("Littleton") and MS 128 Littleton Limited Partnership ("MS 128" and, together with Littleton, the "Debtors"), the above-captioned debtors and debtors-in-possession herein, submit this Disclosure Statement With Respect to Joint Plan of Reorganization (the "Disclosure Statement"). This Disclosure Statement is to be used in connection with the consideration of the Debtors' Joint Plan of Reorganization dated November 10, 2011 (the "Plan"), filed and proposed by the Debtors. A copy of the Plan is attached hereto as Exhibit A. Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed thereto in the Plan (see Article I of the Plan entitled "Definitions, Construction, and Interpretation").

The Plan submitted by the Debtors provides for the sale of substantially all of the assets of Littleton, including the Property (the "Sale"). As a result of the Sale, all creditors of the Debtors will receive payment in full of all of their Allowed Claims. In the event that the Sale is not consummated for any reason, the Plan provides for the alternative treatment of reinstatement of certain claims which will then be paid in accordance with the terms of the agreements between such creditors and the Debtors, and the payment in full of other Allowed Claims. For a summary of the proposed treatment of your Claim or Interest under the Plan, please see the chart on pages 7-11 below.

II. NOTICE TO HOLDERS OF CLAIMS AND INTERESTS

The Debtors believe that all creditors and equity holders are unimpaired under the Plan and no creditors or equity holders are entitled or required to vote on the Plan. Under the Bankruptcy Code, only holders of claims or interests in "*impaired*" classes are entitled to vote on a plan filed under chapter 11 of the Bankruptcy Code, unless such holders are deemed to reject the plan pursuant to section 1126(g) of the Bankruptcy Code. The Debtors believe that this exception does not apply with respect to the Plan.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT CAREFULLY.

On _____, 2011, the Bankruptcy Court conducted a hearing on the adequacy of the Disclosure Statement and subsequently entered an order pursuant to section 1125 of the Bankruptcy Code (the "Disclosure Statement Order") approving this Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor, typical of the solicited Holders of Claims against and Interests in the Debtors, to make an informed judgment with respect to the acceptance or rejection of the Plan. A copy of the Disclosure Statement Order is included in the materials accompanying this Disclosure Statement. APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT REGARDING THE FAIRNESS OR MERITS OF THE PLAN.

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.

Each Holder of a Claim or Interest entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Debtors and their professionals, no person has been authorized to use or promulgate any information concerning the Debtors, their business, or the Plan, other than the information contained herein, in connection with the solicitation of votes to accept or reject the Plan. No Holder of a Claim or Interest entitled to vote on the Plan should rely upon any information relating to the Debtors, their business, or the Plan other than that contained in the Disclosure Statement and the exhibits hereto. Unless otherwise indicated, the sources of all information set forth herein are the Debtors and their professionals.

If you are entitled to vote to accept or reject the Plan, a ballot will be sent for the purpose of voting on the Plan. After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed ballot (if you are entitled to vote on the Plan) and returning the same to the address set forth on the ballot, in the enclosed return envelope so that it will be received by the Debtors' tabulation agent, Neligan Foley LLP, 325 North St. Paul, Suite 3600, Dallas, Texas 75201, Attention: Carolyn Perkins, no later than 5:00 p.m. Central Time on _____, 2012.

If you do not vote to accept the Plan, or if you are not entitled to vote on the Plan, you may be bound by the Plan if it is accepted by the requisite Holders of Claims or Interests who are entitled to vote on the Plan or deemed accepted. See "Confirmation of the Plan — Solicitation of Votes; Voting Procedures," "Confirmation Hearing," "Requirements for Confirmation of a Plan," and "Cramdown" in Section VII below.

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:00 P.M. CENTRAL TIME, ON _____, 2012. For detailed voting instructions and the name, address, and phone number of the person you may contact if you have questions regarding the voting procedures, see "Solicitation of Votes; Voting Procedures" in Section VII.A below.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the "Confirmation Hearing"), on **_____, 2012, at _____ __.m. Central Time**, in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division. **The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before _____, 2012 at 5:00 p.m. Central Time**, in the manner described under the caption, "Confirmation Hearing," in Section VII.B below.

THE DEBTORS URGE ALL HOLDERS OF IMPAIRED CLAIMS, IF ANY, TO ACCEPT THE PLAN.

III. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to chapter 11, the debtor in possession attempts to reorganize its business for the benefit of the debtor, its creditors, and other parties in interest.

The commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the bankruptcy petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In the present chapter 11 cases, each of the Debtors have remained in possession of its properties as a debtor in possession.

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, *inter alia*, for an automatic stay of all attempts to collect prepetition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the Bankruptcy Court, the automatic stay remains in full force and effect until the effective date of a confirmed plan of reorganization.

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims against and interests in the debtor. Generally, unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a chapter 11 case (the "Exclusive Period"). If the debtor files a plan during the first 120 days, the Exclusive Period is automatically extended an additional 60 days during which it may solicit acceptances of its Plan. Additionally, section 1121(d) of the Bankruptcy Code permits the court to extend or reduce the Exclusive Period upon a showing of "cause." In the Debtors' Bankruptcy Cases, absent further order of the Bankruptcy Court, the Exclusive Period will terminate on January 10, 2012.

B. Plan of Reorganization

Although referred to as a plan of reorganization, a plan may provide for anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of the debtor's assets. After a plan of reorganization has been filed, the holders of claims against or interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to Holders of Claims against and Interests in the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

If all classes of claims and interests accept a plan of reorganization, the bankruptcy court may nonetheless deny confirmation of the plan unless the court independently determines that the requirements of section 1129 of the Bankruptcy Code have been satisfied. Section 1129 sets

forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests" test and be "feasible." The "best interests" test generally requires that the value of the property to be distributed to the holders of claims and interests under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization.

The Debtors believe that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the "best interests" test and the "feasibility" requirement.

Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the bankruptcy court to confirm the plan. Classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity or payment in full in cash. **Under the Plan, all Claims and Interests are unimpaired and are thus not entitled to vote on the Plan.** Administrative Claims and Priority Tax Claims are unclassified because their treatment is prescribed by the Bankruptcy Code, and the holders of such Claims are not entitled to vote on the Plan.

In the event that the Bankruptcy Court determines that one or more Classes of Claims are impaired, chapter 11 of the Bankruptcy Code does not require that each holder of such a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the bankruptcy court to confirm the plan. At a minimum, however, the plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting in at least one class of "impaired" claims under the plan. The Bankruptcy Code also defines acceptance of the plan by a class of interests (equity securities) as acceptance by holders of two-thirds of the number of shares actually voting.

The bankruptcy court may also confirm a plan of reorganization even though fewer than all classes of impaired claims and interests accept it. For a plan of reorganization to be confirmed despite its rejection by a class of impaired claims or interests, the proponent of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or interests that has not accepted the plan.

Under section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a class of rejecting claims if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; and (b) with respect to

unsecured claims and equity interests, that the holder of any claim or equity interest that is junior to the claims or equity interests of such class will not receive or retain on account of such junior claim or equity interest any property at all unless the senior class is paid in full.

A plan does not "discriminate unfairly" against a rejecting class of claims if (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims, and (b) no senior class of claims is to receive more than 100% of the amount of the claims in such class.

The Debtors believe that the Plan has been structured so that it will satisfy the requirements of the Bankruptcy Code, but reserve the right to seek confirmation of the Plan or to amend the Plan such that it can be confirmed on any ground possible including, if necessary, over the objection of any Class of Claims, including the right to request confirmation of the Plan under the "cramdown" provisions of section 1129 of the Bankruptcy Code.

IV. SUMMARY OF THE PLAN

THIS IS ONLY A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. THE PLAN INCLUDES OTHER PROVISIONS THAT MAY AFFECT YOUR RIGHTS. YOU ARE URGED TO READ THE PLAN IN ITS ENTIRETY BEFORE VOTING ON THE PLAN.

A. Classification and Treatment of Claims and Interests

The following is a summary of the classification and treatment of Claims and Interests under the Plan. The classification and treatment of Claims and Interests herein is without prejudice to a party in interest asserting that it is entitled to a different classification or treatment under the Plan or applicable law. The Administrative Claims and Priority Tax Claims (i.e., unclassified claims) shown below constitute the Debtors' estimate of the amount of such Claims, taking into account amounts, if any, paid or projected to be paid prior to the Effective Date. The total amount of Claims shown below reflects the Debtors' current estimate of the likely amount of such Claims, subject to the resolution by settlement or litigation of Claims that the Debtors believe are subject to disallowance or reduction. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims and Interests.

1. Unclassified Claims Against the Debtors

In accordance with section 1123(a)(1) of the Bankruptcy Code, unclassified Claims against the Debtors consist of Administrative Claims and Priority Tax Claims. Based on their books and records and its projections for future expenses, the Debtors presently estimate the amounts of such Claims as follows:

Administrative Claims	$350,000
Priority Tax Claims	$0.00

The Holder of any Administrative Claim that is incurred, accrued or in existence prior to the Effective Date, other than (i) a Fee Claim, (ii) an Allowed Administrative Claim, or (iii) a liability in the Ordinary Course of Business must file with the Bankruptcy Court and serve on all parties required to receive such notice a request for the allowance of such Administrative Claim on or before thirty (30) days after the Effective Date. Such request must include at a minimum (i) the name of the Holder of the Claim, (ii) the amount of the Claim, and (iii) the basis of the Claim. Failure to timely and properly file and serve the request (as required under Section 2.01(a) of the Plan) shall result in the Administrative Claim being forever barred and discharged. Objections to such requests must be filed and served pursuant to the Bankruptcy Rules on the requesting party and the Debtors within thirty (30) days after the filing of the applicable request for payment of an Administrative Claim.

Any Person who holds or asserts an Administrative Claim that is a Fee Claim for compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date shall be required to file with the Bankruptcy Court and serve on all parties required to receive such notice a Fee Application within forty-five (45) days after the Effective Date. Failure to timely and properly file and serve a Fee Application as required under Section 2.01(b) of the Plan shall result in the Fee Claim being forever barred and discharged. No Fee Claim will be deemed Allowed until an order allowing the Fee Claim becomes a Final Order. Objections to Fee Applications must be filed and served pursuant to the Bankruptcy Rules on the Debtors and the Person to whose application the objections are filed within thirty (30) days after the filing of the applicable Fee Application. No hearing may be held until the objection period has expired.

An Administrative Claim with respect to which notice has been properly filed pursuant to Section 2.01(a) of the Plan shall become an Allowed Administrative Claim if no timely objection is filed. If a timely objection is filed, the Administrative Claim shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order. An Administrative Claim that is a Fee Claim, and with respect to which a Fee Application has been properly filed and served pursuant to Section 2.01(b) of the Plan, shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order.

Holders of Administrative Claims based on liabilities incurred in the Ordinary Course of Business of the Debtors during the Bankruptcy Cases (other than Claims of governmental units for taxes or other amounts and/or interest and penalties related to such taxes or other amounts, or alleged Administrative Claims arising in tort) shall not be required to file any request for payment of such Claims. Liabilities incurred in the Ordinary Course of Business will be paid by the Debtors pursuant to the terms and conditions of the transaction giving rise to such Administrative Claim, without any further action by the Holders of such Administrative Claim. The Debtors reserve the right to object to any claim arising, or asserted as arising, in the Ordinary Course of Business and to withhold payment of such claim until such time as any objection is resolved pursuant to a settlement or a Final Order of the Bankruptcy Court.

Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Effective Date, each Holder of an Allowed Priority Tax Claim, in full satisfaction, release, settlement, and discharge of and exchange for such Claim, shall receive (a) to the extent such

Claim is due and owning on the Effective Date, Cash in an amount equal to the Allowed amount of such Priority Tax Claim on the Effective Date, (b) to the extent such Claim is not due and owing on the Effective Date, Cash in an amount equal to the Allowed amount of such Priority Tax Claim as and when due under applicable nonbankruptcy law, or (c) such other treatment as is acceptable to the Debtors and the Holder of an Allowed Priority Tax Claim.

The Debtors shall timely pay to the United States Trustee all quarterly fees incurred pursuant to 28 U.S.C. § 1930(a)(6). Any fees due as of the most recent quarterly invoice before the Confirmation Date will be paid in full within thirty (30) days after the Effective Date.

2. Classified Claims and Interests

The following is an estimate of the numbers and amounts of classified Claims and Interests to receive treatment under the Plan, and their respective treatment:

UNLESS OTHERWISE NOTED, THE DEBTORS' ESTIMATES OF THE NUMBER AND AMOUNT OF CLAIMS IN EACH CLASS SET FORTH IN THE TABLE BELOW INCLUDE ALL CLAIMS ASSERTED AGAINST THE DEBTORS WITHOUT REGARD TO THE VALIDITY OR TIMELINESS OF THE FILING OF THE CLAIMS. THUS, BY INCLUDING ANY CLAIM IN THE ESTIMATES SET FORTH BELOW, THE DEBTORS ARE NOT WAIVING THEIR RIGHTS TO OBJECT TO ANY CLAIM ON OR BEFORE THE CLAIM OBJECTION DEADLINE ESTABLISHED BY THE PLAN. IN ADDITION, THE DEBTORS HAVE NOT YET UNDERTAKEN AN ANALYSIS OF POTENTIAL AVOIDANCE ACTIONS, AND ALTHOUGH THE DEBTORS DO NOT CURRENTLY ANTICIPATE ASSERTING SUCH ACTIONS (SEE SECTION VII.C BELOW), THE DEBTORS ARE NOT WAIVING THEIR RIGHT TO ASSERT AVOIDANCE ACTIONS. PAYMENTS RECEIVED BY NON-INSIDER CREDITORS WITHIN NINETY (90) DAYS PRIOR TO THE PETITION DATE AND BY INSIDER CREDITORS WITHIN ONE YEAR PRIOR TO THE PETITION DATE ARE LISTED IN THE DEBTORS' SCHEDULES ON FILE WITH THE COURT. A COPY OF THE SCHEDULES IS AVAILABLE FOR EXAMINATION ON PACER OR BY WRITTEN REQUEST SENT TO THE DEBTORS' COUNSEL.

Class	Treatment
Class 1 – Non-Tax Priority Claims Against Littleton Estimated Amount: $78,479.72 Estimated Number: 270	Unimpaired On or as soon as reasonably practicable after the later of (i) the Effective Date or (ii) the Allowance Date with respect to an Non-Tax Priority Claim, the Holder of such Allowed Non-Tax Priority Claim shall receive from Littleton, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Non-Tax Priority Claim, (a) Cash in an amount equal to the Allowed amount of its Non-Tax Priority Claim, or (b) such other, less favorable treatment to which such Holder and the applicable Debtor agree in writing. To the extent an Allowed Non-Tax Priority Claim entitled to priority treatment under 11 U.S.C. §§ 507(a)(4) and (5) exceeds the statutory cap applicable to such Claim, such excess shall be treated as a Class

Class	Treatment
	6 General Unsecured Claim
Class 2 – Secured Tax Claims Against Littleton Estimated Amount: $0 Estimated Number: 0	Unimpaired With respect to any Allowed Secured Tax Claim, to the extent not already paid, on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the Allowance Date with respect to a Secured Tax Claim, or (iii) the date such Allowed Secured Tax Claim becomes due and owing in the ordinary course of business, the Holder of such Allowed Secured Tax Claim shall receive from Littleton, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Secured Tax Claim, (a) Cash equal to the value of its Allowed Secured Tax Claim, including interest thereon at the rate provided under applicable non-bankruptcy law pursuant to 11 U.S.C. § 511 from the Petition Date through the date such Claim is paid in full, or (b) such other, less favorable treatment as may be agreed upon in writing by Littleton and such Holder. Notwithstanding any other provision of the Plan, each Holder of an Allowed Secured Tax Claim shall retain its Lien in the Collateral that secures its Claim or the proceeds of such Collateral (to the extent such Collateral is sold (or abandoned as to Collateral in which the Holder holds a first priority Lien) by Littleton free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Petition Date until (a) the Holder of such Allowed Secured Tax Claim (i) has been paid Cash equal to the value of its Allowed Secured Tax Claim or (ii) has been afforded such other, less favorable treatment as to which Littleton and such Holder agree upon in writing, or (b) such purported Lien has been determined by a Final Order of the Bankruptcy Court to be invalid or otherwise avoidable.
Class 3– Senior Secured Claim Against Littleton Estimated Amount: $40,568,366.25 Estimated Number: 1	Unimpaired Except to the extent that a Holder of an Allowed Senior Secured Claim against Littleton agrees to different treatment, each such Holder shall receive from Littleton, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Senior Secured Claim, on or as soon as reasonably practicable after the latest of (i) the Effective Date, or (ii) the Allowance Date with respect to the Allowed Senior Secured Claim, an amount of Cash from the Net Proceeds equal to the Allowed Senior Secured Claim, together with postpetition interest for the period from the Petition Date through the Effective Date (to the extent the Bankruptcy Court determines that holders of such Claims are entitled to postpetition interest in

Class	Treatment
	order for such Claims to be unimpaired). Notwithstanding any other provision of the Plan, the Holder of the Senior Secured Claim shall retain its Lien in the Collateral that secures its Claim or the proceeds of such Collateral (to the extent such Collateral is sold (or abandoned as to Collateral in which the Holder holds a first priority Lien) by Littleton free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Petition Date until (a) the Holder of such Allowed Senior Secured Claim has been paid in full, or (b) such purported Lien has been determined by a Final Order of the Bankruptcy Court to be invalid or otherwise avoidable. In the alternative in the event that the Property is not sold, and except to the extent that a Holder of an Allowed Senior Secured Claim agrees to different treatment, on or as soon as practicable after the later of (i) the Effective Date or (ii) the Allowance Date with respect to the Senior Secured Claim, the Holder of an Allowed Senior Secured Claim will receive a payment of Cash in an amount sufficient to cure any default that occurred at any time on or before the Effective Date (other than a default which does not need to be cured under the Bankruptcy Code), as such amount may be determined by a written agreement by Littleton and the Holder of an Allowed Senior Secured Claim or determined by a Final Order of the Bankruptcy Court. The Allowed Senior Secured Claim shall be reinstated as such maturity existed before any default by Littleton under the Senior Loan Documents on or before the Effective Date. From and after the Effective Date, Littleton shall timely perform all payment and other obligations due under the Senior Loan Documents in accordance with the terms thereof, and the Holder of the Allowed Senior Secured Claim shall retain all Liens and other legal, equitable, and contractual rights to which it is entitled under the terms of the Senior Loan Documents.
Class 4 – Mezzanine Secured Claim Against MS 128 Estimated Amount: $13,514,398.70 Estimated Number: 1	Unimpaired Except to the extent that a Holder of an Allowed Mezzanine Secured Claim against Littleton agrees to different treatment, the Mezzanine Secured Claim will be satisfied and discharged by the payment in full of the Allowed Mezzanine Unsecured Claim under the Plan. In the alternative in the event that the Property is not sold, and except to the extent that a Holder of an Allowed Mezzanine Secured Claim agrees to different treatment, on or as soon as practicable after the later of (i) the Effective Date or (ii) the Allowance Date with respect to the Mezzanine Secured Claim, the Holder of an Allowed Mezzanine Secured Claim will receive a payment of Cash in an amount sufficient to cure any default

Class	Treatment
	that occurred at any time on or before the Effective Date (other than a default which does not need to be cured under the Bankruptcy Code), as such amount may be determined by a written agreement by Littleton and the Holder of an Allowed Mezzanine Secured Claim or determined by a Final Order of the Bankruptcy Court. The Allowed Mezzanine Secured Claim shall be reinstated as such maturity existed before any default by Littleton under the Mezzanine Loan Documents on or before the Effective Date. From and after the Effective Date, Littleton shall timely perform all payment and other obligations due under the Mezzanine Loan Documents in accordance with the terms thereof, and the Holder of the Allowed Mezzanine Secured Claim shall retain all Liens and other legal, equitable, and contractual rights to which it is entitled under the terms of the Mezzanine Loan Documents.
Class 5 – Mezzanine Unsecured Claim Against Littleton Estimated Amount: $13,514,398.70 Estimated Number: 1	Unimpaired Except to the extent that a Holder of an Allowed Mezzanine Unsecured Claim against Littleton agrees to different treatment, each such Holder shall receive from Littleton, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Mezzanine Unsecured Claim, on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the Allowance Date with respect to the Allowed Mezzanine Unsecured Claim, an amount of Cash from the Net Proceeds equal to the Allowed Mezzanine Unsecured Claim, together with postpetition interest for the period from the Petition Date through the Effective Date (to the extent the Bankruptcy Court determines that holders of such Claims are entitled to postpetition interest in order for such Claims to be unimpaired). In the alternative in the event that the Property is not sold, and except to the extent that a Holder of an Allowed Mezzanine Unsecured Claim agrees to different treatment, on or as soon as practicable after the later of (i) the Effective Date or (ii) the Allowance Date with respect to the Mezzanine Unsecured Claim, the Holder of an Allowed Mezzanine Unsecured Claim will receive a payment of Cash in an amount sufficient to cure any default that occurred at any time on or before the Effective Date (other than a default which does not need to be cured under the Bankruptcy Code), as such amount may be determined by a written agreement by Littleton and the Holder of an Allowed Mezzanine Unsecured Claim or determined by a Final Order of the Bankruptcy Court. The Allowed Mezzanine Unsecured Claim shall be reinstated as such maturity existed before any default by Littleton under the Mezzanine Loan Documents on or before the Effective Date. From and after the Effective Date, Littleton shall timely perform all payment and other obligations

Class	Treatment
	due under the Mezzanine Loan Documents in accordance with the terms thereof, and the Holder of the Allowed Mezzanine Unsecured Claim shall retain all Liens and other legal, equitable, and contractual rights to which it is entitled under the terms of the Mezzanine Loan Documents.
Class 6 – General Unsecured Claims Against Littleton Estimated Amount: $184,377.53 Estimated Number: 57	Unimpaired Each Holder of an Allowed General Unsecured Claim shall receive from the Debtor, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed General Unsecured Claim, an amount of Cash equal to the amount of such Allowed General Unsecured Claim, together with postpetition interest at the Case Interest Rate for the period from the Petition Date through the Effective Date (to the extent the Bankruptcy Court determines that holders of such Claims are entitled to postpetition interest in order for such Claims to be unimpaired).
Class 7A – Interests in Littleton Number of Holders: 1 Class 7B – Interests in MS 128 Number of Holders: 13	Unimpaired Holder shall retain its Interests in reorganized Debtor. Unimpaired Holders shall retain their Interests in reorganized Debtor.

B. Means of Implementation of the Plan

1. Distributions

The Debtors will make all distributions required under the Plan, subject to the provisions of the Plan.

2. Sources of Funds for Distributions Under the Plan

On the Effective Date, the Asset Purchase Agreement shall be consummated. Except as otherwise explicitly provided herein, on the Effective Date, substantially of the Debtors' property will be sold in accordance with the terms of the Asset Purchase Agreement and the Plan. The sources of Cash necessary for the payment of Allowed Claims that are to be paid in Cash under the Plan will be Cash on hand as of the Effective Date from the operations of the Debtors, the Net Proceeds from the sale of the Property, and any Cash generated or received by any Debtor after the Effective Date from any other source.

3. Debtors' Activities Post-Effective Date

From and after the Effective Date, the Debtors shall retain title, ownership, possession, and control over the management of all assets in their Estates.

4. Discharge of the Debtors

Except as provided in the Bankruptcy Code, the Plan or the Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims against and Interests in the Debtors of any nature whatsoever, whether known or unknown, or against the assets or properties of the Debtors that arose before the Effective Date. Except as provided in the Bankruptcy Code, the Plan or the Confirmation Order, upon the Effective Date, entry of the Confirmation Order acts as a discharge and release under Bankruptcy Code section 1141(d)(1)(A) of all Claims against and Interests in the Debtors and the Debtors' assets and properties, arising at any time before the Effective Date, regardless of whether a proof of Claim or Interest was filed, whether the Claim or Interest is Allowed, or whether the Holder of the Claim or Interest votes to accept the Plan or is entitled to receive a Distribution under the Plan. Except as provided in the Plan or the Confirmation Order, upon the Effective Date, any Holder of a discharged Claim or Interest will be precluded from asserting against the Debtors or any of their assets or properties any other or further Claim or Interest based on any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred before the Effective Date. Except as provided in the Plan or the Confirmation Order, and subject to the occurrence of the Effective Date, the Confirmation Order will be a judicial determination of discharge of all liabilities of the Debtors to the extent allowed under section 1141, and the Debtors will not be liable for any Claims or Interests and will only have the obligations as are specifically provided for in the Plan.

5. Injunction

Except as otherwise provided in the Plan, the Confirmation Order shall provide, among other things, that from and after the Effective Date, all Holders of Claims against and Interests in the Debtors are permanently enjoined from taking any of the following actions against the Debtors or any of theirs property on account of any such Claim or Interest: (a) commencing or continuing in any manner or in any place, any action or other proceeding; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any encumbrance or Lien; (d) asserting a setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Debtors; and (e) commencing or continuing, in any manner or in any place, any action that does not conform to or comply with, or is inconsistent with, the provisions of the Plan; provided, however, that nothing contained herein shall preclude such Persons from exercising their rights pursuant to and consistent with the terms of the Plan or the Confirmation Order. If allowed by the Bankruptcy Court, any Person injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' and experts' fees and disbursements, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

6. Exculpation

The Debtors and the Debtors' Professionals, and any of their respective present or former members, officers, directors, employees, advisors, representatives, successors, and assigns, shall not have or incur any liability or obligation, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, and

whether asserted or assertable directly or derivatively, in law, equity, or otherwise, to any Holder of a Claim or Interest or any other Person for any act or omission originating or occurring on or after the Petition Date through and including the Effective Date in connection with, relating to, or arising out of the Debtors, the Estates, the administration of the Bankruptcy Case, the operation of the Debtors' business during the Bankruptcy Cases, the formulation, negotiation, preparation, filing, dissemination, approval, or confirmation of the Plan, the Disclosure Statement, the solicitation of votes for or confirmation of the Plan, the consummation or administration of the Plan, or the property to be liquidated and or distributed under the Plan, except for their willful misconduct or gross negligence as determined by a Final Order of a court of competent jurisdiction. The foregoing parties will be entitled to rely reasonably upon the advice of counsel in all respects regarding their duties and responsibilities under the Plan.

7. Revocation or Withdrawal of the Plan

The Debtors reserve the right to revoke and/or withdraw the Plan at any time before the Confirmation Date. If the Debtors revoke or withdraw the Plan, or if confirmation or the Effective Date of the Plan does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein or in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any other Person in any further proceedings involving the Debtors or any other Person.

8. Modification of the Plan

The Debtors reserve the right to modify the Plan in writing at any time before the Confirmation Date, provided that (a) the Plan, as modified, meets the requirements of Bankruptcy Code sections 1122 and 1123 and (b) the Debtors shall have complied with Bankruptcy Code section 1125. The Debtors further reserve the right to modify the Plan in writing at any time after the Confirmation Date and before substantial consummation of the Plan, provided that (a) the Plan, as modified, meets the requirements of Bankruptcy Code sections 1122 and 1123, (b) the Debtors shall have complied with Bankruptcy Code section 1125, and (c) the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under Bankruptcy Code section 1129. A Holder of a Claim or Interest that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such Holder changes its previous acceptance or rejection.

C. <u>Executory Contracts and Unexpired Leases</u>

The Plan constitutes and incorporates a motion by the Debtors to assume, as of the Effective Date, all Executory Contracts to which the Debtors are a party, except for any Executory Contract that (a) has been assumed or rejected pursuant to Final Order of the Bankruptcy Court, or (b) is the subject of a separate motion pursuant to section 365 of the Bankruptcy Code to be filed and served by the applicable Debtor no later than twenty (20) days prior to the Confirmation Hearing. The Confirmation Order shall constitute an order of the Bankruptcy Court under section 365 of the Bankruptcy Code approving the rejection or assumption, as applicable, of such Executory Contracts as of the Effective Date.

All Allowed Cure Claims that may be required by section 365(b)(1) of the Bankruptcy Code under any Executory Contract that is assumed pursuant to a Final Order (which may be the Confirmation Order) of the Bankruptcy Court shall be paid by the applicable Debtor within fifteen (15) Business Days after (a) such order becomes a Final Order with respect to undisputed Cure Amounts or (b) a Disputed Cure Amount is resolved by agreement of the parties or a Final Order of the Bankruptcy Court. Notwithstanding the foregoing, the applicable Debtor may, in its sole discretion, file a motion to reject any Executory Contract as to which a Cure Claim is established by an order of the Bankruptcy Court, and any such motion shall be filed no later than five (5) Business Days after the order of the Bankruptcy Court allowing such Cure Claim becomes a Final Order. If such rejection results in damages to the other party or parties to such Executory Contract, a Claim for such damages shall be forever barred and shall not be enforceable against the applicable Debtor or its properties or agents, successors, or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon the Debtors within thirty (30) days after the entry of an order approving the rejection of such Executory Contract.

Except as provided in the preceding paragraph, if the rejection of an Executory Contract results in damages to the other party or parties to such Executory Contract, a Claim for such damages shall be forever barred and shall not be enforceable against the applicable Debtor or its properties or agents, successors, or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon the Debtors no later than thirty (30) days after service of a notice of the Effective Date.

Any Rejection Claim arising from the rejection of an Executory Contract shall be treated as a Class 6 General Unsecured Claim against the Debtors pursuant to the Plan, except as limited by the provisions of sections 502(b)(6) and 502(b)(7) of the Bankruptcy Code and mitigation requirements under applicable law. Nothing contained herein shall be deemed an admission by the Debtors or any other party in interest that such rejection gives rise to or results in a Rejection Claim or shall be deemed a waiver by the Debtors or any other party in interest of any objections to such Rejection Claim if asserted.

V. DESCRIPTION OF THE DEBTORS

A. History and Organizational Structure

Littleton is a limited liability company that was organized under the laws of the state of Delaware. Littleton is a wholly owned subsidiary of MS 128, which is Delaware limited partnership. The general partner of MS 128 is MS 130 Replacement GP LLC. MS 128 also has twelve limited partners.

B. Assets of the Debtors; Pro Forma Financial Statement

Littleton's primary asset consists of real property in the form of a newly-constructed 350-unit luxury apartment property in downtown Littleton, Colorado known as the "Alexan Downtown Littleton" (the "Property"). The Property is comprised of modern one, two, and three-bedroom apartments and is situated in the heart of a vibrant shopping, dining, and entertainment district just outside of downtown Denver. The Property began accepting tenants in

the summer of 2009 and by the fall of 2010 was at approximately 93% occupancy and operating with a positive cash flow. The Property remains at or near full occupancy and continues to generate positive cash flow.

The Property had an appraised value of $58,800,000 as of the Petition Date. As of such date, and using book values, Littleton also held cash in the amount of $466,511.73; accounts receivables of $14,968; and furnishings and equipment of $169,417.

MS 128's primary asset consists of 100% of the membership interests in Littleton.

A balance sheet for the Debtors as of _____, 2011, as well as a projected balance sheet as of the anticipated Effective Date of the Plan is attached hereto as Exhibit *.

C. Secured Indebtedness of Littleton

As of the Petition Date, Littleton was indebted to a syndicate of lenders (the "Secured Lenders") led by California Bank & Trust ("CB&T"), as Agent, under the terms of a Construction Loan Agreement, Secured Promissory Note, Deed of Trust, and various accompanying loan documents (collectively the "Senior Loan Documents") dated July 1, 2008. The amounts owed under the Senior Loan Documents are secured by a lien on, *inter alia*, the Property, the rents generated by the Property (the "Rents"), and all of Littleton's personal property. As of the Petition Date, the outstanding amount due under the Senior Loan Documents was approximately $40.57 million (the "Senior Debt").

D. Unsecured Non-Priority Indebtedness of the Debtors

Littleton is also indebted to Zions Bancorporation ("Zions") under the terms of a Loan and Security Agreement, Promissory Note, and related loan documents, also dated July 1, 2008 (collectively the "Mezzanine Loan Documents").[1] The amounts owed under the Mezzanine Loan Documents are unsecured as to Littleton and secured by MS 128's pledge of 100% of the membership interests in Littleton. As of the Petition Date, the outstanding amount due under the Mezzanine Loan Documents was approximately $13.41 million (the "Mezzanine Debt"). As of the Petition Date, the Debtors were current on all debt payments and were meeting their debt and operating obligations as they came due.

As of the Petition Date, Littleton had total unsecured, non-priority debt of approximately $183,338.73, and MS 128 had total unsecured, non-priority debt of $0 according to the Schedules that the Debtors filed with the Bankruptcy Court. Creditors, including creditors with claims listed on the Schedules, have filed proofs of unsecured, non-priority claims against Littleton in the approximate amount of $30,008.80. The Debtors may object to certain of these claims and therefore the amount of Allowed General Unsecured Claims against Littleton may be less than the claims listed in the Schedules and/or proofs of claim. To date, there has been no resolution of disputed claims. Any dispute regarding the validity and amount of any claim will

[1] Zions was the original lender under the Mezzanine Loan Documents. However, on or about May 25, 2011, Zions notified Littleton that it had sold and assigned the Mezzanine Loan Documents and all of Littleton's indebtedness thereunder to TPG (Alexan) Note Acquisition LLC ("TPG"). Littleton contends that the assignment was improper and in violation of the Mezzanine Loan Documents, and this dispute is the subject of litigation as described below.

be resolved by the Bankruptcy Court or by an agreement of the Debtors and the Claimant. The Debtors reserve all rights to object to claims filed in the Bankruptcy Cases.

VI. THE DEBTORS' BANKRUPTCY CASES

A. Factors Leading to Chapter 11 Filing

On or about May 25, 2011, Zions notified Littleton that it had sold and assigned the Mezzanine Loan Documents and all of Littleton's indebtedness thereunder to TPG. Prior to that time, Littleton was contacted by TPG and advised that TPG was planning to purchase the Mezzanine Debt and that TPG did not believe that Littleton was entitled to its agreed-upon equity contribution to the development of the Property of approximately $2.86 million (the "Deferred Developer Allowance") and advised Littleton that, based on a valuation obtained by CB&T, TPG believed Littleton would fail to meet a loan-to-value covenant in the Senior Loan Documents on July 1, 2011. TPG further alleged that Littleton's failure to meet this loan-to-value covenant would trigger a default under both the Senior Loan Documents and the Mezzanine Loan Documents and would allow TPG to foreclose on MS 128's membership interests in Littleton and take control of Littleton and the Property.

The Debtors believe that the Mezzanine Loan Documents limit Zions' right to assign the Mezzanine Loan Documents to anyone other than a "Qualified Lender Transferee," which is defined as "any affiliate of the Lender or any entity for which Lender's affiliate or subsidiary provides investment advisory services." TPG and Zions have admitted that TPG is not a Qualified Lender Transferee.

Following Zions' purported assignment of the Mezzanine Loan Documents, Littleton filed a lawsuit against Zions and TPG on June 7, 2011 requesting, inter alia, a declaration that that the purported assignment to TPG was void, an injunction against the exercise of remedies against Littleton by TPG under the Mezzanine Loan Document, and a declaration that Littleton is entitled to the payment of the Deferred Developer Allowance.[2]

Contemporaneously, Littleton retained Apartment Realty Advisors LLLP ("ARA") to serve as the exclusive broker to market and sell the Property. Littleton believed then, and the proposed Sale confirms, that the Property is worth substantially more than the amount necessary to pay all creditors in full, including the Secured Debt, Mezzanine Debt and all unsecured creditors, and to provide a return to the Debtors' equity owners.

However, shortly after ARA began acting under this agreement with Littleton, TPG filed a notice of lis pendens covering the Property and, on July 1, 2011, sent ARA a cease-and-desist letter, instructing ARA that the Mezzanine Loan Documents required TPG's consent to any sale and that TPG objected to a sale of the Property.

On or about July 1, 2011, CB&T notified Littleton of an alleged default under the Senior Loan Documents, which would also trigger a default under the Mezzanine Loan Documents and potentially allow TPG to take control of Littleton. Specifically, CB&T asserted that the loan-to-value ratio of the Property exceeded 70% on July 1, 2011. Although Littleton disagreed with

[2] *Littleton Apartments, LLC v. Zions Bancorporation and TPG (Alexan) Note Acquisition, LLC,* Case No. 2011CV4108, in the District Court of Denver County, Colorado (the "Lawsuit").

CB&T's assertion, it attempted to negotiate an agreement with CB&T under which it would make an additional deposit in order to bring the loan-to-value ratio of the Property into compliance with CB&T's view of the Senior Loan Documents and cure the alleged default. In the midst of these negotiations, TPG filed a counterclaim in the Lawsuit alleging that these efforts were improper. As a result, the Debtors were left with no choice but to seek bankruptcy protection.

B. Commencement of the Bankruptcy Cases

The Debtors filed for protection under the Bankruptcy Code on July 14, 2011. The chapter 11 proceedings were assigned to the Honorable Stacey G. C. Jernigan, United States Bankruptcy Judge in the Northern District of Texas, Dallas Division.

C. Significant Events Since Commencement of the Bankruptcy Cases

1. Retention of Bankruptcy Counsel to the Debtors

On July 28, 2011, the Debtors filed an "Application of Debtor and Debtor-in-Possession for Order Authorizing the Retention and Employment of Neligan Foley, LLP as Counsel to the Debtors" (the "NF Application"). The NF Application was granted by an order entered on September 8, 2011.

2. Schedules and Statement of Financial Affairs

On July 28, 2011, the Debtors filed their Schedules and their Statements of Financial Affairs. On October 10, 2011, Littleton filed amended Schedules B and F and Statement of Financial Affairs.

3. Retention of Broker and Marketing Process

On August 18, 2011, the Debtors filed an "Application to Retain and Employ Apartment Realty Advisors LLLP to Provide Real Estate Listing and Brokerage Services" (the "ARA Application"). The ARA Application was granted by an order entered on September 20, 2011.

Following the approval of the ARA Application, ARA and the Debtors continued to market the Property for sale. This process included soliciting parties who may be interested in purchasing the Property, providing information relating to the Property to prospective purchasers, and negotiating with prospective purchasers. The Debtors anticipate selling the Property for at least $60,000,000 through the Sale.

VII. LITIGATION

A. Pending Litigation

The following is a description of litigation involving the Debtors that was pending as of the Petition Date:

Cause No.	Plaintiff(s)	Defendant(s)s	Court	Nature of Suit

Case No. 2011CV4108	Littleton Apartments LLC	Zions Bancorporation and TPG (Alexan) Note Acquisition LLC	District Court, Denver County, Colorado	Breach of contract; declaratory and injunctive relief

B. Potential Litigation Under Non-Bankruptcy Law

The Debtors are not currently aware of any potential claims but have not completed their investigation of such potential claims and nothing herein or in the Plan shall be deemed a waiver of any rights with respect thereto.

C. Avoidance and Estate Causes of Action to Be Transferred to the Reorganized Debtors

Section 547 of the Bankruptcy Code enables a debtor in possession to avoid a transfer to a creditor made within 90 days before the petition date (or within one year before the petition date in the case of a transfer to an insider) if the transfer was made on account of an antecedent debt and enabled the creditor to receive more than it would in a liquidation. A creditor can assert certain defenses to the avoidance of such a preferential transfer based upon, among other things, the transfer's occurring as part of the ordinary course of the debtor's business or that, subsequent to the transfer, the creditor provided the debtor with new value. Section 548 of the Bankruptcy Code allows a debtor in possession to avoid a transfer to a creditor made within one year before the petition date if (a) the transfer was made with actual intent to hinder, delay, or defraud other creditors or (b) the transfer was for less than reasonably equivalent value and the debtor was insolvent or undercapitalized at the time of the transfer or became insolvent or undercapitalized as a result of the transfer.

A list of all transfers by the Debtors to unsecured creditors within 90 days before the Petition Date, and one year to insiders, is provided in the Debtors' Statements of Financial Affairs filed with the Bankruptcy Court.

As of the Effective Date, all Estate Actions (including, without limitation, claims based on sections 547 and 548 of the Bankruptcy Code) will revest in the Debtors, as reorganized under the Plan. In accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the reorganized Debtors shall retain the exclusive right to assert, prosecute, settle, or compromise any Estate Action vested in it under the Plan as well as any and all defenses, counterclaims, and rights that have been asserted or could be asserted by the Debtors against or with respect to all Claims asserted against the Debtors or property of the Debtors' Estates.

Notwithstanding the foregoing, the Debtors have determined that because all Claims are to be paid in full under the Plan, the Debtors do not currently intend (but do not hereby waive the right) to assert or prosecute such claims except as a defense to any Claim or a setoff asserted by any Holder of a Claim.

VIII. CONFIRMATION OF THE PLAN

A. Solicitation of Votes; Voting Procedures

1. Ballots and Voting Deadlines

A ballot to be used for voting to accept or reject the Plan, together with an addressed return envelope, is enclosed with all copies of this Disclosure Statement mailed to all Holders of Claims and Interests entitled to vote, if any. BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE INSTRUCTION SHEET THAT ACCOMPANIES THE BALLOT.

The Bankruptcy Court has directed that in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than 5:00 p.m. Central Time on _____, 2012, at the following address:

Carolyn Perkins
Neligan Foley LLP
325 North St. Paul, Suite 3600
Dallas, Texas 75201
Fax: 214-840-5301

YOUR BALLOT MAY NOT BE COUNTED IF IT IS RECEIVED AT THE ABOVE ADDRESS AFTER 5:00 P.M. CENTRAL TIME ON _____, 2012. FACSIMILE BALLOTS WILL BE ACCEPTED NO LATER THAN 5:00 P.M. CENTRAL TIME ON _____, 2012.

2. Parties in Interest Entitled to Vote

Any Holder of a Claim against the Debtors as of the Voting Record Date (_____, 2012) whose Claim has not previously been disallowed by the Bankruptcy Court or objected to by the Debtors is entitled to vote to accept or reject the Plan, if such Claim is impaired under the Plan and either (a) such Holder's Claim has been scheduled by the Debtors (and such Claim is not scheduled as disputed, contingent, or unliquidated) or (b) such Holder has filed a proof of claim on or before the Bar Date (November 7, 2011), the last date set by the Bankruptcy Court for such filings.

3. Definition of Impairment

As set forth in section 1124 of the Bankruptcy Code, a class of claims or equity interests is impaired under a plan of reorganization unless, with respect to each claim or equity interest of such class, the plan:

(a) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or

(b) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to demand or receive accelerated payment of such claim or equity interest after the occurrence of a default:

(i) cures any such default that occurred before or after the

commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code;

(ii) reinstates the maturity of such claim or interest as it existed before such default;

(iii) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; and

(iv) does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

4. Classes Impaired Under the Plan

Classes of claims or equity interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Classes of Claims or Interests that are impaired under a plan and are not receiving any distribution under the plan are conclusively presumed to have rejected the plan and thus are not entitled to vote on the plan. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class and are receiving a distribution under the plan. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity, or payment in full in Cash.

The Debtors believe that there are no Classes of Claims or Interests that are impaired under the Plan as the Plan provides for paying in full in Cash or, in the alternative, curing any defaults and reinstating maturity.

5. Vote Required For Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan. The Bankruptcy Code also defines acceptance of the plan by a class of interests (equity securities) as acceptance by holders of two-thirds of the number of shares actually voting.

The Debtors believe that all Classes of Claims and Interests are deemed to have accepted the Plan under section 1126(f) of the Bankruptcy Code.

B. <u>Confirmation Hearing</u>

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, **the Confirmation Hearing on the Plan has been scheduled for _____, 2012 at __:__ __.m. Central**

Time in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division. The Bankruptcy Court may adjourn the Confirmation Hearing from time to time without further notice except for an announcement made at the confirmation hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. **Any objection to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court on or before _____, 2012 at __:__ __.m. Central Time**, at the following address:

Clerk of the United States Bankruptcy Court
Northern District of Texas
1100 Commerce, Room 12A24
Dallas, Texas 75242

In addition, any such objection must be served upon the following parties, together with proof of service, so that they are ***received*** **by such parties on or before 5:00 p.m. Central Time on _____, 2012**:

Patrick J. Neligan, Jr. Nicholas A. Foley James P. Muenker Neligan Foley LLP 325 N. St. Paul, Suite 3600 Dallas, TX 75242 (214) 840-5301 (Fax) COUNSEL FOR THE DEBTORS	
Office of the United States Trustee Room 976 1100 Commerce Street Dallas, TX 75242	

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014 and the Order Approving Disclosure Statement and Setting Deadline for Objections. **UNLESS AN OBJECTION TO CONFIRMATION IS SERVED AND FILED ON THE DEBTORS AND THE OTHER NOTICE PARTIES AND THEIR COUNSEL SO THAT IT IS ACTUALLY RECEIVED BY NO LATER THAN 5:00 P.M. CENTRAL TIME ON _____, 2012, THE BANKRUPTCY COURT MAY NOT CONSIDER IT.**

The Debtors believe that the key dates leading up to and including the Confirmation Hearing may be summarized as follows:

1. _____, 2012, 5:00 p.m. Central Time: Deadline for parties to file and serve any objection to the Plan.

2. _____, 2012, 5:00 p.m. Central Time: Deadline for parties entitled to vote

on the Plan to have their ballots received by the tabulation agent.

3. _____, 2012, 5:00 p.m. Central Time: Commencement of the Confirmation Hearing.

C. Requirements For Confirmation of a Plan

At the Confirmation Hearing, the Bankruptcy Court must determine whether the Bankruptcy Code's requirements for confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. As set forth in section 1129 of the Bankruptcy Code, these requirements are as follows:

1. The plan complies with the applicable provisions of the Bankruptcy Code.

2. The proponent of the plan complied with the applicable provisions of the Bankruptcy Code.

3. The plan has been proposed in good faith and not by any means forbidden by law.

4. Any payment made or promised by the debtor, by the plan proponents, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in, or in connection with, the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

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

(ii) the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy; and

(b) the proponent of the plan has disclosed the identity of any insider that will be employed or retained by the reorganized debtor, and the nature of any compensation for such insider.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor have approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

7. With respect to each impaired class of claims or interests:

(a) each holder of a claim or interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or interest property

of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor liquidated on such date under chapter 7 of the Bankruptcy Code on such date; or

(b) if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

8. With respect to each class of claims or interests:

(a) such class has accepted the plan; or

(b) such class is not impaired under the plan.

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

(a) with respect to a claim of a kind specified in section 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(b) with respect to a class of claims of a kind specified in section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive:

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

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

(c) with respect to a claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of a claim will receive on account of such claim regular installment payments in cash –

(i) of a total value, as of the effective date of the plan, equal to the allowed amount of such claim;

(ii) over a period ending not later than 5 years after the date of the order for relief under section 301, 302, or 303; and

(iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash

payments made to a class of creditors under section 1122(b)); and

(d) with respect to a secured claim that would otherwise meet the description of an unsecured claim of a governmental unit under section 507(a)(8), but for the secured status of that claim, the holder of that claim will receive on account of that claim, cash payments, in the same manner and over the same period, as described in subparagraph (c) above.

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

11. Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.

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

13. The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.

The Debtors believes that the Plan satisfies all the statutory requirements of chapter 11 of the Bankruptcy Code, that they have complied or will have complied with all the requirements of chapter 11, and that the Plan is proposed in good faith.

The Debtors believe that Holders of all Allowed Claims and Interests impaired under the Plan will receive payments or other property under the Plan having a present value as of the Effective Date not less than the amounts likely to be received if the Debtors were liquidated in a case under chapter 7 of the Bankruptcy Code. At the Confirmation Hearing, the Bankruptcy Court will determine whether Holders of Allowed Claims or Interests would receive greater distributions under the Plan than they would receive in liquidation under chapter 7.

D. Cramdown

If any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to that Class. A plan of reorganization "does not discriminate unfairly" within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its claims or equity interests.

"Fair and equitable" has different meanings with respect to the treatment of secured and

unsecured claims. As set forth in section 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

1. With respect to a class of *secured claims*, the plan provides:

(a) (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims; and

(ii) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property;

(b) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) or (c) of this paragraph 1; or

(c) the realization by such holders of the "indubitable equivalent" of such claims.

2. With respect to a class of *unsecured claims*, the plan provides:

(a) 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

(b) the holder of any claim or 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 interest any property.

3. With respect to a class of *equity interests*, the plan provides:

(a) that each holder of an interest of such class receive or retain on account of such 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

(b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property.

In the event that any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and

equitable with respect to, and does not discriminate unfairly against, any rejecting impaired Class of claims or equity interests. For the reasons set forth above, the Debtors believe the Plan does not discriminate unfairly against, and is fair and equitable with respect to, each impaired Class of Claims or Interests.

IX. RISK FACTORS

The following is intended as a summary of certain risks associated with the Plan, but it is not exhaustive and must be supplemented by the analysis and evaluation made by each holder of a Claim or Interest of the Plan and this Disclosure Statement as a whole with such holder's own advisors.

A. Insufficient Acceptances

The Debtors believe that all Classes of Claims or Interests are unimpaired under the Plan and deemed to have accepted the Plan. However, for the Plan to be confirmed, each impaired Class of Claims is given the opportunity to vote to accept or reject the Plan, unless the Plan provides that the Holders in such Class will not receive any distribution under the Plan (in which event such Holders are deemed to reject the Plan). With regard to such impaired voting Classes, the Plan will be deemed accepted by a Class of impaired Claims if the Plan is accepted by claimants of such Class who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Allowed Claims in that Class that actually vote on the Plan. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. In the event that the Bankruptcy Court determines that there are impaired Classes of Claims and an impaired Class of Claims has not voted to accept the Plan, the Debtors reserve the right to request confirmation of the Plan pursuant to the cramdown provisions in section 1129(b) of the Bankruptcy Code, which will allow confirmation of the Plan even if a particular Class of impaired Claims has not accepted the Plan. However, there can be no assurance that any impaired Class of Claims will accept the Plan or that the Debtors would be able to use the cramdown provisions of the Bankruptcy Code for confirmation of the Plan.

B. Confirmation Risks

The following specific risks exist with respect to confirmation of the Plan:

(i) Any objection to confirmation of the Plan filed by a member of a Class of Claims or Interests can either prevent confirmation of the Plan or delay confirmation for a significant period of time.

(ii) Since the Debtors may be seeking to obtain approval of the Plan over the rejection of one or more impaired Classes of Claims or Interests, the cramdown process could delay confirmation.

C. Conditions Precedent

Confirmation of the Plan and occurrence of the Effective Date are subject to certain conditions precedent that may never occur. The Debtors, however, will work diligently with all

parties in interest to ensure that all conditions precedent are satisfied.

D. Risk Regarding Amounts and Classification of Claims

The estimated number and amount of claims in each Plan Class set forth on pages 7-11 of this Disclosure Statement are based on the Debtors' review and analysis of their Schedules and the proofs of claim filed in the Bankruptcy Cases, and on the Debtors' assumptions regarding how certain claims may be classified and treated under the Plan. There can be no assurance that the Debtors' estimates of the number and amount of claims in each Class, and the concomitant amount of distributions and recoveries by creditors in any Class (whether in amount or as a percentage of any Allowed Claim), will prove to be accurate. The estimated distributions and recoveries may be substantially less than estimated.

E. Post-Effective Date Funding

Both prior to the Petition Date and during the pendency of the Bankruptcy Cases, the Debtors relied on funds generated from the operations of the Property to pay their expenses and service their debt. To the extent the Property is not sold, the Debtors will continue to rely on funds generated from the operations of the Property to pay expenses and service their debt. However, there can be no assurance that the Debtors will be able to consistently maintain these sources of funds after the Effective Date. Accordingly, after the Effective Date, the Debtors may be required to obtain necessary funding from currently unidentified sources in order to fund its ongoing operations until it can sell the Property and pay Allowed Claims under the Plan.

F. Competition

Littleton operates in a highly competitive market for apartments on the basis of quality, location, and price, among other things. Reorganized Littleton will face competition from a number of other properties, and such competition may result in the loss of existing business or inability to secure future business. Further, the construction of new properties (one of which is currently underway), or the upgrading of existing properties, in the market may lead to increased competition and could adversely affect Littleton's revenue and profitability and its ability to sell the Property in the future if the Sale is not consummated.

G. Economic Pressures

The current recessionary conditions in the domestic and global economies, the duration of which is unknown and unpredictable, and other general economic conditions could adversely affect Littleton's financial performance and its ability to produce earnings necessary to pay ongoing operating costs and potential capital improvements if the Sale is not consummated. These unpredictable economic conditions could also adversely affect Littleton's ability to sell the Property in the future if the Sale is not consummated.

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Section 1129(a)(7) of the Bankruptcy Code requires that every creditor in an impaired class who has not accepted a proposed plan of reorganization receive at least as much under the plan as that creditor would receive in a hypothetical liquidation of the debtor under chapter 7 of the Bankruptcy Code. That is, each creditor who votes to reject the plan is entitled to be certain

that it is no worse off under the plan than it would be if the debtor were liquidated and the proceeds of that liquidation were distributed among all the debtor's creditors in accordance with the distribution priorities established by the Bankruptcy Code. This requirement is generally known as the "best interests of creditors" test.

Under the Plan, the Holders of Allowed Claims are being paid in full, including post-petition interest to the extent required by law. Because that is the most that Holders of such Allowed Claims could possibly receive in a chapter 7 liquidation, the best interests test is satisfied as to such Holders.

XI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtors and certain Holders of Claims. This summary does not address all aspects of federal income taxation that may be relevant to all persons considering the Plan. Special federal income tax considerations not discussed in this summary may be applicable to, among other persons, financial institutions, insurance companies, foreign corporations, tax-exempt institutions and persons who are not citizens or residents of the United States. In addition, this summary does not discuss the effect of any foreign, state or local tax law, the effect of which may be significant. Furthermore, this discussion assumes that the Debtors are classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended ("IRC"), the regulations promulgated thereunder, judicial decisions, and administrative positions of the Internal Revenue Service (the "Service"). All Section references in this summary are to Sections of the IRC. Any change in the foregoing authorities may be applied retroactively in a manner that could adversely affect persons considering the Plan.

No ruling will be sought from the Service with respect to the federal income tax aspects of the Plan and there can be no assurance that the conclusions set forth in this summary will be accepted by the Service. No opinion has been sought or obtained with respect to the tax aspects of the Plan.

THIS SUMMARY IS INTENDED FOR GENERAL INFORMATION ONLY. PERSONS CONSIDERING THE PLAN ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE REORGANIZATION OF THE DEBTORS, THE RECEIPT OF ANY PAYMENT UNDER THE PLAN, AND THE IMPACT ON THAT PERSON OR ANY OTHER PERSON OF ANY OBLIGATION IMPOSED UNDER THE PLAN.

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS in Circular 230, you are hereby informed that (i) any tax advice contained in this Disclosure Statement is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code, (ii) the advice is written to support the promotion or marketing of the transactions or matters addressed in the Disclosure Statement and (iii) each Holder should seek advice based on its particular circumstances from an independent tax advisor.

A. Tax Consequences to the Debtors

Under the IRC, a taxpayer generally must include in gross income the amount of any discharge-of-indebtedness income realized during the taxable year. If, as contemplated under the Plan, the Debtors pay all Allowed Claims, the Debtors will not recognize any discharge-of-indebtedness income pursuant to Section 108 of the IRC. If, however, the Debtors do not pay all Allowed Claims in full, then the Debtors may be required to realize discharge-of-indebtedness income.

B. Tax Consequences To Holder of Interests

Under the Plan, the Holders of Interests in the Debtors will retain their Interests in the Debtors after the Effective Date. The amount, character and timing of any gain or loss recognized by the Holder of any Interest depends on a variety of factors, including the individual circumstances of such Holder. Each Holder of an Interest in the Debtors should consult with its own tax advisor to determine the impact of retaining its Interest in the Debtors.

C. Tax Consequences to Holders of Claims

A Holder of an Allowed Claim who receives Cash or other consideration in satisfaction of any Allowed Claim may recognize ordinary income. Each Holder of a Claim is urged to consult with its tax advisor regarding the tax implications of any Distributions it may receive under the Plan.

D. Information Reporting and Withholding

All distributions to Holders of Claims and Interests are subject to any applicable withholding (including employment tax withholding). Under the IRC, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding" then in effect. Backup withholding generally applies if the holder (1) fails to furnish its social security number or other taxpayer identification number ("TIN"), (2) furnishes an incorrect TIN, (3) fails properly to report interest or dividends or (4) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

THE FOREGOING SUMMARY OF CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES HAS BEEN PROVIDED 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 OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES THAT MAY BE APPLICABLE UNDER THE PLAN.

XII. CONCLUSION

The Debtors urge Holders of Claims entitled to vote on the Plan to vote to **ACCEPT** the Plan and to evidence such acceptance by returning their ballots so that they will be received by **5:00 p.m. Central Time on _____, 2012.**

By: */s/ Tim Hogan*
Tim Hogan
Its Authorized Representative

MS 128 LITTLETON LIMITED PARTNERSHIP

By: */s/ Tim Hogan*
Tim Hogan
Its Authorized Representative

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