

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLUMBIA**

In re:

*

MWM CARVER TERRACE, LLC,

*

Case No: 11-00168

Debtor.

*

(Chapter 11)

* * * * *

**DISCLOSURE STATEMENT PURSUANT TO SECTION 1125
OF THE BANKRUPTCY CODE FOR DEBTOR'S FIRST AMENDED
PLAN OF REORGANIZATION**

MWM Carver Terrace, LLC, the debtor and debtor-in-possession herein (the “Debtor”), by counsel, hereby submits this Disclosure Statement (the “Disclosure Statement”) pursuant to § 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”), to all holders of Claims against or Interests in the Debtor, as a prerequisite to soliciting acceptances to the Debtor’s First Amended Plan of Reorganization (the “Plan”), which has been filed by the Debtor with the Clerk of the United States Bankruptcy Court for the District of Columbia.

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I. INTRODUCTION

The purpose of this Disclosure Statement¹ is to furnish information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor's books and records, that would enable a hypothetical reasonable investor typical of the holders of Claims against or Interests in the Debtor to make an informed judgment about the Plan.

The Debtor believes that this Disclosure Statement contains "adequate information", as that term is defined in § 1125(a)(1) of the Bankruptcy Code, for holders of Claims against or Interests in the Debtor as required by § 1125 of the Bankruptcy Code. The "adequate information" herein provided consists of information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor's books and records, that would enable a hypothetical reasonable investor typical of the holders of Claims against or Interests in the Debtor to make an informed judgment about the Debtor's Plan dated ~~April 7~~, May 24, 2011, and whether to accept or reject the Plan. The transmittal of this Disclosure Statement does not represent, and should not be interpreted as being, the Bankruptcy Court's recommendation to either accept or reject the Plan.

Definitions

Unless otherwise defined herein, the capitalized terms used in this Disclosure Statement shall be defined as set forth in the Debtor's Plan.

¹ The term "Disclosure Statement" as used herein shall encompass all exhibits annexed hereto as well as the Disclosure Statement document itself.

List of Enclosures

Also accompanying the Disclosure Statement are the following documents (the “Enclosures”), each of which is incorporated by reference:

Enclosure 1: The Plan

Enclosure 2: A Ballot

Enclosure 3: Order Approving Disclosure Statement, Setting Hearing on Confirmation of Plan And Fixing Time For Filing Acceptances Or Rejections Of Plan, Combined With Notice Thereof

Plan Supplement

On or before ten (10) calendar days before the Confirmation Hearing, the Debtor will file other documents, if any, as may be necessary or appropriate to implement the terms and provisions of the Plan.

Availability of Other Information

The entire Court file on this Bankruptcy Case is available for review at the Office of the Clerk, United States Bankruptcy Court for the District of Columbia, 333 Constitution Avenue, NW, Suite 1225, Washington, D.C. 20001, during the Bankruptcy Court’s regular business hours. Additionally, certain items may be available online through PACER <http://pacer.psc.uscourts.gov/register.html>. Persons with questions about the Plan or this Disclosure Statement may contact the Debtor’s counsel, Brent C. Strickland, Esquire, via e-mail at bstrickland@wtplaw.com or by telephone at 410-347-8700.

Voting, Disclaimer, and Supremacy of Plan Provisions

After carefully reviewing the Plan, this Disclosure Statement, all of the Exhibits annexed hereto and all of the Enclosures herewith, please indicate your vote on the enclosed Ballot and return your Ballot to the Debtor’s counsel at the following address: Brent C.

Strickland, Esquire, Whiteford, Taylor & Preston L.L.P., Seven Saint Paul Street, Baltimore, Maryland 21202-1636.

On _____ 2011, the Bankruptcy Court entered an Order approving this Disclosure Statement for distribution to creditors (the "Disclosure Statement Order"). APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

THE PLAN AND THIS DISCLOSURE STATEMENT ARE NOT REQUIRED TO BE AND HAVE NOT BEEN PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NONBANKRUPTCY LAW. NONE OF THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL OR REGULATORY AUTHORITY HAS APPROVED THIS DISCLOSURE STATEMENT, THE PLAN OR ANY SECURITIES OFFERED UNDER THE PLAN, OR HAS PASSED ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO REPRESENTATION CONCERNING THE DEBTOR, THE DEBTOR'S BUSINESS OPERATIONS, THE VALUE OF THE DEBTOR'S PROPERTY, OR THE PLAN, ARE AUTHORIZED BY THE DEBTOR UNLESS SET FORTH IN THIS DISCLOSURE STATEMENT. ACCORDINGLY, NO REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD BE RELIED UPON IN EXERCISING THE RIGHT TO VOTE OR NOT TO VOTE ON THE ACCEPTANCE OF THE PLAN AND ANY SUCH

REPRESENTATION OR INDUCEMENT SHOULD BE REPORTED IMMEDIATELY TO COUNSEL FOR THE DEBTOR.

THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, THE PLAN SUPPLEMENT, AND THE EXHIBITS ATTACHED THERETO, AND THE AGREEMENTS AND DOCUMENTS DESCRIBED THEREIN. IF THERE IS A CONFLICT BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN WILL GOVERN. YOU ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND THE PLAN SUPPLEMENT AND TO READ CAREFULLY THE ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS, BEFORE DECIDING HOW TO VOTE WITH RESPECT TO THE PLAN.

THE FINANCIAL INFORMATION SUBMITTED WITH THE DISCLOSURE STATEMENT AND PLAN HAS NOT BEEN SUBJECT TO AUDIT AND ANY ESTIMATES OF CLAIMS OR INTERESTS IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE FINAL AMOUNTS OF CLAIMS OR INTERESTS ALLOWED BY THE BANKRUPTCY COURT. FURTHER, ANY ESTIMATES OF RECOVERIES IN THIS DISCLOSURE STATEMENT MAY VARY FROM RECOVERIES ACTUALLY RECEIVED.

THE DEBTOR BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF ALL CREDITORS. THE PLAN AND DISCLOSURE STATEMENT ARE COMPLEX INsofar AS THEY CONSTITUTE A LEGALLY BINDING COMMITMENT BETWEEN THE CREDITORS AND THE DEBTOR. ACCORDINGLY, CREDITORS AND PARTIES-IN-INTEREST ARE URGED TO SEEK LEGAL COUNSEL IF UNSURE OF THE EFFECT OF THE PLAN AND DISCLOSURE STATEMENT.

THE ABSENCE OF PENDING OBJECTIONS TO CLAIMS OR PENDING AVOIDANCE ACTIONS OR THE ABSENCE OF AN INDICATION HEREIN OF POTENTIAL OBJECTIONS TO CLAIMS OR AVOIDANCE ACTIONS, SHALL NOT SERVE AS A WAIVER OF SUCH RIGHTS, AND ALL CREDITORS AND PARTIES-IN-INTEREST ARE HEREBY EXPRESSLY ON NOTICE THAT THEY SHOULD NOT RELY ON THE DISCLOSURE STATEMENT OR ABSENCE OF NOTICE OF AN OBJECTION OR POSSIBLE AVOIDANCE ACTION UNDER SECTIONS 542-550 OF THE BANKRUPTCY CODE, AS A DEFENSE TO SUCH FUTURE OBJECTION OR AVOIDANCE ACTION.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THE DISCLOSURE STATEMENT IS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS AND SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER.

THE DESCRIPTION OF THE PLAN IN THE DISCLOSURE STATEMENT IS A SUMMARY ONLY, AND CREDITORS AND OTHER PARTIES-IN-INTEREST ARE URGED TO REVIEW THIS ENTIRE DISCLOSURE STATEMENT AND ITS EXHIBITS, THE DETAILED DESCRIPTION OF THE PLAN CONTAINED HEREIN AND THE PLAN ITSELF, WHICH IS ANNEXED HERETO AS ENCLOSURE 1, FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS.

II. HISTORY AND BACKGROUND

The Debtor is a limited liability company organized under the laws of the District of Columbia. The Debtor is the owner of a 407 unit multi-family residential community located at 901 21st Street NE, Washington, DC 20002 (the "Property"). The Property is comprised of the

following parcels: (i) 2100-2102 Maryland Avenue and 1100 21st Place, NE; (ii) 1111-1115 21st Street, NE; (iii) 1104-1108 21st Place, NE; (iv) 2106-2114 Maryland Avenue, NE; (v) 1109 21st Place, NE; (vi) 900-904 22nd Street, NE; (vii) 2110-2114 I Street, NE; (viii) 2104-2108 I Street, NE; (ix) 901-905 21st Street, NE; (x) 2105-2109 Maryland Avenue, NE; and (xi) 2111-2115 Maryland Avenue, NE, Washington, DC 20002. The Property occupies 5.78 acres of land and has approximately 252,000 square feet of enclosed improvements.

As of the Petition Date, approximately 75% of the Property was occupied pursuant to various rental leases. The aggregate amount of the monthly rents generated from the leases is approximately \$198,775.00.

Federal National Mortgage Association (“Fannie Mae”) is owed in excess of \$8 million from the Debtor pursuant to a certain note executed by the Debtor (the “Note”). Fannie Mae further has a security interest in the Property and its rental income pursuant to various loan documents (collectively, the “Loan Documents”) to secure the Note. The Note and the Loan Documents were assigned to Fannie Mae by Citibank N.A. ~~Additionally,~~ SiteTec Construction Co. (“SiteTec”) and District Electrical Services, Inc. (“District Electrical”) also assert mechanic’s liens on the Property in the principal amounts of \$58,052.83 and \$1,181.02, respectively. Additionally, the District of Columbia Water and Sewer Authority (“WASA”) and Washington Gas have liens on the Property pursuant to the Final Consent Order (I) Prohibiting Utility Companies from Altering, Refusing or Discontinuing Service, (II) Deeming Utilities Adequately Assured of Future Performance and (III) Establishing Procedures for Determining Additional Adequate Assurance of Payment, entered by the Bankruptcy Court on May 13, 2011. The Debtor is not aware of any other liens on the Property or the Operation

Assets. The Debtor expects to pay Fannie Mae, SiteTec, and District Electrical in full from the

sale proceeds at closing on the sale of the Property. Moreover, WASA and Washington Gas will be paid to the extent of any post-petition indebtedness from the sale proceeds at Closing on the sale of the Property.

III. EVENTS LEADING TO THE DEBTOR'S CHAPTER 11 PETITION

In 2010, Carver Terrace began to experience a significant downturn in its occupancy rate and business income. As of the Petition Date, of the Property's 407 units, 102 units were vacant. The vacancy rate, coupled with the skyrocketing cost of heating oil in the unseasonably frigid and snowy winter months, exacerbated the Debtor's tightened cash flow.

The Debtor began to actively market the Property prepetition to potential buyers and ultimately signed a letter of intent that included a purchase price in an amount greater than the outstanding debt on the Note. As a result, however, of the Debtor's default under the Note, on December 23, 2010, Fannie Mae filed a four (4) count complaint (the "Complaint") in the United States District Court for the District of Columbia, seeking, *inter alia*, recovery of the unpaid balance allegedly due from Carver Terrace on the Note, the appointment of a receiver for the Property, and injunctive relief. Thereafter, on January 24, 2011, Fannie Mae filed a Motion for Appointment of Receiver and Injunctive Relief. In order to maximize the value of the Property, the Debtor commenced this chapter 11 proceeding.

IV. BANKRUPTCY PROCEEDINGS

The Petition for Relief

On March 3, 2011, Carver Terrace filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor is authorized to operate its business and manage its properties as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

The Employment of Professionals by the Debtor

The Debtor is represented in this bankruptcy case by Whiteford, Taylor & Preston L.L.P. (“WT&P”). The employment of WT&P as bankruptcy counsel to the Debtor was approved by the Bankruptcy Court by an Order entered March 28, 2011.

Use of Cash Collateral

On March 4, 2011, the Debtor filed a Motion to use the cash collateral of Fannie Mae. On March 29, 2011, the Bankruptcy Court entered a Stipulation and Order Regarding Interim Use of Cash Collateral (the “Cash Collateral Order”), authorizing the Debtor to use cash collateral pursuant to a budget presented by Debtor to the Bankruptcy Court and Fannie Mae. The Debtor currently has authority to use cash collateral through July 3, 2011.²

Motion for Continuation of Utility Service and Approval of Adequate Assurance of Payment to Utility Company Under 11 U.S.C. § 366(b)

On March 28 2011, the Debtor filed an Emergency Motion for Entry of Interim and Final Orders Pursuant to Sections 105(a) and 366 of the Bankruptcy Code (I) Prohibiting Utility Companies from Altering, Refusing or Discontinuing Service, (II) Determining Adequate Assurance of Payment for Future Utility Services, and (III) Establishing Procedures for Determining Requests for Additional Adequate Assurance (the “Utility Motion”). By the Utility Motion, the Debtor requested the entry of an Order (i) prohibiting utility companies from altering, refusing or discontinuing service, (ii) determining adequate assurance of payment for future utility services, and (iii) establishing

² Because the Debtor has satisfied the conditions set forth in the 14th decretal paragraph of the Cash Collateral Order, the date through which the Debtor is authorized to use Fannie Mae’s cash collateral has been extended for a period of 90 days, from April 4, 2011 to July 3, 2011.

procedures for determining requests for additional adequate assurance. In the Utility Motion, the Debtor proposed to provide utility companies with additional adequate assurance in the form of a post-petition lien on the Property, junior only to the liens of Fannie Mae, SiteTec, and District Electrical on the Property, in addition to any prepetition deposit held by such utility company.

On April 4, 2011, the Bankruptcy Court entered an Interim Order (I) Prohibiting Utility Companies from Altering, Refusing or Discontinuing Service, (II) Deeming Utilities Adequately Assured of Future Performance, (III) Establishing Procedures for Determining Additional Adequate Assurance of Payment, (IV) Setting April 22, 2011 Deadline for Objections to Order Becoming Final, and (V) April 27, 2011 Final Hearing (the “Interim Utility Order”). Pursuant to the Interim Utility Order, the Bankruptcy Court found that the Debtor had furnished the utility companies with adequate assurance of payment in compliance with § 366 of the Bankruptcy Code for post-petition services by virtue of (i) the junior lien on the Property, (ii) any prepetition deposits or advance payments paid to the utility companies; and (iii) the Debtor’s ability to pay for future services in the ordinary course of business.

On April 22, 2011, Potomac Electric Power Company (“Pepco”) filed an objection to the Utility Motion. Additionally, while it did not file a formal objection, WASA raised certain issues it had with respect to the Utility Motion with the Debtor. Thereafter, on May 13, 2011, after the Debtor was able to achieve consensual resolutions with both Pepco and WASA, the Court entered a Final Consent Order (I) Prohibiting Utility Companies from Altering, Refusing or Discontinuing Service, (II) Deeming Utilities Adequately Assured of Future Performance and (III) Establishing Procedures for

Determining Additional Adequate Assurance of Payment (the “Final Utility Order”).
Under the Final Utility Order, WASA and Washington Gas have junior liens on the
Property securing any unpaid post-petition indebtedness of the Debtor.

**Motion for Authority to Sell Assets Pursuant to
Purchase and Sale Agreement**

On March 31, 2011, the Debtor filed a Motion for Approval of (I) Sale of Real Property and Related Assets Free and Clear of Liens and Encumbrances, (II) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (III) Related Relief (the “Sale Motion”), pursuant to which the Debtor sought Bankruptcy Court authority to sell its interest in the Property and the Operation Assets.

The Sale Motion ~~seeks~~ also sought Bankruptcy Court approval of the ~~sale of the Property and related assets, free and clear of all liens, claims, interests and encumbrances, and the assumption and assignment,~~ pursuant to § 365 of the Bankruptcy Code, of certain of the Assigned Executory Contracts and Unexpired Leases ~~identified on the Schedule of Assigned Executory Contracts and Unexpired Leases, attached as Exhibit B to the Plan, to SCD Carver Holdings, LLC, a Washington, D.C. limited liability company (the “Purchaser”)~~ used in conjunction with the operation of the Property as an apartment complex, including all of the tenant leases, subject to the assumption, assignment and cure procedures set forth in the Plan. ~~The sale of~~

At the time the Sale Motion was filed, the Debtor proposed to sell the Property and the Operation Assets ~~is subject to higher and better offers. As of the date of this Disclosure Statement, the Debtor has not received any competing offers to purchase the Property and the Operation Assets.~~ to SCD Carver Holdings, LLC (“SCD”) for the purchase price of

\$13,500,000, cash at closing. A copy of the Purchase and Sale Agreement by and between the Debtor and SCD (the “SCD Agreement”) was attached as Exhibit A to the Sale Motion and set forth (in addition to the proposed price) all of the terms of the proposed sale.

On May 5, 2011, the Debtor filed with the Court the First Amendment to the SCD Agreement (the “SCD Amendment”). Pursuant to the SCD Amendment, SCD, *inter alia*, reduced the purchase price for the Property and the Operation Assets to \$12,500,000 and extended the closing date on the sale of the Property to December 23, 2011, with the ability to further extend the closing date for up to three (3) additional one month periods.

On May 17, 2011, the Debtor received a competing offer by William C. Smith & Co., Inc. (“Smith”) for the purchase of the Property and the Operation Assets. A copy of the Purchase and Sale Agreement submitted by Smith (the “Smith Agreement”) is attached as Exhibit A to the Plan. Pursuant to the Smith Agreement, Smith proposed to purchase the Property and the Operation Assets for the purchase price of \$12,525,000, cash at closing, with closing to occur between thirty (30) and sixty (60) days from the Court’s approval of the sale of the Property. The Debtor determined in its business judgment that the competing offer submitted by Smith was the highest and best bid on the Property, compared to the SCD Agreement.

On May 18, 2011, the Bankruptcy Court held a hearing on the Sale Motion. At the hearing, the Debtor presented the Smith Agreement to the Bankruptcy Court and the Bankruptcy Court determined that the offer represented by the Smith Agreement was the superior offer. The Bankruptcy Court based its decision on both the higher sale price represented in the Smith Agreement and the expediency with which Smith could close on the sale of the Property and the Operation Assets.

At the May 18 hearing, the Court established May 23, 2011 at 12:00 p.m. EDT as the deadline for objecting to the sale of the Property and the Operation Assets to Smith and for submitting competing bids for the Property and the Operation Assets. As such, the filed and served that certain *Notice of (A) Additional Purchase Offer in Connection with Debtor's Motion for Approval of (I) Sale of Real Property and Related Assets Free and Clear of Liens and Encumbrances, (II) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases and (III) Related Relief, (B) Deadline for Submission of Objection or Higher and Better Offers, and (C) Continued Hearing on Sale Motion* (the "Notice of Competing Bid Deadline") upon all parties-in-interest entitled to receive such notice. Thereafter, on May 23, 2011, SCD timely filed its *Modified Offer to Purchase Real Property* (the "SCD Modified Offer"), increasing its offer to purchase the Property and the Operation Assets from \$12,500,000 to \$12,750,000, but leaving all other prior terms and conditions of the SCD Agreement unaltered.

On May 24, 2011, the Court held another hearing on the Sale Motion to determine which offer represented the highest and best bid for the Property and Operation Assets: the offer represented by the Smith Agreement or the offer represented by the SCD Agreement, as modified by the SCD Modified Offer. At the May 24 hearing, the Court determined that the Smith Agreement was the highest and best offer. Accordingly, on May __, 2011, the Court entered the Sale Order, approving the sale of the Property and the Operation Assets to Smith.

Pending ~~entry of the Sale Order and~~ confirmation of the Plan, the closing of the sale of the Property and the Operation Assets to the Purchaser, pursuant to the Sale Agreement (the "Closing") will occur between thirty (30) ~~days after the Court confirms the Plan and~~

~~provides written notice of such confirmation to the Purchaser; provided, however, in no event shall the Closing occur prior to August 7, 2011, which is the one hundred fiftieth (150th) day following the date of execution of the Sale Agreement~~and sixty-five (65) days after the Sale Order becomes a Final Order.

V. THE SALE

The Sale Agreement

The Plan contemplates the sale of the Property and the Operation Assets, the assumption and assignment of the Assigned Executory Contracts and Unexpired Leases identified on the Schedule of Assigned Executory Contracts and Unexpired Leases, attached as Exhibit B to the Plan, and the rejection of the remaining executory contracts and unexpired leases. The Debtor entered into the Sale Agreement on ~~March 10, 2011. The Sale Agreement will constitute the Asset Purchase Agreement, pursuant to the Plan, upon entry of the Sale Order by the Bankruptcy Court. The Sale Agreement~~May 23, 2011, which is attached as Exhibit A to the Plan. The following is a summary of the Sale Agreement that does not purport to be complete. The Debtor urges you to review the Sale Agreement in its entirety.

1. The Purchaser.The Purchaser is ~~SCD Carver Holdings, LLC~~William C. Smith & Co., Inc. or its assignee WCS Carver Terrace Limited Partnership. The Purchaser is not affiliated in any manner with the Debtor or its principal.
2. Price: The purchase price is \$~~13,500,000~~12,525,000, cash at closing.
3. Executory Contracts and Leases: The Purchaser's purchase of the Debtor's executory contracts and leases is included in the purchase price. In accordance with the Sale Agreement, the Purchaser selected those executory contracts and unexpired leases it wanted the Debtor to assume and assign to the Purchaser, which are listed on the Schedule of Assigned Executory Contracts and Unexpired Leases, attached as Exhibit B to the Plan. The Sale Agreement provides that the Debtor is responsible for the

payment of all cure amounts necessary to assume and assign the Assigned Executory Contracts and Unexpired Leases.

4. ~~Inspection Period:~~ There is a due diligence or study period for fourteen (14) days that expired on March 24, 2011.
5. ~~Financing Contingency:~~ Upon expiration of the study period, the Purchaser has a period of thirty (30) days to obtain a first mortgage loan with a loan to value ratio not to exceed 75%, an interest rate of not more than 5.25% and a 30 year amortization. Within one (1) day after the expiration of the financing contingency, the Purchaser shall increase its non-refundable cash deposit from \$50,000 to \$500,000.5. ~~Closing:~~
Closing shall be between thirty (30) and sixty-five (65) days after the ~~Court confirms the Debtor's Plan and provides written notice of such confirmation to the Purchaser; provided, however, in no event shall the Closing occur prior to August 7, 2011, which is the one hundred fiftieth (150th) day following the date of execution of the Sale Agreement~~ Sale Order becomes a Final Order.
- 6.5. Expenses: Generally, the Sale Agreement provides that each party will bear their own expenses in conjunction with the sale.
7. ~~Commissions:~~ There is a brokerage fee to be paid by the Debtor from the sale proceeds to its real estate broker, CB Richard Ellis ("~~Broker~~"). ~~Broker is to be paid a fee in an amount equal to 2.75% of the purchase price, i.e. \$371,250 upon Closing.~~

The Avoidance Actions

The Purchaser will not be purchasing the causes of action of the Debtor under §§ 542 through 550 of the Bankruptcy Code (the "Avoidance Actions"). The Debtor does not presently believe that there are any potential Avoidance Actions that are beneficial to the estate but whatever those Avoidance Actions may be, they are retained by the Debtor to be administered by the Reorganized Debtor on behalf of the Estate if appropriate.

VI. PLAN OF REORGANIZATION

Summary

The Debtor believes that the Plan will allow it to efficiently liquidate its assets and make distributions to creditors. The Plan will result in creditors receiving a greater recovery than would be available if the Debtor's assets were liquidated under Chapter 7 of the Bankruptcy Code and distributed in accordance with the statutory scheme of priorities contained in the Bankruptcy Code.

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN AND THE DEBTOR STRONGLY URGES YOU TO READ THE PLAN IN ITS ENTIRETY.

Provision for Payment of Administrative Claims, Priority Claims and Priority Tax Claims

Allowed Administrative Expense Claims: Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, holders of Allowed Administrative Expense Claims will receive Cash equal to the unpaid portion of such Allowed Administrative Expense Claim on the later of (a) the Effective Date, (b) the date on which such entity becomes a holder of such Allowed Administrative Expense Claim, or (c) such date as such entity may agree to with the Debtor, provided however, that Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor, as debtor-in-possession, or liabilities arising under other obligations incurred by the Debtor, as debtor-in-possession, whether or not incurred in the ordinary course of business, shall be paid by the Reorganized Debtor in accordance with the terms and subject to the conditions of any orders or

agreements governing, instruments evidencing, or other documents relating to, such transactions. Notwithstanding § 503(a) of the Bankruptcy Code, any person seeking payment of an Administrative Expense Claim under § 503 of the Bankruptcy Code that was incurred on or before the Effective Date but which has not been paid by the Debtor, shall be required to file an application for the allowance of final payment of said Claim on or before sixty (60) days after the Effective Date, and any such Claim not filed by that date shall be forever barred and discharged. Objections to any such application shall be filed within thirty (30) days after the filing of the application. Notwithstanding the foregoing, Professional Persons with Administrative Expense Claims shall comply with the provisions of Section 7.7 of the Plan.

Allowed Priority Claims: The holders of Allowed Priority Claims will receive Cash equal to the unpaid portion of such Allowed Priority Claim, on the later of (a) the Effective Date, (b) the date on which said entity becomes a holder of such Allowed Priority Claim, or (c) such date as such entity may agree to with the Debtor.

Allowed Priority Tax Claims: Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, at the sole option of the Reorganized Debtor, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim: (a) Cash in an amount equal to such Allowed Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or (b) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate, which is consistent with applicable laws or as set by order of the Bankruptcy Court, over a period not exceeding five (5) years after the Petition Date, which shall

begin on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim. Notwithstanding the foregoing, payment terms for Allowed Priority Tax Claims shall not be less favorable than the treatment of General Unsecured Claims. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due.

Designation of Classes of Claims and Interests

For purposes of the Plan, Claims and Interests are classified as follows:

“Class 1 Claim” shall consist of the Allowed Secured Claim of the District of Columbia Office of Tax and Revenue, Real Property Tax Administration.

“Class 2 Claim” shall consist of the Allowed Secured Claim of Fannie Mae.

“Class 3 Claim” shall consist of the Allowed Secured Claim of SiteTec.

“Class 4 Claim” shall consist of the Allowed Secured Claim of District Electrical.

“Class 5 Claims” shall consist of the Allowed Other Secured Claims.

“Class 6 Claims” shall consist of the General Unsecured Claims.

“Class 7 Interests” shall consist of any Interests held in the Debtor, including without limitation, any and all issued and outstanding membership interests in MWM Carver Terrace, LLC.

Treatment of Claims and Interests ~~Under~~under the Plan

Claims and Interests shall receive the following treatment under the Plan:

Class 1 Claim (District of Columbia Office of Tax and Revenue, Real Property Tax Administration). Class 1 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 1 Claim, the holder of the Allowed Class 1 Claim shall receive Cash equal to one hundred percent (100%) of its Allowed Secured Claim, plus interest as provided by applicable law, paid pursuant to the Plan and at Closing on the sale of the Property. The holder of the Allowed Class 1 Claim shall continue to retain its lien on and security interest in, if any, the Property until Closing on the sale of the Property, at which time the Allowed Class 1 Claim will be paid in full.

Class 2 Claim (Fannie Mae Secured Claim). Class 2 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 2 Claim, the holder of the Allowed Class 2 Claim shall receive cash equal to one hundred percent (100%) of its Allowed Secured Claim ~~plus interest as provided by applicable law~~, paid pursuant to the Plan and at Closing on the sale of the Property, including payment of unpaid principal balance, non-default and default interest, yield maintenance, and other charges required under the loan documents, including Fannie Mae's costs and expenses, including reasonable attorneys' fees incurred prior to the Petition Date and during this Chapter 11 Case in enforcing its rights under the loan documents; provided, however, that any disputed amounts claimed by Fannie Mae shall be paid into escrow at Closing and released only upon agreement of the Debtor and Fannie Mae or upon Final Order of the Court. The holder of the Allowed Class 2 Claim shall continue to retain its lien on and security interest in, ~~if any~~, the Property until Closing on the sale of the Property, at which time the Allowed Class 2 Claim will be paid in full, except as provided in § 4.2 B. of the Plan.

Class 3 Claim (SiteTec Secured Claim). Class 3 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 3 Claim, the holder of the Allowed Class 3 Claim shall receive cash equal to one hundred percent (100%) of its Allowed Secured Claim plus interest as provided by applicable law, paid pursuant to the Plan and at Closing on the sale of the Property. The holder of the Allowed Class 3 Claim shall continue to retain its lien on and security interest in, if any, the Property until Closing on the sale of the Property, at which time the Allowed Class 3 Claim will be paid in full.

Class 4 Claim (District Electrical Secured Claim). Class 4 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 4 Claim, the holder of the Allowed Class 4 Claim shall receive cash equal to one hundred percent (100%) of its Allowed Secured Claim plus interest as provided by applicable law, paid pursuant to the Plan and at Closing on the sale of the Property. The holder of the Allowed Class 4 Claim shall continue to retain its lien on and security interest in, if any, the Property until Closing on the sale of the Property, at which time the Allowed Class 4 Claim will be paid in full.

Class 5 Claims (Other Secured Claims). Class 5 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 5 Claims, on or as soon as reasonably practicable after the later of the Effective Date or an Other Secured Claim is Allowed, each holder of an Allowed Other Secured Claim shall receive, at the option of the Debtor, either (i) Cash in an amount equal to one hundred percent (100%) of the Allowed Other Secured Claim, (ii) the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim to the extent of the value of the holder's secured interest in such Collateral, net of the costs of disposition of such Collateral, (iii) such other distribution as necessary to satisfy the requirements of the Bankruptcy Code, including the surrender of any such Collateral; or (iv)

such other treatment as the Debtor and such holder of an Other Secured Claim may agree. The holders of Allowed Class 5 Claims shall continue to retain any liens on the Collateral which secured such claims on the Petition Date to the extent said Collateral has not been sold or otherwise liquidated prior to the date of the Confirmation Order.

Class 6 Claims (General Unsecured Claims). Class 6 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 6 Claims, the holders of the Allowed Class 6 Claims shall receive cash equal to one hundred percent (100%) of their Allowed Claims, plus interest at the federal judgment rate in effect as of the Petition Date from the ~~latter~~later of the Petition Date or the date that the Claim became liquidated, through the date on which the Claim is paid in full, paid pursuant to the Plan and at Closing on the sale of the Property.

Class 7 Interests (MWM Carver Terrace Membership Interests). Class 7 is impaired by the Plan. The holder of the Class 7 Interests shall retain her 100% ownership ~~interest~~interests in the Reorganized Debtor. Upon the payment in full of all Allowed Class 6 Claims, any remaining Cash on hand shall be distributed to the Reorganized Debtor.

Liquidation of the Debtor's Estate

Distribution Account: The proceeds of the Sale, the Reorganized Debtor's Cash and the Reorganized Debtor's accounts receivable will fund the Distribution Account. The Distribution Account will be used by the Reorganized Debtor to make payments required under the Plan in accordance with the priorities set forth in Article IV hereof.

Means ~~of~~ Execution ~~of the~~ Of The Plan

Authority of Reorganized Debtor: By confirmation of the Plan, the Reorganized Debtor is authorized to carry out its duties under the Plan. In carrying out such duties, the Reorganized Debtor shall comply with all applicable laws.

Rights, Duties and Obligations of Reorganized Debtor: On the Effective Date, the Reorganized Debtor alone shall have the following rights, duties and obligations, inter alia:

- a. to use, sell or lease any or all of the property of the Estate;
- b. to distribute funds to holders of Allowed Claims and Allowed Interests consistent with the terms of the Plan;
- c. to maintain the Distribution Account created pursuant to the Plan;
- d. to file a final report and move to close the Debtor's Chapter 11 Case; and
- e. any other duties of a debtor consistent with the Bankruptcy Code, payment to holders of Claims, and to implement the Plan.

Claim Objections: On the Effective Date, the Reorganized Debtor shall have the right, duty and obligation to review the Debtor's Schedules and any Claims or Interests filed in this Chapter 11 Case and to object to any such Claims or Interests.

Sale of Assets: The Confirmation Order shall incorporate by reference the Sale Order and authorize the Debtor to take all actions required to complete Closing on the Property and the Operation Assets. The sale of the Property and the Operation Assets ~~and the Property~~ pursuant to the ~~Asset Purchase~~Sale Agreement and the Plan in all respects shall be deemed a sale pursuant to §§ 105 and 363 of the Bankruptcy Code and an assumption and assignment of executory contracts and unexpired leases pursuant to § 365 of the Bankruptcy Code, in

accordance with and under the provisions of § 1123 of the Bankruptcy Code, as provided for in the Plan, confirmed pursuant to § 1129 of the Bankruptcy Code, effectuated pursuant to § 1141 of the Bankruptcy Code, and in accordance with § 1146 of the Bankruptcy Code, to sell ~~all~~the Property and the Operation Assets free and clear of all liens. If a person who (i) asserts a lien with respect to ~~any of~~the Property or the Operation Assets or (ii) is a party to an Assigned Executory Contract or Unexpired Lease, does not object to the Plan, such person shall be deemed to have consented to the sale of ~~such~~the Property and the Operation Assets free and clear of such person's asserted lien, to the assignment of any such Assigned Executory Contract or Unexpired Lease, including the Debtor's proposed cure amount relating to the assumption and assignment of any executory contract or unexpired lease, and to have consented to the treatment provided for such person under the Plan.

Closing under the ~~Asset Purchase~~Sale Agreement and Consummation of the Plan:

On and after the Confirmation Date, the Debtor shall take all reasonable actions necessary to consummate and implement the Plan, including the transactions provided for in the ~~Asset Purchase~~Sale Agreement and will execute and deliver any related agreements, documents or other instruments. Without limiting the generality of the foregoing, the ~~Asset Purchase~~Sale Agreement and any related documents, agreements or other instruments may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of the Bankruptcy Court; provided, that any such modification, amendment or supplement does not have a material adverse affect on the Estate or Creditors.

~~Remarketing and Sale of Property~~Failure to Achieve Effective Date: In the event that the Sale Agreement is terminated or the transactions contemplated in such Sale Agreement do not occur for any reason, ~~the Debtor shall have a period of 180 days from the~~

~~Confirmation Date to remarket the Property and pursue a sale of the Operation Assets. In the event that such remarketing efforts have not resulted in the execution of an Asset Purchase Agreement within such 180 day period, then the Debtor shall place the Property up for public auction under such rules and procedures as shall have been approved by the Bankruptcy Court~~
or the Effective Date does not otherwise occur, the Debtor shall have the right to modify the Plan pursuant to § 1127 of the Bankruptcy Code and all creditors, including, but not limited to, Fannie Mae expressly reserve the right to support or oppose such Plan modification.

Vesting of Assets: On the Effective Date, by virtue of the Confirmation of the Plan, the assets of the Estate shall vest in the Reorganized Debtor, free and clear of all liens, claims or encumbrances except as set forth in the Plan, and no further order of court shall be required for the Reorganized Debtor to sell, convey, loan, or encumber the Property or the Operation Assets in any manner.

Plan Funding: The sources for funding of the Plan shall include, but shall not be limited to, the sale of the Property and the Operation Assets pursuant to the ~~Asset Purchase Sale Agreement~~ and the Plan.

Transfer of Property: Holders of Claims and Interest holders shall be paid in accordance with their priorities set forth in the Bankruptcy Code and the terms set forth in the Plan. Upon confirmation of the Plan, the Debtor shall be designated pursuant to § 1142(b) of the Bankruptcy Code to execute or deliver any instrument required to effect a transfer of any property dealt with by the Plan and to perform any act that is necessary for the consummation of the Plan.

Provisions Governing Distributions

Distributions. Commencing on the Effective Date or as otherwise provided in the Plan, the Reorganized Debtor shall make payments, in Cash, to the holders of all Allowed Claims and Interests in accordance with the terms and conditions of the Plan. The Reorganized Debtor may pre-pay, in full or in parts, any payments under the Plan without penalty. The Reorganized Debtor shall act as disbursing agent for the purpose of making those distributions provided under the Plan.

Distributions of Cash. At the option of the Reorganized Debtor, any Cash payment to be made by the Reorganized Debtor pursuant to the Plan may be made by check drawn on a domestic bank or by wire transfer.

Delivery of Distributions and Undeliverable Distributions. Distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the Schedules filed with the Bankruptcy Court unless superseded by the address as set forth on the proofs of Claim filed by such holders or other writing notifying the Debtor (or, after the Effective Date, the Reorganized Debtor) of a change of address. If any holder's distribution is returned as undeliverable, the holder of any such Claim or Interest shall not be entitled to any other or further distribution under the Plan on account of such Claim or Interest unless the Debtor is notified of a new address within thirty (30) days of the Debtor's receipt of such returned distribution.

Withholding and Reporting Requirements. In connection with the Plan and all documents executed in connection therewith and distributed thereon, the Reorganized Debtor shall comply with all applicable withholding and reporting requirements imposed by any federal,

state or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements.

Time Bar to Cash Payments. Checks issued by the Reorganized Debtor in respect of Allowed Claims or Interests shall be null and void if not negotiated within forty-five (45) days after the date of issuance thereof. Requests for reissuance of any check shall be made to the Reorganized Debtor by the holder of the Allowed Claim or Interest to whom such check originally was issued. On the last distribution date, all distributions for which checks were not requested to be reissued shall be used to satisfy the costs of administering and fully consummating the Plan and the holder of any such Claim or Interest shall not be entitled to any other or further distribution under the Plan on account of such Claim or Interest.

Setoffs. The Reorganized Debtor may, in accordance with § 553 of the Bankruptcy Code and applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan, on account of such Claim (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtor or the Reorganized Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor, the Debtor-in-Possession, or the Reorganized Debtor of any such claims, rights and causes of action that the Debtor, the Debtor-in-Possession, or the Reorganized Debtor may possess against such holder; and provided further, however, that any claims of the Debtor arising before the Petition Date shall first be setoff against Claims against the Debtor arising before the Petition Date. [The Debtor does not assert any such claims against Fannie Mae.](#)

Professional Persons with Administrative Expense Claims. Notwithstanding § 503(a) of the Bankruptcy Code, each Professional Person or firm retained with approval by order of the Bankruptcy Court requesting compensation in this Chapter 11 Case pursuant to §§ 330 or 503(b) of the Bankruptcy Code for any fees for services rendered or reimbursement of expenses incurred on or before the Effective Date, shall be required to file an application for the allowance of final payment of said fees and expenses on or before sixty (60) days after the Effective Date, and any such claim not filed by that date shall be forever barred and discharged. Objections to any such application shall be filed within thirty (30) days after the filing of the application. The provisions of this paragraph are not intended to limit or expand the ability of Professional Persons to receive compensation for services performed or reimbursement for expenses incurred post-Effective Date to facilitate the consummation of the Plan and the performance by the Reorganized Debtor of its duties under the Plan. The Reorganized Debtor may pay any fees and expenses of Professional Persons incurred after the Effective Date without further order of the Bankruptcy Court. Each Secured Creditor seeking payment or reimbursement of fees for services rendered by a Professional Person in respect of this Chapter 11 Case and pursuant to § 506(b) of the Bankruptcy Code, shall be required to file an application for the allowance of final payment of said fees within thirty (30) days of its receipt of notice from the Debtor that the Debtor believes such fees to be unreasonable. In the event that the Debtor determines that such Professional Person's fees, incurred by a Secured Creditor and requested in accordance with § 506(b) of the Bankruptcy Code are not reasonable, the Debtor shall place such disputed funds into ~~the Distribution Account~~escrow upon Closing, pending agreement of the parties or the Bankruptcy Court's entry of a Final Order resolving the allowance or disallowance of such fees.

Any remaining non-disputed amounts of an Allowed Secured Claim shall be paid at Closing as set forth in the Plan.

Transactions on Business Days. If the date on which a transaction is scheduled to occur under the Plan falls on a day that is not a Business Day, the transactions contemplated by the Plan to occur on such day may instead occur on said day or the next Business Day.

Procedures for Resolving and Treating Disputed Claims and Interests

No Distribution Pending Allowance. Notwithstanding any other provision of the Plan, the Reorganized Debtor is not required to distribute Cash or other property under the Plan on account of any Disputed Claim or Interest, unless and until such Claim or Interest becomes an Allowed Claim or Interest. Any non-disputed portions of such Claims or Interests shall be paid in accordance with the Plan.

Resolution of Disputed Claims or Interests. After the Confirmation Date, unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Reorganized Debtor shall have the right to make and file objections to Claims or Interests and shall serve a copy of each objection upon the holder of the Claim or Interest to which the objection is made as soon as practicable, but in no event later than forty-five (45) days after the Effective Date. From and after the Confirmation Date, all objections shall be litigated to a Final Order except to the extent the Reorganized Debtor elects to withdraw any such objection or the Reorganized Debtor and the claimant elect to compromise, settle or otherwise resolve any such objection, in which event they may settle, compromise or otherwise resolve any Disputed Claim or Interest without the approval or order of the Bankruptcy Court.

Estimation. The Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any Disputed Claim or Interest pursuant to § 502(c) of the Bankruptcy Code regardless of whether the Reorganized Debtor or the Debtor has previously objected to such Claim or Interest, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim or Interest at any time, including during litigation concerning any objection to such Claim or Interest. In the event that the Bankruptcy Court estimates any Disputed Claim or Interest, that estimated amount may constitute either the Allowed amount of such Claim or Interest or a maximum limitation on such Claim or Interest, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claims or Interests, the Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim or Interest. All of the aforementioned Claims or Interests objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Confirmation Date, Claims or Interests which have been estimated subsequently may be compromised, settled, withdrawn or otherwise resolved without the approval or order of the Bankruptcy Court.

Allowance of Disputed Claims. If, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Reorganized Debtor shall, on or before the last Business Day of the first month following the month in which the Claim becomes an Allowed Claim, distribute to the holder of such Allowed Claim the amount of Cash that such holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Effective Date.

**Treatment of Executory
Contracts and Unexpired Leases**

Executory Contracts and Unexpired Leases. On the Effective Date, all executory contracts and unexpired leases that exist between the Reorganized Debtor and any person shall be deemed rejected as of the Effective Date, except for any executory contract or unexpired lease that (i) is the subject of ~~motions~~a motion to assume or reject pending on the Confirmation Date; (ii) was assumed or rejected before the Confirmation Date; (iii) is listed on the Schedule of Assigned Executory Contracts and Unexpired Leases ~~(or such list of executory contracts and unexpired leases to be assumed and assigned to a Buyer other than the Purchaser);~~; or (iv) becomes the subject of a dispute over the amount or manner of cure.

Approval of Assumption or Rejection. Entry of the Confirmation Order as of the Effective Date shall constitute: (i) the approval, pursuant to § 365(a) of the Bankruptcy Code, of the assumption by the Reorganized Debtor and assignment to the Purchaser of the executory contracts and unexpired leases listed on the Schedule of Assigned Executory Contracts and Unexpired Leases, pursuant to the terms and conditions of the Sale Agreement ~~(or, if the Purchaser is not the ultimate purchaser of the Operation Assets, the assignment to a Buyer other than the Purchaser of such executory contracts and unexpired leases so designated by such Buyer)~~and the Plan; (ii) the approval of the assignment to the ~~Buyer~~Purchaser of the executory contracts and unexpired leases assumed by the Debtor prior to the Confirmation Date pursuant to the terms and conditions of the ~~Asset Purchase~~Sale Agreement and the Plan; and (iii) the approval, pursuant to § 365(a) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to the Plan or otherwise during the Chapter 11 Case or not assigned pursuant to the terms and conditions of the ~~Asset Purchase~~Sale Agreement. Notwithstanding anything contained herein to the contrary, up to the Confirmation Date, the Debtor (with the concurrence of the ~~Buyer~~Purchaser) shall have the right to add to or delete

from the Schedule of Assigned Executory Contracts and Unexpired Leases, any executory contract or unexpired lease. The Schedule of Assigned Executory Contracts and Unexpired Leases is attached to the Plan as Exhibit B.

Cure of Defaults. The Reorganized Debtor shall cure any defaults respecting each executory contract or unexpired lease assumed pursuant to Section 9.2 of the Plan upon the latest of: (i) the Effective Date or as soon thereafter as practicable; (ii) such dates as may be fixed by the Bankruptcy Court or agreed upon by the parties including the ~~Buyer~~Purchaser, or as soon thereafter as practicable; or (iii) the tenth (10th) Business Day after the entry of a Final Order resolving any dispute regarding (a) a cure amount; (b) the ability of the Reorganized Debtor to provide (or to cause ~~Buyer~~Purchaser to provide) “adequate assurance of future performance” under the executory contract or unexpired lease assumed pursuant to the Plan in accordance with § 365(b)(1) of the Bankruptcy Code, or (c) any matter pertaining to assumption or the cure of a particular executory contract or an unexpired lease; provided, that all such cure obligations shall be completed prior to or at or about the Closing of the transactions contemplated by the ~~Asset Purchase~~Sale Agreement unless ~~Buyer~~Purchaser agrees otherwise. The Schedule of Assigned Executory Contracts and Unexpired Leases sets forth the Debtor’s proposed cure amounts for each of the Assigned Executory Contracts and Unexpired Leases. ~~In the event that the Operation Assets are sold to a Buyer other than the Purchaser, the Debtor will provide the non Debtor parties to the Assigned Executory Contracts and Unexpired Leases with its proposed cure amounts for each Assigned Executory Contract and Unexpired Lease to be assumed and assigned to the respective Purchaser in the Plan Supplement.~~

Objection to Proposed Cure Amount. Non-Debtor parties to the Assigned Executory Contracts and Unexpired Leases listed on the Schedule of Assigned Executory

Contracts and Unexpired Leases, attached to the Plan as Exhibit B, that disagree with the Debtor's proposed cure amount set forth on Exhibit B, shall file an objection to the Plan by the Plan Objection Deadline. If a non-Debtor party to an Assigned Executory Contract or Unexpired Lease fails to file an objection to the Plan by the Plan Objection Deadline, such non-Debtor party shall be deemed to consent to the Debtor's assumption and assignment to the ~~Buyer~~Purchaser and to the Debtor's proposed cure amount, and shall be forever barred from objecting thereto. ~~In the event that the Operation Assets are sold to a Buyer other than the Purchaser, the Debtor will provide the non-Debtor parties to such Assigned Executory Contracts and Unexpired Leases with notice and an opportunity to object to the Debtor's proposed cure amounts related to such Assigned Executory Contracts and Unexpired Leases.~~

Bar Date. All proofs of Claim with respect to Claims arising from the rejection of any executory contract or unexpired lease shall be filed with the Bankruptcy Court no later than thirty (30) days after the entry of the Confirmation Order. Any Claim not filed within such time shall be forever barred.

Effectiveness of the Plan

Conditions Precedent to the Effective Date. The following are conditions precedent to the Effective Date of the Plan:

{(SEQ 5_2 * alphabetic \r 1)} The Bankruptcy Court shall have entered an order confirming the Plan in form and substance satisfactory to the Debtor;

(b) All documents, instruments and agreements, in form and substance satisfactory to the Debtor, provided for under or necessary to implement

the Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited thereby; and

(c) The Closing on the sale of the Property and the Operation Assets under the ~~Asset Purchase~~Sale Agreement ~~or in accordance with section 6.6 of~~ the Sale Order, and the Plan.

Within fourteen (14) days after the occurrence of the Effective Date, the Reorganized Debtor shall file a pleading entitled "Certification of Occurrence of Effective Date" with the Court in which it shall state the date upon which the Effective Date occurred.

Effect of Confirmation

Release of Assets. Until the Effective Date, the Bankruptcy Court shall retain jurisdiction of the Debtor and the Estate Assets. Thereafter, jurisdiction of the Bankruptcy Court shall be limited to the subject matters set forth in Article XII of the Plan, and the Reorganized Debtor shall perform its affairs as provided in the Plan.

Binding Effect. Except as otherwise provided in § 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against, or Interest in, the Debtor and its respective successors and assigns, whether or not the Claim or Interest of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

Term of Injunctions or Stays. Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to § 105 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until all obligations of the Reorganized Debtor under the Plan have been performed and the Chapter 11 Case has been closed.

Discharge. Except as otherwise provided in the Plan or the Confirmation Order, effective on the Effective Date, the Plan shall discharge and terminate all liability for any debt of or Claim against the Debtor that arose before the Effective Date, and any debt or claim of a kind specified in §§ 502(g), 502(h), or 502(I) of the Bankruptcy Code, whether or not:

(a) a proof of Claim based on such debt or Claim was filed, or deemed filed, under § 501 of the Bankruptcy Code;

(b) such Claims are Allowed or Disallowed under § 502 of the Bankruptcy Code;

(c) such Claim was properly scheduled, if such claim holder had notice of this Chapter 11 Case before the Effective Date; or

(d) the holder of such Claim has accepted or rejected the Plan.

Release and Injunction. On the Effective Date, the Debtor, in its individual capacity and as a debtor-in-possession, for and on behalf of the Estate, the Reorganized Debtor and each holder of a Claim against and Interest in the Debtor hereby releases and discharges, absolutely, unconditionally, irrevocably and forever: (a) any and all Causes of Action against any current or former officer, director, member or agent of the Debtor (“**Representative**”), in their capacity as such, from any Claim or Cause of Action (i) arising from the beginning of time through the Confirmation Date related to acts or omissions to act (including, but not limited to, any Claims or Causes of Action arising out of any alleged fiduciary or other duty), or (ii) which might at any time after the Confirmation Date arise out of or relate, directly or indirectly, to any pre-Confirmation Date acts or omissions; and (b) any and all Causes of Action against any Representative arising from or related to such Representative’s acts or omissions to act in the Chapter 11 Case, except that Representatives shall not be released from any liability relating to acts or omissions to act of gross negligence or willful misconduct. To the fullest extent permitted by applicable law, each holder of a Claim (whether or not Allowed) against or Interest in the Debtor, the Estate or the Reorganized Debtor shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset or recover and shall be deemed to release any Claim against (i) any current or former officer, director, member or agent of the Debtor arising from the beginning of time through the Confirmation Date or which might at any time after the Confirmation Date arise out of or relate, directly or indirectly, to any pre-Confirmation Date acts or omissions related to his or her acts or omissions to act (including, but

not limited to, any claims arising out of any alleged fiduciary or other duty), or (ii) any Representative arising from or related to such Representative's acts or omissions to act in the Chapter 11 Case. This provision is not intended, and shall not constitute, a release of any claims by Fannie Mae against the Carver Terrace Member, in her capacity as guarantor of the Debtor's obligations under the loan documents.

Retention of Jurisdiction

Jurisdiction of Bankruptcy Court. The Bankruptcy Court shall retain exclusive jurisdiction of all matters arising under, arising out of, or related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, §§ 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

{SEQ 5_2 * alphabetic \r 1} To hear and determine any motions for the assumption or rejection of executory contracts or unexpired leases, and the allowance of any rejection Claims resulting therefrom;

{SEQ 5_2 * alphabetic \n} To determine any and all pending adversary proceedings, applications, and contested matters;

{SEQ 5_2 * alphabetic \n} To hear and determine any objection to any Claims or Interests;

{SEQ 5_2 * alphabetic \n} To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

{SEQ 5_2 * alphabetic \n} To issue such orders in aid of execution of the Plan to the extent authorized by § 1142 of the Bankruptcy Code;

{SEQ 5_2 * alphabetic \n} To consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

{SEQ 5_2 * alphabetic \n} To hear and determine all applications for compensation and reimbursement of expenses of ~~professionals~~Professional Persons under §§ 330, 331, and 503(b) of the Bankruptcy Code;

{SEQ 5_2 * alphabetic \n} To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

(i) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated hereby, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(j) To take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan, including any release or injunction provisions set forth herein, or to maintain the integrity of the Plan following consummation;

(k) To recover all assets of the Debtor and property of the Estate, wherever located;

(l) To hear and determine matters concerning state, local, and federal taxes in accordance with §§ 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under § 505(b) of the Bankruptcy Code filed, or to be filed, with

respect to tax returns for any and all taxable periods ending after the Petition Date through, and including, the last distribution date);

(m) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code, title 28 of the United States Code and other applicable law;

(n) To enter a final decree closing the Chapter 11 Case; and

(o) To determine such other matters and for such other purposes as may be provided in the Confirmation Order.

Acceptance or Rejection of the Plan

Voting of Claims. Each holder of an Allowed Claim or Interest in an impaired Class of Claims or Interests shall be entitled to vote to accept or reject the Plan.

Acceptance by a Class of Creditors. Consistent with § 1126(c) of the Bankruptcy Code and except as provided for in § 1126(e) of the Bankruptcy Code, a Class of creditors shall have accepted the Plan if it is accepted by at least two-thirds in dollar amount and more than one-half in number of the holders of Allowed Claims or Interests of such Class that have timely and properly voted to accept or reject the Plan.

Cram Down. The Debtor shall utilize the provisions of § 1129(b) of the Bankruptcy Code to satisfy the requirements for confirmation of the Plan over the rejection, if any, of any Class entitled to vote to accept or reject the Plan.

Miscellaneous Provisions

Effectuating Documents and Further Transactions. The Reorganized Debtor shall be authorized to execute, deliver, file, or record such contracts, instruments, releases and other

agreements or documents and take such actions on behalf of the Reorganized Debtor as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

Payment of U.S. Trustee Fees. All outstanding U.S. Trustee Fees, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on or before the Effective Date. Any U.S. Trustee Fees accruing after the Confirmation Date shall be paid by the Reorganized Debtor.

Default. If the Reorganized Debtor substantially defaults on any payment of a tax or obligation due to any governmental unit under the Plan, then after written notice of such default and the failure of the Reorganized Debtor to cure such default, within thirty (30) days the entire tax debt still owed to such any governmental unit shall become due and payable immediately, and any such governmental unit may proceed with any remedies otherwise available to it under Federal and state law, including, but not limited to, the administrative collection provisions of the Internal Revenue Code and state tax collection procedures.

Exemption from Transfer Taxes. Pursuant to § 1146(a) of the Bankruptcy Code: (i) the issuance, distribution, transfer or exchange of Interests or other Estate property; (ii) the creation, modification, consolidation or recording of any deed of trust or other security interest, the securing of additional indebtedness by such means or by other means in furtherance of or in connection with the Plan, the Confirmation Order, and any related documents; (iii) the making, assignment, modification or recording of any lease or sublease; (iv) the sale or transfer of assets, including without limitation the Property or the Operation Assets, shall be deemed exempt from all taxes arising from such sale or transfer which would otherwise be imposed at the time of transfer or sale, which are determined by consideration for or value of the property being transferred, or as a percentage thereof, including taxes imposed by the District of Columbia or

other applicable law, or (v) the making, delivery or recording of a deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, the Confirmation Order, any related documents or any transaction contemplated above, or any transactions arising out of, contemplated by or in any way related to the foregoing, including without limitation the Property and the Operation Assets, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act or real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment and the appropriate state or local government officials or agents shall be, and hereby are, directed to forego the collection of any such tax or assessment and to accept for filing or recordation any of the foregoing instruments or other documents without the payment of any such tax or assessment. Any subsequent transfer of the Property made by the Reorganized Debtor within two (2) years after the Effective Date shall be deemed a transfer by the Debtor for the purposes of this section of the Plan and shall enjoy the same exemption from taxation as otherwise provided by § 1146(a) of the Bankruptcy Code.

Modification of Plan. The Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Debtor (and after the Effective Date, the Reorganized Debtor) may upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with § 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of an Allowed Claim or Interest that is deemed to have accepted the Plan shall be deemed to have accepted the Plan as

modified if the proposed modification does not materially and adversely change the treatment of the Claim or Interest of such holder.

Withdrawal or Revocation. The Debtor may withdraw or revoke the Plan at any time prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan prior to the Confirmation Date, or if the Confirmation Date does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claim by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any other person in any further proceedings involving the Debtor.

Courts of Competent Jurisdiction. If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of the Plan, such abstention, refusal or failure of jurisdiction shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

Notices. Any notices to or requests of the Reorganized Debtor by parties in interest under or in connection with the Plan shall be in writing and served either by (i) certified mail, return receipt requested, postage pre-paid, (ii) hand delivery, or (iii) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

The Reorganized Debtor:

901 21st Street, N.E., #J
Washington, D.C. 20002
Fax: (202) 399-1896
Attention: Corbett P. McClure, Jr.

With a copy to:

Brent C. Strickland, Esquire
Paul M. Nussbaum, Esquire
Whiteford, Taylor & Preston L.L.P.
Seven Saint Paul Street
Baltimore, Maryland 21202

The U.S. Trustee:

Office of the U.S. Trustee
101 W. Lombard Street, Suite 2625
Baltimore, Maryland 21201

Severability. In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision of the Plan is invalid, void or unenforceable, the Bankruptcy Court shall, with the consent of the Debtor, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

Governing Law. Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the District of Columbia, without giving effect to the principles of conflicts of law thereof.

Other Documents. On or before ten (10) calendar days preceding the commencement of the hearing on the Confirmation of the Plan, unless the Bankruptcy Court orders otherwise, the Debtor and/or any party-in-interest, shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and

further evidence the terms and conditions of the Plan, including without limitation the Plan Supplement.

Withdrawal by Proponent. The Debtor reserves the right to withdraw the Plan at any time prior to the entry of the Confirmation Order.

Exculpation. None of the Debtor, the Reorganized Debtor or any of their respective members, officers, directors, employees or Representatives shall have or incur any liability to any holder of a Claim or Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects, the Debtor, the Reorganized Debtor and each of their respective members, officers, directors, employees, advisors, professionals and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

Injunction Against Interference With Plan. Upon the entry of the Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their respective present or former affiliates, employees, agents, professionals, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

VII. LIQUIDATION ANALYSIS UNDER CHAPTER 7

The Plan proposes to pay all creditors in full. In a chapter 7 liquidation, the Debtor would cease operations, which would likely reduce the value of the Operation Assets and jeopardize the pending sale of the Property. Any reduction in the purchase price, together with

chapter 7 trustee commissions and related costs, would diminish the prospects that creditors will be paid in full.

VIII. AVOIDANCE ACTIONS

Because the Plan will pay all creditors in full, the Debtor has determined that pursuing the Avoidance Actions will not be appropriate or necessary.

IX. TAX CONSEQUENCES FOR THE DEBTOR

The Debtor's projections provide for no income tax liability in 2011. The Debtor believes its estimate of zero tax liability in 2011 is reasonable based on estimated remaining net operating loss carry forwards after 2010 being more than the projected taxable income in 2011.

Tax Consequences to Creditors

THE DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS LIMITED TO THE GENERAL TAX CONSEQUENCES EFFECTING CREDITORS AS A RESULT OF THE DISCHARGE OF INDEBTEDNESS WITHOUT PAYMENT UNDER THE PLAN. EACH CREDITOR OR INTEREST HOLDER SHOULD CONSULT THEIR OWN TAX ADVISOR TO DETERMINE THAT THE TREATMENT AFFORDED THEIR RESPECTIVE CLAIMS OR INTERESTS BY THE PLAN UNDER FEDERAL TAX LAW, THE TAX LAWS OF THE VARIOUS STATES AND LOCAL JURISDICTIONS OF THE UNITED STATES AND THE LAWS OF FOREIGN JURISDICTIONS.

BECAUSE OF CONTINUAL CHANGES BY THE CONGRESS, THE TREASURY DEPARTMENT, AND THE COURTS WITH RESPECT TO THE ADMINISTRATION AND INTERPRETATION OF THE TAX LAWS, NO ASSURANCE CAN BE GIVEN THAT THE FOLLOWING INTERPRETATIONS WILL NOT BE

CHALLENGED BY THE INTERNAL REVENUE SERVICE, OR, IF CHALLENGED, THAT SUCH INTERPRETATIONS WILL BE SUSTAINED.

NO STATEMENT IN THIS DISCLOSURE STATEMENT SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE. THE DEBTOR AND ITS COUNSEL DO NOT ASSUME ANY RESPONSIBILITY OR LIABILITY FOR THE TAX CONSEQUENCES OF A CREDITOR WHICH MAY OCCUR AS A RESULT OF THE TREATMENT AFFORDED THEIR CLAIM OR INTEREST UNDER THE PLAN.

The principal income tax consequences for a creditor of the Debtor relate to the ability to deduct a portion of its claim against the Debtor in the event the creditor does not receive full payment of the Allowed Amount of its Claim as contemplated under the Plan. Section 166 of the Internal Revenue Code of 1986, as amended (“IRC”) (relating to the deductibility of bad debts), generally provides as follows:

1. totally worthless business bad debt is deductible only in the tax year in which it becomes worthless;
2. partially worthless business bad debt is deductible in an amount not in excess of the part charged off on the taxpayer’s books within the taxable year, and
3. in the case of a taxpayer other than a corporation, a non-business bad debt which becomes completely worthless during the taxable year is deductible as a short-term capital loss and is subject to the limitations imposed on the deductibility of such losses.

For purposes of IRC § 166, a “non-business debt” means a debt other than (i) one created or acquired in connection with the taxpayer-creditor’s trade or business or (ii) the loss from the worthlessness of which was incurred during the operation of the taxpayer-creditor’s trade or business.

Pursuant to Treas. Reg. § 1.166-2(c), as a general rule, bankruptcy is generally an indication of the worthlessness of at least a part of an unsecured and unpreferred debt. In bankruptcy cases, a debt may become worthless before settlement in some instances; and in others, only when a settlement in bankruptcy has been reached. In either case, the mere fact that bankruptcy proceedings instigated against a Debtor are terminated in a later year, thereby confirming the conclusion that the debt is worthless, shall not authorize the shifting of the deduction under IRC § 166 to such year. Pursuant to Treas. Reg. § 1.166-1(d)(2)(ii), only the difference between the amount received in distribution of assets of a bankrupt and the amount of the claim may be deducted under IRC § 166 as a bad debt.

Generally, taxpayers are entitled to a bad debt deduction with respect to accounts receivable only if the taxpayer has recognized as income the accounts receivable in the year in which the bad debt deduction is claimed or a prior taxable year. Thus, bad debt deductions for worthless or partially worthless accounts receivable are normally available only to accrual method taxpayers. Likewise, worthless debts arising from unpaid wages, salaries, fees, rents and similar items of taxable income are not allowed as a deduction as a bad debt unless the income such items represent has been included in the return of income for the year for which the deduction as a bad debt is claimed or for a prior taxable year.

Further, the availability of the bad debt deduction under IRC § 166 is not available for losses governed by IRC § 165, including, without limitation, losses incurred on a bond, debenture, note or certificate or other evidence of indebtedness, issued by a corporation or by a government or political subdivision thereof, with interest coupons or in registered form. The deductibility of losses for debts evidenced by a “security” as defined in IRC § 165(g), is governed by IRC § 165.

Business bad debts deductible under IRC § 166 may generally be deducted using either the specific charge-off method or, if certain stringent requirements are met, the nonaccrual-experience method. Under the specific charge-off method, specific business bad debts that become either partially or totally worthless during the tax year may be deducted in the manner permitted by IRC § 166.

If a deduction is taken for a bad debt which is recovered in whole or part in a later tax year, the taxpayer may have to include in gross income the amount recovered, except, under limited circumstances, the amount of the deduction that did not reduce taxes in the year deducted.

X. CRAM DOWN

Section 1129(b) of the Bankruptcy Code permits the Bankruptcy Court to approve the Plan even if one or more classes of impaired claims or interests do not accept the Plan. This is referred to as a cram down. Under § 1129(b), the Bankruptcy Court may confirm the Plan only if it finds that certain circumstances exist. First, the Plan must be accepted by at least one impaired class and must not discriminate unfairly against, and be fair and equitable to, all non-accepting impaired classes. Second, unless all members of a non-accepting, impaired class receive payment in full of their Allowed Claims, no class that is junior in priority to the non-accepting impaired class may receive anything under the Plan. IF ANY CLASS REJECTS THE PLAN, THE DEBTOR WILL SEEK TO CONFIRM THE PLAN PURSUANT TO THE CRAM DOWN METHOD PROVIDED BY SECTION 1129(b). THE TREATMENT AFFORDED CREDITORS IN EACH CLASS IN THE EVENT OF A “CRAM DOWN” WILL BE AS INDICATED HEREIN. Any effort by the Debtor to confirm the Plan pursuant to the cram down method will likely involve complex litigation which, regardless of the outcome, may impose

substantial additional administrative expenses on the Debtor's estate. Such expenses would be paid ahead of any distribution on Unsecured Claims.

XI. VOTING ON THE PLAN AND ACCEPTANCE

In order for the Plan to be accepted under the Bankruptcy Code, the Plan has to be accepted by each class of creditors and interest holders whose rights are impaired under the Plan. Each class of claims will be deemed to have accepted the Plan if it is accepted by creditors holding at least two thirds in amount and more than one-half in number of the Allowed Claims or Interests of such class of claims that actually vote. If all the requirements of confirmation of the Plan under the Code are satisfied, except that the Plan is not accepted by each class of creditors, the Bankruptcy Court may confirm the Plan without acceptance of creditors, under the cram down provisions of § 1129(b) described in Section XI above. Each creditor who wishes to exercise the right to vote must do so by executing a ballot and returning the same to counsel for the Debtor, Whiteford, Taylor & Preston L.L.P., Seven Saint Paul Street, Baltimore, Maryland 21202-1636, Attention: Brent C. Strickland, Esquire, within the time period prescribed by the Bankruptcy Court. An official ballot accompanies the Disclosure Statement.

XII. RISK FACTORS

The Debtor's Plan, as with virtually any plan, contains certain risk factors. However, to the extent possible, the risk to unsecured creditors has been greatly reduced.

The Debtor may modify the Plan at any time prior to the Confirmation Date, but may not modify the Plan so that the Plan as modified fails to meet the requirements of §§ 1122 and 1123 of the Bankruptcy Code.

After the Confirmation Date or in the Confirmation Order, the Debtor, with the approval of the Bankruptcy Court, and subject to the restrictions set forth in § 1127 of the Bankruptcy

Code, may remedy and defect or omission, or reconcile any inconsistencies in the Plan or amend the Plan in such a manner as may be necessary to carry out the purposes and effect of the Plan. The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan, or if confirmation does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan shall (a) constitute a waiver or release of any claims by or against the Debtor, or (b) prejudice in any manner the rights of the Debtor.

Dated: ~~April 7~~, May 24, 2011

Respectfully Submitted by,

MWM CARVER TERRACE, LLC

By: /s/ Myrl Wire Mulligan
Sole Member

WHITEFORD, TAYLOR & PRESTON L.L.P.

/s/ Brent C. Strickland
Brent C. Strickland, D.C. Bar No. 452880
Paul M. Nussbaum, Esquire
Seven Saint Paul Street
Baltimore, Maryland 21202-1636
(410) 347-8700

Counsel for the Debtor,
MWM Carver Terrace, LLC

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