

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF GEORGIA  
GAINESVILLE DIVISION**

<b>IN RE:</b>	)	
	)	<b>CASE NO. 08-20355-reb</b>
<b>CORNERSTONE MINISTRIES</b>	)	
<b>INVESTMENTS, INC.,</b>	)	<b>Chapter 11</b>
	)	
<b>Debtor.</b>	)	<b>JUDGE BRIZENDINE</b>

**DISCLOSURE STATEMENT DESCRIBING  
PLAN OF LIQUIDATION PROPOSED BY THE  
OFFICIAL COMMITTEE OF CREDITORS  
HOLDING UNSECURED CLAIMS**

**THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT.**

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Dated: December 12, 2008

The confirmation and effectiveness of the Plan are subject to material conditions precedent. There can be no assurance that those conditions will be satisfied. The Official Creditors' Committee intends to seek to consummate the Plan and to cause the Effective Date to occur promptly after confirmation of the Plan. The Official Creditors' Committee intends for the Effective Date to occur no later than [ ], 2009. There is no assurance, however, as to when and whether confirmation of the Plan and the occurrence of the Effective Date actually will occur.

The Official Creditors' Committee has approved the Plan and recommends that holders of Claims entitled to vote on the Plan vote to accept the Plan in accordance with the voting instructions set forth in this Disclosure Statement. To be counted, your Ballot must be duly completed, executed and actually received no later than the Voting Deadline. Holders of Claims and Equity Interests entitled to vote on the Plan should read and carefully consider this Disclosure Statement, the Plan and the exhibits thereto in their entirety.

The Disclosure Statement contains summaries of certain provisions of the Plan, statutory provisions, documents related to the Plan, events in the Bankruptcy Case and financial information. Although the Official Creditors' Committee believes that the Plan and related documents are fair and accurate, these summaries are qualified to the extent that they do not set forth the entire text of such documents or statutory provisions. Factual information contained in the Disclosure Statement has either been provided by the Debtor's management, uncovered in the course of the investigation by the Official Creditors' Committee, or otherwise is contained in documents related to the Debtor. The Official Creditors' Committee does not warrant or represent that the information contained in this Disclosure Statement, including the financial information, is without any inaccuracy or omission. To the extent any terms of this Disclosure Statement and the Plan are inconsistent, the Plan will control.

In determining whether to vote to accept the Plan, holders of Claims entitled to vote must rely on their own examination of the Debtors and the terms of the Plan, including the merits and risks involved. The contents of this Disclosure Statement should not be construed as providing any legal, business, financial or tax advice. Each holder entitled to vote on the Plan should consult with its own legal, business, financial and tax advisors with respect to any such matters concerning the Disclosure Statement, the solicitation, the Plan and the transactions contemplated thereby.

Except as set forth in this Disclosure Statement, no person has been authorized by the Official Creditors' Committee in connection with the Plan or the solicitation to give any information or to make any representation other than as contained in this Disclosure Statement and the exhibits annexed hereto or

**incorporated by reference or referred to herein and, if given or made, such information or representation may not be relied upon as having been authorized by the Official Creditors' Committee. The Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities, or an offer to sell or a solicitation of an offer to buy any securities.**

**The statements contained in this Disclosure Statement are made as of the date hereof (unless otherwise indicated) and should not under any circumstance create any implication that the information contained herein is correct at any time subsequent to the date hereof. Any estimates of Claims and Equity Interests set forth in this Disclosure Statement may vary from the amounts of Claims and Equity Interests ultimately allowed by the Bankruptcy Court.**

**The information contained in this Disclosure Statement, including, but not limited to, the information regarding the history, businesses and operations of the Debtor, the historical and projected financial information of the Debtor and the liquidation analysis relating to the Debtor are included for purposes of soliciting acceptances of the Plan. As to any judicial proceedings in any court, including any adversary proceedings or contested matters that may be filed in the Bankruptcy Court, this information is not to be construed as an admission or stipulation but rather as statements made in settlement negotiations and will be inadmissible for any purpose absent the express written consent of the Official Creditors' Committee.**

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## INTRODUCTION

The Official Committee of Creditors Holding Unsecured Claims Against Cornerstone Ministries Investments, Inc. (the “Official Creditors’ Committee” or the “Plan Proponent”) is providing this disclosure statement (the “Disclosure Statement”) in connection with the Plan of Liquidation (the “Plan”) it has proposed for Cornerstone Ministries Investments, Inc. (“CMI” or the “Debtor”). The Official Creditors’ Committee is soliciting votes on the Plan. A copy of the Plan is attached to this Disclosure Statement as Exhibit A.

This Disclosure Statement summarizes certain information regarding CMI’s operations before it filed for bankruptcy protection, CMI’s stated basis for filing a bankruptcy petition, and significant events that have occurred during CMI’s bankruptcy case. This Disclosure Statement also describes the Plan, estimated Creditor recoveries under the Plan, the effect of confirmation of the Plan, and the manner in which distributions will be made under the Plan. This Disclosure Statement also summarizes the process to confirm the Plan and the voting procedures that holders of Claims<sup>1</sup> entitled to vote on the Plan must follow for their votes to be counted. **While the Official Creditors’ Committee has attempted to provide a fair and accurate summary of the matters described in this Disclosure Statement, the summary of information contained in this Disclosure Statement is not binding upon the Official Creditors’ Committee.**

On \_\_\_\_\_, 2009, the Bankruptcy Court entered an order finding that this Disclosure Statement contains “adequate information” within the meaning of section 1125 of the Bankruptcy Code. “Adequate information” is “information of a kind, and in sufficient detail ... that would enable ... a hypothetical investor ... to make an informed judgment about the plan.” The Bankruptcy Court has also authorized the Official Creditors’ Committee to use this Disclosure Statement to solicit votes on the Plan. **Even though the Bankruptcy Court has approved this Disclosure Statement and authorized the Official Creditors’ Committee to use this Disclosure Statement to solicit votes on the Plan, the Bankruptcy Court has not yet determined whether the Plan should be confirmed.**

The Bankruptcy Court has authorized **only** this Disclosure Statement (and accompanying exhibits) to be used in connection with solicitation of votes on the Plan. In voting to accept or reject the Plan, you should rely only on information contained in this Disclosure Statement (and accompanying exhibits) and should not rely on information from other sources.

**The Official Creditors’ Committee recommends that Creditors entitled to vote on the Plan vote to accept the Plan.**

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<sup>1</sup> Capitalized terms not defined in this Disclosure Statement are defined in Article I of the Plan.

## SUMMARY OF VOTING PROCEDURES

Together with this Disclosure Statement and the accompanying exhibits, you should receive a Ballot to vote on the Plan. After reviewing this Disclosure Statement and the accompanying exhibits, if you are entitled to vote on the Plan, you should vote to accept or reject the Plan on the enclosed Ballot and return it by overnight courier or regular mail to the Voting Agent at the address specified on the Ballot. Additionally, if you are a Bondholder and hold a Bondholder Unsecured Claim in Class 5, you should also (i) confirm whether the amount of your Bondholder Unsecured Claim listed on your Ballot is correct (and, if you believe it is incorrect, include the amount you assert your Claim to be where indicated on the Ballot), and (ii) elect whether to assign your Non-Estate Claims to the Private Actions Trust. **Only Creditors in Classes 2 through 7 are entitled to vote on the Plan. Creditors in Class 1 are unimpaired and are deemed to have accepted the Plan. Creditors in Class 8 and holders of Equity Interests in Class 9 will not receive or retain any property under the Plan and are deemed to reject the Plan. If you are entitled to vote on the Plan, you must return your Ballot by overnight courier or regular mail. Ballots submitted by facsimile or other electronic transmission will not be accepted and will be void.**

The deadline to vote on the Plan is \_\_\_\_\_, 2009 at 5:00 p.m. Eastern time (the "Voting Deadline"). The Voting Agent must *receive* your Ballot on or before the Voting Deadline for your vote on the Plan to be counted. If you have not received a Ballot, or if your Ballot is lost or mutilated, you may obtain a replacement Ballot by contacting the Voting Agent at the following address:

[VOTING AGENT ADDRESS]

You may also obtain a replacement Ballot by contacting the Voting Agent's representative, [\_\_\_\_], at [ ]. You may also obtain copies of the Plan, this Disclosure Statement and other Plan related documents on the internet at the following website: [ ].

## **ARTICLE I: OVERVIEW OF THE PLAN**

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by the full text of the Plan, which is attached as Exhibit A. For a more detailed description of the terms of the Plan, see Article IV, entitled “The Plan of Liquidation.”

### **A. Summary of Plan Structure.**

The Plan is a plan of liquidation. The Official Creditors’ Committee proposes to liquidate CMI’s Estate Assets to Cash and distribute those proceeds to holders of Allowed Claims. If the Bankruptcy Court confirms the Plan, the Official Creditors’ Committee will appoint a Plan Administrator to liquidate CMI’s Estate Assets. CMI’s Estate Assets include both interests in mortgage loans and other assets, as well as litigation claims against parties that dealt with CMI. No person or entity will receive a release of any kind under the Plan, though the Plan exculpates certain parties, including the members of the Official Creditors’ Committee, with respect to their acts in the Bankruptcy Case and after the Effective Date of the Plan. The Plan does not exculpate CMI, its management, any entity that is related to CMI, or management of any entity that is related to CMI. A Plan Committee, which will initially be composed of the members of the Official Creditors’ Committee, will be appointed and will oversee and supervise the Plan Administrator’s liquidation of CMI’s Estate Assets.

If you are a Bondholder, the Plan also provides an opportunity for you to contribute individual claims you may have against third parties related to your Bond investment in CMI (known as “Non-Estate Claims”) to a Private Actions Trust. **Contributing Non-Estate Claims to the Private Actions Trust is entirely voluntary and no Bondholder is required to contribute Non-Estate Claims to the Private Actions Trust.** The Private Actions Trust will liquidate Non-Estate Claims contributed to it on a collective basis. The net proceeds from the Private Actions Trust will be distributed to those Bondholders that contribute Non-Estate Claims on a ratable basis based upon the Allowed amount of the Bondholder’s Claim against CMI.

### **B. Summary of Estimated Distributions.**

**If you are a Bondholder.** You will receive a ratable share of Cash available for distribution to Unsecured Creditors after liquidation of the Estate Assets. The Estate Assets are principally (i) mortgage loans, owned property and equity in entities that own or control property and similar investments CMI held when it filed for bankruptcy or has since obtained as a result of actions taken before or during the

Bankruptcy Case, and (ii) litigation claims that CMI holds against certain parties. The Official Creditors' Committee estimates that you will recover between 9% and 36% of the Face Amount of your Allowed Claim from the liquidation of CMI's mortgage loans and similar investments. In other words, if the Face Amount of your Bond is \$1000, the Official Creditors' Committee estimates that you will recover between \$90 and \$360. This estimate does not include proceeds from recoveries on Estate Litigation Claims and the Official Creditors' Committee has not assigned a value to these recoveries.

In addition to distributions on your Allowed Claim, as a Bondholder, you may also elect to contribute your Non-Estate Claims to the Private Actions Trust. If you elect to contribute your Non-Estate Claims you will receive a proportionate share of net recoveries from the Private Actions Trust based upon the amount of your Allowed Claim against CMI. The Official Creditors' Committee has not estimated what these recoveries will be.

**If you are an Unsecured Creditor other than a Bondholder.** You will receive a ratable share of Cash available for distribution to Unsecured Creditors after liquidation of Estate Assets. The Official Creditors' Committee estimates that you will recover between 9% and 36% of the Face Amount of your Allowed Claim from the liquidation of CMI's mortgage loans, owned property and equity in entities that own or control property and similar investments that CMI held when it filed for bankruptcy or has since obtained as a result of actions taken before or during the Bankruptcy Case. This estimate does not include proceeds from recoveries on Estate Litigation Claims and the Official Creditors' Committee has not estimated these recoveries.

**If you are an Unsecured Creditor (including a Bondholder) with a Claim less than [\$ ] or if you have voluntarily reduced your Claim to [\$ ].** Your Claim has been placed into the Convenience Class. You will be entitled to receive either a one time payment or payments over time of [ %] of your Allowed Claim, not to exceed a total distribution of [\$ ].

**If you are a Secured Creditor.** You will receive (i) Payment in Full in periodic installments over a time period to be determined at a market rate of interest, provided however, that interest will only be paid from the cash flow of any particular property securing your Allowed Claim; (ii) Cash equal to the amount of your Allowed Secured Claim, not to exceed the value of the collateral securing your Allowed Claim, or (iii) a return of the collateral or other property that secures your Allowed Secured Claim.

**If you hold an MPP Claim.** You will receive the following. If the Bankruptcy Court determines that you hold an Unsecured Claim, you will receive a ratable share of Cash available for distribution to Unsecured Creditors after



liquidation of CMI's Assets. If the Bankruptcy Court determines that you hold a Secured Claim, you will receive (a) your share of the collateral securing your Allowed MPP Claim, or (b) a return of the collateral that secures your Allowed MPP Claim.

**If you own CMI common stock.** You will receive nothing and your common stock will be cancelled because CMI is insolvent and its Creditors will not be repaid in full.

**C. Summary of Timing and Amount of Estimated Distributions under the Plan.**

The timing of distributions under the Plan is unknown. As described in this Disclosure Statement, CMI held a complicated portfolio of real estate and other Estate Assets. CMI, with the oversight and approval of the Official Creditors' Committee, has been liquidating these Estate Assets during the Bankruptcy Case. The Official Creditors' Committee anticipates that the process of liquidating this portfolio will *not* be completed by the time the Plan is confirmed and that the liquidation process will continue after confirmation.

A Plan Administrator and Plan Committee (composed of the members of the Official Creditors' Committee) will be appointed to oversee and conclude the liquidation process. The Plan Administrator and the Plan Committee will have the authority to make periodic distributions under the Plan as the circumstances warrant based, principally, on the amount of Cash available to make distributions. The pace of this liquidation will, in turn, depend upon overall market factors.

Another source of recoveries will be from the assertion and recoveries on Estate Litigation Claims by the Plan Administrator. The timing and quantum of recoveries on these Estate Litigation Claims is presently unknown. The Official Creditors' Committee therefore has not included an estimate of the timing or quantum of these recoveries.

The chart below summarizes the estimated percentage distributions to each Class under the Plan. The estimated recoveries provided herein are the Official Creditors' Committee's best estimates of the recoveries based upon an analysis of Estate Assets. The amounts actually recovered may be materially greater or less than the amount estimated in the following chart. Additionally, the following chart estimates recoveries from the liquidation of CMI's investment portfolio (and other Estate Assets generated in and through CMI's day-to-day business) *only*. For purposes of making the following estimates, the Official Creditors' Committee has not attributed any value to Estate Litigation Claims that the Plan Administrator and Plan Committee will bring. Similarly, the following estimates do not include any estimated recovery from the Private Actions Trust.

<b>Class No.</b>	<b>Claim/Interest</b>	<b>Treatment of Claim/Interest</b>	<b>Estimated Amount and Projected Recovery</b>	<b>Voting Rights</b>
N/A	Administrative Claims	Each holder of an Allowed Administrative Expense Claim, will be Paid in Full and in Cash, without interest, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Administrative Expense Claim; or (c) as the holder of the Allowed Administrative Expense Claim may otherwise agree.	Estimated Amount: \$[ ]  Estimated Recovery: 100% of Allowed Amount	Unimpaired and not entitled to vote
N/A	Priority Tax Claims	Each holder of an Allowed Priority Tax Claim, will be Paid in Full and in Cash, without interest, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Tax Claim; or (c) as the holder of the Allowed Priority Tax Claim may otherwise agree.	Estimated Amount: \$[ ]  Estimated Recovery: 100% of Allowed Amount	Unimpaired and not entitled to vote
1	Non-Tax Priority Claims	Each holder of an Allowed Priority Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) the amount of such Allowed Priority Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Plan Administrator.	Estimated Amount: \$[ ]  Estimated Recovery: 100% of Allowed Amount	Unimpaired and not entitled to vote
2	Secured Tax Claims	Each holder of an Allowed Secured Tax Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) the amount of such Allowed Secured Tax Claim (including, to the extent Allowed, any interest on such Claim accrued under applicable nonbankruptcy law), in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Tax Claim; or (ii) such other treatment as may be	Estimated Amount: \$[ ]  Estimated Recovery: 100% of Allowed Amount	Impaired and entitled to vote

		agreed upon in writing by the holder of such Claim and the Plan Administrator.		
3(a)	Appian Way MPP Claims	Each holder of an Allowed Appian Way MPP Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) if the Bankruptcy Court determines that an Appian Way MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if the Bankruptcy Court determines that an Appian Way MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Appian Way Collateral payable under such holder's Appian Way Loan Participation if such holder is able to establish an entitlement to receive such a share under an Appian Way Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Appian Way MPP Claim.	Estimated Amount: \$3,370,375  Estimated Recovery: 14% to 27% of Allowed Amount	Impaired and entitled to vote
3(b)	Cross Creek MPP Claims	Each holder of an Allowed Cross Creek MPP Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) if the Bankruptcy Court determines that a Cross Creek MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if the Bankruptcy Court determines that a Cross Creek MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Cross Creek Collateral payable under such holder's Cross Creek Loan Participation if such holder is able to establish an entitlement to receive such a share under a Cross Creek Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Cross Creek MPP Claim.	Estimated Amount: \$3,000,000  Estimated Recovery: 0% to 38% of Allowed Amount	Impaired and entitled to vote
3(c)	Wellstone at Middle Creek MPP Claims	Each holder of an Allowed Wellstone at Middle Creek MPP Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) if the Bankruptcy	Estimated Amount: \$50,000  Estimated Recovery: 0% to 35% of Allowed	Impaired and entitled to vote

		Court determines that a Wellstone at Middle Creek MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if the Bankruptcy Court determines that a Wellstone at Middle Creek MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Wellstone at Middle Creek Collateral payable under such holder's Wellstone at Middle Creek Loan Participation if such holder is able to establish an entitlement to receive such a share under a Wellstone at Middle Creek Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Wellstone at Middle Creek MPP Claim.	Amount	
3(d)	Wellstone at Bluffton MPP Claims	Each holder of an Allowed Wellstone at Bluffton MPP Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) if the Bankruptcy Court determines that a Wellstone at Bluffton MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if the Bankruptcy Court determines that a Wellstone at Bluffton MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Wellstone at Bluffton Collateral payable under such holder's Wellstone at Bluffton Loan Participation if such holder is able to establish an entitlement to receive such a share under a Wellstone at Bluffton Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Wellstone at Bluffton MPP Claim.	Estimated Amount: \$1,600,000  Estimated Recovery: 0% to 20% of Allowed Amount	Impaired and entitled to vote
3(e)	Wellstone in the Smokies MPP Claims	Each holder of an Allowed Wellstone in the Smokies MPP Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) if the Bankruptcy Court determines that a Wellstone in the Smokies MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if	Estimated Amount: \$2,391,000  Estimated Recovery: 30% to 100% of Allowed Amount	Impaired and entitled to vote

		the Bankruptcy Court determines that a Wellstone in the Smokies MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Wellstone in the Smokies Collateral payable under such holder's Wellstone in the Smokies Loan Participation if such holder is able to establish an entitlement to receive such a share under a Wellstone in the Smokies Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Wellstone in the Smokies MPP Claim.		
4	Secured Claims	Each holder of an Allowed Secured Claim (other than Secured Tax Claims) shall receive in full satisfaction, release and discharge of and in exchange for such Claim: (i) payment in full in periodic installments over a time period to be determined at a market rate of interest, provided however, that interest will only be paid from the cash flow of any particular property securing such Claim; (ii) Cash equal to the amount of such Allowed Secured Claim, or (iii) a return of the collateral or other property that secures the Allowed Secured Claim. Any Liens asserted by the holder of such Allowed Secured Claim shall be extinguished and of no further force or effect once the holder of the Allowed Secured Claim has received payment or other consideration as set forth in (i) through (iii) above.		Impaired and entitled to vote
5	Bondholder Unsecured Claims	Each holder of an Allowed Bondholder Unsecured Claim shall receive in full satisfaction, release and discharge of and in exchange for such Allowed Bondholder Unsecured Claim (i) its Pro Rata share of the Liquidation Amount and (ii) if the holder of the Bondholder Claim makes a Private Actions Trust Election, distributions from the Private Actions Trust in accordance with the terms of the Private Actions Trust Agreement.	Estimated Amount: \$142,879,770  Estimated Recovery: 9% to 36% of Allowed Amount	Impaired and entitled to vote
6	Other	Each holder of an Allowed Other		Impaired

	Unsecured Claims	Unsecured Claim shall receive in full satisfaction, release and discharge of and in exchange for such Allowed Other Unsecured Claim its Pro Rata share of the Liquidation Amount.		and entitled to vote
7	Convenience Class Claims	Each holder of an Allowed Convenience Class Claim shall receive in full satisfaction, release and discharge of and in exchange for such Allowed Convenience Class Claim Cash equal to [ ]% of the Allowed Amount of the Allowed Convenience Class Claim.		Impaired and entitled to vote
8	Subordinated Claims	Holders of Allowed Subordinated Claims will receive no distributions on account of their Allowed Subordinated Claims.		Deemed to reject and not entitled to vote
9	Equity Interests	All Equity Interests will be canceled, annulled and voided, and the holders thereof shall be entitled to no distribution under the Plan.		Deemed to reject and not entitled to vote

**ARTICLE II:  
HISTORY OF THE DEBTOR AND EVENTS LEADING TO CHAPTER 11**

**A. Basis of presentation.**

The discussion of CMI's history and the circumstances of CMI's bankruptcy filing is currently the subject of an investigation by the Official Creditors' Committee. This discussion is based upon (i) representations made by CMI's management regarding CMI's history, (ii) information publicly reported by CMI in its filings with the SEC, and (iii) the Official Creditors' Committee investigation to date. The investigation is ongoing and it is anticipated that it will continue after confirmation of the Plan. This discussion is without prejudice to the Official Creditors' Committee's rights to continue its investigation and bring any claims that may arise from that investigation, regardless of whether the facts arising from such claims are addressed in the following discussion. Additional discussion of certain of this material may be found in CMI's filings with the SEC.

**B. Formation of CMI.**

The Presbyterian Church of America (the "PCA") incorporated a predecessor of CMI known as the Investors Fund for Building and Developing of the Presbyterian Church in America, Inc. (the "Investors Fund") as a not-for-profit corporation under section 501(c)(3) of the Internal Revenue Code in December 1985. The Investors Fund began operations in April 1986. The Investors Fund was created to raise capital to provide funding for churches and related ministries in the Presbyterian denomination. The Investors Fund sold bonds to raise capital.

In June 1994, the General Assembly of the PCA voted to make the Investors Fund independent from the Presbyterian denomination, though it remained a not-for-profit corporation. At that time, the Investors Fund name changed to the Presbyterian Investors Fund, Inc. It continued to act as a financing arm to the PCA, providing financing for churches, Christian schools, and other types of ministries associated with churches and non-profits related to the churches.

In 1996, a for-profit corporation known as Cornerstone Ministries Investments, Inc. was formed to provide funding to PCA and non-PCA borrowers. The stated purpose for forming Cornerstone Ministries Investments, Inc. was to streamline the regulatory and registration process related to registration of its bonds, provide for periodic reporting, and to raise additional capital. A non-profit is required to register its bonds separately in each state on an annual basis. In contrast, a for-profit structure permitted registration and reporting through the SEC. Additionally, a for-profit structure permitted the use of SEC registered broker-dealers to distribute bonds and other securities.



In 2000, the Presbyterian Investors Fund, Inc. merged into Cornerstone Ministries Investment, Inc. The merged entity is the entity that filed this Bankruptcy Case. As a for-profit corporation issuing securities, CMI was required to become an SEC reporting company. CMI has issued and filed periodic and non-periodic disclosures and reports with the SEC.

At approximately the time of the merger of Presbyterian Investors Fund, Inc. and Cornerstone Ministries Investment, Inc., CMI began making loans other than to churches, which it had historically focused upon. CMI made these new loans, certain of which are discussed further below, to, among others, developers of faith-based senior housing projects and for-profit developers of residential real estate. Many of these borrowers were affiliates of or otherwise related to or controlled by the same individuals that also controlled CMI. Additionally, many of these loans were second mortgage loans. The Official Creditors' Committee is investigating the circumstances of CMI's making these loans and is determining whether a basis exists to bring claims based on that investigation.

### **C. Management relationship with Cornerstone Capital Advisors, Inc.**

On August 1, 2004,<sup>2</sup> CMI entered into an advisory and services agreement (the "Advisory Agreement") with Cornerstone Capital Advisors, Inc. ("CCA"). Under the Advisory Agreement, CMI appointed CCA to manage CMI's day-to-day business affairs, including providing CMI with potential business opportunities and providing, according to the Advisory Agreement, an "investment program consistent with the investment objectives and policies of [CMI]." Under the Advisory Agreement, CCA purported to provide, among other things, accounting, registration, banking, regulatory and reporting services. The Advisory Agreement stated that CCA was subject to the supervision of the CMI board of directors. Under the Advisory Agreement, CCA received a fee based upon the financial performance of CMI. Certain employees, officers, and other persons in control of CMI were also employed by or in control of CCA.

On February 8, 2008, two days prior to CMI's bankruptcy filing, CMI and CCA revised the Advisory Agreement to provide for, among other things, payment of a flat monthly fee from CMI to CCA and a limitation on the investment advisory services CCA would provide to CMI. After CMI filed for bankruptcy, the Official Creditors' Committee initially objected to CCA's retention by CMI, but subsequently agreed to allow CCA to continue to provide limited services to CMI. CMI's budget and expenses have been subject to the review of the Official Creditors' Committee during the Bankruptcy Case. Since CMI has filed for bankruptcy, CCA has only been paid an amount necessary to cover the costs of maintaining CMI's operations.

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<sup>2</sup> In its filings with the SEC, CMI has stated that it entered into the Advisory Agreement on July 1, 2003, not August 1, 2004. August 1, 2004 is the date set forth in the Advisory Agreement itself.



Additionally, the Official Creditors' Committee has closely monitored the relationship between CMI and CCA since its appointment. As of the date of this Disclosure Statement CCA has four full time employees and one half time employee (Mr. Ottinger) and has total monthly costs, including rent and overhead, of approximately \$75,000.

**D. CMI's board of directors and management.**

As of the date of CMI's bankruptcy filing, the following people were directors or officers of CMI:

<u>Name</u>	<u>Position</u>
John T. Ottinger, Jr.	Interim President
William A. Wagner	Chief Financial Officer
Barbara Byrd	Secretary and Director
Royce M. Cox	Chairman of the Board and Director
Henry Darden	Director
Theodore R. Fox	Director
John M. Nix	Director
Jayne Sickert	Director
Irving B. Wicker	Director
Edward Moore	Director

Additional information about certain of these directors and officers, as well as other former directors and officers is below:

Mr. Ottinger assumed his current position with CMI on December 20, 2007. Mr. Ottinger had previously served as CMI's Chief Financial Officer until March 31, 2007. He was also previously an employee of CCA and CCA's parent company, and he was an officer and 18.75% shareholder of Wellstone, LLC (which, together with its affiliates is CMI's largest borrower as discussed further below in Article II.E of this Disclosure Statement), and a director and chief executive officer of Wellbrook Properties, Inc., for which CCA served as an advisor.

Mr. Wagner was appointed as CMI's Chief Financial Officer on December 6, 2007 and resigned that position on February 21, 2008. Prior to being named CMI's Chief Financial Officer, Mr. Wagner had been employed by CCA since September 2007.

Mr. Moore was elected as a director of CMI on December 20, 2007. CMI's management asserts that Mr. Moore was removed from CMI's board at the request of Mr. Ottinger, though the Official Creditors' Committee has seen no evidence of such a removal. Mr. Moore is also President and Chief Executive Officer of Sage Living Centers, Inc., which is a substantial borrower from CMI.

Mr. Jack Wehmiller was Chairman of the Board of Directors and Chief Executive Officer of CMI until December 20, 2007 and also served as CMI's principal financial officer from March 31, 2007 through December 20, 2007. Mr. Wehmiller also formed and worked for Wellstone Securities LLC from April 2002 through January 2004 and was also a member of the staff of CCA. Mr. Wehmiller also previously owned 18.75% of Wellstone, LLC.

Mr. Cecil A. Brooks was a member of CMI's Board of Directors and was CEO and Co-President of CMI until November 1, 2006. For a period of time, Mr. Brooks was also the CEO of CCA and a director of CCA's parent company. Mr. Brooks also previously owned 18.75% of Wellstone LLC.

**E. Lending and other relationships with Wellstone, LLC and its affiliates.**

Wellstone, LLC, together with its affiliates, was the largest borrower from CMI, was allegedly a lender to CMI, and had certain common employees with CMI. Additionally, present or former managers of CMI and CCA previously owned 75% of Wellstone, LLC. As of the date of the filing of this Disclosure Statement, Wellstone and its affiliates collectively owed CMI in excess of \$92 million (including accrued and unpaid interest). Substantially all of the amounts CMI loaned to Wellstone, LLC and its affiliates were loaned on a second lien or second priority basis. Wellstone, LLC is in default on many or all of these loans both to CMI and to the holder of the first priority mortgage.

Certain of the first mortgage holders of property owned by Wellstone have sought relief from the automatic stay imposed by CMI's bankruptcy to foreclose on property owned by Wellstone, LLC, as discussed further below in Article III.F of this Disclosure Statement. To date, the Bankruptcy Court has entered multiple orders granting relief from the automatic stay to the first mortgage holder to permit the first mortgage holder to foreclose on the property owned by Wellstone, LLC and its affiliates. Collectively, the Bankruptcy Court has granted stay relief on Wellstone related projects to which CMI has lent more than \$60 million.

Since CMI's bankruptcy filing, neither Wellstone, LLC nor its affiliates has repaid CMI. Wellstone, LLC, its affiliates, and its principal have asserted that they are attempting to sell certain of their properties to repay CMI, among other things. The recovery range estimated by the Official Creditors' Committee contemplates a partial repayment by Wellstone, LLC and its affiliates. Wellstone, its affiliates, and Persons in control of those entities have also filed Proofs of Claim against CMI asserting Claims of more than \$75 million. These Proofs of Claim have been filed, allegedly, as Secured Claims. These Proofs of Claim are discussed further below in Article III.J of this Disclosure Statement.

On December 1, 2008, Wellstone at Craig Ranch III, LLC, an entity to which CMI reported it had lent approximately \$5.4 million as of the date of CMI's bankruptcy filing, filed a bankruptcy petition in the United States Bankruptcy Court for the Eastern District of Texas.

In addition to lending money to Wellstone, LLC and its affiliates, CMI has reported that it has borrowed certain amounts from an affiliate of Wellstone, LLC, Wellstone Investment Fund, LLC. CMI reported in a filing with the SEC on September 30, 2007 that CMI owed Wellstone Investment Fund, LLC \$1,602,019 as of September 30, 2006. CMI has also reported that it paid off this loan in December 2006.

Certain present and former officers and directors of CMI and CCA formerly owned 75% of Wellstone, LLC. These directors and officers are: Mr. Ottinger, Mr. Wehmiller, Mr. Brooks, and Robert Covington, who is President of CCA. These individuals subsequently assigned their interests to Church Growth Foundation, Inc. Church Growth Foundation, Inc. is or was the sole shareholder of Cornerstone Group Holdings, Inc., which is the sole shareholder in CCA. According to the President of Wellstone, LLC, Wellstone, LLC has subsequently redeemed Church Growth Foundation, Inc. interests in Wellstone, LLC. The Official Creditors' Committee is investigating the circumstances of these transactions.

#### **F. CMI Asset Pool I, LLC.**

In August 2006, CMI entered into transactions to obtain proceeds from a loan from Bernard National Funding, Ltd. ("Bernard"). In these transactions, CMI created a wholly-owned subsidiary, CMI Asset Pool I, LLC ("CMI Asset Pool"). CMI initially contributed 19 of its mortgage loans to CMI Asset Pool. CMI Asset Pool is a "bankruptcy remote" entity and has not filed for bankruptcy and is a separate legal entity from CMI. Bernard entered into a \$40 million revolving credit facility with CMI Asset Pool (the "Bernard Loan"), of which the maximum principal amount outstanding at any time is approximately \$20 million. CMI Asset Pool pledged the loans contributed to it from CMI to secure its obligations to Bernard. CMI allegedly guaranteed the obligations of CMI Asset Pool to Bernard on an unsecured basis. In connection with this guarantee, Bernard filed a Proof of Claim against CMI asserting an Unsecured Claim of \$18,384,444.90. This Proof of Claim is discussed further below in Article III.J of this Disclosure Statement.

Proceeds from the Bernard Loan to CMI Asset Pool were allegedly paid to CMI. CMI has stated that these proceeds were used to make additional loans and that it established this funding structure as an alternative to financing its operations through the issuance Bonds. The Official Creditors' Committee is investigating the structuring of and payment of these proceeds.

CMI Asset Pool initially borrowed \$20 million under the Bernard Loan, though this amount fluctuated over time. As of the date of CMI's bankruptcy filing, CMI Asset Pool allegedly owed Bernard approximately \$18.3 million on the Bernard Loan to Bernard. Bernard foreclosed on 14 of the loans which CMI Asset Pool pledged to it on November 11, 2008, as further described in Article III.K of this Disclosure Statement. Bernard purchased these loans for approximately \$13.3 million, thereby reducing the amount Bernard can assert it is owed by CMI Asset Pool (and allegedly guaranteed by CMI) to approximately \$5 million.

**G. Sale of Mortgage Participation Interests to certain investors.**

CMI sold mortgage participations in certain of the loans that it originated. The sale of a mortgage participation interest is, purportedly, a sale by CMI of a portion of a specific loan CMI made to a specific borrower. Through the sale of mortgage participations, CMI asserted that it would share the risks of particular loans it made with the participants. CMI would make payments to participants when it received payments on the loans in which it sold the participation. The mortgage participations did not entitle the holder of the mortgage participation to a Claim against CMI, only an interest in the underlying loan originated by CMI. CMI sold the mortgage participations to accredited investors and the mortgage participations were not registered with the SEC, though they were disclosed in filings CMI made with the SEC. The mortgage participations had no stated maturity date other than the maturity date of the underlying loan. CMI began offering participations in 2004 in its senior housing loans. As these loans were paid off, the participations were repaid and some were rolled over into other CMI loans.

As of the date of its bankruptcy filing, CMI had sold fourteen separate mortgage participations in five separate loans. CMI sold mortgage participations in loans it made to Wellstone, LLC and its affiliates and Meridian Housing, LLC. The total outstanding Face Amount of the mortgage participations as of CMI's bankruptcy filing was approximately \$10.5 million. Insiders of CMI purchased 85% of the Face Amount of the participations. The Official Creditors' Committee is investigating the circumstances surrounding the sale of the participations and all rights to assert Estate Litigation Claims (and Claims objections) related to any and all mortgage participation interests are expressly reserved under the Plan.

**H. Guaranties of the obligations of certain borrowers.**

Prior to filing for bankruptcy, CMI guaranteed the obligations of some of its borrowers. These guarantees were provided to first mortgage lenders in transactions in which CMI was the second mortgage lender. With two exceptions, these guarantee obligations were made in late 2005 and early 2006. The Official Creditors' Committee is investigating the reasons for CMI providing these guarantees and all

rights to assert Estate Litigation Claims (or Object to Claims) are reserved in this respect.

One of these guarantees was made in April 2007, in which CMI provided a guarantee of debt owed by Wellstone Retirement Communities I, LLC (“WRC”) as part of an asset sale by WRC. CMI’s management has stated that CMI received in excess of \$24 million related to this transaction. In connection with the sale, WRC made representations and warranties and agreed to indemnify the purchaser for a breach of these representations and warranties for a period of one year following the date of sale. CMI guaranteed the indemnity obligations of WRC and another obligor up to a maximum of \$3,500,000 and received a fee of \$35,000 for providing the guarantee. CMI’s management asserts that this guaranty terminated in April, 2008, and is no longer in effect.

Among the other loan guarantees, CMI is guarantor on ten loans secured by senior housing, low income housing, affordable family housing and church facilities. These guarantees are for amounts drawn under credit facilities and cover outstanding principal and accrued interest. CMI’s management has stated that fees were paid for these guarantees and that the guarantees were provided to facilitate the repayment of loans made by CMI, in full or in part. CMI’s management also stated that it conducted a risk assessment under normal market conditions, and where possible an offsetting fee was charged to offset the liability created. If a demand is not made on the guarantees, the guarantees terminate on maturity and repayment of the underlying loan or at “project stabilization” (which is a term defined by the particular guarantee agreement). CMI is allegedly required to perform under its guarantee obligation upon an uncured payment default by the borrower to the party receiving the guarantee from CMI.

CMI’s guarantee obligations as of September 30, 2007 as reported to the SEC are as follows:

Location/Type	Renewal/ Origination Date	Maturity Date	Reported Maximum Guarantee	Principal Outstanding as of 9/30/07	Loan Guarantee Obligation
Charleston, SC	12/30/05	4/1/08	\$ 11,500,000	\$ 11,500,000	\$ 100,000
Beaufort, SC	12/30/05	4/1/08	8,850,000	8,850,000	150,000
Blythewood, SC	8/25/06	8/25/08	250,000	250,000	3,750
Seneca, SC	9/08/06	9/8/08	860,000	860,000	12,900
Spartanburg, SC	9/26/06	9/26/08	17,660,000	6,007,881	101,875
Lexington, SC	12/29/06	12/29/08	18,250,000	7,389,851	91,000
Dallas, TX (church)	5/16/06	5/16/09	219,000	219,000	2,153
Dallas, TX (church)	6/9/06	6/9/09	331,661	331,661	3,215

Dallas, TX (church)	8/24/06	8/24/09		371,700		371,700		3,717
St. Petersburg, FL	12/18/04	8/15/08		7,331,300		6,753,240		71,000
Indemnification	4/13/07	4/13/08		3,500,000		n/a		35,000
				\$ 69,123,661		\$ 42,533,333		\$ 574,610

As set forth above, in its September 30, 2007, SEC filing, CMI reported that its risk adjusted exposure under normal market conditions on loan guarantee obligations totaled approximately \$574,610. However, the parties to whom CMI made these guarantees have filed Proofs of Claim in the CMI bankruptcy asserting total claims in excess of \$75 million, though some of these appear to be duplicate claims. These alleged Creditors and the amount of their Proofs of Claim are as follows:

<u>Alleged Creditor</u>	<u>Underlying Borrower</u>	<u>Amount of Proof of Claim</u>
MuniMae Portfolio Services	Cross Creek Apartments, L.P.	\$9,033,391.67
MuniMae Portfolio Services	Cross Creek Apartments, L.P.	9,062,891.67
MuniMae Portfolio Services	Appian Way Apartments, L.P.	11,914,807.56
MuniMae Portfolio Services	Appian Way Apartments, L.P.	11,709,555.56
Regions Bank	Lauren Ridge Apartments, L.P and Meridian at River Run, LLC	33,445,391.30
Community First Bank	Preston Ridge, LLC	728,486.89

These Proofs of Claim are discussed further below in Article III.J of this Disclosure Statement. All of the projects which form the subject of the above Proofs of Claim other than Preston Ridge, LLC are currently under contract or letter of intent for sales to third parties which, if they close, would result in a release of CMI's guaranty obligations.

## **I. Bond Obligations**

CMI's principal means of raising financing was through the sale of SEC registered Bonds to members of the general public. The Bonds were all unsecured obligations of CMI. CMI marketed three principal types of Bonds:

- *Access Bonds.* Access Bonds had no stated maturity and were due to be paid by CMI on demand. CMI's Board of Directors would determine the interest rate on the Access Bonds quarterly. The interest rate as of September 30, 2007 was 5%.
- *Graduated Rate Bonds.* Graduated rate Bonds could be redeemed annually by Bondholders and had a stated maximum maturity of five years. The interest rate for graduated rate Bonds increased based on the length of time that the Bond was outstanding. Bonds sold prior to 2004 had a starting interest



rate of 7% and increased .5% for each year the Bond is outstanding with a 9% maximum rate. Bonds sold in 2004 and 2005 had an initial interest rate of 6.25% and increase .5% for each year the bond is outstanding with an 8.25% maximum rate.

- *Five year Bonds.* Five year Bonds had a five year maturity. Bonds sold prior to 2004 had a 9% interest rate and Bonds sold in 2004 and thereafter had an 8.25% interest rate.

As of the date of CMI's bankruptcy filing, CMI reported that it had approximately \$142 million of outstanding and unpaid Bond obligations, including accrued but unpaid interest as of the date of the bankruptcy filing (approximately \$126 million in principal). These obligations were owed to approximately 3500 Bondholders. Trinity Trust Company acted as the indenture trustee under all of the Bonds issued by CMI.

#### **J. Loans from First United Bank and Trust Company**

In August 2007 and again in January 2008, First United Bank and Trust Company ("FUB") made two loans of up to \$3 million each to CMI. These loans were denominated as "working capital" loans. The August 2007 loan was used to pay general operating expenses of CMI, including funding redemptions of certain Bondholders and to fund loan commitments to other borrowers, including Wellstone. The January 2008 loan was used as a "pass-through" to fund draws to affiliates of Wellstone, LLC (Cooper Life) that were borrowers from CMI. CMI pledged its interests in certain of its loans to FUB to secure CMI's obligations to FUB under these loans. Additionally, certain Persons and Entities guaranteed all or a portion of these alleged obligations of CMI to FUB, including Insiders of CMI and Wellstone, LLC. FUB is a co-lender with CMI to affiliates of Wellstone, LLC on projects being developed in McKinney, Texas, and it was these interests that were pledged. As set forth below in Article III.F.1 of this Disclosure Statement, FUB has obtained relief from the automatic stay imposed by CMI's bankruptcy filing to foreclose upon two of the properties to which it lent money and these foreclosures have occurred.

#### **K. State Investigations Related to Alleged Securities Violations**

On October 3, 2005, CMI, Cecil Brooks (at that time the President of CMI), John T. Ottinger (at that time the Vice President & Chief Operating Officer of CMI), and Jack Wehmiller (at that time a Director of CMI), among others, entered into a Consent Order and Stipulation with the State of Michigan Department of Labor & Economic Growth Office of Financial and Insurance Services (the "Consent Order"). The Consent Order found that, in 2003 and 2004, CMI had stated in filings with the State of Michigan related to CMI's offering of securities that certain of its securities "have been approved for listing on the Chicago Stock Exchange." The Consent Order

concluded that CMI, Ottinger and Wehmiller knew or should have known that CMI's securities had not been approved for listing on the Chicago Stock Exchange and this untrue statement constituted a violation of sections 101(2) and 404 of the Michigan Uniform Securities Act. The states of Texas, Minnesota, New Jersey, Ohio, Maine, Indiana, Tennessee, Colorado, and Kansas have either made inquiries or taken actions against CMI or its directors and officers related to statements CMI made related to the status of its shares on the Chicago Stock Exchange. In connection with these actions, CMI has paid in excess of \$1 million to these states or to investors in these states.

**L. Other events CMI has identified that precipitated its bankruptcy filing.**

CMI has stated that the events that precipitated its bankruptcy filing started to occur in 2007, when the real estate markets in general started to suffer a downturn and the credit markets started to contract. In August 2007, CMI allegedly anticipated cash receipts from refinancing and loan pay-downs of approximately \$47 million dollars and anticipated only approximately \$13 million dollars in payments of principal and interest on its Bonds and other obligations in the first quarter of 2008 if all Bonds were redeemed that matured in that period (and no significant amount of further maturing securities until March 2009). According to CMI, the anticipated refinancing and loan pay-downs did not occur. Due to its lack of liquidity and its obligations to fund Bond and other maturities in the first quarter of 2008, CMI's Board of Directors determined that it should file a petition under chapter 11 of the Bankruptcy Code on February 10, 2008.

**ARTICLE III:  
EVENTS DURING THE CHAPTER 11 CASE**

**A. Debtor's Retention of Professionals and Others.**

On February 12, 2008, the Debtor filed an application to retain Scroggins & Williamson ("S&W") as its general bankruptcy counsel under section 327(a) of the Bankruptcy Code. The Bankruptcy Court authorized the employment of S&W under section 327(a) of the Bankruptcy Code on March 13, 2008. On November 26, 2008, S&W filed a fee application requesting payment of \$549,169 in fees and expenses for work performed in connection with the Bankruptcy Case. These fees and expenses have not been approved by the Bankruptcy Court or paid to S&W as of the date of the filing of this Disclosure Statement. All of S&W's fees, whether prior to or subsequent to confirmation of the Plan, are subject to Bankruptcy Court review and approval.

On February 14, 2008, CMI filed an application to retain Miller & Martin PLLC ("M&M") as special counsel under section 327(e) of the Bankruptcy Code. In the affidavit in support of retention of M&M, M&M disclosed that, prior to CMI's bankruptcy filing, M&M had represented CMI and many of its borrowers and other



related parties. Additionally, the affidavit disclosed that M&M had received approximately \$191,266.76 in transfers from CMI in the ninety days prior to CMI's bankruptcy filing that CMI may be able to recover as a preference under the bankruptcy laws.<sup>3</sup>

The U.S. Trustee objected to M&M's proposed retention on February 29, 2008 and the Official Creditors' Committee filed its objection on March 3, 2008. These objections asserted that, based upon M&M's representation of CMI and related parties prior to CMI's bankruptcy filing, M&M may have interests adverse to CMI and its bankruptcy estate. On April 17, 2008, the Bankruptcy Court entered an order, with the consent of both the Official Creditors' Committee and the U.S. Trustee, authorizing CMI to retain M&M, but reserving any rights the Official Creditors' Committee and others may have to investigate and assert claims against M&M.

On November 26, 2008, M&M filed a fee application requesting payment of \$200,696 in fees and expenses. These fees and expenses have not been approved by the Bankruptcy Court or paid to M&M as of the date of the filing of this Disclosure Statement. All of M&M's fees, whether prior to or subsequent to confirmation of the Plan, are subject to Bankruptcy Court review and approval.

On February 13, 2008, CMI filed a motion to retain eNable Business Solutions, Inc., which was formerly known and now known as Cornerstone Capital Advisors, Inc. ("CCA"). CMI stated that, prior to its bankruptcy filing, CCA "provided research and economic and statistical data in connection with the Debtor's assets and investment policies, as well as providing daily management of the Debtor and performing and/or supervising the various administrative functions reasonably necessary for management of the company, including cash management services."

The U.S. Trustee objected to the proposed retention of CCA on February 29, 2008 and the Official Creditors' Committee objected to the proposed retention on March 3, 2008. On March 26, 2008, the Bankruptcy Court entered an interim order, with the consent of both the Official Creditors' Committee and the U.S. Trustee, authorizing CCA to fund certain of CMI's costs. Since the entry of the March 26 order, CCA has continued to provide services to CMI, subject to the oversight of the Official Creditors' Committee. Since CMI has filed for bankruptcy, it has paid CCA approximately \$565,000 in fees and expenses (and CCA asserts that it is owed approximately \$152,000 more).

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<sup>3</sup> M&M stated that \$17,210.50 of the \$191,266.76 was received on February 11, 2008. CMI filed its bankruptcy petition on February 10, 2008. If this payment was made after February 10, 2008 from CMI, it was unauthorized and may be subject to disgorgement, in addition to other claims that may be asserted against M&M.

On February 22, 2008, CMI filed an application to retain Berman, Hopkins, Wright & LaHam (“Berman Hopkins”) as its auditors. Prior to CMI’s bankruptcy filing, Berman Hopkins provided accounting services to CMI. The U.S. Trustee objected to the proposed retention of Berman Hopkins on February 29, 2008 and the Official Creditors’ Committee objected to the proposed retention on March 3, 2008. On August 1, 2008, the Bankruptcy Court approved the retention of Berman Hopkins, with the consent of both the Official Creditors’ Committee and the U.S. Trustee, and authorized CMI to retain Berman Hopkins; however, this retention provides a full opportunity for the Official Creditors’ Committee and others to investigate and assert claims against Berman Hopkins. Berman Hopkins has not yet filed a fee application. The Official Creditors’ Committee estimates that Berman Hopkins has incurred but unpaid fees as of the date of the filing of this Disclosure Statement of approximately \$13,500.

In addition to the professionals and others described above that CMI has retained to provide it general professional services, CMI has also retained multiple other professionals for limited purposes in the course of the Bankruptcy Case. The following chart sets forth the identity of the professionals retained, the scope of the work performed, the purpose for which CMI retained the professionals, and the fees incurred by the professional.

<b>Professional Retained</b>	<b>Date of Application and Approval of Employment</b>	<b>Purpose of Employment</b>	<b>Scope of Work Performed</b>	<b>Estimated Fees through Effective Date</b>
BMC Group, Inc.	02/13/2008, 02/15/2008	Claims, Noticing and Balloting Agent	Receive and document all claims and ballots filed and provide noticing services for the Debtor	
Ultra Properties, LLC	05/27/2008, 05/30/2008	Real Estate Broker	Market and sell real property owned by the Debtor (CMI’s headquarters)	10% commission paid based on selling price
Cushman & Wakefield of Texas, Inc.	07/16/2008, 07/18/2008	Real Estate Appraiser	Appraise Craig Ranch I, II, and III and Cooper Life	\$35,000 plus \$300 per hour for testimony and litigation support
Davidson & Troilo, P.C.	07/18/2008, 07/21/2008	Special Counsel	Provide legal services related to CMI’s	\$300 per hour

			foreclosure on real property in Texas	
Maddox & Gorham, P.A.	07/25/2008, 07/29/2008	Special Counsel	Provide legal services related to CMI's foreclosure on real property in North Carolina	\$200 per hour
American Appraisers Corp.	08/28/2008,	Real Estate Appraiser	Appraise a church in North Carolina on which CMI has a lien	\$3,000
Christopher D. Donato/Atlantic Appraisals, LLC	10/20/2008, 11/03/2008	Real Estate Appraiser	Appraise Bluffton	\$3,500 plus litigation support at \$200.00 per hour
Pendley & Pendley Appraisers	10/21/2008, 11/03/2008	Real Estate Appraiser	Appraise Middlecreek	\$7,500 plus litigation support at \$125 per hour

**B. Appointment of the Official Creditors' Committee and retention of Professionals.**

On February 27, 2008, the U.S. Trustee appointed the Official Creditors' Committee. The seven members appointed to the Official Creditors' Committee were (1) Donald R. Labate, (2) Huntleigh Securities Corporation, for which David Pickerill has served as the representative, (3) Mason Memorial Church, for which Bruce Sams, Esq. has served as the representative, (4) E.R. Jones Management, Inc., for which Edward Jones as served as the representative, (5) Ray Hill, III, (6) Donald A. and Joan E. Sievenpiper, and (7) Linden Presbyterian Church, for which Raymond A. Burge, Sr. has served as the representative. Donald R. Labate and David Pickerill were elected to serve as co-Chairmen of the Official Creditors' Committee. Each of the members of the Official Creditors' Committee principally holds claims (either directly or as an intermediary) against CMI arising out of obligations of CMI under Bonds.

On March 6, 2008, the Official Creditors' Committee filed an application to retain Alston & Bird LLP ("A&B") as its counsel. The Bankruptcy Court approved A&B's retention on April 8, 2008. Through November 30, 2008, A&B has charged

fees and expenses of approximately \$900,000. A&B has not yet filed a fee application with the Bankruptcy Court and therefore none of these fees or expenses have been approved or paid. A&B does not anticipate filing a fee application prior to confirmation of the Plan. All of A&B's fees, whether prior to or subsequent to confirmation of the Plan, are subject to Bankruptcy Court review and approval.

On April 2, 2008, the Official Creditors' Committee filed an application to retain Hays Financial Consulting, LLC ("Hays") as its financial advisor and accountant. The Bankruptcy Court approved Hays' retention on May 16, 2008. Through November 30, 2008, Hays has charged fees and expenses of approximately \$367,000. Hays has not yet filed a fee application with the Bankruptcy Court and therefore none of these fees or expenses have been approved or paid. Hays does not anticipate filing a fee application prior to confirmation of the Plan. All of Hays's fees, whether prior to or subsequent to confirmation of the Plan, are subject to Bankruptcy Court review and approval.

### **C. Filing of the Schedules and Statement of Financial Affairs.**

On March 11, 2008, CMI filed its schedules and statement of financial affairs (collectively, the "Schedules") with the Bankruptcy Court. In the Schedules, CMI listed real property assets of \$183,611,517 and personal property assets of \$4,049,652.70. The listed real property assets principally include CMI's interests in real estate loans. Of the \$183,611,517 in scheduled real property assets, \$116,477,319 (or 63% of the total listed real property assets) consists of interests in second priority mortgages.<sup>4</sup> \$39,721,112 (or 22% of the total listed real property assets) had been contributed to the CMI Asset Pool and subsequently pledged by CMI Asset Pool to Bernard.<sup>5</sup> \$19,332,144 (or 11% of the total listed real property assets) of the scheduled real property assets were interests in first priority mortgages not otherwise pledged or subordinated. \$8,080,942 (or 4% of the total listed real property assets) of the scheduled assets were other property or interests, such as CMI's ownership interest in its headquarters building in Cumming, Georgia, working capital loans to various borrowers, and equity interests in companies developing real estate assets. Of the \$4,049,652.70 listed as personal property assets, approximately 50% was for holdings in a single church bond, 29% was listed as "income tax carryback

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<sup>4</sup> The Schedules incorrectly refer to the second priority mortgages as real property assets. These assets are, in fact, personal property assets – *i.e.*, obligations such as loans and mortgages – that are secured by interests in real and personal property.

<sup>5</sup> The Schedules incorrectly refer to the loans and mortgages that have been pledged to Bernard as CMI's real property assets. In fact, CMI contributed these assets to a wholly-owned, bankruptcy-remote, subsidiary, CMI Asset Pool, which pledged these assets to secure financing from Bernard. CMI also guaranteed CMI Asset Pool's indebtedness to Bernard on an unsecured basis. CMI's interest in the assets pledged to CMI Asset Pool is as the sole shareholder of CMI Asset Pool, entitled to receive any residual value in CMI Asset Pool after payment and satisfaction of CMI Asset Pool's creditors.

value” from 2005 through 2007, 15% was listed as a general advance to one of CMI’s borrowers, and 4% was listed as cash and cash equivalents.

In its Schedules, CMI listed Secured Claims against it of \$35,722,601.86 and Unsecured Claims of \$144,864,129.38. The scheduled Secured Claims consist of: \$10,569,395.86 of MPP Claims, (ii) \$18,810,612 in loans pledged by CMI Asset Pool to Bernard,<sup>6</sup> and (iii) \$5,723,984 of loans made by First United Bank secured by CMI’s interests in certain real estate loans. The Scheduled Unsecured Claims consist of \$142,186,211.80 of Bondholder Claims and \$677,917.58 of other Unsecured Claims.<sup>7</sup>

#### **D. The U.S. Trustee’s Motion to Appoint an Examiner**

On April 25, 2008, the U.S. Trustee filed a motion to appoint an examiner “to investigate whether and to what extent management decisions made by [CMI’s] current or former management, including those related to the marketing of [Bonds], were characterized by fraud, dishonesty, incompetence, misconduct, mismanagement, or irregularity.” CMI opposed the appointment of an examiner and the Official Creditors’ Committee requested that, if the Bankruptcy Court appointed an examiner, that the examiner’s role be tailored and limited to coordinate with the Official Creditors’ Committee’s own investigation (which is described further below in Article III.E of this Disclosure Statement).

The Bankruptcy Court held a hearing on the examiner motion on June 12, 2008 and denied the examiner motion on the basis that the appointment of an examiner would be duplicative of the investigation being conducted by the Official Creditors’ Committee. The U.S. Trustee appealed the Bankruptcy Court’s denial of the examiner motion on June 23, 2008 to the United States District Court for the Northern District of Georgia (the “District Court”). The District Court held a hearing on the appeal of the denial of the examiner motion on November 24, 2008. On December 5, 2008, the District Court reversed the Bankruptcy Court’s denial of the examiner motion, and remanded the matter to the Bankruptcy Court with orders for the Bankruptcy Court to appoint an examiner. As of the filing of this Disclosure Statement, no examiner has been appointed.

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<sup>6</sup> Notwithstanding the representations in the Schedules, the indebtedness related to Bernard structure is not secured debt of CMI. CMI contributed assets to CMI Asset Pool which in turn pledged those assets to Bernard to incur secured indebtedness of CMI Asset Pool. The obligations of CMI Asset Pool were then guaranteed by CMI on an *unsecured* basis.

<sup>7</sup> The reader should also review Article III.J of this Disclosure Statement, which sets forth estimates of the total amount of Claims filed on or before the Bar Date, which are materially greater than the Claims listed in the Schedules.

### **E. Investigation of the Debtor and Others by the Official Creditors' Committee**

Based upon the circumstances of CMI's bankruptcy filing, the interrelated nature of CMI with many of its substantial borrowers, and CMI's disclosures in filings it made with the SEC, among other things, the Official Creditors' Committee determined that it was appropriate to conduct a substantial investigation of CMI and related entities. On May 9, 2008, the Official Creditors' Committee filed a motion with the Bankruptcy Court to examine fifty-one people and entities that were borrowers from, lenders to, in control of, or otherwise related to CMI. The Bankruptcy Court granted this motion on June 3, 2008.

Since that time, the Official Creditors' Committee has been undertaking that investigation, including issuing document requests upon and taking the oral examination of the persons and entities subject to the Rule 2004 Motion. The Official Creditors' Committee is investigating these persons and entities to determine the claims that exist that may be brought to enhance the recovery for creditors in this Bankruptcy Case. The investigation is ongoing at the time of the filing of this Disclosure Statement and it is anticipated that the investigation will continue after confirmation of the Plan.

### **F. The Stay Relief Litigation**

When CMI filed for bankruptcy, a material portion of its mortgage loan assets, approximately \$116,477,319 (or 63%) of the real property assets listed in the Schedules, were second lien mortgages. With respect to each of these loans, the borrower also owed money to another financial institution. In each case where CMI had a second lien mortgage, CMI had executed a subordination agreement which subordinated the debt the borrower owed to CMI to the debt the borrower owed to the other financial institution. The effect of the subordination agreements is that the financial institution that held the first lien mortgage would have to be repaid in full before CMI would be entitled to receive any proceeds from the borrower. Prior to and subsequent to CMI's bankruptcy petition, many of CMI's borrowers defaulted on their obligations either to CMI or to the holder of the first lien mortgage.

When CMI filed its bankruptcy petition, an automatic stay went into effect, the purpose of which is to protect CMI's assets for the benefit of Creditors. There has been significant litigation in the Bankruptcy Case regarding whether the automatic stay applies to stay the first mortgage holder's foreclosure of the non-debtor borrowers' assets or whether "cause" exists to lift the automatic stay. In cases where one of CMI's borrowers has defaulted on its obligations, either to CMI or to the first lien mortgage holder, the first lien mortgage holder has taken the position that the automatic stay imposed by CMI's bankruptcy filing does not stay its foreclosure action. Alternatively, the first mortgage holder has sought to establish that "cause"



exists such that the Bankruptcy Court should lift the automatic stay to permit the first mortgage holder to foreclose on the borrower's assets. Each of these matters has involved substantial fact specific litigation. Set forth below is a summary of the various proceedings in the Bankruptcy Case where these issues have been litigated.

### **1. First United Bank and Trust Company**

First United Bank and Trust Company ("FUB") was the first mortgage holder on various properties located in a real estate development known as Craig Ranch in McKinney, Texas. CMI was the second mortgage holder. The Craig Ranch properties to which CMI and FUB lent consisted of three separate developments: (i) Cooper Living at Craig Ranch; (ii) Craig Ranch; and (ii) Craig Ranch II. Subsidiaries of Wellstone, LLC were the common borrower from both FUB and CMI related to these properties. In the Schedules, CMI scheduled that the various Wellstone borrowers owed CMI the following amounts as of CMI's bankruptcy filing: (i) Cooper Living at Craig Ranch, \$26,036,673, divided among three separate loans; (ii) Craig Ranch, \$13,861,907; and (iii) Craig Ranch II, \$7,206,245.

FUB filed a motion for relief from the automatic stay or a determination that the automatic stay did not apply on May 9, 2008, and filed a related adversary proceeding on May 14, 2008. In its stay relief motion, FUB asserted that Wellstone and its subsidiaries owed FUB: (i) \$21,986,858 related to Cooper Living at Craig Ranch; (i) \$15,744,973 related to Craig Ranch; and (iii) \$3,500,000 related to Craig Ranch II.<sup>8</sup> The Official Creditors' Committee filed an initial objection to the stay relief motion on May 13, 2008. FUB, the Official Creditors' Committee and CMI engaged in expedited discovery related to these matters. CMI and FUB thereafter entered into a stipulation, approved by the Bankruptcy Court, on September 15, 2008 granting FUB relief from the automatic stay with respect to the Cooper Living and Craig Ranch developments. FUB and CMI also stipulated that FUB was adequately protected with respect to the Craig Ranch II property and that the parties would continue the hearing with respect to Craig Ranch II until January 15, 2009. The Official Creditors' Committee was not a party to this stipulation, but did not oppose it. FUB foreclosed upon the Cooper Living at Craig Ranch and Craig Ranch properties on [ ], 2008.

### **2. Bank of the Ozarks/LCGCRI**

Bank of the Ozarks is the first mortgage holder on a single piece of real property in the Craig Ranch development in McKinney, Texas known as Craig Ranch III. CMI is the second mortgage holder. A subsidiary of Wellstone, LLC, Wellstone at Craig Ranch III, is the borrower from both Bank of the Ozarks and CMI. In its

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<sup>8</sup> CMI and FUB later stipulated that FUB was actually owed approximately \$6,000,000 related to the Craig Ranch II development, not \$3,500,000.

schedules, CMI listed that that Wellstone at Craig Ranch III owed CMI \$5,368,565 as of the date of CMI's bankruptcy filing. Based upon representations made by Bank of the Ozarks and its successor, Bank of the Ozarks asserts that it was owed \$5,026,411.44 as of July 1, 2008.

On or about May 1, 2008, Bank of the Ozarks commenced a proceeding in Texas to foreclose upon the Craig Ranch III property. Bank of the Ozarks did not file a motion with the Bankruptcy Court seeking relief from the automatic stay prior to commencing its foreclosure in Texas. On May 31, 2008, CMI filed an adversary proceeding to enforce the automatic stay and sought injunctive relief prohibiting Bank of the Ozarks from completing its foreclosure. The Bankruptcy Court granted the relief CMI sought on June 6, 2008.

Bank of the Ozarks later purported to assign its loans and mortgage interests in Craig Ranch III to an entity known as LCGCR1, L.P. ("LCGCR1"). LCGCR1 filed a motion for relief from the automatic stay on July 9, 2008. CMI and the Official Creditors' Committee opposed the stay relief motion on October 1, 2008. The Bankruptcy Court held a hearing on the stay relief motion on October 10, 2008 and subsequently entered an order granting the stay relief motion in part and denying it in part. The Bankruptcy Court's order modified the automatic stay as of October 22, 2008 to permit LCGCR1 to conduct a December 2008 foreclosure sale, but provided that the automatic stay would not be lifted before December 1, 2008 if CMI paid LCGCR1 \$100,000 by October 21, 2008, which would delay any foreclosure by LCGCR1 to January 2009. CMI did not make the \$100,000 payment and the automatic stay of CMI's bankruptcy was therefore lifted as of October 22, 2008. Wellstone at Craig Ranch III thereafter filed a bankruptcy petition in the Bankruptcy Court for the Eastern District of Texas on December 1, 2008.

### **3. Regions Bank**

Regions Bank ("Regions") is the first mortgage holder on two pieces of real property: one in Cumming Georgia, known as Wellstone at Middle Creek, and one in Bluffton, South Carolina, known as Wellstone at Bluffton. CMI was the second mortgage holder (and had also sold participation units in each of the loans, as described above in Article II.G). A subsidiary of Wellstone, LLC was the borrower from both Regions and CMI. In its schedules, CMI listed that Wellstone, LLC's subsidiaries owed CMI \$15,871,326 related to the Middle Creek property and \$9,266,544 related to the Bluffton property as of the date of CMI's bankruptcy filing.

Regions filed a motion for relief from the automatic stay on August 20, 2008. In its stay relief motion, Regions asserted that it was owed approximately \$8,000,000 related to the Middle Creek project as of the filing of Regions' stay relief motion and approximately \$2,550,000 related to the Bluffton project as of the filing of the stay relief motion. The Gordy-Meade-Britton Foundation and Covenants Partners, both of



which assert to hold Wellstone at Bluffton MPP Claims, filed an opposition to the stay relief motion on October 9, 2008. The Bankruptcy Court held a hearing on Regions' stay relief motion on November 12, 2008. On November 19, 2008, the Bankruptcy Court entered an order granting immediate relief from the automatic stay as to the Middle Creek project and granting relief from the automatic stay as of January 2, 2009 as to the Bluffton project.

#### **4. North Shore of St. Petersburg LLC**

North Shore of St. Petersburg, LLC ("North Shore LLC"), which is the assignee of Regions Bank, is the first mortgage holder on one piece of real property located in Pinellas County, Florida, known as the North Shore Project. CMI is the second mortgage holder. Senior Housing Services, Inc. ("SHS") is the owner of the real property and the borrower from both North Shore LLC and CMI. In its Schedules, CMI listed that SHS owed CMI \$12,026,949 related to two separate loans made in connection with the North Shore property.

North Shore LLC filed a motion for relief from the automatic stay with the Bankruptcy Court on July 18, 2008. CMI and the Official Creditors' Committee filed its opposition to the stay relief motion on September 29, 2008. Notwithstanding the stay relief motion and without providing notice to the Bankruptcy Court, the Debtor, the Official Creditors' Committee, or any other party in interest, North Shore LLC filed a complaint to commence a foreclosure on the underlying real property on July 14, 2008. Thereafter, on September 19, 2008, CMI filed an adversary proceeding against North Shore LLC seeking to enforce the automatic stay and for injunctive relief. On September 23, 2008, and subsequently thereafter on October 14, 2008, and October 20, 2008, the Bankruptcy Court entered orders enjoining the foreclosure proceeding until January 14, 2009, at which time the Bankruptcy Court will hold a trial on CMI's complaint against North Shore LLC in the related adversary proceeding.

On October 21, 2008, CMI filed a motion, the effect of which was to permit SHS to sell the underlying real property for \$9,700,000. The details of this sale are discussed further below in Article III.I.3 of this Disclosure Statement; however, the Bankruptcy Court authorized the sale on certain conditions on November 14, 2008. This sale is presently anticipated to close on January 13, 2009. This sale will render North Shore LLC's stay relief motion moot; however, CMI's claims against North Shore LLC are still pending and subject to trial on January 14, 2009.

#### **G. The Bankruptcy Court's Order to Show Cause Related to Appointment of a Chapter 11 Trustee**

On June 12, 2008, the Bankruptcy Court entered an order, on its own motion, to show cause why a chapter 11 trustee should not be appointed for CMI. On June

27, 2008, the Official Creditors' Committee and CMI each filed pleadings with the Bankruptcy Court opposing the appointment of a chapter 11 trustee. The Bankruptcy Court held a hearing on the motion on June 30, 2008 and heard testimony from John T. Ottinger, CMI's Interim President. At the conclusion of the hearing, and by written order on July 11, 2008, the Bankruptcy Court ruled that a chapter 11 trustee would not be appointed.

#### **H. The Official Creditors' Committee's Notice of Circumstance**

At the time of CMI's bankruptcy filing, it had in place an insurance policy for directors' and officers' liability insurance in the amount of \$3,000,000 with RSUI Group, Inc. ("RSUI Group"). On August 27, 2008, the Official Creditors' Committee provided a notice to RSUI Group that there may be claims made against CMI or its present or former directors or officers arising out of facts and circumstances both prior to and subsequent to the date of CMI's bankruptcy filing. The Official Creditors' Committee informed RSUI Group that these facts and circumstances could give rise to, among other things, claims for: (i) violation of state or federal securities statutes, including statutes related to securities fraud; (ii) state blue sky laws; (iii) breach of contract; (iv) fraud; (v) aiding and abetting fraud; (vi) breach of fiduciary duty; (vii) aiding and abetting breach of fiduciary duty; or (viii) other legal obligations of directors or officers of CMI.

#### **I. Asset Sales and Restructurings During the Chapter 11 Case**

During the Bankruptcy Case, CMI has undertaken to sell, otherwise liquidate, or restructure certain of its mortgage loan and other assets. This process of selling, liquidating and restructuring CMI's assets is ongoing. As of the date of the filing of this Disclosure Statement, CMI has completed the following sales, liquidations and restructurings:

##### **1. Restructuring of Certain Relationships with ARKS CMI I, LLC**

Prior to CMI's bankruptcy filing it entered into a loan agreement with ARKS CMI I, LLC ("ARKS") pursuant to which CMI extended a \$20,000,000 line of credit to ARKS. ARKS would draw on this line of credit to finance the purchase of land and construction of a church. ARKS would then lease the church to a congregation and, over time, it was contemplated that the congregation would purchase the church from ARKS, with the proceeds of the sale used to pay down ARKS obligations to CMI.

Prior to filing for bankruptcy, in certain instances with certain churches, CMI was unable to honor its funding commitment to ARKS. With respect to those churches for which CMI was unable to fund all of its lending commitments to ARKS,

CMI agreed to subordinate its liens to a replacement financier. In connection with obtaining replacement financing, and prior to the CMI bankruptcy filing, CMI agreed to subordinate its liens to those of the party providing replacement financing. During the course of the Bankruptcy Case, ARKS has been unable to satisfy the claims of the replacement financier and has had to further restructure the obligations between and among CMI, ARKS, the replacement financier, and in some instances a replacement to the replacement financier. Summaries of these restructurings are below:

*True Way Church:* In the Schedules, CMI listed that it was owed \$163,877 related to the True Way Church. ARKS located B.T.M. Funding, Inc. (“BTM”) as an alternative lender that was prepared to lend an additional \$267,000 to ARKS in relation to this project provided that CMI subordinate its liens related to BTM. The Bankruptcy Court entered an order authorizing this restructuring on September 9, 2008. In connection with this restructuring, ARKS has agreed to acknowledge the debt owed to CMI and release claims it might have against CMI for failure to fulfill lending obligations.

*Remnant of His Seed:* In the Schedules, CMI listed that it was owed \$269,374 related to Remnant of His Seed; though as of the date of the restructuring CMI stated that the amount outstanding was \$142,263. Prior to CMI’s bankruptcy filing, CMI agreed to restructure its debt related to this project and permit a development lender to lend additional funds, with CMI subordinating its interests in its liens to the new development lender. ARKS did not repay the development lender, but located California Baptist Foundation (“CBF”) as a permanent replacement lender. CBF agreed to lend \$288,400 to replace the development lender. Additionally, ARKS agreed to loan an additional \$225,600 to Remnant of His Seed on a junior basis to CBF in connection with this restructuring (the “ARKS/Remnant Loan”). CMI agreed to receive a 63% participation in the ARKS/Remnant Loan, which has a face value of \$142,128. The Bankruptcy Court entered an order authorizing this restructuring on September 9, 2008. In connection with this restructuring, ARKS has agreed to release claims it might have against CMI for failure to fulfill lending obligations.

*Victory Temple Church:* In the Schedules, CMI listed that it was owed \$609,580 related to Victory Temple Church; though as of the date of the restructuring CMI stated that the amount outstanding was \$108,440. Prior to CMI’s bankruptcy filing, CMI agreed to restructure its debt related to this project and to permit a development lender to lend additional funds with CMI subordinating its interests in its liens to the new development lender. ARKS did not repay the development lender, but located Foundation Capital Resources, Inc (“FCR”) as a permanent replacement lender. FCR agreed to lend \$499,500 and replace the development lender. Additionally, ARKS agreed to loan an additional \$279,500 to Victory Temple Church on a junior basis to FCR in connection with this restructuring (the “ARKS/Victory Temple Loan”). CMI agreed to receive a 39% participation in the ARKS/Victory Temple Loan, which participation has a face value of \$108,440. The Bankruptcy

Court entered an order authorizing this restructuring on September 9, 2008. In connection with this restructuring, ARKS has agreed to release any claims it might have against CMI for failure to fulfill lending obligations.

*Church Upon the Rock:* In the Schedules, CMI listed that it was owed \$121,925 related to Church Upon the Rock; though as of the date of the restructuring CMI stated that the amount outstanding was \$62,832. Prior to CMI's bankruptcy filing, CMI agreed to restructure its debt related to this project and permit a development lender to lend additional funds, with CMI subordinating its interests in its liens to the new development lender. ARKS did not repay this development lender, but located California Baptist Foundation ("CBF") as a permanent replacement lender. CBF agreed to lend \$228,421 and replace the development lender. Additionally, ARKS agreed to loan an additional \$167,257 to Church Upon the Rock on a junior basis to CBF in connection with this restructuring (the "ARKS/Church Upon the Rock Loan"). CMI agreed to receive a 38% participation in the ARKS/Church Upon the Rock Loan, which participation has a face value of \$62,832. The Bankruptcy Court entered an order authorizing this restructuring on September 9, 2008. In connection with this restructuring, ARKS has agreed to release claims it might have against CMI for failure to fulfill lending obligations.

## **2. Sale of the CMI Headquarters Building**

On September 17, 2008, CMI filed a motion with the Bankruptcy Court to sell its headquarters office building located in Cumming, Georgia to Chris Brown, an individual, for \$480,000, or another submitting a higher and better offer within the bidding procedures set forth in the motion. CMI also agreed to lease the premises back for a six month period at a rate of \$15,000 per month. The Bankruptcy Court entered an order approving this sale on October 7, 2008 and CMI and the purchaser closed the sale on October 10, 2008.

## **3. Senior Housing Services – North Shore Project**

On October 21, 2008, CMI filed a motion related to a proposed sale of the North Shore property. The North Shore property was owned by SHS. CMI made two loans to SHS, one a second priority loan and one a first priority loan. In its Schedules, CMI reported that, as of the date of its bankruptcy filing, SHS owed it \$12,026,949 related to the two North Shore loans. On the property that was subject of CMI's second priority mortgage, Regions Bank was the original first priority lender. Regions subsequently purportedly assigned its mortgage to North Shore, LLC and North Shore, LLC filed its motion for relief from the automatic stay, as set forth above in Article III.F.4 of this Disclosure Statement.

SHS proposed to sell the North Shore property to Presbyterian Retirements Communities, Inc. for a total purchase price of \$9,700,000. After payment in full of

the amounts SHS owed to North Shore, LLC and other costs associated with selling the property, CMI estimated that it would realize between \$2,100,000 and \$2,200,000 from the sale. On November 14, 2008, the Bankruptcy Court entered an order authorizing CMI to release its liens on the North Shore property to permit SHS to consummate the sale of the property. This approval was without prejudice to CMI's rights to recover the approximate \$9.9 million deficiency on its claim against SHS or any other rights CMI or its creditors might have against SHS, or parties related to SHS. CMI anticipates that the sale of this property will close in January 2009.

#### **J. The Proof of Claims Bar Date and Claims Filed Against CMI**

On September 4, 2008, CMI filed a motion to set October 31, 2008 as the Bar Date for all holders' Claims that arose prior to CMI's bankruptcy filing, other than Bondholder Unsecured Claims, and Claims asserted under section 503(b)(9) of the Bankruptcy Code. By an order dated September 8, 2008, the Bankruptcy Court set October 31, 2008 as the Bar Date for the filing of these Claims.

As of November 2, 2008, parties had filed Proofs of Claim asserting 1956 total Claims seeking \$266,408,891.91 from CMI, exclusive of amounts that were previously included on CMI's Schedules (which were discussed above in Article III.C of this Disclosure Statement). Of the \$266,408,891.91 in total filed Proofs of Claim, Claims seeking \$92,698,882.93 in total payments were filed as Secured Claims, Claims seeking \$4,545,134.97 were filed as Priority Claims, and Claims seeking \$169,164,874.01 were filed as Unsecured Claims. These Claims are filed Proofs of Claim, not the Claims that were listed on the Schedules. In many instances, however, the filed Proofs of Claim appear to be duplicative of Claims that have also been filed on the Schedules. For example, many Bondholders were both included on the Schedules and have also filed separate Proofs of Claim (even though they were not required to do so by the October 31, 2008 Bar Date). Certain of the larger filed Proofs of Claim are summarized below.

*Claims filed by Wellstone, LLC and related Entities:* Wellstone, LLC and its related entities filed numerous Proofs of Claim against CMI on a variety of theories. These include lender liability theories for failure to fund, Claims related to guarantees certain individuals and entities purportedly gave to support CMI's purported debt to FUB, and alleged interests in mortgage participations. All of these Proofs of Claim were filed as purported Secured Claims. Collectively, Wellstone and related Entities asserts an entitlement to be paid in excess \$75 million in respect of the Proofs of Claim.

*Guarantee Claims:* As described above in Article II.H of this Disclosure Statement, prior to CMI filing for bankruptcy protection, CMI purported executed guarantees of obligations of certain of its borrowers and other parties. These guarantees were, generally, executed in favor of first mortgage holders related



properties on which CMI had lent money on a second priority basis. In other words, in addition to lending money to certain of its borrowers which its borrowers were obligated to repay, CMI also purported to guarantee their borrowers' repayment to the first mortgage holder. The holders of these purported guarantee obligations have filed Proofs of Claim against CMI. Collectively, these purported Creditors assert that they are owed in excess of \$75 million in the Proofs of Claim they have filed, some of which appear to be duplicates. As noted previously, all of the projects which form the subject of the above Proofs of Claim other than Preston Ridge, LLC are currently under contract or letter of intent for sales to third parties which, if they close, would result in a release of CMI's guaranty obligations. .

*Bernard:* As described above in Article II.F of this Disclosure Statement, prior to filing for bankruptcy, CMI conveyed certain of its assets to CMI Asset Pool, which pledged those assets to secure a loan from Bernard. CMI purported to guarantee this loan on an unsecured basis. As discussed below in Article III.K of this Disclosure Statement, on November 11, 2008, Bernard purported to foreclose on certain of the assets pledged to CMI Asset Pool. In connection with CMI's purported guarantee of CMI Asset Pool's obligations, Bernard filed a Proof of Claim against CMI seeking payment of \$18,384,444.90, which Bernard purported was the amount it was owed by CMI Asset Pool. While Bernard has not amended this Proof of Claim since its purported foreclosure, after taking into account the approximately \$13.3 million that Bernard credit bid for the foreclosed assets, the Official Creditors' Committee believes that the net remaining amount of the Proof of Claim is not more than approximately \$5 million.

*FUB:* As described above in Article II.J of this Disclosure Statement, in August 2007 and January 2008, FUB made two loans to CMI, one of which CMI purported to use for "working capital" and the other of which acted as a "pass-through" to fund draws requested by Wellstone, LLC. In connection with these loans, CMI purported to pledge to FUB certain of the second mortgage loans it made to Wellstone, LLC. In connection with these loans, FUB filed a Proof of Claim seeking payment of \$5,886,083.12. FUB asserts that its Claim is a Secured Claim.

#### **K. Bernard National's Foreclosure**

Prior to CMI's bankruptcy filing, it entered into a structured loan funding arrangement with Bernard, as described above in Article II.F of this Disclosure Statement. Pursuant to this arrangement, CMI contributed certain qualifying loan assets to CMI Asset Pool. CMI Asset Pool pledged these assets to Bernard in exchange for loans extended by Bernard. CMI has stated that it received some or all of the Bernard loan proceeds from CMI Asset Pool.

On April 15, 2008, Bernard sent a notice of certain events of default. Thereafter, by letter on October 24, 2008, Bernard's successor informed CMI Asset

Pool that it intended to hold a public auction of certain of the loans that had been pledged to it by CMI Asset Pool on November 11, 2008. Bernard purported to sell the following mortgage loans that had been pledged by CMI to CMI Asset Pool (the amount set forth in parenthesis is the amount CMI reported that it was owed on its Schedules for each loan):

<b><u>Project</u></b>	<b><u>Stated Loan Amount in Schedules</u></b>
Light Pointe Place	\$10,252,553
Hunicutt/Stroud	2,234,454
Hudson Place	817,006
Morgan Point Development	1,399,115
Preston Pointe Apartments	6,228,475
Preston Ridge	1,073,690
Summit View	6,729,243
Eastridge Community	762,415
Overlook Station (AHP)	1,985,393
Paddocks/Walton Court	2,662,487
Curry Road	2,179,209

Bernard's counsel held an auction for these mortgage loans on November 11, 2008. There were no bidders other than Bernard. Bernard therefore credit bid these loans for approximately \$13.3 million. After crediting these amounts to the amounts CMI Asset Pool owes to Bernard, CMI Asset Pool's remaining obligations to Bernard are no more than approximately \$5 million. CMI allegedly guaranteed these obligations on an unsecured basis.

#### **ARTICLE IV: DESCRIPTION OF THE PLAN**

##### **A. Designation and treatment of unclassified Administrative Expense Claims and Priority Tax Claims**

Administrative Expense Claims are those Claims that are specified in section 503 of the Bankruptcy Code. With limited exceptions, Administrative Expense Claims are Claims that arise after CMI's bankruptcy filing and are related to the administration of the Bankruptcy Case. For example, the fees and expenses of counsel and other professionals retained by CMI and the Official Creditors' Committee are Administrative Expense Claims, as are the expenses of members of the Official Creditors' Committee associated with their service on the Official Creditors' Committee. Additionally, there is a small category of Claims, under section 503(b)(9) of the Bankruptcy Code, that are treated as Administrative Expense

Claims even though they arose prior to CMI bankruptcy filing. These Administrative Expense Claims under section 503(b)(9) of the Bankruptcy Code are for goods that were delivered to CMI within twenty days of CMI's bankruptcy filing. Priority Tax Claims are for certain Claims of taxing authorities as set forth in sections 502(i) and 507(a)(8) of the Bankruptcy Code. Allowed Administrative Expense Claims and Allowed Priority Tax Claims must be paid in full and in Cash to confirm the Plan. The Official Creditors' Committee intends to treat Administrative Expense Claims and Priority Tax Claims as follows under the Plan.

### **1. Administrative Expense Claims.**

All Administrative Expense Claims that have not been subject to a Bar Date prior to the confirmation of the Plan must be filed no later than forty-five days after the Effective Date of the Plan. This includes all Administrative Expense Claims other than Claims under section 503(b)(9) of the Bankruptcy Code. All section 503(b)(9) Administrative Expense Claims were subject to the October 31, 2008 Bar Date. Any Administrative Expense Claim that is not timely filed will be forever barred by confirmation of the Plan. Neither the Official Creditors' Committee nor any other party will need file any objection or other pleading with respect to an Administrative Expense Claim that is not timely filed. Holders of Administrative Expense Claims that are not timely filed or are otherwise not Allowed may not assert such Administrative Expense Claims in any manner.

All Administrative Expense Claims are subject to being Allowed or Disallowed by the Bankruptcy Court. Under the Plan, a deadline will be set by which the Plan Administrator or the Plan Committee must file objections to any asserted Administrative Expense Claim. Regardless of whether the Plan Administrator, the Plan Committee, or any other party files an objection to an Administrative Expense Claim, the Bankruptcy Court must still Allow the Administrative Expense Claim before the Plan Administrator will pay the Administrative Expense Claim. A further discussion of the procedures related to objections to Administrative Expense Claims is set forth in Article IV.F of this Disclosure Statement. Administrative Expense Claims that are ultimately Allowed by the Bankruptcy Court will be paid in full and in Cash in accordance with Article VIII of the Plan. These distribution procedures are described in greater detail in Article IV.G of this Disclosure Statement.

The Official Creditors' Committee estimates that the total Face Amount of Administrative Expense Claims will be approximately \$[ ] based upon those that have been filed to date and the Official Creditors' Committee's estimate of those that have not been filed to date, but may later be asserted. Because the Bar Date for some Administrative Expense Claims will not occur until after the Effective Date of the Plan and all Administrative Expense Claims are subject to objection, the actual number and amount of Administrative Expense Claims may be materially different from the Official Creditors' Committee's estimate.



## **2. Priority Tax Claims.**

All Priority Tax Claims are subject to the October 31, 2008 Bar Date that has already passed. Priority Tax Claims must be Allowed before they are paid. Under the Plan, a deadline will be set by which the Plan Administrator or the Plan Committee must file objections to any asserted Priority Tax Claim. A further discussion of the procedures related to objections to Priority Tax Claims is set forth in Article IV.F of this Disclosure Statement. Priority Tax Claims that are Allowed by the Bankruptcy Court will be paid in full and in Cash in accordance with Article VIII of the Plan. These distribution procedures are described in greater detail in Article IV.G of this Disclosure Statement.

The total Face Amount of Priority Tax Claims is \$[ ]. Because all Priority Tax Claims are subject to objection, the Allowed Amount of Priority Tax Claims may be materially different from this amount.

## **B. Classification and treatment of Claims and Equity Interests.**

### **1. Designation of Classes.**

Section 1123(a)(1) of the Bankruptcy Code requires that the Official Creditors' Committee designate Classes of Claims and Equity Interests, other than Administrative Expense Claims and Priority Tax Claims, under the Plan consistent with section 1122 of the Bankruptcy Code. The Plan therefore designates such classes of Claims and Equity Interests. The classification set forth in the Plan is applicable for purposes of voting, distribution and confirmation of the Plan. A description of the classification of Claims and Interests is set forth below.

Set forth below are the Classes of Claims and Equity Interests that are impaired and unimpaired within the meaning of section 1124 of the Bankruptcy Code and that are entitled to vote on the Plan. Only certain impaired Classes may vote on the Plan. Unimpaired classes are deemed to accept the Plan and may not vote. Impaired classes that will not receive or retain any property under the Plan are deemed to reject the Plan and are not entitled to vote.

### **2. Classification and Treatment of Classified Claims and Interests.**

#### **a. Unimpaired Classes – Not entitled to vote and deemed to accept.**

*Class 1 - Allowed Priority Claims.* Priority Claims are Claims entitled to priority in payment under section 507 of the Bankruptcy Code, other than Administrative Expense Claims and Priority Tax Claims. Section 507 includes Claims for, among other things, employee wages (up to a cap of \$10,000) and

contributions to an employee benefits plan.<sup>9</sup> Holders of Priority Claims that are Allowed will receive: (i) the Allowed Amount of the Priority Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after the Claim becomes an Allowed Priority Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Plan Administrator.

**b. Impaired Classes – Entitled to vote.**

*Class 2 - Allowed Secured Tax Claims.* Secured Tax Claims are Claims of a Governmental Unit for taxes arising or accrued before the Petition Date Claim that is secured by a non-avoidable Lien or by rights of setoff. Holders of Secured Tax Claims that are Allowed will received: (i) the Allowed Amount of the Secured Tax Claim (including, to the extent Allowed, any interest on such Claim accrued under applicable nonbankruptcy law), in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Tax Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Plan Administrator.

*Class 3(a) – Appian Way MPP Claims.* Appian Way MPP Claims are Claims or other rights against CMI arising under a “Participation Agreement and Certificate” related to the Appian Way Loan. Holders of Appian Way MPP Claims that are Allowed will receive: (i) if the Bankruptcy Court determines that an Appian Way MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if the Bankruptcy Court determines that an Appian Way MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Appian Way Collateral payable under such holder’s Appian Way Loan Participation if such holder is able to establish an entitlement to receive such a share under an Appian Way Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Appian Way MPP Claim.

*Class 3(b) – Cross Creek MPP Claims.* Cross Creek MPP Claims are Claims or other rights against CMI arising under a “Participation Agreement and Certificate” related to the Cross Creek Loan. Holders of Cross Creek MPP Claims that are Allowed will receive: (i) if the Bankruptcy Court determines that a Cross Creek MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if the Bankruptcy Court determines that a Cross Creek MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Cross Creek Collateral payable under such holder’s Cross Creek Loan Participation if such holder is able to establish an entitlement to receive such a

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<sup>9</sup> There are additional categories of Claims under section 507 other than those listed here; however, these are the categories of Claims under section 507 that the Official Creditors’ Committee believes may be applicable in this Bankruptcy Case.

share under a Cross Creek Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Cross Creek MPP Claim.

*Class 3(c) – Wellstone at Middle Creek MPP Claims.* Middle Creek MPP Claims are Claims or other rights against CMI arising under a “Participation Agreement and Certificate” related to the Middle Creek Loan. Holders of Wellstone at Middle Creek MPP Claims that are Allowed will receive: (i) if the Bankruptcy Court determines that a Wellstone at Middle Creek MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if the Bankruptcy Court determines that a Wellstone at Middle Creek MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Wellstone at Middle Creek Collateral payable under such holder’s Wellstone at Middle Creek Loan Participation if such holder is able to establish an entitlement to receive such a share under a Wellstone at Middle Creek Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Wellstone at Middle Creek MPP Claim.

*Class 3(d) – Wellstone at Bluffton MPP Claims.* Wellstone at Bluffton MPP Claims are Claims or other rights against CMI arising under a “Participation Agreement and Certificate” related to the Wellstone at Bluffton Loan. Holders of Wellstone at Bluffton MPP Claims that are Allowed will receive: (i) if the Bankruptcy Court determines that a Wellstone at Bluffton MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if the Bankruptcy Court determines that a Wellstone at Bluffton MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Wellstone at Bluffton Collateral payable under such holder’s Wellstone at Bluffton Loan Participation if such holder is able to establish an entitlement to receive such a share under a Wellstone at Bluffton Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Wellstone at Bluffton MPP Claim.

*Class 3(e) – Wellstone in the Smokies MPP Claims.* Wellston in the Smokies MPP Claims are Claims or other rights against CMI arising under a “Participation Agreement and Certificate” related to the Wellstone in the Smokies Loan. Holders of Wellstone in the Smokies MPP Claims that are Allowed will receive: (i) if the Bankruptcy Court determines that a Wellstone in the Smokies MPP Claim is an Unsecured Claim, its Pro Rata share of the Liquidation Amount; or (ii) if the Bankruptcy Court determines that a Wellstone in the Smokies MPP Claim is a Secured Claim, in the discretion of the Plan Administrator with the approval of the Plan Committee, (a) its share of the Wellstone in the Smokies Collateral payable under such holder’s Wellstone in the Smokies Loan Participation if such holder is able to establish an entitlement to receive such a share under a Wellstone in the Smokies Loan Participation under applicable law, or (b) a return of the collateral that secures the Allowed Wellstone in the Smokies MPP Claim.

*Class 4 – Allowed Secured Claims.* Secured Claims are Claims, other than Secured Tax Claims, secured by a non-avoidable Lien or by rights of setoff. Holders of Secured Claims (other than Secured Tax Claims) that are Allowed will receive: (i) Payment in Full in periodic installments over a time period to be determined at a market rate of interest, provided however, that interest will only be paid from the cash flow of any particular property securing such Claim; (ii) Cash equal to the Allowed Amount of the Secured Claim, or (iii) a return of the collateral or other property that secures the Allowed Secured Claim. Any Liens asserted by the holder of such Allowed Secured Claim shall be extinguished and of no further force or effect once the holder of the Allowed Secured Claim has received payment or other consideration as set forth in (i) through (iii) above.

*Class 5 - Bondholder Unsecured Claims.* Bondholder Unsecured Claims are Unsecured Claims of a Bondholder against CMI under an Indenture. Holders of Allowed Bondholder Unsecured Claims will receive a Pro Rata share of the Liquidation Amount. Holders of Bondholder Unsecured Claims, regardless of whether the Bondholder Unsecured Claim is Allowed, may make a Private Actions Trust Election, and if the holder of the Bondholder Unsecured Claim makes a Private Actions Trust Election, the holder of the Bondholder Unsecured Claim will also receive distributions from the Private Actions Trust in accordance with the terms of the Private Actions Trust Agreement.

*Class 6 – Other Unsecured Claims.* An Other Unsecured Claim is an Unsecured Claim that is not a Bondholder Unsecured Claim and not a Convenience Class Claim. Holders of Allowed Other Unsecured Claims will receive a Pro Rata share of the Liquidation Amount.

*Class 7 – Convenience Class Claims.* A Convenience Class Claim is an Unsecured Claim that (a) is in an amount equal to or less than [\$ ]; or (b) is in an amount greater than [\$ ], but for which the holder of the Claim elects to have the Claim treated in its entirety as a Convenience Class Claim in the amount of [\$ ] by so indicating on the Ballot submitted to vote such Claim. Holders of Allowed Convenience Class Claims will receive Cash equal to [ ]% of the Allowed Amount of the Convenience Class Claim.

**c. Impaired Classes – Not entitled to vote and deemed to reject**

*Class 8 – Subordinated Claims.* Subordinated Claims are any Claims that the Bankruptcy Court has ordered to be subordinated either under the provisions of the Bankruptcy Code or other applicable law. Holders of Allowed Subordinated Claims will receive no distributions on account of their Allowed Subordinated Claims.

*Class 9 - Equity Interests.* An Equity Interest is any ownership interest or share in CMI (including, without limitation, all options, warrants or other rights to obtain such an interest or share in CMI) whether preferred, common, voting, or

denominated “stock” or a similar security issued prior to the Effective Date of the Plan. All Equity Interests will be canceled, annulled and voided, and holders of Equity Interests will receive no distribution under the Plan or in the Bankruptcy Case on account of their Equity Interests.

**3. Claims May Be in More Than One Class.**

A Claim is part of a particular Class or subclass only if the Claim qualifies within the definition of that Class or subclass and the Claim is part of a different Class or subclass if the remainder of the Claim qualifies within the description of a different Class or subclass. A Claim is also placed in a particular Class for the purpose of receiving Distributions pursuant to the Plan only to the extent the Claim is an Allowed Claim or an Allowed Equity Interest and the Claim has not been paid, released or otherwise settled prior to the Effective Date.

**4. Impairment, classification, and related disputes.**

If a holder of a Claim or Equity Interest disputes the classification of the Claim or Equity Interest or the treatment of a Class (including whether a Class is impaired or unimpaired), the holder of the Claim or Equity Interest may file a motion with the Bankruptcy Court to challenge the classification, characterization or treatment of the Claim or the Class or may file an objection to confirmation of the Plan. The deadline for filing any such motion is the deadline set by the Bankruptcy Court to object to confirmation of the Plan. If the Bankruptcy Court does not grant the motion or otherwise confirms the Plan without conditioning confirmation upon any grounds raised in such a motion or objection, the treatment, characterization, and classification set forth in the Plan will be binding upon all holders of Claims and Equity Interests.

**C. Acceptance or rejection of the Plan; Cramdown.**

**1. Classes and Claims Entitled to Vote.**

Creditors in Classes 2 through 7 may vote on the Plan. Creditors in Class 1 are not impaired under the Plan and therefore are presumed to accept the Plan. Creditors in Class 8 and holders of Equity Interests in Class 9 will not receive or retain property under the Plan and are therefore presumed to reject the Plan and are not entitled to vote on the Plan.

**2. Acceptance by a Class of Claims.**

Except as provided in section 1126(e) of the Bankruptcy Code, a Class of Claims will accept the Plan if holders of one half in number and two-thirds in amount of Claims voting in that Class timely and properly vote to accept the Plan.

### 3. Cramdown.

Because Classes 8 and 9 are presumed to have rejected the Plan, the Official Creditors' Committee will request that the Bankruptcy Court confirm the Plan notwithstanding the rejection by Classes 8 and 9, or any other Class that votes to reject the Plan, on the basis that the Plan is fair and equitable and does not discriminate unfairly with respect to any Class that rejects the Plan.

#### D. Effects of Confirmation.

##### 1. Estate Assets to Remain in Estates; No Revesting of Estate Assets.

Notwithstanding section 1141(b) of the Bankruptcy Code, except as otherwise provided for in the Plan, property of the Estate, including Estate Litigation Claims, shall not revest with CMI or the Post-Effective Date Debtor, but shall remain property of the Estate subject to the jurisdiction of the Bankruptcy Court, under the exclusive control of the Plan Administrator, until distributed to holders of Allowed Claims in accordance with the provisions of the Plan and the Confirmation Order.

##### 2. Preservation and Retention of Estate Litigation Claims, Defenses of the Debtor, and Rights to Object to Claims.

Confirmation of the Plan will have no impact upon, and will not render *res judicata* any: (i) Estate Litigation Claim, (ii) any defenses CMI may have (including rights of setoff) in any action brought against it; or (iii) any party's right to object to any Claim against the Debtor, subject to any limitation expressly set forth in the Plan. A partial listing of potential parties against whom the Plan Administrator, the Plan Committee, or others may bring Estate Litigation Claims is attached as an exhibit to the Plan. This list is not comprehensive. **In voting on the Plan, Creditors, including Bondholders, should not rely on the fact that they are not listed on the exhibit to the Plan in voting to accept the Plan. Estate Litigation Claims may be brought against parties not listed on the exhibit to the Plan and those Estate Litigation Claims are expressly preserved under the Plan and may still be brought.**

##### 3. Bondholder Unsecured Claims.

As of the date of the filing of this Disclosure Statement, no Bar Date has been set with respect to Bondholder Unsecured Claims. The Official Creditors' Committee does not intend to request that the Bankruptcy Court establish a Bar Date for Bondholder Unsecured Claims. Rather, confirmation of the Plan will act to establish a cap on the amount of Bondholder Unsecured Claims. That cap will be as follows. If no Proof of Claim has been filed on or prior to the Voting Deadline with respect to the particular Bondholder Unsecured Claim, then the amount set forth in the Schedules. If a Proof of Claim has been filed on or prior to the Voting Deadline with



respect to the particular Bondholder Unsecured Claim, the amount set forth in the Proof of Claim. **If a Bondholder disputes or otherwise disagrees with the amount of its Claim in the Schedules, the Bondholder must file a Proof of Claim or otherwise assert a Bondholder Claim Dispute on or prior to the Voting Deadline for the Plan. If a Bondholder does not file a Proof of Claim or otherwise assert a Bondholder Claim Dispute, the amount of that Bondholder's Bondholder Unsecured Claim will be capped at the amount indicated on the Schedules.**

The cap is without prejudice to the rights of any party to object to or otherwise dispute any Bondholder Unsecured Claim as otherwise set forth in the Plan. No Bondholder Unsecured Claim will be Allowed by confirmation of the Plan and nothing in Article V.C or any other provision of the Plan is or will be deemed to be an admission of liability by CMI or any other party with respect to a Bondholder Unsecured Claim or other Claim.

**4. The Non-Debtor subsidiaries.**

CMI has two subsidiaries, its wholly-owned subsidiary, CMI Asset Pool, and Heron Lake, LLC in which it owns 89% of the interests. Neither of these entities has filed a bankruptcy petition. Confirmation of the Plan will have no effect on these subsidiaries.

**5. Authority to effectuate the Plan.**

Except as expressly set forth in the Plan, on the Effective Date, all matters provided for under the Plan will be authorized and approved without further approval or order of the Bankruptcy Court.

**6. Continuation of authority under the Rule 2004 Order.**

Confirmation of the Plan will not abrogate or otherwise limit the effectiveness of the Rule 2004 Order entered by the Court prior to the Effective Date and will not limit the right of the Plan Administrator or the Plan Committee to seek leave to examine any individual or entity under Rule 2004 of the Federal Rules of Bankruptcy Procedure.

**7. No waiver of legal privileges.**

Confirmation of the Plan will not waive the attorney/client, work product or other legal privileges of CMI or the Official Creditors' Committee.



**E. Means of implementation of the Plan.****1. Limited corporate existence and dissolution of CMI.****a. Continued corporate existence.**

After the Effective Date of the Plan, CMI will continue in existence as the Post-Effective Date Debtor pursuant to the terms of its certificate of incorporation, by-laws, and other corporate governance documents, as the same were in effect prior to the Effective Date, except to the extent that such corporate governance documents are amended by the terms of the Plan, for the limited purpose of (i) effectuating the terms of the Plan, (ii) liquidating the Estate Assets, (iii) making distributions in accordance with the Plan; and (iv) filing appropriate tax returns.

**b. Dissolution of Post-Effective Date Debtor.**

As soon as practicable after the Plan Administrator liquidates or otherwise disposes of the Estate Assets and makes the Final Distribution, the Plan Administrator shall, at the expense of the Estate and with the consultation of the Plan Committee, (i) provide for the retention of books and records delivered to or created by the Plan Administrator until the time that such books and records are no longer required to be retained under applicable law, and file a certificate with the Bankruptcy Court stating the location at which such books and records are being stored, (ii) file a certificate with the Bankruptcy Court stating that the Plan Administrator has liquidated or otherwise disposed of the Estate Assets and made a Final Distribution under the Plan, (iii) file any necessary paperwork with the Office of the Secretary of State for the State of Georgia to effectuate the dissolution of the Post-Effective Date Debtor in accordance with the laws of the State of Georgia, and (iv) resign as the sole officer and director of the Post-Effective Date Debtor.

**2. Directors and officers of CMI.**

On the Effective Date, the Plan Administrator will succeed to all of the rights and powers of the directors and officers of the Debtor and confirmation of this Plan will divest the directors and officers in office prior to the Effective Date of any and all rights and powers with respect to the Debtor.

**3. Corporate governance documentation.**

On or as soon as practicable after the Effective Date, the articles of incorporation of the Post-Effective Date Debtor will be restated to, among other things, (i) authorize the issuance of one share of new common stock, \$0.01 par value per share to be held by the Plan Administrator in accordance with the terms of the Plan, (ii) prohibit the issuance of non-voting equity securities, and (iii) limit the activities of the Post-Effective Date Debtor to matters related to the implementation

of the Plan and to matters reasonably incidental thereto. The form of the restated articles of incorporation is attached as an exhibit to the Plan.

**4. The Plan Administrator.**

**a. Appointment.**

Prior to the Confirmation Date, the Official Creditors' Committee will designate a person or entity to serve as the Plan Administrator. The Plan Administrator will be appointed on the Effective Date. The Plan Administrator will serve as Plan Administrator pursuant to the terms of the Plan and a Plan Administrator Agreement. The Post-Effective Date Debtor (through the Plan Administrator), the Official Creditors' Committee (or the Plan Committee after the Effective Date), and the Plan Administrator will be parties to the Plan Administrator Agreement. If there are any inconsistency between the terms of the Plan Administrator Agreement and the terms of the Plan, the terms of the Plan will govern.

**b. Plan Administrator Agreement.**

Prior to the Effective Date, the Plan Administrator, the Official Creditors' Committee, and CMI, will execute a Plan Administrator Agreement specifying the terms by which the Plan Administrator will be employed. The Official Creditors' Committee (or, after the Effective Date, the Plan Committee) and the Plan Administrator may agree to non-material modifications of the Plan Administrator Agreement, which non-material modifications will not be subject to approval of the Bankruptcy Court. The Official Creditors' Committee (or, after the Effective Date, the Plan Committee) and the Plan Administrator may agree to material modifications of the Plan Administrator Agreement; provided, however, that material modifications shall be subject to approval of the Bankruptcy Court.

**c. Rights, powers, and duties of the Post-Effective Date Debtor and the Plan Administrator.**

The Post-Effective Date Debtor will retain and have all of the rights, powers, and duties necessary to carry out its responsibilities under the Plan. The Plan Administrator will exercise these rights, powers and duties on behalf of the Post-Effective Date Debtor and the Estate pursuant to the Plan and the Plan Administrator Agreement. Additionally, the Plan Administrator may bring claims, including Estate Litigation Claims, on behalf of the Debtor, the Post-Effective Date Debtor, and the Estate that could otherwise be brought by a trustee or an examiner appointed under the Bankruptcy Code. Without limiting the generality of the foregoing, the Plan Administrator's rights, powers, and duties include:

- (a) liquidation of the Estate Assets and any assets of the Post-Effective Date Debtor;

- (b) investment of Cash of the Estate and the Post-Effective Date Debtor in (I) direct obligations of the United States of America or obligations of any agency or instrumentality thereof that are backed by the full faith and credit of the United States of America, (II) money market deposit accounts, checking accounts, savings accounts, certificates of deposit, or other time deposit accounts that are issued by a commercial bank or savings institution organized under the laws of the United States of America or any state thereof, or (III) any other investments that may be permissible under section 345 of the Bankruptcy Code or as otherwise ordered by the Bankruptcy Court;
- (c) calculating and paying Distributions in accordance with the terms of the Plan or as otherwise ordered by the Bankruptcy Court to holders of Allowed Claims;
- (d) employing, supervising, and compensating professionals retained to represent the interests of the Post-Effective Date Debtor or the Estate, subject to the terms of the Plan;
- (e) making and filing tax returns for the Post-Effective Date Debtor;
- (f) subject to the terms of the Plan, objecting to or seeking the subordination of Claims filed against the Debtor or the Estate or set forth in the Schedules, except for Claims that have been previously Allowed by Final Order;
- (g) seeking the estimation of contingent or unliquidated Claims filed against the Debtor, the Post-Effective Date Debtor, or the Estate pursuant to section 502(c) of the Bankruptcy Code;
- (h) seeking determination of tax liability for the Debtor or the Post-Effective Date Debtor under section 505 of the Bankruptcy Code;
- (i) investigating, pursuant to Rule 2004 of the Bankruptcy Rules or other applicable law, any Entity, including investigating any Entity authorized to be investigated pursuant to the Rule 2004 Order or any other order authorizing or permitting investigations of any Entity;
- (j) filing, prosecuting, settling or otherwise resolving Estate Litigation Claims on behalf of the Debtor or the Post-Effective Date Debtor;

- (k) closing the Bankruptcy Case of the Post-Effective Date Debtor;
- (l) dissolving and winding up the Post-Effective Date Debtor;
- (m) exercising all powers and rights, and taking all actions contemplated by or provided for in the Plan Administrator Agreement;
- (n) providing to the Plan Committee, on a monthly basis, a report setting forth relevant financial information with respect to the Post-Effective Date Debtor, the Estate, and the Plan Administrator's activities with respect to the immediately preceding month, including, but not limited to: (i) operating and other expenses; (ii) revenues; and (iii) deposits, if any, into the various accounts set forth in the Plan; and
- (o) taking any and all other actions necessary or appropriate to implement the Plan, subject to the terms of the Plan Administrator Agreement and the Plan.

**d. Compensation of the Plan Administrator.**

The Plan Administrator will be compensated from the Estate Assets or the assets of the Post-Effective Date Debtor subject to the terms of the Plan Administrator Agreement. Notwithstanding anything in the Plan to the contrary, the Bankruptcy Court must authorize and approve any compensation to be paid to the Plan Administrator under the standards set forth for compensation of Professional Persons under sections 327 and 330 of the Bankruptcy Code.

**e. Insurance.**

Subject to the terms of the Plan Administrator Agreement and agreement by the Plan Committee, the Plan Administrator may obtain insurance, to be paid from the Estate Assets, for the Plan Administrator, or any employees, agents, representatives, or independent contractors employed by the Plan Administrator or the Post-Effective Date Debtor, including, without limitation, any tail coverage or other similar coverage.

**f. Limitations on Liability.**

The Plan Administrator will not incur liability to any Entity by reason of discharge of the Plan Administrator's duties as set forth in the Plan and in the Plan Administrator Agreement, except in the event of gross negligence or willful misconduct by the Plan Administrator.

**g. Retention of Employees.**

Subject to the approval of the Plan Committee, the Plan Administrator may retain any employees, or other agents or representative of CMI or the Post-Effective Date Debtor, either on the Plan Administrator's own behalf or on behalf of the Post-Effective Date Debtor. The Plan Administrator may compensate such employees in the ordinary course of the Plan Administrator's activities, without seeking approval of such compensation from the Bankruptcy Court.

**h. Retention of Professionals.**

Subject to the approval of the Plan Committee and the other limitations set forth in the Plan, the Plan Administrator may retain attorneys, accountants, or other professionals to represent the interests of the Plan Administrator or the Post-Effective Date Debtor, including attorneys, accountants, and other professionals employed by CMI or the Official Creditors' Committee. Professionals retained by CMI prior to the Effective Date will not be retained by the Post-Effective Date Debtor unless the Plan Administrator agrees to such retention in writing.

**i. Limitations on Actions of the Plan Administrator.**

Without the prior written consent of the Plan Committee or approval by the Bankruptcy Court, the Plan Administrator will not: (i) dispose of the share of common stock of the Post-Effective Date Debtor granted pursuant to Article VI.C of the Plan; or (ii) take any other action that is inconsistent with the written or oral directive of the Plan Committee.

**j. Meeting with and Reports to the Plan Committee.**

At the request of the Plan Committee, the Plan Administrator will meet with and provide written or oral reports to the Plan Committee.

**k. Replacement of the Plan Administrator.**

The Plan Committee may remove or replace the Plan Administrator with or without cause, following Designated Notice of the proposed action and opportunity to object within ten (10) days of such Designated Notice. If no objection is timely filed, the Plan Committee may take such action with no further approval. If a timely objection is filed, the Plan Committee may only take the proposed action if approved by the Bankruptcy Court following a hearing upon notice to any objecting party. To effectuate such a change in the Plan Administrator, following Designated Notice and any necessary approval, the Plan Committee must file a notice of replacement with the Bankruptcy Court, which notice must include the name of the replacement Plan Administrator.

**5. The Official Creditors' Committee and the Plan Committee.**

**a. Appointment and Membership of the Plan Committee.**

On the Effective Date, the Plan Committee will be appointed and will succeed to any and all rights of the Official Creditors' Committee, as well as the other additional rights and obligations set forth in the Plan. The initial members of the Plan Committee will be the members of the Official Creditors' Committee immediately prior to the Effective Date.

**b. Rights, Powers, and Duties of the Plan Committee.**

The Plan Committee will retain and have all of the rights, powers, and duties necessary to carry out its responsibilities under the Plan. Such rights, powers, and duties include, but are not limited to:

- (a) supervising and directing the Plan Administrator in accordance with the terms of the Plan and the Plan Administrator Agreement;
- (b) consenting or not consenting to the disposition of any Estate Asset or asset of the Post-Effective Date Debtor, or the Estate in accordance with Article VII of the Plan;
- (c) consenting or not consenting to the bringing, prosecution, or settlement of any Estate Litigation Claim, objection to or subordination of any scheduled or filed Claim against the Debtor in accordance with Article VII of the Plan;
- (d) bringing Estate Litigation Claims or objecting to or seeking the subordination of any scheduled or filed Claim against the Debtor in accordance with Article VII of the Plan;
- (e) exercising all powers and rights, and taking all actions contemplated by or provided for in the Plan or the Plan Administrator Agreement; and
- (f) taking any and all other actions necessary or appropriate to implement the Plan.

**c. Compensation of Members of the Plan Committee.**

Members of the Plan Committee will be compensated by the Estate for expenses in connection with serving on the Plan Committee that would otherwise be compensable for members of a creditors' committee under section 503(b)(3)(F) of the Bankruptcy Code.

**d. Insurance.**

The Plan Committee may obtain insurance, to be paid from the Estate Assets or the assets of the Post-Effective Date Debtor, for the Plan Committee, including, without limitation, any tail coverage or other similar coverage.

**e. Limitations on Liability.**

The Plan Committee will not incur liability to any Entity by reason of discharge of the Plan Committee's duties as set forth in the Plan, except in the event of gross negligence or willful misconduct by the Plan Committee; provided, however, that when acting as a party litigant in any proceeding the Plan Committee will be subject to all applicable rules and statutory procedures governing such proceedings, including, without limitation, those governing standards of conduct.

**f. Standing of the Plan Committee.**

The Plan Committee will have independent standing to appear and be heard in any judicial or other proceeding as to any matter relating to the Plan, the Plan Administrator, the Estates, or the Post-Effective Date Debtor. Without limiting the generality of the foregoing, the Plan Committee may bring any actions, either in its own name or in the name of the Post-Effective Date Debtor, in accordance with the rights and duties delegated to the Plan Committee under the Plan.

**g. Retention of Professionals and Other Agents or Representatives.**

The Plan Committee may retain attorneys, accountants, or other professionals to represent the interests of the Plan Committee (or, where the Plan Committee acts in the name of or on behalf of the Post-Effective Date Debtor, the Post-Effective Date Debtor), including attorneys, accountants, and other professionals employed by CMI or the Official Creditors' Committee. Professionals retained by the Official Creditors' Committee prior to the Effective Date will not be retained by the Plan Committee in any capacity without the prior express consent of the Plan Committee.

**h. Change in membership of the Plan Committee.**

The Plan Committee may, through its by-laws, agree to provisions for removal and replacement of members of the Plan Committee or the addition of new members to the Plan Committee; provided, however, that: (i) the Plan Committee shall be comprised of no less than three members and no more than nine members; (ii) each member of the Plan Committee must hold, at all times throughout their service on the Plan Committee, an Unsecured Claim against CMI (or be the legal nominee or designee of a holder of an Unsecured Claim against CMI); (iii) any member that sells all of its Unsecured Claim against CMI will be immediately removed from the Plan



Committee; (iv) the purchaser of an Unsecured Claim from a member of the Plan Committee will not succeed to the member's position on the Plan Committee by reason of the purchase of the Unsecured Claim; and (v) a member's rights of membership on the Plan Committee may not be transferred to or otherwise be assigned or delegated to another person or entity without the express consent of the Plan Committee.

**i. Dissolution.**

The Plan Committee will be dissolved upon entry of the Final Decree and the members of the Plan Committee will be released and discharged from all further authority, duties, responsibilities and obligations related to and arising from their service as Plan Committee members.

**6. Common Interest Agreement Between and Among the Plan Administrator, the Official Creditors' Committee, and the Plan Committee.**

From and after the Effective Date, (i) the Plan Administrator may share its own information or information of the Debtor or the Post-Effective Date Debtor with the Plan Committee, and (ii) the Plan Committee may share its own information or information of the Official Creditors' Committee with the Plan Administrator or the Post-Effective Date Debtor, and the shared information will be considered shared pursuant to a common interest agreement and the sharing of information will not constitute a waiver of any attorney/client privilege, work product privilege, or other similar privilege recognized by applicable law.

**7. Private Actions Trust.**

**a. Establishment.**

The Plan establishes a Private Actions Trust. The Private Actions Trust is a trust that will be created to receive, hold, liquidate, and distribute Non-Estate Claims. Non-Estate Claims are claims a Creditor (rather than CMI or the Estate) holds, other than a Claim against CMI, that arise from or relate to CMI. These Non-Estate Claims, including, for example, (i) claims that may arise from a Creditor's purchase or sale of Bonds, (ii) individual claims against CMI's current or former officers, directors or employees, separate from Estate Litigation Claims CMI may hold; (iii) claims against all persons or entities that conducted transactions with CMI; and (iv) claims against all persons or entities that provided services to CMI, including attorneys, accountants, financial advisors and parties providing services to CMI in connection with the public issuance of debt or equity, including, underwriters. The Private Actions Trust will be established pursuant to the terms of the Private Actions Trust Agreement.

**b. Eligibility to Participate in Private Actions Trust.**

Participation in the Private Actions Trust is limited only to Creditors holding Class 5 Claims. No other Creditor or other party may contribute Non-Estate Claims to the Private Actions Trust or participate in any distributions from the Private Actions Trust.

**c. Election to Contribute Non-Estate Claims to the Private Actions Trust.**

A Creditor holding a Class 5 Claim may contribute Non-Estate Claims to the Private Actions Trust by electing to contribute Non-Estate Claims to the Private Actions Trust in the Ballot.

**d. The Private Actions Trustee.**

Notwithstanding anything to the contrary in the Private Actions Trust Agreement or in the Plan, (i) the Private Actions Trust Committee will appoint the Private Actions Trustee to act as trustee of the Private Actions Trust and (ii) the Private Actions Trust Committee may remove or replace the Private Actions Trustee at any time, with or without cause.

**d. The Private Actions Trust Committee.**

Notwithstanding anything to the contrary in the Private Actions Trust Agreement or in the Plan, (i) the Private Actions Trust Committee shall be appointed on the Effective Date to perform the duties set forth for the Private Actions Trust Committee in the Private Actions Trust Agreement, (ii) the members of the Private Actions Trust Committee shall be the same as the members of the Plan Committee, and (iii) the Private Actions Trust Agreement may not be amended, supplemented, or otherwise altered in any way without the written consent of the Private Actions Trust Committee.

**e. Participation in Private Actions Trust by secondary purchasers of Claims against CMI.**

Any person or entity that purchases or otherwise takes an assignment of a Class 5 Unsecured Claim may participate in the Private Actions Trust, but only if the original holder of the Claim has made a Private Actions Trust Election and the assignee has received an assignment of the original holder's interest in the Private Actions Trust.

**f. Interpretation.**

If the terms of the Plan conflict with the terms of the Private Actions Trust Agreement on matters arising from or related to the Private Actions Trust, the Private Actions Trust Agreement will govern.

**8. Termination of CMI's Public Reporting Requirements.**

From and after the Effective Date, the Plan Administrator, in consultation with the Plan Committee, will take any and all actions necessary to suspend CMI's further reporting obligations with the SEC and to otherwise deregister CMI public securities.

**F. Provisions for the resolution of Claims against CMI, resolution of Estate Litigation Claims and liquidation of other Assets.**

**1. Objection to and resolution of Claims against CMI or the Estate.**

**a. Plan Administrator's authority to object to and resolve objections to Claims.**

Except with respect to objections to Administrative Claims, which are separately set forth above in Article VII.B of the Plan, the Plan Administrator will prosecute, settle, or decline to pursue objections to any Claims in this Bankruptcy Case in accordance with the terms of the Plan, whether the objections to the Claims were filed prior to or after the Effective Date.

**b. Consent and approval of the Plan Committee.**

Prior to filing or settling of any objection to any Claim with a Face Amount of \$50,000 or greater, the Plan Administrator will obtain the prior consent of the Plan Committee for the filing or settlement of the objection to the Claim.

**c. Authority of the Plan Committee to object to and resolve objections to Claims.**

The Plan Committee may, at any time, make demand on the Plan Administrator to object to a Claim. If the Plan Administrator does not object to such a Claim within a reasonable period of time under the circumstances (as determined by the Plan Committee in its sole discretion), subject to any limitation set forth in the Plan, the Plan Committee may, on its own behalf and acting for and in the name of the Estate, CMI, and the Post-Effective Date Debtor, file such objection and, subject to Article VI.A.6 of the Plan, resolve the objection to the Claim in its sole authority and discretion.

**d. Limitations on filing objections to Claims.**

From and after the Effective Date, no party other than the Plan Administrator or the Plan Committee may object to Claims.

**e. Deadline for objection to Claims.**

The Plan Administrator, or the Plan Committee if the Plan Committee is acting under its authority granted in the Plan, will file any objections to Claims that are not subject to a pending objection on the Effective Date not later than the Claim Objection Bar Date. The Plan Administrator or the Plan Committee may seek one or more extensions from the Bankruptcy Court of the time to file an objection to any Claim. The filing of a motion by the Plan Administrator or the Plan Committee to extend the time to file an objection to a timely filed Claim will automatically extend the date by which the Plan Administrator or the Plan Committee must file objections to a timely filed Claim until a Final Order is entered on the motion.

**f. Bankruptcy Court approval.**

From and after the Effective Date, the Plan Administrator or the Plan Committee may settle or otherwise resolve Claims without the approval or consent of the Bankruptcy Court where the Face Amount of the Claim is \$100,000 or less; provided, however, that the Plan Administrator will, on a quarterly basis, file a notice with the Bankruptcy Court of all Claims that have been settled or otherwise resolved that includes (i) the Face Amount of the Claim, and (ii) the Allowed amount of the Claim after settlement and resolution. The Bankruptcy Court must approve the settlement of any objection to any Claim where the Face Amount of the Claim is more than \$100,000.

**g. Estimation of Claims.**

The Plan Administrator may at any time request that the Bankruptcy Court estimate any Claim pursuant to section 502(c) of the Bankruptcy Code. The Bankruptcy Court may estimate Claims to: (i) establish the Allowed amount of the Claim for purposes of voting and distribution; or (ii) to establish the maximum amount of any such Claim, without prejudice to the Plan Administrator or the Plan Committee later objecting to the Claim or otherwise bringing Estate Litigation Claims against the holder of the Claim.

**h. Applicability.**

In objecting to a Claim, if the Plan Administrator or the Plan Committee assert counterclaims or other grounds for affirmative relief, against the holder of the Claim, including any assertion that the Claim may be Disallowed pursuant to section 502(d)

of the Bankruptcy Code, resolution of the objection to the Claim will be governed by Article VII.B of the Plan, not Article VII.A.

**i. Continued investigation of Claims.**

**The Official Creditors' Committee has not fully investigated the Claims in this Bankruptcy Case. This investigation is ongoing and may occur after confirmation of the Plan. Creditors and other parties in interest are advised that, notwithstanding that no specific reference is made to a particular Claim in the Plan, the Disclosure Statement, or in other documents filed in the Bankruptcy Case, objections to Claims may still be brought against any Creditor or party in interest at any time (subject to the Claims Objection Bar Date, any applicable statute of limitations and other limitations set forth in the Plan).**

**2. Prosecution and resolution of Estate Litigation Claims.**

**a. Plan Administrator's authority to bring, prosecute and settle Estate Litigation Claims.**

The Plan Administrator will prosecute, settle, or decline to pursue any Estate Litigation Claims in the Bankruptcy Case in accordance with the terms of the Plan, whether the Estate Litigation Claim was commenced prior to or after the Effective Date.

**b. Consent and approval of the Plan Committee.**

Prior to filing or settling Estate Litigation Claim in which the Face Amount of the demand is \$100,000 or greater, the Plan Administrator will obtain the prior consent of the Plan Committee for the filing or settlement of such Estate Litigation Claim.

**c. Plan Committee's authority to bring, prosecute and settle Estate Litigation Claims.**

The Plan Committee may, at any time, make demand on the Plan Administrator to bring a particular Estate Litigation Claim in which the Face Amount of the demand is anticipated to exceed \$100,000. If the Plan Administrator does not bring the Estate Litigation Claim within a reasonable period of time under the circumstances (as determined by the Plan Committee in its sole discretion), the Plan Committee may, on its own behalf and acting for and in the name of the Estate, the Debtor, and the Post-Effective Date Debtor, file the Estate Litigation Claim and, subject to Article VI.A.6 of the Plan, resolve the Estate Litigation Claim in its sole authority and discretion.

**d. Deadline for bringing Estate Litigation Claims.**

Nothing in the Plan limits the time by which the Plan Administrator or the Plan Committee must bring an Estate Litigation Claim. The deadline for bringing Estate Litigation Claims is any applicable statute of limitations, as such statute of limitations may be altered or amended by the terms of the Bankruptcy Code. For purposes of determining the applicable statute of limitations, section 108 of the Bankruptcy Code will be applicable to all Estate Litigation Claims, and confirmation of the Plan will not limit any time periods contained therein.

**e. Bankruptcy Court approval.**

From and after the Effective Date, the Plan Administrator or the Plan Committee may settle or otherwise resolve Estate Litigation Claims without the approval or consent of the Bankruptcy Court where the Face Amount of the Estate Litigation Claim is \$200,000 or less; provided, however, that the Plan Administrator will, on a quarterly basis, file a notice with the Bankruptcy Court of all Estate Litigation Claims that have been settled or otherwise resolved that includes (i) the Face Amount asserted in the Estate Litigation Claim, and (ii) the amount for which the Estate Litigation Claim was resolved. The Bankruptcy Court must approve the settlement of any Estate Litigation Claim where the Face Amount of the Estate Litigation Claim is more than \$200,000.

**f. Continued Investigation of Estate Litigation Claims.**

**The Official Creditors' Committee has not fully investigated the Estate Litigation Claims in this Bankruptcy Case. This investigation is ongoing and will continue after confirmation of the Plan. Creditors and other parties in interest are advised that, notwithstanding that no specific reference is made to a particular Estate Litigation Claim in the Plan, this Disclosure Statement, or in other documents filed in the Bankruptcy Case, the Plan Administrator or the Plan Committee may still bring Estate Litigation Claims against any party at any time (subject to any applicable statute of limitations). A partial listing of potential parties against whom the Plan Administrator, the Plan Committee, or others may bring Estate Litigation Claims is attached as an exhibit to the Plan. This list is not comprehensive. In voting on the Plan, Creditors should not rely on the fact that they are not listed on the exhibit to the Plan in voting to accept the Plan. Estate Litigation Claims may be brought against parties not listed on the exhibit to the Plan and those Estate Litigation Claims are expressly preserved under the Plan and may still be brought.**

**3. Liquidation of Estate Assets other than Estate Litigation Claims.**

**a. Plan Administrator's ability to sell or dispose of Estate Assets and assets of the Post-Effective Date Debtor.**

From and after the Effective Date, the Plan Administrator may, pursuant to the terms of the Plan Administrator Agreement and subject to the terms of the Plan, use, sell, assign, transfer, abandon or otherwise dispose of at a public or private sale the Estate Assets and the assets of the Post-Effective Date Debtor.

**b. Consultation, Consent, and Approval of Plan Committee.**

The Plan Administrator will regularly consult with the Plan Committee in disposing of the Estate Assets and the assets of the Post-Effective Date Debtor pursuant to Article VI.C.1 of the Plan. If the Plan Administrator seeks to sell, assign, transfer, abandon or otherwise dispose of Estate Assets or assets of the Post-Effective Date Debtor where (i) the net proceeds to the Estate or the Post-Effective Date Debtor are greater than \$100,000, or (ii) the net proceeds to the Estate or the Post-Effective Date Debtor are less than 60% of the Face Amount of the Estate Assets or assets of the Post-Effective Date Debtor (in the case of loans held on the Debtor's books), then the Plan Administrator must obtain the consent of the Plan Committee or approval of the Bankruptcy Court prior to the proposed sale, assignment, transfer, abandonment, or other disposal of the Estate Asset or the asset of the Post-Effective Date Debtor.

**c. Bankruptcy Court Approval.**

From and after the Effective Date, the Plan Administrator may sell, assign, transfer, abandon or otherwise dispose of Estate Assets or assets of the Post-Effective Date Debtor in accordance with the Plan without the approval or consent of the Bankruptcy Court where the Face Amount of the Estate Asset or asset of the Post-Effective Date Debtor is \$200,000 or less; provided, however, that the Plan Administrator will, on a quarterly basis, file a notice with the Bankruptcy Court of all Estate Assets and assets of the Post-Effective Date Debtor that have been sold, assigned, transferred, abandoned or otherwise disposed of and include in the notice (i) the Face Amount of the Estate Asset or asset of the Post-Effective Date Debtor, and (ii) the amount the Estate or the Post-Effective Date Debtor received from the disposition of the Estate Asset or asset of the Post-Effective Date Debtor. The Bankruptcy Court must approve the sale, assignment, transfer, abandonment, or other disposition of any Estate Asset or asset of the Post-Effective Date Debtor where the Face Amount of the Estate Asset or asset of the Post-Effective Date Debtor is more than \$200,000.



**G. Distributions**

**1. Distributions on account of Allowed Administrative Expense Claims.**

Subject to rights of set-off set forth in the Plan, the Plan Administrator will pay Allowed Administrative Expense Claim in full, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after the Claim becomes an Allowed Administrative Expense Claim; or (c) at such other time and in such other manner as may be agreed upon in writing between the holder of the Allowed Administrative Expense Claim and the Plan Administrator.

**2. Distributions on account of Allowed Priority Tax Claims.**

Subject to rights of set-off set forth in the Plan, in the Plan Administrator's discretion, the Plan Administrator will pay Allowed Priority Tax Claims (a) in full, without interest, and in Cash, (b) in equal monthly installments over no more than five years from the Petition Date, at an interest rate to be set by the Bankruptcy Court; or (c) such other treatment as may be agreed upon in writing by the holder of such Claim and the Plan Administrator, in accordance with the terms of the Plan. The Plan Administrator will pay Priority Tax Claims on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after the Claim becomes an Allowed Priority Tax Claim; or (c) at such other time and in such other manner as may be agreed upon in writing between the holder of the Allowed Priority Tax Claim and the Plan Administrator.

**3. Distributions on account of Classified Claims other than Convenience Class Claims.**

**a. Claims Allowed prior to the Initial Distribution Date.**

Subject to rights of set-off set forth in the Plan, on the Initial Distribution Date, the Plan Administrator will distribute Cash or other property to each holder of a Claim in Classes 1 through 7 that is Allowed prior to the Initial Distribution Date as provided in the Plan. The Plan Administrator will make no distributions to Claims that have received Payment in Full.

**b. Claims Allowed on or after the Initial Distribution Date.**

Subject to rights of set-off set forth in the Plan, for Claims Allowed on or after the Initial Distribution Date, the Plan Administrator will make a distribution to the holder of such an Allowed Claim no later than the first Subsequent Distribution Date after such Claim is Allowed in an amount equal to the amount that would have been paid to the holder if the Claim had been Allowed prior to the Initial Distribution Date.

Except as otherwise provided in the Plan or as otherwise ordered by the Bankruptcy Court, the Plan Administrator, upon approval of the Plan Committee, may make interim or partial distributions on Allowed Claims other than on a Subsequent Distribution Date. The Plan Administrator will make no distributions on account of Claims that have received Payment in Full.

Not less than twenty (20) days prior to any proposed Subsequent Distribution Date, the Plan Administrator will file a notice with the Bankruptcy Court of an intended Subsequent Distribution Date.

**4. Special Provisions related to Distributions on account of Convenience Class Claims.**

Notwithstanding anything to the contrary in the Plan, the Plan Administrator will make a Distribution to holders of Allowed Convenience Class Claims (i) on the Initial Distribution Date in an amount sufficient so that holders of Allowed Convenience Class Claims receive a percentage Distribution not less than the percentage Distribution to be paid to holders of Allowed Class 5 Claims, and (ii) on the Final Distribution Date. The Plan Administrator may not make any Subsequent Distributions to holders of Allowed Convenience Class Claims without the authorization of the Plan Committee.

**5. Property Distributions.**

Notwithstanding Article VII.C of the Plan, the Plan Administrator may, in lieu of distributions of Cash, surrender to each holder of an Allowed Secured Claim that is being treated in accordance with the Plan, the property securing such Allowed Secured Claim.

**6. Interest on Allowed Claims.**

Except as otherwise set forth in the Plan with respect to Allowed Secured Claims, no interest will be paid in respect of any Allowed Claim.

**7. Distributions paid to holders of record.**

Distributions to be made pursuant to the Plan with respect to Claims of any nature may be made by the Disbursing Agent to the holder of record of the Claim. For purposes of making distributions under the Plan, the following applies: (i) if no Proof of Claim has been filed, the holder of record and address will be as identified in the Schedules; (ii) if a Proof of Claim has been filed, the holder of record and address will be as identified in the Proof of Claim; (iii) if a notice of transfer of Claim has been properly filed pursuant to Rule 3001(e) of the Bankruptcy Rules not less than forty-five days prior to any Distribution Date and no objection to the transfer of Claim

has been filed, then to the holder of record and address as identified on the notice of transfer of Claim as filed with the Bankruptcy Court.

**8. No Distributions on account of Disputed or Disallowed Claims.**

Except as may otherwise be ordered by the Bankruptcy Court or authorized under the terms of the Plan, the Plan Administrator will make no distribution to the holder of a Disputed Claim until the Disputed Claim becomes an Allowed Claim. The Plan Administrator will not make distributions to holders of Disallowed Claims.

**9. Setoff.**

The Plan Administrator may set-off against any Allowed Claim (and distributions to be made thereto), the claims, rights and causes of action of any nature (regardless of whether such claims, rights, or causes of action are reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured) that CMI, the Post-Effective Date Debtor, or the Estate may hold under applicable non-bankruptcy law (and notwithstanding any limitations or restrictions placed on such rights under the Bankruptcy Code) against the holder of an Allowed Claim or any recipient of any distribution in respect of an Allowed Claim. The holder of a Claim may, pursuant to Bankruptcy Code Section 553 or applicable non-bankruptcy law, set-off any Allowed Claim such holder possesses against any claim, rights or causes of action of any nature that CMI, the Post-Effective Date Debtor, or the Estate may hold against such holder. Neither the failure to effect a set-off nor the Allowance of any Claim under the Plan will waive or release any such Claims, rights and causes of action that any Entity may possess under Bankruptcy Code Section 553 or applicable non-bankruptcy law.

**10. The Disputed Claims' Reserve.**

On the Effective Date, the Plan Administrator will establish and maintain the Disputed Claims' Reserve to reserve for and fund the payment of Disputed Claims. The amount of the Disputed Claims' Reserve will be equal to the sum of the following: (i) the Face Amount of all unpaid Disputed Priority Tax Claims, (ii) the Face Amount of all unpaid Disputed Administrative Claims, (iii) the Face Amount of all Class 1 Disputed Claims, (iv) the Face Amount of all Class 2 Disputed Claims, (v) the Face Amount of all Class 3 Disputed Claims, (vi) the Face Amount of all Class 4 Disputed Claims, (vii) the Face Amount of all Class 5 Disputed Claims multiplied by the Pro-Rata Share of the Liquidation Amount calculated to be paid to holders of Class 5 Allowed Claims, as such amount may be calculated by the Plan Administrator from time to time, (viii) the Face Amount of all Class 6 Disputed Claims multiplied by the Pro-Rata Share of the Liquidation Amount calculated to be paid to holders of Class 6 Allowed Claims, as such amount may be calculated by the Plan Administrator

from time to time, and (ix) the amount that would be paid to all Class 7 Disputed Claims as if they were Class 7 Allowed Claims. The Plan Administrator will, from time to time, recalculate the amount of the Disputed Claims' Reserve. The Plan Administrator may use any Cash withdrawn from the Disputed Claims' Reserve for distributions in accordance with the terms of the Plan.

#### **11. The Operating Reserve.**

From and after the Effective Date, the Plan Administrator will establish and maintain the Operating Reserve to fund the payments required to be made under the Plan on account of distributions to be made to holders of Allowed Claims, fees to the Clerk of the Bankruptcy Court, and fees to the United States Trustee, as well as to enable the Plan Administrator to pay post-Effective Date fees and expenses, including, without limitation, those incurred or to be incurred by Professionals employed by the Plan Administrator and the Plan Committee through the closing of this Bankruptcy Case and entry of a Final Decree. The Plan Administrator, with the approval of the Plan Committee, will determine the amount of the Operating Reserve and may, from time to time, recalculate the amount of the Operating Reserve. Neither the Plan Administrator nor the Plan Committee will be liable if the Operating Reserve is inadequate.

#### **12. Maintenance of the Disputed Claims Reserve, the Operating Reserve, and other Cash of the Debtor and the Estate.**

Except as otherwise provided in the Plan, the Plan Administrator, in consultation with the Plan Committee, may hold Cash of the Estate in one or more accounts that the Plan Administrator determines to be in the best interests of the Estate. Any reference to the establishment or maintenance of any reserves contained in the Plan, including the Disputed Claims Reserve and the Operating Reserve, will not require the Plan Administrator to establish separate deposit or similar accounts for such reserves. The establishment of reserves under the Plan may be accomplished by accounting, general ledger, paper, or other book entry, as the Plan Administrator may determine, in consultation with the Plan Committee.

#### **13. Effectuation of Distributions.**

The Plan Administrator will serve as the Disbursing Agent and will make all distributions in accordance with the terms of the Plan. At the request of the Plan Administrator, the Claims Agent will assist in making distributions under the Plan and will be entitled to reasonable compensation, as approved by the Plan Committee or the Bankruptcy Court, for providing such services.

**14. Finality of Distributions.**

Except for payments made to holders of Allowed Administrative Claims, all distributions made under the Plan are final, and no party may seek disgorgement of any distributions. Distributions made to holders of Allowed Administrative Claims may be disgorged or otherwise be subject to repayment to the Estate or the Post-Effective Date Debtor in accordance with applicable law.

**15. Manner of Payment; Delivery of Distributions.**

Except as otherwise set forth in the Plan, the Plan Administrator will make all distributions under the Plan in Cash made by check drawn on a domestic bank or by wire transfer from a domestic bank.

**16. Undeliverable Distributions.**

**a. Holding of Undeliverable Distributions.**

If a distribution is returned as undeliverable, no further distributions will be made to the holder of the Claim unless and until the Plan Administrator is notified, in writing, of the holder's then-current address. The Plan Administrator will hold undeliverable distributions until the earlier of: (a) the date the distribution becomes deliverable, and (b) the Final Distribution Date. Holders ultimately receiving previously undeliverable distributions will not receive interest or other accruals of any kind based upon the delay in receipt. The Plan Administrator is not required to locate the holder of an Allowed Claim.

**b. Failure to Claim Undeliverable Distributions.**

The Plan Administrator will from time to time provide the Plan Committee and file with the Bankruptcy Court a list setting forth the names of holders of Claims for which distributions have been attempted and have been returned as undeliverable as of the date thereof. Any holder of a Claim identified in the list that does not assert its rights pursuant to the Plan to receive a distribution within the earlier of: (a) the date that is one hundred eighty (180) days from and after the filing of such list, and (b) 10 Business Days before the Final Distribution Date will not be entitled to any distributions on Allowed Claims under the Plan and will be forever barred from asserting the Claim against the Estate and any right to receive distributions under the Plan. In such case, any consideration held for distribution on account of the Claim will revert to the Estate for distribution to other Creditors or payment of expenses in accordance with the terms of the Plan. Notwithstanding the foregoing, the Plan Administrator may, in consultation with the Plan Committee, pay distributions to a holder of a Claim where distributions to the holder had previously been determined to be undeliverable.

**c. Uncashed Checks.**

The Plan Administrator is not required to locate the holder of an Allowed Claim that does not cash any check representing a Distribution. If a check representing a Distribution has not been cashed for ninety (90) days after the date of mailing of the check to the Creditor, the Plan Administrator may: (a) stop payment on the check, (b) treat the distribution as undeliverable to be treated in accordance with the Plan, or (c) refuse to re-issue the check if the Plan Administrator determines that reissuing the check may adversely affect the distribution to any other Creditor or if re-issuing such check may cause the Plan Administrator to incur expense or inconvenience that is unwarranted in light of the amount of the distribution.

**17. Fractional Amounts.**

Payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down).

**18. De Minimis Distributions.**

Notwithstanding anything to the contrary in the Plan, the Disbursing Agent may not make distribution of less than \$25.00 to any holder of an Allowed Claim unless the distribution is a Final Distribution. If, at any time, the Plan Administrator, in consultation with the Plan Committee, determines that the remaining Cash and other Estate Assets are not sufficient to make distributions to Holders of Allowed Claims in an amount that would warrant the Estates incurring the cost of making such a distribution, the Plan Administrator, in consultation with the Plan Committee, may dispose of such remaining Cash and other Estate Assets in a manner the Plan Administrator deems to be appropriate.

**19. Compliance with Tax Requirements/Allocations.**

The Plan Administrator will comply with tax withholding and reporting requirements imposed by any governmental unit in making distributions under the Plan, and will be responsible for filing any tax returns relating to the Estate. All distributions pursuant to the Plan will be subject to withholding and reporting requirements. The Plan Administrator may withhold distributions due to any holder of an Allowed Claim until the holder provides the Plan Administrator with the necessary information to comply with withholding requirements of any governmental unit. The Plan Administrator will pay any withheld distributions to the appropriate authority. If the holder of an Allowed Claim fails to provide to the Plan Administrator with the information necessary to comply with withholding requirements of any governmental unit within sixty days after the date of first notification by the Plan Administrator to the holder of the need for such information



or for the Cash necessary to comply with any applicable withholding requirements, then the holder's distributions will be treated as undeliverable. For tax purposes, distributions received in respect of an Allowed Claim will be allocated first to the principal amount of the Claim, with any excess allocated to unpaid accrued interest.

#### **H. Satisfaction of Claims, injunctions, and limitations of liability.**

##### **1. Satisfaction of Claims; Injunction.**

**Pursuant to section 1141(d)(3) of the Bankruptcy Code, confirmation of the Plan will not discharge Claims against CMI; provided, however, that no Holder of a Claim against or Equity Interest in CMI may, on account of such Claim or Equity Interest, seek or receive any payment or other distribution from, or seek recourse against, CMI, the Post-Effective Date Debtor, or the Estate, except as expressly provided in the Plan. Accordingly, except as otherwise provided in the Plan, the Confirmation Order shall provide, among other things, that from and after confirmation of the Plan, all Persons who have held, hold or may hold Claims against or Equity Interests in CMI are enjoined from taking any of the following actions against CMI, the Post-Effective Date Debtor, the Estate, the Plan Administrator, the Official Creditors' Committee, or the Plan Committee: (i) commencing or continuing, in any manner or any place, any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any lien or encumbrance; and (iv) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of this Plan; provided, however, that nothing contained herein shall preclude any Person from exercising their rights pursuant to and consistent with the terms of the Plan. Notwithstanding anything to the contrary set forth in the Plan, Creditors' rights of setoff and recoupment are preserved, and the injunctions referenced in the Plan will not enjoin the valid exercise of such rights of setoff or recoupment.**

##### **2. No Liability for Solicitation or Participation.**

Pursuant to section 1125(e) of the Bankruptcy Code, Persons that solicit acceptances or rejections of the Plan or that participate in the offer, issuance, sale, or purchase of securities offered or sold under the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, or purchase of securities.



### **3. Limitation of Liability of Exculpated Persons.**

**The Exculpated Persons shall not have or incur any liability to any Person for any act taken or omission made in good faith in connection with or in any way related to negotiating, formulating, implementing, confirming, or consummating the Plan, this Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with or related to the Plan or the Bankruptcy Case. The Exculpated Persons shall have no liability to any Person for actions taken in good faith under or relating to the Plan, including, without limitation, failure to obtain confirmation of the Plan or to satisfy any condition or conditions, or refusal to waive any condition or conditions precedent to confirmation or to the occurrence of the Effective Date. Further, the Exculpated Persons shall not have or incur any liability to any Person for any act or omission in connection with or arising out of their administration of the Plan or the property to be distributed under the Plan or the operations or activities of CMI, the Post-Effective Date Debtor, the Committee, the Plan Committee, the Plan Administrator, or the Disbursing Agent except for gross negligence, willful misconduct, or breach of fiduciary duty as determined by the Bankruptcy Court, and, in all respects, the Exculpated Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan or the Plan Administrator Agreement. Without limiting the foregoing, the Exculpated Persons shall not have or incur any liability to any Person entitled to a distribution under the Plan if insufficient funds are present to pay that Person's Allowed Claim in full. Notwithstanding anything to the contrary contained in the Plan, none of the Exculpated Persons shall be released, exculpated or otherwise freed from liability in any way on account of any Estate Litigation Claim of any type, except as may be otherwise provided by prior order of the Bankruptcy Court.**

### **4. Term of Injunctions and Stays.**

Unless otherwise provided herein or in another order of the Bankruptcy Court, all injunctions or stays provided for in the Bankruptcy Case pursuant to sections 105, 362 and 524 of the Bankruptcy Code, or otherwise, and in effect on the Confirmation Date shall remain in full force and effect until the Effective Date; provided however, that the provisions of section 362 of the Bankruptcy Code will remain in effect with respect to property of the Estate until entry of the Final Decree.

### **5. Release of Liens.**

Except as otherwise provided in the Plan or the Confirmation Order, all Liens, security interests, deeds of trust, or mortgages against property of CMI or the Estate

shall and shall be deemed to be released, terminated, and nullified on the Effective Date.

## **6. Cancellation of Instruments.**

Unless otherwise provided for in the Plan, on the Effective Date, all promissory notes, instruments, indentures, agreements, or other documents evidencing, giving rise to, or governing any Claim against CMI shall represent only the right, if any, to participate in the distributions contemplated by the Plan. All shares, instruments or other evidences of any Equity Interest that constitute Equity Interests in CMI, shall be cancelled as of the Effective Date, to be replaced by one new share issued to the Plan Administrator. Notwithstanding the foregoing and anything contained in the Plan, the Indenture Documents will continue in effect solely for the purposes of (i) allowing Distributions to be made under the Plan pursuant to the Indenture Documents and for the Indenture Trustees to perform such other necessary functions with respect thereto and to have the benefit of all the protections and other provisions of the applicable Indenture Documents in doing so; (ii) permitting the Indenture Trustee to maintain and enforce any right to indemnification, contribution or other Claim it may have under the applicable Indenture Documents; and (iii) permitting the Indenture Trustee to exercise its rights and obligations relating to the interests of the holders of Indenture Claims and its relationship with the holders of Indenture Claims pursuant to the applicable Indenture, including its right to appear and be heard in this Bankruptcy Case.

## **I. Other Plan Matters.**

### **1. Executory Contracts and Unexpired Leases.**

#### **a. Rejection of Executory Contracts and Unexpired Leases.**

From and after the Effective Date, all Executory Contracts that exist between CMI and any Person that have not previously been assumed, assumed and assigned, or rejected by CMI, or the subject of a pending motion to assume, assume and assign or reject, will be deemed rejected pursuant to section 365 of the Bankruptcy Code. Entry of the Confirmation Order shall constitute approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of such Executory Contracts rejected pursuant to the Plan.

#### **b. Claims for Rejection Damages.**

Proofs of Claim for damages allegedly arising from the rejection of any Executory Contract pursuant to the Plan must be filed with the Bankruptcy Court and served on the Plan Administrator not later than thirty (30) days after the Effective Date. All Proofs of Claim for such damages not timely filed and properly served as

prescribed in the Plan shall be forever barred and the holder of such a Claim shall not be entitled to participate in any distribution under the Plan.

**c. Objections to Proofs of Claim Based On Rejection Damages.**

Any party in interest may file an objection to any Proof of Claim based on the rejection of an Executory Contract pursuant to the Plan. Objection to any such Proof of Claim arising from the rejection of an Executory Contract must be filed by the Claims Objection Deadline.

**2. Conditions Precedent to the Effective Date.**

The following are conditions precedent to the Effective Date of the Plan: (i) the Bankruptcy Court has entered the Confirmation Order in a form reasonably acceptable to the Official Creditors' Committee; (ii) no stay of the Confirmation Order is in effect; and (iii) all of the other actions needed to be taken or documents needed to be executed or approved to implement the Plan, as determined by the Official Creditors' Committee, have been taken, executed, or approved.

**3. Retention of Jurisdiction.**

From and after the Effective Date, and notwithstanding the entry of the Confirmation Order, the Bankruptcy Court shall retain exclusive jurisdiction of the Bankruptcy Case and all matters arising under, arising out of, or related to, the Bankruptcy Case, the Plan, and the Confirmation Order to the fullest extent permitted by law, including, among other things, jurisdiction to:

- (a) hear and determine motions, applications, adversary proceedings, and contested matters pending or commenced after the Effective Date;
- (b) hear and determine objections (whether filed before or after the Effective Date) to, or requests for estimation of any Claim, and to enter any order requiring the filing of Proof of any Claim before a particular date;
- (c) estimate any Claim at any time, including, without limitation, during litigation concerning any objection to such Claim, including any pending appeal;
- (d) ensure that Distributions to holders of Allowed Claims are accomplished as provided in the Plan;
- (e) enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

- (f) issue or construe such orders or take any action as may be necessary for the implementation, execution, enforcement and consummation of this Plan and the Confirmation Order, and hear and determine disputes arising in connection with the foregoing;
- (g) hear and determine any applications to modify the Plan, to cure any defect or omission or to reconcile any inconsistency in the Plan, the Disclosure Statement or in any order of the Bankruptcy Court including, without limitation, the Confirmation Order;
- (h) hear and determine all applications for Professional Fees;
- (i) hear and determine any motion brought by the U.S. Trustee to replace any member of the Plan Committee or convert the Bankruptcy Case to a case under chapter 7 of the Bankruptcy Code;
- (j) hear and determine other issues presented or arising under the Plan, including disputes among holders of Claims and arising under agreements, and the documents or instruments executed in connection with the Plan;
- (k) hear and determine any action concerning the recovery and liquidation of Estate Assets, wherever located, including without limitation, litigation to liquidate and recover Estate Assets that consist of, among other things, the Estate Litigation Claims, or other actions seeking relief of any sort with respect to issues relating to or affecting Estate Assets;
- (l) hear and determine any action concerning the determination of taxes, tax refunds, tax attributes, and tax benefits and similar or related matters with respect to CMI or the Estate including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- (m) hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code; and
- (n) enter the Final Decree.

**4. Modification of the Plan.**

The Official Creditors' Committee may alter, amend or modify the Plan under section 1127 of the Bankruptcy Code or as otherwise permitted by applicable law at any time prior to the Confirmation Date. After the Confirmation Date and prior to the substantial consummation of the Plan, any party in interest in the Bankruptcy Case

may, so long as the treatment of holders of Claims or Equity Interests under the Plan are not materially adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and intents of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

**5. Revocation or withdrawal of the Plan.**

The Official Creditors' Committee may revoke or withdraw the Plan at any time prior to the Confirmation Date. If the Official Creditors' Committee revokes or withdraws the Plan prior to the Confirmation Date, the Plan shall be deemed null and void. In such event, nothing contained in the Plan or in this Disclosure Statement shall be deemed to constitute a waiver or release of any claims by or against CMI or any other Person or to prejudice in any manner the rights of CMI or any Person in any further proceedings involving CMI.

**J. Miscellaneous provisions.**

**1. Exemption from Transfer Taxes.**

All transfers of Estate Assets or assets of the Post-Effective Date Debtor made pursuant to the terms of the Plan, to the fullest extent permitted by law, shall be exempt from all stamp, transfer and similar taxes within the meaning of section 1146(c) of the Bankruptcy Code.

**2. Closing of the Bankruptcy Case.**

When all Disputed Claims have become Allowed Claims or have been disallowed by Final Order, and all remaining Estate Assets have been liquidated and converted into Cash (other than those assets otherwise transferred or abandoned by the Plan Administrator), and such Cash has been distributed in accordance with this Plan, the Plan Administrator shall seek authority from the Bankruptcy Court to close the Bankruptcy Case in accordance with the Bankruptcy Code and the Bankruptcy Rules.

**3. No Admissions.**

Notwithstanding anything in the Plan to the contrary, nothing contained in the Plan shall be deemed an admission by CMI with respect to any matter set forth in the Plan including, without limitation, liability on any Claim or Equity Interest or the propriety of any classification of any Claim or Equity Interest.

**4. Controlling Documents.**

If is an inconsistency or ambiguity between any term or provision contained in this Disclosure Statement and the Plan, the terms and provisions of the Plan shall control. To the extent there is an inconsistency or ambiguity between any term or provision contained in the Plan and the Confirmation Order, the terms and provisions of the Confirmation Order shall control.

**5. Governing Law.**

Except to the extent the Bankruptcy Code, the Bankruptcy Rules or other federal or state laws are applicable, the laws of the State of Georgia shall govern the construction, implementation and enforcement of the Plan and all rights and obligations arising under the Plan, without giving effect to the principles of conflicts of law.

**6. Successors and Assigns.**

The rights, benefits and obligations of any Person named or referred to in the Plan will be binding upon, and will inure to the benefit of, the heir, executor, administrator, representative, successor, or assign of such Person.

**7. Severability.**

Should the Bankruptcy Court determine, on or prior to the Confirmation Date, that any provision of the Plan is either illegal or unenforceable on its face or illegal or unenforceable as applied to any Claim or Equity Interest, the Bankruptcy Court, at the request of CMI and the Official Creditors' Committee, may alter and modify such provision to make it valid and enforceable to the maximum extent practicable consistent with the original purpose of such provision. Notwithstanding any such determination, interpretation, or alteration, the remainder of the terms and provisions of the Plan shall remain in full force and effect.

**8. Notices and Distributions.**

On and after the Effective Date, all notices, requests and distributions to a holder of a Claim or Equity Interest shall be sent to the last known address of (i) the holder or its attorney of record as reflected in the holder's proof of Claim or Administrative Expense Claim filed by or on behalf of such holder, or (ii) if there is no such evidence of a last known address, to the last known address of the holder according to the books and records of the Debtor. Any holder of a Claim or Equity Interest may designate another address for the purposes of this Article of the Plan by providing the Plan Administrator written notice of such address, which notice will be effective upon receipt by the Plan Administrator of the written designation. Any notices to the Plan Administrator or the Plan Committee or in connection with the

Plan shall be in writing and served either by (i) certified mail, return receipt requested, postage prepaid, (ii) via facsimile with a copy sent via First Class Mail, postage prepaid, or (iii) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

***To the Official Creditors' Committee:***

Dennis J. Connolly, Esq.  
William S. Sugden, Esq.  
Alston & Bird LLP  
1201 West Peachtree Street  
Atlanta, Georgia 30309

**9. Binding Effect.**

The Plan shall be binding on and inure to the benefit of (and detriment to, as the case may be) CMI, the Official Creditors' Committee, all holders of Allowed Claims or Equity Interests (whether or not they have accepted this Plan) and their respective personal representatives, successors and assigns.

**10. Withholding and Reporting.**

In connection with the Plan and all instruments issued in connection therewith and distributions thereunder, the Plan Administrator shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority and all distributions hereunder shall, to the extent applicable, be subject to any such withholding and reporting requirements. Notwithstanding anything herein to the contrary, in calculating and making the payments under the Plan, the Plan Administrator may deduct from such payments any necessary withholding amount.

**11. Other Documents and Actions.**

Subject to the provisions of the Plan Administrator Agreement, the Plan Administrator may execute, deliver, file or record such documents, contracts, instruments, releases and other agreements, and take such other action as is reasonable, necessary, or appropriate to effectuate the transactions provided for in the Plan, without any further action by or approval of the Bankruptcy Court or the Board of Directors of CMI.

**12. Designated Notice.**

Notwithstanding any other provision of the Plan, when notice and a hearing is required with regard to any action to be taken by the Plan Administrator or the Plan Committee, Designated Notice shall be adequate.



**ARTICLE V:  
FINANCIAL INFORMATION**

CMI has filed Schedules and monthly operating reports with the Bankruptcy Court. This financial information may be examined in the Bankruptcy Court Clerk's Office.

**ARTICLE VI:  
ALTERNATIVES TO CONFIRMATION  
AND CONSUMMATION OF THE FIRST AMENDED PLAN**

CMI, in consultation with the Official Creditors' Committee, has determined that recoveries for Creditors will be maximized if its Assets are liquidated. Additionally, since filing for bankruptcy, CMI, through its relationship with CCA, has substantially reduced its staffing capacity to those necessary to complete the liquidation of Assets. The Official Creditors' Committee therefore believe that the only feasible alternatives to the Plan are (a) development of an alternative plan, or (b) conversion of the Bankruptcy Case to a case under chapter 7 of the Bankruptcy Code.

The Official Creditors' Committee does not believe that an alternative plan would result in any greater distributions being paid to Creditors. The Plan is a straightforward plan of liquidation that provides no releases and provides for liquidation of the Estate Assets by a third party Plan Administrator. Similarly, the Plan provides for a mechanism for to preserve and assert Estate Litigation Claims for the benefit of Creditors. Additionally, with respect to Class 5 Claims (Bondholder Unsecured Claims), the Plan provides these Creditors with an opportunity (but not an obligation) to contribute Non-Estate Claims to the Private Actions Trust. Assertion and recovery on these Non-Estate Claims will further enhance Creditor recoveries in a manner not possible without a mechanism such as the Private Actions Trust. The Official Creditors' Committee therefore believes that no other alternative plan would result in higher recoveries to Creditors.

The Official Creditors' Committee also does not believe that conversion of the Bankruptcy Case to a case under chapter 7 would result in increased recoveries to Creditors. In chapter 7, a trustee would be appointed by the United States Trustee and would be responsible for liquidating the Assets. The Official Creditors' Committee would also be disbanded and the chapter 7 trustee would likely retain separate counsel. The Official Creditors' Committee believes that this would lead to lower recoveries for Creditors. First, there is no assurance that a chapter 7 trustee will have expertise in liquidating assets like the Estate Assets. The Official Creditors' Committee believes that substantially less value will be realized from the Estate Assets if they are not professionally managed and liquidated. Additionally, conversion to chapter 7 would result in an additional layer of administrative fees and

a chapter 7 trustee would be entitled to receive fees prescribed in the Bankruptcy Code. The Official Creditors' Committee believes that the amounts that will be paid to the Plan Administrator will be less than a chapter 7 trustee would be entitled to receive. Additionally, the Official Creditors' Committee believes that a conversion to chapter 7 would also reduce recoveries to creditors because the Official Creditors' Committee would be disbanded. The members of the Official Creditors' Committee have significant Claims against CMI and represent Creditors in a fiduciary capacity. The existence of the Official Creditors' Committee (and the Plan Committee after the Effective Date) has helped to ensure that the Estate Assets are (and will continue to be) appropriately managed. The Official Creditors' Committee therefore believes that disbanding the Official Creditors' Committee would not be in the best interests of Creditors and would lead to reduced Creditor recoveries. Therefore, the Official Creditors' Committee believes that confirmation of the Plan will lead to higher recoveries than conversion of the Bankruptcy Case to a case under chapter 7 of the Bankruptcy Code.

**ARTICLE VII:  
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

The confirmation and execution of the Plan may have tax consequences to holders of Claims and Equity Interests. The Official Creditors' Committee does not offer an opinion as to any federal, state, local, or other tax consequences to holders of Claims and Equity Interests as a result of the confirmation of the Plan. All holders of Claims and Equity Interests are urged to consult their own tax advisors with respect to the federal, state, local and foreign tax consequences of the Plan. **This Disclosure Statement is not intended, and should not be construed, as legal or tax advice to any Creditor or other party in interest.**

**ARTICLE VIII:  
CONCLUSION AND RECOMMENDATION**

The Official Creditors' Committee believes that confirmation of the Plan is in the best interests of all holders of Claims and urge all holders of Claims in Classes 2 through 7 to vote to accept the Plan and to evidence such acceptance by returning their Ballots to the Voting Agent at the address set forth above so that they will actually be received on or before 5:00 p.m., prevailing Eastern Time, on [ ].

Respectfully submitted this 12th day of December 2008.

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Donald Labate  
*Co-Chairman of the Official  
Committee of Creditors Holding  
Unsecured Claims*

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David Pickerill  
*Co-Chairman of the Official  
Committee of Creditors Holding  
Unsecured Claims*