

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division**

In Re: Koger Management Group, Inc.

Debtor-in-Possession

) **Case No. 07-11947-SSM**
) **Chapter 11**
)

DEBTOR'S PLAN OF REORGANIZATION

February 28, 2008

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PROPOSED PLAN OF REORGANIZATION
KOGER MANAGEMENT GROUP, INC.

I.
CONFIRMATION REQUIREMENTS AND DEBTOR'S RECOMMENDATION

A. Confirmation Requirements.

In order to be confirmed (i.e. approved) by the Court, the Plan or its proponent must (among other requirements set forth in Section 1129 of the Code):

1. Disclose all compensation paid or promised for professional services rendered or to be rendered in connection with the case;
2. Disclose the identity and affiliations of all officers to serve after the Plan is confirmed and the compensation of any insiders to be employed after confirmation;
3. Propose to distribute to each member of a Class of claimants property at least equal in value to what the claimant would receive if the Debtor's assets were liquidated on the date of the Confirmation hearing, and distributed to creditors according to their rights and priorities under law;
4. Propose to pay all Administrative Claims in full, or on such other terms as the Administrative Claimants and the Debtor may agree;
5. Since there are only unsecured Claims under the Plan, confirmation of the Plan will require, among other things, votes sufficient to accept the Plan. Generally, a Class of claims as to which legal, equitable or contractual rights are altered is "impaired."

In order for unsecured Claimants to accept the Plan, votes representing at least two-thirds (2/3) in amount and more than one-half (1/2) in number of claims voting in that Class must be cast in favor of the Plan.

B. Recommendation of the Debtor.

The Debtor believes that the Plan is in the best interests of its creditors, and will permit the best possibility of recovery for all interested parties. In arriving at this conclusion, the Debtor's management considered: (i) the estimated liquidation value of the Debtor's assets and the fact that the Debtor's creditors would likely receive less in connection with a forced liquidation of Debtor than if Debtor were to continue to operate; and (ii) the Debtor's anticipated future cash flow on a "going-concern" basis. Debtor's management believes that, based upon the above factors, and others, the Plan is fair and in the best interest of all parties.

II.

OVERVIEW OF THE PLAN

A. General Structure of the Plan.

Set forth below is a summary description of the Plan that highlights its major terms and provisions. The summary is qualified in its entirety by reference to the provisions of the Plan itself which accompanies this Disclosure Statement. In the event of any inconsistency between the Plan and this Disclosure Statement the terms of the Plan shall control.

The Plan shall provide for payments to the Debtors' creditors of \$1.5 million within five years of confirmation from cash generated from future operations, sale of the affiliate KMG, LLC's office building, proceeds from CNA insurance policy and potential sale of the Debtor's company's business. Attached to the Disclosure Statement as Exhibit D are Debtor's projections for the five-year period subsequent to its anticipated confirmation date. These projections are Debtor's good faith estimates based on its historical performance and projections of future revenues, and are subject to change as market forces, revenues and expenses change. These profits will be paid to creditors, pro rata, when and if realized and will be treated as a credit to the \$1.5 million plan payment.

The Plan has one class of creditors who will vote to accept or reject the Plan. Attachment E lists all creditors noting those claims that are disputed. The total amount of claims cannot be determined until disputed claims are reconciled, amended claims are filed, and all audits are completed for years 2005 and 2006. Under the proposed Plan, all unsecured creditors (in the amount Debtor believes will be allowed) will receive 100 percent of their claim amount. Debtor estimates that all legitimate claims will total less than \$1.3 million dollars.

B. Unclassified Claims or Expenses.

Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall designate classes of claims other than priority tax claims and administrative expenses. Accordingly, the Plan regards administrative expenses as "unclassified." The concept of "impairment" does not apply to these "unclassified" expenses.

1. Allowed Administrative Claims. Allowed Administrative Claims consist of any cost or expense of the Chapter 11 case allowed under section 503(b) of the Bankruptcy Code, including certain taxes and all actual, necessary expenses relating to the preservation of the Debtor's estate or the operation of the business. The compensation of professionals, such as attorneys, financial consultants, and accountants hired by the Debtor for services rendered or expenses incurred after the Chapter 11 Petition Date, are also regarded as Allowed Administrative Claims. Payments to such professionals for compensation and reimbursement of expenses will be made in accordance with detailed procedures established by the Bankruptcy Code and Rules relating to such payments. The Bankruptcy Court, on hearing after notice, will review all requests for compensation and reimbursement of expenses incurred through the Confirmation Date.

a. The Administrative amounts owed to Debtor's professionals on the Effective Date are unknown. These Administrative liabilities will be paid from the lump sum payment of

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a. The Administrative amounts owed to Debtor's professionals on the Effective Date are unknown. These Administrative liabilities will be paid from the lump sum payment of

\$1,500,000.

C. Classified Claims and Interests.

The Plan has one class of unsecured claims.

1. Remaining Allowed Unsecured Claims. The unsecured Claims consist of obligations due various creditors in an amount not yet verified. The Allowed Unsecured Claims will be paid \$1,500,000 without interest, less any administrative expenses. Payments to unsecured creditors will be made at the end of year one, less any prior payments made from insurance proceeds, sale of company building, or sale of company business. Robert Koger and Pamela Koger will retain their 100% ownership interest in the Debtor post-confirmation.

D. Summary of Other Provisions of the Plan.

1. Implementation of the Plan

The Plan will be implemented by the continued business operation of the Debtor. In addition, the Debtor will make lump sum Plan payments upon receipt of proceeds from insurance, sale of the building and sale of the company to ABCD. Total payments to creditors from Debtor amount to \$1,500,000. ABCD will allocate payments to each creditor and will remit, in a timely basis, payments to each creditor accordingly.

2. Modification of the Plan

The Debtor may propose amendments to or modifications of the Plan under Section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date.

3. Retention of Jurisdiction

The Plan reserves the jurisdiction of the Bankruptcy Court through the full term of the Plan to enforce the provisions of the Plan, subject to prior entry of a final decree.

4. Default under the Plan

Should any payment to a creditor due under the Plan or other obligation of the Debtor under the Plan not be performed within 30 days of its due date and, following a notice of such default mailed to Debtor and separately to its counsel, then, should such notice not be cured within 30 days of its mailing date, then such creditor may declare the Debtor in default of its obligation under the proposed Plan.

III.

RISK FACTORS AND TAX ANALYSIS

There is the risk that Debtor's efforts to maintain the required revenues will not be successful to the extent necessary to pay creditors the amounts contemplated under the attached Plan.

Any objection to the Plan filed in the Chapter 11 case by an unsecured claimant could either prevent confirmation of the Plan or delay such confirmation for a significant period of time.

The Plan is an "operating" plan which depends on future operations to fund payments to creditors. If Debtor's operations are eroded by either external factors (e.g., market changes, competition) or internal factors (loss of key personnel) the Plan's implementation could be adversely affected. Confirmation of this Plan is not expected to generate any significant adverse tax consequences.

The Plan's distribution to creditors may have a tax consequence to creditors receiving a distribution. All creditors are urged to consult with a tax professional to determine the income tax consequences, if any, of the Plan.

Debtor operates for tax purposes on a cash basis.

IV.

PLAN CONFIRMATION

A. Classes Entitled To Vote.

Only Classes that are impaired under the Plan are entitled to vote to accept or reject the Plan. Generally, section 1124 of the Bankruptcy Code provides that a class of claims or interests is impaired under a plan of reorganization unless the Plan does not alter the legal, equitable and contractual rights of the holder of such claim or interest. In addition, such classes are impaired unless all outstanding defaults, other than defaults relating to the insolvency or financial condition of the debtor or the commencement of the bankruptcy case have been cured and the holders of claims or interests in such classes have been compensated for any damages incurred as a result of any reasonable reliance by such holders on any contractual provisions or applicable law to demand accelerated payment. Only the votes of unsecured creditors will be solicited. If your Claim falls within an impaired Class, you will be requested to return your Ballot indicating your acceptance or rejection of the Plan at such time as the Court has approved this Disclosure Statement.

B. Confirmation Standards.

At the confirmation hearing, the Bankruptcy Court will confirm the Plan only if all the requirements of section 1129 of the Bankruptcy Code are met. Those requirements include, but are not limited to, the following:

- Feasibility of the Plan. In order for the Plan to be confirmed the Bankruptcy Court must determine that the need for further reorganization or a subsequent liquidation of Debtor following confirmation is unlikely. Debtor believes based on its financial projections that the Plan is feasible.
- Acceptance by Impaired Classes. Section 1126(a)(8) of the Bankruptcy Code requires that each impaired class of claims accept the Plan by the requisite votes in order for confirmation to occur without triggering the "fair and equitable" test described below.

- Fair and Equitable Test. In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of Debtor if, as to such impaired Class, the Plan does not discriminate unfairly and is fair and equitable with respect to that class. A plan does not discriminate unfairly if no class receives more than it is legally entitled to receive for its claims or interests. "Fair and equitable" has a different meaning for secured claims, unsecured claims and equity interests. The Bankruptcy Court must determine at the confirmation hearing whether the Plan is fair and equitable and does not discriminate unfairly against any impaired Class of Claims or Interests.

Dated: February 28, 2008

Respectfully Submitted,

Koger Management Group, Inc.
By counsel

/s/ Thomas P. Gorman



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