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

In re:	§	
	§	
AMERICAN REALTY TRUST, INC.	§	CASE NO. 13-30891-11
	§	
Debtor.	§	CHAPTER 11

DISCLOSURE STATEMENT IN SUPPORT OF DEBTOR'S PLAN OF LIQUIDATION

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DATED: January 1, 2014

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DISCLAIMER

ALL HOLDERS OF CLAIMS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE DEBTOR'S PLAN OF LIQUIDATION DATED JANUARY 1, 2014 (AS AMENDED, MODIFIED AND SUPPLEMENTED FROM TIME TO TIME, THE "PLAN"), IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ALL SUMMARIES OF THE PLAN AND OTHER STATEMENTS CONTAINED IN THIS DICLOSURE STATEMENT ARE QUALIFIED IN TEHIR ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS ANNEXED TO THE PLAN, ANY SUPPLEMENTS TO THE PLAN, AND THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS AS OF THE DATE HEREOF, UNLESS OTHERWISE STATED HEREIN, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. MOREOVER, THERE MAY BE ERRORS IN THE STATEMENTS AND/OR FINANCIAL INFORMATION CONTAINED HEREIN AND/OR ASSUMPTIONS UNDERLYING SUCH STATEMENTS AND/OR FINANCIAL INFORMATION. THE DEBTOR EXPRESSLY DISCLAIMS ANY OBLIGATION TO UPDATE OR CORRECT ANY SUCH FINANCIAL INFORMATION OR ASSUMPTIONS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT AND THE PLAN FOR THE DEBTOR DESCRIBED HEREIN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMITIONS, AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. TO THE EXTENT ANY RIGHTS OR INTERESTS ISSUED PURSUANT TO THE PLAN ARE DEEMED SECURITIES, NEITHER THE OFFER NOR THE ISSUANCE OF ANY SUCH SECURITIES PURSUANT TO THE PLAN HAS BEEN REGISTERED UNDER THE 1933 ACT OR ANY SIMILAR STATE SECURITIES LAWS. ANY SUCH OFFER OR ISSUANCE IS BEING MADE IN RELIANCE ON THE EXEMPTIONS FROM REGISTRATION THEREUNDER SPECIFIED IN SECTION 1145 OF THE BANKRUPTCY CODE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF THE DEBTOR IN THIS CASE SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS, THIS DISCLOSURE STATEMENT AND THE EXHIBITS HERETO DO NOT CONSTITUTE AND MAY NOT BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT

RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS AND SHALL BE INADMISSIBLE FOR ANY PURPOSE ABSENT THE EXPRESS WRITTEN CONSENT OF THE DEBTOR AND THE PARTY AGAINST WHOM SUCH INFORMATION IS SOUGHT TO BE ADMITTED.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSE OF SOLICITING ACCEPTANCE OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, NOR WILL IT BE CONSTRUED TO CONSTITUTE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Disclosure Statement includes information regarding certain "forward-looking statements" within the meaning of section 27A of the 1933 Act and section 21E of the Securities Exchange Act of 1934, as amended, all of which are based upon various estimates and assumptions that the Debtor believes to be reasonable as of the date hereof. These statements involve risks and uncertainties that could cause actual future outcomes to differ materially from those set forth in this Disclosure Statement. Such risks and uncertainties include, but are not limited to:

- litigation risks and uncertainties;
- costs associated with the Debtor's restructuring efforts, including its chapter 11 filing; and
- claims and liability estimates

You should understand that the foregoing as well as other risk factors discussed in this Disclosure Statement, including those listed in Article IX of this Disclosure Statement under the heading "Certain Factors to be Considered," could cause future outcomes to differ materially from those expressed in such forward-looking statements. Given the uncertainties, you are cautioned not to place undue reliance on any forward-looking statements in determining whether to vote in favor of the Plan or to take any other action. The Debtor undertakes no obligation to publicly update or revise information concerning the Debtor's restructuring efforts or their cash position or any forward-looking statements to reflect events or circumstances that may arise after the date of this Disclosure Statement, except as required by law.

ARTICLE I
INTRODUCTORY STATEMENT AND DISCLOSURES

1.1 Introduction

On August 20, 2012, the Debtor filed its voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et. seq.* (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Northern District of Georgia (the "Georgia Bankruptcy Court"), thereby initiating this bankruptcy case (the "Chapter 11 Case"). On February 7, 2013, the Georgia Bankruptcy Court entered an order transferring the Chapter 11 Case to the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "Bankruptcy Court").

Pursuant to the terms of the Bankruptcy Code, this Disclosure Statement has been approved by the Bankruptcy Court. Such approval is required by statute and will not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or as to the value or suitability of any consideration offered thereby.

Contained in the packet of documents which has been sent to you by the Debtor is the Disclosure Statement, the Plan, the Ballot for Voting on the Plan (the "Ballot") and the Order Approving Disclosure Statement and Fixing Time for Filing Acceptance or Rejection of Plan, Combined with Notice Thereof. Please read all of these materials carefully. Please note that in order for your vote to be counted, you must: 1) include your name and address, 2) fill in, date, and sign the enclosed Ballot and 3) return it to the attorney for the Debtor by the date and time specified on the Ballot.

1.2 Considerations in Preparation of the Disclosure Statement and Plan; Disclaimers

BECAUSE ACCEPTANCE OF THE PLAN WILL CONSTITUTE ACCEPTANCE OF ALL THE PROVISIONS THEREOF, HOLDERS OF CLAIMS ARE URGED TO CAREFULLY CONSIDER THE INFORMATION REGARDING TREATMENT OF THEIR CLAIMS CONTAINED IN THIS DISCLOSURE STATEMENT.

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 DEBTOR PRESENTLY INTENDS TO SEEK TO CONSUMATE THE PLAN AND TO CAUSE THE EFFECTIVE DATE TO OCCUR PROMPTLY AFTER CONFIRMATION OF THE PLAN. THERE CAN BE NO ASSURANCE, HOWEVER, AS TO WHEN AND WHETHER CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE ACTUALLY WILL OCCUR.

TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND ACTUALLY RECEIVED BY THE VOTING DEADLINE. HOLDERS OF CLAIMS

AND EQUITY INTERST ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN.

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THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OR CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, ANTICIPATED EVENTS IN THE CASE, AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE PLAN OR CERTAIN DOCUMENTS (AND HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD REFER TO THE PLAN AND SPECIFIED DOCUMENTS IN THEIR ENTIRETY AS ATTACHED HERETO); STATUTORY PROVISIONS, EVENTS, OR INFORMATION. EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED, FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR. HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE URGED TO REVIEW THE ENTIRE PLAN, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A. IN THE EVENT ANY PROVISION OF THIS DISCLOSURE STATEMENT IS FOUND TO BE INCONSISTENT WITH A PROVISION OF THE PLAN, THE PROVISION OF THE PLAN SHALL CONTROL

IN DETERMINING WHETHER TO VOTE TO ACCEPT THE PLAN, HOLDERS OF CLAIMS MUST RELY UPON THEIR OWN EXAMINATION OF THE DEBTOR 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 SUCH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

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TO THE EXTENT THE LIQUIDATING TRUST INTERESTS CONSTITUTE SECURITIES UNDER THE 1933 ACT, THE DEBTOR IS RELYING ON SECTION 1145(a) OF THE BANKRUPTCY CODE TO EXEMPT FROM REGISTRATION UNDER THE SECURITIES LAWS THE OFFER AND ISSUANCE OF SECURITIES IN CONNECTION WITH THE PLAN.

EXCEPT AS SET FORTH HEREIN, NO PERSON HAS BEEN AUTHORIZED BY THE DEBTOR 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 ATTACHED 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 DEBTOR. THIS

DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN, IN THE EVENT ANY RIGHTS OR INTERESTS ISSUED PURSUANT TO THE PLAN ARE DEEMED SECURITIES, SUCH SECURITIES TO WHICH IT RELATES, OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENTIS AS OF THE DATE HEREOF, UNLESS OTHERWISE STATED HEREIN, AND NEITHER THE DELIVERY OF THIS DISCLOSURE STATEMENT NOR, IN THE EVENT ANY RIGHTS OR INTERESTS ISSUED PURSUANT TO THE PLAN ARE DEEMED SECURITIES, THE DISTRIBUTION OF ANY SECURITIES PURSAUNT TO THE PLAN WILL, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF, OR SUCH OTHER DATE AS DESCRIBED HEREIN. ANY ESTIMATES OF CLAIMS OR EQUITY INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS OR EQUITY INTERESTS DETERMINED BY THE DEBTOR OR ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT, AND AN ESTIMATE SHALL NOT BE CONSTRUED AS AN ADMISSION OF THE AMOUNT OF SUCH CLAIM.

INFORMATION INCORPORATED BY REFERENCE INTO THIS DISCLOSURE STATEMENT SPEAKS AS OF THE DATE OF SUCH INFORMATION OR THE DATE OF THE REPORT OR DOCUMENT IN WHICH SUCH INFORMATION IS CONTAINED OR AS OF A PRIOR DATE AS MAY BE SPECIFIED IN SUCH REPORT OR DOCUMENT. ANY STATEMENT CONTAINED IN A DOCUMENT INCORPORATED BY REFERENCE HEREIN SHALL BE DEEMED TO BE MODIFIED OR SUPERSEDED FOR ALL PURPOSES TO THE EXTENT THAT A STATEMENT CONTAINED IN THIS DISCLOSURE STATEMENT OR IN ANY OTHER SUBSEQUENTLY FILED DOCUMENT WHICH IS ALSO INCORPORATED OR DEEMED TO BE INCORPORATED BY REFERENCE, MODIFIES OR SUPERSEDES SUCH STATEMENT. ANY STATEMENT SO MODIFIED OR SUPERSEDED SHALL NOT BE DEEMED, EXCEPT AS SO MODIFIED OR SUPERSEDED, TO CONSTITUTE A PART OF THIS DISCLOSURE STATEMENT.

1.3 Disclosure Statement; Construction

This Disclosure Statement has been prepared to comply with section 1125 of the Bankruptcy Code and is hereby transmitted by the Debtor to holders of Claims and Equity Interests for use in this solicitation or acceptances from the holders of Claims (the "Solicitation") of the Plan, a copy of which is attached hereto as **Exhibit A. Unless otherwise defined in this Disclosure Statement, capitalized terms used herein have the meanings ascribed to them in the Plan.**

For purposes of this Disclosure Statement, the following rules of interpretation shall

apply: (i) whenever the words "include," "includes" or "including" are used, they shall be deemed to be followed by the words "without limitation," (ii) the words "hereof," "herein," "hereby" and "hereunder" and words of similar import shall refer to this Disclosure Statement as a whole and not to any particular provision, (iii) article, section and exhibit references are to this Disclosure Statement unless otherwise specified, and (iv) with respect to any Distribution or Payment under the Plan, "on" a date means on or as soon as reasonably practicable thereafter.

The purpose of this Disclosure Statement is to provide "adequate information" to Persons who hold Claims to enable them to make an informed decision before exercising their right to vote to accept or reject the Plan. By order of the Bankruptcy Court (the "Disclosure Statement Order"), this Disclosure Statement was approved and held to contain adequate information. A true and correct copy of the Disclosure Statement Order is attached hereto is attached hereto as **Exhibit B.**

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED HEREIN IN INTENDED SOLELY FOR THE USE BY HOLDERS OF CLAIMS AND EQUITY INTERESTS IN EVALUATING THE PLAN AND BY HOLDERS OF CLAIMS IN VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES AND THERE CAN BE NO ASSURANCE THAT THE PLAN, IF CONFIRMED, WILL BE EFFECTUATED.

1.4 Solicitation Package

Accompanying this Disclosure Statement for the purpose of soliciting votes on the Plan are copies of (i) the notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time, and place of the hearing to consider the confirmation of the Plan and related matters, and the time for filing objections to the confirmation of the Plan, and (ii) a Ballot or Ballots that you must use in voting to accept or to reject the Plan, or a notice of non-voting statues, as applicable. If you did not receive a Ballot and believe that you should have, please contact counsel for the Debtor via either facsimile at (214) 658-6509 or via email at smeiners@pgkpc.com.

1.5 Voting Procedures, Ballots and Voting

After carefully reviewing the Plan and this Disclosure Statement, and the exhibits thereto, and the detailed instructions accompanying your Ballot, Holders of Claims in Classes 3, 4 and 5 should indicate their acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Such holders should complete and sign, fill in, date and promptly mail and/or fax the enclosed Ballot, which has been furnished to you, to counsel for the Debtor as follows:

Jason P. Kathman
Pronske Goolsby & Kathman, P.C.
2200 Ross Avenue, Suite 5350
Dallas, TX 75201
FAX 214.658.6509
email: smeiners@pgkpc.com

Please be sure to complete properly the form and identify legibly the name of the claimant or interest holder. The Ballot should be mailed such that it is RECEIVED by the Voting Deadline (as defined below). If you have any questions about the procedure for voting your Claim or with respect to the packet of materials that you have received, please contact the Debtor at the information specified above.

THE DEBTOR MUST RECEIVE THE ORIGINAL BALLOTS ON OR BEFORE 4:00 P.M., CENTRAL TIME, ON _____, 2014 (THE "VOTING DEADLINE") AT THE ADDRESS SPECIFIED ABOVE. EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT, BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE ACCEPTED OR USED IN CONNECTION WITH THE DEBTOR'S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF.

The Debtor reserves the right to amend the Plan. Amendments to the Plan that do not materially and adversely affect the treatment of Claims or Equity Interests may be approved by the Bankruptcy Court at the Confirmation Hearing without the necessity of re-soliciting votes. In the event re-solicitation is required, the Debtor will furnish new solicitation packets that will include new ballots to be used to vote to accept or reject the Plan, as amended.

1.6 The Confirmation Hearing and Objection Deadline

THE BANKRUPTCY COURT HAS SET _____, 2014, AT _:00 _.M., CENTRAL TIME, AS THE DATE AND TIEM FOR THE HEARING ON CONFIRMATIONOF THE PLAN AND TO CONSIDER ANY OBJECTIONS TO THE PLAN. THE CONFIRMATION HEARING WILL BE HELD AT THE UNITED STATES BANKRUPTCY COURT, JUDGE HALE'S COURTROOM, 1100 COMMERCE STREET, 14TH FLOOR, DALLAS, TEXAS 75242. THE DEBTOR WILL REQUEST CONFIRMATION OF THE PLAN AT THE CONFIRMATION HEARING.

THE BANKRUPTCY COURT HAS FURTHER FIXED _____, 2014, AT 4:00 P.M., CENTRAL TIME, AS THE DEADLINE (THE "OBJECTION DEADLINE") FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN WITH THE BANKRUPTCY COURT. OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE SERVED SO AS TO BE RECEIVED BY THE COUNSEL TO THE DEBTOR ON OR BEFORE THE OBJECTION DEADLINE.

ANY OBJECTION TO CONFIRMATION OF THE PLAN MUST BE IN WRITING AND (A) MUST STATE THE NAME AND ADDRESS OF THE OBJECTING

PARTY AND THE AMOUNT OF ITS CLAIM OR THE NATURE OF ITS EQUITY INTEREST AND (B) MUST STATE WITH PARTICULARITY THE NATURE OF ITS OBJECTION. ANY CONFIRMATION OBJECTION NOT TIMELY FILED AND SERVED AS SET FORTH HEREIN SHALL BE DEEMED WAIVED AND SHALL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

1.7 Recommendation of the Debtor to Approve the Plan

The Debtor approved the solicitation of the acceptance of the Plan and of the transactions contemplated thereunder. In light of the benefits to be attained by the holders of Claims under the Plan, the Debtor recommends that such Holders of Claims vote to accept the Plan. The Debtor has reached this decision after considering the alternatives to the Plan that are available to the Debtor. These alternatives include liquidation under chapter 7 of the Bankruptcy Code or dismissal of the Debtor bankruptcy case. The Debtor determined, after consulting with legal advisors the Plan would likely result in a distribution of greater value than would a liquidation under chapter 7.

ARTICLE II
DEBTOR'S BACKGROUND INFORMATION

2.1 History of the Debtor

The Debtor, a Georgia Corporation headquartered in Dallas, Texas, is a former publicly traded company that directly (or indirectly through its subsidiaries) has been involved in hundreds of real estate transactions for over twenty years. On August 2, 2000, the Debtor ceased being traded on the New York Stock Exchange and began consolidating its assets with its then parent, American Realty Investors, Inc. Over the next twelve years, the Debtor sold or transferred a majority of its assets to various entities and individuals. During its twenty plus years of participating in the commercial real estate industry, the Debtor engaged in countless partnerships and ventures. Through those partnerships, and as a parent company to a significant amount of subsidiaries, the Debtor executed a number of security and guaranty agreements. Some of those agreements later lead to litigation with the Debtor and its subsidiaries. In addition to litigation related to guarantys, Debtor is engaged in litigation with one of its former partners over a certain joint venture related to eight apartment complexes located in the midwest United States.

2.2 Corporate Structure of the Debtor

American Realty Trust, Inc. is a privately held company owned 100% by One Realco Corporation, Inc. The Debtor was formerly owned 100% by American Realty Investors, Inc. ("ARI"). ARI sold the Debtor to One Realco Corporation, Inc. on or about January 17, 2012. The Debtor's headquarters are located at 1603 LBJ Freeway, Suite 800, Dallas, Texas 75234. The Debtor is managed by Pillar Income Asset Management, Inc.

2.3 Events Leading to Chapter 11

The Debtor's primary business was the purchase, development and sale of real estate. The global depression and the economic environment of the last five years had a crippling effect on the price of real estate. Additionally, the Debtor has been involved in substantial litigation in various jurisdictions around the country. In order to maximize value and insure the fair treatment of all creditors, the Debtor commenced this case.

(a) ART Midwest, L.P.

In June 1998, the Debtor, along with several other entities, formed a Texas limited partnership named ART Midwest, L.P. (the "Partnership"). The Partnership was formed in contemplation of a joint venture between the Debtor and ART Midwest, Inc. ("ART Midwest"), on the one hand, and David M. Clapper, Atlantic Midwest, LLC, and Atlantic XIII, LLC (the "Atlantic Parties" or "Clapper Parties"), on the other hand. The joint venture was governed by a Master Agreement and documented by subsequent Contribution and Exchange Agreements. The Partnership had as its members: ART Midwest as managing general partner, Atlantic Midwest as non-managing general partner, Atlantic XIII as limited partner and Debtor as a limited Partner. The joint venture was structured to be an "all or nothing" transaction and contemplated that the Atlantic Parties would convey eight apartment projects to the Partnership (or wholly-owned subsidiaries of the Partnership) in exchange for limited partnership units in the Partnership.

The parties agreed that the Atlantic Parties would contribute two apartment properties (Country Squire and Concord East) before the other six properties. In exchange for contributing the Country Squire and Concord East properties, Atlantic XIII received approximately 649,000 partnership units in in the Partnership and the Partnership agreed to assume the debt on the two apartment properties. The debt on the two properties included a mortgage held by Inland Mortgage Corp. on the Country Squire Property and a non-recourse loan held by Atlantic XXXI (an entity owned and controlled by Clapper) on the Concord East Property.

In March of 1999, shortly after the Country Squire and Concord East properties were contributed to the Partnership, the ART Entities terminated the joint venture and demanded, among other things, that the Atlantic Parties repurchase, pursuant to the terms of the Master Agreement, the Country Squire and Concord East properties. When the Atlantic Parties refused to repurchase the properties, the Debtor and its affiliates (the "ART Entities") sued the Atlantic Parties.

The ART Entities sued for fraud and for a declaratory judgment that the ART Entities had properly terminated the deal. The Atlantic Parties responded by filing counterclaims consisting of seventeen causes of action for breach or tortious interference with the various agreements and for declaratory relief. After a trial before the Honorable Jerry Buchmeyer in the Untied States District Court for the Northern District of Texas, the jury returned a verdict in favor of the ART Entities on their declaratory judgment claim and found that the ART Entities had properly terminated the deal. The Atlantic Parties appealed, and the United States Court of Appeals for the Fifth Circuit reversed the jury verdict holding that a legal nonconforming zoning use did not render title unmarketable and therefore did not provide a legitimate basis for

terminating the joint venture under the Master Agreement. Further, the Fifth Circuit ordered that a determination of liability and damages be decided "anew." Subsequently, the case was reassigned to a different district court judge.

On remand, the parties filed cross-motions for summary judgment. On August 15, 2008, the district court entered an order (the "August 2008 Order") that granted in part and denied in party both motions for summary judgments. The district court also invited the parties to file additional summary judgment motions addressing the remaining claims in the case. On September 22, 2009, the district court entered an order (the "September 2009 Order") related to the parties' additional cross-motions for summary judgment. In the September 2009 Order, the district court held, among other things, that litigation that had been pending in Michigan did not act as a bar to some of the Atlantic Parties' claims under the doctrine of *res judicata*, that the Partnership dissolved on May 20, 2002 and that the ART Entities breached various other agreements. The district court granted summary judgment in favor of the ART Entities on a number of the Atlantic Parties' counterclaims, including the tortious interference claims.

After disposing of a majority of the claims and counterclaims, including all of the ART Entities' claims, the only issues remaining in the lawsuit were two liability issues and three damages issues. Those issues were tried to a jury, and on January 28, 2011, the jury returned a verdict for the Atlantic Parties. The district court ultimately entered a judgment (the "Atlantic Judgment") in the amount of approximately $73 Million in favor of the various Atlantic Parties.

The ART Entities appealed the Atlantic Judgment on several grounds. First, the Atlantic Judgment includes damages against the Debtor related to purported guarantys of certain notes of which the Partnership was the obligor, but no such guarantys were introduced as evidence at trial. Second, the district court erred in determining that the Partnership dissolved on May 22, 2002, after a sister district court had determined that the Partnership dissolved on March 22, 1999. Third, the ART Entities were wrongly deprived on remand from having their fraud claims decided by the jury as the fact-finder. The Fifth Circuit's ruling in the first appeal was narrow and determined solely that the existence of a violation of a zoning ordinance did not render title unmarketable and thus this did not create a default by the Atlantic Parties. However, the Fifth Circuit's mandate specifically states that a "determination of liability and damages must be decided anew." Thirdly, the district court erred in two ways by awarding damages related to the ART Entities' alleged breach. The Atlantic Parties do not have standing to bring the claims that gave rise to $52 Million of the Judgment (both parties agree that those claims belong solely to the Partnership) and thus a judgment in favor of the Atlantic Parties was reversible error. Perhaps more egregiously, the Judgment includes amounts in the damages related to debts that were already satisfied. Likewise, the $52 Million in damages includes an excessive recovery by improperly combining the contribution amounts and applying the default interest rate under one loan to the entire contribution amount. The district court also erred in awarding damages related to breach of fiduciary claims when there was no evidence to support the amount at trial. On June 5, 2013, the Fifth Circuit heard oral argument on the appeal and the parties are currently awaiting the outcome of the appeal.

(b) Bank of New York Mellon

On or about September 19, 2011, Bank of New York Mellon, as successor to Bank of New York – Global Corporate Trust, as Trustee for the Registered Certificate Holders of Commercial Capital Access One, Inc., Commercial Mortgage Bonds, Series 3 acting through Key Bank National Association as successor to Berkadia Commercial Mortgage, LLC, its Special Servicer ("Bank of New York Mellon") sued the Debtor (the "Dallas BONY Litigation") regarding an alleged Guaranty of Recourse Obligations related to certain obligations undertaken by an entity named GC Merchandise Mart L.L.C. ("GC Merchandise Mart"). On or about March 1, 2011, GC Merchandise Mart, along with certain affiliates, filed for bankruptcy in the Northern District of Texas[1] (the "GC Merchandise Mart Bankruptcy"). GC Merchandise Mart and its affiliates ultimately proposed and confirmed a plan of reorganization (over Bank of New York Mellon's objections) that substantially addressed and treated Bank of New York Mellon's claims. Bank of New York Mellon subsequently appealed the confirmation order, first to the United States District Court where it was affirmed and then to the United States Fifth Circuit where it currently is pending. Regardless, Bank of New York Mellon, through the Dallas BONY Litigation, seeks to hold the Debtor liable for the entire amount of any indebtedness owed by GC Merchandise Mart, including certain prepayment penalties that the bankruptcy court in GC Merchandise Mart's bankruptcy found were not triggered by GC Merchandise Mart's bankruptcy and plan of reorganization.

(c) Far East National Bank

On or about July 19, 2012, Far East National Bank ("Far East") added the Debtor as a defendant to an existing lawsuit Far East filed against American Realty Investors, Inc. ("ARI") for alleged breaches of various guaranty agreements related to the refinance of three hotel properties located in Fresno, California (the "Far East Litigation"). Far East brought claims against ART for fraudulent transfer and civil conspiracy related to ART's sale of a membership interest in Pioneer Crossing, LLC, the entity that owned the single asset entities that owned the hotel properties in Fresno, California.

On July 26, 2012, ART filed an answer and counterclaim, seeking a declaration that: a) Far East had no contract enforceable against ART; b) ART never borrowed money or guaranteed money lent by Far East; c) the challenged transaction had no effect on Far East's loan; d) Far East was not a creditor of ART when the challenged transfer was made; and e) Far East had no standing to pursue its claims against ART. ART also sought sanctions and attorneys' fees in its counterclaim. Also on July 26, 2012, ART filed a suggestion of bankruptcy in the Far East Litigation and the court administratively closed the case. Far East later re-filed its claims against ARI in the U.S. District Court for the Northern District of Texas.

The Debtor and ARI settled their claims with Far East, and the Bankruptcy Court subsequently approved the settlement with Far East. As a result, Far East and ART are filing a joint motion to dismiss the Far East Litigation.

[1] *In re Denver Merchandise Mart, Inc.*, Case No. 11-31615-BJH-11

[2] Claims are estimates only and may be subject to all objections. The Debtor reserves all rights regarding the same. Claims included in one class may be properly classified in another class.

ARTICLE III
EVENTS DURING THE CHAPTER 11 CASES

3.1 Commencement of the Chapter 11 Case

On the Petition Date, the Debtor filed its voluntary petition for relief under Chapter11 of the Bankruptcy Code. Since the Petition Date, the Debtor has operated its business as a debtor in possession.

3.2 Retention of Professionals by the Debtor

On August 29, 2012, the Debtor sought to employ the law firm of McKenna Long & Aldridge LLP as counsel for the Debtor [GA Docket No. 5]. On October 2, 2012, the Georgia Bankruptcy Court entered an order approving the employment of McKenna Long & Aldridge.

Upon the transfer of the Chapter 11 Case to the Northern District of Texas, the Debtor filed, on March 19, 2013, its Motion to Approve Withdrawal of McKenna Long & Aldridge and Substitution of Counsel for Debtor American Realty Trust (the "Motion to Withdraw") [Docket No. 21]. On April 23, 2013, the Bankruptcy Court entered an order [Docket No. 42] granting the Motion to Withdraw. Also on March 19, 2013, the Debtor filed its Application of Debtor in Possession for an Order Authorizing the Employment of Pronske & Patel, P.C. as Counsel for the Debtor [Docket No. 22]. On August 23, 2013, the Bankruptcy Court entered an order approving the employment of Pronske & Patel, P.C. as counsel for the Debtor. Pronske & Patel, P.C. subsequently changed its name to Pronske Goolsby & Kathman, P.C.

3.3 Bankruptcy Schedules and Statement of Financial Affairs

On September 12, 2012, the Debtor filed its Bankruptcy Schedules. The Bankruptcy Schedules set forth the detailed list of the Debtor's assets and liabilities as of the commencement of this case. The Debtor has subsequently filed amendments to it schedules.

3.4 Meeting of Creditors

On October 11, 2013, the United States Trustee conducted the meeting of creditors pursuant to section 341 of the Bankruptcy Code for the Chapter 11 Case.

3.5 Operating Reports

As required by the United States Trustee, Monthly Operating Reports for the months of September 2012 through August 2013 have been filed with the Clerk of the Bankruptcy Court. The Monthly Operating Reports are incorporated herein by reference.

3.6 Claims Process

(a) Last Date to File Proofs of Claims

On November 15, 2012, the Debtor filed its Motion to Establish Bar Date of January 15, 2013 for Filing Proofs of Claim or Interest and for Approval of Bar Date Notice and Procedures (the "Bar Date Motion") [GA Docket No. 62] seeking to set the Bar Date as January 15, 2013. On November 27. 2013, the Georgia Bankruptcy Court entered the Bar Date Order that sets the Bar Date as February 15, 2013.

(b) Claims Reconciliation

The Claims filed against the Debtor in this Chapter 11 Case exceed $120,000,000.00, not including additional scheduled Claims by the Debtor for which a proof of claim was not filed. This Disclosure Statement specifies the estimated amount of claims in each Class. The Claims filed against the Debtor have not necessarily become Allowed Claims. The Debtor is in the process of analyzing these Claims and anticipates filing objections to one or more of such Claims. The Plan specifies that the Liquidating Trustee shall have standing to object to Claims. The Court's register for Claims filed against the Debtor (the "Claims Register") is publicly available for viewing between the hours of 8:30 a.m. to 4:30 p.m. at the Bankruptcy Clerk's Office, 1100 Commerce Street, Room 1254, Dallas, Texas, 75242 or electronically at pacer.txnb.uscourts.gov for a fee. The Claims Register may contain some Claims that have been paid, resolved in lower amounts, are duplicative, or are disputed by the Debtor. The Debtor reserves all rights to object to any and all Claims, liens and Interests filed or asserted against the Debtor or its property or property interest notwithstanding any discussions or treatment herein. The Debtor expects that the claims pool will be reduced based on its review and reconciliation.

3.7 The ORIX Motion for Relief

Prior to the Petition Date, the Debtor was sued by ORIX Capital Markets, LLC ("ORIX") related to a guaranty of a promissory note ORIX made to an entity named K.C. Airport Hotel, Inc. After a jury awarded damages against the Debtor and in favor of ORIX, the trial court entered an amended judgment in a substantially smaller amount. The Texas Fifth District Court of Appeals reversed a portion of the amended judgment and rendered a judgment in favor of ORIX in the amount of approximately $800,000.00. After motions for rehearing filed both the Debtor and ORIX were denied, and the Texas Supreme Court declined review, ORIX filed a second suit seeking a declaration that the $800,000.00 judgment was void or, alternatively, a bill of review asking the court to set aside the judgment. In the second lawsuit, Debtor's motion for summary judgment was granted and ORIX's motion for summary judgment was denied. ORIX then appealed those orders to the Texas Supreme Court. On October 23, 2012, ORIX filed its Motion for Relief from the Automatic Stay in order to pursue its appeal in the Texas Supreme Court. On November 15, 2012, the Georgia Bankruptcy Court entered its Consent Order Granting ORIX Capital Markets, LLC's Motion for Relief from the Automatic Stay [GA Docket No. 59], which allowed ORIX and the Debtor to prosecute the appeal in the Texas Supreme Court, but limited collection of any judgment to the Chapter 11 Case. The Texas Supreme Court subsequently denied ORIX's Petition for Review and Motion for Rehearing. On March 21,

2013, the Texas Fifth District Court of Appeals issued its mandate affirming the amended judgment in the amount of $800,000.00.

3.8 Joint Motion for Relief with Atlantic Parties

On November 15, 2012, the Debtor filed its Stipulation and Joint Motion for Entry of Consent Order Regarding Automatic Stay [GA Docket No. 61] requesting a modification of the automatic stay to allow the Debtor and the Atlantic Parties to further pursue the appeal pending before the United States Court of Appeals for the Fifth Circuit related to the Atlantic Judgment. On December 5, 2012, the Georgia Bankruptcy Court entered its Consent Order Regarding Automatic Stay [GA Docket No. 72] related to the Atlantic Party Appeal pending at the Fifth Circuit. The Order modifies the automatic stay in order to allow the parties to continue to pursue the appeal.

3.9 Atlantic Parties Motion to Dismiss or Transfer Venue

(a) Transfer Motion

On October 30, 2012, the Atlantic Parties filed their Motion to Dismiss Chapter 11 Case as a Bad Faith Filing or for Improper Venue and Brief in Support Thereof (the "Atlantic Motion to Dismiss") [GA Docket No. 54]. On December 27, 2012, the Georgia Bankruptcy Court held a status conference related to the Atlantic Motion to Dismiss. At the status conference, the Georgia Bankruptcy Court, with the parties' consent, limited the preliminary issues on the Motion to Dismiss to the request to transfer venue of the case to the Northern District of Texas. On February 7, 2013, the Georgia Bankruptcy Court held a hearing on the sole issue of whether the case should be transferred to the Northern District of Texas. After an evidentiary hearing, the Georgia Bankruptcy Court held that although venue was proper in the Northern District of Georgia, the convenience of the parties and the interest of justice supported transferring the case to the Northern District of Texas. Accordingly, the Georgia Bankruptcy Court entered an Order [GA Docket No. 119] transferring the Chapter 11 Case to the United States Bankruptcy Court for the Northern District of Texas, Dallas Division.

(a) Discovery Disputes

On or about May 21, 2013, the Atlantic Parties began a barrage of subpoenas by serving five entities related to the Debtor with subpoenas for depositions of corporate representatives for each entity. Those subpoenas were followed by an additional eight subpoenas to entities and individuals and entities related to the Debtor. Included in the subpoenas was a deposition subpoena of Gene Phillips, an individual who is neither an officer, director or shareholder of the Debtor.

Beginning on June 7, 2013, the Atlantic Parties began serving document request subpoenas on the entities served for depositions. Collectively, the subpoenas served upon the Debtor and its affiliates contained over 150 separate document requests. After agreeing to dates for the various depositions subpoenaed, the Debtor's affiliates and the Atlantic Parties agreed on a date to produce documents. On July 8, 2013, the Debtor's parent, One Realco, produced

approximately 1,065 pages of documents to the Atlantic Parties. Ten days later, on July 18, 2013, the Debtor's affiliates produced approximately 17,000 pages of responsive documents to the Atlantic Parties.

On July 19, 2013, after the Atlantic Parties were told that Gene Phillips would not be appearing for a deposition, the Atlantic Parties filed their Motion to Compel and Motion for Sanctions Regarding Deposition Testimony of Gene Phillips (the "Phillips Compel Motion") [Docket No. 81]. The Bankruptcy Court ultimately granted the Phillips Compel Motion and the deposition occurred on August 15, 2013. Despite answering the majority of the Atlantic Parties' questions, the Atlantic Parties subsequently filed another Motion to Compel Testimony of Gene Phillips and Motion for Sanctions [Docket No. 128] asserting that Debtor's counsel had instructed Mr. Phillips not to answer a number of questions. Acknowledging that the Atlantic Parties' claims were somewhat exaggerated, the Bankruptcy Court nevertheless ordered that Mr. Phillips appear for another deposition [Docket No. 139]. The second deposition occurred on September 26, 2013. Again, Mr. Phillips answered the grand majority of the Atlantic Parties' questions, and during the deposition, not a single instruction not to answer was given by counsel for the Debtor or by Mr. Phillips personal counsel.

Over the three day period of July 22-24, four separate individuals appeared in their individual capacity and as the corporate representative of the subpoenaed entities. After conclusion of those depositions, the Atlantic Parties filed on August 8, 2013, their Motion to Compel Documents and Testimony from Debtor Affiliates and Briefs in Support Thereof [Docket No. 93]. The Debtor and its affiliates responded [Docket No. 112] and the Bankruptcy Court held a hearing on August 22, 2013. The Bankruptcy Court (i) overruled all of the Debtor's affiliates' objections to the Atlantic Parties' discovery requests, (ii) ordered that the Debtor's affiliates reproduce the 17,000 pages of documents in compliance with Federal Rule of Civil Procedure 45 and comply with the subpoenas by by August 20, 2013, and (iii) that the Debtor's affiliates produced an individual for deposition with knowledge about the transfers and transactions. On August 26, 2013, the Debtor and its affiliates filed a Joint Motion for Status Conference [Docket No. 126]] regarding the discovery production. At the status conference held on August 29, 2013, the Bankruptcy Court modified the production deadlines and ordered that (i) additional transactional documents be produced by September 5, 2013 and (ii) all other additional responsive documents be produced, on a rolling basis, by September 12, 2013. Over the next two weeks, the Debtor and its affiliates produced approximately an additional 50,000 pages of documents. On September 25, 2013, Mr. Danny Moos appeared in order to answer questions regarding the transfers addressed in the Atlantic Parties' Motion to Dismiss. Mr. Moos deposition lasted the entire seven hours allowed under the Federal Rules of Civil Procedure.

In addition to the multiple motions to compel, the Atlantic Parties also filed a Motion in Limine and to Preclude the Introduction or Reference to Document and its Contents at the Hearing on the Atlantic Parties' Motion to Dismiss (the "Motion in Limine")[Docket No. 109]. On September 16, 2013, the Bankruptcy Court held a hearing on the Motion in Limine and declined the relief requested therein.

On October 11, 2013, the Atlantic Parties filed their Motion to Sanction Debtor and its Affiliates and Brief in Support (the "Sanction Motion") [Docket No. 151]. The Sanction Motion

sought to preclude the introduction of certain financial records and a summary of those records produced to the Atlantic Parties. After a hearing held on October 23, 2013, the Court granted the Sanction Motion and precluded the Debtor from introducing any testimony or evidence that is contrary to or in addition to the prior testimony of the Debtor's former president, Mr. Danny Moos or its former CFO, Mr. Gene Bertcher.

(b) Motion to Dismiss

The Atlantic Motion to Dismiss argues that the Chapter 11 Case should be dismissed for two reasons: (1) the Atlantic Parties' belief that no plan of reorganization is possible and (2) their belief that the Debtor's case was filed in bad faith. To support their argument that no plan of reorganization is possible, the Atlantic Parties argue that (i) Debtor has been grossly mismanaged by not listing certain ordinary course transactions in its schedules and statement of financial affairs and (ii) Debtor has no assets. In their three paragraphs of analysis, the Atlantic Parties describe and discount only one of the Debtor's assets—Debtor's malpractice litigation claims against the its former counsel, Andrews & Kurth. The Atlantic Motion to Dismiss does not mention the $15 Million judgment the Debtor obtained against the Dynex parties, nor its causes of action against Stone Pine. The Atlantic Motion Dismiss also fails to discuss or address the possibility of future equity infusions or any settlement proceeds that may arise from settlement of other causes of action or litigation. In its argument that the Debtor's case was filed in bad faith, the Atlantic Parties cursorily address some of the factors analyzed by the Fifth Circuit in determining a case was filed in bad faith; however, the Atlantic Parties primarily focus on one factor—Debtor's alleged prepetition improper conduct. The Atlantic Parties argument stems from their belief that certain transfers executed by the Debtor shortly prior to the January 2011 trial with the Atlantic Parties. Again, like the analysis of the Debtor's assets, the Atlantic Motion to Dismiss refuses to address certain important facts and circumstances related to those transfers including, *inter alia*, the values of the assets transferred were significantly less than the value the Debtor received for the transfers and Debtor had planned the transactions months prior to their execution in January of 2011.

On November 5, 2013, the Dallas Bankruptcy Court commenced hearings on the Atlantic Motion to Dismiss and continued the hearings on November 13, 2013. After two full days of trial, the Atlantic Parties have not yet completed their case-in-chief and the Debtor has yet to begin its case or put on its evidence. The Dallas Bankruptcy Court currently has three days scheduled in January for trial on the Atlantic Motion to Dismiss.

3.10 Atlantic Parties Motion to Transfer Venue Intra-district

On March 20, 2013, the Atlantic Parties filed their Motion to Transfer Case to Fort Worth Division and Judge Nelms (the "Intra-district Transfer Motion") [Docket No. 24] and Brief in Support (the "Intra-district Transfer Brief," and collectively with the Intra-district Transfer Motion, the "Intra-district Transfer Pleadings") [Docket No. 25]. On March 29, 2013, the Debtor filed its Response and Brief in Support [Docket No. 32]. The Court held a hearing on April 11, 2013 on the Atlantic Parties' request and entered an order [Docket No. 36] denying the relief on April 17, 2013.

3.11 Motions to Convert Case to Chapter 7 or Appoint Chapter11 Trustee, or Examiner

(a) Bank of New York's Motion to Convert or Appoint Chapter 11 Trustee or Examiner

On May 10, 2013, Bank of New York Mellon ("BONY") filed its Motion to Convert Case to Chapter 7 or in the Alternative to Appoint Chapter 11 Trustee, Appoint an Examiner (the "BONY Motion to Convert") [Docket No. 46]. The BONY Motion to Convert adopts the same groundless and baseless reasons stated in the Atlantic Motion to Dismiss for why cause exists, but instead argues that the Bankruptcy Court should convert the case to chapter 7, appoint a chapter 11 trustee or appoint an examiner instead.

(b) Far East National Bank's Joinder to Bank of New York's Motion to Convert or Appoint Chapter 11 Trustee

On May 23, 2013, Far East National Bank ("Far East") filed its Joinder in Motion to Convert Case to Chapter 7 or in the Alternative to Appoint Chapter 11 Trustee, Appoint an Examiner (the "Far East Joinder") [Docket No. 53]. While Far East joins in BONY's request for conversion or appointment of a trustee, it opposes the appointment of an examiner.

3.12 Sale of Harris County Property

On August 8, 2013, the Debtor filed its Motion Pursuant to sections 105(a) and 363 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 6004 and 6006 Approving the Sale of Harris County Property (the "Sale Motion")[Docket No. 92]. The Sale Motion sought to sell .1669 acres of land located in Harris County, to Harris County for use by the county as a trail system. Harris County offered to sell the property for $2,000.00 and the sale was approved, after no objections were filed to the proposed sale, by the Bankruptcy Court on September 19, 2013.

3.13 Litigation

(a) Post-petition Litigation

ART Midwest, Inc., et al v. Atlantic Midwest, L.L.C. et al, Adversary No. 13-03211-HDH

As mentioned in Section III.B above, in the fall of 1998, the Debtor and affiliated entities entered into a transaction with David Clapper and the Atlantic Parties. In furtherance of the transaction, the parties entered into a number of agreements, including a Master Agreement, which generally served as an outline for the transaction, and several Contribution and Exchange Agreements (the "C&E Agreements"), which specified the terms under which one or more apartment complex or property would be transferred to the Partnership by the Atlantic Parties Parties. One specific Contribution and Exchange Agreement (the "Atlantic XIII C&E Agreement") involved the contribution of two apartment complexes located in Indianapolis, Indiana (the "Indiana Properties") by Atlantic XIII. The Atlantic XIII C&E Agreement was immediately amended (the "First Amended Contribution and Exchange Agreement" or "FAC&E

Agreement") to provide for the transfer of the two Indiana apartment complexes on an expedited basis.

Prior to entering into the Atlantic XIII C&E Agreement, Atlantic XIII owed another Clapper-owned entity named Atlantic XXXI. Upon information and belief, Atlantic XXXI was the holder of a note dated June 18, 1997, with a stated outstanding principal amount of $2,731,854.30 plus accrued and unpaid interest in the amount of $1,063,464.77 (the "Atlantic XXXI Note"). The Atlantic XXXI Note was allegedly secured by a first lien on one of the Indiana Properties called the "Concord East" apartments. In order to consummate and affect the transfer of the Concord East property, on November 19, 2013, the parties entered into the First Lien Loan Indemnification and Assumption Agreement (the "FLLIA Agreement"). The FLLIA Agreement expressly provides *inter alia* that Atlantic XIII was assigning to ART Concord East, L.L.C. ("ART Concord East"), a wholly-owned subsidiary of the Partnership, and ART Concord East was assuming, the liabilities arising under the Atlantic XXXI Note. Moreover, the FLLIA Agreement specifically states that nothing in Section 1 of the FLLIA Agreement shall amend the non-recourse provisions contained in the Concord Loan Documents. Finally, among other things, the FLLIA Agreement provides that the Partnership guarantees, subject to the non-recourse provisions, the obligations of ART Concord East. Additionally, on November 19, 1998, the parties entered into the First Amended and Restated Agreement of Limited Partnership of ART Midwest, L.P. (the "Partnership Agreement"). The Partnership Agreement, among other things, expressly references the Atlantic XXXI Note as a "non-recourse" debt.

As noted in Section III.B above, litigation eventually ensued between the Debtor and its affiliates and the Atlantic Parties resulting in a 70+ Million Judgment against the Debtor and its affiliates that is on appeal to the United States Court of Appeal for the Fifth Circuit. However, the largest portion of that Judgment, approximately $52 Million, relates to damages arising from an alleged breach of the Partnership Agreement. More specifically, section 4.02(d) of the Partnership Agreement requires that an appraisal of the Partnership's assets be performed and, if the appraisal demonstrates that the Partnership's assets are less than the liabilities, the Debtor must make a capital contribution equal to the deficiency. The Partnership Agreement is clear that any assets contributed pursuant to this provision shall be treated as a capital contribution by the Debtor. Also clear were Judge Godbey's findings that the amounts related to this cause of action were "on behalf of the Partnership" and that the amount paid will be "considered an additional capital contribution by ART in connection with the winding up of the Partnership." Atlantic Midwest, as the managing general partner of the Partnership, caused ART Concord East to sell the Concord East apartments for approximately $1,500,000.00.

Despite the non-recourse nature of the Atlantic XXXI Note, the Clapper Parties take the position that the Partnership owes in excess of $34 Million to Atlantic XXXI on the Atlantic XXXI Note. In furtherance of that view, on February 8, 2013, Atlantic Midwest filed its proof of claim number 12 in the amount of $72,323,165.56. Although the judgment is clear on its face that the damages related to the breach of section 4.02(d) are on behalf of the Partnership, Atlantic Midwest includes these amounts in its own personal proof of claim. Moreover, Atlantic Midwest neglected to file a proof of claim on behalf of the Partnership evidencing intent to cheat the Partnership out of the contribution claims.

On September 27, 2013, ART Midwest, Inc. and the Debtor filed their Original Complaint against Atlantic Midwest and David Clapper in the Bankruptcy Court thereby initiating Adversary Proceeding No. 13-03211-HDH (the "Clapper Adversary"). In the Complaint, ART Midwest and the Debtor seek a declaratory judgment that the Atlantic XXXI Note is a non-discourse note and allege five other counts against Atlantic Midwest and David Clapper, including breach of fiduciary duty, conversion, civil conspiracy and aiding and abetting. Specifically, the Complaint requests, in addition to the declaratory judgment, damages related to Atlantic Midwest and David Clapper's blatant breaches of fiduciary duty. Finally, the Complaint objects to the claims of both Atlantic Midwest and Clapper for, *inter alia*, including amounts in the claim not owed to Atlantic Midwest and attorneys fees that are duplicative and not supported by any evidence.

(b) Prepetition Stayed Litigation

The following chart summarizes various litigation in which the Debtor was a party prior to the Petition Date that was stayed with respect to the Debtor:

Case Name	**Court**	**Status**	**Claims Alleged**
Am. Realty Trust, Inc., et al. v. David Clapper, et al	N.D. Tex.	Appeal to the Fifth Circuit	Fraud, Declaratory Judgment, Breach of Fiduciary Duty, Breach of Contract
Am. Realty Trust, Inc. et al. v. Andrews Kurth, LLP	44th Dist. Ct. Dallas County	Stayed as result of Bankruptcy	Malpractice
Am. Realty Trust, Inc. v. Paul Bagley, Jack Tackacs, Matisse Capital Partners, Stone Pine Capital, LLC, Stone Pine Financial, LLC and Stone Pine Investment Banking, LLC	160th Dist. Ct. Dallas County	Prosecution Agreement entered into whereby the Chapter 7 Trustee of Stone Pine Capital's Bankruptcy is pursuing for the benefit of creditors including Debtor.	Fraudulent Transfer
Basic Capital Management, et. al v. Dynex Comm. Inc., et al	Texas 5th District Court of Appeals	Dynex filed Petition for Review on September 6, 2013, Debtor in process of filing Response.	Breach of Contract
U.S. Bank N.A., as trustee, and ORIX Capital Markets v. Am. Realty Trust, Inc.	N/A	Resolved, Final Judgment Entered against Debtor	Guaranty
Far East Nat'l Bank v. Am. Realty Trust, Inc.		Settled During the Pendency of Chapter 11 Case	Guaranty

Bank of New York v. Am. Realty Trust, Inc.	N.D. Tex.	Stayed as a result of Bankruptcy	Guaranty
Bank of New York v. Am. Realty Trust, Inc.	N.D. Tex.	Answer filed	Guaranty
Graham Mortg. Corp. v. Am. Realty Trust, Inc., et al		Settled During Chapter 11 Case, Debtor not a party to settlement but lawsuit dismissed as result of settlement.	Guaranty/Deficiency
Dick Baxley d/b/a Baxley Props., v. Am. Realty Trust, Inc.	Superior Court for County of Riverside California, Indio Branch	Case stayed as a result of Chapter 11 Case	Breach of Contract

(c) Potential Litigation

The Plan preserves all Causes of Action. The Causes of Action include certain Avoidance Actions and other claims and potential claims that the Debtor holds against third parties. In accordance with section 1123(b)(3) of the Bankruptcy Code, the Plan further provides that the Liquidating Trustee will have standing, on and after the Effective Date of the Plan, to pursue Causes of Action transferred to the Liquidating Trust and will be deemed appointed as the representative of the Estate for the purpose of enforcing, prosecuting and settling them. The Estate may hold the following Causes of Action, among others, all of which shall be preserved (unless expressly otherwise released by the Plan):

(i) Preference, Fraudulent Transfers and Other Avoidance Actions.

Pursuant to section 547 of the Bankruptcy Code, a debtor may recover certain preferential transfers of property, including Cash, made while insolvent during the ninety days (or within one year if to an insider) immediately prior to the filing of its bankruptcy petition with respect to preexisting debts to the extent the transferee received more than it would have in respect of the preexisting debt had the transferee not received the payment and had the debtor been liquidated under Chapter 7 of the Bankruptcy Code.

Transfers made in the ordinary course of the debtor's or transferee's business according to their ordinary business terms are generally not recoverable. Furthermore, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension may constitute a defense, to the extent of any new value, against any otherwise recoverable transfer of property. If a preferential transfer were recovered by the debtor, the transferee would have a general unsecured claim against the debtor to the extent of the debtor's recovery.

Under section 548 of the Bankruptcy Code and various state laws, a debtor may recover

certain prepetition transfers of property, including the grant of a security interest in property, made while insolvent to the extent the debtor receives less than fair value for such property. In addition, avoidance actions exist under section 544, 545, 549 and 553(b) of the Bankruptcy Code that allow a debtor to avoid and/or recover certain property. Except for the settlement of certain alleged fraudulent transfers to the Debtor's former parent, American Realty Investors, Inc. and certain entities affiliated with American Realty Investors, Inc., the Debtor has not yet estimated the potential recovery from the prosecution of their Avoidance Actions.

(ii) Other Causes of Action

The Liquidating Trustee will continue the investigation and analysis of Causes of Action. There may be numerous Causes of Action which currently exist or may subsequently arise that are not set forth in the Plan or Disclosure Statement, because the facts upon which such Causes of Action are based are not fully or currently known by the Debtor and as a result, cannot be raised during the pendency of the Chapter 11 Case (collectively the "Unknown Causes of Action"). The failure to list any such Unknown Cause of Action in the Plan or the Disclosure Statement is not intended to limit the rights of the Liquidating Trust to pursue any Unknown Cause of Action to the extent that facts underlying such Unknown Cause of Action become fully known to the Debtor or the Liquidating Trustee.

The Debtor has attempted to disclose herein certain material Causes of Action including Avoidance Actions and other actions that they may hold against third parties. However, the Debtor has not performed an exhaustive investigation or analysis of all potential claims and Causes of Action against third parties. It is the contemplation of the Plan, that such investigation and analysis will continue post-confirmation by the Liquidating Trustee. You should not rely on the omission of the disclosure of a claim or Cause of Action to assume that the Debtor holds no claim or Cause of Action against any third-party, including any Creditor that may be reading this Disclosure Statement and/or casting a Ballot.

Unless expressly released by the Plan or by an order of the Bankruptcy Court, any and all such claims and Causes of Action against third parties are specifically reserved, including but not limited to any such claims or Causes of Action relating to any counterclaims, demands, controversies, costs, debts, sums of money, accounts, reckonings, bonds, bills, damages, obligations, liabilities, objections, legal proceedings, equitable proceedings, and executions of any nature, type, or description, avoidance actions, preference actions, fraudulent transfer actions, strong-arm power actions, state law fraudulent transfer actions, improper assignment of interest, negligence, gross negligence, willful misconduct, usury, fraud, deceit, misrepresentation, conspiracy, unconscionability, duress, economic duress, defamation, control, interference with contractual and business relationships, breach of fiduciary duty, conversion, aiding and abetting, civil conspiracy, conflicts of interest, misuse of insider information, concealment, disclosure, secrecy, misuse of collateral, wrongful release of collateral, failure to inspect, environmental due diligence, negligent loan processing and administration, wrongful recoupment, wrongful setoff, violations of statutes and regulations of governmental entities, instrumentalities and agencies, equitable subordination, debt re-characterization, substantive consolidation, securities and antitrust laws violations, tying arrangements, deceptive trade practices,

breach or abuse of any alleged fiduciary duty, breach of any special relationship, course of conduct or dealing, obligation of fair dealing, obligation of good faith, malpractice, at law or in equity, in contract, in tort, or otherwise, known or unknown, suspected or unsuspected.

Unless expressly released by the Plan or by an order of the Bankruptcy Court, the Debtor may hold claims against a holder of a Claim or Equity Interest, including but not limited, the following claims and Causes of Action, all of which shall be preserved:

- Preference claims under section 547 of the Bankruptcy Code;
- Fraudulent transfer and other avoidance claims arising under sections 506, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code and various state laws;
- Unauthorized post-petition transfer claims including, without limitation, claims under section 549 of the Bankruptcy Code;
- Claims and Causes of Action asserted in current litigation, whether commenced pre- or post-petition;
- Counterclaims asserted in current litigation;
- Claims and Causes of Action against Atlantic Midwest, L.L.C. and David M. Clapper in the Clapper Adversary;
- Claims, Counterclaims or Causes of Action pending against David M. Clapper, Atlantic Midwest, LLC, Atlantic XIII, LLC and Atlantic Limited Partnership XII related to that certain case styled *ART Midwest, Inc. et al v. David M. Clapper, et al*, Case No. 99-cv-02355-N, currently pending before the United States Court of Appeals for the Fifth Circuit;
- Claims and Causes of Action against Andrews and Kurth, L.P. (and its insurer) arising in connection with its representation of the Debtor including, without limitation, those claims asserted or assertable in the case styled *American Realty Trust, Inc. v. Andrews and Kurth, L.P.*, Cause No. 04-05724, pending before 44th Judicial District Court, Dallas County, Texas;
- Claims and Causes of Action against Dynex Commercial, Inc. and Dynex Capital, Inc., related to that certain case styled *Basic Capital Management, Inc., et. al v. Dynex Commercial, Inc.*, Cause No. 05-04-01358-CV, pending before the Court of Appeals Fifth District of Texas at Dallas.

The Debtors' failure to identify a claim or Cause of Action herein is specifically not a waiver of any claim or Cause of Action. The Debtor will not ask the Bankruptcy Court to rule or make findings with respect to the existence of any Cause of Action or the value of the entirety of the Estate at the Confirmation Hearing; accordingly, except claims or Causes of Action which are expressly released by the Plan or by an Order of the Bankruptcy Court, the Debtor's failure to identify a claim or Cause of Action herein shall not give to any defense of any preclusion doctrine, including but not limited to, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches, with respect to claims or Causes of Action which could be asserted against third parties, including holders of Claims against Equity Interests in the Debtor who may be reading this Disclosure Statement and/or casting a Ballot, except where such claims or Causes of Action have been

released in the Plan or the Confirmation Order.

In addition, the Debtor expressly reserves the right to pursue or adopt any claim alleged in any lawsuit in which the Debtor is a party.

PLEASE TAKE NOTICE THAT, WITH THE EXCEPTION OF THOSE CAUSES OF ACTION THAT ARE EXPRESSLY RELEASED OR WAIVED UNDER THE TERMS OF THE PLAN, ALL CAUSES OF ACTION OF THE DEBTOR AND ITS ESTATE, WHETHER OR NOT SPECIFIED HEREIN, WILL BE PRESERVED AND TRANSFERRED PURSUANT TO THE TERMS OF THE PLAN. THE LACK OF DISCLOSURE OF ANY PARTICULAR CAUSE OF ACTION SHALL NOT CONSTITUTE, NOR BE DEEMED TO CONSTITUTE, A RELEASE OR WAIVER OF SUCH CAUSE OF ACTION, AS THE DEBTOR INTENDS FOR THE PLAN TO PRESERVE ANY AND ALL CAUSES OF ACTION HELD BY THE DEBTOR AND ITS ESTATE AS OF THE EFFECTIVE DATE OF THE PLAN.

ARTICL IV
FINANCIAL INFORMATION

4.1 Assets

The Debtor's assets as of the Petition Date are set forth in the Bankruptcy Schedules and reference should be made thereto for information concerning such assets as of the Petition Date. More specifically, the Debtor possesses three significant pieces of litigation.

(a) *Atlantic Midwest, L.L.C.*

As described in Section 3.13(a) of this Disclosure Statement, the Debtor sued the managing member of ART Midwest, L.P., an entity the Debtor owns 99% of the equity interest. The Clapper Adversary seeks damages related to Atlantic Midwest and David Clapper's blatant breaches of fiduciary duty, conversion, aiding and abetting, civil conspiracy. Finally, the Complaint objects to the claims of both Atlantic Midwest and Clapper for, *inter alia*, including amounts in the claim not owed to Atlantic Midwest and attorneys fees that are duplicative and not supported by any evidence.

(b) *Dynex Commercial*

Debtor along with certain of its affiliates sued Dynex Commercial for breach of a $160 Million loan commitment, and sued Dynex Commercial and Dynex Capital for breach of certain loans for refusing to fund tenant improvements. A jury unanimously found a breach of the $160 Million Commitment and the loans and awarded damages to the Debtor and other plaintiffs. After multiple appeals, including all the way to the Texas Supreme Court, the Texas Fifth District Court of Appeals affirmed a judgment in favor of the Debtor and its co-plaintiffs. The Debtor's portion of that judgment is approximately $15.4 Million.

(c) *Andrews & Kurth*

Prior to the Petition Date, the Debtor sued its former counsel, Andrews & Kurth LLP ("A&K"), related to its representation of the Debtor in two separate matters. The first matter involved A&K's representation of the Debtor related to a consulting agreement (the "Matisse Consulting Agreement") the Debtor entered into with an entity, Matisse Partners, L.L.C. ("Matisse"), whereby Matisse would assist the Debtor in locating financing sources. Unbeknownst to the Debtor, Matisse and its principals also retained A&K to represent them in negotiation of the Matisse Consulting Agreement. Consequently, A&K had a conflict of interest, which it did not disclose to the Debtor, and upon information and belief, shared confidential information belonging to the Debtor with Matisse and its principals.

The second matter involved advice A&K gave during its representation of the Debtor in relation to negotiations between the Debtor and the Atlantic Parties. Prior to any of the litigation with the Atlantic Parties, the A&K provided advice that led to the litigation described in Section 2.3(a) of this Disclosure Statement.

(d) *EQK Preferred Shares*

On the Petition Date, Debtor held 10,000 shares of preferred stock, with a liquidation value of $1,000.00 per share, in EQK Holdings, Inc. Under the Plan, ARI becomes a party to the EQK Put Contract that establishes a strike price of $10,000,000.00 for the EQK Preferred Stock.

4.2 Liabilities

(a) Prepetition

(i) Ad Valorem Tax Claims

The Debtor Bankruptcy Schedules disclose Secured Claims of up to an aggregate amount of $10,701.64. Proofs of Claim asserting alleged Ad Valorem Tax Claims have been filed against the Debtor in the amount of $14,650.37.

(ii) Priority Tax Claims

The Debtor's Bankruptcy Schedules disclose Priority Tax Claims of up to an aggregate amount of $0.00. A single proof of claim asserting an alleged Priority Tax Claim was filed in the amount of $312.50.

(iii) Claims Related to the Atlantic Parties

The Debtor's Bankruptcy Schedules disclose a Contingent Claim owed to the Atlantic Parties and entities owned or controlled by David Clapper up to $73,000,000.00. The Atlantic Parties have filed four separate proofs of claims equaling $124,723,888.08. However, the proofs of claim filed by the Atlantic Parties admittedly contain duplicate amounts that are included on multiple proofs of claim and each proof of claim contains attorneys' fees in the amount of at

least $15 Million. As part of the Clapper Adversary, the Debtor objected to the proofs of claim of both Atlantic Midwest, L.L.C. and David M. Clapper. The Debtor anticipates filing objections to the other proofs of claim filed by the Atlantic Parties.

(iv) Claims Based Upon Guarantees

The Debtor's Bankruptcy Schedules disclose claims related to guarantees up to an aggregate amount of $11,425,859.22. Proofs of Claim from Creditors whose claims are based on guaranty agreements allegedly executed by the Debtor were filed in the case totaling $52,578,923.11. However, since the filing of the proofs of claim a majority of the litigation giving rise to these claim has been resolved and the Debtor expects that the amount of the claims in this category will be significantly less.

(v) General Unsecured Claims

The Debtor's Bankruptcy Schedules disclose trade and other unsecured claims of up to $77,185.47. Proofs of claim asserting general unsecured claims not characterize as a claim above, total $1,367,793.85.

(vi) Filed Claims

As of the filing of this Disclosure Statement, approximately twenty-one claims were filed. The aggregate face amount of these Proofs of Claim substantially exceeds the amount of Claims set forth in the Bankruptcy Schedules. Although the Debtor believes that several of the claims contain duplicate amounts and/or are overstated, the Debtor is only in the initial stage of the Claims reconciliation process and it expects that a significant portion of the process will be conducted by the Liquidating Trustee and occur after the Effective Date of the Plan.

(b) Post-Petition

The Debtor is unaware of any Administrative Claims it has incurred other than Professional Fees. The Debtor's prior counsel McKenna Long and Aldridge incurred a substantial amount of fees while the Chapter 11 Case was pending in the Georgia Bankruptcy Court. Additionally, the Debtor anticipates that it will incur Professional Fees in connection with confirmation of the Plan.

4.3 Other

For a more detailed discussion and analysis of the Debtor's assets and liabilities, reference should be made to the exhibits attached hereto, the Debtor's Bankruptcy Schedules, the Proofs of Claim filed and the Debtor's Monthly Operating Report.

PLEASE NOTE THAT ANY REVIEW OF THE SCHEDULES MAY NOT PRESENT THE COMPLETE FINANCIAL PICTURE OF THE DEBTOR. THE SCHEDULES MUST BE REVIEWED ALONG WITH, *INTER ALIA*, THE CLAIMS REGISTER AND ANY ORDERS OF THE BANKRUPTCY COURT RELATING SPECIFICALLY TO CLAIMS IN THIS BANKRUPTCY CASE.

ARTICLE V
PLAN OVERVIEW

5.1 Introduction

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Chapter 11 promotes equality of treatment of creditors and equity security holders who hold substantially similar claims against or interests in the debtor and its assets. In furtherance of these two goals, upon the filing of a petition for relief under Chapter 11, section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the Chapter 11 Case.

The consummation of a plan is typically the principal objective of a chapter 11 case. A plan sets forth the means for satisfying claims against, and equity interests in, a debtor. Confirmation of a plan by the bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, and any creditors of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

THE REMAINDER OF THIS SECTION PROVIDES A SUMMARY OF THE PLAN, AND OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN. IT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS ATTACHED THERETO AND DEFINITIONS THEREIN), WHICH IS ATTACHED HERETO AS EXHIBIT A.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST EQUITY INTERESTS IN THE DEBTOR UNDER THE PLAN AND WILL, UPON OCCURRENCE OF THE EFFECTIVE DATE, BE BINDING UPON ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR, ITS ESTATE, ALL PARTIES RECEIVING PROPERTY UNDER THE PLAN, AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

5.2 Summary of the Plan

The primary purpose of the Plan is to facilitate the resolution and treatment of the Debtor's outstanding Claims, Liens and Equity Interests. The Plan contemplates the creation of a Liquidating Trust to liquidate certain Liquidating Trust Assets and distribute any remaining funds (after payment of certain Allowed Claims), in accordance with the Plan, to holders of Series A Liquidating Trust Interests and Series B Liquidating Trust Interests. Under the Plan, Claims against the Debtor's Estate are classified as follows:

Class	Class Description	Status	Voting Rights
Class 1	Secured Claims of Taxing Authorities	Unimpaired	Not Entitled to Vote
Class 2	Intentionally Omitted	N/A	N/A
Class 3	Unsecured Claims of Atlantic Parties	Impaired	Entitled to Vote
Class 4	Unsecured Claims Related to Guarantys	Impaired	Entitled to Vote
Class 5	General Unsecured Claims	Impaired	Entitled to Vote
Class 6	Subordinated Claims	Impaired	Not Entitled to Vote
Class 7	Equity Interests	Impaired	Not Entitled to Vote

Under the Plan, certain holders of Claims (generally, Allowed Administrative Claims, Allowed Priority Claims and Allowed Class 1 Claims) will be paid in full by the Liquidating Trust from the ARI Settlement Proceeds. Holders of Allowed Class 5 Claims will be paid fifty percent (50%) of their Allowed Claims from the ARI Settlement Proceeds.

Holders of Allowed Class 3 Claims will receive their Pro Rata share of (a) Series A Liquidating Trust Interests and (b) distributions of Available Cash from the Series A Distribution Reserve on account of such Liquidating Trust Interests in accordance with the terms of the Plan if and when available for distribution. The Series A Distribution Reserve will be funded solely with the Series A Liquidating Trust Interest holders' allocable share (75%, after the Series B Distribution Reserve is funded in the amount of the ARI Settlement Proceeds and after payment (or reservation for payment) of certain claims entitled to priority and trust expenses) of Liquidating Cash Assets, if any, in accordance with Sections 11.7 and 11.10.1 of the Plan.

The Plan sets forth a settlement of certain Causes of Action the Debtor may have against its former parent, American Realty Investors, Inc. and certain affiliated entities. Pursuant to the settlement proposed, American Realty Investors, Inc. shall pay the Debtor, on or before the Effective Date, $5,000,000.00 to obtain a release of any and all claims and Causes of Action held by the Debtor or the Liquidating Trust against ARI. In addition to the ARI Settlement Proceeds, ARI agrees to enter into a contract with Bank of New York Mellon whereby if GC Merchandise Mart, LLC defaults on the GCMM Note, ARI will purchase the GCMM Note in accordance with the terms of the ARI Denver Mart Contract. Further, ARI shall execute the EQK Put Contract whereby it agrees to purchase the EQK Preferred Shares for the sum of $10,000,000.00 at a date five years from the Effective Date. In addition to the releases, American Realty Trust, Inc. shall receive all assets of the Debtor not included in the Liquidating Trust Assets and Series B Liquidating Trust Interests.

5.3 Summary of Proposed Distributions Under the Plan

Under the Plan, Claims against and Equity Interests in the Debtor are placed into Classes. Certain Claims, including Priority Claims and Administrative Claims, are not classified and, if not paid prior to Confirmation, will receive payment in full in Cash on the distribution date set forth in the Plan as described below.

The table below summarizes the classification and treatment of the prepetition Claims and Equity Interest under the Plan. This summary is qualified in its entirety by reference to provision of the Plan.

Class	Treatment of Claim/Equity Interest	Estimated Aggregate Ammount of Claims or Equity Interests[2]	Proposed Treatment of Allowed Claims or Equity Interests
Class 1: Secured Claims of Taxing Authorities	Unimpaired	[_____]	Unless otherwise provided for in the Plan, or order of the Bankruptcy Court, each of the Taxing Authorities shall have an Allowed Secured Claim in the amount of the proof of claim they filed in the Chapter 11 Case. The Class 1 Claims shall be paid in full within fifteen (15) days of the Effective Date from the Taxing Authority Distribution Reserve as provided in Section 11.4 of the Plan. Estimated Recovery – 100%
Class 2: Intentionally Omitted	N/A	N/A	N/A
Class 3: Unsecured Claims of the Atlantic Parties	Impaired	[_____]	Each Holder of an Allowed Class 3 Claim shall receive in exchange for and in full satisfaction and discharge of such Claim its Pro Rata share of (i) the Series A Liquidating Trust Interests on the Effective Date (or as soon as reasonably practicable thereafter), and (ii) Distributions of Available Cash from the Series A Distribution Reserve on account of such Series A Liquidating Trust Interests in accordance with and subject to other applicable terms of the Plan and the Liquidating Trust Agreement. Estimated Recovery – [____]%

[2] Claims are estimates only and may be subject to all objections. The Debtor reserves all rights regarding the same. Claims included in one class may be properly classified in another class.

Class 4: Unsecured Claims Related to Guaranty Creditors	Impaired	[ ]	With the exception of Bank of New York Mellon, each of the Holders of Allowed Class 4 Claims shall receive on account of their claims the sum of $0.00. Bank of New York Mellon shall have an Allowed Class 4 Claim (Guaranty Claim) in an amount to be determined by the Bankruptcy Court at the Confirmation Hearing. In full satisfaction and discharge of its Claim, Bank of New York Mellon shall receive its Pro Rata Share of Series A Liquidating Trust Interests on the Effective Date (or as soon as practicable thereafter). However, any Distributions of Available Cash from the Series A Distribution Reserve, on account of the Series A Liquidating Trust Interests distributed to Bank of New York Mellon under the Plan, shall be distributed or deposited into the BONY Reserve Account described in Section 11.9 of the Plan and any Distributions from the BONY Reserve Account shall be subject to the restrictions and provisions described in Section 10.3 of the Plan. In addition to receiving Series A Liquidating Trust Interests, Bank of New York Mellon shall be made a party to the ARI Denver Mart Contract described in Section 6.2.3 and shall be subject to the terms and conditions of such contract. Estimated Recovery – [ ]%
Class 5: General Unsecured Claims	Impaired	[ ]	Allowed Class 5 Claim shall be paid in full satisfaction and discharge of such Claim an amount equal to fifty percent (50%) of their Allowed Claim and such amount shall be paid from the General Unsecured Claims Distribution Reserve upon the later of: (i) fifteen (15) days after the Effective Date or (ii) five (5) Business Days after an Order allowing such claims becomes a Non-Appealable Order. Estimated Recovery – 50%
Class 6: Subordinated Claims	Impaired	Unknown	Holders of Class 6 Claims shall not be entitled to receive any Payments or retain any property under the Plan or from the Liquidating Trust on account of such Claims. Estimated Recovery – 0%
Class 7: Equity Interest Holders	Impaired		The Class 7 Equity Interest Holders' equity interest in the Debtor shall be eliminated and extinguished upon the Effective Date. Estimated Recovery – 0%

ARTICLE VI
SUMMARY OF CERTAIN PLAN PROVISIONS

6.1 Means for Implementation of the Plan

(a) Conditions Precedent to Effective Date.

(i) the Confirmation Order shall have been entered by the Bankruptcy Court and shall not be subject to a stay and shall include one or more findings that (i) the Plan is confirmed with respect to the Debtor, (ii) the Debtor has acted in good faith and in compliance with the applicable provision of the Bankruptcy Code as set forth in section 1125(e) of the Bankruptcy Code, and (iii) the Debtor is authorized to take all action and consummate all transaction contemplated under the Plan;

(ii) the Court shall have approved the transfer of the Liquidating Trust Assets to the Liquidating Trust Free and Clear and the termination and extinguishment of the Equity Interest in the Debtor;

(iii) the Liquidating Trustee shall be identified in the Plan Supplement;

(iv) the Bankruptcy Court shall have determined that the Liquidating Trustee is or will be duly authorized to take the actions contemplated in the Plan and the Liquidating Trust Agreement, which approval and authorization may be set forth in the Confirmation Order; and

(v) all documents, instruments, and agreement provided under, or necessary to implement, the Plan shall have been executed and delivered by the applicable parties.

(b) Compromise and Settlement with American Realty Investors, Inc.

(i) ARI Settlement Proceeds. On the Effective Date of the Plan, pursuant to the terms set forth herein and all other terms of the Plan, American Realty Investors, Inc. ("ARI") shall pay the Debtor the sum of $5,000,000.00 (the "ARI Settlement Proceeds").

(ii) ARI Denver Mart Contract. On or before the Effective Date, ARI shall enter into a contract and agreement with Bank of New York Mellon whereby if GC Merchandise Mart, LLC defaults on the GCMM Note, ARI will purchase the GCMM Note from Bank of New York Mellon for an amount equal to the principal amount outstanding on the GCMM Note on the date that Bank of New York Mellon declares the default minus the amount of any distributions made from the BONY Reserve Account pursuant to Section 10.3 of the Plan.

(iii) EQK Preferred Shares Put Option. On or before the Effective Date of the Plan, pursuant to the terms set forth herein and all other terms of the Plan, ARI shall

execute a put option contract related to the purchase of the EQK Preferred Shares owned by the Debtor (the "EQK Put Contract"). The strike price for the EQK Preferred Shares shall be $10,000,000.00 and the EQK Put Contract shall have a maturity date of (60) months from the Effective Date (the "EQK Put Maturity Date"); provided, however, that the Liquidating Trustee cannot exercise its option under the EQK Put Contract until the EQK Put Maturity Date. Further, upon the occurrence of the Effective Date, the EQK Put Contract shall be transferred pursuant to Section 6.4 of the Plan to the Liquidating Trust as a Liquidating Trust Asset.

(iv) Transfer of Debtor's Assets. Except for the Liquidating Trust Assets, upon the Effective Date occurring, Debtor shall transfer all legal and equitable interests in it's assets, real and personal, including without limitation, all Cash, accounts, receivables, contract rights (including all rights, claims, and defenses of the Debtor and its Estate), general intangibles, and rights relating thereto, real property, personal property, Causes of Action, and all books and records of the Debtor. To be clear, notwithstanding the prior sentence, none of the Liquidating Trust Assets shall be transferred to ARI pursuant to this Section; rather, the Liquidating Trust Assets shall be transferred to the Liquidating Trust pursuant to, and in accordance with, Section 6.4 of the Plan.

(v) Releases. Upon the Effective Date occurring, ARI shall release any and all claims it has against the Debtor and the Estate under federal and state law, including any and all existing, known, and unknown claims, counterclaims, demands, lawsuits, debts, accounts, covenants, agreements, actions, cross-actions, liabilities, obligations, losses, costs, expenses, remedies, liens, whether originating under statute, at common law, in equity, or otherwise, and causes of action of any nature, whether in contract or in tort, personal injuries, property or economic damage, and all other losses and damages and/or relief of any kind, including: all actual damages, including economic damages, damages for mental anguish and pain and suffering, exemplary (punitive) damages, liquidated damages, attorney's fees or costs of suit, declaratory and injunctive relief, all penalties of any kind, including any tax liabilities or penalties; consequential damages, and prejudgment and post-judgment interest and, demands and causes of action for all existing, past, and known and unknown damages, upon and through the Effective Date.

In exchange, American Realty Investors, Inc. shall receive the Debtor's assets described in Section 6.2.4 of the Plan and Series B Liquidating Trust Interests. Additionally, the Debtor shall execute a release of any and all claims of the Debtor, the Estate, the Liquidating Trust and the Liquidating Trustee have or may have against American Realty Investors Inc. or any of its direct or indirect subsidiaries, Pillar Income Asset Management, Inc., Transcontinental Realty Investors, EQK Holdings, Inc., Basic Capital Management, Prime Income Asset Management Inc., or any entity owned (directly or indirectly) by Realty Advisors Inc., under federal or state law, including all claims arising under Chapter 5 of the Bankruptcy Code, and any and all other existing, known, and unknown claims, counterclaims, demands, lawsuits, debts, accounts, covenants, agreements, actions, cross-actions, liabilities, obligations, losses, costs, expenses, remedies, liens, whether originating under statute, at common law, in equity, or otherwise, and causes of action of any nature, whether in contract or in tort, personal injuries, property or economic damage, and all other losses and damages and/or relief of any kind, including: all actual damages, including economic damages, damages for mental anguish

and pain and suffering, exemplary (punitive) damages, liquidated damages, attorney's fees or costs of suit, declaratory and injunctive relief, all penalties of any kind, including any tax liabilities or penalties; consequential damages, and prejudgment and post-judgment interest and, demands and causes of action for all existing, past, and known and unknown damages, upon and through the Effective Date.

These and all other terms of the Plan are the result of a proposed compromise and settlement by and between American Realty Investors, Inc. and the Estate, and confirmation of the Plan constitutes settlement thereof. The Debtor believes that the proposed settlement is fair and reasonable given the complexity and likely duration, costs and uncertainty of any litigation, and interest of creditors. As permitted by Section 1123(b)(3)(A) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019, confirmation of the Plan shall as act approval of the settlement set forth herein.

(c) Creation of Liquidation Trust. On the Effective Date, the Liquidating Trust shall be formed pursuant to the Plan, the Liquidating Trust Agreement shall be executed, and the Liquidating Trust shall be established and become effective. In accordance with the Plan and the Liquidating Trust Agreement, the Liquidating Trust shall be established for the purpose of collecting, receiving, holding, maintaining, administering, and liquidating the Liquidation Trust Assets; making all payments and distribution to holders of Allowed Claim in accordance with the terms of the Plan; closing the Case; and otherwise implementing the Plan and finally administering the Estate. The Liquidating Trust shall not engage in a trade or business and shall conduct its activities consistent with the Liquidating Trust Agreement. On and after the Effective Date, the Liquidating Trust shall perform and pay when due liabilities, if any, related to ownership or operation of the Liquidating Trust Assets.

(d) Transfer of Liquidating Trust Assets. Except as set forth in the Plan or the Confirmation Order, on the Effective Date, the Liquidating Trust Assets shall be transferred and assigned to the Liquidating Trust free and clear of any liens or encumbrances, but subject to the Liquidating Trust's obligations under the Plan. The Debtor shall convey, transfer and assign and deliver to the Liquidating Trust all or any portion of the Liquidation Trust Assets, subject to all Liens that are Liquidation Trust Permitted Liens or are not released pursuant to the terms of the Plan.

(e) Issuance of Liquidating Trust Interests. It is an integral and essential element of the Plan that the offer and issuance of Liquidating Trust Interests pursuant to the Plan, to the extent such Liquidating Trust Interests constitute securities under the 1933 Act, shall be exempt from registration under the 1933 Act and any State or local law, pursuant to Section 1145 of the Bankruptcy Code and any other applicable exemptions, without limitation. The Confirmation Order shall include a finding and conclusion, binding upon all parties to the Chapter 11 Case, the Debtor, the Liquidating Trustee, the U.S. Securities and Exchange Commission and all other federal, state and local regulatory enforcement agencies, to the effect that the Liquidating Trustee is successor to the Debtor under the Plan pursuant to Section 1145 of the Bankruptcy Code, that the offer of the Liquidating Trust Interests is occurring pursuant to the Plan, that the offer of the Liquidating Trust Interests is in exchange for a claim against, or an interest in, the Debtor, and that such offer and issuance, to the extent such Liquidating Trust

Interests constitute securities under the 1933 Act, fall within the exemption from registration under the 1933 Act and any state or local law pursuant to Section 1145 of the Bankruptcy Code. In lieu of certificates evidencing the Liquidating Trust Interests, the Liquidating Trustee shall maintain a register of the names, addresses and interest percentages of the Liquidating Trust Beneficiaries based upon the provisions of the Plan, which designate the persons who are entitled to receive the Liquidating Trust Interests. The Liquidating Trust Interests may not be transferred, sold, pledged or otherwise disposed of, or offered for sale except for transfers by operation of law.

(f) Cancellation of Equity Interests. On the Effective Date, all Equity Interests in the Debtor shall be terminated and extinguished and any certificates that previously evidenced ownership of those Equity Interests shall be deemed cancelled (all without further action by any Person or the Bankruptcy Court) and shall be null and void and such certificates shall evidence no rights or interests in the Debtor.

(g) Release of Liens. On the Effective Date, all Liens (except any Liquidating Trust Permitted Liens with respect to the Liquidating Trust Assets) on any property of the Debtor shall automatically terminate, all Collateral subject to such Liens shall be automatically released, and all guarantees of the Debtor shall be automatically discharged and released; *provided, however*, that such Liquidating Trust Permitted Liens shall attach to Cash in the applicable Reserve Accounts in the Liquidating Trust, as provided in the Plan or the Confirmation Order.

(h) Preservation of Rights of Actions, Settlement of Litigation Claims.

(i) Preservation of Causes of Action. All Causes of Action, rights of setoff and other legal and equitable defenses of the Debtor or the Estate are preserved unless expressly released, waived, or relinquished under the Plan or the Confirmation Order. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as an indication that the a Cause of Action will not be pursued against them.

(ii) Liquidating Trustee as Representative of the Estate. The Liquidating Trustee shall be appointed representative of the Estate pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Liquidating Trust Assets. With regard to the Liquidating Trust Assets, the Liquidating Trust may enforce, sue on, and subject to Bankruptcy Court approval (except as otherwise provided herein) settle or compromise (or decline to do any of the foregoing) any or all of the Causes of Action transferred to the Liquidating Trust. Except as otherwise ordered by the Bankruptcy Court, the Liquidating Trustee shall be vested with authority and standing to prosecute the Causes of Action transferred to the Liquidating Trust. The Liquidating Trustee and his or her attorneys and other professional advisors shall have no liability for pursuing or failing to pursue any such Causes of Action.

(iii) Settlement of Litigation Claims and Disputed Claims. At any time after the Confirmation Date and before the Effective Date, notwithstanding anything in the Plan to the contrary, the Debtor may settle some or all of the Causes of Action or the Disputed

Claims subject to obtaining any necessary Bankruptcy Court approval. The proceeds from the settlement of a Cause of Action proposed to be transferred to the Liquidating Trust shall constitute a Liquidating Trust Asset that shall be transferred to the Liquidating Trust on the Effective Date, for distribution in accordance with the Plan and the Liquidating Trust Agreement.

6.2 Provisions Governing Distributions Generally

(a) Initial Cash Distribution from Reserve Accounts. On or before the first semi-annual anniversary (*i.e.,* upon the conclusion of the six month period following the Effective Date), an initial Cash Distribution will be made Pro Rata from each of the Reserve Accounts; provided however, an initial Cash Distribution will only be made if there exists Holders of Allowed Claims eligible to receive a Distribution from the applicable Reserve Account and the Liquidating Trustee determines, in accordance with the terms of the Liquidating Trust Agreement, that sufficient Available Cash exists in the applicable Reserve Account.

(b) Subsequent Cash Distributions from Reserve Accounts. After the initial Cash Distribution under Section 10.1 of the Plan, the Liquidating Trustee shall make Cash Distributions Pro Rata from the applicable Reserve Accounts to Holders of Liquidating Trust Interests beginning on the first annual anniversary of the Effective Date and continuing on each semi-annual anniversary thereafter; provided, however, there exists Holders of Allowed Claims eligible to receive a Distribution from the applicable Reserve Account and the Liquidating Trustee determines, in accordance with the terms of the Liquidating Trust Agreement, that sufficient Available Cash exists in the applicable Reserve Account; provided, further, if and when the Liquidating Trustee determines that sufficient Available Cash exists in a particular Reserve Account to make a Distribution more frequently, the Liquidating Trustee may make such Distribution; provided, further, if the Liquidating Trustee intends to make its final Cash Distribution, such Cash Distribution shall be made regardless of the amount of Available Cash in the applicable Reserve Account.

(c) Distributions from the BONY Reserve Account. No Distributions shall be made from the BONY Reserve Account unless GC Merchandise Mart, LLC defaults under the GCMM Note. In the event that it is determined that GC Merchandise Mart, LLC defaulted under the GCMM Note, the Liquidating Trustee shall distribute, within ten (10) Business Days of receiving confirmation that a default occurred, the Cash in the BONY Reserve Account. In accordance with the terms of the Plan, specifically Section 6.2.3, and the ARI Denver Mart Contract, such amounts distributed under this Section and from the BONY Reserve Account shall be used to reduce the principal amount owing on the GCMM Note on the date that a default is determined under the GCMM Note. In the event that the Liquidating Trust terminates pursuant to Section 7.10 of the Plan, and funds still exist in the BONY Reserve Account (i.e., there has not been a default on the GCMM Note), such funds in the BONY Reserve Account shall be transferred, simultaneously with the termination of the Liquidating Trust, to the Series B Distribution Reserve and shall be distributed from that Reserve Account in accordance with Section 10.2 of the Plan.

6.3 Treatment of Executory Contracts and Unexpired Leases

(a) General Rejection of Executory Contracts. All executory contracts and unexpired leases of the Debtor (including, but not limited to, those listed on the Debtor's Schedules) which are not expressly assumed on or before thirty (30) days after the Confirmation Date or not otherwise specifically treated in the Plan, or in the Confirmation Order, shall be deemed to have been rejected on the Confirmation Date. The Bankruptcy Court shall retain jurisdiction to effectuate any post-confirmation assumption and assignment of leases, and such assumption and assignments shall be performed pursuant to Section 365 of the Bankruptcy Code. Each prepetition executory contract and unexpired lease will be assumed only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. Listing a contract or lease as an executory contract or unexpired lease will not constitute an admission by the Debtor, or the Debtor-in-Possession that such contract or lease is an executory contract or unexpired lease of the Debtor, or the Debtor-in-Possession has any liability thereunder. The Confirmation Order shall constitute an Order of the Bankruptcy Court approving rejection under Section 365 of the Bankruptcy Code as of the Effective Date.

(b) Cure of Defaults. To the extent any executory contracts or unexpired leases are assumed, the Liquidating Trustee shall cure all defaults existing under any assumed Executory Contract pursuant to the provisions of Sections 1123(a)(5)(G) and 365(b) of the Bankruptcy Code, by paying from the Senior Claim Reserve the amount, if any, claimed by any party to such Executory Contract as set forth in a proof of claim, which shall be filed with the Court upon the earlier of (a) 30 days after express notice is given of the Debtor's intent to assume such Executory Contract or (b) within sixty (60) days after the Confirmation Date. Such proof of claim shall be titled "Assumption Cure Proof of Claim." Alternatively, the Liquidating Trustee may pay such amount as may be agreed upon between the Debtor and any party to such Executory Contract, provided an Assumption Cure Proof of Claim is timely filed within thirty (30) days after the Confirmation Date. Payment of any amount claimed in an Assumption Cure Proof of Claim or otherwise agreed to shall be in full satisfaction, discharge and cure of all such defaults (including any other Claims filed by any such party as a result of such defaults), provided, however, that if the Debtor or Liquidating Trustee files, within forty-five (45) days of the filing of an Assumption Proof of Claim, an objection in writing to the amount set forth, the Court shall determine the amount actually due and owing with respect to the defaults or shall approve the settlement of any such Claims. Payment of such Claims shall be made by the Liquidating Trustee on the later of: (i) ten (10) Business Days after the expiration of the forty-five day (45) period for filing an objection to any Assumption Cure Proof of Claim filed pursuant to this section; or (ii) when a timely objection is filed, within ten (10) Business Days after an order of the Court allowing such Claim becomes a Final Order.

(c) Claims for Damages. Any Claims based upon rejection of an executory contract or unexpired lease under the Plan must be filed with the Bankruptcy Court and served on the Debtor such that they are actually received within thirty (30) days of the entry of an order rejecting such contract or lease. Objections to any such proof of claim shall be filed not later than forty-five (45) days after receipt of such claim. The Court shall determine any such objections, unless they are otherwise resolved. All Allowed Claims for rejection damages, unless otherwise specifically provided for or addressed in the Plan, shall be treated as Class 5 General Unsecured

Claims. Any Claim not filed within such time will be forever barred from assertion against the Debtor or its Estate.

6.4 Effects of Confirmation

(a) Discharge. Except as otherwise provided herein or in the Confirmation Order, pursuant to Section 1141 of the Bankruptcy Code, the Confirmation of the Plan will not discharge the Debtor of any debts.

(b) Legal Binding Effect. On and after the Effective Date, the provisions of the Plan shall bind all Holders of Claims and Equity Interests and their respective successors and assigns, whether or not they accept the Plan. On and after the Effective Date, except as expressly provided in the Plan, all Holder of Claims, Liens and Equity Interests shall be precluded from asserting any Claim, Cause of Action or Liens against the Debtor or the Estate, the Liquidating Trust, or the Liquidating Trustee or their respective property and assets based on any act, omission, event, transaction or other activity of any kind that occurred or came into existence prior to the Effective Date.

(c) Exculpations. The Debtor's professionals shall not have or incur any liability to any Holder of a Claim for any act, event, or omission in connection with, or arising out of, the Confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence. More specifically, without limiting in anyway the effect of this Section, the Debtor's professionals shall not be liable for any provisions, matters, or issues related to the Liquidating Trust and/or the Liquidating Trustee, including, but not limited to, any discussion of the tax consequences and ramifications of the Liquidating Trust.

6.5 Retention of Jurisdiction

Under the Plan, notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date of the Plan, the Bankruptcy Court shall retain jurisdiction, to fullest extent legally permitted, over the Chapter 11 Case, all proceedings arising under, arising in or related to the Chapter 11 Case, the Confirmation Order, the Plan and administration of the Liquidating Trust. Some specific types of disputes and proceedings that the Bankruptcy Court shall retain jurisdiction over are identified in Article XIII of the Plan, including, but not limited to the Clapper Adversary.

6.6 The Liquidating Trust

The Liquidating Trust, duly organized under the laws of the State of Texas, is created for the purpose of liquidating the Liquidating Trust Assets in accordance with Treasury Regulation Section 301.7701-4(d) and making the Payments or Distributions to (i) certain holders of Allowed Claims from the Reserve Accounts and (ii) holders of Liquidating Trust Interests from the applicable Reserve Accounts and the Liquidating Trust is not otherwise authorized to engage in any trade or business. The beneficiaries of the Liquidating Trust, who will be treated as grantors and deemed owners for federal income tax purposes, are the Holders of Liquidating

Trust Interests. The Liquidating Trust shall file federal income tax returns for the Liquidating Trust as a grantor trust pursuant to Section 671 of the Internal Revenue Code of 1986, as amended, and the Treasury Tax Regulations promulgated thereunder. The parties shall not take any position on their respective tax returns with respect to any other matter related to taxes that is inconsistent with treating the Liquidating Trust as a "liquidating trust" within the meaning of Treasury Regulation Section 301.7701-4(d), unless any party receives definitive guidance from the Internal Revenue Service.

6.7 Funding of Res of Trust

To fund the Liquidating Trust, all of the Liquidating Trust Assets shall be transferred and assigned to the Liquidating Trust, and the Liquidating Trust shall be in possession of, and have title to, all the Liquidating Trust Assets, as of the Effective Date. The Liquidating Trustee, as trustee of the Liquidating Trust, shall be substituted as the plaintiff, defendant, or other party in all lawsuits that are Liquidating Trust Assets pending in which the Debtor is the Plaintiff as of the Effective Date. The conveyance of all Liquidating Trust Assets shall be accomplished pursuant to the Plan and the Confirmation Order and shall be effective upon the Effective Date. Unless otherwise specified by Order of the Bankruptcy Court, the Debtor shall convey, transfer, assign and deliver the Liquidating Trust Assets Free and Clear of all liens that are not Liquidating Trust Permitted Liens or release pursuant to the terms of the Plan. Upon the Effective Date, the Liquidating Trust shall also be deemed to have taken an assignment, bill of sale, deed and/or releases covering all other Liquidating Trust Assets to the extent necessary to affect the transfer and assignment of such Liquidating Trust Assets. The Liquidating Trustee may present such Order to the Bankruptcy Court as may be necessary to require third parties to accept and acknowledge such conveyance to the Liquidating Trust. Such Order may be presented without further notice other than as has been given in the Plan.

6.8 Liquidating Trustee

The Liquidating Trustee shall be selected pursuant to the procedures specified in Section 7.4 of this Plan. The Liquidating Trustee shall retain and have all rights, powers and duties necessary to carry out his or her responsibilities under this Plan and the Liquidating Trust Agreement, and as otherwise provided in the Confirmation Order. However, the Liquidating Trustee shall not be obligated to review, investigate, evaluate, analyze, or object to fee applications or Professional Claims relating to services rendered and expenses incurred prior to the Effective Date. The Liquidating Trustee shall be the exclusive trustee of the Liquidating Trust Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as a representative of the Estate appointed pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code. Subject to the Bankruptcy Court's approval and appointment of the selection of the Liquidating Trustee at the Confirmation Hearing, the Person named in the Liquidating Trustee Suggestion (as defined in Section 7.4.1 of this Plan) shall initially serve as the Liquidating Trustee. Matters relating to the appointment, removal and resignation of the Liquidating Trustee and the appointment of any successor Liquidating Trustee shall be set for tin the Liquidating Trust Agreement, provided that the Liquidating Trust Agreement shall authorize the Liquidating Trust Committee, in its sole discretion, to remove the Liquidating Trustee at any time. The Liquidating Trustee shall be required to perform his or her duties as set forth in this Plan and the

Liquidating Trust Agreement.

6.9 Selection of Liquidating Trustee

(a) Suggestion of Liquidating Trustee. On or before the date that is seven (7) days prior to the Confirmation Hearing, the Debtor shall file and serve a Suggestion of Liquidating Trustee (the "Liquidating Trustee Suggestion"), which shall nominate a person whom the Debtor believes is capable and qualified to serve as Liquidating Trustee, upon each of the parties receiving a copy of the Plan and Disclosure Statement. Any party wishing to object to the Liquidating Trustee Suggestion, must file an objection to the Liquidating Trustee Suggestion on or before the date that is three days prior to the Confirmation Hearing (the "Liquidating Trustee Suggestion Deadline") and serve such objection, in writing, upon counsel for the Debtor. Further, any objection filed to the Liquidation Trustee Suggestion shall contain an alternative nomination of a person or entity to serve as Liquidating Trustee. Failure to nominate an alternative person or entity in such objection shall render the objection moot and overruled on its face. If no objection to the Liquidating Trustee Suggestion is filed by the Liquidating Trustee Suggestion Deadline, then the Liquidating Trustee shall be the Person specified in the Liquidating Trustee Suggestion. If a timely-filed objection to the Liquidating Trustee Suggestion is filed, the Person named in the Liquidating Trustee Suggestion, along with any Person or entity nominated in the timely-filed objection(s) shall be voted on pursuant to the election procedures in Section 7.4.2 of the Plan.

(b) Election of Liquidating Trustee. In the event that a timely-filed objection to the Liquidating Trustee Suggestion is filed with the Bankruptcy Court in conformance with the provisions of Section 7.4.1, the Debtor shall convene an election (the "Liquidating Trustee Election") prior to the Confirmation Hearing. Should the Liquidating Trustee Election occur, the Liquidating Trustee shall be elected by the a representative of the Atlantic Parties, a representative of Bank of New York Mellon and a representative of American Realty Investors, Inc. Prior to the Liquidating Trustee Election, it shall be the job of any party who filed an objection to the Liquidating Trustee Suggestion to apprise each of the other parties eligible to vote on the Liquidating Trustee its alternative nominee and why that party believes its nominee is capable and appropriate. At the Liquidating Trustee Election, the Debtor shall declare the winner of said election. Such winner shall be the person with the most votes, regardless of the number of votes cast and whether any candidate received a majority of the votes cast. There shall be no runoff. In the event of a tie, the Bankruptcy Court shall choose which of the two or more candidates shall prevail.

(c) Notification. Promptly after the Liquidation Trustee Suggestion Deadline if no objection is filed, or promptly after declaring the winner of the election described in Section 7.4.2 of the Plan, the Debtor shall file as part of the Plan Supplement (if possible) a Notice of Liquidating Trustee (the "Liquidating Trustee Notice") specifying the identity of the Liquidating Trustee.

(d) No Prejudice. Each Creditor who participates or files an objection to the Liquidating Trustee Suggestion, or participates in the election described in Section 7.4.2 of the Plan does not, by such participation, in any way prejudice any right to contest any portion of the

Plan, to vote against the Plan, or any other right, claim, or issue in the Chapter 11 Case or otherwise.

(e) Bankruptcy Jurisdiction: The Bankruptcy Court shall have exclusive jurisdiction to determine any disputes related to the Liquidating Trustee or the procedures described herein related to his selection.

6.10 Compensation of the Liquidating Trustee

For services rendered by the Liquidating Trustee in administering the Liquidating Trust, the Liquidating Trustee shall be compensated $400.00 per hour, or such lower amount as the Liquidating Trustee may agree to with the Trust Advisory Board.

6.11 Bonding Requirement

Within five (5) Business Day after the Effective Date and unless waived in writing from by the Liquidating Trust Committee, the Liquidating Trustee shall, at the expense of the Liquidating Trust, procure a performance bond or bonds for the benefit of the Liquidating Trust in the amount of at least $100,000.00 written by an insurance or bonding company authorized to do business in the State of Texas reasonably acceptable to the Liquidating Trust Committee.

6.12 Termination

The duties, responsibilities and powers of the Liquidating Trustee shall terminate after all Liquidating Trust Assets, including Causes of Action transferred and assigned to the Liquidating Trust, are fully resolved, abandoned or liquidated and the Available Case and other amounts held in Reserve Accounts have been distributed in accordance with the Plan and the Liquidating Trust Agreement. Except in circumstances set forth below, the Liquidating Trust shall terminate no later than five years after the Effective Date. However, if warranted by the facts and circumstance provided for in the Plan, and subject to the approval of the Bankruptcy Court upon a finding that an extension is necessary for the purpose of the Liquidating Trust, the terms of the Liquidating Trust may be extended one or more times (not to exceed a total of five extensions, unless the Liquidating Trustee received a favorable ruling from the Internal Revenue Service that any further extension would not adversely affect the state of the Liquidating Trust as a grantor trust for federal income tax purposes) for a finite period, not to exceed six months, based on the particular circumstances at issue. Each such extension must be approved by the Bankruptcy Court within one month prior to the beginning of the extended term with notice thereof to all of the unpaid beneficiaries of the Liquidating Trust. Upon the occurrence of the termination of the Liquidating Trust, the Liquidating Trustee shall file with the Bankruptcy Court a report thereof, seeking an order discharging the Liquidating Trustee.

6.13 Liquidating Trust Committee

Upon the Effective Date, the Liquidating Trustee shall facilitate the formation of the Liquidating Trust Committee. One member of the Liquidating Trust Committee shall be selected by the Atlantic Parties, one member of the Liquidating Trust Committee shall be selected by the

Bank of New York Mellon and one member of the Liquidating Trust Committee shall be selected by American Realty Investors, Inc.

6.14 Reserves Administered by the Liquidating Trust

(a) Establishment of Reserve Accounts. The Liquidating Trustee shall establish each of the Reserve Accounts (which, notwithstanding anything to the contrary contained in the Plan, may be effected by either establishing a segregated account or establishing book entry accounts, in the sole discretion of the Liquidating Trustee).

(b) Undeliverable Distribution Reserve

(i) Deposits. If a payment or Distribution to any Holder of an Allowed Claim or Liquidating Trust Interest is returned to the Liquidating Trustee as undeliverable or is otherwise unclaimed, such Payment or Distribution shall be deposited in a segregated, interest-bearing account, designated as an "Undeliverable Distribution Reserve," for the benefit of such Holder until such time as such Payment or Distribution becomes deliverable, is claimed or is deemed to be have been forfeited in accordance with Section 11.2.2 of the Plan.

(ii) Forfeiture. Any Holder of an Allowed Claim or Liquidating Trust or Liquidating Trust Interest that does not asset a claim pursuant to the Plan for an Undeliverable or Unclaimed Payment or Distribution within one year after the first Payment or Distribution is made to such Holder shall be deemed to have forfeited its claim for such Undeliverable or Unclaimed Payment or Distribution and shall forever be barred and enjoined from asserting any such claim for the Undeliverable and Unclaimed Payment or Distribution against the Debtor, the Estate, the Liquidating Trustee, the Liquidating Trust, or their respective properties or assets. In such cases, any Cash or other property held by the Liquidating Trust in the Undeliverable Distribution Reserve for distribution on account of such claims for Undeliverable or Unclaimed Payment or Distributions, including the interest that has accrued on such Undeliverable or Unclaimed Payments or Distributions while in the Undeliverable Distribution Reserve, shall become the property of the Liquidating Trust, notwithstanding any federal or state escheat laws to the contrary, and shall be available for immediate distribution by the Liquidating Trust as Unrestricted Liquidating Trust Case Proceeds according to the terms of the Plan and the Liquidating Trust Agreement.

(iii) Disclaimer. The Liquidating Trustee and his or her respective agents and attorneys are under no duty to take any action to either (i) attempt to locate any Claim Holder, or (ii) obtain an executed Internal Revenue Service W-9 form from a Claim Holder.

(iv) Payment of Distribution from Reserve. Within fifteen (15) Business Days after the Holder of an Allowed Claim or Liquidating Trust Interest (as applicable) satisfies the requirements of the Plan such that the Payment(s) or Distribution(s) attributable to its Claim or Liquidating Trust Interest (as applicable) is no longer an Undeliverable or Unclaimed Payment or Distribution (provided that satisfaction occurs within the time limits set forth in Section 11.2.2 of the Plan), the Liquidating Trustee shall pay out of the Undeliverable Distribution Reserve to such Holder the amount of the Undeliverable or Unclaimed Payment or

Distribution attributable to such Claim or Liquidating Trust Interest (as applicable), including the interest that has accrued on such Undeliverable or Unclaimed Payment or Distribution while in the Undeliverable Distribution Reserve.

(c) Liquidating Trust Expense Reserve. On the Effective Date, the Liquidating Trustee shall deposit the Liquidating Trust Expense Carveout into the Liquidating Trust Expense Reserve. The funds constituting the Liquidating Trust Expense Reserve are to be used by the Liquidating Trustee solely to satisfy the expenses of the Liquidating Trust and the Liquidating Trustee as set forth in the Plan.

Beginning on the first semi-annual anniversary of the Effective Date and each semi-annual anniversary thereafter, the Liquidating Trustee shall evaluate and remove from the Unrestricted Liquidating Trust Cash Proceeds that amount that he or she estimates will be sufficient to pay the Liquidating Trust Expenses incurred during each six (6) month period following such semi-annual anniversary, as well as the costs and expenses associated with the winding up of the Liquidating Trust and the storage of record and documents, and such other amounts that the Liquidating Trustee deems necessary or appropriate in accordance with the procedures set forth in the Liquidating Trust Agreement.

(d) Taxing Authority Distribution Reserve. On the Effective Date, the Liquidating Trustee shall establish the Taxing Authority Distribution Reserve by depositing from the ARI Settlement Proceeds Cash in the amount estimated by the Bankruptcy Court to be necessary to satisfy all the Allowed Class 1 Claims of the Taxing Authorities. All Distributions of Available Cash to the Holders of Allowed Class 1 Claims shall be made from the Taxing Authority Distribution Reserve.

(e) Senior Claim Reserve. On the Effective Date, the Liquidating Trustee shall establish the Senior Claim Reserve by depositing from the ARI Settlement Proceeds Cash in the amount estimated by the Bankruptcy Court to be necessary to satisfy all Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Cure Claims and Allowed Professional Claims. If all or any portion of an Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Cure Claims or Allowed Professional Claims shall become a Disallowed Claim, the amount on deposit in the Senior Claim Reserve attributable to such Disallowed Claim, including the interest that had accrued on said amount while on deposit in the Senior Claim Reserve, shall remain in the Senior Claim Reserve or be transferred out of the Senior Claim Reserve, as determined by the Liquidating Trustee.

Beginning on the Effective Date and thereafter, on each semi-annual anniversary of the Effective Date, the Liquidating Trustee shall evaluate and deposit (from the Liquidating Cash Assets) or remove cash in or from the Senior Claim Reserve in an amount that he or she estimates will be sufficient to pay United States Trustee fees incurred during each twelve (12) month period beginning on the Effective Date or the anniversary thereof, as applicable.

(f) General Unsecured Claims Distribution Reserve. On the Effective Date, the Liquidating Trustee shall establish the General Unsecured Claims Distribution Reserve and shall deposit into the account, from the ARI Settlement Proceeds, the Class 5 Distribution

Carveout. All Distributions of Available Cash to the Holders of Allowed Class 5 Claims shall be made from the General Unsecured Claims Distribution Reserve.

(g) Series A Distribution Reserve. On the Effective Date, the Liquidating Trustee shall establish the Series A Dividend Distribution Reserve for the sole benefit of the Holders of Series A Liquidation Trust Interests. Further, the Liquidating Trustee shall deposit the balance of the ARI Settlement Proceeds (after deposits made to the applicable Reserve Accounts pursuant to Sections 11.3, 11.4, 11.5 and 11.6 of the Plan) into the Series A Reserve Account (the "Guaranteed Dividend"). Unless otherwise provided for under the Plan, all Distributions of Available Cash to the Holders of Series A Liquidating Trust Interests shall be made from the Series A Distribution Reserve.

(h) Series B Distribution Reserve. On the Effective Date, the Liquidating Trustee shall establish the Series B Distribution Reserve for the sole benefit of the Holders of Series B Liquidating Trust Interests. All Distributions of Available Cash to the Holders of Series B Liquidating Trust Interests shall be made from the Series B Distribution Reserve.

(i) BONY Reserve Account. On the Effective Date, the Liquidating Trustee shall establish the BONY Reserve Account for the benefit of distributions made pursuant to Sections 10.1 and 10.2 of the Plan to Bank of New York Melon on account of their Series A Liquidating Trust Interests.

6.15 Procedures for Resolving Disputed, Contingent and Unliquidated Claims

(a) Effect of Bar Date. In accordance with Federal Rule of Bankruptcy Procedure 3003(c), any entity, person or Creditor whose claim was not scheduled, or holds a Contingent Claim, Unliquidated Claim, or Disputed claims, and did not file a proof of claim before the Bar Date, shall not be treated as a Creditor with respect to such claim for purposes of voting or distribution.

(b) Amendments to Claims; Claims Filed After the Confirmation Date. Except as otherwise provided in the Plan, and subject to the Bar Date, a Claim may not be amended after the Confirmation Date without the prior written authorization of the Bankruptcy Court. Except as otherwise provided in the Plan, any amended Claim filed with the Bankruptcy Court after the Confirmation Date shall be deemed disallowed in full and expunged without the need for any action by the Debtor or Liquidating Trustee. Notwithstanding the foregoing, and for the avoidance of doubt, the holder of a Secured Tax Claim may amend any timely filed proof of claim, where such proof of claim includes an estimated amount for *ad valorem* taxes, in order to assert actual taxes for said year(s), at any time prior to substantial consummation of the Plan.

(c) Objection Deadline. Within ninety (90) days from the Effective Date, unless such date is extended by Order of the Court after notice and hearing, the Debtor may file with the Court objections to Claims and interests and shall serve a copy of each such objection upon the Holder of the Claim or interest to which such objection pertains, the Debtor and the Liquidating Trustee, but upon no other party or party-in-interest. Unless arising from an

Avoidance Action, any proof of Claim filed after the Confirmation Date shall be of no force and effect and need not be objected to. Any Undetermined Claim may be litigated to Final Order. The Debtor, or the Liquidating Trustee if applicable, may compromise and settle any Undetermined Claim without the necessity of any further notice or approval of the Bankruptcy Court, and Bankruptcy Rule 9019 shall not apply to any settlement of an Undetermined Claim after the Effective Date. Nothing in the Plan extends the Bar Date set in the Chapter 11 Case or grants any Creditor any greater rights with respect to a late-filed Claim than such Creditor otherwise has. Unless otherwise ordered by the Court, the Debtor, or the Liquidating Trustee if applicable, shall litigate to judgment, settle or withdraw objections to contested Claims.

(d) Creditor Response to Objection. With respect to any objection to a Claim when such objection is filed after the Effective Date but otherwise in compliance with the Plan, the Creditor whose Claim was the subject of the objection must file with the Bankruptcy Court and serve a response to the objection upon the Debtor, the Liquidating Trustee and the objecting party no later than thirty (30) days from the date of service of any such objection. Failure to file and serve such a response within the thirty (30) days shall cause the Bankruptcy Court to enter a default judgment against the non-responding Creditor and thereby grant the relief requested in the objection without further notice to such Creditor. Any such objection shall contain prominent negative notice language informing the objected-to creditor of the same.

(e) No Payment Pending Allowance. Notwithstanding any other provision in the Plan, if any portion of a Claim is disputed or is an Undetermined Claim, then no payment or distribution hereunder shall be made on account of any portion of such Claim unless and until such Disputed Claim becomes an Allowed Claim as provided in the Plan.

(f) Estimation of Claims. The Debtor may at any time request that the Bankruptcy Court estimate any Contingent Claim, Unliquidated Claim or Disputed Claim pursuant to 11 U.S.C. § 502(c), regardless of whether the Debtor or Liquidating Trustee previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates an Undetermined Claim, the amount so estimated shall constitute either the allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtor or the Liquidating Trustee may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated, compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

ARTICLE VII
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND SECURITIES LAW CONSIDERATIONS

7.1 General

The following discussion summarizes certain U.S. federal income tax consequences to the Debtor and certain holders of Allowed Claims of the implementation of the Plan and the formation of and conveyances to the Litigation Trust. This summary is for general information purposes only, and should not be relied upon for purposes of determining the specific tax consequences of the Plan with respect to any particular Debtor or holder of an Allowed Claim. This discussion does not purport to be a complete analysis or listing of all potential tax considerations.

The discussion is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated thereunder, judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service ("IRS"), all as in effect on the date hereof. Legislative, judicial or administrative changes or new interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the U.S. federal income tax consequences of the Plan. Any such changes or new interpretations may have retroactive effect and could significantly affect the U.S. federal income tax consequences of the Plan described below.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan or the formation of and conveyances to the Litigation Trust. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this discussion does not address foreign, state or local tax consequences of the Plan or the formation of and conveyances to the Litigation Trust, nor does it purport to address the U.S. federal income tax consequences of the Plan or the formation of and conveyances to the Litigation Trust to (i) special classes of taxpayers (such as Persons who are related to the Debtors within the meaning of the Tax Code, non-U.S. persons, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, and investors in pass-through entities and holders of Claims or Equity Interests who are themselves in bankruptcy) or (ii) holders not entitled to vote on the Plan, including holders whose Claims or Equity Interests are to be extinguished without any Distribution. Holders of Allowed Claims should consult their own tax advisors as to the effect such ownership may have on the U.S. federal income tax consequences described below.

This discussion assumes that holders of Claims or Equity Interests hold only Claims or Equity Interests in a single Class. Holders of multiple Classes of Claims or Equity Interests should consult their own tax advisors as to the effect such ownership may have on the U.S. federal income tax consequences described below. This discussion further assumes that the various debt and other arrangements to which the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY AS MANDATED BY SECTION 1125 OF THE BANKRUPTCY CODE AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (1) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER OF A CLAIM FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF CLAIMS UNDER THE TAX CODE, (2) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE CONFIRMATION OF THE PLAN TO WHICH THE TRANSACTIONS DESCRIBED IN THIS DISCLOSURE STATEMENT ARE ANCILLARY, AND (3) HOLDERS OF CLAIMS SHOULD SEEK ADVICE BASED UPON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN TAX ADVISOR.

7.2 Tax Status of the Debtor

The Debtor is classified as a C corporation for U.S. federal income tax purposes. Accordingly, all items of income, gain, loss, deduction, and credit of the Debtor, for U.S. federal income tax purposes (such as gains, losses, and cancellation of indebtedness income from effectuation of the Plan), will be taken into account by the Debtor.

7.3 Certain U.S. Federal Income Tax Consequences to the Debtor

The Debtor will generally realize gain or loss on the sale, or transfer to the Liquidating Trust, of the Liquidating Trust Assets equal to the difference between (i) the amount realized on the sale and the fair market value of the assets transferred to the Liquidating Trust, and (ii) its adjusted tax basis in the assets sold or transferred. The character of any gain or loss as capital or ordinary, and in the case of capital gain or loss, as short term or long term will depend upon the nature of assets sold or transferred and the Debtor's holding period for the assets.

To the extent that the consideration issued to holders of Claims pursuant to the Plan is attributable to accrued but unpaid interest, the Debtor should be entitled to interest deductions in the amount of such accrued interest, but only to the extent the Debtor has not already deducted such amount. The Debtors should not have COD income (as defined below) from the discharge of any accrued but unpaid interest pursuant to the Plan to the extent that the payment of such interest would have given rise to a deduction pursuant to § 108(e)(2) of the Internal Revenue Code. Further, the discharge of a recourse debt obligation by a debtor for an amount of Cash

and/or fair market value of property that is less than the adjusted issue price of the debt obligation (as determined for U.S. federal income tax purposes) gives rise to cancellation of indebtedness ("COD") income, which must be included in the debtor's income, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD income (such as where the payment of the canceled debt would have given rise to a tax deduction). A specific statutory exception applies to certain debtors if the discharge of indebtedness is granted in a case under Title 11 of the United States Code (relating to bankruptcy) and pursuant to a plan approved by a bankruptcy court in such case. A separate exception applies to taxpayers if the discharge occurs when the taxpayer is insolvent. In the case of debtors that are pass through entities, both of the aforementioned statutory exceptions must be applied at the partner level. Unless an exception applies, the owners of equity interests of the Debtors will realize their distributive share of COD income realized by the Debtors as a result of the Plan to the extent an Allowed Claim is cancelled for no consideration, or in exchange for Cash or other assets conveyed, if any, that in the aggregate is less than the adjusted issue price of the Allowed Claim.

For the foregoing reasons, the precise amount of taxable gain or loss, COD income, or both, which the Debtor, and hence the owners of equity interests of the Debtor will realize as a result of effectuation of the Plan cannot be determined until the date of the exchange.

7.4 Tax Consequences to Creditors

The tax consequences of the implementation of the Plan and formation of the Liquidating Trust to Creditors will depend in part, on the type of consideration received by the Creditor in exchange for its Allowed Claim, whether the Creditor reports income on the accrual or cash basis, whether the Creditor receives consideration in more than one tax year of the Creditor, whether the Creditor is a resident of the United States, and whether all consideration received by the Creditor is deemed to be received by that Creditor in an integrated transaction. The tax consequences of the receipt of Cash or property that is allocable to interest are discussed below in the section entitled "Receipt of Interest."

(a) Receipt of Cash and Other Property

A Creditor who receives Cash and/or other property (including Liquidating Trust Interests deemed received as discussed below) in satisfaction of its Claim generally will recognize gain (or loss) on the exchange equal to the difference between the amount of any Cash and the fair market value of any property received (not allocable to interest) and the Creditor's tax basis in its Claim. The character of any gain or loss as capital or ordinary income or loss and, in the case of capital gain or loss, as short-term or long-term, will depend on a number of factors, including: (i) the nature and origin of the Claim (e.g., Claims arising in the ordinary course of a trade or business or made for investment purposes); (ii) the tax status of the Holder of the Claim; (iii) whether the Claim is a capital asset in the hands of the Holder; (iv) whether the Claim has been held by the Holder for more than one year; (v) the extent to which the Holder previously claimed a loss or a bad debt deduction with respect to the Claim; and (vi) the extent to which the Holder acquired the Claim at a market discount. Creditors should consult their own tax advisors regarding the amount and character of gain or loss, if any, to be recognized by them under the Plan.

(b) Receipt of Interest.

Consideration received by a Creditor that is attributable to accrued interest not previously included in taxable income should be treated as ordinary income, regardless of whether the Creditor's existing Claims are capital. Conversely, a Holder of an Allowed Claim may be able to recognize a deductible loss (or possibly a write-off against a reserve for worthless debts) to the extent that any accrued interest on the Allowed Claim was previously included in the Holder's gross income but was not paid in full by the Debtors. The extent to which the consideration received by a Holder of an Allowed Claim will be attributable to accrued interest is unclear.

(c) Market Discount

The Tax Code generally requires holders of debt instruments with "market discount," (generally, the amount by which the "adjusted issue price" of a debt instrument (*i.e.*, the sum of its issue price plus accrued original issue discount) exceeds the holder's adjusted tax basis in such debt instrument), to treat as ordinary income any gain realized on the disposition of such debt instruments to the extent of the market discount accrued during the holder's period of ownership. Holders should consult their own tax advisors as to the potential application of the market discount rules to them in light of their individual circumstances, and the advisability of making an e lection to accrue market discount on a current basis.

(d) Backup Withholding.

Under the Tax Code, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding" at a 28% rate. Withholding generally applies if the holder: (a) fails to furnish his social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax, but merely an advance payment, which may be refunded or credited against such holder's U.S. federal income taxes. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

7.5 U.S. Federal Income Tax Consequences of the Liquidating Trust

(a) Classification of the Liquidating Trust

The Liquidating Trust will be organized for the primary purpose of liquidating the Liquidating Trust Assets transferred to it with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, it's liquidating purpose. Thus, the Liquidating Trust is intended to be classified for U.S. federal income tax purposes as a "liquidating trust" within the meaning of Treasury Regulation section 301.7701-4(d). Under the Plan, all relevant parties are required to treat the Liquidating Trust as a liquidating trust, subject to definitive guidance to the contrary from the IRS. In general, a

liquidating trust is not a separate taxable entity but rather is treated as a grantor trust, pursuant to sections 671 et seq. of the Tax Code, owned by the Persons who transfer assets to it.

Although the Liquidating Trust has been structured with the intention of complying with guidelines established by the IRS in Rev. Proc. 94-45, 1994-2 C.B. 684, for the formation of a liquidating trust, it is possible that the IRS could require a different characterization of the Liquidating Trust, which could result in a different and possibly greater tax liability to the Liquidating Trust or the holders of the Liquidating Trust Interests. No request for a ruling from the IRS will be sought on the classification of the Liquidating Trust, and there can be no assurance that the IRS would not (or will not) take a contrary position to the classification of the Liquidating Trust. If the IRS were to successfully challenge the classification of the Liquidating Trust as a grantor trust, the U.S. federal income tax consequences to the Liquidating Trust and the holders of the Liquidating Trust Interests could be materially differently from those discussed herein. The following discussion assumes treatment of the Liquidating Trust as a grantor trust for U.S. federal income tax purposes.

(b) Creation of the Liquidating Trust

If the Liquidating Trust is treated as a "liquidating trust" then, upon its creation, each Liquidating Trust Beneficiary will be treated as having received and as owning an undivided interest in the assets of the Liquidating Trust in exchange for its Allowed Claim followed by a transfer by the Liquidating Trust Beneficiary of such Liquidating Trust Assets to the Liquidating Trust. Under the Plan, all parties (including, without limitation, the Debtor, the Liquidating Trustee, the Liquidating Trust and the Liquidating Trust Beneficiaries) are required to report consistently with the foregoing for federal and applicable state and local income tax purposes. The basis of each Liquidating Trust Beneficiary's interest in the Liquidating Trust Assets received will be equal to its fair market value as of the Effective Date. The fair market value of the portion of the Liquidating Trust Assets that is treated as having been transferred to each Liquidating Trust Beneficiary will be determined, pursuant to the Liquidating Trust Agreement, by the Liquidating Trustee, and all parties must utilize such fair market values determined by the Liquidating Trustee for federal and applicable state and local income tax purposes. The determination of the fair market value of a Holder's Liquidating Trust Interest is factual in nature and the IRS may challenge any such determination.

(c) Allocation of Income and Loss and Disposition of Liquidating Trust Assets

Each Holder of a Liquidating Trust Interest must report on its U.S. federal income tax return its allocable share of income, gain, loss, deduction and credit recognized or incurred by the Liquidating Trust. Deductions attributable to activities and administrative expenses of the Liquidating Trust may be subject to limitation in the hands of the holders of the Liquidating Trust Interests. Upon the sale or other disposition of any Liquidating Trust Assets, each holder of a Liquidating Trust Interest must report on its U.S. federal income tax return its share of any gain or loss measured by the difference between (i) its share of the amount of Cash and/or the fair market value of any property received by the Liquidating Trust in exchange for the Liquidating Trust Asset so sold or otherwise disposed of, and (ii) such holder's adjusted tax basis is in its

share of such Liquidating Trust Assets. The character of any such gain or loss to any such holder will be determined as if such holder itself had directly sold or otherwise disposed of such Liquidating Trust Asset. The character of items of income, gain, loss, deduction and credit to any holder of a Liquidating Trust Interest, and the ability of such holder to benefit from any deductions or losses, will depend on the particular circumstances or status of any such holder.

As a grantor trust, each holder of a Liquidating Trust Interest has an obligation to report its share of the Liquidating Trust's tax items (including gain on the sale or other disposition of a Liquidating Trust Asset). Accordingly, holders of a Liquidating Trust Interest may incur a tax liability as a result of owning a beneficial interest in the Liquidating Trust, regardless of whether the Liquidating Trust distributes Cash or other proceeds from the Liquidating Trust Assets. Although the it is anticipated that cash distributions will be made at least semi-annually, due to the Liquidating Trust's requirements to satisfy certain liabilities, and due to possible differences in the timing of income on, and the receipt of Cash from, the Liquidating Trust Assets, a holder of a Liquidating Trust Interest may, in certain years, be required to report and pay tax on a greater amount of income than the amount of Cash received from the Liquidating Trust by such holder in such year.

(d) Reserve for Disputed Claims

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary, the Liquidating Trustee will (a) treat all Liquidating Trust Assets allocable to, or retained on account of, Disputed Claims, as a "disputed ownership fund" governed by Treasury Regulation section 1.468B-9 for federal income tax purposes, consisting of separate and independent shares to be established in respect of each Disputed Claim, and (b) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes. Accordingly, all Liquidating Trust Assets allocable to, or retained on account of, Disputed Claims will be subject to tax annually on a separate entity basis on any net income earned with respect to the applicable trust assets, and all distributions from this separate trust will be treated as received by holders in respect of their Disputed Claims as if distributed by the Debtor. All parties (including, without limitation, the Debtor, the Liquidating Trustee and the Liquidating Trust Beneficiaries) will be required to report for tax purposes consistently with the foregoing.

7.6 Importance of Obtaining Professional Tax Assistance

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY AS MANDATED BY SECTION 1125 OF THE BANKRUPTCY CODE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

7.7 Securities Law Considerations

The Liquidating Trust Interests may not be transferred, sold, pledged or otherwise disposed of, or offered for sale, except for transfers by operation of law. The offer and issuance of the Liquidating Trust Interests will be made without registration under the 1933 Act, or under any state securities laws. To the extent the Liquidating Trust Interests constitute securities, the offer and issuance of the Liquidating Trust Interests will be made in reliance upon the exemption from registration afforded by sections 1125 and 1145 of the Bankruptcy Code. The Confirmation Order will include provisions to the effect that such exemptions are applicable to the offer and issuance of the Liquidating Trust Interests and that the Liquidating Trust is a "successor" to Debtors within the meaning of section 1145 of the Bankruptcy Code. No indenture will be qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"), with respect to the Liquidating Trust in reliance on the exemption provided by sect ion 304(a)(1) of the 1939 Act.

Section 1145 of the Bankruptcy Code exempts the offer or sale of securities pursuant to a plan of reorganization or liquidation from the registration requirements of the 1933 Act and from registration under state securities laws if the following conditions are satisfied: (i) the securities are offered and sold by a debtor or a successor of the debtor under a plan of reorganization or liquidation; (ii) the recipients of the securities hold a claim against, an interest in, or a claim for an administrative expense against, the debtor; and (iii) the securities are issued in exchange for the recipients' claims against or interests in the debtor, or principally in such exchange and partly for cash or property. In general, offers and sales of securities made in reliance on the exemption afforded under section 1145(a) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof, other than underwriters (as defined in section 1145(b) of the Bankruptcy Code), are free to resell such securities without registration under the 1933 Act. In addition, such securities generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of the several states. However, as noted above, the Liquidating Trust Interests may not be transferred, sold, pledged or otherwise disposed of, or offered for sale, except for transfers by operation of law.

THE FOREGOING SUMMARY DISCUSSION IS GENERAL IN NATURE AND HAS BEEN INCLUDED IN THIS DISCLOSURE STATEMENT SOLELY FOR INFORMATIONAL PURPOSES PURSUANT TO SECTION 1125 OF THE BA KRUPTCY CODE. THE DEBTOR MAKES NO REPRESENTATIONS CONCERNING, AND DO NOT HEREBY PROVIDE, ANY OPINIONS OR ADVICE WITH RESPECT TO THE SECURITIES AND BANKRUPTCY MATTERS DESCRIBED HEREIN. IN LIGHT OF THE UNCERTAINTY CONCERNING THE AVAILABILITY OF EXEMPTIONS FROM THE RELEVANT PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS, THE DEBTOR ENCOURAGES EACH CREDITOR, EQUITY INTEREST HOLDER, LITIGATION TRUST BENEFICIARY, AND PARTY IN INTEREST TO CONSIDER CAREFULLY AND CONSULT WITH ITS OWN LEGAL ADVISORS WITH RESPECT TO ALL SUCH MATTERS.

ARTICLE VIII
THE BEST INTERESTS OF CREDITORS TEST

8.1 Best Interests of Creditors Test

The Bankruptcy Code requires that the Bankruptcy Court find that the Plan is in the best interest of all holders of Claims and Equity Interests that are Impaired by the Plan and that have not accepted the Plan as a requirement to confirm the Plan. The "best interests" test, as set forth in section 1129(a)(11) of the Bankruptcy Code, requires the Bankruptcy Court to find either that all members of an Impaired Class of Claims or Equity Interests have accepted the Plan or that the Plan will provide a member who has not accepted the Plan with a recovery of property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code on such date.

To calculate the probable distribution to members of each Impaired Class of Claims and Equity Interest if the Debtor was liquidated under Chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the disposition of the Debtor's assets if liquidated in Chapter 7 cases under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtor's assets by a chapter 7 trustee.

The amount of liquidation value available to holders of unsecured Claims against the Debtor would be reduced by, first, the claims of secured creditors (to the extent of the value of their collateral), and by the costs and expenses of liquidation, as well as by other administrative expenses and costs of the chapter 7 case. Cost of a liquidation of the Debtor under chapter 7 of the Bankruptcy Code would include the compensation of a chapter 7 trustee and his or her counsel and other professionals, asset disposition expenses and litigation costs. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay unsecured Claims or to make any distribution to Holders of Equity Interests.

Under a chapter 7 liquidation, no junior class of Claims or Equity Interests may be paid unless all classes of Claims or Equity Interests senior to such junior class are paid in full. Section 510(a) of the Bankruptcy Code provides that subordination agreements are enforceable in a bankruptcy case to the same extent that such subordination is enforceable under applicable non-bankruptcy law. Therefore, no class of Claims or Equity Interests that is contractually subordinated to another class would receive any payment on account of its Claims or Equity Interests, unless and until such senior classes were paid in full.

Once the Bankruptcy Court ascertains the recoveries in liquidation of the Debtor's secured and priority creditors, it would then determine the probably distribution to unsecured creditors from the remaining available proceeds of the liquidation. If this probable distribution has a value greater than the value of distributions to be received by the unsecured creditors under the Plan, then the Plan is not in the best interests of creditors and cannot be confirmed by the

Bankruptcy Court. As shown in the Liquidation Analysis attached hereto as **Exhibit C**, the Debtor believes that each member of each Class of Impaired Claims and Equity Interests will received at least as much, if not more, under the Plan as it would receive if the Debtor was liquidated.

8.2 Liquidation Analysis

The Debtor believes that under the Plan, all Holders of Impaired Claims and Equity Interests will receive property with a value greater than or equal to the value each such Holder would receive in a liquidation of the Debtor under chapter 7 of the Bankruptcy Code. The Debtor's belief is based upon the following:

- Consideration of the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to Holders of Impaired Claims and Equity Interests, including:
    - Increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a Chapter 7 trustee and professional advisors to the trustee;
    - risks associated with all litigation assets
    - increased costs and expenses of litigation in connection with the ARI Litigation
    - Substantial increases in Claims, especially a claim by ARI if a trustee is successful in avoiding the transfer for EQK, as well as substantially increased estimated contingent Claims;
    - Substantial delay in distributions, if any, to the Holders of Claims and Equity Interests that would likely occur in a Chapter 7 liquidation; and
    - the liquidation analysis prepared by the Debtor.

The annexed Liquidation Analysis is provided solely to disclose to Holders of Claims and Equity Interests the effects of a hypothetical chapter 7 liquidation of the Debtor, subject to the assumptions set forth therein.

ARTICLE IX
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor believes that the Plan affords holders of Claims and Equity Interests the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interest of such holders. If, however, enough acceptances received from Classes 3, 4 and 5 sufficient for the Debtor to confirm the Plan are not received, or the Plan is not subsequently confirmed and consummated, the theoretical alternatives include: (i) formulation of an alternative plan or plans or (ii) liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

9.1 Alternative Plan(s)

If enough acceptances to confirm the Plan are not received or if the Plan is not confirmed, the Debtor (or, if the Debtor's exclusive period in which to file and solicit acceptances of a

reorganization plan have expired, any other party in interest) could attempt to formulate and propose a different plan or plans of liquidation.

With respect to an alternative plan, the Debtor has explored various other alternatives to the plan as proposed. The Debtor believes that the Plan, as described herein, enables holders of Claims and Equity Interests to realize the greatest possible value under the circumstances, and that, as compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated.

9.2 Liquidation Under Chapter 7

Proceedings under chapter 7 would impose significant additional monetary and time costs on the Debtor's Estate. Under Chapter 7, a trustee would be elected or appointed to administer the Estate, to resolve pending controversies, including Disputed Claims against the Debtor and Claims of the Estate against other parties, and to make distributions to Holders of Claims. A chapter 7 trustee would be entitled to compensation in accordance with the scale set forth in the Bankruptcy Code, and the trustee would also incur significant administrative expenses.

There is a strong probability that a Chapter 7 trustee in these Cases would not possess any particular knowledge about the Debtor. Additionally, a trustee would probably seek assistance of professionals who may not have any significant background or familiarity with the Chapter 11 Case. The trustee and professionals retained by the trustee likely would expend significant time familiarizing themselves with the Chapter 11 Case. This would result in duplication of effort, increased expenses, and delay in payments to creditors.

In any analysis of liquidation under Chapter 7, it must be recognized that additional costs in both time and money are inevitable. In addition to these time and monetary costs, there are other problems in a chapter 7 liquidation that would result in a substantially smaller recovery for Holders of Claims and Equity Interests that under the Plan.

Further, distributions under the Plan probably would be made earlier than would distributions in a chapter 7 case. Distributions of the proceeds of a chapter 7 liquidation might not occur until one or more years after the completion of the liquidation in order to afford the trustee the opportunity to resolve claims and prepare for distributions.

THE DEBTOR BELIEVES THAT THE PLAN AFFORDS SUBSTANTIALLY GREATER RECOVERY TO HOLDRS OF CLAIMS AND EQUITY INTERESTS THAN SUCH HOLDERS WOULD RECEIVE IF THE DEBTOR IS LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

In the Liquidation Analysis, the Debtor has taken into account the nature, status and underlying value of its assets, the ultimate realizable value of such assets, and the extent to which the assets are subject to liens and security interests. In the opinion of the Debtor, the recoveries projected to be available in liquidation will not afford Holders of Allowed Claims and Allowed Equity Interests as great a realization as does the Plan.

9.3 Dismissal

Dismissal of the Chapter 11 Case would most likely lead to the same unsatisfactory, or worse, results as a chapter 7 liquidation.

9.4 Other Alternatives

The Debtor has attempted to set forth alternatives to the proposed Plan. However, the Debtor must caution Creditors that a vote must be for or against the Plan. The vote on the Plan does not include a vote on alternatives to the Plan. There is no assurance what turn the proceedings will take if the Plan fails to be accepted. If you believe one of the alternatives is preferable to the Plan and you wish to urge it upon the Court, you should consult counsel.

ARTICLE X
CERTAIN RISK FACTORS TO BE CONSIDERED

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD READ AND CAREFULLY CONSIDER THE RISK FACTORS SET FORTH BELOW, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO THE DEBTOR OR THAT THEY CURRENTLY DEEM IMMATERIAL MAY ALSO HARM ITS ESTATE.

10.1 Certain Bankruptcy Law Considerations

(a) Objections to Plan and Confirmation

Section 1129 of the Bankruptcy Code provides certain requirements for a Chapter 11 Plan to be confirmed. Parties-in-interest may object to confirmation of a plan based on an alleged failure to fulfill these requirements or other reasons. The Debtor believes that the Plan complies with the requirements of the Bankruptcy Code.

(b) Objections to Classification of Claims and Equity Interests

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interests is substantially similar to the other claims or interests in such class.

The Debtor believes that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because each class of Claims and Equity Interests contain Claims or Equity Interests that are substantially similar to the other Claims and Equity Interests in each such class.

(c) Insufficient Acceptances

For the Plan to be confirmed, each impaired Class of Claims is given the opportunity to vote to accept or reject the Plan. With regard to such impaired voting Classes, the Plan will be deemed accepted by a Class of impaired Claims if the Plan is accepted by Claimants of such Class actually voting on the Plan who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Allowed Claims of the Class voted. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. The Debtor intends to request confirmation pursuant to the cramdown provisions in section 1129(b) of the Bankruptcy Code, which will allow confirmation of the Plan regardless of the fact that a particular Class of Claims has not accepted the Plan. However, there can be no assurance that any impaired Class of Claims under the Plan will accept the Plan or that the Debtor would be able to use the Cramdown provisions of the Bankruptcy Code for confirmation of the Plan.

(d) Claims Estimation

There can be no assurance that the estimated amount of Claims and Equity Interests are correct, and the actual Allowed amounts of Claims and Equity Interests may differ from estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, the actual Allowed amounts of Claims and Equity Interests may vary from those estimated therein.

10.2 Estimated Recovery Risks

The Plan will be funded through the ARI Settlement Proceeds and from Causes of Action transferred to the Liquidating Trust. Because the ARI Settlement Proceeds are coming from the Debtor's former parent, there is little risk that these amounts will not be received by the Debtor. Consequently, there is little risk that the Claims being paid on or before the Effective Date will not be paid in accordance with the Plan.

With respect to recovery on account of Series A Liquidating Trust Interests, there is more risk as payments to these Creditors will be made partially from recovery on account of litigation Causes of Action transferred to the Liquidating Trust.

10.3 Certain Tax Considerations, Risks and Uncertainties

THERE ARE A NUMBER OF MATERIAL INCOME TAX CONSIDERATIONS, RISKS AND UNCERTAINTIES ASSOCIATED WITH CONSUMMATION OF THE PLAN. INTERESTED PARTIES SHOULD READ CAREFULLY THE DISCUSSION SET FORTH IN ARTICLE VII OF THIS DISCLOSURE STATEMENT FOR A DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES BOTH TO THE DEBTOR AND TO HOLDERS OF CLAIMS THAT ARE IMPAIRED UNDER THE PLAN.

ARTICLE XI
VOTING PROCEDURES AND REQUIREMENTS

11.1 Voting Deadline

Each Creditor holding a Claim which entitles the Creditor to vote on the Plan has been provided a Ballot along with this Disclosure Statement. If a Creditor holds Claims in more than one Class entitled to vote under the Plan, the Creditor may indicate his vote in each Class with the same Ballot, or the Creditor may request an additional Ballot for each additional Class it is entitled to vote. The Ballot is to be used by the Creditor to accept or reject the Plan and to make any elections that are available to the Creditor as indicated by the Ballot.

To ensure that a Ballot is deemed timely and considered by the Balloting Agent, which shall be the Debtor's attorneys, Pronske Goolsby & Kathman, P.C., a Creditor must: (a) carefully review the Ballot and the instructions set forth thereon; (b) provide all of the information requested on the Ballot; (c) sign the Ballot; and (d) return the completed and signed Ballot to the Balloting Agent by the Voting Deadline. By order of the Bankruptcy Court, the "Voting Deadline" is 5:00 p.m. (CST), on _____, 2014. Therefore, in order for a Ballot to be counted for voting purposes and any applicable election, the completed and signed Ballot must be received at the address specified below by no later than the Voting Deadline.

DEADLINE: Must be **RECEIVED** by 5:00 p.m., Central Time
on _____, 2014

Addressed to:
Pronske Goolsby & Kathman, P.C.
Attn: Jason P. Kathman
2200 Ross Avenue, Suite 5350
Dallas, Texas 75201
Facsimile: 214.658.6509

11.2 Creditors Solicited to Vote

Each Creditor holding a Claim in a Class that is Impaired under the Plan is being solicited to vote on the Plan. As to any Claim for which a proof of claim was filed and as to which an objection has been lodged, however, if such objection is still pending as of the Voting Deadline, the Creditor's vote associated with such Claim will not be counted to the extent of the objection to the Claim, unless and to the extent the Bankruptcy Court temporarily allows the Claim upon motion by such Creditor in an amount determined by the Bankruptcy Court. Such motion must be heard and determined by the Bankruptcy Court prior to the date and time scheduled by the Bankruptcy Court for a hearing determining the confirmation of the Plan. Further, the Creditor's vote may be disregarded if the Bankruptcy Court determines that the Creditor's acceptance or rejection of the Plan was not solicited or procured in good faith or in accordance with the provision of the Bankruptcy Code.

11.3 Definition of Impairment

Pursuant to section 1124 of the Bankruptcy Code, a Class of Claims is impaired under a Plan unless, with respect to each Claim of such Class, the plan does at least one of the following two (2) things:

1. leaves unaltered the legal, equitable and contractual rights to which such Claim entitles the holder of such Claim; or

2. notwithstanding any contractual provision or applicable law that entitles the holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default:

   (a) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code;

   (b) reinstates the maturity of such claim as it existed before the default;

   (c) compensates the holder of such Claim for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and

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

The Plan identifies the classes of Creditors and Interests that the Debtor believe are Impaired or unimpaired under the Plan. The Plan cannot and does not change the law on what is an impaired class and, to the extent a Creditor disagrees with the Debtor's identification of impaired or unimpaired classes, the Creditor may object to the Plan and the Bankruptcy Court will decide the dispute.

11.4 Classes Impaired Under the Plan

Classes 3, 4 and 5 of the Plan are Impaired. Therefore, the Holders of Claims in Classes 3, 4 and 5 are being solicited for votes in favor of the Plan.

Classes 6 and 7 of the Plan are Impaired and will not receive or retain any distribution or property under the Plan on account of their respective Claims of Equity Interests. Accordingly, under section 1126(g) of the Bankruptcy Code, such Classes 6 and 7 of Claims and Equity Interests, respectively, are deemed to have rejected the Plan and are not eligible to vote on the Plan.

With respect to the foregoing, the Debtor specifically reserves its right to determine and contest, if necessary: (a) the impaired or unimpaired status of a Class under the Plan; and (b) whether any Ballots cast by Creditors holding Claims within such a class should be counted for purposes of confirmation of the Plan.

11.5 Votes Required for Class Acceptance

Pursuant to the Bankruptcy Code, a Class of Claims under the Plan shall be deemed to have accepted the Plan if the Plan is accepted by Creditors holding at least two-third (2/3) in amount and more than half (1/2) in number of the Claims within such Class who are entitled to vote and who actually vote using a properly completed and signed Ballot which is returned to the Balloting Agent by no later than the Voting Deadline. It is important to note that, pursuant to the Bankruptcy Code, a Class vote in favor of the Plan will be binding even on those creditors in the Class who vote against the Plan, so long as the requisite voting percentages are obtained in favor of the Plan.

11.6 Specific Considerations in Voting

While the Plan provides for certain payments at Confirmation, such payments will only apply to Allowed Claims including Claims arising from defaults. Under the Bankruptcy Code, a Claim may not be paid until it is allowed. A Claim will be Allowed in the absence of objection.

A Claim, including a Claim arising from default, which has been objected to will be heard by the Court at a regular, evidentiary hearing and Allowed in full or in part or disallowed. While the Debtor bears the principal responsibility for Claim objections, the Liquidating Trustee where applicable, or any interested party, including Creditors, may file claim objections. Accordingly, payment on some Claims, including Claims arising from defaults, may be delayed until objections to such Claims are ultimately settled. Parties should also read and consider the Risk Factors discussed and analyzed in Article X of this Disclosure Statement.

XII. MISCELLANEOUS PROVISIONS

12.1 Disclosures Required by the Bankruptcy Code

The Bankruptcy Code requires disclosure of certain facts:

1) There are no payments made or promises of the kind specified in section 1129(a)(4) of the Bankruptcy Code which have not been disclosed to the Court.

2) Counsel to the Debtor has advised the Debtor that the Debtor will require legal services in connection with this case after confirmation which will require reimbursement. Debtor may continue to use Pronske Goolsby & Kathman, P.C., as counsel after confirmation.

12.2. Certain Rights Unaffected

Except as otherwise provided in the Plan, any rights or obligations which the Debtor's Creditors may have amongst them as to their respective claims or the relative priority or subordination thereof are unaffected.

12.3 Binding Effect

As of the Effective Date, the Plan shall be binding upon and inure to the benefit of the Debtor, Reorganized Debtor, the Holders of the Claims, and their respective successors and assigns.

12.4 Exculpations

Debtor's professionals shall not have or incur any liability to any Holder of a Claim for any act, event, or omission in connection with, or arising out of, the confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence.

12.5 Notices

All notices, requests or demands in connection with the Plan shall be in writing and shall be deemed to have been given when received or, if mailed, five (5) days after the date of mailing, provided such writing shall have been sent by registered or certified mail, postage prepaid, return receipt requested, and sent to the following parties, addressed to:

Debtor:

American Realty Trust, Inc.
1603 LBJ Freeway, Suite 800
Dallas, Texas 75234

Debtor's Counsel:

Gerrit M. Pronske
Jason P. Kathman
Pronske Goolsby & Kathman, P.C.
2200 Ross Avenue, Suite 5350
Dallas, Texas 75201
(214) 658-6500 - Telephone
(214) 658-6509 – Telecopier

All notices and request to holders of Claims and Interests shall be sent to them at the address listed on the last-filed proof of claim and if no proof of claim is filed, at the address listed in the Debtor's Schedules.

RECOMMENDATION AND CONCLUSION

The Debtor respectfully submits that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the "best interest of creditors" and "feasibility" requirements and that it should be confirmed even in the event a class of claims does not vote for acceptance of the Plan. The Debtor believes that the Plan "is fair and equitable" and "does not

discriminate unfairly." Additionally, the Debtor believes that the Plan has been proposed in good faith.

For all of the reasons set fort in this Disclosure Statement, the Debtor believes that Confirmation and consummation of the Plan is preferable to all other alternatives discussed herein. Consequently, the Debtor urges all Holders of Claims to vote to accept the Plan, and to complete and return their Ballots so that they will be received by the Balloting Agent on or before the Voting Deadline.

Dated: January 1, 2014

AMERICAN REALTY TRUST, INC.

By: /s/ Steven Shelley
Name: Steven Shelley
Title: Vice President

OF COUNSEL:

/s/ Gerrit M. Pronske
Gerrit M. Pronske
State Bar No. 16351640
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