IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:	§	
	§	
ASR 2401 FOUNTAINVIEW, LP,	§	CASE NO. 14-35322
	§	(Chapter 11)
Debtor	§	
_____	§	_____
	§	
ASR 2401 FOUNTAINVIEW, LLC,	§	CASE NO. 14-35323
	§	(Chapter 11)
Debtor	§	
	§	Jointly Administered

DEBTOR'S THIRD AMENDED DISCLOSURE STATEMENT TO CHAPTER 11 PLAN OF REORGANIZATION

SUBMITTED BY
ASR 2401 FOUNTAINVIEW, LP
ASR 2401 FOUNTAINVIEW, LLC

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DISCLAIMER: NEITHER THIS DISCLOSURE STATEMENT NOR THE SOLICITATION OF THE ACCOMPANYING PLAN HAS BEEN APPROVED BY THE BANKRUPTCY COURT.

AS OF THE FILING OF THIS DISCLOSURE STATEMENT, NO HEARING ON THE APPROVAL OF THE DISCLOSURE STATEMENT OR CONFIRMATION OF THE PLAN HAS BEEN SET. THE DEBTOR WILL PROVIDE SEPARATE NOTICE, CONSISTENT WITH APPLICABLE BANKRUPTCY RULES, OF ANY SUCH HEARINGS AND OF THE DEADLINES FIXED BY THE COURT FOR OBJECTION TO THE PLAN OR THIS DISCLOSURE STATEMENT.

I. INTRODUCTION

ASR 2401 FOUNTAINVIEW, LP and ASR 2401 FOUNTAINVIEW, LLC, debtors, (the "**Plan Proponents**"), in the above referenced bankruptcy cases pending before the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "**Bankruptcy Court**"), respectfully submit this *Third Amended Disclosure Statement to Chapter 11 Plan of Reorganization* (as may be amended from time to time, the "**Disclosure Statement**"). This Disclosure Statement is to be used in connection with the Plan Proponents' proposed *Second Amended Chapter 11 Plan of Reorganization* (as may be amended from time to time, the "**Plan**"). A copy of the Plan, is attached hereto and incorporated herein as **Exhibit** "**A**." Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed to them in the Plan.

II. PLAN OVERVIEW AND IMPORTANT NOTICE TO HOLDERS OF CLAIMS

The Plan contemplates the sale of all of the Estate's major asset, 2401 Fountainview, by a Distribution Agent. The Distribution Agent will be an independent, impartial and responsible third-party who is "disinterested" as that term is defined in the bankruptcy code. The Distribution Agent will then distribute the net proceeds of the sale to holders of Allowed Claims under the terms of the Plan.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR ON YOUR DECISION TO SUPPORT CONFIRMATION OF THE PLAN. PLEASE READ THIS DISCLOSURE STATEMENT AND THE PLAN CAREFULLY AND IN THEIR ENTIRETY.

The Plan Proponents submit that this Disclosure Statement contains information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor, typical of the Holders of Claims against and Interests in the Debtors, to make an informed judgment with respect to the Plan.

Except for the Plan Proponents and their professionals, no person has been authorized to use or promulgate any information concerning the Debtors or the Plan, other than the information contained in the Plan. No Holder of a Claim against or Interest in the Debtor's Estate should rely on any information relating to the Debtor or the Plan other than what is contained in the Disclosure Statement, the Exhibits hereto, the Plan, and the Exhibits thereto. Unless otherwise indicated, the sources of all information set forth in the Plan are the Debtors, the Plan Proponents, and public filings, including filings in the Bankruptcy Court.

III. HEARINGS AND DEADLINES TO OBJECT

The Plan Proponents have requested hearings on the approval of the Disclosure Statement and the Confirmation of the Plan. A hearing on the Disclosure Statement will be set by the Court

at a date and time convenient with the Court that is also in compliance with the necessary notice provisions of the Bankruptcy Code. The Court will also set a hearing date for Confirmation of Plan. As required under the applicable Bankruptcy Rules, the Debtors will provide all parties in interest at least twenty-eight (28) days' notice of the hearing to approve this Disclosure Statement, or obtain an order allowing a shortened notice period, and will further provide separate notice of all relevant deadlines fixed by the Bankruptcy Court regarding objections and voting.

IV. INFORMATION CONCERNING THE DEBTORS

A. History of the Debtors

ASR 2401 FOUNTAINVIEW, LP ("**LP Debtor**") is a Delaware limited partnership formed for the purpose of owning a commercial building located at 2401 Fountainview Drive, Houston, Texas 77057 ("**2401 Fountainview**") and has no other business interest. ASR 2401 FOUNTAINVIEW, LLC ("**LLC Debtor**") is a Delaware limited liability company and operates as a General Partner of the LP Debtor with no other business interest.

The LP Debtor had the following members on the date this case was filed:

ASR 2401 Fountainview, LLC	1.0%	General Partner
Preferred Income Partners IV, LLC ("PIP")	Class A	Limited Partner
American Spectrum Realty Operating Partnership, LP	Class B	Limited Partner

The LLC Debtor had the following partners on the date this case was filed:

American Spectrum Realty Operating

2401 Fountainview is a ten story office building and was purchased in February 2006. The property is located at the southeast corner of Burgoyne Road and Fountainview Drive. The land contains approximately 3.5789 acres or 155,897 square feet. The office building contains approximately 179,726 square feet of net rentable space.

B. Debtors' Financial Information

Since the filing of this case, the Debtors have continued to operate their business which has generated a steady monthly income from leasing office space in the commercial property to the Houston, Texas metropolitan community. The Debtor has not liquidated any of its scheduled assets. The LP Debtor and LLC Debtor have filed monthly operating reports with the Bankruptcy court which are available for inspection at the office of the Clerk of the Court. Attached hereto as **Exhibit "F"** are copies of the latest monthly operating reports filed by Debtors. The LLC Debtor has no operations other than acting as the General Partner of the LP

Debtor.

The source of information used to prepare this Disclosure Statement is, primarily, the Debtors' original books and records. Current management of the Debtors did not create the historical books and records of the Debtors and cannot warrant the accuracy of such information. The Debtors' accounting is based on the accrual method.

C. Financing

The purchase of 2401 Fountainview was financed by a loan, as reflected by a promissory note in the amount of $12,750,000, from GMAC Commercial Mortgage Bank in February 2006. The loan is secured by a first lien Deed of Trust on 2401 Fountainview. The note and deed of trust were subsequently assigned by GMCA Commercial Mortgage Bank to Wells Fargo Bank, N.A. as Trustee for the registered holders of JP Morgan Chase Commercial Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates, Series 2006-LDP7. The note and deed of trust were again assigned in 2009 to U.S. Bank National Association, and again in 2013 to JPMCC 2006-LDP7 Office, 2401, LLC ("**JP MORGAN**"), the current owner and holder of the Note.

Petrochem Development I, LLC ("**Petrochem**") claims that the LP Debtor borrowed $2,000,000 in March 2012. The Petrochem loan is allegedly secured by the Petrochem Deed of Trust on 2401 Fountainview. Dansk ASR Investment, LLC ("**Dansk**") claims the LP Debtor borrowed $1,750,000.00 in March 2013. The Dansk loan is allegedly secured by the Dansk Deed of Trust on 2401 Fountainview. Dansk claims to have advanced additional funds to the LP Debtor in November 2013 as reflected by a Modification to Notes Agreement and in May 2014 as reflected by a Third Modification to Notes Agreement.

The LP Debtor intends to sell 2401 Fountainview to generate revenue for payment to secured and unsecured creditors. The interest of all current equity owners of the business will be terminated. The Reorganized Debtors will use the cash from the sale to pay the secured and unsecured debts to the best of its ability, with unsecured creditors being paid in full. The Reorganized Debtors do not currently believe any offer to acquire its ownership interest will be sufficient to pay all outstanding obligations owed to its creditors through the Plan.

D. Factors Leading Up to Chapter 11 Filing

Prior to the filing of the Bankruptcy Case, PIP filed suit against the LP Debtor, the LLC Debtor, and ASR Operating, as well as certain affiliated entities and officers and directors of the various entities. The lawsuit is styled *Preffered Income Partners IV, LLC vs. ASR 2401 Fountainview, LP, American Spectrum Realty Operating Partnership, LP, ASR Fountainview, LLC, William Carden, American Spectrum Realty, Inc., Patrick B. Barrett, David B. Wheless, James L. Hurn, American Spectrum Beltway, LLC and ASR Washington, LP.,et al,* Cause No. DC-14-02281 in the 44th District Court of Dallas County, Texas ("**Dallas Lawsuit**"). The Dallas Lawsuit is still pending.

According to pleadings in the Dallas Lawsuit, PIP made a capital contribution to the LP

Debtor in the amount of $2,250,000.00 in September 2009. In the Dallas Lawsuit, PIP claims that the LP Debtor failed to pay PIP its preferred return, and further claims that the Defendants in the Dallas Lawsuit took out unauthorized loans, including the loans to Dansk and Petrochem, using 2401 Fountainview as collateral. PIP sues the Defendants for breach of contract, fraud, fraudulent inducement, breach of fiduciary duty, negligent misrepresentation, conspiracy, money had and received, and constructive trust. Among other claims, PIP seeks a constructive trust on the proceeds from loans made by Petrochem and Dansk to the LP Debtor, and on all real and personal property purchased by Defendants using funds from the Petrochem and Dansk loans. PIP also sought appointment of a receiver over the LP Debtor.

E. Filing of the Bankruptcy Case

The LP Debtor and the LLC Debtor each filed voluntary Chapter 11 bankruptcy petitions on September 30, 2014.

F. Debtors' Assets

The Debtors filed with the Bankruptcy Court its Schedules of Assets and Liabilities and Statement of Financial Affairs (collectively referred to as the "**Schedules**"). The Schedules contain a listing of the Debtors' assets and liabilities, together with the estimated fair market value of the Debtors' assets and the amounts owed to its Creditors. The value of the Debtors' main tangible asset, 2401 Fountainview, was derived by using a liquidation value after factoring the age, depreciation, and functionality of the building. In connection with this Disclosure Statement, Creditors are referred to the Debtors' Schedules, copies of which are attached hereto as **Exhibit "B"**. The information contained in the Schedules was compiled by the Debtors to the best of their ability. These assets remain basically the same.

The Debtors' accounts receivables have been mostly collected or written off. The Debtors do not anticipate receiving any substantial income from past uncollected receivables. The receivables of ASRM and ASR Corporate, as listed on Schedule B, are being released as part of the settlement the Debtors have entered into with the ASR Corporate entities. ASR, Inc. is a debtor in bankruptcy and the Debtors believe these receivables are essentially worthless.

G. Liabilities and Claims Against the Debtors

The Debtors' Schedules contain a detailed listing of creditors, together with the estimated amount of Claims. The Debtors' Schedules generally organize creditors into three general groupings: (i) Schedule D – Secured Claims; (ii) Schedule E – Unsecured Priority Claims; and Schedule F – Unsecured Nonpriority Claims. Under the Bankruptcy Code, the Debtors may amend or supplement the Schedules as needed to ensure accuracy, completeness and fairness of disclosure.

H. Secured Claims

Pursuant to the Bankruptcy Code, Claims which are secured by a lien or other security interest may be categorized into a secured and an unsecured component. In general, Claims are

Secured Claims to the extent of the value of the collateral that secures the Claims and they are Unsecured Claims to the extent of any deficiency in the value of the collateral. As of the commencement of this case, the following secured claims have been brought against the Debtors:

JP Morgan Secured Claim in the amount of $10,917,261.72
Petrochem Secured Claim in the amount of $1,749,640.00
Dansk Secured Claim in the amount of $4,370,496.89

I. Unsecured Claims

The Debtors' Schedules contain a list of general non-priority unsecured claims. Copies of the Schedules are available for review at the office of the Clerk of the Court and are attached hereto and Creditors should consult the Schedules. Debtors believe the total general unsecured claims in this case are approximately $3,677,646.77. However, $3,320,757.73 of this amount are unsecured claims of affiliated entities (referred to on the Schedules as ASR Corporate and ASRM LLC), or its related entities. These claims are listed as contingent, unliquidated, and disputed. No proofs of claim have been filed in reference to these claims.

The Debtors estimate that the aggregate amount of unsecured claims to be paid out under the Plan will be approximately $195,857.85. A list of the known unsecured creditors is attached to this Disclosure Statement as Exhibit H.

American Spectrum Management, ASR Corporate and ASRM LLLC will receive nothing on account of their unsecured, intercompany claims.

Those parties listed on Schedule F of the LP Debtor's Schedules (attached hereto as Exhibit B) reflecting a contingent claim for lease deposits will have their leases assumed by the LP Debtor and assigned to the Purchaser. Upon assumption and assignment to the Purchaser, the contingent obligation to those parties on account of the lease deposits will be assumed by the Purchaser, as part of the Plan.

J. Executory Contracts and Unexpired Leases

The LP Debtor is the landlord on numerous commercial office leases which were executed in their ordinary course and scope of its business. A list of all executory contracts is attached as Schedule 1 of the Plan.

K. Significant Events Occurring During Chapter 11 Filing

Pursuant to cash collateral orders entered by the Bankruptcy Court, the LP Debtor has been authorized to use the cash collateral of JP MORGAN to manage and operate 2401 Fountainview, in accordance with terms of the cash collateral orders. An Agreed Seventh Interim Order Approving Use of Cash Collateral and Granting Partial Adequate Protection was entered by the Court on April 29, 2015.

On December 16, 2014, Debtors filed an Expedited Motion for Order (I) Authorizing Preferred Income Partners IV, LLC to Exercise its Contractual Right to Assume Control of ASR 2401 Fountainview, LLC and (II) Approve the Debtors' Employment of Jetall Real Estate Development as Property Manager. According to the Motion, the Debtors, PIP, ASR Operating, and ASR Realty, Inc. mediated the disputes between them in a mediation which occurred on December 2-3, 2014. A copy of the mediation term sheet ("**Mediation Term Sheet**") is attached to the Motion. In the signed Mediation Term Sheet, the LP Debtor and the LLC Debtor represent and warrant that the indebtedness to Dansk and Petrochem totals at least $6.1million.

To effect the terms of the Mediation Term Sheet, Debtors asked the Bankruptcy Court for PIP to assume control of the LLC Debtor. According to the Motion, PIP required that Debtors replace the current management company for 2401 Fountainview with Jetall Real Estate Development. The Motion reflects Jetall as "an entity that is associated with PIP." Upon information and belief, Jetall is a company owned or controlled by Ali Choudhri and has assumed partial or complete control over PIP's interest in the Debtors.

By Agreed Order between the Debtors, PIP, and JP MORGAN, entered January 6, 2015, PIP was allowed to assume operational control with respect to the operation and management of 2401 Fountainview, and the LP Debtor was authorized to retain Jetall Companies, Inc. to manage the property.

On February 13, 2015, JP MORGAN filed a Motion for Relief from the Automatic Stay Pursuant to 11 U.S.C. §362(d) in which a JP MORGAN asked that the stay be lifted so that it could foreclose on 2401 Fountainview. By Agreed Order Regarding the Automatic Stay ("**Lift Stay Order**") entered March 12, 2015, the automatic stay was modified such that JP MORGAN is allowed to post for foreclosure. In the event that a plan of reorganization and disclosure statement are not filed and approved in accordance with the terms and time table of the Agreed Order ("**Stay Relief Events**"), JP MORGAN may petition the Bankruptcy Court to lift the stay and allow JP MORGAN to foreclose. Stay Relief Events include failure of the Debtors or any other party to obtain approval of a Disclosure Statement by April 30, 2015, and failure to obtain confirmation of a plan of reorganization by May 29, 2015. The Agreed Order also requires indefeasible payment in full of the JP MORGAN debt no later than June 30, 2015, otherwise JP MORGAN is authorized to seek authority from the Court to foreclose on 2401 Fountainview.

On March 11, 2015, Dansk and Petrochem filed a Motion to Extend Time for Filing Proof of Claims, asking the Bankruptcy Court to allow Dansk and Petrochem to late file their claims as Dansk and Petrochem were not included on the service list and did not receive any notices or copies of pleadings in the Debtors' Bankruptcy case. The Motion was granted by the Court by Order entered April 28, 2015.

On March 20, 2015, Dansk and Petrochem filed a Limited Objection to JP MORGAN 's Proof of Claim. The Limited Objection remains pending.

Debtors have sought a purchaser for 2401 Fountainview. Jetall, as Purchaser, has offered to purchase the Property for $15,300,000, unless a higher Purchase Amount is agreed to by Purchaser. This Purchase Money will be the funds used to fulfil the terms of the Plan.

V. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to chapter 11, the debtor-in-possession may attempt to reorganize its business for the benefit of the debtor, its creditors, and other parties-in-interest. However, chapter 11 may also be used as a means for liquidating the debtor's assets under a controlled process that maximizes the value of those assets in an attempt to recover the greatest possible value for the creditors and interest holders.

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

The principal purpose of a chapter 11 case is to formulate a plan of reorganization (which could include liquidation). The plan of reorganization establishes the means for satisfying claims against and interests in the debtor.

B. Plan of Reorganization

Although referred to as a plan of reorganization, a plan may provide for a restructuring of the debtor's business and obligations or the liquidation of the debtor's assets. In this case, the Debtors are transferring all of their remaining assets to a liquidating trust to be managed by a trustee for the benefit of holders of allowed claims.

In considering a plan, the bankruptcy court must independently determine that the requirements of section 1129 of the Bankruptcy Code have been met. Section 1129 requires, *inter alia*, that a plan meets the "best interest" and "feasibility" tests. The best interests test requires that the value of the consideration to be distributed to the holders of claims and equity interests under a plan may not be less than the value those parties would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code. For a plan to be deemed feasible, the bankruptcy court must find that there is a reasonable probability that the debtor will be able to meet its obligations under the plan and that the debtor will not require further financial reorganization.

Classes of claims or equity interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class. A class is impaired if the legal, equitable or contractual rights attaching to the claims or equity interests of that class are modified under the plan.

VI. OVERVIEW OF THE PLAN

A. General

The Plan you are being asked to consider is attached hereto as **Exhibit "A."** You should carefully review the Plan prior to the Confirmation Hearing.

The Plan Proponents believe that the Plan provides fair treatment to and is in the best interest of all classes of Claims and Interests. The Plan Proponents further believe that the Plan is feasible and meets the requirements of the Bankruptcy Code. The information contained herein was prepared from information in the possession of the Plan Proponents and other information, documents, schedules and pleadings filed in this Bankruptcy Case.

This summary describes certain major elements of the Plan. The remaining sections of the Plan deal with each of these subjects in greater detail. The actual terms of the Plan are controlling, and this summary will not change and should not be used to construe terms of the Plan.

EACH CREDITOR AND INTEREST HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN TO IT UNDER FEDERAL AND APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS.

B. Classification and Treatment Summary

The following is a summary of the classification and treatment of Claims and Interests under the Plan. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims and Interests.

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

1. Administrative Claims

Allowed Administrative Claims arising under 11 U.S.C. § 503(b), including Cure Costs, will be paid in Cash and in full by the Distribution Agent on the later of (i) the Distribution Date, (ii) the date on which such Administrative Claim becomes an Allowed Claim; or (iii) such other date as the Distribution Agent and the holder of the Allowed Administrative Claim shall agree.

The Debtors estimate that Allowed Administrative Claims will be approximately $300,000.00.

2. Statutory Fees

All fees payable pursuant to section 1930 of Title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on or before the Effective Date. All such fees that arise after the Effective Date shall be paid by the Distribution

Agent and shall remain the obligation of the Distribution Agent until the Chapter 11 Case is closed, dismissed or converted.

3. Summary of Classified Claims and Interests

Unless otherwise noted, the Plan Proponents' estimates of the number and amount of Claims or Interests in each class set forth in the table below includes all Claims or Interests asserted against the Debtors without regard to the validity or timeliness of the filing of the Claims or Interests. Thus, by including any Claim in the estimates set forth below, the Plan Proponents, and the Distribution Agent are not waiving their rights to object to any Claim or Interest on or before the objection deadline established by the Plan.

CLASS	TREATMENT
CLASS 1: JPMorgan Secured Claim *Voting*: Unimpaired – Deemed to Accept. *Estimate of Allowed Claim:* Maximum of $10,917,261.72, plus post-petition interest, costs, expenses and fees as allowed by the Bankruptcy Court (the amount of this claim is currently being challenged by the Dansk and Petrochem) *Estimated Recovery*: 100%	The JPMorgan Secured Claim, to the extent Allowed by final order of the Bankruptcy Court, will be paid on the Closing Date. Retention of Liens. JPMorgan shall retain its liens in the same priority, extent and validity as existed on the Petition Date until the Class 1 Claim is satisfied in full under the terms of this Plan. The JPMorgan Secured Claim includes any amount allowed under 11 U.S.C. §506(b).
CLASS 2: Petrochem Secured Claim *Voting:* Impaired – Entitled to Vote. *Estimate of Allowed Claim:* $1,749,640.00, plus post-petition interest, costs, expenses and fees as allowed by the Bankruptcy Court *Estimated Recovery:* 57%	The Petrochem Secured Claim will be deemed an Allowed Secured Claim in the reduced amount of $1,000,000.00 and will be paid by the Distribution Agent on the Distribution Date Deficiency Claim. In the event that all or any portion of Petrochem's Secured Claim is determined to be a Deficiency Claim, it shall be treated in the same manner as a holder of a Class 12 Claim. The Petrochem Note will not be extinguished or satisfied by distributions under this Plan such that Petrochem may pursue collection of sums which remain due and owing on the Petrochem Note over and above such distributions from parties other than the Debtors in this Bankruptcy Case.

CLASS	TREATMENT
	Retention of Liens. Petrochem shall retain its liens in the same priority, extent and validity as existed on the Petition Date until the Class 2 Claim is satisfied in full under the terms of this Plan.
Class 3: Dansk Secured Claim *Voting:* Impaired – Entitled to Vote. *Estimate of Allowed Claim:* $4,370,496.89 *Estimated Recovery:* 57%	The Dansk Secured Claim is deemed an Allowed Secured Claim in the reduced amount of $2,500,000.00, plus 50% of any reduction in the JPMorgan Secured Claim, including, but not limited to, any reduction in claimed pre-petition or post-petition: (i) default interest, (ii) prohibited prepayment fee, (iii) prepayment premium, (iv) yield maintenance premium, (v) forbearance fees, (vi) attorney's fees, (vii) other charges, and (viii) interest accruing on any of the foregoing (**Dansk Additional Payment Amount**). If Jetall purchases 2401 Fountainview for more than $15,300,000.00, and the sales proceeds are used to pay claims (exclusive of any claim by PIP or for the PIP Equity Interest), the Dansk Secured Claim will be reduced by 50% of the difference between the actual purchase price and $15,300,000.00, up to a maximum reduction of $175,000.00. The Dansk Secured Claim will be paid as follows: i) $2,500,000.00 on the Distribution Date, subject to the above-stated terms and ii) the Dansk Additional Payment Amount on or before the later of (a) the Distribution Date and (b) five (5) business days after entry of a final order of the Bankruptcy Court determining the amount of the JPMorgan Secured Claim. In the event that all or any portion of Dansk's Secured Claim is determined to be a Deficiency Claim, it shall be treated in the same manner as a holder of a Class 12 Claim. The Dansk Note will not be extinguished or satisfied by distributions under this Plan such that Dansk may pursue collection of sums

CLASS	TREATMENT
	which remain due and owing on the Dansk Note over and above such distributions from parties other than the Debtors in this Bankruptcy Case. Retention of Liens. Dansk shall retain its liens in the same priority, extent and validity as existed on the Petition Date until the Class 3 Claim is satisfied in full under the terms of this Plan.
Class 4 – Secured Claim of A-K Building Maintenance. *Voting:* Impaired – Entitled to Vote.	On the Effective Date, the Secured Claim of A-K Building Maintenance, if any, will receive nothing on account of its Class 4 Claim and any and all liens thereunder will be deemed void and unenforceable.
Class 5- – Secured Claim of Arch Floors, Inc. d/b/a Architectural Floors. *Voting:* Impaired – Entitled to Vote.	On the Effective Date, the Secured Claim of Arch Floors, Inc. d/b/a Architectural Floors, if any, will receive nothing on account of its Class 5 Claim and any and all liens thereunder will be deemed void and unenforceable.
Class 6 – Secured Claim of Craven Carpet, Inc. *Voting:* Impaired – Entitled to Vote.	On the Effective Date, the Secured Claim of Craven Carpet, Inc., if any, will receive nothing on account of its Class 6 Claim and any and all liens thereunder will be deemed void and unenforceable.
Class 7 – Secured Claim of Gemini Plumbing, Inc. *Voting:* Impaired – Entitled to Vote.	On the Effective Date, the Secured Claim of Gemini Plumbing, Inc., if any, will receive nothing on account of its Class 7 Claim and any and all liens thereunder will be deemed void and unenforceable.
Class 8 – Secured Claim of The Carpet Store. *Voting:* Impaired – Entitled to Vote.	On the Effective Date, the Secured Claim of The Carpet Store, if any, will receive nothing on account of its Class 8 Claim and any and all liens thereunder will be deemed void and unenforceable.
Class 9 – Secured Claim of Lynn Mechanical.	On the Effective Date, the Secured Claim of Lynn Mechanical, if any, will receive nothing on account of its Class 9 Claim and any and all

CLASS	TREATMENT
Voting: Impaired – Entitled to Vote.	liens thereunder will be deemed void and unenforceable.
Class 10: Priority Claims *Voting:* Unimpaired – Deemed to Accept. *Estimate of Allowed Claims:* $81,722.44 *Estimated Recovery:* 100%	On the Distribution Date, the Allowed Priority Claims shall be paid in full, plus interest to the extent such interest is permitted under contract or applicable law.
Class 11: General Unsecured Claims (see list of unsecured creditors attached hereto as Exhibit H) *Voting:* Unimpaired – Deemed to Accept. Estimate of Allowed Claims: $195,857.85 Estimated Recovery: 100%	On the Distribution Date, the Allowed General Unsecured Claims shall be paid in full, plus interest to the extent such interest is permitted under contract or applicable law.
Class 12: Deficiency Claims of Dansk and Petrochem. **Voting:** Impaired – Entitled to Vote.	To the extent that the Distribution Agent has additional funds remaining after fully satisfying all classes proceeding Class 12, the Allowed Class 12 claims shall be paid by the Distribution Agent. However, to the extent that 2401 Fountainview is sold to the Purchaser, then Class 12 will not receive a distribution.
Class 13: PIP Equity Interest *Voting:* Impaired – Entitled to Vote. *Estimated Recovery*: 0%	To the extent that the Distribution Agent has additional funds remaining after fully satisfying all classes proceeding Class 13, the Allowed Class 13 claims and interests shall be paid by the Distribution Agent.
Class 14: ASR Corporate/Management and/or American Spectrum Management Group, Inc., ASR Inc., ASRM, LLC,	The ASR Entities will receive nothing on account of their Class 14 Claims. Pursuant to the Settlement Agreement, the Debtors assign

CLASS	TREATMENT
American Spectrum Realty, Inc., American Spectrum Realty Operating Partnership, and any other American Spectrum Realty related entities. (the "ASR Entities"). *Voting:* Impaired – Deemed to reject. *Estimated Recovery*: 0%	to Dansk and Petrochem all of the Debtors' claims, if any, against the defendants in the Dallas Lawsuit.

4. Treatment of Claims in Classes 4 – 9.

The Debtors believe that the holders of claims in Classes 4 through 9 are not owed anything from the Debtors. These claimants all appear, or appeared at some point, on the Debtors' real property records as holders of Texas state mechanic's and materialman's lienholders. The Debtors' books and records do not show that those claimants are owed anything by the Debtors, however, out of an abundance of caution, the Debtors have provided a separate class for each holder of this type of Claim to give such claimants notice of the propose treatment in the Plan. Even if every holder of a claim in Classes 4 through 9 are in fact owed the full amount of the listed claim, the Debtors believe that the Purchase Price is enough to pay these creditors and the Plan would still be feasible.

Class 4 – Secured Claim of A-K Building Maintenance:

Class 4 is comprised of the purported Secured Mechanics & Materialman's Claim of A-K Building Maintenance in the amount of $28,595.82. Debtors listed this claim based upon an Affidavit Claiming Mechanic's and Materialman's Lien, filed under Harris County Clerk's File No. 20100529938, on December 14, 2010, executed by Jung "John" Hoon Lim, owner of A-K Building Maintenance.

Pursuant to Texas Property Code Sec. 53.157, a mechanics lien or affidavit may be discharged of record by "(2) failing to institute suit to foreclose the lien in the county in which the property is located within the period prescribed by Section 53.158…" Tex. Prop. Code § 53.157(2). Under Section 53.158, "a suit must be brought to foreclose the lien within two (2) years after the last day a claimant may file the lien affidavit under Section 53.052 or within one year after completion, termination, or abandonment of the work under the original contract under which the lien is claimed, whichever is later." Tex. Prop Code § 53.158(a).

Based upon the information provided in the real property records, the claimant has not brought an action to foreclose the lien within the statutory period for bringing suit. Additionally, the Debtors' books and records do not indicate that this debt is owed.

Based upon information and belief, the Debtors believe that all debts owed to A-K Building Maintenance were satisfied. A-K Building Maintenance had an abstract of judgment

that has been released.

Class 5 – Secured Claim of Arch Floors, Inc. d/b/a Architectural Floors:

Class 5 is comprised of the purported Secured Mechanics & Materialman's Claim of Arch Floors, Inc. d/b/a Architectural Floors in the amount of $3,026.00. Debtors listed this claim based upon an Affidavit Claiming Mechanic's and Materialman's Lien, filed under Harris County Clerk's File No. 20110022792, on January 14, 2011, executed by Julie A. Oliver, President of Arch Floors, Inc. d/b/a Architectural Floors.

Pursuant to Texas Property Code Sec. 53.157, a mechanics lien or affidavit may be discharged of record by "(2) failing to institute suit to foreclose the lien in the county in which the property is located within the period prescribed by Section 53.158…" Tex. Prop. Code § 53.157(2). Under Section 53.158, "a suit must be brought to foreclose the lien within two (2) years after the last day a claimant may file the lien affidavit under Section 53.052 or within one year after completion, termination, or abandonment of the work under the original contract under which the lien is claimed, whichever is later." Tex. Prop Code § 53.158(a).

Based upon the information provided in the real property records, the claimant has not brought an action to foreclose the lien within the statutory period for bringing suit. Additionally, the Debtors' books and records do not indicate that this debt is owed.

Class 6 – Secured Claim of Craven Carpet, Inc.:

Class 6 is comprised of the purported Secured Mechanics & Materialman's Claim of Craven Carpet, Inc. in the amount of $559.83. Debtors listed this claim based upon an Affidavit Claiming Mechanic's and Materialman's Lien, filed under Harris County Clerk's File No. 20110449339, on October 25, 2011, executed by Kim A. Townsend, agent for Craven Carpet, Inc.

Pursuant to Texas Property Code Sec. 53.157, a mechanics lien or affidavit may be discharged of record by "(2) failing to institute suit to foreclose the lien in the county in which the property is located within the period prescribed by Section 53.158…" Tex. Prop. Code § 53.157(2). Under Section 53.158, "a suit must be brought to foreclose the lien within two (2) years after the last day a claimant may file the lien affidavit under Section 53.052 or within one year after completion, termination, or abandonment of the work under the original contract under which the lien is claimed, whichever is later." Tex. Prop Code § 53.158(a).

Based upon the information provided in the real property records, the claimant has not brought an action to foreclose the lien within the statutory period for bringing suit. Additionally, the Debtors' books and records do not indicate that this debt is owed.

Class 7 – Secured Claim of Gemini Plumbing, Inc.:

Class 7 is comprised of the purported Secured Mechanics & Materialman's Claim of Craven Carpet, Inc. in the amount of $1,648.69. Debtors listed this claim based upon an

Contractor's Affidavit of Property Code Lien, filed under Harris County Clerk's File No. 20120015020, on January 12, 2012, executed by Bobby R. Small, Vice President of Gemini Plumbing, Inc.

Pursuant to Texas Property Code Sec. 53.157, a mechanics lien or affidavit may be discharged of record by "(2) failing to institute suit to foreclose the lien in the county in which the property is located within the period prescribed by Section 53.158…" Tex. Prop. Code § 53.157(2). Under Section 53.158, "a suit must be brought to foreclose the lien within two (2) years after the last day a claimant may file the lien affidavit under Section 53.052 or within one year after completion, termination, or abandonment of the work under the original contract under which the lien is claimed, whichever is later." Tex. Prop Code § 53.158(a).

Based upon the information provided in the real property records, the claimant has not brought an action to foreclose the lien within the statutory period for bringing suit. Additionally, the Debtors' books and records do not indicate that this debt is owed.

Class 8 – Secured Claim of The Carpet Store:

Class 8 is comprised of the purported Secured Mechanics & Materialman's Claim of Craven Carpet, Inc. in the amount of $2,817.00. Debtors listed this claim based upon an Affidavit for Mechanic's and Materialsmen's Lien, filed under Harris County Clerk's File No. 20120018756, on January 13, 2012, executed by Alan Jenks, president and authorized agent of The Carpet Store.

Pursuant to Texas Property Code Sec. 53.157, a mechanics lien or affidavit may be discharged of record by "(2) failing to institute suit to foreclose the lien in the county in which the property is located within the period prescribed by Section 53.158…" Tex. Prop. Code § 53.157(2). Under Section 53.158, "a suit must be brought to foreclose the lien within two (2) years after the last day a claimant may file the lien affidavit under Section 53.052 or within one year after completion, termination, or abandonment of the work under the original contract under which the lien is claimed, whichever is later." Tex. Prop Code § 53.158(a).

Based upon the information provided in the real property records, the claimant has not brought an action to foreclose the lien within the statutory period for bringing suit. Additionally, the Debtors' books and records do not indicate that this debt is owed.

Class 9 – Secured Claim of Lynn Mechanical:

Class 8 is comprised of the purported Secured Mechanics & Materialman's Claim of Lynn Mechanical in the amount of $17,644.75. Debtors' have listed this claim based on a document filed under Harris County Clerk's File No. 20140510561 on November 12, 2011. Debtors' have not seen a copy of this document. The Debtors' books and records do not indicate that this debt is owed.

C. Executory Contracts and Unexpired Leases

The Tenant Leases and other executory contracts and unexpired leases set forth on Schedule 1 of the Plan are to be assumed under the Plan. All other executory contracts and unexpired leases will be rejected, unless otherwise dealt with by the Plan or the Confirmation Order, or any other Order of the Court entered prior to the Effective Date, or which is the subject of a motion to assume pending on the Effective Date.

Each executory contract and unexpired lease that is assumed will include (a) all amendments, modifications, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affect such executory contract or unexpired lease; and (b) with respect to any executory contract or unexpired lease that relates to the use, ability to acquire, or occupancy of real property, all executory contracts or unexpired leases and other rights appurtenant to the property, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements or franchises, and any other equity interests in real estate or rights *in rem* related to such premises, unless any of the foregoing agreements have been rejected pursuant to an order of the Bankruptcy Court or are the subject of a motion to reject filed on or before the Confirmation Date. Amendments, modifications, supplements, and restatements to prepetition executory contracts and unexpired leases that have been executed by the Debtors during this Chapter 11 Case shall not be deemed to alter the prepetition nature of the executory contract or unexpired lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

Damages arising from the rejection of an executory contract or unexpired lease shall be a General Unsecured Claim against the Debtors unless subordinated under applicable law. Any Claim for damages arising from the rejection of an executory contract or unexpired lease must be asserted in a proof of claim filed with the Bankruptcy Court no later than 20 days following the earlier of: (a) the date of entry of an order of the Bankruptcy Court approving such rejection, or (b) the Effective Date of the Plan. Any Claims not filed within such times shall be discharged and forever barred. The Distribution Agent shall mail a notice to all known affected parties of (i) the rejection of executory contracts and unexpired leases and (i) the deadline for asserting claims for damages arising from the rejection of such executory contracts and unexpired leases.

D. Means of Implementing the Plan

Sale of the Estate Assets – The Distribution Agent.

On the Effective Date, the Distribution Agent will be deemed appointed to act on behalf of the Debtors for the purposes and functions stated in the Plan. The Debtors have selected Ronald Sommers as the Distribution Agent. The Distribution Agent is a "disinterested person", as that term is defined in the bankruptcy code, and will be compensated at his normal hourly rate of $450.00/hour. The Distribution Agent will be reimbursed for his reasonable and necessary expenses incurred in his role as Distribution Agent. The Distribution Agent is or will be bonded in a manner sufficient to satisfy the United States Trustee.

Any such act of the Distribution Agent in accordance with the Plan will be deemed to be fully authorized by the Debtors, without the need for: a) further corporate or partnership authorization by the Debtors or b) further Bankruptcy Court authorization. The Distribution

Agent is a disinterested person, unrelated to the Debtor, the creditors, the Equity Interest holders or any party in interest in this case. The Distribution Agent shall have not have the duty or responsibility to file any tax return on behalf of the Debtors and such duty and responsibility shall remain with the Debtors.

The Distribution Agent may resign as such by filing a notice with the Bankruptcy Court. In the event of his/her resignation, the Distribution Agent shall give at least thirty (30) days' notice of such resignation to all creditors and Equity Interest Holders. Such resignation will not be effective until expiration of that thirty-day notice period; *provided, however,* that the Distribution Agent shall continue to serve as Distribution Agent after resignation until such resignation is effective under this paragraph or appointment of a successor Distribution Agent by the Bankruptcy Court, whichever occurs earlier.

Upon resignation, death, incapacitation or termination of the Distribution Agent, the Debtors may nominate a replacement distribution agent (the "Replacement Distribution Agent") by filing a notice of replacement Distribution Agent with the Bankruptcy Court. The Replacement Distribution Agent must meet the criteria described above for the Distribution Agent. The Debtor must serve the notice on all creditors and equity interest holders containing the name of the Replacement Distribution Agent, his or her hourly rate, and a statement that the Replacement Distribution Agent is "disinterested" and bonded. If no objections are received in 21 days, then the replacement Distribution Agent shall become the Distribution Agent without further action from the Bankruptcy Court. If an objection to the Replacement Distribution Agent is timely filed, then the Bankruptcy Court shall conduct a hearing to determine the eligibility of the Replacement Distribution Agent.

The Distribution Agent may be removed by the Bankruptcy Court for any reason upon a showing by clear and convincing evidence that the Distribution Agent is guilty of gross negligence or willful misconduct.

The Distribution Agent shall have the duty and authority to sell and assign 2401 Fountainview and the Tenant Leases pursuant to the terms of the Plan. The sale of 2401 Fountainview will be **fully Free and Clear of all Liens, Claim and Encumbrances, with all Liens, Claims and Encumbrances** transferring to and attaching to any and all net proceeds from such sale or other disposition ("**Sales Proceeds**"). The Distribution Agent will distribute the Sales Proceeds to Creditors and Interest holders per the terms of the Plan. The Distribution Agent will establish the Distribution Reserve Account, deposit the Purchase Amount into the Distribution Reserve Account, and distribute the Purchase Amount to Creditors and Interest holders per the terms of the Plan. The Distribution Agent is authorized to withhold the sum of $10,000 Distribution Reserve Account to cover compensation to the Distribution Agent for his services in accordance with the Plan.

Sale to Purchaser.

The Distribution Agent shall sell and assign all of the Debtors' right title and interest in and to 2401 Fountainview and the Tenant Leases to Purchaser for the gross sum of the Purchase Amount. The closing of the sale shall occur at Declaration Title, or such other title company agreed to by Purchaser and the Distribution Agent. Purchaser has the right to review title, and

determine, in its sole discretion, if title is acceptable to Purchaser. The closing of the sale shall occur on or before the Closing Date.

The Purchaser.

Jetall, is the Purchaser under the Plan. Jetall may assign its right to purchase under the Plan to another entity that is an affiliate of Jetall. If Jetall does not close, then PIP or its assignee becomes the Purchaser.

Sale to Third Party.

In the event that the Plan is confirmed, and Dansk and Petrochem are not paid the Dansk Distribution and the Petrochem Distribution, or an amount equal thereto, on or before the 60th day following the confirmation of the Plan of Reorganization, Dansk and Petrochem, or their designee(s), have the right (1) to bid on the Property, whether during the course of a sale, an auction, or a foreclosure sale, and credit bid the Dansk Secured Claim in the amount of the Dansk Distribution and the Petrochem Secured Claim in the amount of the Petrochem Distribution in satisfaction of the Dansk Secured Claim and the Petrochem Secured Claim, or (2) to receive the amount of the Dansk Distribution and the Petrochem Distribution in satisfaction of the Dansk Secured Claim and the Petrochem Secured Claim to the extent the purchase or bid price for the Property is in excess of the amount paid to obtain a release of the first lien on the Property.

Sale and Distribution.

With regard to any sale of 2401 Fountainview and the assignment of the Tenant Leases by the Distribution Agent, to Purchaser:

(a) The sale and assignment shall be deemed Free and Clear of all Liens, Claims and Encumbrances, pursuant to 11 U.S.C. § 363(f) and 11 U.S.C. § 1123(a)(5) and to the maximum extent allowed by law.

(b) The Distribution Agent is authorized and directed to execute and deliver all documents and instruments necessary to complete a sale or assignment of any assets of the Debtors, including, but not limited to 2401 Fountainview and the Tenant Leases.

(c) At the closing of the sale of 2401 Fountainview and the Tenant Leases, the Distribution Agent shall pay all costs and expenses of the sale out of the gross sales proceeds. In addition, the Distribution Agent shall pay all ad valorem taxes on 2401 Fountainview, pro-rated to the date of the closing of the sale, out of the gross sales proceeds.

(d) The Purchaser or any purchaser of 2401 Fountainview and the Tenant Leases, shall be entitled to the protections of 11 U.S.C. §363(m) if the Confirmation Order is reversed or modified on appeal.

(e) All Liens, Claims and Encumbrances are transferred to and shall attach to the Net Proceeds of the sale of 2401 Fountainview and the Tenant Leases. The Net Proceeds shall consist of the proceeds of the sale, less (i) the reasonable costs and expenses of the sale, including but not limited to all reasonable costs and expenses to be paid by Debtors at closing;

and (ii) all ad valorem taxes due and owing on 2401 Fountainview.

(f) The Distribution Agent is authorized and directed to distribute the Net Proceeds from the sale or assignment of Debtors' Assets, including, but not limited to, the sale and assignment of 2401 Fountainview and the Tenant Leases, in accordance with the Plan. In the event there are any Disputed Claims or disputes or uncertainties as: (i) to the extent, priority or validity of a lien or security interest or (ii) to the proper distribution of any Net Proceeds, the Distribution Agent shall sequester sufficient undistributed funds in the Distribution Reserve Account to pay fully each such Disputed Claim and disputed lien or security interest pending further Order of this Court or until the dispute or uncertainty is resolved by agreement of the affected parties.

(g) The Distribution Agent shall prepare and file with the Court a statement of the completion of the sale and assignment of 2401 Fountainview and the Tenant Leases, including a description of any and all documents or instruments executed and delivered in connection therewith, all proceeds received from such sale, all distributions made, and include a copy of a deposit slip showing the amount of any Net Proceeds placed in the interest-bearing account(s) described herein, and that a copy of such statement be served by mail on the United States Trustee, all creditors, all parties requesting notice, and any other parties claiming an interest in 2401 Fountainview and the Tenant Leases.

Exoneration and Protection of Distribution Agent.

(a) Third parties dealing with the Distribution Agent shall look only to the Debtors' Assets to satisfy any liability incurred by the Distribution Agent to such parties. The Distribution Agent shall not be individually or personally liable to any third party for any expense, claim, damage, loss, obligation, or liability of or incurred in connection with this Plan.

(b) The Distribution Agent shall be entitled to be indemnified by and receive reimbursement from the Debtors' assets, for any expense, claim, damage, loss, obligation, or liability of or to which any creditor or claimant may be subject by reason of the Plan or any action taken thereunder or as a result hereof. The benefits of this section shall extend on the same terms to each officer and director of, and each person (if any) that controls, any indemnified party.

(c) No provision of this Plan shall be construed to impart any liability upon the Distribution Agent unless it shall be proved in Court, that the Distribution Agent's actions or omissions constituted fraud, gross negligence or willful misconduct in the exercise of, or failure to exercise any right, power or duty under this Agreement. The Distribution Agent shall have no personal liability for any of the rights, obligations, duties, or liabilities of the Debtors or the Debtors' bankruptcy Estates. Jurisdiction and venue over any issues or questions of liability shall be vested in the U.S. Bankruptcy Court for the Southern District of Texas, Houston Division.

The Purchaser: Jetall is an established owner operator of commercial office buildings. Jetall has provided the following information to the Debtor:

(i) Jetall is a family-owned real estate investment and management company which through its principals commenced operations in 1961 in London,

England;

(ii) During the RTC and S&L era in the early 1990's, Jetall made considerable acquisitions in the United States and moved its headquarters to Houston, Texas;

(iii) Jetall, through its principals, owns over 2,000,000 square feet of commercial real estate with holdings in the United States, Dubai, London, and Mexico;

(iv) Jetall is the largest non-institutional owner of commercial office space in Houston's Galleria submarket with nearly 1,000,000 square feet;

(v) Jetall is an experienced operator with active projects across the real estate spectrum (multi-family, commercial, and retail);

(vi) Jetall's portfolio contains over 1,000 tenants including Walgreens and other national and international tenants such as FedEx and Xerox; and

(vii) Jetall is vertically integrated to permit handling all phases of a projects (construction, leasing, and property management).

Property Value: The Debtors' Schedules reflect 2401 Fountainview as having a market value of $18,500,000.00. The value was derived by using a liquidation value after factoring the age, depreciation, and functionality of the building. There was a pre-bankruptcy offer for the property from one potential purchaser in the amount of $21,900,000.00, with a subsequent requested reduction of the purchase price to $17,508,160.00 due to additional unanticipated costs and necessary improvements and capital expenditures. This was prior to the recent drop in oil prices affecting the Houston market. Furthermore, as reflected by pleadings in the Bankruptcy Case, there are significant repairs that need to be made to the property, including elevator and HVAC repairs. Nothing in the Disclosure Statement is intended to be a definitive valuation of the Property and is not binding on any party for any other purpose.

E. Litigation and Proceedings on Disputed Claims

Except for the claim objection to the JP Morgan Secured Claim filed by Dansk, the Debtors shall have the sole right to object to the allowance of any Claims provided for under the Plan. The Debtors shall have the authority to compromise, settle or otherwise resolve all objections without approval of the Bankruptcy Court, to the extent that the amount in controversy is less than $25,000.00. Unless otherwise ordered by the Bankruptcy Court, the Debtors shall file and serve all objections to Claims and Equity Interests no later than (i) 90 days after the later of (a) the Effective Date; or (b) the date on which a proof of claim, proof of interest or request for payment is filed with the Bankruptcy Court or (ii) such other date as may be approved by the Bankruptcy Court after notice and hearing.

The Debtors shall have the exclusive right to file and prosecute any Claims and Causes of Action, including all derivative Causes of Action. The Debtors shall have the authority to compromise, settle or otherwise resolve all Claims and Causes of Action without approval of the Bankruptcy Court, to the extent that the amount in controversy is less than $25,000.00.

The Debtors have not reviewed potential claim objections or Causes of Action, but reserve the right to object to Claims and file any Causes of Action it believes are necessary.

The last day to file an application for allowance of an Administrative Claim (other than: (i) quarterly U.S. Trustee fees; and (ii) Professional Fee Claims), shall be 14 days after the Effective Date unless otherwise established by a Final Order. The last day to file an application under 11 U.S.C. §506(b) shall be 45 days after the Effective Date, unless the Court orders otherwise.

F. Preserved Litigation Claims

The Plan is intended to preserve any and all Claims and Causes of Action (as defined in the Plan), including, but not limited, those involving preferential transfers to creditors and fraudulent transfers to third parties and all other actions under Chapter 5 of the Bankruptcy Code. The Plan proposes to pay unsecured creditors in full, on the Effective Date. Therefore, the Debtors do not anticipate filing any preference claims.

However, there may be numerous other 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 Plan Proponents and have not been listed or disclosed by the Debtors, (collectively, "**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 Debtors to pursue any Unknown Cause of Action.

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 stated otherwise in the Plan or by an order of the Bankruptcy Court, any and all such claims or causes of action against third parties are specifically reserved and will be transferred to the Debtors, 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 assignments of interest, negligence, gross negligence, willful misconduct, usury, fraud, deceit, misrepresentation, conspiracy, unconscionability, duress, economic duress, defamation, control, interference with contractual and business relationships, 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 recharacterization, 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, at law or in equity, in contract, in tort, or otherwise, known or unknown, suspected or unsuspected.

G. Settlement Between PIP, the Debtors, Dansk, Petrochem and Jetall

The Plan Constitute Notice Under Rule 9019. The Plan constitutes notice pursuant to Bankruptcy Rule 9019 for the entry of an order authorizing and approving a compromise and settlement between and among the Debtors, PIP, Jetall, Dansk and Petrochem. The Plan incorporates the terms of a settlement agreement recently reached between those parties. A settlement or compromise by the Debtors requires Court approval. Bankruptcy Rule 9019. A plan of reorganization can "provide for a settlement or adjustment of any claim or interest belonging to the debtor or the estate." 11 U.S.C. §1123(b)(3)(A).

Basis of the Dispute

PIP, an equity owner of the Debtor, filed *Preferred Income Partners IV, LLC* v. ASR 2401 *Fountainview, LP, American Spectrum Realty Operating Partnership, LP, ASR Fountainview, LLC, William Carden, American Spectrum Realty, Inc., Patrick B. Barrett, David B. Wheless, James L. Hurn, American Spectrum Beltway, LLC and ASR Washington, LP.*, cause no. DC-14-02281, in the District Court of Dallas County, Texas, 44th Judicial District ("**Dallas Lawsuit"**). The defendants in the Dallas Lawsuit are the Debtors, related entities and certain officers and directors of those entities. PIP alleges that the defendants took out unauthorized loans, using 2401 Fountainview as collateral. Among other claims, PIP alleges that the loans made by Dansk and Petrochem to the LP Debtor were not authorized by the partnership agreement of the LP Debtor or by the Deed of Trust securing the 2401 Fountainview Note. PIP further claims that all or some of the proceeds of the loans went to entities other than the LP Debtor.

In the Debtors' bankruptcy case, PIP alleges that the loans made by Dansk and Petrochem to the LP Debtor are invalid for the same reasons set forth in the Dallas Lawsuit.

Dansk and Petrochem deny PIP's claims. Dansk and Petrochem assert that they are not parties to the partnership agreement of the LP Debtor or its contractual agreements. Moreover, the partnership agreement specifically gives the LLC Debtor, as general partner of the partnership, full authority to act on behalf of the partnership, providing that any person dealing with the LLC Debtor, is not obligated to ascertain that the terms of the partnership agreement have been complied with or obligated to inquire into the necessity or expediency of any act or action of the general partner. As to the Deed of Trust securing the 2401 Fountainview Note, Dansk and Petrochem are not parties to the Deed of Trust. Even if the LP Debtor breached its contractual agreements with JPMorgan, the terms of the Deed of Trust do not invalidate the Dansk and Petrochem loans.

As to the loan proceeds of the Dansk and Petrochem loans, Dansk and Petrochem claim to have funded $4,750,000.00 at the direction of the Debtors. Of that amount, $1,750,000.00 was allegedly wired directly to the servicer for the Debtors' first lienholder to pay debt service;

another $470,000.00 was allegedly used to pay debt service to the first lienholder; and another $260,000 was allegedly used to pay contractors performing tenant improvement work at 2401 Fountainview. All funds distributed by Dansk and Petrochem were wired to Debtors or their parent company as directed by the Debtors. Moreover, at the time of the Dansk and Petrochem loans, the market value of 2401 Fountainview was believed to be in the range of $18,000,000 to $22,000,000, reflecting significant equity in the property over and above the amount of the first lien and the liens of Dansk and Petrochem.

Dansk and Debtors originally filed competing Plans of Reorganization in the Debtors' bankruptcy case. In its proposed Plan, Dansk sought to purchase 2401 Fountainview for $15,400,000.00. In its proposed Plan, Debtors sought approval for PIP, or an affiliated entity, to purchase 2401 Fountainview for $15,500,000.00. Dansk's original Plan provided for Dansk and Petrochem to be paid to the extent their claims are allowed. The Debtors' original Plan provided for Dansk and Petrochem not to receive any distribution unless the Bankruptcy Court determines that their claims are allowed.

The Settlement

The Debtors, PIP, Jetall, Dansk, and Petrochem entered into a letter agreement setting forth the terms of their proposed settlement in reference to the dispute regarding the Dansk and Petrochem loans. A true and correct copy of the letter agreement is attached hereto as **Exhibit "G"** and incorporated herein. As reflected by the letter agreement, the terms of the agreement are to be incorporated in the Debtors' Plan of Reorganization. The Debtors and Dansk have joined together to file this Amended Plan of Reorganization and incorporate the terms of the settlement agreement.

The settlement includes, among other terms, the following:

1. Recognition of Petrochem's Secured Claim as an Allowed Secured Claim in the reduced amount of $1,000,000.00;

2. Recognition of Dansk's Secured Claim as an Allowed Secured Claim in the reduced amount of $2,500,000.00.

3. Purchase of 2401 Fountainview by Jetall for a price of $15,300,000.00. The price may be increased above $15,300,000.00 at the discretion of Jetall.

4. In the event that Jetall pays a purchase price for 2401 Fountainview in excess of $15,300,000.00, and the sales proceeds are used to pay claims (exclusive of any PIP claim, including the PIP Equity Interest), the Dansk Allowed Secured Claim may be reduced by fifty percent (50%) of the difference between the actual purchase price and $15,300,000.00 up to a maximum reduction of $175,000.00.

5. In the event the JPMorgan Secured Claim is reduced in claimed pre-petition or post-petition interest, prepayment premium, yield maintenance premium, forbearance fees, attorneys' fees, or other charges, the Dansk Allowed Secured Claim shall be increased in an amount equal to fifty percent (50%) of such reduction.

6. The reduction in the amount of the Allowed Dansk Secured Claim is in full settlement and compromise of any dispute regarding the Dansk Secured Claim, the Dansk Note, the Dansk Deed of Trust, and all modifications thereto, and is a release of all claims and causes of action owned by the Debtors, PIP, the Estate, the Reorganized debtors, the Distribution Agent, or their respective successors and assigns, against Dansk.

7. The reduction in the amount of the Allowed Petrochem Secured Claim is in full settlement and compromise of any dispute regarding the Petrochem Secured Claim, the Petrochem Note, the Petrochem Deed of Trust, and all modifications thereto, and is a release of all claims and causes of action owned by the Debtors, PIP, the Estate, the Reorganized debtors, the Distribution Agent, or their respective successors and assigns, against Dansk.

8. The Debtors, PIP, Dansk, Petrochem and Jetall agree to adopt the same deadlines that are applicable to JPMorgan (as originally state or extended in the Agreed Order with JP Morgan in reference to their Motion to Lift Stay). In the event the deadlines are extended for JP Morgan, either by agreement or order of the Court, the extended deadlines shall apply to the deadlines between Dansk and Petrochem, on the one hand, and the Debtors and PIP on the other. If there is no extension to the deadlines, then the Distribution Date under the Plan shall be no later than June 30, 2015; provided that the Distribution Date may be extended for one additional 30 day period in the event JPMorgan agrees in writing or by Order of the Court.

9. In the event Dansk and Petrochem are not paid the amount of the Allowed Dansk Secured Claim and the Allowed Petrochem Secured Claim on or before sixty days following confirmation of the Plan, (unless Dansk and Petrochem agree in writing to a later distribution date), then Dansk and Petrochem, or their designees, have the right (a) to bid on 2401 Fountainview, whether during the course of a sale, an auction, or foreclosure sale, and credit bid up to the amount of the Allowed Dansk Secured Claim and the Allowed Petrochem Secured Claim to purchase the property or (b) to receive the dollar amount of the Allowed Dansk Secured Claim and the Allowed Petrochem Secured Claim from the sales proceeds to the extent the purchase or bid price for 2401 Fountainview is in excess of the amount paid to obtain a release of the JPMorgan Secured Claim.

Standards for Evaluating a Settlement

When reviewing a compromise, the court should "assure that [the] compromise is truly 'fair and equitable' and 'in the best interest of the estate.' " *In re Jackson Brewing Co.,* 624 F.2d 599, 602 (5th Cir.1980) (quoting *Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson,* 390 U.S. 414, 425, 88 S.Ct. 1157, 20 L.Ed.2d 1 (1968) [hereinafter *TMT Trailer*]).

The factors the court should review are "(1) the probability of success in the litigation ... (2) the complexity and likely duration of the litigation and any attendant expense, inconvenience, and delay, and (3) all other factors bearing on the wisdom of the compromise." *Id.* (citing *TMT*

Trailer, 390 U.S. at 424-25, 88 S.Ct. 1157). See also, *In re Martin*, 222 F. App'x 360, 364 (5th Cir. 2007).

a) Probability of Success in the Litigation

As noted in more detail above, the Debtors' claims are supported by language in the partnership agreement for the LP Debtor and in the JP Morgan loan documents restricting the right of the LP Debtor to incur additional indebtedness and pledge its assets. The Debtors' claims are supported by evidence that some of the proceeds from the Dansk and Petrochem loans benefitted affiliated entities of the Debtors and not the Debtors.

As discussed above, Dansk and Petrochem's claims are supported by the fact that the partnership agreement of the LP Debtor specifically gives the LLC Debtor, as general partner of the partnership, full authority to act on behalf of the partnership, providing that any person dealing with the LLC Debtor, is not obligated to ascertain that the terms of the partnership agreement have been complied with or obligated to inquire into the necessity or expediency of any act or action of the general partner. As to the Deed of Trust securing the 2401 Fountainview Note, Dansk and Petrochem are not parties to the Deed of Trust. Even if the LP Debtor breached its contractual agreements with JPMorgan, the terms of the Deed of Trust do not invalidate the Dansk and Petrochem loans.

As to the loan proceeds, significant proceeds went directly to the Debtors to pay debt service and contractors performing tenant improvement work for 2401 Fountainview. All funds distributed by Dansk and Petrochem were wired to Debtors or their parent company as directed by the Debtors. Moreover, at the time the loans were made, there was significant equity in 2401 Fountainview over and above the JP Morgan Secured Claim and the liens of Dansk and Petrochem.

It is impossible at this point to predict a likely outcome of the dispute between the Debtors and Dansk and Petrochem. Both sides feel that they have a strong case. Litigation, however, would require significant and expensive discovery, and it will likely be difficult to access the Debtors' financial records.

b) The Complexity and Likely Duration of the Litigation

The case is complex from both a legal and factual standpoint and presents some unique and challenging legal issues. As noted above, it will likely be difficult to access the Debtors' financial records and those of its parent company. The parent company is in bankruptcy, and it will be difficult to track down witnesses. Litigation would require months of factual discovery and extensive legal research and briefing. A trial on these matters would be a minimum of four days.

c) Expense of the Litigation

The litigation will be very fact intensive and it is anticipated that significant additional legal expense will be incurred by each side. Financial records will need to be obtained from the Debtor and its parent company. Depositions will need to be taken of client representatives on both sides, as well as witnesses with historical knowledge of the loans. The case will also require extensive legal research and briefing. The Plan Proponents

estimate that $150,000.00 to $250,000.00 in legal fees will be incurred by each side in the litigation.

d) No Impact on Creditors
Another relevant factor in approving the settlement is that the litigation or its settlement will have no impact on Creditors in this Bankruptcy Case. Under the Plan, all Allowed Unsecured Claims and all Allowed Priority Claims will be paid 100%. Thus, the litigation and the settlement only affect Dansk, Petrochem, and the equity security interests, who support the settlement.

The Plan Proponents believe that the settlement is in the best interests of the creditors and the estate. The settlement is the product of weeks of very hard negotiations by all of the parties. The settlement preserves the equity in the Debtors' assets for the benefit of junior lienholders and unsecured creditors. If the settlement is not approved, it is very possible that JPMorgan would foreclose on the Debtors' assets, leaving no recovery for unsecured or priority creditors. If the foreclosure resulted in sales proceeds over and above the amount necessary to pay JP Morgan, the dispute between Dansk, Petrochem, the Debtors, and PIP would still have to be litigated.

L. Office of the United States Trustee

The Debtors shall provide the United States Trustee with financial reports on a quarterly basis in the form of affidavits of disbursements and pay all required fees until such time as a final decree is entered in this Chapter 11 Case.

M. Effective Date Conditions

The following conditions precedent must be satisfied or waived on or prior to the Effective Date in accordance with Section 12.1 of the Plan:

(a) The Confirmation Order shall have been signed by the Bankruptcy Court and entered;

(b) The Confirmation Order shall provide that, notwithstanding Rule 3020(e) of the Bankruptcy Rules, the Confirmation Order shall be immediately effective;

(c) There shall be no stay of the Confirmation Order in effect and

(d) The Confirmation Order shall be a final order.

J. Retention of Jurisdiction

Until this Chapter 11 case is closed, the Bankruptcy Court will retain the jurisdiction as is legally permissible under applicable law to ensure that the purpose and intent of the Plan are carried out and to hear and determine all Claims, Interests and objections thereto that could have

been brought before the entry of the Confirmation Order. The Bankruptcy Court will retain jurisdiction to hear and determine all Claims against and Interests in the Debtors and to enforce all causes of action that may exist on behalf of the Debtors, over which the Bankruptcy Court otherwise has jurisdiction.

5.1 Taxation

5.1.1 Introduction

The following discussion summarizes certain of the important federal income tax consequences of the transactions described herein and in the Plan. This discussion is for information purposes only and does not constitute tax advice. This summary is based upon the Internal Revenue Code and the treasury Regulations promulgated thereunder, including judicial authority and current administrative rulings and practice. Neither the impact on foreign holders of claims and equity in or the tax consequences of these transactions under state and local law is discussed. Also, special tax considerations not discussed herein may be applicable to certain classes of taxpayers, such as financial institutions, broker-dealers, life insurance companies, and tax-exempt organizations. Furthermore, due to the complexity of the transactions contemplated in the Plan, and the unsettled status of many of the tax issues involved, the tax consequences described below are subject to significant uncertainties. No opinion of counsel has been obtained and no ruling has been requested from the Internal Revenue Service ("IRS") on these or any other tax issues. There can be no assurances that the IRS will not challenge any or all of the tax consequences of the Plan, or that such a challenge, if asserted, would not be sustained. **HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR ARE, THEREFORE, URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.**

5.1.2 Tax Consequences to Creditors

In General. The federal income tax consequences of implementation of the Plan to a holder of a Claim will depend, among other things, on: (a) whether its Claim constitutes a debt or security for federal income tax purposes; (b) whether the Claimant receives consideration in more than one tax year; (c) whether the Claimant is a resident of the United States; (d) whether all the consideration by the Claimant is deemed to be received by that Claimant as part of an integrated transaction; (e) whether the Claimant reports income using the accrual or cash method of accounting; and (f) whether the holder has previously taken a bad debt deduction or worthless security deduction with respect to the Claim.

Gain or Loss on Exchange. Generally, a holder of an Allowed Claim will realize a gain or loss on the exchange under the Plan of his Allowed Claim for cash and other property in an amount equal to the difference between (i) the sum of the amount of any cash and the fair market value on the date of the exchange of any other property received by the holder (other than any consideration attributable to accrued by unpaid interest on the Allowed Claim), and (ii) the adjusted basis of the allowed claim exchanged therefore (other than basis attributable to accrued

but unpaid interest previously included in the holder's taxable income). Any gain recognized will generally be a capital gain (except the extent the gain is attributable to accrued by unpaid interest or accrued market discount, as described below) if the Claim was capital asset in the hand of an exchanging holder, and such gain would be a long term capital gain if the holder's holding period for the Claim surrendered exceeded one (1) year at the time of the exchange.

Any loss recognized by a holder of an Allowed Claim will be a capital loss if the claim constitutes a "security" for federal income tax purposes or is otherwise held as a capital asset. For this purpose, a "security" is a debt instrument with interest coupons or in registered form.

5.1.3 Information Report and Backup Withholding

Under the backup withholding rules of the Internal Revenue Code, holders of Claims may be subject to backup withholding at the rate of 31 percent with respect to payments made pursuant to the Plan unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a correct taxpayer identification number and certifies under penalties of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividends and interest income. Any amount withheld under the rules will be credited against the holder's federal income tax liability. Holders of Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

5.1.4 Importance of Obtaining Professional Assistance

The foregoing is intended to be a summary only and is not a substitute for careful tax planning with a tax professional. The Federal, state, and foreign tax consequences of the plan are complex and, in many areas, uncertain. Accordingly, each holder of a claim or equity interest is strongly urged to consult with his own tax advisor regarding such tax consequences.

K. Modification or Withdrawal of the Plan

The Plan Proponents reserves the right to modify the Plan either before or after Confirmation to the fullest extent permitted under section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, including but not limited to modifications necessary to negotiate the resolution of an objection to the Confirmation of the Plan. The Plan Proponents may withdraw the Plan at any time before the Confirmation Date, or thereafter prior to the Effective Date. The Plan may be amended by the Plan Proponents before or after the Effective Date as provided in section 1127 of the Bankruptcy Code.

VII. CONFIRMATION OF THE PLAN

A. Solicitation of Votes; Voting Procedures

As set forth in the Plan, the following classes will be entitled to vote on the Plan: Class 2 (Petrochem Secured Claim). Class 3 (Dansk Secured Claim), Class 4 (A-K Building Maintenance Secured Claim). Class 5 (Arch Floors, Inc. Secured Claim). Class 6 (Craven Carpet Secured Claim). Class 7 (Gemini Plumbing Secured Claim). Class 8 (The Carpet Store Secured Claim). Class 9 (Lynn Mechanical Secured Claim) Class 12 (Deficiency Claims of Dansk and Petrochem), Class 13 (the PIP Equity Claim). All other Classes are either unimpaired or deemed to reject the Plan and, in either case, are not entitled to vote.

B. Manner of Voting

Classes Entitled to Vote. The Plan divides the Claims of Creditors and Equity Interest into fourteen (14) classes. Only classes of Creditors and Equity Interest holders with claims or interests impaired under a plan of reorganization are entitled to vote on a plan. Generally, and subject to the specific provisions of the Bankruptcy Code, this includes creditors and interest holders whose claims or interests, under a plan, will be modified in terms of principal, interest, length of time for payment, or a combination of the above. Each holder of a Claim in a Class that is not impaired under the Plan is conclusively presumed to have accepted the Plan, and solicitation of acceptances from the holders of such Claims is not required and will not be undertaken.

The Classes of Creditors not impaired under the Plan are Classes are 1, 10 and 11.

The Classes impaired under the Plan are Classes 2, 3, 4, 5, 6, 7, 8, 9, 12,13 and 14.

Procedure For Voting. All Creditors and Equity Interest holders entitled to vote may cast their vote by completing, dating, and signing the Ballot included with this Disclosure Statement and mailing it to:

Christopher Adams
Okin & Adams LLP
1113 Vine Street, Suite 201
Houston, Texas 77002

IN ORDER TO BE COUNTED, THE COMPLETED BALLOT MUST BE RECEIVED NO LATER THAN _____. A BALLOT DOES NOT CONSTITUTE A VALID PROOF OF CLAIM IN THE Bankruptcy CASE.

Solicitation of Acceptance of the Plan. This Disclosure Statement has been approved by the Bankruptcy Court in accordance with section 1125 of the Bankruptcy Code (11 U.S.C. § 1125) and has been provided to all Creditors and Equity Interest holders in this Case. This Disclosure Statement is intended to assist Creditors and Equity Interest holders with their evaluation of the Plan and their decision to accept or reject the Plan. Your acceptance of the Plan may not be solicited unless you receive a copy of this Disclosure Statement at the time of, or before, such solicitation.

Votes Considered in Determining Acceptance of the Plan. When acceptance of the Plan is determined by the Bankruptcy Court, in accordance with Bankruptcy Code Section 1126 (11 U.S. C. § 1126) and Rule 3018 of the Federal Rules of Bankruptcy Procedure, votes of Creditors will only be counted if submitted by Creditors with Allowed Claims who are members of Classes 3, 6, 7, and 8. If you are in any way uncertain if or how your Claim has been scheduled, you should review the Debtor's schedules and any amendments thereto. Pursuant to Rule 3018 of the Federal Rules of Bankruptcy Procedure, votes of Class [Designation of Class of Holders Whose Claims Based on a Security of Record] Interest Holders will be counted only if submitted by the holder of record on the date the order of the Court approving the Disclosure Statement is entered.

Hearing on Confirmation of the Plan. The Bankruptcy Court has set a hearing to determine if the Plan has been accepted by the required number of holders of Claims and Interests and if other requirements for Confirmation of the Plan outlined in the Bankruptcy Code have been satisfied. The hearing on Confirmation of the Plan shall commence on _____, 2015 in The courtroom of the Honorable Judge Letitia Z. Paul, United States Courthouse, 515 Rusk Ave., Courtroom 401, Houston, Texas 77002. Any objections to confirmation of the Plan must be in writing and must be filed with the Clerk of the Bankruptcy Court and served on counsel for the Plan Proponents on or before _____, 2015.

Determining Whether Impaired Classes Have Accepted the Plan. At the scheduled hearing on Confirmation of the Plan, the Bankruptcy Court must determine, among other things, if the Plan has been accepted by each impaired Class. Under section 1126(c) of the Bankruptcy Code (11 U.S.C. § 1126(c)), an impaired Class of Claims is deemed to have accepted the Plan if Class members holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of all Allowed Claims of Class members actually voting have voted in favor of the Plan. Under § 1126(d) of the Bankruptcy Code (11 U.S.C. § 1126(d)), an impaired Class of Interests is deemed to have accepted the Plan if Class members holding at least two-thirds (2/3) in amount of the Allowed Interests of Class members actually voting have voted in favor of the Plan. Further, under section 1129 of the Bankruptcy Code (11 U.S.C. § 1129(a)(7)(A)(ii)), the Bankruptcy Court must also find that each member of an impaired Class either votes to accept the plan or will receive or retain as much under the Plan as the member would receive or retain if the Debtor were liquidated, as of the Effective Date of the Plan, under chapter 7 of the Bankruptcy Code. This is known as the "best interest of creditors' test."

Confirmation of the Plan Without Consent of all Impaired Classes. The Plan may be confirmed even if not accepted by all Impaired classes, if the Bankruptcy Court finds that all other requirements of Confirmation under section 1129(a) of the Bankruptcy Code (11 U.S.C. § 1129(a)) are satisfied and certain additional conditions are met. These conditions are set forth in section 1129(b) of the Bankruptcy Code (11 U.S.C. § 1129(b)), and require, generally, a showing that the Plan does not discriminate unfairly and that the Plan is "fair and equitable" with respect to each Class of Claims and Interests that is Impaired under, and has not accepted, the Plan. In order to be "fair and equitable" as required by section 1129(b) of the Bankruptcy Code, the Plan must provide that Unsecured Creditors and Interest Holders in non-consenting, Impaired classes will either receive or retain on account of their Claims or Interests, property of a value, as of the

Effective Date of the Plan, at least equal to the value of such Claims or Interests or, if they receive less than full value, no Class with a junior priority will receive or retain anything on account of such junior Claim or Interest. For Secured Creditors, the Plan will be "fair and equitable" under Section 1129(b) if Secured Creditors either (i) retain the liens securing their claims and receive deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the Plan, of at least the value of the Secured Creditor's interest in such property, (ii) if the property securing their claim is to be sold, their liens will attach to the proceeds, or (iii) Secured Creditors will receive the "indubitable equivalent" of their Secured Claims. These are complex statutory provisions and this summary is not intended to be a complete statement of the law. If the Plan is not accepted by an Impaired Class or Classes, the Debtor will rely on the "cramdown" provisions of section 1129(b) of the Bankruptcy Code and seek Confirmation of the Plan.

C. Requirements for Confirmation of the Plan

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

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

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

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

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

5. With respect to post-confirmation management,

   (a)

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

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

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

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

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

(a) each holder of a claim or interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor was liquidated on such date under chapter 7 of the Bankruptcy Code on such date; or

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

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

(a) such class has accepted the plan; or

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

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

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

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

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

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

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

payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the effective date of the plan, equal to the allowed amount of such claim.

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

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

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

13. All transfers of property under the plan shall be made in accordance with any applicable provisions of non-bankruptcy law that govern the transfer of property by a corporation.

The Plan Proponents believe that the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code, that the Plan Proponents have complied with all the requirements of chapter 11, and that the Plan is proposed in good faith.

The Plan Proponents believe that holders of all Allowed Claims and Interests will receive payments under the Plan having a present value as of the Effective Date not less than the amounts likely to be received if the Debtors were liquidated in a case under Chapter 7 of the Bankruptcy Code.

The Plan Proponents also believe that the feasibility requirement for confirmation of the Plan will be satisfied by the transfer of the Estate assets to the Liquidating Trust and the terms of the Liquidating Trust Agreement. These facts and others in support of confirmation of the Plan will be provided at the Confirmation Hearing.

VIII. RISK FACTORS

A. Confirmation Risks

Both failure to achieve confirmation of the Plan, and consummation of the Plan, are subject to a number of risks. In addition, there are certain risks inherent in the reorganization process under the Bankruptcy Code. If certain standards set forth in the Bankruptcy Code are not met, the Bankruptcy Court will not confirm the Plan even if Creditors accept the Plan. Although the Debtors believe that the Plan meets such standards, there can be no assurances that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court were to determine that such requirements were not met, it could require the Debtors to re-solicit acceptances, which could delay and/or jeopardize confirmation of the Plan. In this case, the same is true if the

Bankruptcy Court determines that the contents of this Disclosure Statement are not sufficient or do not meet the standards of 11 U.S.C. §1125.

As to the consummation of the Plan, if this Plan is confirmed, the Debtors believe that 2401 will be sold and the provisions of the Plan implemented provided that the time table in the Plan can be met. Pursuant to the Lift Stay Order, JP Morgan has the option to seek permission from the Court to proceed with foreclosure in the event the deadlines in the Lift Stay Order are not met. In the event JP Morgan proceeds with foreclosure, the holders of Allowed Class 1, 2 and 3 Secured Claims shall be authorized (a) to credit bid up to the Allowed amount of their Secured Claims to purchase the property or (b) receive the dollar amount of their respective Allowed Secured Claims from the sales proceeds in satisfaction of their respective Allowed Secured Claims. In the event of foreclosure, it is very likely that there will be insufficient proceeds to pay unsecured creditors.

B. Conditions Precedent

The above-listed conditions precedent to the Effective Date of the must occur, or be waived, prior to full implementation of the Plan.

IX. LIQUIDATION ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Plan Proponents analyzed whether a Chapter 7 liquidation of the Debtors' assets would be in the best interest of Holders of Claims and Interests. Under the Plan, the Debtors' major asset, 2401 Fountainview, would be sold for $15,300,000.00, which may be increased at the discretion of Purchaser. The Plan Proponent is using a value of $15,300,000.00 in the Liquidation Analysis attached as **Exhibit "E"**.

If all assets were sold under a liquidation through a Chapter 7 trustee as opposed to a controlled sale through a Distribution Agent, the proceeds of the sale would not be sufficient to satisfy all of the secured claims in the case. Furthermore, real estate broker's or auctioneer fees would reduce the net sales proceeds. For this reason, the Plan Proponents anticipate that a liquidation of assets through a Chapter 7 bankruptcy case would produce a nominal return, or no return at all, for holders of General Unsecured Claims, Priority Claims, Chapter 11 Administrative Claims, Deficiency Claims and Interests in the Debtor. Thus, the Plan Proponents believe that the consummation of the proposed Plan is in the best interests of the creditors, as it produces a better return for such creditors than Chapter 7 liquidation.

X. RECOMMENDATION AND CONCLUSION

The Plan Proponents urges all holders of Claims and Interests to support approval of this Disclosure Statement and confirmation of the Plan.

XI. EXHIBITS

Exhibit "A" – First Amended Chapter 11 Plan of Reorganization submitted by the Debtors
Exhibit "B" – Debtors' Schedules
Exhibit "C" – List of Executory Contracts
Exhibit "D" – List of Debtor's Real Property (Schedule A)
Exhibit "E" – Liquidation Analysis
Exhibit "F" – Latest Monthly Operating Report
Exhibit "G" - Settlement Agreement
Exhibit "H" – List of Unsecured Claims

Dated: May 19, 2015.

ASR 2401 FOUNTAINVIEW, LP

By: ASR 2401 FOUNTAINVIEW, LLC,
its General Partner

By: ***/s/Tim Nichols***
Name: Tim Nichols
Title: Preferred Income Partners IV, LLC

ASR 2401 FOUNTAINVIEW, LLC

By: ***/s/Tim Nichols***
Name: Tim Nichols
Title: Preferred Income Partners IV, LLC