

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

**DISCLOSURE STATEMENT TO
CHAPTER 11 PLAN OF REORGANIZATION**

SUBMITTED BY

DANSK ASR INVESTMENTS, LLC

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LLC

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

DANSK ASR INVESTMENTS, LLC (the “**Plan Proponent**”), creditor 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 submits this *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 *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 transfer of all of the Estate’s assets, including 2401 Fountainview, to a Liquidating Trust. The Liquidating Trustee will be an independent, impartial and responsible third-party. The Liquidating Trustee shall then liquidate assets for the benefit of the Liquidating Trust Beneficiaries which are the Holders of Allowed Claims.

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 Proponent submits 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 Proponent and its 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 Proponent, and public filings, including filings in the Bankruptcy Court.

III. HEARINGS AND DEADLINES TO OBJECT

The Plan Proponent has 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 Debtor 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. ASR 2401 FOUNTAINVIEW, LLC ("**LLC Debtor**"), a Delaware limited liability company, is the General Partner. Preferred Income Partners IV, LLC ("**PIP**"), a Delaware limited liability company is the Class A limited partner, and American Spectrum Realty Operating Partnership, LP ("**ASR Operating**"), a Delaware limited partnership, is the Class B limited partner. The LLC Debtor and ASR Operating originally formed the LP Debtor in January 2006. PIP was added to the partnership in September 2009.

The LP Debtor owns and operates a ten story office building located at 2401 Fountainview, Houston, Texas 77057 ("**2401 Fountainview**"). 2401 Fountainview 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

The LP Debtor and the 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"** is a copy of the latest monthly operating report filed by Debtors. The LLC Debtor has no operations other than acting as the General Partner of the LP Debtor.

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 ("**JPMCC**"), the current owner and holder of the Note.

In order to obtain additional capital, the LP Debtor borrowed \$2,000,000 from Petrochem Development I, LLC ("**Petrochem**") in March 2012. The Petrochem loan is secured by the Petrochem Deed of Trust on 2401 Fountainview. The LP Debtor borrowed \$1,750,000.00 from Dansk ASR Investment, LLC ("**Dansk**") in March 2013. The Dansk loan is secured by the

Dansk Deed of Trust on 2401 Fountainview. Dansk 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.

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 *Preferred 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. 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 JPMCC to manage and operate 2401 Fountainview, in accordance with terms of the cash collateral orders. An Agreed Sixth Interim Order Approving Use of Cash Collateral and Granting Partial Adequate Protection was entered by the Court on March 31, 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.” The relationship or association between Jetall and PIP is unknown. Upon information and belief, Jetall is a company owned or controlled by Ali Choudri and has assumed partial or complete control over PIP’s interest in the Debtors.

By Agreed Order between the Debtors, PIP, and JPMCC, 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, JPMCC filed a Motion for Relief from the Automatic Stay Pursuant to 11 U.S.C. §362(d) in which JPMCC asked that the stay be lifted so that it could foreclose on 2401 Fountainview. By Agreed Order Regarding the Automatic Stay entered March 12, 2015, the automatic stay was modified such that JPMCC 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**”), JPMCC may petition the Bankruptcy Court to lift the stay and allow JPMCC 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.

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 is pending.

On March 20, 2015, Dansk and Petrochem filed a Limited Objection to JPMCC’s Proof of Claim. The Limited Objection remains pending. An initial hearing on the Objection is set for May 10, 2015.

On March 31, 2015, Debtors filed a competing Plan of Reorganization. In the Plan, Debtors dispute the validity, amount and status of the Dansk and Petrochem loans, and propose that, unless the Bankruptcy Court makes a finding that Dansk and Petrochem have Allowed Claims, that they take nothing under the Debtors’ Plan. Debtors further propose that PIP receive a distribution of \$4,059,400.00 for its equity interest. Dansk and Petrochem strongly deny the Debtors’ claims and object to the proposed preferential treatment of PIP, as an equity interest holder, being paid ahead of creditors of the Debtors. It is also unclear as to the identity of the purchaser under the Debtors’ Plan. The purchaser, Fountainview Partners, is identified as an entity wholly owned by PIP. Upon information and belief, a Jetall entity has an ownership and/or controlling interest in the purchaser. For these reasons, Dansk and Petrochem have filed a separate Plan of Reorganization in which Dansk and Petrochem purchase 2401 Fountainview.

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 Proponent believes that the Plan provides fair treatment to and is in the best interest of all classes of Claims and Interests. On the Effective Date (defined in the Plan) of the Plan, the Debtors will transfer all estate assets to a trust to be managed by a third-party neutral trustee. The trustee will liquidate the estate assets in his business judgment and pay creditors holding allowed claims. The estate assets will include litigation rights and causes of actions or claims. The trustee shall at his discretion liquidate these claims in his business judgment for the benefit of holders of allowed claims.

The Plan Proponent believes 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 Proponent 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.

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 Liquidating Trustee 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 Liquidating Trustee and the holder of the Allowed Administrative Claim shall agree.

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

3. Summary of Classified Claims and Interests

Unless otherwise noted, the Plan Proponent's 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 Proponent, and the Liquidating Trustee are not waiving their rights to object to any Claim or Interest on or before the objection deadline established by the Plan.

CLASS	TREATMENT
<p>CLASS 1: JPMorgan Secured Claim</p> <p><i>Voting:</i> Unimpaired – Deemed to Accept.</p> <p><i>Estimate of Allowed Claim:</i> 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 Plan Proponent)</p> <p><i>Estimated Recovery:</i> 100%</p>	<p>The JPMorgan Secured Claim, to the extent Allowed, or to the extent a payment amount is agreed to between the holder of the JPMorgan Secured Claim, the Liquidating Trustee, and the Plan Proponent, will be paid by the Liquidating Trustee on the Distribution Date.</p>
<p>CLASS 2: Petrochem Secured Claim</p> <p><i>Voting:</i> Unimpaired – Deemed to Accept.</p> <p><i>Estimate of Allowed Claim:</i> \$1,749,640.00, plus post-petition interest, costs, expenses and fees as allowed by the Bankruptcy Court</p> <p><i>Estimated Recovery:</i> 100%</p>	<p>The Petrochem Secured Claim, to the extent Allowed, or to the extent a payment amount is agreed to between the Debtors or the Liquidating Trustee and Petrochem, will be paid on the Distribution Date to the extent that the Liquidating Trustee has additional funds remaining after payment in full of allowed claims in Class 1, 4 and 5. To the extent that the Petrochem Secured Claim is not paid in full, the Petrochem Note will not be extinguished or satisfied by the distribution such that Petrochem may pursue collection of sums which remain due and owing on the Petrochem Note from parties other than the Debtors in this Bankruptcy Case.</p> <p>Deficiency Claim. In the event that all or any</p>

CLASS	TREATMENT
	<p>portion of Petrochem's Secured Claim is determined to be a Deficiency Claim (as defined in the Plan), it shall be treated in the same manner as a holder of a Class 6 Claim.</p> <p>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.</p>
<p>Class 3: Dansk Secured Claim</p> <p><i>Voting:</i> Impaired – Entitled to Vote.</p> <p><i>Estimate of Allowed Claim:</i> \$4,370,496.89</p> <p><i>Estimated Recovery:</i> 48%</p>	<p>The Dansk Secured Claim, to the extent Allowed, or to the extent a payment amount is agreed to between the Debtors or the Liquidating Trustee and Dansk, will be paid on the Distribution Date to the extent that the Liquidating Trustee has additional funds remaining after payment in full of Allowed Claims in Class 1, 2, 4 and 5. To the extent that the Dansk Secured Claim is not paid in full, the Dansk Note will not be extinguished or satisfied by the distribution such that Dansk may pursue collection of sums which remain due and owing on the Dansk Note from parties other than the Debtors in this Bankruptcy Case.</p> <p><i>Withholding of Portion of Distribution:</i> The Liquidating Trustee is authorized to withhold up to \$150,000.00 of the distribution to Dansk for the Liquidating Trustee's use in payment of the fees and expenses of the Liquidating Trust ("Dansk Withheld Funds").</p> <p>Prior to termination of the Liquidating Trust, a distribution will be made to Dansk equaling the amount of the Dansk Withheld Funds to the extent that the Liquidating Trust has funds remaining after payment of all expenses, liabilities, fees and other obligations of the Liquidating Trust (the "Dansk Reimbursement Obligation").</p> <p>Deficiency Claim. In the event that all or any portion of Dansk's Secured Claim is determined to be a Deficiency Claim (as</p>

CLASS	TREATMENT
	<p>defined in the Plan), it shall be treated in the same manner as a holder of a Class 6 Claim.</p> <p>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.</p>
<p>Class 4: Priority Claims</p> <p><i>Voting:</i> Unimpaired – Deemed to Accept.</p> <p><i>Estimate of Allowed Claims:</i> \$81,722.44</p> <p><i>Estimated Recovery:</i> 100%</p>	<p>On the Distribution Date, the Allowed Priority Claims shall be paid in full.</p>
<p>Class 5: General Unsecured Claims</p> <p><i>Voting:</i> Unimpaired – Deemed to Accept.</p> <p>Estimate of Allowed Claims: \$240,174.77</p> <p>Estimated Recovery: 100%</p>	<p>On the Distribution Date, the Allowed General Unsecured Claims shall be paid in full.</p>
<p>Class 6: Deficiency Claims of Dansk and Petrochem.</p> <p>Voting: Impaired – Entitled to Vote.</p> <p>Estimate of Allowed Claims: \$2,272,657,92 (estimated deficiency on Dansk claim after application of net proceeds from sale of 2401 Fountainview)</p> <p>Estimated Recovery: N/A</p>	<p>To the extent that the Liquidating Trust has additional funds remaining after fully satisfying all classes proceeding Class 6, the Allowed Class 6 claims, whether filed before or after the Bar Date, shall be paid by the Liquidating Trustee prior to termination of the Liquidating Trust, Pro Rata, remaining funds held by the Liquidating Trust, after payment of all expenses, liabilities, fees and other obligations of the Liquidating Trust.</p>
<p>Class 7: PIP Equity Interest</p>	<p>To the extent that the Liquidating Trust has</p>

CLASS	TREATMENT
<p><i>Voting:</i> Impaired – deemed to reject</p> <p><i>Estimated Recovery:</i> 0%</p>	<p>additional funds remaining after fully satisfying all classes proceeding Class 7, the Allowed Class 7 claims and interests shall be paid by the Liquidating Trustee prior to termination of the Liquidating Trust, Pro Rata, remaining funds held by the Liquidating Trust, after payment of all expenses, liabilities, fees and other obligations of the Liquidating Trust.</p>
<p>Class 8: Remaining Equity Interests</p>	<p>To the extent that the Liquidating Trust has additional funds remaining after fully satisfying all classes proceeding Class 8, the Allowed Class 8 claims and interests shall be paid by the Liquidating Trustee prior to termination of the Liquidating Trust, Pro Rata, remaining funds held by the Liquidating Trust, after payment of all expenses, liabilities, fees and other obligations of the Liquidating Trust.</p>

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 Liquidating Trustee 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 and Outline of the Liquidating Trust

You are encouraged to fully review the Liquidating Trust Agreement. A copy of the Liquidating Trust Agreement is attached as Exhibit "A" to the Plan. Below is a summary of some key points in the Liquidating Trust.

On the Effective Date, and subject only to the terms of this Plan, all assets of the Debtors and the Estate, wherever situated, shall vest in the Liquidating Trust in accordance with the Liquidating Trust Agreement. You are encouraged to fully review the Liquidating Trust. A copy of the Liquidating Trust Agreement is attached as Exhibit "A" to the Plan. The Liquidating Trustee will have the duties and authority as set forth in the Liquidating Trust, including, but not limited to, managing and selling Trust Assets and pursuing causes of action. Any and all sales or other dispositions of Trust Assets by the Liquidating Trustee will be deemed to be fully Free and Clear of all Liens, Claim and Encumbrances (as defined in the Plan), with all Liens, Claims and Encumbrances transferring to and attaching to any and all net proceeds from such sale or other disposition. The Liquidating Trustee will distribute the proceeds of Trust Assets to Creditors and Interest holders per the terms of this Plan. The Liquidating Trustee named in the Liquidating Trust will be a disinterested person, unrelated to the Debtor, the creditors, the Equity Interest holders or any party in interest in this case. The Liquidating Trustee shall assume all of the responsibilities, duties and obligations previously undertaken by the Debtor's board of directors, managers, general partners and officers that arise after the Effective Date under the Plan, the Liquidating Trust Agreement and applicable law and is empowered and authorized to satisfy such responsibilities, duties and obligations without any further corporate authority as may have been required prior to the Effective Date. The Liquidating Trustee shall stand in the same position as the Debtors with respect to any claim the Debtors may have to an attorney-client privilege, the work product doctrine, or any other privilege against discovery, and the Liquidating Trustee shall succeed to all of the Debtors' rights to preserve, assert or waive any privilege. The Liquidating Trustee shall have all of the duties, responsibilities, power and authority stated in the Liquidating Trust and this Plan.

The Liquidating Trustee shall sell 2401 Fountainview and assign the Tenant Leases to the Purchaser for the gross sum of the Purchase Amount. The closing of the sale shall occur within five (5) business days after the Effective Date (or at such later date as may be agreed to between Purchaser and the Liquidating Trustee), at Charter Title, or such other title company agreed to by Purchaser and the Liquidating Trustee. The Liquidating Trustee shall sell to the Purchaser all of the Liquidating Trust's right, title and interest in and to 2401 Fountainview and the Tenant Leases.

If the sale to the Purchaser does not close within thirty (30) business days after the

Effective Date, or such later date as may be agreed to between Purchaser and the Liquidating Trustee, then the Trustee is authorized and directed to market and sell 2401 Fountainview in a commercially reasonable manner for the best net sales price available, in the Liquidating Trustee's judgment. The Liquidating Trustee may in his/her judgment use any reasonable marketing method, including, but not limited to, listing the property with a licensed real estate broker or holding an auction.

With regard to any sale of 2401 Fountainview and the assignment of the Tenant Leases by the Liquidating Trustee:

- (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 Liquidating Trustee is authorized and directed to execute and deliver all documents and instruments necessary to complete a sale or assignment of any Trust Assets, 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 Liquidating Trustee shall pay all costs and expenses of the sale out of the sales proceeds. In addition, the Liquidating Trustee shall pay all ad valorem taxes on 2401 Fountainview, pro-rated to the date of the closing of the sale, out of the 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 (the "Net Proceeds") of 2401 Fountainview and the Tenant Leases. The Net Proceeds shall consist of the proceeds of the sale, less (i) the costs and expenses of the sale, including but not limited to all costs and expenses to be paid by Debtors at closing; and (ii) all ad valorem taxes due and owing on 2401 Fountainview.
- (f) The Liquidating Trustee is authorized to distribute the Net Proceeds from the sale or assignment of Trust Assets, including, but not limited to, the sale and assignment of 2401 Fountainview and the Tenant Leases, in accordance with this 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 or the proceeds of Trust Assets, the Liquidating Trustee shall sequester sufficient undistributed funds in the Distribution Reserve Account to fully pay 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 Liquidating Trustee shall prepare and file with the Court a statement of the completion of the sale and assignment 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.

E. Litigation and Proceedings on Disputed Claims

The Liquidating Trustee shall have the sole right to object to the allowance of any Claims provided for under the Plan. The Liquidating Trustee 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 \$250,000.00. Unless otherwise ordered by the Bankruptcy Court, the Liquidating Trustee 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 Liquidating Trustee shall have the exclusive right to file and prosecute any Claims and Causes of Action, including all derivative Causes of Action. The Liquidating Trustee 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 \$250,000.00.

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 Debtors' Statements of Financial Affairs listed the following potential preference payments to creditors:

NAME AND ADDRESS OF CREDITOR	DATES OF PAYMENTS/ TRANSFERS	AMOUNT PAID OR VALUE OF TRANSFERS
City of Houston Building Inspections Mechanical Section (Elevator Group) P. O. Box 2688 Houston, TX 77252-2688	07/03/14 07/25/14 09/05/15 09/29/14	\$13,722.30
Starlight Cleaning Service of Houston	07/07/14	\$27,867.08

P. O. Box 678080	08/08/14	
Dallas, TX 75267	08/22/14	
	08/27/14	
	08/27/14	
	09/08/14	
AT&T	07/16/14	\$3,188.98
P. O. Box 5001	08/28/14	
Carol Stream, IL 60197	09/18/14	
Ricardo Revelo	07/21/14	\$809.95
2401 Fountain View	08/27/14	
#750	09/18/14	
Houston, TX 77057	09/22/14	
ThyssenKrupp Elevator Corporation	07/24/14	\$12,000.00
P. O. Box 933013		
Atlanta, GA 31193-3013		
Chem-Aqua, Inc.	07/25/14	\$985.56
P. O. Box 971269		
Dallas, TX 75397-1269		
Covens Interior Plants	07/25/14	\$194.85
5868 Westheimer Road		
Suite 552		
Houston, TX 77057-5641		
Exact Lighting Inc.	07/25/14	\$1,987.85
28906 Twisted Oak Dr.		
Shenandoah, TX 77381		
HD Supply Facilities Maintenance, LTD.	07/25/14	\$216.48
P. O. Box 509058		
San Diego, CA 92150-9058		
O.P. Enterprise Waste Services	07/25/14	\$3,036.48
DBA Omar Patricia Enterprise Inc.	09/12/14	
P. O. Box 218684		
Houston, TX 77218		
Thyssenkrupp Corporation	07/25/14	\$1,549.35
P. O. Box 933004		
Atlanta, GA 31193-3004		
Kirk Graham	08/18/14	\$370.86

2401 Fountain View
#750
Houston, TX 77057

Oscar Quintanilla	08/22/14	\$2,126.96
2401 Fountain View Dr.	09/17/14	
Suite 750		
Houston, TX 77057		
American Spectrum Management Group, Inc.	08/14/14	\$29,134.23
2401 Fountain View Dr.	08/28/14	
Suite 750	09/26/14	
Houston, TX 77057		
Get It Done Plumbing	09/16/14	\$909.00
12550 Whittington Dr.	09/18/14	
#416		
Houston, Texas 77077		
Champions Real Estate Group	07/03/14	\$5,541.13
Builders Gypsum Supply	07/03/14	\$267.94
Sherwin Williams	07/03/14	\$205.08
David and Ivory Ministries, Inc.	07/25/14	\$700.00
	09/12/14	
FedEx	07/25/14	\$21.60
Sign A Rama	07/25/14	\$231.90

In addition, 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 Proponent 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 Liquidating Trust to pursue any Unknown Cause of Action.

Preferred Income Partners IV, LLC Litigation: Preferred Income Partners IV, LLC, 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. The Causes of Action raised in this litigation may be owned by the Estate under 11 U.S.C. §541. If so, such Causes of Action would be transferred to the Liquidating Trust upon the Effective Date.

YOU SHOULD NOT RELY ON THE OMISSION OF THE DISCLOSURE OF A CLAIM OR CAUSE OF ACTION TO ASSUME THAT THE DEBTOR HOLDS NO CLAIM OR CAUSE OF ACTION AGAINST ANY THIRD-PARTY, INCLUDING ANY CREDITOR THAT MAY BE READING THIS DISCLOSURE STATEMENT AND/OR CASTING A BALLOT.

Unless expressly released by the Plan or by an order of the Bankruptcy Court, any and all such claims or causes of action against third parties are specifically reserved and will be transferred to the Liquidating Trust, 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. Office of the United States Trustee

The Liquidating Trustee 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.

H. 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, in a form and in substance reasonably satisfactory to the Plan Proponent and the Liquidating Trustee, shall have been entered by the Bankruptcy Court;

- (b) The Confirmation shall provide that, notwithstanding Rule 3020(e) of the Bankruptcy Rules, the Confirmation Order shall be immediately effective, subject to the terms and conditions of the Plan;
- (c) The Liquidating Trust shall be in a form and substance reasonably satisfactory to the Debtor and the Liquidating Trustee;
- (d) The Liquidating Trust shall have been executed by the Liquidating Trustee and all conditions precedent to the effectiveness of the Liquidating Trust shall have been satisfied or waived;
- (e) All material authorizations, consents and regulatory approvals required, if any, in connection with consummation of the Plan shall have been obtained;
- (f) There shall be no stay of the Confirmation Order in effect; and
- (g) All other actions, documents and agreements necessary to implement the Plan shall have been effected or executed.

I. 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.

J. Modification or Withdrawal of the Plan

The Plan Proponent 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 Proponent 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 Proponent 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 3 (Dansk Secured Claim) and Class 6 (Deficiency Claims of Dansk and Petrochem). All other Classes are either unimpaired or deemed to reject the Plan and, in either case, are not entitled to vote.

The Plan Proponent will propose certain solicitation and voting procedures pursuant to a separate motion to be filed with the Court. Such motion and proposed procedures will provide (i) the notice of, among other things, the time for submitting ballots to accept or reject the Plan, the date, time, and place of the hearing to consider Confirmation of the Plan and related matters, and the time for filing objections to Confirmation of the Plan, and, as applicable, (ii) a ballot or ballots (and return envelope(s)) that may be used in voting to accept or to reject the Plan, or a notice of nonvoting status (the “**Solicitation Package**”). Only holders eligible to vote in favor of or against the Plan will receive ballots as part of their Solicitation Package.

B. 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 Proponent believes that the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code, that the Plan Proponent has complied with all the requirements of chapter 11, and that the Plan is proposed in good faith.

The Plan Proponent believes 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 Proponent also believes 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

Any objection to confirmation of the Plan filed by a party in interest might prevent confirmation of the Plan or delay confirmation for a significant period of time.

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 Proponent 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 \$15,400,000. In order to be conservative, the Plan Proponent is using a value of \$15,500,000.00 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 Liquidating Trustee, 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 Proponent anticipates 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 Proponent believes 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 Proponent urges all holders of Claims and Interests to support approval of this Disclosure Statement and confirmation of the Plan.

XI. EXHIBITS

Exhibit "A" -- Chapter 11 Plan of Reorganization submitted by Dansk
Exhibit "B" -- List of Personal Property (Schedule B)
Exhibit "C" -- List of Executory Contracts
Exhibit "D" -- List of Debtor's Real Property (Schedule A)
Exhibit "E" -- Liquidation Analysis
Exhibit "F" -- Monthly Operating Report