Mark E. MacDonald, TX Bar No. 12758300
Daniel J. Artz, TX Bar No. 01365570
MacDonald + MacDonald, P.C.
10300 N. Central Expressway, Suite 335
Dallas, TX 75231
(214) 237-4220; Facsimile: (214) 890-0818
Email: mark@macdonaldlaw.com
**COUNSEL FOR DLH MASTER LAND HOLDING, LLC AND ALLEN CAPITAL PARTNERS, LLC, DEBTORS AND DEBTORS IN POSSESSION**

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

| | | |
|---|---|---|
| In re: | § | |
| | § | |
| DLH Master Land Holding, LLC, | § | |
| Allen Capital Partners, LLC, | § | Case No. 10- 30561-HDH-11 |
| Richard S. Allen, Inc. | § | |
| Richard S. Allen, | § | Jointly Administered |
| | § | |
| Debtors. | § | |
| _____ | § | |

**DISCLOSURE STATEMENT FOR DEBTORS' FOURTH JOINT PLAN OF REORGANIZATION**

**THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION UNDER BANKRUPTCY CODE SECTION 1125(b) FOR USE IN SOLICITATION OF ACCEPTANCES OR REJECTIONS OF CHAPTER 11 PLAN. THE FILING AND DISSEMINATION OF THIS DISCLOSURE STATEMENT ARE NOT INTENDED TO BE, AND SHOULD NOT IN ANY WAY BE CONSTRUED AS, A SOLICITATION OF VOTES ON THE PLAN, NOR SHOULD THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT BE RELIED ON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION. THE PLAN DEBTORS RESERVE THE RIGHT TO AMEND OR SUPPLEMENT THIS PROPOSED DISCLOSURE STATEMENT AT OR BEFORE THE HEARING TO CONSIDER THIS DISCLOSURE STATEMENT**.

## I. INTRODUCTION

Debtors submit this Disclosure Statement pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") to holders of equity Interests in and Claims against Debtors in connection with (i) solicitation of acceptances of the Plan filed by Debtors with the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court") and (ii) the hearing to consider Plan confirmation (the "Confirmation Hearing") scheduled for _____ at _____ p.m. (prevailing Central Time).

Debtors' Fourth Amended Joint Plan of Reorganization ("Plan" or "Reorganization Plan") of the Bankruptcy is **Exhibit A** to this Disclosure Statement.

A ballot ("Ballot") for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement mailed to the holders of Claims that Debtors believe may be entitled to vote to accept or reject the Plan.

**THE ACP AND DLH DEBTORS EACH BELIEVE THAT THE PLAN WILL PROVIDE ALL CLAIMANTS AND INTEREST HOLDERS MORE THAN THEY WOULD HAVE RECEIVED IN A LIQUIDATION OF EACH DEBTOR'S ASSETS UNDER CHAPTER 7, AND SHOULD BE ACCEPTED. CONSEQUENTLY, EACH DEBTOR URGES IMPAIRED CLAIMANTS TO VOTE FOR THE PLAN.**

On _____, 2011, after notice and a hearing, the Bankruptcy Court signed the Disclosure Statement Order, approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable a hypothetical investor of the relevant classes to make an informed judgment whether to accept or reject the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.**

The Disclosure Statement Order, attached as **Exhibit B**, sets forth detailed deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read the Disclosure Statement, the Plan, the Disclosure Statement Order and the instructions accompanying the Ballots in their entirety before voting on the Plan. These documents contain important information concerning classification of Claims and Interests for voting purposes and tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

The purpose of this Disclosure Statement is to provide information to enable a hypothetical, reasonable investor, typical of the holders of such Claims or Interests, to make an informed judgment in exercising his, her or its rights either to accept or reject the Plan. In order for the votes cast pursuant to this solicitation to count, the Bankruptcy Court must find this Disclosure Statement contains information of the kind and in sufficient detail adequate to enable a hypothetical, reasonable investor typical of the classes being solicited to make an informed judgment about the Plan and must authorize Debtors to solicit acceptances of the Plan.

This Disclosure Statement describes Debtors' Reorganization Plan. You are urged to study the Plan in full and to consult with your counsel about the Plan and its impact upon your legal rights. Please read this Disclosure Statement carefully before voting on the Plan.

**THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY DEBTORS' MANAGEMENT (AND CONSULTANTS/CONTRACTORS), UNLESS SPECIFICALLY STATED TO BE FROM OTHER SOURCES.**

**NO REPRESENTATIONS CONCERNING DEBTORS ARE AUTHORIZED BY DEBTORS**

**OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. DEBTORS RECOMMEND THAT ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH IS NOT CONTAINED IN THIS DISCLOSURE STATEMENT NOT BE RELIED UPON BY YOU IN REACHING YOUR DECISION ON HOW TO VOTE ON THE PLAN.**

**THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THE PLAN, ATTACHED AS EXHIBIT A, IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND EACH PARTY WHOSE CLAIM IS IMPAIRED IS URGED TO REVIEW THE PLAN PRIOR TO VOTING.**

## II. SUMMARY OF PLAN

Debtors' proposed Reorganization Plan contemplates that Debtors will obtain sufficient Exit Financing from (i) sales, (ii) insiders, (iii) third parties, or (vi) a combination of (i), (ii) and (iii) to enable Debtors to pay all Administrative and non-tax Priority Claims (other than the Debtor-in-Possession Financing) in full on the Effective Date. Debtors would have preferred to exit Chapter 11 utilizing third party debt or equity financing through obtaining a specific joint venture partner for ACP's subsidiary LPKC and a joint venture partner for DLH. Although active negotiations continue concerning a potential joint venture at LPKC and a letter of intent has been received governing vertical development at LPKC, Debtors cannot continue to wait in soliciting votes for financial restructuring. Availability of Exit Financing is a condition for the Plan of either Debtor to become effective. Debtors believe that those funds will be available.

### CHANGES NEGOTIATED WITH CREDITORS COMMITTEE

Since the original Plan, Debtors have met with representatives of the Committee of Unsecured Creditors of DLH and ACP ("the Committee"), and have been requested to make a variety of changes in the Plan. The Plan now clarifies that Debtors are offering each Unsecured Creditor the ability to elect that any part of its claim can be reduced by 50% and paid on an accelerated basis compared to

other unsecured claims. For example, if an Allowed Unsecured Claim elected to take 30% of its claim and select the "50% fast pay option" the overall creditor recovery would be 85%, i.e. 100% of 70%+50% of 30%. A second example would be that if a Creditor elects the 50% fast pay option for 75% of its claim its overall recovery would be 52.5%, i.e. 50% of 75%+100% of 25%. With the exception of Ed Romanov who reached his own separate settlement, every creditor can accept the blended claim recovery which he/she deems best for them. This is a change in Plan language not a change in Plan concept.

Many changes pertain to issues of governance. Assuming that the Unsecured Creditor Classes of DLH and ACP each vote in favor of the Plan, ACP and DLH will each have at least one member of the Board of Directors representing unsecured creditors until all unsecured claims in that entity have been paid in accordance with the Plan. Transactions with insiders or affiliates of the Reorganized Debtors, except for specified transactions described in the Plan, will require unanimous Board approval. The Committee has requested that unsecured creditors be paid by a Disbursing Agent mutually acceptable to Debtors and the Committee. The Committee has also requested that the Disbursing Agent will have the right to enforce claims of Allowed Unsecured Claims in the event of any default by either Debtor under the Plan.

The definitions of DLH Net Sales Proceeds and ACP Net Sales Proceeds, as well as ACP Unsecured Creditor Net Proceeds, have been clarified. DLH Unsecured Creditors Net Sales Proceeds has been broadened to include proceeds from certain financing transactions Further, the Committee requested and the Debtors agreed that all cash balances of the Reorganized Debtors in excess of the cash required for working capital needs would be distributed to creditors.

The Debtors have also agreed that Reorganized DLH would be required to distribute at the

end of each calendar quarter all cash in excess of $2.75 Million and Reorganized ACP would be required to distribute all cash excess of $1.5 Million at the end of each calendar quarter. The Excess Cash (as defined in the Plan) could distributed only for: (a) repayment of the Term Loan; (b) repayment of any other Exit Financing; (c) payments of principal and/or interest on Secured Claims; and (d) distributions to Unsecured Creditors. Although the Reorganized Debtors would retain discretion over how any Excess Cash was distributed, this requirement should accelerate payments to Creditors.

Substantial consummation (the "Consummation Date") has been redefined as including completion of all acts required to be undertaken within ninety (90) days after the Effective Date.

The Committee continues in existence until the Consummation Date under the Plan, rather than the Effective Date.

All professional fees claimed by the DIP Lenders in converting to term loans have been made subject to Court approval.

As a member of the Board of Directors of ACP or DLH, the Unsecured Creditor designated member has input into the decisions pertaining to objections to claims and compromise of objections and neither Reorganized Debtor can merge, dissolve or sell substantially all assets without a unanimous Board vote.

The provisions for General Discharge of claims against affiliates and principals has been deleted.

The Class B Preferred Callable Membership Interests in DLH are no longer callable prior to payment in full of Allowed Unsecured Claims.

The limits on equity distributions at Reorganized DLH have been tightened so that no

distribution can occur unless holders of DLH Allowed Unsecured Claims have received at least interest payable plus principal based upon equal quarterly payments on a ten (10) year amortization.

The foregoing changes indicate that Debtors have actively and reasonably negotiated with the Committee concerning the Plan of Reorganization. **From the beginning, Debtors have consistently offered that Allowed Unsecured Claims will be paid 100% over time from available cash flow, as defined in the Plan, plus interest at the judgment rate. Debtors believe that amount far exceeds the amount of monies otherwise available from a liquidation of either ACP or DLH.**

**A. DLH Plan**

**Sources of DLH Exit Funding**

On March 23, 2011 the Court entered the Sale Order approving the sale of ADESA to an entity controlled by Cardinal Industrial and Fortress Investments (Cardinal /Fortress)for an overall purchase price of $50,750,000. The agreed price to discharge the lien of Great Western Bank is $48 million with DLH and Great Western sharing rentals prior to closing. Closing is scheduled in late May 2011. By reason of entry of the Sale Order, Great Western/FDIC no longer has the right to terminate the Settlement Agreement.

The estimated net closing proceeds are approximately $2, 250,000. Use of these proceeds are subject to two potential limitations: First, the cure costs required to assume and assign the ADESA lease for the amount of those cure costs, if not resolved before April 18 (the currently scheduled hearing on this Disclosure Statement) will be heard and determined by the Court at that time. Cure can be made not only from the net proceeds of the ADESA sale, but also from future payments by the City of Hutchins under a "380" Agreement. DLH had offered to compromise with ADESA for $350,000 without use of any 380 Agreement proceeds. Although the 380 Agreement is held by a

corporate entity 100% owned by Richard Allen, Mr. Allen has agreed, subject to Court approval, to make a portion of the right to those funds available to DLH in order to enhance available cash to DLH on the ADESA sale Closing Date. Otherwise, the Court had ordered DLH and the Richard Allen entity to file an application to determine relative ownership of the 380 Agreement on April 18, 2011.

Second, a hearing on the potential assertion by Tim Foley, a secured creditor of ACP, that he is entitled to "distributions" from the ADESA sale as a part of his collateral will also be held on April 18, 2011. No pleading asserting this claim has yet been filed, however DLH believes that any ruling in Mr. Foley's favor would be highly unlikely since Mr. Foley's security interest only affects distributions to equity holders from the entity owning the ADESA Property, which is DLH, and there will be no distributions from DLH.

Still another threat to the ADESA proceeds which had arisen since the Court's approval of the ADESA sale to Cardinal Fortress was a threatened suit by Greenfield, the unsuccessful purchaser of the ADESA Property against Cardinal/Fortress, the successful purchaser, asserting damages in excess of $50 million dollars. Concurrently, Altius, a money broker for Greenfield, sued Cardinal/Fortress for approximately $1.5 million dollars. DLH filed a Motion to Show cause why Greenfield, Altius, and their respective attorneys should not be held in contempt of the automatic stay and the injunction contained in the Sale Order. The Court has entered an expedited discovery and hearing schedule for a trial commencing April 18, 2011.

Although definitive documentation has not been executed, ADESA has indicated that it will not appeal the Sale Order and does not in any way join in actions by Greenfield or Altius to disrupt the sale. Greenfield has similarly indicated that it will provide a general release of DLH,

Cardinal/Fortress and others in order to resolve the potential contempt.

Accordingly, DLH believes that on the Effective Date it will have $2,000,000 or more available from the ADESA sale to pay:

| | | |
|---|---|---|
| (a) | Estimated administrative expenses | $750,000, |
| (b) | Administrative Convenience DLH (Class 6) | $ 50,000, and |
| (c) | Pool 2 Claims: prepaid interest | $750,000 |

leaving funds to pay approximately six months of operating expenses even if no sales occur of Pool 1, Pool 2, or Pool 4 assets.

DLH also anticipates obtaining Exit Financing from other sources: (a) an auction and/or Section 363 sale of several parcels of land to be conducted prior to or after the Effective Date with Bankruptcy Court approval, but which will probably not close until after the Effective Date; (b) a loan from Richard S. Allen, individually, in amount of up to $750,000.00. The auction and/or Section 363 sale described above is anticipated to generate sufficient proceeds to pay in full all costs of the sale, all Secured Claims secured by liens on the parcels to be sold, and generate excess cash which DLH may use to consummate the Plan or provide post Effective Date working capital. As set forth below, DLH currently has various parcels of land listed for sale with Jones, Lang, LaSalle. At this time, however, DLH has not moved for approval of the auction and/or Section 363 sale but anticipates doing so shortly. Further, Richard S. Allen is currently a Debtor in his own Chapter 11 case, and any loan from Richard S. Allen is subject to obtaining approval of such loan from the Bankruptcy Court in the Richard S. Allen Chapter 11 case. Richard S. Allen has up to $750,000 in current cash net of expenses in his own Chapter 11 potentially available for loans or capital contributions to ACP or DLH.

**DLH Plan Summary**

It has become clear while negotiating with third parties that the Dallas Logistics Hub Project at +/- 5,500 acres is currently too large for the current financing and development environment. As such, the land in Pool 3 ("ABOT Pool") (consisting of approximately 1,032 acres) and Pool 4 ("Seller Notes Pool") (consisting of approximately 1,626 acres) will either be surrendered to the Secured Creditors holding liens on such land or sold on an expedited orderly basis by structured sales or auction sales over approximately one year after the Effective Date. This will reduce the outstanding Reorganized DLH indebtedness by approximately $55.4 million in estimated claims, which would otherwise accrue interest and potentially require servicing.

DLH and DIP Lenders will convert the Debtor in Possession Financing for DLH into a Post-Confirmation Term Loan in the amount of approximately $2.6 Million, and will obtain additional exit financing from one or more possible sources described above. Certain DLH Secured Claims secured by land will be satisfied on or shortly after the Effective Date by the surrender of the land securing such Secured Claims. DLH will finance distributions to the other creditors from the sales of land or from subsequently negotiated joint ventures. The Net Proceeds from any land sale would be used first to pay necessary costs of closing, second, in payment of the Release Price necessary to satisfy in full the Secured Claims secured by such parcel, third, in payment of a Release Price on the Term Loan from the DIP Lenders, and fourth, a set aside sufficient to allow DLH's owners to pay actual taxes incurred as a result of the taxable gains realized on such a sale net of existing usable tax losses attributed to their DLH investments. The remaining Net Proceeds from any such sale would be allocated as provided in the Plan between Reorganized DLH and the Creditors of DLH: (a) to fund the operating expenses of Reorganized DLH, including the costs of managing and marketing the DLH

Land, and (b) to fund distributions to Secured and Unsecured Creditors. The projected DLH overhead expenses have been sharply reduced from prior projections.

**DLH Secured Creditors** Under the Plan, DLH creditors secured by vacant land are divided into four (4) pools.

**Pool 1 (the "Compass Pool") c**ontains parcels as set forth in **Exhibit A-1** to the Plan subject to the liens of Compass Bank ("Compass"). Most of the parcels in the Compass Pool are Development Ready. Compass has a perfected first lien on all of the parcels in the Compass Pool, all of which secure the Allowed Secured Claim of Compass on its land loan. Compass has a separate Secured Claim secured by liens on two tracts owned by DLH and improved with two Buildings. That Secured Claim (the "Compass Building Loan") is treated elsewhere in the Plan. The Plan establishes Release Prices for each individual parcel in the Compass Pool such that the sum of the Release Prices does not exceed 150% of the Allowed Secured Claim of Compass. Specific Release Prices for each parcel are specifically reflected on Exhibit A-1 to the Plan ("Compass Release Prices"). To pay Compass's Pool 1 Allowed Secured Claim, Compass shall receive a Variable Pay Note primarily payable from three sources: 1) the net proceeds of any sale of a parcel in Pool 1 subject to the Compass lien up to the Release Price for such Parcel; 2) 30% of Pool 1 Net Sales Proceeds for that parcel and for any and all sales of other property contained in Pool 1 and 3) discretionary payments of DLH Excess Cash Distributions. The Notes will accrue interest at 7.25% and mature not later than 5 years after the Plan Effective Date. To the extent that interest payments and Compass principal reductions from sales of Pool 1 properties are not met at the close of the second, third and fourth year after the Effective Date and DLH has failed to make such payment from otherwise available funds, Compass may declare a default, and Reorganized DLH will be obligated to make certain structured

sales, sealed-bids or auctions of land in Pool 1, or obtain funds from junior lien financing or from new equity within six months to cure the default.

**Pool 2 (the "Hutchins Industrial Pool")** contains parcels as set forth in **Exhibit A-2** hereto subject to various seller financing liens. All or substantially all of the parcels in the Hutchins Industrial Pool are Development Ready. Secured Creditors with Pool 2 Allowed Secured Claims will each receive a Note payable from three sources: 1) the net proceeds of any sale of a parcel in the Hutchins Industrial Pool shall be paid to the Pool 2 Secured Creditor holding the lien on such Parcel, in the amount of such Secured Creditor's Pool 2 Note, 2) all other Pool 2 Secured Creditors holding Pool 2 Notes shall receive their pro-rata share of 30% of Pool 2 Net Sales Proceeds for any and all sales of other property contained in Pool 2 and 3) discretionary payments of DLH Excess Cash Distributions. The Pool 2 Notes will accrue interest at 5.50% and mature not later than 8 years after the Plan Effective Date. The Pool 2 Notes shall be payable in semi-annual payments, with interest only on such Pool 2 Notes payable for 3 years after the Effective Date, and thereafter in equal payments of principal and interest sufficient to fully amortize the then outstanding balance of the Pool 2 Notes over ten (10) years. The Pool 2 Notes shall be due and payable in full eight (8) years after the Effective Date. Within 14 days after the Effective Date, Reorganized DLH shall pay to each holder of a Pool 2 Note an amount equal to 2.75% of the principal amount of such Pool 2 Note, to be applied as interest in advance on such Pool 2 Note for six (6) months. Thereafter, payments of interest on the Pool 2 Notes shall be due semiannually in arrears, with the first payment due one (1) year after the Effective Date.

**Pool 3 (the "ABOT Pool")** contains parcels as set forth in **Exhibit A-3** hereto subject to the liens of ABOT. Due to the location and current infrastructure needs, most of the land contained in the

ABOT Pool will take longer to fully develop and sell. ABOT has a perfected first lien on all of the parcels in the ABOT Pool, all of which secure the Allowed Secured Claim of ABOT. DLH shall surrender to ABOT all of the Pool 3 Parcels fourteen (14) days after the Effective Date in full satisfaction of the Claim of ABOT and all guarantees by Debtors and other related parties.

**Pool 4 (the "Seller Notes Pool")** contains parcels as set forth in **Exhibit A-4** hereto subject to various seller financing liens. Due to the location and current infrastructure needs, the land contained in Pool 4 will take longer to fully develop and sell. DLH shall surrender to the Secured Creditors holding Pool 4 Allowed Secured Claims on the Pool 4 parcels identified as Parcels 161-164 (Coffman Investments) and Parcels 93-95 and 156-157 (Southport Properties, LP) on the Effective Date in full satisfaction of all such Claims. With respect to the remaining Pool 4 parcels, Reorganized DLH shall retain such parcels for up to six months after the Effective Date in order to market such Pool 4 parcels through auctions, sealed bid, or other structured sales. Each Secured Creditor holding a lien on a Pool 4 parcel being retained by Reorganized DLH shall receive a Note (a "Pool 4 Note") in the full amount of the Allowed Claim of such Pool 4 Secured Creditor as of the Effective date. The Pool 4 Notes shall each bear interest at the non-default contract rate specified in the loan documents evidencing the claim of each such Pool 4 Secured Creditor and shall be secured by the existing liens on the Pool 4 Secured Creditor, modified to extend the maturity of such liens. The Pool 4 Notes shall be payable in full, with interest, on the earlier to occur of: (a) the closing of the sale of any Pool 4 parcel securing a Pool 4 Note; or (b) either (i) six months after the Effective Date, for any Pool 4 Note secured by a Pool 4 parcel which has not been sold by Reorganized DLH, and for which no binding contract for sale has been executed prior to six months after the Effective Date, or (ii) for any Pool 4 Note secured by a Pool 4 parcel for which Reorganized DLH has received a binding

contract to sell such parcel on or before six months after the Effective Date, sixty days after the first anniversary of the Effective Date. Upon the maturity of any Pool 4 Note secured by a Pool 4 parcel which has not been sold by Reorganized DLH, Reorganized DLH shall, within twenty (20) days after such maturity date, either (1) pay the Pool 4 Note in full, both principal and interest, or (2) deliver to the holder of the Pool 4 Note secured by such Pool 4 parcel, either a deed in lieu of foreclosure or a written consent to immediate foreclosure and surrender of possession of such Pool 4 Parcel, at the option of the holder of the Pool 4 Note. Any Secured Creditor in Pool 4 which votes in favor of the Plan may elect at its option, exercisable not earlier than ninety (90) days after the Effective Date, and provided that the Pool 4 parcel which secures such Secured Creditor's Allowed Secured Claim has not been previously sold, is not under contract to sell, and has not been included in any scheduled structured sale or auction, to receive the immediate surrender of its collateral in full satisfaction of its Pool 4 Note.

**DLH Secured Claims/Buildings** DLH Secured Creditors which have claims secured by developed property are Great Western Bank (hereafter "**Great Western**"), which, together with Branch Banking and Trust Company ("**BB&T**", has a first lien on the ADESA Property, and Compass Bank, which has first liens on Buildings A and B. These Secured Claims are being resolved by sales and/or settlements discussed below.

**Great Western's Secured Claim** Pursuant to the Great Western Settlement Agreement, sale of the ADESA Property has been authorized. The ADESA property should be sold before the Effective Date, should net DLH approximately $2,189,000and should pay in full the Great Western Allowed Secured Claim.

Compass Bank's Secured Claim with respect to the Building Loans is being satisfied by sale of

the buildings. On or before the Effective Date, the Compass Bank Buildings should be sold for $23,527,000.Under the order authorizing sale, Compass Bank receives an Unsecured Claim of approximately $2,992,325, pursuant to a settlement approved by the Court and Creditors Committee.

**General Secured Claim Terms** DLH has the option under the Plan, with respect to any parcel securing a Secured Claim, to surrender such parcel in full satisfaction of the Secured Claim secured by such parcel. In the case of any Secured Claim as to which the Secured Creditor has full recourse against DLH with respect to the Claim secured by a parcel to be surrendered by DLH, DLH shall request the Bankruptcy Court to determine the value of any such parcel to be surrendered to the Secured Creditor for purpose of calculating the amount to be credited against such Secured Creditor's Claim.

**DIP Lenders' DLH Term Loan** The Debtor-in-Possession Financing which remains unpaid on the Effective Date, which DLH estimates will be approximately $2.6 Million, shall be converted to a Term Loan (the "**Term Loan**"). The Term Loan shall retain its perfected subordinate liens on the DLH Property in Pools 1, 2 and 4 (except to the extent any such property is sold prior to the Effective Date). The Plan establishes Release Prices for the Term Loan for each parcel, calculated at 150% of the allocable portion for each parcel in Pool 1, Pool 2, and Pool 4 (excluding any land sold prior to the Effective Date) of the initial balance of the Term Loan on the Effective Date of the Plan There are also potential added payments from discretionary cash sweep payments. The Term Loan shall bear a variable rate of interest at Prime plus ten percent (10%). Interest on the Term Loan shall accrue annually, and shall be payable from the Net Sales Proceeds of the Pool 1 and Pool 2 properties, discretionary payments of DLH Excess Cash Distributions. The Term Loan shall mature

on the last business day of the month occurring after the third (3rd) anniversary date of the Effective Date of the Plan. On the Effective Date, the balance of the Term Loan shall be increased by: (a) an Origination Fee equal to one percent (1%) of the outstanding balance of the DIP Loan on the Effective Date, and (b) all reasonable costs, including reasonable attorneys' fees, incurred by the DIP Lenders.

**DLH Unsecured Creditors** DLH unsecured creditors other than small administrative convenience claims will be paid over time from cash generated by DLH's operations and sales of property. Unsecured Allowed Claims against DLH will total approximately $14,830,000million, excluding approximately $140,000 in administrative convenience claims (less than $ 20,000 each).

Treatment: DLH proposes a cafeteria plan with options for Allowed Unsecured Claims (and each holder of an Allowed Unsecured Claim may divide its Claim between the two options):

a. Receive a Variable Pay Note in the principal amount of 50% of the electing holder's Allowed Claim, payable without interest from 75% of DLH Unsecured Net Proceeds ("DLH 50% Notes"). If not previously paid, these notes will mature and be fully payable five years from the Effective Date.

b. Receive a Variable Pay Note in the principal amount of 100% of the electing holder's Allowed Claim payable from 25% of DLH Unsecured Net Proceeds, but only until the DLH 50% Notes are paid in full, and thereafter receiving all of the DLH Unsecured Net Proceeds. If not previously paid, these notes will mature and be fully payable ten years from the Effective Date, with interest accruing at the federal judgment rate in effect on the Effective Date. From September 27, 2010 to October 3, 2010, the federal judgment rate was 0.25%. The current federal judgment rate may be found online at:

http://www.txnd.uscourts.gov/publications/pjrate.html.

**DLH Unsecured Net Proceeds are generally defined as: 5% of the Pool 1 Net**

**Sales Proceeds, 5% of the Pool 2 Net Sales Proceeds, 5% of the Pool 4 Net Sales Proceeds and 5% of DLH Net Financing Proceeds.** In the event of a Cramdown arising from the failure of the DLH unsecured creditor class to vote in favor of the Plan and the Court does not order an auction as a condition to cramdown, DLH unsecured creditors will be paid up to 25% of their Allowed Unsecured Claims, without interest, from DLH Unsecured Net Proceeds. In the event an auction of DLH equity is required, see the cramdown discussion.

Notwithstanding the foregoing, DLH shall be entitled to a reserve from funds otherwise payable any amount necessary to maintain a cash balance of $2,750,000 of the close of each calendar quarter after the Effective Date.

**Equity Interests** Except in the case of a Cramdown, and except to the extent required for Exit Financing, current equity will retain their interests in Reorganized DLH and Reorganized ACP.

**B. ACP Plan:**

Generally, ACP creditors, both secured and unsecured, will be paid over time from cash generated by the operations of ACP's subsidiaries. The ACP Debtor in Possession Financing would be converted to a term loan as follows:

1. Potential extension of DIP to term of 2 years, interest at 10% over prime, interest payable semiannually with pre and post petition liens maintained against collateral.

2. DIP Lenders will have two members of a five member Board of Directors until the Term Loan is paid in full.

3. ACP shall pay 10% of ACP Net Sales Proceeds during year one and 20% of ACP Net Sales Proceeds during year two after the Effective Date with the remaining principal balance payable at maturity.

In the event certain classes of unsecured claims vote not to accept the Plan, the treatment set forth herein shall be significantly modified to allow for confirmation via cramdown.

Bank of America had anticipated having a deficiency claim in ACP's bankruptcy of at least $7.4 million based on one completed foreclosure (discussed below) and its anticipated shortfalls on certain other properties. Bank of America sought and was denied an order excusing late filing of its claim. That ruling enables ACP to object to the allowance of any Claim assorted by Bank of America any claim under Section 502(b)(9) of the Bankruptcy Code. ACP has objected to the allowance of Bank of America's Claim.

**ACP Secured Creditor Tim Foley:** Mr. Tim Foley has an approximately $6.5 million note secured by various rights of distribution to ACP from Kelly Corporate Center II, LLP (the Kelly Land and Kelly Corporate Center II a (the GSA building). Those security interests are preserved and paid under a Variable Pay Note. The ACP Secured Variable Pay Note issued to Mr. Foley will be paid from the proceeds and distributions received by ACP on which Mr. Foley has a validly perfected lien until the Allowed Amount of such claim is paid in full plus interest at 7.25% per annum or not later than five years after the Effective Date at which time all amounts will be due and owing. Based upon ACP's best projection of revenues generated from ACP collateral securing Foley, ACP estimates that the present value of Mr. Foley's collateral as of the Effective Date should not exceed $3, 317,910 and that Mr. Foley should have an estimated unsecured claim for voting purposes of $2,913,091.

**Pacific Western Bank:** Pacific Western has a $1.5 million note secured by an interest in substantially all ACP's subsidiaries. Pacific Western shall receive a Variable Pay Note which is entitled to 10% of all ACP Net Sales Proceeds, not to exceed $100,000 of principal and interest payments for any quarter of the calendar year with interest accruing at 7.25% per annum. On each anniversary of the Effective Date, if Pacific Western has not received at least $250,000 in

proceeds for the proceeding year, Reorganized ACP shall make an additional payment to Pacific Western within sixty (60) days equal to the difference between $250,000 and what proceeds Pacific Western received in the preceding year. Pacific Western's ACP Secured Variable Pay Note shall mature five (5) years after the Effective Date at which time the unpaid principal balance and all accrued but unpaid interest will be due and owing.

**ACP Unsecured Creditors (ACP Class 4):** ACP unsecured creditors will be paid over time from cash generated by operations of ACP's subsidiaries or sales or property by such subsidiaries. For all remaining ACP Unsecured Creditors, ACP proposes a cafeteria plan with the following options (and ACP Unsecured Creditors may divide their Claims between the two options):

1. Receive a Variable Pay Note ("ACP 50% Notes") in the principal amount of 50% of the electing holder's Allowed Claim, payable without interest from their pro rata share of 75% of ACP Unsecured Creditor Net Proceeds. Unless previously paid, these notes mature seven years from the Effective Date.

2. Receive a Variable Pay Note ("ACP 100% Notes") in the principal amount of 100% of the electing holder's Allowed Claim payable from 25% of ACP Unsecured Creditor Net Proceeds, but only until the Option A notes are paid in full, and thereafter receiving 80% of all of the ACP Unsecured Creditor Net Proceeds until the subordinated class notes are repaid in full. Unless previously paid, these notes mature ten years from the Effective Date, with interest accruing at the federal judgment rate on the Effective Date of the Plan.

ACP Unsecured Creditor Net Proceeds are determined at the end of each fiscal quarter as measured sixty days after the end of the quarter, and are equal to seventy percent (70%) of:

(a) ACP Net Sales Proceeds for the fiscal quarter in question, less
(b) the sum of
  (i) general and administrative costs actually incurred by ACP and its subsidiaries for the fiscal quarter in question, and
  (ii) all distributions or payments on the ACP Exit Financing or

on ACP Secured Variable Pay Notes made during the fiscal quarter in question.

Notwithstanding the foregoing, ACP shall be entitled to a reserve from funds otherwise payable any amount necessary to maintain a cash balance of $1,500,000 as of the close of each calendar quarter after the Effective Date.

ACP Administrative Convenience Claims can elect to receive 20% of their Allowed Claims within 60 days after the Effective Date.

In the event of a Cramdown and no auction sale of ACP interests, ACP unsecured creditors will be paid up to 25% of their Allowed Unsecured Claims, not to exceed $10,000,000 in the aggregate, without interest, in quarterly payments from ACP Unsecured Creditor Net Proceeds.

### C. Why Should Creditors Vote to Accept Debtors Plan?

#### 1. DLH Is Better Positioned To Survive and Prosper in a Depressed Real Estate Market

Although Reorganized DLH will have the same Board of Directors post-confirmation as pre-confirmation plus a potential independent creditor representative, a majority of the Board has effected substantial management and operating changes at DLH within the last several months which substantially improves DLH's ability to operate and thrive in a changed real estate market. The majority of the Board of Directors, who own the entities which have provided the DIP lending to DLH and ACP during these jointly administered cases, have implemented the following changes designed to more aggressively market the property in light of continuing distressed market conditions and substantially reduce operating overhead.

a) Dan McAuliffe, President of DLH no longer reports through Richard Allen to the Board, but now directly reports to the entire Board and takes instruction from the

entire Board which has commenced frequent meetings in order to effectuate the new operating direction.

b) Pursuant to that direction, Dan McAuliffe, Dwayne Toler, DLH's interim Financial Advisor, Laura Jefferies (a Board Member, daughter of Rex Allen and niece of Richard Allen) and Richard Allen have actively cooperated to make significant operating cost reductions which are expected to continue post-confirmation. The board majority has the operating philosophy that extremely low operating costs are essential to ongoing land sales and potential vertical development. Projected annual operating costs for general & administrative costs for DLH (for the first year post-confirmation) have been reduced from more than $3.0 million at the time of the initial disclosure statement to $925,000 at the time of the current disclosure statement.

c) The change in operating philosophy has been accompanied by a change in DLH compensation tying it to level of sales. Post-confirmation, Dan McAuliffe will function as President for a base compensation of $250,000 per year plus a 40% share of the Performance Based Management Fee Pool. The Performance Based Management Fee Pool is calculated as 5% of "Net Sales Proceeds" (as defined in the Plan) during a given year. This 5% is to be paid from DLH's 65% of Net Sales Proceeds. Richard Allen will no longer receive a salary from DLH, but instead will also share in 40% of the Performance Based Management Fee Pool. The remaining 20% of the Performance Based Management Fee Pool will be allocated to other members of the DLH management team.

**2. Unsecured Creditors Should Accept the DLH Plan.**

**Administrative Convenience Claims.** For Administrative Convenience Claims, DLH Class 5, a cash payment of 20% of the Allowed Claim payable within sixty (60) days after the Effective Date may be desirable compared to the delays and uncertainties of payments over time to General Unsecured Creditors. Any Administrative Convenience Class has the option to be treated as a General Unsecured Claim, and recover up to 100% of its claim over time.

**General Unsecured Claims**. For DLH Unsecured Creditor Class 4, DLH believes that a vote in favor of the Plan involves a reasonable probability that the creditor will collect 100% over a period of 8 to 10 years. **If Unsecured Creditors vote "no" and a cramdown is required, DLH believes that the Unsecured Creditors will be compelled to take to take 25% of their Allowed Claim over time by cramdown. If the case is converted to Chapter 7,** DLH **believes that the Unsecured Creditors will receive nothing.** The ballot for Unsecured Creditors will contain a box for each Creditor to determine whether, in the event the Plan fails to be approved by the Unsecured Class, that class would prefer subjecting itself to an auction of DLH equity to be held approximately thirty to forty five days after the Confirmation Hearing under which Unsecured Creditors may receive nothing or alternatively accept a 25% cramdown alternative if existing equity holders otherwise meet applicable cramdown standards for confirmation.

In reviewing the Plan some Unsecured Creditors may question why a deduction is made for payment of any additional Taxes incurred by members of existing equity. DLH and its DIP lenders which are being asked to commit to a three year Term Loan and existing equity are unwilling to support any Plan which does not contain that provision. Based upon calculations from DLH's tax accountant, if DLH abandoned all secured assets as of the Effective Date, the existing equity have

sustained sufficient losses on its investment that members would have Internal Revenue Code Section 1231 losses aggregating more than $17 million dollars attributable to DLH investments. Section 1231 losses may be deducted dollar for dollar against future ordinary income, and in a Chapter 7 case, all of the economic benefits of those losses would be retained by the equity owners of DLH. The netting provisions of the Plan mean that the economic benefits of those currently existing losses would be available to increase distributions to Unsecured Creditors of DLH. The aggregate of all Allowed DLH Unsecured Claims should not substantially exceed $15 million dollars.

The next principal risk which might concern Unsecured Creditors would be that DLH would be unable to either meet its current projections or make sufficient payments so that Unsecured Creditors could be paid in full within ten (10) years. The Plan gives a potential recovery of 100 cents whereas an independent third party appraisal obtained in February 2010 for TierOne at a time when TierOne was hotly engaged in litigation against DLH predicted a "$0" recovery to Unsecured Creditors in the event of a quick liquidation sale of all assets. If existing DLH management and equity are wrong in their projections and assumptions, and Unsecured Creditors of DLH ultimately receive only 30-50% of their Allowed Unsecured Claims, the existing equity interests in DLH will have received no distributions on more than $60 million dollars invested in DLH to date, other than monies distributed to pay taxes representing the net of income earned, less existing tax losses. Those tax liabilities of the equity owners of DLH simply would not have been incurred (as a result of their use of 1231 losses) but for the reorganization of DLH. The same appraiser which appraised DLH as having a "$0" quick liquidation value also appraised the DLH undeveloped land as having a net equity in excess of Creditor Claims of more than $90 million dollars in a longer term orderly sale scenario.

3. **Secured Creditors Should Vote in Favor of the DLH Plan**

**Compass Bank (Pool 1)**. Compass should vote in favor because the DLH Plan provides for potential payments from the quarterly cash sweep for creditors, orderly payments generated by sales of land in the ordinary course, structured sales and/or auctions if required, refinances through junior lien borrowing the proceeds of which are paid to Compass and or new equity contributions. The Plan assures Compass not only of scheduled interest payments, but also minimum principal reductions by two years, three years and four years after the Effective Date. In the event that those objectives have not been reached, the cure periods simply provide DLH the time necessary to obtain payment of the minimum funds. The five year term should not unreasonably increase the risk to Compass of the loss of its FDIC "guarantee" since the proposed release prices provide a substantial equity cushion for Compass throughout the note term. If the principal payments by the end of year three have been made, the loan will have been paid down so that the loan to value ratio is extremely low. If Compass has not been paid down by that sum, Compass can declare the loan in default and make the appropriate claim against FDIC under a financial assistance agreement given when Compass acquired the asset from the failure of the original lender, Guaranty Bank. DLH must then work during the cure period to obtain the funds necessary to cure the default.

**Hutchins Industrial Land (Pool 2).** The terms offered Pool 2 result from negotiations with a key holder of Pool 2 debt. DLH believes the Pool 2 terms are acceptable to other holders. The current Plan provides for notes with specified interest payments for the initial three years of the note terms, thereafter converting to scheduled principal & interest payments for the next five years, with a balloon payment of all remaining unpaid principal be paid at the end of the term. In addition to these scheduled payments, Pool 2 creditors will receive a prorated distribution of 30% of Net Sales Proceeds generated from the sale of any other Pool 2 creditor's parcel.

If one or more such holders do not do so, the Plan retains the flexibility to modify its terms with respect to such a non-consenting holder in order to affect cramdown.

DLH is currently working with a third party concerning terms under which select Pool 2 Secured Creditors could accept a discounted cash payment at less than the full Allowed Secured Claim if that Secured Creditor deems it appropriate to do so. This might occur if a potential joint venture partner were willing to pay the note on a discounted basis as a condition to establishing the venture and contribution of the parcel.

**ABOT (Pool 3).** American Bank of Texas (ABOT) stands ready to accept its collateral in satisfaction of its Allowed Secured Claim and wishes that turnover to occur as rapidly as possible. DLH desires to accommodate American Bank of Texas in that regard, but unless the Court is prepared to relieve DLH from a condition imposed by reason of a creditor objection in earlier financing orders, DLH cannot permit the vacation of the automatic stay as to one Secured Creditor without it being vacated as to all other Secured Creditors. The Plan contemplates such turnover to be accomplished within 14 days after the Effective Date.

**Seller Notes Pool (Pool 4).** At least two non-recourse subclasses held by creditors Coffman Investments, et al and by Southport Properties, LP are willing and desire to obtain the return of their collateral as rapidly as possible which would be in full satisfaction of the existing non-recourse debt. Pool 4 parcels which secure Pool 4 subclasses will be actively and aggressively marketed by DLH through various auctions and or structured sales programs as well as its current marketing program for a period up to six months following the Effective Date, provided that for any such sales which had gone to binding contract, but then had failed to close, DLH would have an additional sixty (60) days to close such sale and pay the full Allowed Secured Claim. Any Pool 4 Secured Creditor will have

the option, ninety (90) days after the Effective Date, to require DLH to surrender its collateral in full satisfaction of its Pool 4 Note, unless the Pool 4 parcel securing that Note has already been sold, is under a binding contract for sale, or has already been included in a previously scheduled auction or structured sale.

### D. Why Should Creditors Vote for the ACP Plan?

#### 1. Unsecured Creditors Should Accept the ACP Plan

**ACP Administrative Convenience Claims.** Just as in the DLH Plan, small Unsecured Creditors of ACP can receive prompt cash payment of 20% of an Allowed Administrative Convenience Claim within sixty (60) days after the Effective Date. This is a meaningful sum in light of the delays and risks of accepting alternative treatment as an Unsecured Creditor. Any small Unsecured Creditor holding a Claim in the ACP Administrative Convenience Class who does not want to accept a 20% discounted cash payment has the right to elect that its Claim be treated as an ACP General Unsecured Claim.

**ACP General Unsecured Claims. For members of the ACP Unsecured Creditor Class, Class 4, the alternative is between a payment over time of 100% on the dollar (unless the creditor accepts the faster 50% payout alternative), or liquidation which would result in an estimated recovery of "$0" to Unsecured Creditors.**

The principal funds to pay Unsecured Claims are projected to be generated from two sources, LPKC, LLC, and Allen Rosedale Land I, LLC, both 100% owned subsidiaries of ACP. ACP's interest in Rosedale is held through Allen Rosedale Land I, LLC as an intermediary subsidiary of ACP, and is subject to the rights (including a preferred return) of FKM Associates, LLC, the majority owner in the Rosedale Development.

LPKC currently holds only an option to acquire land from the BNSF Railroad. Richard Allen, sole current owner of ACP, has an excellent personal working relationship with BNSF based on prior performance by LPKC in obtaining public improvements to the property to enhance the value of the overall acreage. Those improvements are expected by public authorities to potentially generate significant jobs. The original contract between LPKC and BNSF obligated LPKC to obtain approximately $24 million in such improvements. In fact, LPKC obtained commitments for approximately $100 million in such improvements.

During the ACP Chapter 11 case, BNSF agreed to modify the option agreement which would have required LPKC to make a lump sum payment of $12 million dollars to exercise the option by allowing LPKC to have until May 2011 to demonstrate that either it has $5 million dollars of equity or if LPKC obtained a financial partner capable of funding "build to suit" projects on the property. At this time there are no binding agreements with such a joint venture partner, although Richard Allen has been actively engaged in negotiations with Cisterra which has submitted a Letter of Intent indicating a willingness to thus perform. BNSF has orally approved Cisterra as an alternative. Documents are being prepared by BNSF legal and by Cisterra's attorney.

Richard Allen is regarded as a leading expert in the United States on the topic of intermodal development such as will be required at LPKC. He was initially selected as the party BNSF wanted as developer. There is absolutely no assurance that any party who successfully bid on the LPKC ownership would be acceptable to BNSF or would be granted any additional time to demonstrate financial capacity. BNSF is constructing an intermodal terminal adjacent to the site and Kansas City is an extremely good market for new industrial buildings due to a very low vacancy rate. A substantial number of parties have expressed an interest in potential "build to suit" transactions at LPKC. There

are no binding build to suit agreements.

FKM Associates, LLC is a member of Rosedale Land Venture I, LLC. Rosedale Land Venture I, LLC's primary asset is undeveloped real property located in California.

The operations of Rosedale Land Venture, LLC are governed by a Amended and Restated Operating Agreement of Rosedale Land Venture I, LLC (dated June 15, 2006). The operating agreement was amended via a First Amendment to Amended and Restated Operating Agreement of Rosedale Land Venture I, LLC (effective as of August 17, 2009)(collectively, as amended, the "Operating Agreement").

Rosedale Land Venture, LLC has Allen Rosedale Land I, LLC as its managing member, and FKM Associates, LLC as its other member ACP owns 100% of Allen Rosedale Land I, LLC.

The Rosedale development provides a complex set of issues. FKM Associates, LLC, the co-owner (with Allen Rosedale Land I, LLC) of the Rosedale Project, is represented by one of the two co-chairs of the Creditors Committee. FKM holds an Unsecured Note containing a provision which appears to permit forfeiture of the interest of ACP's subsidiary in the Rosedale development in the event that payment was not made in full by February 2010. ACP is prepared to file an objection to the FKM claim including a counterclaim which would seek to declare void and prevent enforcement of this provision. Litigation is inherently uncertain; thus, although the ACP subsidiary has a preferred return to recover at least $500,000 of expenses incurred, FKM (owned by two other members of the Creditors Committee, Mike Kranyak and Majid Mojibi, who are creditors of DLH) thereafter has a preferred return from Rosedale in excess of $20 million. Accordingly, even assuming that the litigation against the enforcement of the forfeiture clause is successful, any distributions to Allen Rosedale Land I, LLC (and thus to ACP) in excess of $500,000 may be significantly deferred even if

the overall project is successful and even if the Allen Rosedale Land I, LLC continues as managing member. An additional risk to the potential availability of the projected Rosedale income stream is a buy-sell agreement which could be triggered either party to the LLC. ACP and FKM have been actively negotiating with FKM before any objection is filed to see if any acceptable business settlement can be achieved.

The other principal Unsecured Claim is Ed Romanov the former COO of ACP and DLH. His Claim remains disputed, but he will be allowed for voting purposes a $3.5 million Unsecured Claim against ACP. Romanov also has a significant inducement to vote in favor of the Plan since under the agreement he struck with the Committee, he capped his claim at $6.5 million dollars with $3 million dollars of that sum only to participate once other creditors had received 70%. Although ACP regards the likelihood of any unsecured recovery as low in the event of cramdown, an auction sale or superseding Chapter 7, that sum would certainly never reach the 70% threshold for participation by Romanov in $3 million dollars of his claim.

Finally, all ACP creditors have an additional significant inducement to vote in favor of the ACP Plan. Due to a late filing of claim in the Chapter 11 case and the failure of Bank of America to demonstrate grounds to authorize late filing of the claim, a potential ACP Chapter 11 claim of Bank of America between $7.3 and $30 million is being eliminated since late filed claims are barred under Section 502(b)(9). Bank of America's failure to timely file its Claim harms Richard Allen personally because that Bank of America claim remains allowable in his personal bankruptcy, but improves the rights of ACP General Unsecured Creditors so long as the disallowance of Bank of America's Chapter 11 claims is confirmed. This disallowance reduces the total Allowed Unsecured Claims under ACP's Plan. If ACP fails to confirm its plan and ACP is converted to Chapter 7 liquidation,

Bank of America would have a new bar date for filing claims.

**ACP Secured Creditors.** ACP believes that two secured creditor classes, Tim Foley and Pacific Western Bank should vote in favor of the plan because continued operation by ACP insures development of LPKC through which Pacific Western can be paid over time and ensures distributions from the Kelly Land Kelly II GSA Building which are collateral of Tim Foley.

Tim Foley is projected to have a significant Unsecured Claim of approximately $2,913,091, based upon ACP's current valuation of his collateral. Although Foley has additional security granted by Richard Allen personally and a Richard S. Allen, Inc. entity, Foley needs to maximize recovery on his Unsecured Claim. Compass Bank is expected to be allowed an Unsecured Deficiency Claim on its building loan to DLH and ACP's guarantee of that loan of approximately $2.99 million dollars. Compass has a significant incentive to vote its Unsecured Claim in favor of the Plan.

## Sources of ACP Exit Financing

LPKC, a wholly owned subsidiary of ACP holds an option on real estate in Kansas City, Kansas from BNSF immediately adjacent to a intermodel terminal being constructed by BNSF. LPKC has a signed contract for sale of acreage to DeLong Grain scheduled to close by the Effective Date for the approximate total of $1,080,000 net to LPKC. LPKC additionally holds approximately $400,000 arising from the sale of an earlier ACP subsidiary land sale. Those two sums are projected to be sufficient to pay (a) projected ACP costs of administration and (b) the ACP Administrative Convenience Class, leaving funds to pay ACP and LPKC overhead through September 30, 2011, so long as the DIP lenders consent to a term loan. The conditions to obtain that consent are separately discussed. LPKC is currently awaiting receipt of a LOI from DEMDACO for a land sale projected to close prior to September 30, 2011 netting approximately $4 million dollars.

BNSF has orally agreed to waive a capital requirement in the option agreement under which LPKC would have been required to maintain a $5 million dollar net worth. That waiver, which is currently being documented by BNSF in house attorneys, was given in part because of a joint venture to construct vertical development/build-to-suit between LPKC and Cisterra. Cisterra is an entity owned by Mr. Steven Black a wealthy individual, Cisterra has committed to provide up to $8 million dollars to the joint venture to finance development. A letter of intent has been received and the attorney for Mr. Black/Cisterra has proposed definitive documentation which is expected to be completed by the ACP Effective Date. Richard Allen has previously had successful and profitable business relationships with Mr. Black or entities controlled by him.

In addition, to support the feasibility of the plan Mr. Black or an entity controlled by him is anticipated to provide a one year revolving line of credit for up to $1 million dollars as a backup to ensure against any delays in the DEMDACO closing. The details of that line of credit are still subject to negotiation. LPKC has offered to pledge its interest in a proposed build to suit 260,000 – 320,000 sq ft building with a 10 year lease by a financially strong credit tenant.

In addition, post Effective Date funds of $5,991,000 are projected from land sales at the ITTC subsidiary of ACP. The land is located in Bakersfield, California. The land is free and clear of liens and thus not subject to any risk of foreclosure. There has been a flurry of activity at ITTC arising from both external and internally constructed infrastructure at those locations. The internally generated infrastructure, which benefits remaining parcels, arose from sales by BJ Services closed in December 2010 and to Baker Hughes closed in February 2011.

**E. Cramdown Plan.** Debtors reserve the right to seek confirmation of this Plan by "cramdown" pursuant to Section 1129(b)(1) of the Bankruptcy Code in the event that the Plan is

rejected by the holders of the Unsecured Claims in either the DLH Case or the ACP Case.

Under applicable bankruptcy law pertaining to cram down, the bankruptcy court must find that a plan is fair and equitable, which is customarily interpreted as indicating that creditors will receive the higher of reorganization value or the liquidation value of the business assets, and that the Plan complies with the absolute priority rule. Reorganization value is a discounted cash flow concept originally derived from the reorganization of businesses such as trains, industrial companies or other companies having reasonably predictable history of past cash flows. Neither DLH nor ACP meets the test of that legal model. By definition, raw land development is more speculative and less predictable than established operating businesses with significant predictable cash flow. Accordingly, Debtors believe that under applicable legal standards the discounted cash flow reorganization value of both ACP and DLH is zero, after providing for all Administrative, Priority, and Secured Claims, even though the plans which DLH and ACP have proposed are feasible and ones which unsecured creditors should favorably consider since they propose to pay DLH and ACP Unsecured Creditors 100% of their Allowed Claims over time. Liquidation value within the meaning of applicable bankruptcy case law is typically a sale within six months. In Spring 2010, in connection with a contested hearing with TierOne Bank for use of cash collateral, a representative of CBRE Richard Ellis provided an estimate of liquidation value ($96.7 million) substantially equal to outstanding secured debt on the land, showing no equity in the DLH property over secured debt. During the intervening period, DLH has been unable to sell any parcels, although DLH will shortly attempt to use auction sales and sealed bid sales to sell certain specified parcels to generate cash to permit internal exit financing. **DLH believes that the proposed amount to be paid to all DLH Creditors over time as shown in the projections attached as Exhibit E hereto, substantially exceeds the**

**liquidation value of its assets**.

In the event that the ACP Plan is rejected by the holders of Unsecured Claims (ACP Class 4), the ACP Plan provides that all equity interests in ACP will be cancelled, and new Equity Interests in ACP will be issued in exchange for one or more of the following: (a) a cash or land contribution by the owners of Allen Opportunity Fund in an amount up to $800,000, to be paid from the net proceeds of an auction of Parcel 2 owned by Allen Opportunity Fund; and (b) a cash contribution of up to $750,000 in the aggregate, from Richard S. Allen, to be paid from personal assets of Richard S. Allen. The Equity Interests in Reorganized ACP in such an event shall be distributed pro rata among the contributing parties based upon their contributions of new value to ACP. The ACP Plan provides that, in such a cramdown, Allowed Unsecured Claims (ACP Class 4) will be paid up to 25% of their Allowed Claims, not to exceed $10,000, 000 in the aggregate, without interest, in quarterly payments from ACP Unsecured Creditor Net Proceeds. As in DLH, unsecured creditors of ACP could indicate on their ballot whether, in the event of a failure to obtain class approval they would prefer the Court to adopt the 25% alternative rather than take the risk of total loss.. **ACP believes that the proposed amount to be paid to all ACP Creditors over time as shown in the projections attached as Exhibit E hereto, substantially exceeds the liquidation value of its assets**.

In the event that the Plan is rejected in the DLH Case so that Cramdown is necessary, the DLH Plan provides that all equity interests in DLH will be cancelled, and new Equity Interests in DLH will be issued in exchange for: (a) a cash contribution of up to $750,000 from ACP (subject to Bankruptcy Court approval, which is being requested as part of the ACP Plan), (b) a contribution from the DIP Lenders of up to $1.20 Million, in the form of a credit on the DIP Loan (which will reduce the amount of the Term Loan on the Effective Date by the amount of such credit ); and c)

conversion of a $3.7 million Unsecured Claim of DLH Development Manager, LLC to equity. The Equity Interests in Reorganized DLH shall be distributed pro rata among ACP, the DIP Lenders, and DLH Development Manager, LLC based upon their contributions of new value to DLH.

DLH has actively marketed its equity to prospective investors and acquirers. The only requirement for parties participating in these negotiations was execution of a non-disclosure agreement of a variety which would be customary in any potential joint venture or merger and acquisition transaction. DLH management has also actively negotiated with potential joint venture partners brought to them by the financial advisor to the Official Creditor Committees. DLH did not condition its negotiation upon ongoing participation by current owners and managers although most prospective investors have indicated a desire for some continued participation. Accordingly, DLH contends that it has fully met any requirement for marketing of its equity in order to achieve a cramdown in the event that one or more classes vote against the Plan. The Plan proposes to pay all creditors at least 100% of their Allowed Claim.

If the Court rejects DLH's position, DLH will request the equity auction to obtain cramdown.

If any creditor objects to cramdown based on a claimed need to further expose the assets to sale and the court sustains the objection, DLH will request that the Court appoint an independent party to tally bids received in a sealed bid auction under the following terms and conditions:

1. Bids shall be solicited for the purchase of either (a) the aggregate of all of the interests of DLH in all properties in Pools 1, 2 and 4, subject to all liens on such properties in favor of DLH Secured Creditors and the DIP Lenders, or (b) any one of more parcels in Pool 1, 2 and 4, subject to the liens on such properties. All bids shall specify how the liens of DLH Secured Creditors and the DIP Lenders shall be satisfied at the closing, unless the property is to be taken subject to such liens as provided below.

2. The bids will be solicited from any DLH Creditor or Interest Holder owning a Claim as of February 22, 2011, and any other person which has signed a non-disclosure agreement with DLH during the Chapter 11 case (estimated at 50 persons). Sealed bids will be returnable thirty (30) days after a date specified by the Bankruptcy Court, with closing to occur by payment in cash within forty five days (45) days from that date. The Bankruptcy Court shall select the highest and best bidder(s) in the sealed bid auction after hearing upon seven (7) days notice to all objecting Creditors. Prior to commencement of the auction, each secured creditor holding a Pool 1 or Pool 2 claim will have voted for the DLH Plan, or the Court will have determined the terms and conditions constituting indubitable equivalent of any Allowed Secured Claim in the event any purchaser of a particular parcel proposes to purchase any such parcel subject to the liens of such Allowed Secured Claims. In the case of Compass Bank, if Compass has not voted its Secured Land Loan Claim in favor of the Plan of Reorganization, each parcel for which the Court has set an indubitable equivalent release price pursuant to the Plan will be considered a separate secured parcel for purposes of bid solicitation.

3. The DIP lenders may submit alternative provisional credit bids bidding both for the entire assets and/or allocated among individual parcels for the full amount of their outstanding DIP advances as of April 30, 2011, plus any advances made by them to facilitate continued operation by DLH until closing of the auction sales.

4. The independent bid agent for DLH shall file a report with the Debtors, the Committee and the Bankruptcy Court within three (3) business days after completion of the sealed bid process for approval by the Bankruptcy Court. The Bankruptcy Court will be requested to schedule a hearing not more than ten (10) days after submission of such report. At that time the successful bidder or bidders shall demonstrate to the Bankruptcy Court's satisfaction the ability to timely close the purchase transaction. In the event that one or more high bidders fail to demonstrate that capability to the Court's satisfaction, DLH will request that the Court approval the combination of qualified bids generating the highest aggregate value.

5. Each DLH Unsecured Creditor will provide an election on the ballot to accept a 25% payoff rather than to risk an auction process may return nothing to Unsecured Creditors. DLH will request that the Court consider the wishes of the Unsecured DLH Creditor Class in its decision whether to cramdown the 25% alternative for value provided by existing equity or order auction.

Debtors reserve the right to amend the Plan as necessary to cramdown any non-consenting secured subclass of creditors.

## III. EXPLANATION OF CHAPTER 11 CASES

Formulating the attached reorganization plan was Debtors' principal objective in Chapter 11. The Plan of Reorganization sets forth the means for satisfying claims against Debtors. Chapter 11 does not require that each holder of a claim against a debtor vote in favor of the plan in order for the bankruptcy court to confirm the plan. However, a plan must be accepted by the holders of at least one "impaired" class of claims, without regard to the votes of claims in that class held by "insiders," within the meaning of the Bankruptcy Code. A claim that will not be repaid in full or as to which legal rights are altered, or an interest that is adversely affected, is impaired. A holder of an impaired claim or interest is entitled to vote to accept or reject the plan if the claim or interest has been allowed under section 502 of the Bankruptcy Code. In order for a class of claims to be deemed to have accepted the plan, a majority in number and two-thirds in amount of total allowed class claims must vote in favor of the plan. In order for a class of interests to be deemed to have accepted the plan, two-thirds in amount of total interests of the class must actually vote in favor of the plan. Section 1125 of the Bankruptcy Code requires full disclosure to be received by all impaired parties before solicitation of acceptances of a plan of reorganization commences. This Disclosure Statement is presented to impaired claimants under the Plan to satisfy the requirements of section 1125 of the Bankruptcy Code.

Even if all classes of Claims accept the Plan, it might not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth requirements for confirmation. Among other

things, a plan of reorganization must be in the best interests of claimants and interest holders, and the value to be distributed to claimants and interest holders must not be less than the value such parties would receive if debtors were liquidated under Chapter 7 of the Bankruptcy Code.

The Bankruptcy Court may confirm the Plan, even though less than all classes of impaired Claims or Interests accept, so long as one class of impaired Claims or Interests (excluding insider classes) accepts the Plan. Confirmation of the Plan over objection of one or more classes of Claims or Interests is generally referred to as a "cram-down." The circumstances under which the Bankruptcy Court may confirm the Plan over the objection of a class of Claims or Interests are set forth in section 1129(b) of the Bankruptcy Code. The Plan includes provisions reserving Debtors' rights to cram-down certain classes of Creditors.

Confirmation of the Plan will discharge Debtors from all pre-confirmation debts and liabilities except as expressly provided in the Plan, the order of the Bankruptcy Court confirming the Plan or section 1141(d) of the Bankruptcy Code. Confirmation makes the Plan binding upon Debtors and all Creditors, Interest Holders and other parties-in-interest, regardless of whether or not they have accepted the Plan.

The Plan will become fully consummated upon the entry of a final order of confirmation of the Plan and the first distribution on the Effective Date. The Plan Consummation will be evidenced by filing a certificate of consummation with the Bankruptcy Court.

## IV. VOTING-PROCEDURES

A. **Unimpaired Classes**. The votes of claimants whose Claims are not impaired under the Plan are not being solicited because those classes are deemed to have accepted the Plan. As a result, Debtors are not soliciting acceptances of the DLH or ACP Plan Classes 1, 2, and 5.

B. **Impaired Classes**. Debtors are seeking the acceptances of the Plan by claimants in DLH and ACP Classes 3 (including each subclass therein), 4, 5, 6, 7, 8 and 9 whose Claims or Interest are impaired under the Plan.

Each holder of an Allowed Claim or Interest which is included in an impaired class may vote by completing, dating, and signing the ballot sent to such holder and filing the ballot as set forth below. If you are a holder of a disputed, contingent or unliquidated Claim, you may petition the Bankruptcy Court to allow your Claim for voting purposes only by making timely application to the Bankruptcy Court pursuant to rule 3018 of the Bankruptcy Rules. Such claimants are advised to seek the advice of their own counsel how to make such an application. Each holder of an Allowed Claim may vote on the Plan by completing, dating, signing, and filing the ballot as set forth below.

Ballots are enclosed with this Disclosure Statement sent to each claimant eligible to vote on the Plan. For all classes, ballots must be sent to:

Mark E. MacDonald
MacDonald + MacDonald, P.C.
10300 N. Central Expressway, Suite 335
Dallas, TX 75231
(214) 237-4220 Office
(214) 890-0818 Facsimile

## V. CONFIRMATION OF THE PLAN

### A. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing to confirm a reorganization plan. As set forth in the Disclosure Statement Order, the Bankruptcy Court has scheduled the Confirmation Hearing for _____. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further

notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

**B. Objections to Confirmation**

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a reorganization plan. Any objection to confirmation must be in writing, must conform to the Federal Rules of Bankruptcy Procedure, must set forth the objector's name, the nature and amount of Claims or Equity Interests held or asserted by the objector against the particular Debtor or Debtors, the basis for the objection and the specific grounds therefore, and must be filed with the Bankruptcy Court and served upon and received no later than _____, 2011 at 4:00 p.m. (prevailing Central Time).

All objections must be served, so as to be received no later than _____, 2011, at 4:00 p.m. (prevailing Central Time), upon the following:

Mark E. MacDonald
MacDonald + MacDonald, P.C.
10300 N. Central Expressway, Suite 335
Dallas, TX 75231
Facsimile: (214) 890-0818

Daniel J. McAuliffe
DLH Master Land Holding, LLC
1700 Pacific Avenue, Suite 1250
Dallas, TX 75201
214 / 661 - 1851 Fax

Richard L. Wasserman
750 E. Pratt Street
Suite 900
Baltimore, MD 21202
Fax: 410.244.7742

Michael D. Warner

301 Commerce Street
Suite 1700
Fort Worth, TX 76102
Fax: 817-810-5255

[Counsel for other creditors or parties in interest who wish to have the objections to confirmation served upon them.]

Bankruptcy Rule 9014 governs all objections to confirmation of the Plan.

**UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

**VI. REPRESENTATIONS**

**THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED. THE DELIVERY OF THIS DISCLOSURE STATEMENT AND/OR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION HEREWITH SHALL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH SINCE THE DATE HEREOF.**

**ANY BENEFITS OFFERED TO CREDITORS UNDER THE PLAN WHICH MAY CONSTITUTE "SECURITIES" HAVE NOT BEEN REGISTERED WITH, REVIEWED BY OR APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OF THE UNITED STATES (“SEC”), THE TEXAS SECURITIES BOARD (“TSB”), OR ANY OTHER RELEVANT GOVERNMENTAL OR REGULATORY AUTHORITY IN ANY STATE OF THE UNITED STATES. IN ADDITION, THE SEC, TSB, OR ANY OTHER GOVERNMENTAL OR REGULATORY AUTHORITY HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

**NO REPRESENTATIONS CONCERNING DEBTORS ARE AUTHORIZED BY DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. DEBTORS RECOMMEND THAT ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE THE VOTE OF A CLAIMANT WHICH IS OTHER THAN AS CONTAINED HEREIN SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION ABOUT THE PLAN.**

**THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FOR THE FOREGOING REASON, AS WELL AS BECAUSE OF**

**THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES AND PROJECTIONS INTO THE FUTURE WITH ACCURACY, DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETE AND ACCURATE, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THAT SUCH INFORMATION IS COMPLETE AND ACCURATE. THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. PRIOR TO VOTING ON THE PLAN CLAIMANTS HOLDING CLAIMS WHICH ARE IMPAIRED UNDER THE PLAN ARE URGED TO REVIEW IN FULL THIS DISCLOSURE STATEMENT AND THE PLAN, TOGETHER WITH ALL ATTACHED EXHIBITS AND SCHEDULES, AND ARE URGED TO CONSULT LEGAL COUNSEL PRIOR TO VOTING TO ENSURE COMPLETE UNDERSTANDING OF THEIR TREATMENT UNDER THE PLAN.**

**THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE BY THE HOLDERS OF CLAIMS AND INTERESTS IN DEBTORS WHOSE CLAIMS OR INTERESTS ARE IMPAIRED UNDER THE PLAN TO ENABLE SUCH CLAIMANTS TO MAKE AN INFORMED DECISION ABOUT THE PLAN.**

**ESTIMATES OF CLAIMS IN THIS STATEMENT MAY VARY FROM THE FINAL AMOUNTS OF CLAIMS ALLOWED BY THE BANKRUPTCY COURT.**

## VII DESCRIPTION OF DEBTORS' BUSINESSES

### A. DLH's Business

DLH's primary business is development of the real estate project known as the Dallas Logistics Hub located in Dallas County, Texas. The Dallas Logistics Hub was an approximately 6,000-acre multi-modal logistics park located 12 miles south of downtown Dallas. After the return of certain real property to DLH's lenders, and the successful sale of auction or structured sale parcels, the remaining developable land is expected to be approximately 2,540 acres. Some of that land may be sold by auction (Section 363 sale) prior to or shortly after the Effective Date.

The Dallas Logistics Hub benefits from the convergence of multiple major interstate trucking highways, multiple rail lines, and a growing local airport, all located within the third largest industrial

market in the Nation. For that reason, the Dallas Logistics Hub is uniquely positioned to serve as one of the primary national hubs for the distribution of goods throughout the Central and Eastern United States. A pivotal part of the accessibility of Dallas Logistics Hub is its proximity and access to four of Dallas/Fort Worth's primary interstate highways, connecting the DFW Metroplex and Dallas Logistics Hub to the greater transportation thoroughfares of the southern United States:

- Interstate 20…the primary east-west trucking corridor for the southern U.S., connecting Atlanta to Los Angeles, is the northern boundary of Dallas Logistics Hub.
- Interstate 35…the NAFTA Trade Corridor, connecting Mexico to Canada, is located approximately 4 miles to the west of Dallas Logistics Hub.
- Interstate 45…the direct route to the Port of Houston is the eastern boundary of Dallas Logistics Hub.
- Interstate 30… the direct route to Little Rock, Memphis and the northeastern US is located approximately 9 miles north of Dallas Logistics Hub.
- Planned Loop 9…the planned multi-billion dollar highway will run along the southern boundary of Dallas Logistics Hub.

With more than 1,774 acres (before certain acreage is given back or sold) owned by DLH designated under Foreign Trade Zone 39, DLH is strategically positioned for tenants to receive, deliver and/or transload thousands of shipping containers each day. Currently, these import shipping containers predominantly originate from the Pacific Rim Countries and move in-bound into the Union Pacific Dallas Intermodal Terminal ("UPDIT") after entering the country primarily via the Western U.S. Ports. Long term, with the completion of the Panama Canal expansion, these trade routes will be expanded to include the Port of Houston and various ports in Mexico.

When fully developed, the Re-Sized Dallas Logistics Hub will be an Inland Port adjacent or in close proximity to UPDIT, a potential BNSF intermodal facility, and four major highways (Interstates

20, 35, 45, and proposed Loop 9). As an Inland Port, Debtors anticipate that Dallas Logistics Hub will develop with an emphasis on logistics-oriented, automated high-bay warehouses, supplemented by light manufacturing, office, service retail, value office and residential.

More specifically, in addition to receiving infrastructure funding assistance from multiple governmental units as discussed below, the City of Dallas has been actively working to facilitate development of Dallas Logistics Hub, along with other major industrial developments in the region, as a part of its International Inland Port of Dallas (IIPOD) initiative, for more than 5 years. The IIPOD is a public-private partnership involving a consortium of 12 municipalities and led by the City of Dallas; the entity is a key driver in making Dallas the nation's premier logistics and distribution center. IIPOD is a catalyst for Southern Sector investment, job growth and development of sustainable communities, with a goal of increasing the local tax base and employment. IIPOD, and Dallas Logistics Hub as a part of the IIPOD, has been identified as a key economic development focus for the City of Dallas. As a result, Dallas City Council members and staff have been involved from the very beginning, especially the Economic Development Committee.

DLH Master Land Holding, LLC (DLH) is a successor by merger to numerous limited liability companies (LLCs) which were directly and/or indirectly owned by Allen Capital Partners, LLC (ACP), by relatives of Richard S. Allen or entities owned directly or indirectly by Richard S. Allen and/or his relatives. DLH holds title to the land being developed as the Dallas Logistics Hub. A more detailed chart of ACP's ownership interest in DLH is attached as **Exhibit C**. DLH also owns a member interest in Midstate Hayes 184 Distribution Center, LLC, which owns California real estate which has been posted for foreclosure and has filed a Chapter 11 seeking joint administration[i]. ACP is successor by merger to four limited liability companies and DLH is successor by merger to more

than seventy limited liability companies listed on **Exhibit D**.

ACP and DLH operate using three non-filed entities owned by ACP.

(a) Allen Employment Services, Inc. (AES) is a wholly-owned subsidiary of ACP. AES is the entity actually employing the individuals who operate Debtors various businesses. AES has a contract with Debtors under which Debtors advance payroll and employee benefits for payment by AES.

(b) Allen Development Partners, LLC, (ADP) is a wholly-owned subsidiary of ACP. ADP holds various membership interests in other LLCs which own, develop, and/or operate real estate in California as well as an indirect interest in DLH. Based upon restrictions in various LLC operating agreements which purport to terminate or modify rights in bankruptcy, ownership of those interests need to continue in a wholly-owned subsidiary of ACP; and

(c) Allen Development of Central California, LLC (ADCC) is a wholly-owned subsidiary of ACP which is used by ACP to provide management and development services for substantially all of ACP's limited liability companies. ADCC, whose offices are located in Visalia, California, provides the central accounting functions for all ACP entities and for DLH. ADCC also indirectly owns an interest in DLH and manages specified properties of DLH for a management fee. ACP, DLH and AES have a contract with ADCC in which DLH advances or reimburses ADCC for expenses made on ACP's behalf.

Financial projections for DLH prepared by Debtors' management are attached as part of **Exhibit E-1** and are incorporated by reference.

### B. ACP's Business

Allen Capital Partners, LLC ("ACP") is a real estate investment company. ACP was formed in 1999 by Richard S. Allen and is wholly owned by Richard S. Allen and his wholly owned corporation Richard S. Allen, Inc. Both Richard S. Allen and Richard S. Allen, Inc. are currently debtors in their own Chapter 11 cases, which are being jointly administered with the Debtors' cases. ACP invests capital in office and industrial projects in California, Texas and Kansas. ACP has invested capital of approximately $15,000,000 in current California and Kansas projects, $11,000,000 of which is still invested in the projects. ACP has invested approximately $43,000,000 in DLH, all of

which is still outstanding. In addition to the capital invested, ACP has provided construction loan guarantees and, through its subsidiaries, the development expertise and resources required to develop its various investment projects. In exchange for those services, ACP typically receives an additional profits interest in each project ranging from 40% to 50% of the profits after capital and preferred return have been paid to the capital partners.

In addition to its' approximately 43% interest in DLH, ACP has interests in the following projects:

1. A future 530 acre Logistic Park in Kansas City ("LPKC")
2. A 84-acre planned development located along Rosedale Highway (State Hwy-58) in Bakersfield, California
3. The International Trade and Transportation Center ("ITTC"), a 700-acre rail-served logistics park located in Shafter, California, northwest of Bakersfield.
4. The Kelly Corporate Center, a planned 4-building office complex located in Carlsbad, California (3 buildings have been built to date). A 102,000 square foot industrial building located in Visalia, California
5. Midstate Park, a 400-acre logistics and distribution center that offers direct mainline rail service from the Union Pacific Railroad located in Visalia, California.

A more detailed description of each of these projects and ACP's interest in these projects may be found in **Exhibit F**. Financial projections for ACP prepared by Debtors' management are attached as part of **Exhibit E-2** and incorporated by reference.

## VIII. SIGNIFICANT PRE-PETITION EVENTS

### A. Beginning Development of Dallas Logistic Hub

In 2003, the predecessors to DLH began to seek out strategic land positions around the planned new Union Pacific Intermodal facility in Dallas, Texas, which resulted in the creation of Dallas Logistics Hub. At that time, the Union Pacific Intermodal facility had not yet begun construction and was considered speculative. Based on the anticipated impact that the planned Union

Pacific Intermodal would have on the region, DLH began assembling land adjacent to the new intermodal terminal. Because of its timing, DLH's predecessors were able to achieve reasonable seller financing terms and pricing on its land acquisition. The land assemblage for the Dallas Logistics Hub was completed in 2006 and 2007. Much of the land comprising Dallas Logistics Hub was acquired using 1031 exchanges generated from sales of California land and buildings owned by ACP subsidiaries.

The Union Pacific Dallas Intermodal Terminal adjacent to the land assemblage became fully operational in October, 2005. The +/-360-acre intermodal terminal is located on the eastern boundary of Dallas Logistics Hub, just 12 miles south of downtown Dallas within the city limits of Hutchins and Wilmer, adjacent to Interstate Highway 45. The UP intermodal facility is currently capable of handling approximately 365,000 lifts per year. In 2009 with the decrease in foreign trade, it is estimated that this facility handled +/- 300,000 lifts. It has been reported that approximately 97% of the containers arrive directly from the Ports of Los Angeles and Long Beach. At full build-out, Union Pacific has stated that the intermodal facility will have the capacity to process up to 600,000 lifts per year.

DLH's predecessors received Entitlements (annexation, zoning, and master planning), development agreements, and other municipal approvals for approximately 80% of the acreage of the Dallas Logistics Hub in 2007 and 2008. All of the land contained within the Re-Sized Dallas Logistics Hub is located within the cities of Dallas and Hutchins and as a result, Re-Sized Dallas Logistics Hub is now, for the most part, zoned for its ultimate development as an inland port logistics park.

Marketing of the Dallas Logistics Hub for sale and lease to users began in earnest in 2008. During 2008, 620 acres of land were absorbed through land sales, options, build-to-suits and/or

vertical speculative developments at an average strike price of approximately $1.77 per square foot. Today, approximately 5,451 gross acres remain undeveloped, including 164 acres which is under option to the BNSF Railway.

Included in these totals were the following:

| Land Sales | | Build to Suit Projects | |
|---|---|---|---|
| BNSF Rail Road | 198 acres | ADESA Auto Auction | 175 acres |
| ONCOR Electric | 9 acres | Bridge Terminal Transport | 15 acres |
| | | | |
| Spec Buildings | | Land Under Option | |
| 4800 Langdon Road | 38 acres | BNSF | 164 acres |
| 4900 Langdon Road | 14 acres | | |

In addition to the activity above, DLH's predecessors were successful in executing a lease for +/-313,000 sq ft of its affiliate's first spec building located at 4800 Langdon Road, Dallas with Advanced H2O, LLC, reportedly the largest private label water bottling company in the US, for a production and distribution facility.

In May, 2008, Ron Natinsky, sitting Chairman of the Economic Development Committee of Dallas, Tennell Atkins, Dallas City Councilmember responsible for the IIPOD, Mayor Tom Leppert, and other city and community leaders, including Richard S. Allen, visited six major trading centers in China to promote Dallas, their IIPOD initiative and the Dallas Logistics Hub as a part of the IIPOD. In January of 2008, there was a similar trip to Mexico City and Monterey, Mexico.

In September of 2008, DLH's predecessors completed construction on the first two spec industrial buildings at DLH totaling more than 825,000 sq. ft. These buildings have been constructed using the parameters set forth by the US Green Building Council ("USGBC"). In September 2009, the buildings were awarded LEED® Gold Certification by USGBC. These were the first industrial facilities in North Texas to earn such certification.

In the Fall of 2008, DLH's predecessors also commenced construction on the first two build-to-suit projects in the Dallas Logistics Hub, an approximately 15 acre container yard for Bridge Terminal Transport, a division of Maersk Inc., and a +/-175 acre auto auction facility for ADESA, Inc., the second largest auto auction firm in the U.S. In January, 2010 the ADESA facility was awarded LEED® Silver Certification by the USGBC.

In Fall 2009, the City of Dallas obtained Federal approvals to create the City of Dallas Regional Center (CDRC) program which allows foreign investors in the Dallas region (including 1056 acres of the DLH project) to potentially participate in the federal program EB-5; in essence, obtain "Green Cards" for themselves and their families subject to making the appropriate capital investment in a qualified project. Debtors will continue to work with Dallas's Economic Development Department on applications which would provide "below-market" interest rate loans to facilitate the development of approximately 1,056 acres in the portion of the Dallas Logistics Hub within the City of Dallas.

The cities of Dallas, Wilmer, Hutchins and Lancaster, each of whom have jurisdiction over portions of the original Dallas Logistics Hub project, have also been very supportive of DLH.

(1.) INFRASTRUCTURE AT DALLAS LOGISTIC HUB

The Re-Sized Dallas Logistics Hub is located within the jurisdictions of Dallas, and Hutchins. Achieving governmental support of the Dallas Logistics Hub and the required public infrastructure funding took an extraordinary amount of time, negotiation and effort. The funding for these public infrastructure projects has added tremendous value to the development. These funds described below will finance most of the major arterial road improvements on the perimeter of and in close proximity to the Dallas Logistics Hub and provide vital links of the internal areas of the Dallas Logistics Hub to

the interstate highways.

Since 2005, the area in and around the Dallas Logistics Hub has received in excess of $113 million in completed or funded public infrastructure projects, municipal bond projects, and grant funding commitments from various governmental entities for public infrastructure development. More specifically, the following is a summary table of the public funding committed to date by source:

**PUBLIC FUNDING COMMITTED FOR INFRASTRUCTURE IMPROVEMENTS**

| Funding Entity | Approximate Funding Committed ($ Millions) |
|---|---|
| City of Dallas | $ 50.01 |
| City of Hutchins | 7.98 |
| Dallas County | 7.91 |
| FHWA | 10.60 |
| NCTCOG (MPO) | 6.10 |
| TXDoT | 31.11 |
| TOTAL ESTIMATED | $ 113.71 |

Prior to the bankruptcy filing, there had been approximately $500 million invested or committed to the Dallas Logistic Hub and the immediately surrounding area from public and private sources including:

| $ Millions | |
|---|---|
| $154 | Infrastructure construction, bond projects, grants and earmarks |
| $125 | Construction of the Union Pacific Intermodal Terminal |
| $ 85 | Equity capital and loans from the Allen family |
| $ 55 | Construction of a 175-acre build-to-suit for ADESA Auto Auction |
| $ 40 | Construction of two speculative industrial buildings (827,000 sf) |
| $ 12 | Land purchase by the BNSF Railway |
| $ 3 | Construction of a 15-acre build-to-suit for Bridge Terminal Transport (Maersk) |
| $474 | ESTIMATED TOTAL |

To further enhance the funding of public infrastructure, DLH has also pursued the creation of various public-private partnerships ("PPP") with the City of Hutchins. These PPPs include tax increment reinvestment zones (TIRZ), reimbursement agreements, and other public finance vehicles available in Texas. Draft Preliminary Project & Financing Plans for TIRZs have been submitted to the City of Hutchins.

### B. December, 2009 Merger

In December of 2009, each Debtor was involved in separate mergers in which numerous subsidiaries were collapsed into one of Debtors. The DLH merger, which had been under consideration for more than two years, dramatically simplified an excessively complex financial structure created by Debtors' prior President, and made the legal structure more consistent with the way DLH was being marketed, financed, and managed. Even with the consolidation and financial simplification, there are still a number of entities, some involving third party investors, which are owned wholly or in part by ACP. Although some are inactive shell entities, other entities have their own stable lender relationships which ACP has no desire or financial benefit to disturb. A list of non filed ACP entities is attached as **Exhibit G**.

## IX. OVERVIEW OF CHAPTER 11 CASES

### A. First Day Motions

Contemporaneously with the Bankruptcy Petition, Debtors filed the following motions and applications (collectively, the "First Day Motions"): (1) Motion For Order Directing Joint Administration of Debtors Chapter 11 Cases; (2) Motion For An Order Pursuant To Bankruptcy Rule 1007 Granting An Extension Of Time For Filing Schedules And Statements Of Financial Affairs; (3) Debtors' Motion For An Order Pursuant To 11 U.S.C. §105(a) And Bankruptcy Rule 2002

Establishing Notice Procedures; (4) Debtors' Motion For Interim and Final Orders (I) Prohibiting Utilities From Altering, Refusing Or Discontinuing Service, (II) Deeming the Utility Companies Adequately Assured Of Future Performance, (III) Authorizing Debtors To Maintain Their Prepetition Relationships And Practices With The Third Party Vendor; And (IV) Establishing Procedures For Determining Requests For Additional Adequate Assurance; (5) Debtors' Motion For Interim And Final Orders (I) Authorizing Use Of Cash Collateral, (II) Granting Adequate Protection To All Secured Lenders, And (III) Scheduling A Final Hearing; (6) Application To Employ Counsel For Debtors And Debtors In Possession; (7) Debtors' Motion To Approve DIP Financing; (8) Debtors' Application to Employ Lain Faulkner & Co., P.C. As Accountants for Debtors; and (9) Debtors' Motion for Order Pursuant To 11 U.S.C. §105(a) and Bankruptcy Rule 331 Establishing Procedures For Interim Compensation and Reimbursement of Expenses of Professionals. All of the First Day Motions were granted and largely uncontested except: (5) Debtors' Motion For Interim And Final Orders (I) Authorizing Use Of Cash Collateral, (II) Granting Adequate Protection To All Secured Lenders, And (III) Scheduling A Final Hearing and (7) Debtors' Motion To Approve DIP Financing.

**B. DIP Financing**

Pre-petition, Pointe Property Group, Inc. and Allen Investments, Inc. (collectively, " DIP Lenders") had loaned Debtors approximately $ 585,000 secured by a junior lien on all DLH real estate involved in the Chapter 11 filing, in order to enable Debtors to fund retainers for its professionals and continue operations until a bankruptcy filing could be effectuated. The DIP Lenders are entities owned and or controlled by the father, brother and various family entities related to Richard S. Allen, all of whom are insiders. After the Petition Date, the Debtors sought Bankruptcy Court approval for Debtor in Possession Financing (the "DIP Facility") from the DIP Lenders up to a

maximum amount of $3.50 million (including the pre-petition advance of $585,000). The DIP Facility was potentially controversial in that (a) the monies were being loaned by insiders, (b) a priming lien was granted to the extent to which DIP Facility proceeds were used to pay real estate taxes due and owing on the various parcels, (c) a junior lien was granted to the DIP Lenders by both DLH (on the land held by DLH) and ACP (on the various interests held by ACP), and (d) the DIP Facility as proposed was joint and several between ACP and DLH. Each of these issues was contested before the Court by one or more parties in interest.

Ultimately, the Court found (i) the terms of the line of credit were negotiated on an arm's-length basis, (ii) a priming lien was appropriate on those parcels where the secured creditor did not pay the real estate taxes which were due in the first weeks of the case, (iii) the junior lien on all DLH land without vertical improvements and all ACP assets which could validly be granted as security was appropriate and granted to secure the DIP Facility, and (iv) that ACP could only borrow against the DIP Facility through July 15, 2010 and DLH could make payments under the Service Agreement during that period. After July 15, 2010, DLH was no longer entitled to make payments under the Service Agreement for employees of ACP or ADCC, and ACP was no longer entitled to borrow under the DIP Facility.

As ACP could not borrow against the joint DIP Facility after July 15, 2010, Debtors negotiated a separate DIP Facility for ACP with the existing DIP Lenders. This facility was subsequently approved by the Court and the DIP Lenders were granted a junior lien on ACP's assets to secure their loans under this DIP Facility.

Subsequently, DLH extended the joint DIP Facility by agreement with the DIP Lenders through October. DLH also requested that the Court establish a procedure under which the joint DIP

Facility could be extended further by simply submitting a revised budget to the Court. The Court granted DLH's request and established a procedure under which DLH could extend the DIP Facility without the necessity of a subsequent hearing.

**C. Use of Cash Collateral and Adequate Protection**

DLH's request to use cash collateral and offer to provide adequate protection to substantially all DLH secured creditors was also extensively contested and resulted in several hearings before the Court. DLH had offered to provide adequate protection to TierOne and substantially all secured creditors of DLH with an interest in land without vertical development by providing a junior lien to all such creditors. Ultimately, the various secured creditors with liens on land without any vertical development declined the offer of adequate protection.

**1. TierOne / Great Western Bank:** Debtors requested to use the cash collateral generated by the lease to ADESA (which was then pledged to Tier One Bank (hereafter "TierOne") as security for the construction loan which was used pre-petition to develop the ADESA facility and various infrastructure improvements TierOne vigorously contested the request to use its cash collateral and later separately moved to lift the automatic stay, seeking permission for TierOne to foreclose on its collateral and prosecute certain guarantees. Ultimately, the Court ruled that certain pre-petition rents collected by the DLH were not cash collateral, granted Debtor DLH limited permission to use approximately $1.2 million of the ADESA rents from filing through July 31, 2010 directed DLH to pay the remaining ADESA rents to TierOne, and denied TierOne's motion to lift the automatic stay so that the ADESA facility could not be foreclosed upon by TierOne. In addition, TierOne Bank was granted a junior lien in DLH land as substitute collateral for the cash collateral

actually being used by Debtors and TierOne was granted permission to prosecute its guarantees against non-debtors.

TierOne Bank appealed certain of the Bankruptcy Court's Orders and those appeals are currently pending before the Federal District Court for the Northern District of Texas. Subsequently, TierOne Bank was seized by the FDIC and Great Western acquired the loan to DLH from the FDIC in its capacity as a receiver for TierOne Bank. Great Western has continued the appeal. DLH has moved to dismiss the appeals of the cash collateral order as moot.

DLH filed a motion for permission to use added cash collateral after July 31, 2010, net of the amounts from the ADESA rents necessary to commence interest only payments to Great Western at the non default rate. DLH's motion was granted and DLH was authorized to use certain amounts from the ADESA rent through October, 2010. Subsequently, a settlement was reached with Great Western and approved by both BB&T and the FDIC, The terms of the settlement are as follows:

**Release Price.** Subject to and upon the terms and conditions provided in Settlement Agreement, Great Western Bank will accept a single payment in the amount of the Release Price in full and final payment of the accrued indebtedness owed by DLH to Great Western Bank under the terms of the Loan Documents. In order to obtain sufficient funds to pay the Release Price to Great Western Bank, DLH is attempting to sell the ADESA Project (together with the ADESA Lease, the "ADESA Property"). The Release Price is to be paid by DLH in full to Great Western Bank in cash, by wire transfer, or in certified funds at the closing of a sale of the ADESA Property ("Closing"). The phrase "Release Price" means (a) $48,000,000.00 plus (b) if, and only if, the Net Sale Proceeds from the sale of the ADESA Property are more than $50,750,000.00, twenty-five percent (25%) of the Net Sale Proceeds in excess of $50,750,000.00, without deduction or set-off. The phrase "Net Sale

Proceeds" means the gross sales price of the ADESA Property less Closing Costs. The phrase "Closing Costs" means broker commissions, title company fees, title insurance premiums, escrow fees, recording fees, attorney fees, and other expense prorations and deductions applicable to the sale of the ADESA Property that are agreed to by DLH and the Buyer and approved by the Bankruptcy Court. In no event is the amount of the Release Price to be reduced by any payment made by DLH (or by one or more Guarantors) to Great Western Bank prior to Closing or otherwise.

The Closing of the sale of the ADESA Property currently scheduled for May __, 2011 and the payment of the Release Price to Great Western Bank must both occur on or before June 30, 2011 ("Drop Dead Date"). The Settlement Order shall modify the automatic stay provided in the Bankruptcy Code so that if (i) the Bankruptcy Court, BB&T, and the FDIC have approved Settlement Agreement by the deadlines set forth in Section 1.3 above and (ii) Great Western Bank have not received payment of the Release Price in full on or before May 31, 2011, the Bankruptcy Code stay shall automatically partially terminate to allow Great Western Bank to post the ADESA Property for foreclosure. If the Great Western Bank has not received payment of the Release Price on or before the Drop Dead Date, the Bankruptcy Code stay shall automatically terminate to allow Great Western Bank to foreclose its liens and security interests on the ADESA Property on or after July 1, 2011, at any time they choose, without the necessity of any further order from the Bankruptcy Court. The Settlement Order also provided that neither the Debtors nor any persons related to or affiliated with Debtors (including Rex Allen, R.E. Allen, Pointe Property Group, Inc. and Allen Investments, Inc.) will take any direct or indirect action to interfere with the foreclosure of the ADESA Property as authorized in Settlement Agreement. In the event the automatic stay lifts pursuant to the terms of Settlement Agreement, DLH shall immediately turn over to Great Western Bank all ADESA Rents

which it may receive thereafter within two (2) business days of receipt.

**Use of Cash Collateral.** As a modification of the existing court order related to ADESA Rents, DLH has made monthly payments from the ADESA Rents to Great Western Bank in the amounts of (a) $245,134.15 during the period beginning on November 1, 2010, through January 31, 2011, and (b) and shall pay $311,611.00 per month during the period beginning on February 1, 2011, through and including the earlier to occur of the date of Closing or June 30, 2011 (and prorated as of the date of Closing or June 30, 2011, whichever date is applicable). DLH may use the remaining cash collateral from the ADESA Rents, if any, through the earlier to occur of the date of Closing or June 30, 2011. The monthly payments, if any, received by Great Western Bank after February 1, 2011 pursuant to the terms of Settlement Agreement, shall be applied to DLH's debt to Great Western Bank as provided in the Note. Notwithstanding anything contained in Settlement Agreement seemingly to the contrary, no payment made to Great Western Bank under or contemplated in this Section shall reduce or be credited against the Release Price.

**Releases.** Upon Great Western Bank' receipt of the Release Price or the completion of the foreclosure by Great Western Bank of their liens and security interests on the ADESA Property, the Guarantors and Great Western Bank shall each release the other and all employees, affiliates, and attorneys from all claims (including chapter 5 claims under the Bankruptcy Code), except for any claims arising under Settlement Agreement. The mutual release to be executed by the Guarantors and Great Western Bank shall be executed by each of those parties within five (5) business days from the date on which the applicable event which triggers that release occurs and shall be in form and content, except for the completion of blanks, identical to the form of Mutual Release that is attached at Exhibit "B" to Settlement Agreement. Subsequent to the satisfaction of the conditions stated in the preceding

sentence and upon the occurrence of either the receipt by Great Western Bank of the Release Price or the date on which Great Western Bank complete a foreclosure of the liens and security interests created under certain of the Loan Documents, DLH and Great Western Bank will each release the other and all employees, affiliates, and attorneys from all claims (including chapter 5 claims under the Bankruptcy Code), except for those claims arising under the Settlement Agreement. The mutual release to be executed by DLH and Great Western Bank shall be executed by those parties within five (5) business days from the date on which the applicable event which triggers that release occurs and shall be in in form and content, except for the completion of blanks, identical to the form of Mutual Release that is attached at Exhibit "C" to Settlement Agreement. On the date that the Mutual Release between the Bank and DLH has been fully executed by all of those parties, Great Western Bank will also be deemed to have waived and released any right to payment and any lien granted under the so-called "Replacement Lien" granted by the Bankruptcy Court pursuant to the Bankruptcy Court's "Final Order on Debtors' Motion Requesting Use of Cash Collateral" entered on April 23, 2010 (Dkt. No. 233) and the "Order Authorizing Debtor DLH Master Land Holding, LLC's to Use Cash Collateral Lease Payments for August through October 2010" entered on August 25, 2010 (Dkt. No. 514). If Great Western Bank receive payment of the Release Price in full at Closing, Great Western Bank will (a) release all liens and assignments which they may have related to the ADESA Property and under the Replacement Lien and (b) join with DLH in seeking dismissal of the Appeals, (c) withdraw all claims, votes and objections in the Bankruptcy Cases (d) cease to participate further in the Bankruptcy Cases and e) execute all releases.

**2. Compass Bank:** Debtors requested to use the cash collateral generated by the rents from the current and future tenants of Buildings A and Buildings B (which were pledged to

Compass Bank as successor to Guaranty Bank). Debtors and Compass Bank reached an agreement under which Compass Bank consented to DLH's use its cash collateral to care for and support Buildings A and Buildings B, including potentially using those funds for tenant improvements, subject to Compass Bank's review of the funds being expended and the applicable budget. DLH has requested use of certain amounts of cash collateral to make tenant improvements and pay lease brokerage fees in connection with certain potential new tenants. Compass Bank has indicated that the terms of at least one new lease was acceptable and DLH to use cash collateral for tenant improvements lease brokerage fees and other cost associated with the transaction.

**D. Retention of Brokers**

To assist in DLH marketing efforts, with the permission of the Bankruptcy Court, DLH has retained C.B. Richard Ellis to market the ADESA facility and Jones Lang LaSalle to market the various DLH parcels without any existing vertical development. In addition, Colliers International was retained by DLH to market for sale Building A and Building B. The pre-petition contract under which Colliers International was acting as lease broker for those two buildings has been assumed.

**E. Leases of Non-residential Real Property Where a Debtor Is Lessee**

DLH assumed its office lease of certain space in the 1700 North Pacific building in Dallas. ACP received an agreed extension from its landlord with respect to whether to assume or reject its lease with ADSC Diamante, LLC for its offices in San Diego. ACP subsequently moved to assume the Diamante lease. As no party objected to the assumption of the Diamante lease, the Diamante lease has been assumed.

**F. Retention of NewSource Partners and Commission Agreements for Exit Financing**

Debtors retained Mr. Dwayne Toler of NewSource Partners to act as Chief Financial Officer and assist Debtors in locating Exit Financing. In connection with the Exit Financing facility, Debtors have agreed to pay, on a non-exclusive basis, certain financial intermediaries up to 2% of the proceeds from the facility. Debtors filed a Motion for the Court to approve such a fee or commission and received an order authorizing Debtors to enter into agreements to pay such a fee or commission. Debtors have entered into several such agreements in connection with Debtors' search for the Exit Financing facility.

**G. Objections to Romanov Claim and Romanov Settlement with Committee**

Edward B. Romanov, Jr. was recruited and hired as a consultant to manage the real estate operations of Richard Allen and the group of companies known as "The Allen Group" in October of 2004. Thereafter, Romanov was hired as President and Chief Operating Officer of ACP in April of 2006 under an Employment Agreement. Pursuant to the Employment Agreement, Romanov was admitted as a member to ACP and held a Profits Interest in ACP. The day after Romanov terminated the Employment Agreement in 2008, Romanov contended ACP owed him well in excess of thirty million dollars ($30,000,000) in connection with the "repurchase" of Romanov's Profits Interest. On or about November 17, 2008, Romanov received $3,271,776.00 from ACP in addition to the forgiveness of certain indebtedness owed to Richard S. Allen, Inc. and ACP by Romanov. Romanov commenced an arbitration proceeding against a variety of parties, including ACP, seeking to recover the balance.

Romanov filed a proof of claim (claim #14) in the amount of $27,451,767 against ACP. Debtor ACP objected to the claim on a variety of grounds, including that Romanov's claim was capped under Bankruptcy Code section 502(b)(7). The Committee also objected to Romanov's

amended claim on the grounds that the claim was actually a proof of interest and not a proof of claim. To date, the Bankruptcy Court has entered an order denying Debtor ACP's objection that Romanov's claim should be capped under Bankruptcy Code section 502(b)(7). Debtor ACP is currently appealing that decision, although ACP and Romanov have abated that appeal until after the Plan has been confirmed.

Prior to the hearing on ACP's and the Committee's objections to Romanov's claim, Romanov and the Committee reached a settlement which they announced in open Court under which Romanov agreed to cap his claim in the bankruptcy proceeding at six million, five hundred thousand dollars ($6,500,000). Subject to the restrictions set forth below, Romanov's claim would be allowed as follows:

a. $3,500,000 as an Allowed ACP General Unsecured Claim (the "Romanov Unsecured Claim") and
b. $3,000,000 as a subordinated Allowed ACP General Unsecured Claim, subordinated in rights and payment, to and until all Allowed ACP General Unsecured Claims shall have received Cash Distributions in the amount of 70% of such Allowed ACP General Unsecured Claims (the "Romanov Subordinated Unsecured Claim").

Following cash distributions to holders of all Allowed ACP General Unsecured Claims in the amount of 70% of such Allowed ACP General Unsecured Claims, the holder of the Romanov Subordinated Unsecured Claim will participate in subsequent Cash Distributions, if any, as follows:

a. First, the holder of the Romanov Subordinated Unsecured Claim, shall receive the next $500,000 in cash distributions, before payment of any further cash distributions to holders of Allowed ACP General Unsecured Claims;

b. Second and thereafter, all cash distributions, shall be made on a pro rata basis to all holders of Allowed ACP General Unsecured Claims; provided, however, that the Romanov Unsecured Claim will then be increased by the amount of $2,500,000 to an aggregate of $6,000,000 ($2,500,000 [the

increase amount] plus $3,500,000 [the amount of the Romanov Unsecured Claim]) and thereafter the Romanov Unsecured Claim will be $6,000,000 for purposes of future cash distributions (the "Romanov Adjusted Unsecured Claim");

c. No cash distributions will be made to the holder of the Romanov Adjusted Unsecured Claim to result in the holder of the Romanov Adjusted Unsecured Claim having received cash distributions equal to 70% of $6,000,000; rather, all Cash Distributions shall be made at the then pro rata basis of all Allowed ACP General Unsecured Claims (inclusive of the Romanov Adjusted Unsecured Claim).

d. To illustrate the structure of the stipulation and by way of example only, assume: (a) that all Allowed ACP General Unsecured Claims equal $50,000,000 (inclusive of the Romanov Unsecured Claim); (b) that cash distributions have already been made to holders of Allowed ACP General Unsecured Claims aggregating $35,000,000 (*to wit*: 70% of $50,000,000); and (c) cash distributions are to be made in the amount of $4,000,000, the same would be distributed as follows:

i. The first $500,000 thereof to the holder of the Romanov Subordinated Unsecured Claim;

ii. The next $3,500,000 to the holders of the Allowed ACP General Unsecured Claims, consisting of $52,500,000 ($50,000,000 plus $2,500,000 [the increased amount of the Romanov Unsecured Claim]), on a pro rata basis, with the holder of the of the Romanov Adjusted Unsecured Claim receiving $400,000 ($3,500,000 X $6,000,000/$52,500,000).

Notwithstanding the Stipulation between Romanov and the Committee, to the extent the Court ultimately finds that Romanov is entitled to an allowed claim against ACP in excess of the $6,500,000, Romanov unconditionally stipulated and agreed that, notwithstanding such court Order: (i) Romanov will not receive cash distributions in an amount exceeding $6,500,000; and (ii) Amended Claim 14 shall be paid on account of such claim, if at all, in accordance with the provisions described above. To the extent the Court's order on Romanov's claim provides that the claim is allowed in an amount less than $6,500,000 (the "Ordered Claim Amount"), Romanov unconditionally stipulates and

agrees that: (i) the holder of Amended Claim 14, will not receive cash distributions in an amount exceeding the Ordered Claim Amount; and (ii) the Ordered Claim Amount shall be allowed and treated, with respect to cash distributions, as follows: (A) as an Allowed ACP General Unsecured Claim not to exceed to $3,500,000; and (B) the difference, if any, between the Ordered Claim Amount and $3,500,000 shall be (1) allowed as a subordinated Allowed ACP General Unsecured Claim, subordinated in rights and payment, to and until all Allowed ACP General Unsecured Claims have received cash distributions in the amount of 70% of such Allowed ACP General Unsecured Claims; and (2) paid in the same "waterfall" manner as the Romanov Subordinated Unsecured Claim as described above.

### H. Search for Joint Venture Partners and/or Third Party Exit Financing

DLH has solicited potential debt or equity infusions from more than 100 parties, has established a virtual document room to facilitate due diligence by investors and has actively negotiated with a number of prospects. At this time DLH is in early negotiations with one prospective investor.

ACP's most active development asset is LPKC, an entity which holds an option on more than 500 acres of land from the BNSF railroad. Numerous parties have executed non-disclosure agreements and have examined entering into joint ventures with LPKC. The Kansas City market has a very low vacancy factor for industrial buildings. The BNSF will commence construction of an intermodal facility adjacent to the property and LPKC is currently negotiating various sales and build to suit leases.

## X. RISK FACTORS

**The primary risk to creditors under the Plan is that Debtors will be unable to meet their**

**sales and development projections which can be found in accompanying Exhibits E-1 and E-2.** Although management regards the projections as reasonable and achievable, there is no guaranty Debtors will be able to achieve the results projected. Future prices for land are inherently uncertain and there can be no guaranty that Debtors will be able to sell either the volume of land projected or realize the prices projected. More specifically, for ACP, the projections also include significant development activity at LPKC, primarily build to suit opportunities, which requires certain assumptions about the terms and conditions a capital partner would require to allow that development to occur. For a more traditional description of Risk Factors, see **Exhibit H**.

## XI. GENERAL DISCHARGE

Except with respect to Classes of Claims unimpaired pursuant to the Plan, the distributions and rights afforded in the Plan shall be in complete and full satisfaction, discharge and release, effective as of the Effective Date, of all Claims against and interests in Debtors or any of its assets or properties of any nature whatsoever. Commencing on the Effective Date, except as expressly otherwise provided in the Plan, all Claim holders and interest holders shall be precluded forever from asserting against Debtors or their respective assets and properties, any other or further liabilities, liens, obligations, Claims or Interests, or causes of action belonging to Debtors pursuant to 11 U.S.C. § 541 which could arise up through the Effective Date of the Plan including but not limited to, all principal and accrued and unpaid interest and penalties on the debts of either Debtor, based on any act or omission, transaction or other activity or security interest or other agreement of any kind or nature occurring, arising or existing prior to the Effective Date, that was or could have been the subject of any Claim or interest, whether or not Allowed, except with respect to and to the extent of Claims or the portions of Claims which are unimpaired pursuant to the Plan. As of the Effective Date, Debtors,

their Affiliates and Principals shall be discharged and released from and shall hold all the assets and properties received or retained by it pursuant to the Plan, free of all liabilities, liens, Claims and obligations or other claims of any nature, known or unknown, except Claims in Classes unimpaired pursuant to the Plan. All legal or other proceedings and actions seeking to establish or enforce liabilities, liens, Claims and interests or obligations of any nature against either Debtor or assets or properties received or retained with respect to debts and obligations, if any, of the estate arising before the Effective Date shall be permanently stayed or enjoined, except as otherwise specifically provided in the Plan.

## XII. CORPORATE GOVERNANCE AND MANAGEMENT OF PLAN DEBTORS AS REORGANIZED

### A. Continued Existence of the Plan Debtors.

Subject to the restructuring and reorganization contemplated by, and described more fully in the Plan, each of the Plan Debtors shall continue to exist after the Effective Date as a separate entity, and all Interests held by a Plan Debtor in another Plan Debtor or a subsidiary thereof shall be reinstated, with all the powers available to such legal entity, in accordance with applicable law and pursuant to the Plan Debtor Constituent Documents, which shall become effective upon the occurrence of the Effective Date or such other later date contemplated thereby.

### B. New Organizational Documents

To the extent necessary, any Organizational Documents which will be revised or amended pursuant to the Plan shall be filed by Debtors with the Court at least seven (7) days prior to the Effective Date.

### C. Directors and Officers

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of each proposed initial director or officers following the Effective Date (and, to the extent such Person is an insider of the Plan Debtors, the nature of any compensation of such Person, as well as the related terms) shall be disclosed no later than two (2) calendar days prior to the Confirmation Hearing.

**D. Dissolution of the Committee**

Upon the Consummation Date, the Committee shall dissolve automatically, whereupon its members, Professionals and agents shall be released from any further duties and responsibilities in the Chapter 11 Cases and under the Bankruptcy Code, except with respect to: (i) obligations arising under confidentiality agreements, joint interest agreements and protective orders entered during the Chapter 11 Cases which shall remain in full force and effect according to their terms; (ii) applications for Professional Fee Claims; (iii) requests for compensation and reimbursement of expenses pursuant to section 503(b) of the Bankruptcy Code for making a substantial contribution in any of the Chapter 11 Cases; and (iv) any pending motions, or any motions or other actions seeking enforcement or implementation of the provisions of the Plan or the Confirmation Order. The Professionals retained by the Committee and the respective members thereof shall not be entitled to compensation and reimbursement of expenses for services rendered to the Committee after the Effective Date, except for services rendered in connection with applications for allowance of compensation and reimbursement of expenses pending on the Effective Date or filed after the Effective Date; provided, however, that to the extent any such fees and expenses are incurred after the date that is fifteen business days prior to the deadline to file final fee applications, any such fees and expenses must be submitted to the Reorganized Debtors.

**E. Funding of the Plan**

Cash Distributions to be made pursuant to the Plan will be made from (i) Exit Financing on hand on the Effective Date, (ii) cash proceeds received by Debtors from the liquidation of assets as of the Effective Date and other funds then available, and (iii) to the extent that Cramdown is necessary for either DLH or ACP or both, cash contributions made to ACP and/or DLH, as applicable, in exchange for new Equity Interests in Reorganized DLH, as the case may be.

Except as set forth in section 13.22 of the Plan, Reorganized Debtors shall not be obligated to physically segregate and maintain separate accounts for reserves or for distribution funds and separate reserves and funds may be merely bookkeeping entries or accounting methodologies, which may be revised from time to time, to enable Reorganized Debtors to determine Distributable Cash, reserves and amounts to be paid to parties in interest.

Reorganized DLH shall segregate and maintain separate accounts for the following purposes:

(i) escrowing rents, common area maintenance and taxes received from the tenants of Building A and B unless and until Compass Bank consents to the commingling of all or a part of such funds or the buildings are sold,

(ii) escrowing monies received for taxes and insurance from ADESA until such time as those taxes and/or insurance bills are paid,

(iii) escrowing monies which are to be distributed quarterly to the unsecured creditors of ACP (ACP Unsecured Creditor Net Proceeds),

(iv) escrowing monies which are to be distributed quarterly to the unsecured creditors of DLH (DLH Unsecured Creditor Net Proceeds),

(v) escrowing monies which are to be distributed quarterly to the holders of Pool 1 Notes (Secured Creditor Pool 1 Net Proceeds), and

(vi) escrowing monies which are to be distributed quarterly to the holders of Pool 2 Notes (Secured Creditor Pool 2 Net Proceeds).

### F. Corporate and Limited Liability Company Action

On the Effective Date, the matters under the Plan involving or requiring corporate or limited liability company action of Debtors, including, but not limited to, actions requiring a vote or other approval of the board of directors, members or shareholders, as applicable, and execution of all documentation incident to the Plan, notwithstanding any otherwise applicable non-bankruptcy law or the Organization Documents of Debtors, shall be deemed to have been authorized by the Confirmation Order and to have occurred and be in effect from and after the Effective Date without any further action by the Bankruptcy Court or the officers, directors, members or shareholders, as applicable, of Debtors.

### G. Saturday, Sunday or Legal Holiday

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

## XIII. TREATMENT OF EXECUTORY CONTRACTS AND LEASES

### A. Treatment of Remaining Executory Contracts and Unexpired Leases

The Plan constitutes and incorporates one or more motions by the respective Debtor proponent to assume, as of the Confirmation Date and conditioned upon the occurrence of the Effective Date, all prepetition executory contracts and unexpired leases to which one or both of Debtors are a party, except for executory contracts or unexpired leases that (a) have been assumed or rejected pursuant to Final Order of the Bankruptcy Court, or (b) are the subject of a separate motion (or appeal of the ruling on such motion) filed pursuant to section 365 of the Bankruptcy Code filed by

one or both of Debtors prior to the Effective Date or a separate motion (or appeal of the ruling on such motion) to compel or permit assumption or rejection pursuant to section 365 of the Bankruptcy Code filed by the Committee prior to the Effective Date and such unexpired lease or executory contract shall be assumed or rejected, as the case may be, by virtue of a Final Order of the Bankruptcy Court, which may be entered after the Effective Date.

### B. Rejection Damages Bar Date

Except to the extent another Bar Date applies pursuant to an order of the Bankruptcy Court, all Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts under the Plan must be filed with the Bankruptcy Court and with the following persons:

Jenny Saubert
125 S. Bridge Street, Suite 100
Visalia, CA 93291

and a copy served on counsel for Debtors, within thirty (30) days from the entry of the Confirmation Order, or such Claim shall be forever barred and shall not be entitled to a Distribution or be enforceable against Debtors, their Estates, Reorganized Debtors, their successors, or their assigns. Any Claim arising from the rejection of an Executory Contract shall be treated as a Claim in the applicable Class (General Unsecured Claims). Nothing in the Plan extends or modifies any previously applicable Bar Date.

## XIV. DISTRIBUTIONS

### A. General Provisions Concerning Distributions

All Allowed Unsecured Claims held by a single creditor against a Debtor shall be aggregated and treated as a single Claim against that Debtor. At the written request of Reorganized Debtors, any creditor holding multiple Allowed Unsecured Claims shall provide Reorganized Debtors a single address to which any Distributions shall be sent. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

Debtors may, but shall not be required to, set off against or recoup from any Claim and the payments to be made pursuant to the Plan in respect of such Claim any Claims of any nature whatsoever that Debtors may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by Debtors, of any such claim they may have against such claimant.

To the extent that any Allowed Claim entitled to a Distribution under the Plan consists of indebtedness and other amounts (such as accrued but unpaid interest thereon), such Distribution shall be allocated first to the principal amount of the Claim (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claim, to such other amounts.

### B. Disbursing Agent

Reorganized Debtors shall be the Disbursing Agent unless otherwise ordered by the Court in the Confirmation Order, and the Disbursing Agent shall make all distributions under the Plan. Debtors anticipate reaching an agreement with the Committee to select a Disbursing Agent.

### C. Time and Manner of Distributions

Reorganized Debtors shall have the power, to make interim distributions to Holders of Allowed Claims if Reorganized Debtors determine that such interim distributions are warranted and economical; provided that Reorganized Debtors shall make interim distributions at least annually if such distributions would not exceed the amount of Excess Cash. If Reorganized Debtors determine to make interim distributions to Holders of Allowed General Unsecured Claims, Reorganized Debtors will determine the amount to be distributed by taking into account such factors as ongoing expenses, costs, and taxes. At the option of Reorganized Debtors, any distributions under the Plan may be made either in cash, by check drawn on a domestic bank, by wire transfer or by ACH. Notwithstanding any other provisions of the Plan to the contrary, no payment of fractional cents will be made under the Plan. Cash will be issued to Holders entitled to receive a Distribution of Cash in whole cents (rounded to the nearest whole cent when and as necessary). To the extent that the aggregate of such distributions never exceeds $25.00 within one year of when the funds would originally have been distributed, such funds shall be paid on the first anniversary of when de minimus distribution would otherwise have become due and payable except for the provisions of this section.

### D. Delivery of Distributions

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be made by the Disbursing Agent (i) at the addresses set forth on the Proofs of Claim filed by such Holder (or at the last known addresses of such Holder if no motion requesting payment or Proof of Claim is filed or Debtors or Reorganized Debtors have been notified in writing of a change of address), (ii) at the addresses set forth in any written notices of address changes delivered to Reorganized Debtors after the date of any related Proof of Claim, or (iii) at the addresses reflected in

the Schedules if no Proof of Claim has been filed and Reorganized Debtors have not received a written notice of a change of address.

**E. Undeliverable Distributions**

If a distribution to a Holder of a Claim is returned as undeliverable, no further distributions to such Holder of a Claim shall be made unless and until Reorganized Debtors are notified of the then-current address of such Holder, at which time all missed distributions shall be made to such Holder without interest. Amounts in respect of undeliverable distributions shall be returned to the Liquidating Trustee until such distributions are claimed. All funds or other undeliverable distributions returned to Reorganized Debtors in respect of any Claim and not claimed within four (4) months of return shall be forfeited and remain with and vest in Reorganized Debtors for distribution to other Holders of Allowed Claims

**F. Claim Administration Responsibility**

**1. Reservation of Rights to Object to Claims**

Unless a Claim is expressly described as an Allowed Claim pursuant to or under the Plan, or otherwise becomes an Allowed Claim prior to or after the Effective Date, Reorganized Debtors (on behalf of the Estates) reserve any and all objections to any and all Claims and motions or requests for the payment of Claims, whether administrative expense, priority, secured or unsecured, including, without limitation, any and all objections to the validity or amount of any and all alleged Administrative Claims, Priority Tax Claims, Priority Claims, General Unsecured Claims, Intercompany Claims, Interest Related Claims, Interests, Liens and security interests, whether under the Bankruptcy Code, other applicable law or contract.

**2. Objections to Claims**

Prior to the Effective Date, Debtors shall be responsible for pursuing any objection to the allowance of any Claim. From and after the Effective Date, Reorganized Debtors will retain responsibility for administering, disputing, objecting to, compromising or otherwise resolving and making distributions, if any, with respect to all Claims. Unless otherwise provided in the Plan or by order of the Bankruptcy Court, any objections to Claims will be filed and served not later than 90 days after the Effective Date. Unless arising from an Avoidance Action, any Proof of Claim filed more than ninety (90) days after the Effective Date shall be of no force and effect and need not be objected to. All Contested Claims shall be litigated to Final Order unless estimated by the Bankruptcy Court for purposes of distribution; provided, however, Reorganized Debtors may compromise and settle any Contested Claim, subject to the approval of the Bankruptcy Court.

Reorganized Debtors may request (and the Bankruptcy Court may grant) an extension of such deadline by filing a motion with the Bankruptcy Court, based upon a reasonable exercise of business judgment. A motion seeking to extend the deadline to object to any Claim shall not be deemed an amendment to the Plan.

### 3. Filing of Objections

An objection to a Claim or Interest shall be deemed properly served on the Holder of such Claim or Interest if Reorganized Debtors effect service in accordance with Bankruptcy Rule 3007.

### 4. Determination of Claims

Except as otherwise agreed by Reorganized Debtors, any Claim as to which a Proof of

Claim or motion or request for payment was timely filed in the Chapter 11 Cases may be determined and (so long as such determination has not been stayed, reversed or amended and as to which determination (or any revision, modification or amendment thereof) the time to appeal or seek review or rehearing has expired and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending) liquidated pursuant to (i) an order of the Bankruptcy Court, (ii) applicable bankruptcy law, (iii) agreement of the parties, (iv) applicable non-bankruptcy law, or (v) the lack of (a) an objection to such Claim, (b) an application to equitably subordinate such Claim, and (c) an application to otherwise limit recovery with respect to such Claim, filed by Debtors or Reorganized Debtors on or prior to any applicable deadline for filing such objection or application with respect to such Claim. Any such Claim so determined and liquidated shall be deemed to be an Allowed Claim for such liquidated amount and shall be satisfied in accordance with the Plan. Nothing contained in this claim determination shall constitute or be deemed a waiver of any claim, right or Cause of Action that Debtors or Reorganized Debtors may have against any Person in connection with or arising out of any Claim or Claims, including, without limitation, any rights under 28 U.S.C. § 157.

### G. Procedures for Treating and Resolving Disputed and Contingent Claims

#### 1. No Distributions Pending Allowance

No payments or distributions will be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled, withdrawn, determined by a Final Order, and the Disputed Claim has become an Allowed Claim.

#### 2. Claim Estimation

Debtors or Reorganized Debtors may request estimation or liquidation of any Disputed Claim that is contingent or unliquidated pursuant to Bankruptcy Code sections 502(c) and 502(e); provided,

however, the Bankruptcy Court shall determine (i) whether such Disputed Claim is subject to estimation pursuant to Bankruptcy Code section 502(c) and (ii) the timing and procedures for such estimation proceedings, if any.

**H. Setoffs and Recoupment**

Reorganized Debtors may, pursuant to sections 553 and 558 of the Bankruptcy Code or applicable non-bankruptcy law, but shall not be required to, setoff against or recoup from any Claim on which payments are to be made pursuant to the Plan, any claims or Causes of Action of any nature whatsoever Debtors may have against the Holder of such Claim; provided, however, that neither the failure to effect such offset or recoupment nor the allowance of any Claim shall constitute a waiver or release by Debtors of any setoff or recoupment Debtors may have against the Holder of such Claim, nor of any other claim or Cause of Action.

**I. Allowance and Disallowance of Claims Subject to Section 502 of the Bankruptcy Code**

Allowance and disallowance of Claims shall be in all respects subject to the provisions of section 502 of the Bankruptcy Code, including, without limitation, subsections (b), (d), (e), (g), (h) and (i) thereof.

**J. Cancellation of Instruments and Agreements**

Upon the occurrence of the Effective Date, except as otherwise provided herein, all promissory notes, shares, certificates, instruments, indentures, stock or agreements evidencing, giving rise to or governing any Claim or Interest shall be deemed canceled and annulled without further act or action under any applicable agreement, law, regulation, order or rule; obligations of Debtors under such promissory notes, share certificates, instruments, indentures or agreements shall be discharged

and the Holders thereof shall have no rights against Debtors, the Estates or Reorganized Debtors; and such promissory notes, share certificates, instruments, indentures or agreements shall evidence no such rights, except the right to receive the distributions provided for in the Plan.

**K. No Interest on Claims**

Unless otherwise specifically provided for in the Plan, the Confirmation Order or a post-petition agreement in writing between Debtors and a Holder of a Claim and that has been approved by an order of the Bankruptcy Court, post-petition interest shall not accrue or be paid on any Claim, and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim. In addition, and without limiting the foregoing, interest shall not accrue on or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a final distribution is made when and if such Disputed Claim becomes an Allowed Claim.

**L. Withholding Taxes**

Reorganized Debtors shall be entitled to deduct any federal, state or local withholding taxes from any payments under the Plan. As a condition to making any distribution under the Plan, Reorganized Debtors may require that the Holder of an Allowed Claim provide such Holder's taxpayer identification number and such other information and certification as Reorganized Debtors may deem necessary to comply with applicable tax reporting and withholding laws.

**M. Reports**

From the Effective Date, until a Final Decree is entered, Reorganized Debtors shall submit quarterly reports to the United States Trustee setting forth all receipts and disbursements of Reorganized Debtors as required by the United States Trustee guidelines.

## XV. EFFECT OF CONFIRMATION

### A. Vesting of Assets

On the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, Reorganized Debtors Assets shall be released from the custody and jurisdiction of the Bankruptcy Court, and all Reorganized Debtors Assets shall vest in Reorganized Debtors free and clear of all Claims, Liens, encumbrances, charges and other interests, except as provided in the Plan. From and after the Effective Date, Reorganized Debtors may operate their businesses and may use, acquire and dispose of property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules or the Local Bankruptcy Rules, subject to the terms and conditions of the Plan.

### B. Binding Effect

On and after the Effective Date, the provisions of the Plan shall bind any holder of a Claim against, or Interest in, a Debtor and such Holder's respective successors and assigns, whether or not the Claim or Interest of such Holder is Impaired under the Plan, whether or not such Holder has accepted the Plan and whether or not such Holder is entitled to a Distribution under the Plan.

### C. Discharge of Claims and Termination of Interests

Except as provided in the Plan, the rights afforded in and the payments and Distributions to be made under the Plan shall terminate all Interests and discharge all existing debts and Claims of any kind, nature or description whatsoever against or in Debtors, or their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as provided in the Plan, upon the

Effective Date, all existing Claims against Debtors and Interests shall be, and shall be deemed to be, discharged and terminated, and all holders of such Claims and Interests shall be precluded and enjoined from asserting against Reorganized Debtors, its successors or assignees or any of its assets or properties, any other or further Claim or Interest based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such Holder has filed a Proof of Claim or proof of interest and whether or not the facts or legal bases therefore were known or existed prior to the Effective Date.

**D. Term of Injunction or Stays**

Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, the Plan or otherwise, and extant on the Confirmation Date, shall remain in full force and effect until the entry of the Final Decree.

**E. Reservation of Causes of Action Reservation of Rights**

Nothing contained in the Plan shall be deemed to be a waiver or relinquishment of any rights or Causes of Action that Debtors or Reorganized Debtors may have or may choose to assert against any Person. All creditors and parties in interest are hereby placed on notice that despite provisions which may be contained in the Plan, including without limitation those providing for satisfaction of Claims, if Allowed, Reorganized Debtors reserve the right, as advised by counsel, to (a) commence, prosecute to judgment, and to collect upon any cause of action, whether or not such cause of action is listed in the Schedules and Statements of Affairs as an asset of Debtors' chapter 11 Estate and to (b)

include as defendants in a suit any and all parties which are, at this time, named and unnamed. Currently, the Reorganized Debtors are unable to estimate the size of any recovery from such a lawsuit. The Reorganized Debtors are authorized under the Plan, in their sole discretion, to litigate to final judgment, prosecute appeals as are necessary and enter into such settlement agreements as are deemed appropriate with respect to any and all suits initiated as provided herein.

Notwithstanding the foregoing, sections 11.01 and 13.29 in the Plan release certain claims which could otherwise have been brought by the Debtors. Section 11.01 of the Plan provides that, except with respect to Classes of Claims unimpaired pursuant to the Plan, the distributions and rights afforded in the Plan shall be in complete and full satisfaction, discharge and release, effective as of the Effective Date, of all Claims against and Interests in Debtors or any of their respective assets or properties of any nature whatsoever. Commencing on the Effective Date, except as expressly otherwise provided in the Plan, all Claim holders and Interest holders shall be precluded forever from asserting against Debtors, their respective affiliates and principals, their respective agents and attorneys or their respective assets and properties, any other or further liabilities, liens, obligations, Claims or Interests, or causes of action belonging to Debtors pursuant to 11 U.S.C. § 541 which could arise up through the Effective Date of the Plan including but not limited to, all principal and accrued and unpaid interest and penalties on the debts of Debtors, based on any act or omission, transaction or other activity or security interest or other agreement of any kind or nature occurring, arising or existing prior to the Effective Date, that was or could have been the subject of any Claim or interest, whether or not Allowed. As of the Effective Date, Debtors and their respective affiliates, and principals shall be discharged and released from and shall hold all the assets and properties received or retained by them pursuant to the Plan, free of all liabilities, liens, Claims and obligations or

other claims of any nature, known or unknown, except as set forth pursuant to the Plan. All legal or other proceedings and actions seeking to establish or enforce liabilities, liens, Claims and interests or obligations of any nature against Debtors or assets or properties received or retained by Debtors with respect to debts and obligations, if any, of the estate arising before the Effective Date shall be permanently stayed or enjoined, except as otherwise specifically provided in the Plan. Notwithstanding the foregoing, this provision shall not be interpreted to release any third party claims, liabilities or other causes of action against the affiliates and principals of the Debtors unless the claim or cause of action so released is derivative of a claim or cause of action which was or could have been asserted against a Debtor in this Bankruptcy, or constitutes property of either of the Debtors' bankruptcy estates.

Section 13.29 provides that neither the Debtors, nor the Committee, nor any of their respective members, officers, directors, employees, agents, advisors, affiliates, attorneys, accountants, nor any other professional person retained or employed by any of them (collectively, the "Exculpated Persons") shall have or incur any liability to any Creditor, Interest holder, or any other person or entity for any act taken or omission made in good faith in connection with or relating to the formulation, negotiation, implementation, confirmation, or consummation of the Plan, including any settlement referenced or described herein, or in connection with or relating to the Disclosure Statement or any document, instrument, note or agreement executed or to be executed and delivered pursuant to the Plan. The Exculpated Persons shall have no liability to the Debtors, any Creditor, Interest holder, or any other party in interest in the Debtors' Bankruptcy Case, or any other person or entity, for actions taken or not taken under the Plan, in connection herewith, or with respect hereto, or arising out of their administration of the Plan or distributions of money or property under the Plan,

in good faith, including, without limitation, the failure to obtain confirmation of the Plan, or the failure to satisfy any condition or conditions, or refusal to waive any condition or conditions, to the occurrence of the Effective Date, and in all respects the Exculpated Persons shall be entitled to rely upon the advice of counsel with respect to their duties, rights, and obligations under the Plan.

### F. Avoidance Actions/Objections

Generally, the Debtors waive all causes of action belonging to the estate pursuant to section 541 of the Bankruptcy Code, including but not limited to Avoidance Actions pursuant to sections 544, 545, 546, 547, 548 or 549 of the Bankruptcy Code. Notwithstanding the foregoing, all Avoidance Actions are preserved in the estate for the benefit of creditors if (a) such an Avoidance Action has been brought or otherwise asserted in a written pleading filed with the Bankruptcy Court prior to the Effective Date, or (b) such Avoidance Actions have been asserted as part of an objection to the claim where either (i) such objection was brought prior to the Confirmation Date, or (ii) the claim in question was filed after the applicable bar date for such claim. Given a) Debtors were solvent on a balance sheet basis pre-petition, b) that any claims against Richard Allen, even if valid, would be uncollectible since Mr. Allen already has large guaranties of DLH and ACP debts in his Chapter 11 and substantially all of his net worth arises from his ownership of ACP and DLH, Debtors regard the value of the waived Avoidance Actions so to be *de minimis* and believe the costs of bringing and prosecuting such actions outweigh the likely recovery under those actions. Debtors will supplement this analysis at least two business days prior to the hearing on Disclosure Statement.

## XVI. CONDITIONS PRECEDENT

### A. Conditions Precedent to Effective Date

**The Plan shall not become effective unless and until each of the following conditions shall have been satisfied in full in accordance with the provisions specified below:**

a. The Bankruptcy Court shall have approved a disclosure statement with respect to the Plan in form and substance acceptable to Debtors in their sole and absolute discretion;

b. The Confirmation Order shall be in form and substance acceptable to Debtors in their absolute discretion;

c. The Confirmation Order shall have been entered by the Bankruptcy Court and shall not be subject to any stay of effectiveness; the Confirmation Date shall have occurred and no request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall have been made, or, if made, shall remain pending;

d. All documents necessary to consummate the Exit Financing shall be executed on or prior to the Effective Date; and

e. Exit Financing in amounts and terms acceptable to ACP and DLH have been arranged and are ready to be funded.

f. To the extent that any Exit Financing, or in the case of Cramdown, any new equity contribution (whether in the form of cash or conversion of a claim), is to be provided by Richard S. Allen or Richard S. Allen, Inc., the funding of any such amounts and the conversion of any claim held by such persons into new equity, shall have been approved by the Bankruptcy Court having jurisdiction over the Chapter 11 case of Richard S. Allen and Richard S. Allen, Inc.

### B. Revocation, Withdrawal or Non-Consummation of the Plan

If, after the Confirmation Order is entered, each condition precedent to the Effective Date has not been satisfied or duly waived by Debtors on or by ninety (90) days after the Confirmation Date, then upon motion by Debtors, the Confirmation Order may be vacated by the Bankruptcy Court; provided, however, that notwithstanding the filing of such a motion, the Confirmation Order shall not be vacated if each of the conditions precedent to the Effective Date is either satisfied or duly waived

before the Bankruptcy Court enters an order granting the relief requested in such motion. **If the Confirmation Order is vacated, the Plan shall be null and void in all respects, and nothing contained in the Plan shall (i) constitute a waiver or release of any Claims against or Interests in Debtors, (ii) prejudice in any manner the rights of the Holder of any Claim against or Interest in Debtors, (iii) prejudice in any manner the rights of Debtors in the Chapter 11 Cases, or (iv) constitute a release, indemnification or exculpation by Debtors, the Estates or any other party pursuant to the Plan. If the Confirmation Order is vacated, in order to confirm a new Plan of Reorganization, a new Plan and Disclosure Statement would have to be submitted to the Bankruptcy Court. In Debtors' judgment, such an event would increase the risk that Debtors would not succeed in reorganizing their operations and instead would be liquidated. In such an event, unsecured creditors are anticipated to receive nothing and many otherwise fully secured creditors may not be able to realize the full value of their collateral, resulting in deficiencies.**

## XVII. ADMINISTRATIVE PROVISIONS

### A. Retention of Jurisdiction by The Bankruptcy Court

The Plan shall not in any way limit the Bankruptcy Court's post-confirmation jurisdiction as provided under the Bankruptcy Code. Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall retain and have exclusive jurisdiction (to the extent granted by applicable law, including any provisions permitting mandatory or discretionary withdrawal of such jurisdiction) over any matter arising out of or related to the Chapter 11 Cases and the Plan, including, without limitation, the following:

a. all matters relating to the assumption or rejection or the assumption and assignment of Executory Contracts, or Claims or disputes relating thereto;

b. all matters relating to the ownership of a Claim or Interest;

c. all matters relating to the distribution to holders of Allowed Claims and to the determination of Claims;

d. any and all matters involving Reorganized Debtors;

e. all matters relating to or arising in connection with the allowance or estimation of Claims filed, both before and after the Confirmation Date, including any objections to the classification of any Claim;

f. to enter and implement such orders as may be appropriate if the Confirmation Order is for any reason stayed, revoked, modified and/or vacated;

g. all matters relating to the construction and implementation of the Plan and the provisions thereof, and to hear and determine all requests for orders in aid of execution, implementation or consummation of the Plan;

h. all matters relating to disputes arising in connection with the interpretation, implementation or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents or instruments executed in connection with the Plan;

i. to consider any modifications of the Plan, to cure any defect or omission or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

j. all applications for allowance of compensation and reimbursement of Professional Fee Claims under Bankruptcy Code section 328, 330, 331, 503(b), 1103 and 1129(a)(4);

k. to hear and determine all motions requesting allowance of an Administrative Claim;

l. to determine requests for the payment of Claims entitled to priority under section 507(a)(2) of the Bankruptcy Code, including compensation and reimbursement of expenses of parties entitled thereto;

m. all Causes of Action, Avoidance Actions and other suits and adversary proceedings to recover assets for Reorganized Debtors, as successor-in interest to any of Debtors and property of the Estates, wherever located, and to adjudicate any and all other Causes of Action, Avoidance Actions, suits, adversary proceedings, motions, applications and contested matters that may be commenced or maintained pursuant to the Chapter 11 Cases or the Plan, proceedings to adjudicate the allowance of Disputed Claims, and all controversies and issues arising from or relating to any of the foregoing;

n. all matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

o. any other matter not inconsistent with the Bankruptcy Code;

p. all disputes involving the existence, nature or scope of Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

q. to enter the Final Decree closing the Chapter 11 Cases; and

r. to enforce all orders previously entered by the Bankruptcy Court.

### B. Payment of Fees

All fees through the Effective Date pursuant to 28 U.S.C. § 1930 shall be paid on or before the Effective Date to the extent that an invoice for such fees has been provided to Debtors prior to the Effective Date. All fees invoiced after the Effective Date pursuant to 28 U.S.C. § 1930 shall be paid by Reorganized Debtors out of the liquidating assets.

### C. Headings

The headings of the articles, paragraphs and sections of the Plan are inserted for convenience only and shall not affect the interpretation hereof.

### D. Binding Effect of Plan

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Effective Date, the provisions of the Plan shall bind any Holder of a Claim against, or Interest in, Debtors, the Estates, Reorganized Debtors and their respective successors or assigns, whether or not the Claim or Interest of such Holders is impaired under the Plan and whether or not such Holder has accepted the Plan. The rights, benefits and obligations of any entity named or referred to in the Plan, whose actions may be required to effectuate the terms of the Plan, shall be binding on and shall inure to the benefit of any heir, executor, administrator, successor or assign of such entity (including, without limitation, Reorganized Debtors and any trustee appointed for Debtors under chapters 7 or 11 of the Bankruptcy Code).

### E. Final Order

Except as otherwise expressly provided in the Plan, any requirement in the Plan for a Final Order may be waived by Debtors upon written notice to the Bankruptcy Court. No such waiver shall prejudice the right of any party in interest to seek a stay pending appeal of any order that is not a Final Order.

### F. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection herewith and distributions hereunder, Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. Notwithstanding the above, each holder of an Allowed Claim or Interest that is to receive a Distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on such

Holder by any governmental unit, including income, withholding and other tax obligations, on account of such Distribution. Any party issuing any instrument or making any Distribution under the Plan has the right, but not the obligation, to not make a Distribution until such Holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

### G. Tax Exemption and Expedited Tax Determination

Pursuant to section 1146 of the Bankruptcy Code, any transfers from a Debtor or Reorganized Debtors to any other Person or entity pursuant to the Plan, or any agreement regarding the transfer of title to or ownership of any of Debtors' or Reorganized Debtors' real or personal property, or the issuance, transfer or exchange of any security under the Plan, or the execution, delivery or recording of an instrument of transfer pursuant to, in implementation of or as contemplated by the Plan, including, without limitation, any transfers to Reorganized Debtors or by Reorganized Debtors of Debtors' or Reorganized Debtors' property in implementation of or as contemplated by the Plan (including, without limitation, any subsequent transfers of property by Reorganized Debtors) shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee or other similar tax or governmental assessment. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax or similar tax. Debtors and Reorganized Debtors are authorized to request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for any or all returns filed for, on or behalf of, Debtors

for any or all taxable periods (or portions thereof) ending after the Petition Date through and including the Effective Date.

### H. Governing Law

Except to the extent a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless specifically stated, the rights, duties and obligations arising under the Plan, any agreements, documents and instruments executed in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreements shall control) the Plan and the Plan Documents shall be governed by Texas Law, and, with respect to Debtors incorporated or organized in Delaware and Reorganized Debtors, corporate and limited liability company governance matters shall be governed by, and construed and enforced in accordance with the laws of the State of Delaware, without giving effect to conflicts of law principles.

### I. Corporate Action

On the Effective Date, all matters provided for under the Plan that would otherwise require approval of the directors of a Debtor or Reorganized Debtors, as the case may be, shall be in effect from and after the Effective Date pursuant to the applicable general corporation law of the State of Delaware, without any requirement of further action by the directors of Debtors or Reorganized Debtors. On the Effective Date, or as soon thereafter as is practicable, Reorganized Debtors shall, if required, file their amended articles of organization or certificates of incorporation, as the case may be, with the Secretary of State of Delaware, in accordance with the applicable general business law of such jurisdiction.

### J. Severability

After the Effective Date, should the Bankruptcy Court or any other court of competent jurisdiction determine that any provision in the Plan is either illegal on its face or illegal as applied to any Claim, such provisions shall be unenforceable either as to all Holders of Claims or as to the Holder of such Claim as to which the provision is illegal, respectively. Such a determination of unenforceability shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan.

**K. Revocation**

Debtors reserve the right to revoke and withdraw the Plan prior to the Confirmation Date. If Debtors revoke or withdraw the Plan, then the Plan shall be null and void and, in such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against Debtors, the Committee or any other Person or to prejudice in any manner the rights of Debtors, the Committee or any Person in any further proceedings involving Debtors, or be deemed an admission by Debtors and/or the Committee.

**L. Substantial Consummation**

Ninety days after the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

**M. Construction**

The rules of construction as set forth in section 102 of the Bankruptcy Code shall apply to construction of the Plan. All exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if set forth in full herein.

**N. Conflict**

In the event and to the extent any provision of the Plan is inconsistent with any provision of the Disclosure Statement, the provisions of the Plan shall control and take precedence. The terms of the Confirmation Order shall govern in the event of any inconsistency with the Plan or the summary of the Plan set forth in the Disclosure Statement.

### O. Amendments and Modifications

Debtors may agree to alter, amend or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Hearing. After the Confirmation Date and prior to "substantial consummation" (as such term is defined in section 1101(2) of the Bankruptcy Code) of the Plan, any Debtor or Reorganized Debtors may institute proceedings in the Bankruptcy Court pursuant to section 1127(b) of the Bankruptcy Code to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan, by the filing of a motion on notice to those parties set forth in Bankruptcy Rule 2002, and the solicitation of all Creditors and other parties-in-interest shall not be required. Prior to the Effective Date, Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court, provided that such technical adjustments and modifications do not adversely affect in a material way the treatment of Holders of Claims or Interests. Debtors also reserve the right to amend treatment of any class as may be necessary or desirable to achieve cramdown in the event one or more classes vote against the Plan.

### P. Notices

Any notices required under the Plan or any notices or requests of Debtors or Reorganized Debtors by parties in interest under or in connection with the Plan shall be in writing and served either

by (i) certified mail, return receipt requested, postage prepaid, (ii) hand delivery, or (iii) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

Mark E. MacDonald
MacDonald + MacDonald, P.C.
10300 N. Central Expressway, Suite 335
Dallas, TX 75231
Facsimile: (214) 890-0818

Jenny Saubert
125 S. Bridge Street, Suite 100
Visalia, CA 93291
Facsimile:

Daniel J. McAuliffe
DLH Master Land Holding, LLC
1700 Pacific Avenue, Suite 1250
Dallas, TX 75201
Facsimile: (214) 661 - 1851

**Q. Filing of Additional Documents**

On or before substantial consummation of the Plan, and without the need for any further order or authority, Debtors may file with the Bankruptcy Court such agreements or other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

**R. Direction to a Party**

From and after the Effective Date, Debtors or Reorganized Debtors may apply to the Bankruptcy Court for the entry of an order directing any Person to execute or deliver or to join in the execution or delivery of any instrument or document reasonably necessary or reasonably appropriate to effect a transfer of properties dealt with by the Plan, and to perform any other act

(including the satisfaction of any lien or security interest) that is reasonably necessary or reasonably appropriate for the consummation of the Plan.

### S. Successors and Assigns

The rights, duties and obligations of any Person named or referred to in the Plan, including all Creditors, shall be binding on, and shall inure to the benefit of, the successors and assigns of such Person.

## XVIII. EXEMPTION FROM SECURITIES LAW

The Plan contemplates the issuance of Variable Pay Notes and Membership Interests (collectively, the "1145 Securities") to certain holders of Claims. In reliance upon section 1145 of the Bankruptcy Code, the offer and issuance of 1145 Securities will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and equivalent provisions in state securities laws. Section 1145(a) of the Bankruptcy Code generally exempts issuance of securities from such registration requirements if the following conditions are satisfied: (i) the securities are issued or sold under a chapter 11 plan by (a) a debtor, (b) one of its affiliates participating in a joint plan with the debtor or (c) a successor to a debtor under the plan and (ii) the securities are issued entirely in exchange for a claim against or interest in the debtor or such affiliate or are issued principally in such exchange and partly for cash or property.

Debtors believe that the exchange of 1145 Securities for Claims against Debtors under the circumstances provided in the Plan (other than with respect to entities deemed statutory underwriters, as described below) will satisfy the requirements of section 1145(a) of the Bankruptcy Code. The 1145 Securities to be issued pursuant to the Plan will be deemed to have been issued in a public offering under the Securities Act and, therefore, may be resold by any holder thereof without

registration under the Securities Act pursuant to the exemption provided by section 4(1) thereof, unless the holder is an "underwriter" with respect to such securities, as that term is defined in section 1145(b)(1) of the Bankruptcy Code (a "statutory underwriter") or an "affiliate" of the issuer within the meaning of the Securities Act. In addition, such securities generally may be resold by the holders thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the individual states. However, holders of securities issued under the Plan are advised to consult with their own counsel as to the availability of any such exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(1) of the Bankruptcy Code defines "underwriter" for purposes of the Securities Act as one who (i) purchases a claim or interest with a view to distribution of any security to be received in exchange for the claim or interest, (ii) offers to sell securities offered or sold under a plan for the holders of such securities, (iii) offers to buy securities offered or sold under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution of such securities and under an agreement made in connection with the plan, with the consummation of the plan or with the offer or sale of securities under the plan or (iv) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. The term "issuer" is defined in section 2(4) of the Securities Act; however, the reference contained in section 2 1145 Securities shall not include securities received by underwriters in connection with the issuance of Membership Interests. 1145(b)(1)(D) of the Bankruptcy Code to section 2(11) of the Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by or are under common control with an issuer of securities. "Control" (as

defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Parties who believe they may be statutory underwriters as defined in section 1145 of the Bankruptcy Code are advised to consult with their own legal advisors as to the availability of the exemption provided by Rule 144 or any other applicable exemption from registration. Pursuant to no-action and interpretive guidance from the staff of the Securities and Exchange Commission (the "SEC"), an entity that is an "underwriter" pursuant to section 1145(b)(1) of the Bankruptcy Code, other than an "affiliate" of the issuer within the meaning of the Securities Act may nevertheless resell securities received under section 1145(a)(1) that are transferred in "ordinary trading transactions" made on a national securities exchange or in the over-the-counter markets, subject to the volume limitations contained in Rule 144 under the Securities Act. Persons that receive the 1145 Securities should note, however, that Debtors and Reorganized Debtors do not currently intend to list the Variable Pay Notes or any callable Membership Interests on any exchange.

What constitutes "ordinary trading transactions" within the meaning of section 1145 of the Bankruptcy Code is the subject of interpretive letters by the staff of the SEC. Generally, ordinary trading transactions are those that do not involve (i) concerted activity by recipients of securities under a plan of reorganization, or by distributors acting on their behalf, in connection with the sale of such securities, (ii) use of informational documents in connection with the sale other than the disclosure statement relating to the plan, any amendments thereto and reports filed by the issuer with the SEC under the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act") or (iii) payment of special compensation to brokers or dealers in connection with the sale. Resales by

persons that receive 1145 Securities pursuant to the Plan who are "affiliates" of the issuer within the meaning of the Securities Act may be made without registration under the Securities Act by complying with the conditions contained in Rule 144, except for the holding period requirement of Rule 144(d). These conditions include the requirement that there be available current public information with respect to the issuer, a limitation as to the amount of securities that may be sold in any three-month period, the requirement that the securities be sold in a "brokers transaction," in a transaction directly with a "market maker" or in a "riskless principal transaction" and that notice of the resale be filed with the SEC. Debtors cannot assure, however, that adequate current public information will exist with respect to Reorganized Debtors, and therefore the safe harbor provisions of Rule 144 of the Securities Act may not be available. In addition, Debtors and Reorganized Debtors do not currently intend to list the Variable Pay Notes Membership Interests on any exchange, and therefore the requirement that the securities be sold in a "brokers transaction," in a transaction directly with a "market maker" or in a "riskless principal transaction" may not be able to be satisfied and the safe harbor provisions of Rule 144 of the Securities may not be available for "affiliates." Pursuant to the Plan, Variable Pay Notes and certificates evidencing Membership Interests received by Restricted Holders or by a holder that Debtors determine is an underwriter within the meaning of section 1145 of the Bankruptcy Code will each bear a legend substantially in the form below:

> THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

Any Person entitled to receive the 1145 Securities who Debtors or Reorganized Debtors determine to be a statutory underwriter that would otherwise receive legended securities as provided above, may instead receive Variable Pay Notes or certificates evidencing Membership Interests without such legend if, prior to the distribution of such securities, such person or entity delivers to Debtors or Reorganized Debtors, as the case may be, (i) an opinion of counsel reasonably satisfactory to Debtors or Reorganized Debtors, as the case may be, to the effect that the Variable Pay Notes or Membership Interests to be received by such person or entity are not subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act and (ii) a certification that such person or entity is not an "underwriter" within the meaning of section 1145 of the Bankruptcy Code. Any holder of a certificate evidencing 1145 Securities bearing such legend may present such certificate to the transfer agent for the 1145 Securities in exchange for one or more new certificates not bearing such legend or for transfer to a new holder without such legend at such time as (i) such securities are sold pursuant to an effective registration statement under the Securities Act, (ii) such holder delivers to Debtors or Reorganized Debtors, as the case may be, an opinion of counsel reasonably satisfactory to Debtors or Reorganized Debtors to the effect that such securities are no longer subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code or (iii) such holder delivers to Debtors or Reorganized Debtors, as the case may be, an opinion of counsel reasonably satisfactory to Debtors or Reorganized Debtors to the effect that (x) such securities are no longer subject to the restrictions under the Securities Act and such securities may be sold without registration under the Securities Act or (y) such transfer is exempt from registration under the Securities Act and such

securities may be sold without registration under the Securities Act, in which event the certificate issued to the transferee shall not bear such legend.

**IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A RECIPIENT OF SECURITIES MAY BE AN UNDERWRITER OR AN AFFILIATE OF REORGANIZED DEBTORS, DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF SECURITIES CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES AND COMPLIANCE WITH THE FEDERAL AND STATE SECURITIES LAWS**

## XIX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF PLANOFREORGANIZATION AND LIQUIDATION ANALYSIS

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of Debtors under Chapter 7 of the Bankruptcy Code and (ii) an alternative chapter 11 plan of reorganization.

### A. Liquidation Under Chapter 7

If no plan can be confirmed, Debtors' chapter 11 cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code. **Debtors believe that liquidation under chapter 7 would result in materially smaller distributions being made to creditors than those provided for in the Plan because of (i) the likelihood that the assets of Debtors would have to be sold or otherwise disposed of in a less orderly fashion over a shorter period of time, (ii) additional administrative expenses involved in the appointment of a trustee and (iii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection**

**of leases and other executory contracts in connection with a cessation of Debtors' operations.** More specifically, based on appraisal testimony provided by a representative of C.B. Richard Ellis, unsecured creditors would receive nothing in the event the DLH project is sold in bulk in the current market, thus destroying more than $40 million in ACP's assets as DLH's principal equity owner. See **Exhibit I** for a more detailed liquidation analysis for both ACP and DLH.

### B. Alternative Plan of Reorganization

If the Plan is not confirmed, Debtors (or if Debtors' exclusive period in which to file a plan of reorganization has expired, any other party in interest) could attempt to formulate a different chapter 11 plan of reorganization. Such a plan of reorganization might involve either a reorganization or continuation of Debtors' business or an orderly liquidation of their assets under chapter 11. With respect to an alternative plan, Debtors have explored various alternatives in connection with the formulation and development of the Plan. Debtors believe that their Plan, as described herein, enables creditors and equity holders to realize the most value under the circumstances. In a liquidation under chapter 11, Debtors' assets would be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7, possibly resulting in somewhat greater (but indeterminate) recoveries than would be obtained in chapter 7. Further, if a trustee were not appointed, because such appointment is not required in a chapter 11 case, the expenses for professional fees would most likely be lower than those incurred in a chapter 7 case. Although preferable to a chapter 7 liquidation, Debtors believe that any alternative liquidation under chapter 11 is a much less attractive alternative to creditors and equity holders than the Plan because of the greater return provided by the Plan.

## XX. CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN

**NO RULING HAS BEEN SOUGHT OR OBTAINED FROM THE IRS WITH RESPECT TO**

**ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN OBTAINED BY DEBTORS WITH RESPECT THERETO. NO REPRESENTATIONS OR ASSURANCES ARE BEING MADE WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES AS DESCRIBED HEREIN. CERTAIN TYPES OF CLAIMANTS AND INTEREST HOLDERS MAY BE SUBJECT TO SPECIAL RULES NOT ADDRESSED IN THIS SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES. FURTHER, STATE, LOCAL, OR FOREIGN TAX CONSIDERATIONS MAY APPLY TO A HOLDER OF A CLAIM OR INTEREST WHICH ARE NOT ADDRESSED HEREIN. BECAUSE THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND MAY VARY BASED ON INDIVIDUAL CIRCUMSTANCES, EACH HOLDER OF A CLAIM OR INTEREST AFFECTED BY THE PLAN MUST CONSULT, AND RELY UPON, HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO THAT HOLDER IS CLAIM OR INTEREST. THIS INFORMATION MAY NOT BE USED OR QUOTED IN WHOLE OR IN PART IN CONNECTION WITH THE OFFERING FOR SALE OF SECURITIES.**

**IRS Circular 230 Notice:** To ensure compliance with IRS Circular 230, holders of Claims and Interests are hereby notified that: (a) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims and Interests for the purpose of avoiding penalties that may be imposed on them under the Tax Code; (b) such discussion is written in connection with the promotion or marketing by Debtors of the transactions or matters addressed herein; and (c) holders of Claims and Interests should seek advice based on their particular circumstances from an independent tax advisor.

### A. Payment of Taxes Arising from Asset Sales by Debtors

The Plan provides for payments of taxes generated from sales or other dispositions of DLH and ACP assets, the operations of ACP and DLH, and any forgiveness of indebtedness associated with the Plan. Debtors are each solvent on a going concern basis and provision for payment of taxes is required by Debtors and their Interest Holders. Debtors believe that the Internal Revenue Service would potentially object to confirmation without such provisions because both Richard S. Allen and RSAI are currently in jointly administered Chapter 11 cases and assets should not be sold without

provision for payment of taxes.

**B. Information Reporting and Withholding**

Distributions under the Plan are subject to applicable tax reporting and withholding. Under U.S. federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to "backup withholding" at then applicable rates (currently 28%). Backup withholding generally applies if the Holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN it provided is correct and that it is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax, provided the required information is timely provided to the IRS. Certain persons are exempt from backup withholding, including, in most circumstances, corporations and financial institutions.

Treasury Regulations generally require a taxpayer to disclose certain transactions on its U.S. federal income tax return, including, among others, certain transactions that result in a taxpayer claiming a loss in excess of a specified threshold. Holders are urged to consult their tax advisors as to whether the transactions contemplated by the Plan would be subject to these or other disclosure or information reporting requirements. The foregoing summary and the further discussion found in **Exhibit J** is provided for informational purposes only. Holders of Claims are urged to consult their tax advisors concerning the federal, state, local and foreign tax consequences of the Plan.

DATED this 4th day of April , 2011.

Respectfully submitted,

DLH Master Land Holding, LLC,

By: //Richard S. Allen

Its. CEO

Allen Capital Partners, LLC,

By:_____

Its. _____

List of Exhibits

| | |
|---|---|
| Exhibit A: | Plan |
| Exhibit B: | Disclosure Statement Order |
| Exhibit C: | ACP's Ownership Interest in DLH |
| Exhibit D: | List of Entities Merged into ACP and DLH |
| Exhibit E: | Financial Projections |
| Exhibit F: | ACP Project Description |
| Exhibit G: | ACP Non-Bankrupt Subsidiaries |
| Exhibit H: | Additional Risk Factors |
| Exhibit I: | Liquidation Analysis |
| Exhibit J: | Additional Discussion of Tax Implications |
| Exhibit K: | Requirements for Confirmation |

[i] . Great Western has requested that the following protective language be added to describe the settlement.

> The Court entered the Great Western Settlement Order which contemplates, subject to the terms and conditions thereof, a global settlement by and between DLH and ACP, on the one hand, and Great Western and BB&T, on the other hand. The Court approved settlement provides for ongoing payments to the Banks from November 2010 forward, the limited use by DLH of certain of the rents generated from the Banks' collateral, and the granting of certain releases as set forth in the Great Western Settlement Order. Parties should review the Great Western Settlement Order and the attached Settlement Agreement for the entirety of the terms and conditions thereof. Great Western and BB&T shall retain all claims and rights and all liens, assignments of rents and other collateral as set forth in the relevant Loan Documents (as defined in the Great Western Settlement Order) to secure its claims against each and every of the Debtors in these bankruptcy cases. Notwithstanding anything contained

herein seemingly to the contrary, the Great Western Settlement Order and the Settlement Agreement and all Loan Documents defined in the Great Western Settlement Order and the Settlement Agreement shall remain binding and enforceable against Debtors and their respective bankruptcy estates, Reorganized Debtors and their property, Great Western and BB&T, and all creditors and 'parties-in-interest. Debtors and Reorganized Debtors shall take any and all steps necessary to consummate and fully comply with the terms and provisions of the Great Western Settlement Order and the Settlement Agreement after confirmation of the Plan. It is not necessary for this provision to appear elsewhere in this document in order for it to apply to all provisions. Great Western is hereby granted an Allowed Secured DLH Class 3 Subclass C Claim in the amounts set forth in the Great Western Settlement Order and the Settlement Agreement.

After notice and a hearing, the Bankruptcy Court entered that certain "Order Approving Settlement by and between Debtors, Great Western and BB&T" on November 16, 2010 (Dkt. No. 665) (the "Great Western Settlement Order"), approving the Settlement Agreement attached thereto and incorporated therein (the "Settlement Agreement"). The Settlement Agreement was timely accepted, signed and delivered by all parties thereto and is in full force and effect. The Great Western Settlement Order and Settlement Agreement are incorporated herein by reference for all purposes.