

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

IN RE:

CARDINAL COMMUNICATIONS, INC.,

Debtor.

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Case No. 08-20693-RLJ-11

**DEBTOR'S PLAN OF REORGANIZATION**

CARDINAL COMMUNICATIONS, INC., Debtor and Debtor-in-Possession ("Cardinal" or "Debtor"), submits this Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code:

**ARTICLE 1**  
**Definitions**

**1.01. Administrative Expense Claims:** Claims that arise from those expenses described in Section 503 of the Bankruptcy Code.

**1.02. Allowed Claim:** A claim with respect to which: (a) a proof of claim has been filed with the Court on or before the Bar Date, or (b) Debtor has scheduled in a list of creditors prepared and filed with the Court pursuant to Rule 1007, and such claim is not listed as disputed, contingent, or unliquidated as to amount; and in either case, a claim: (i) to which no objection has been timely filed by any party-in-interest, or (ii) that has been allowed by order of the Court that has become final and is no longer subject to appeal.

**1.03. Allowed Financing Claim of Peyton:** The unsecured claim of Peyton arising from Peyton's funding of the continuing operating expenses of Debtor pre-petition, accrued and unpaid obligations of Debtor under the Pre-Petition Credit Documents, and from funding provided pursuant to the Post-Petition Loan Agreement. This claim is the obligation of Debtor to Peyton from the Pre-Petition Credit Documents, including the Peyton Operating Loan and the Post-Petition Financing Claim. *The Class Two Claim of Peyton.*

**1.04. Allowed Litigation Claims:** Claims for which insurance coverage exists, asserted by claimants who have agreed to limit their claims against Debtor to the insurance proceeds. Debtor does not believe any such claims exist. *The Class Five Claims.*

**1.05. Allowed Priority Claim:** An Allowed Claim for which the holder asserts and is determined to be entitled to priority under Section 507, *et seq.*, of the Bankruptcy Code in an amount allowed by final order of the Court. *Administrative Expense Claims or Class One Claims.*

**1.06. Allowed Secured Claim of Peyton:** A Secured Allowed Claim against Debtor held by Peyton, secured by substantially all of Debtor's assets. This claim relates to the secured portion of Debtor's obligations to Peyton under the Pre-Petition Credit, the Post-Petition Financing Claim, and the pre-petition purchase by Peyton of certain debt owed by Debtor. *The Class Six Claim of Peyton.*

**1.07. Allowed Unsecured Claim of General Creditors:** An Unsecured Allowed Claim against Debtor that is not an Allowed Priority Claim or an Allowed Unsecured Claim of a creditor in Class Two, Class Four, or Class Five. *The Class Three Claims.*

**1.08. Allowed Unsecured Claims of Insiders:** An Unsecured Allowed Claim against Debtor that is held by an Insider. *The Class Four Claims.*

**1.09. Bankruptcy Code:** The United States Bankruptcy Code as codified at 11 U.S.C. § 101, *et seq.*

**1.010. Bar Date:** The deadline fixed by the Court as the last day for filing a proof of claim. As of the date of this Plan, that date was set as **March 10, 2009** for non-governmental claimants.

**1.011. Cash Contribution:** Funds to be paid by Peyton upon the Effective Date to Debtor to be used by Debtor to consummate this Plan, including making distributions to the Unsecured Creditors as set forth in the Plan. The Cash Contribution is in the amount of \$60,000.00.

**1.012. Causes of Action:** Causes of action held by Debtor or the Estate against third parties, including claims under Chapter Five of the Bankruptcy Code.

**1.013. Common Equity Security Holders:** Holders of any common stock or other equity securities (including without limitation any options on warrants) issued pre-petition by Debtor, other than holders of any equity securities which have preference rights over general equity securities. *The Class Nine Claimants.*

**1.014. Confirmation:** Approval of the Plan by the Court, which shall occur the date upon which the Confirmation Order is entered.

**1.015. Confirmation Order:** The order of the Court confirming the Plan of Reorganization.

**1.016. Consummation:** The time when the last act required under the Plan has been completed.

**1.017. Debtor:** Cardinal Communications, Inc. (“Cardinal”), a Nevada corporation whose principal office is in Canadian, Texas, Debtor and Debtor-in-Possession (“DIP”) in this case.

**1.018. Debtor’s Affiliates:** Entities wholly owned by Debtor.

**1.019. Effective Date:** Eleven (11) days following the entry of the Confirmation Order or such other date as agreed upon by Debtor and Peyton following confirmation.

**1.020. Equity Security Holders:** The Common Equity Security Holders and the Preferred Equity Security Holders, whenever referenced collectively.

**1.021. Ed Garneau:** Edouard Garneau, an individual, and the Chief Executive Officer of Cardinal.

**1.022. Governmental Effective Date:** Thirty days following the later of the governmental bar date or the Effective Date.

**1.023. Insider:** Insider is given the meaning set forth under Section 101(31) of the Bankruptcy Code. Ed Garneau is classified as an Insider for purposes of this Plan.

**1.024. Petition Date:** The date on which Debtor filed its petition for relief, December 31, 2008.

**1.025. Peyton:** Peyton Oil & Gas, Inc., a Texas corporation. The creditor holding the Class Two and Class Six Claims, and the creditor that provided the post-petition financing for Debtor.

**1.026. Peyton Collateral:** The assets pledged by Debtor in accordance with the Pre-Petition Credit Documents and the Post-Petition Financing Claim, including without limitation the proceeds thereof and the Causes of Action, which currently secure the Class Six Secured Claim of Peyton.

**1.027. Peyton Operating Loan:** Loan evidenced by the promissory note from Debtor to Peyton dated April 10, 2008, which was modified, renewed, and extended to the amount of \$450,000.00 as of the Petition Date, part of the Allowed Financing Claim of Peyton.

**1.028. Plan:** This Plan of Reorganization.

**1.029. Post-Confirmation Forbearance Agreement:** An agreement between Peyton and Debtor providing for forbearance on collection of Peyton's security interest in the Peyton Collateral for a minimum period of twelve months after the Effective Date, consistent with the terms of this Plan.

**1.030. Post-Petition Financing Claim:** The claim of Peyton arising from Peyton's funding of the continuing operating expenses of Debtor, pursuant to the Post-Petition Loan Agreement, part of the Allowed Financing Claim of Peyton.

**1.031. Post-Petition Loan Agreement:** *[to be completed after approval of Disclosure Statement]* That certain Loan Agreement entered into by and between Debtor and Peyton on January \_\_\_\_\_, 2009, and approved by the Court in an interim order on January \_\_\_\_\_, 2009 and in a final order on \_\_\_\_\_.

**1.032. Preferred Equity Security Holders:** Holders of any equity securities that have preference rights over general equity securities.

**1.033. Pre-Petition Credit Documents:** The Pre-Petition Credit Documents are: (a) Loan Agreement dated April 10, 2008, by and between Debtor and Peyton, (b) any related documents, including but not limited to the Promissory Note and Security Agreement dated April 10, 2008, and (c) any amendments, assignments, or modifications, including the Second Renewal, Extension, and Modification Agreement dated effective November 14, 2008.

**1.034. Reorganized Debtor:** Cardinal on and after the Effective Date.

**1.035. Retained Assets:** The assets of Debtor that will revert in Debtor on the Effective Date, subject to the Allowed Secured Claim of Peyton. The Retained Assets will be and include all assets of Debtor's estate.

**1.036. SEC:** Securities and Exchange Commission - United States of America.

**1.037. Secured Claims:** Allowed secured claims of any creditor whose claim is secured by a valid, perfected security interest in pre-petition property of Debtor, other than Peyton. *The Class Seven Claims.*

**1.038. Unclassified Claims:** Claims which pursuant to Section 1123(a)(1) of the Bankruptcy Code are not classified and which includes collectively all claims accorded priority pursuant to Sections 507(a)(1), 507(a)(2), and 507(a)(8) of the Code.

**1.039. Unsecured Creditors:** All Unsecured Creditors, other than Insiders or Peyton, holding unsecured claims that are not Allowed Priority Claims; Class Three and Class Five Claimants.

## **ARTICLE 2 Classification of Claims**

**Administrative Expense Claims that are accorded priority pursuant to Section 507(a)(1) and Allowed Priority Claims pursuant to Sections 507(a)(2) and 507(a)(8) are not separately classified.**

- 2.01. Class One:** Allowed Priority Claims under Section 507(a)(3) to (a)(7) of the Bankruptcy Code.
- 2.02. Class Two:** Allowed Financing Claim of Peyton.
- 2.03. Class Three:** Allowed Unsecured Claims of General Creditors.
- 2.04. Class Four:** Allowed Unsecured Claims of Insiders.
- 2.05. Class Five:** Allowed Unsecured Litigation Claims.
- 2.06. Class Six:** Allowed Secured Claim of Peyton.
- 2.07. Class Seven:** Allowed Secured Claims, except for the Secured Claim of Peyton.
- 2.08. Class Eight:** The interests of the Preferred Equity Security Holders.
- 2.09. Class Nine:** The interests of Common Equity Security Holders.

## **ARTICLE 3 Treatment of Claims and Interests**

Except as expressly provided in this Plan, all classes of claims are impaired to some extent under the Plan.

**A. Administrative and Priority Claims**

**3.01. Unclassified Administrative Claims.** Administrative Expense Claims which are accorded priority pursuant to Section 507(a)(1) and Allowed Claims under 507(a)(2) are not impaired and shall receive cash in the full amount of each such claim on the later of: (i) the Effective Date, or (ii) ten days after such claim becomes an Allowed Claim, unless the holder of the claim agrees to less favorable treatment. It is not believed that there are any such claims in this category other than administrative claims owing Debtor's counsel and Debtor's other retained professionals, which claims will be paid subject to Court approval from the post-petition financing provided by Peyton.

**3.02. Unclassified Tax Claims.** Allowed Priority Claims pursuant to Section 507(a)(8) are not impaired and shall be paid as follows:

1. Claims that are equal to or less than \$1,000 in amount will be paid in full on or within sixty (60) days after the Governmental Effective Date;

2. Claims that are greater than \$1,000 in amount will be paid, at the option of Debtor: (a) in full on or within sixty (60) days after the Governmental Effective Date, or (b) by deferred annual cash payments over the next four (4) years. Each of the deferred annual payments will be twenty-five percent (25%) of the Allowed Claim amount, plus interest as determined pursuant to 11 U.S.C. § 511, with the first payment due one (1) year after the Governmental Effective Date. Debtor expressly reserves the right to prepay any deferred Unclassified Tax Claim; and

3. Except as may otherwise be agreed to by the parties, within sixty (60) days after the Governmental Effective Date, the Reorganized Debtor shall file its objection to the allowance of a claim pursuant to Section 507(a)(8) that is disputed. Ten (10) days after the entry of a final order allowing the amount, if any, of such claim, the allowed portion of all such disputed claims shall be paid consistent with the provisions above. It is not believed that there are any such unpaid claims in this category.

**3.03. Class One.** Allowed Priority Claims under Section 507(a)(3) to (a)(7) of the Bankruptcy Code shall be paid in cash in full on the Effective Date of the Plan, or as soon thereafter as reasonably practical, unless otherwise agreed by the applicable claimant. It is not believed that there are any such claims in this category. Class One is not impaired under the Plan.

**B. Financing Claim of Peyton**

**3.04. Class Two.** The Allowed Financing Claim of Peyton shall be deemed allowed in an amount to be determined on the Effective Date. This amount consists of:

- a. \$450,000.00 principal plus accrued interest, advanced by Peyton pursuant to the Pre-Petition Credit Documents;
- b. Plus all amounts advanced as of the Effective Date by Peyton to Debtor pursuant to the Post-Petition Loan Agreement;
- c. Plus any amount required to be paid by Peyton to pay Administrative Expense Claims;
- d. Less the deemed value of Peyton's Secured Class Six Claim in the amount of \$200,000.00.

Peyton shall receive all of the equity interest of Debtor in exchange for extinguishment of its Class Two Claim against Debtor. Upon issuance of 100% of the equity interest in Debtor to Peyton, Debtor will have no further obligation for payment of the Class Two Claim. Class Two is impaired under the Plan.

**C. Unsecured Claims**

**3.05.** The Allowed Claims of Unsecured Creditors are impaired and will be classified into three classes as follows: (a) Class Three - Allowed Unsecured Claims of General Creditors; (b) Class Four - Allowed Unsecured Claims of Insiders; and (c) Class Five - Allowed Unsecured Litigation Claims (consisting of claims for which insurance coverage is available).

**3.06. Class Three.** The Allowed Unsecured Claims of General Creditors will receive a pro rata interest in \$60,000.00, as soon as practical after the Effective Date and after resolution of all claim

objections. Objections to any Class Three Claims shall be filed within thirty (30) days after the Effective Date. Upon distribution of the \$60,000.00, the remaining balance of the Class Three Claims will be discharged with respect to Debtor, and Debtor will have no further obligation for payments to Class Three Claimants. A claimant's negotiation of any check or instrument evidencing this distribution will be deemed to be in full satisfaction of the claims of that claimant. Class Three is impaired.

**3.07. Class Four.** The Allowed Unsecured Claims of Insiders shall be subordinated to Class Three claims. Class Four claims will receive nothing under the Plan. Upon the Effective Date, Debtor will have no further legal obligation for payments to Class Four Claimants. Class Four is impaired.

**3.08 Class Five.** The Allowed Unsecured Litigation Claims are claims for which insurance coverage exists. To the extent such claims are unliquidated, they will be determined by the underlying litigation or claims resolution process. (If required, Debtor may initiate adversary proceedings to seek determination of such claims. Such adversary proceedings must be initiated within sixty (60) days of the Effective Date.) Alternatively, objections to any Class Five Claims shall be filed within thirty (30) days after the Effective Date. The Class Five Claims will not receive a distribution under the Plan. Class Five Claimants will be limited to recovery against the insurance coverage provided for their respective claims. Any balance of any Class Five Claim that remains unpaid after exhaustion of applicable insurance coverage will be discharged, and Debtor will have no further obligation for payments to Class Five Claimants. It is not believed any such claims exist in this case. Class Five is impaired.

**D. Secured Claims**

**3.09. Class Six.** On the Effective Date, the Class Six Secured Claim of Peyton shall be deemed allowed in the amount of \$375,000, which is \$200,000 from the Allowed Financing Claim of Peyton and \$125,000 relating to a secured salary note loan made to Debtor on August 11, 2009. In addition, the Reorganized Debtor shall grant and convey to Peyton a security interest in the Retained Assets of Debtor in lieu of or in security for later payment of this claim after the Effective Date. Peyton's rights with respect to the Retained Assets and the Peyton Collateral will be governed and restricted

according to the terms of the Post-Confirmation Forbearance Agreement, as the same may be amended, which shall become effective after the Effective Date upon Peyton's completion of all obligations with respect to payment of the Cash Contribution. The right to payment from Debtor and Debtor's payment obligations of the allowed amount of the Secured Claim of Peyton will be set forth in the Post-Confirmation Forbearance Agreement. Class Six is impaired under the Plan.

**3.10. Class Seven.** The Secured Claims will be paid by the Reorganized Debtor according to the terms of the existing loan and security documents. Each secured claimant will retain its respective security interests in the collateral securing its claim. To the extent a Class Seven Claimant is under-secured, (a) it will have no recourse for such deficiency against the Reorganized Debtor, and (b) it may seek to have its deficiency treated as a Class Three Allowed Unsecured Claim, subject to objections of the Reorganized Debtor. It is not believed that there are any claims in this class. Class Seven is impaired under the Plan.

**E. Equity Interests**

**3.011. Class Eight.** The interests of the Preferred Equity Security Holders of Cardinal, if any, will be canceled on the Effective Date, which cancellation shall be deemed to occur simultaneously with the issuance of new stock to Peyton as described in the Plan. Upon issuance of the new stock to Peyton, the remaining balance of the Class Eight Claims will be discharged, and Debtor will have no further obligation for payments to Class Eight Claimants. Class Eight is impaired under the Plan.

**3.012. Class Nine.** The interests of the Common Equity Security Holders of Cardinal will be canceled on the Effective Date, which cancellation shall be deemed to occur simultaneously with the issuance of new stock to Peyton as described in the Plan. Upon issuance of the new stock to Peyton, the remaining balance of the Class Nine Claims will be discharged, and Debtor will have no further obligation for payments to Class Nine Claimants. Class Nine is impaired under the Plan.

**ARTICLE 4**  
**Implementation of the Plan**

**4.01.** Except as otherwise provided in the Plan, the Reorganized Debtor will remain in possession and ownership of all of the assets of Debtor, without any liquidation being contemplated by this Plan, and will continue to maintain and operate Debtor's assets. After the Effective Date, the capitalization and financing of the Reorganized Debtor will be made on an as needed basis by Peyton. All liens and security interests of Peyton in the Peyton Collateral and the Retained Assets shall be preserved and remain in full force and effect. The Reorganized Debtor shall take such actions as required by Peyton to enforce, preserve, and otherwise maintain such liens and encumbrances, including without limitation executing any new documents, financing statements, or other instruments. Documentation acceptable to Debtor and Peyton will be executed and delivered to implement the Plan.

**4.02.** Prior to the Effective Date, Debtor shall estimate the amount of Administrative Expense Claims to be paid and shall pay such claims. If Debtor have insufficient funds to pay such claims, then Peyton shall pay, or make arrangements to pay, such estimated claims pursuant to this Plan. (Such money paid by Peyton will become part of the Financing Claim of Peyton.)

**4.03.** On or before the Effective Date, Debtor shall arrange post-confirmation financing with Peyton sufficient to fund payments necessary to pay all Unclassified Claims and Class One Claims, if any.

**4.04.** On or before the Effective Date, Peyton shall pay Debtor the Cash Contribution.

**4.05.** On the Effective Date, Debtor shall become the Reorganized Debtor and shall:

1. Pay the claims amounts, if any, due for Unclassified Claims or Class One Claims pursuant to the terms of the Plan;

2. Distribute \$60,000.00 pro rata to the allowed Class Three unsecured creditors of Debtor;

3. Grant and convey a security interest in the Retained Assets and the Peyton Collateral to Peyton for its Class Six Claim; and

4. Cancel all of the stock of the Preferred Equity Security Holders and Common Equity Security Holders and issue new stock in the Reorganized Debtor to Peyton. All stock certificates of the Preferred Equity Security Holders and the Common Equity Security Holders will be deemed canceled upon the extinguishment of the Financing Claim of Peyton. Debtor will issue new stock to Peyton on the Effective Date in exchange for extinguishment of the Financing Claim of Peyton and take steps necessary to effectuate the transfer of ownership from the Equity Security Holders to Peyton.

4.06. Upon becoming the owner of the stock in the Reorganized Debtor, Peyton may immediately elect or appoint new directors, who may immediately appoint new officers.

#### **ARTICLE 5 Executory Contracts**

5.01. **Executory Contracts and Unexpired Leases.** All contracts of insurance and all of the leases entered into by Debtor, as lessor, in the ordinary course of business and that remain as property of Debtor as of the Effective Date shall be deemed assumed by, and assigned to, the Reorganized Debtor as of the Effective Date (the "Assumed Leases"). In addition to the Assumed Leases, the additional leases and executory contracts set forth herein shall be assumed by Debtor, and deemed assigned to the Reorganized Debtor, as of the Effective Date. Such additional leases are: None.

Any lease or executory contract that is not an Assumed Lease or that is not listed in this Section shall be deemed rejected as of the Effective Date unless a motion to assume such lease or executory contract is filed prior to Confirmation.

**5.02. Allowance and Payment of Cure Sum Claims.** Any entity whose executory contract or lease is assumed by the Reorganized Debtor pursuant to the Plan must file its cure sum claim<sup>1</sup> with the Court within thirty (30) days after the Effective Date (“Cure Sum Claim Bar Date”), or the right to assert such cure sum claim shall be deemed forever waived and barred.

Except as may otherwise be agreed to by the parties, within twenty-one (21) days after the Cure Sum Claim Bar Date, the Reorganized Debtor shall pay all undisputed cure sum claims or file its objection to the Allowance of any cure sum claims that are disputed.

All disputed cure sum claims shall be paid within ten (10) days after entry of a final order determining the amount of such cure sum claim; provided, however, that the Reorganized Debtor may, in its sole discretion, reject any previously assumed contract or lease to which it has interposed an objection to the allowance of the cure sum claim, within two (2) business days after the entry of a final order allowing the cure sum claim.

**5.03. Bar Date for Filing Proofs of Claim Relating to Rejected Executory Contracts and Leases.** If the rejection of an executory contract or unexpired lease gives rise to a claim, such claim will be forever disallowed, barred, and will be unenforceable against Reorganized Debtor, unless such claim is filed within thirty (30) days after the latter of the Effective Date or the date on which the Reorganized Debtor elects to reject a contract or lease otherwise previously assumed by the Plan.

## **ARTICLE 6 Releases and Injunctions**

**6.01. Discharge of Debtor.** Except as otherwise provided in the Plan or the Confirmation Order, the rights afforded under the Plan and the treatment of all claims, and interests of Equity Security Holders under the Plan will be in exchange for and in complete satisfaction, discharge, release, and cancellation of claims and the interests of the Equity Security Holders of any nature whatsoever, including, without limitation, any interest accrued on any claim from and after the Petition Date, against

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<sup>1</sup> In other words, the amount of money claimed as necessary for Debtor or the Reorganized Debtor to cure a past default.

Debtor, the Reorganized Debtor, or any of their respective assets and properties, including subsidiaries of the Reorganized Debtor. (Consistent with the treatment set forth herein with respect to the Class Six Allowed Secured Claim of Peyton, the claim of Peyton is not discharged and will be paid according to the Post-Confirmation Forbearance Agreement, as may be amended, and all liens and security interests of Peyton in and to the Peyton Collateral and Retained Assets shall be preserved and remain in full force and effect.) Except as otherwise provided in the Plan or the Confirmation Order, the Confirmation shall, as of the Effective Date:

1. Discharge Debtor and the Reorganized Debtor from all claims, demands, liabilities, other debts, or interests that arose on or before the Effective Date, and all debts of the kind specified in Sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, whether or not:

a. A proof of claim based on such debt is filed or deemed filed pursuant to Section 501 of the Bankruptcy Code;

b. Such claim is allowed pursuant to Section 502 of the Bankruptcy Code;

or

c. The holder of a claim has accepted the Plan.

2. Terminate and cancel all rights and interests of the Preferred Equity Security Holders and the Common Equity Security Holders; and

3. Preclude all persons from asserting against the Reorganized Debtor, its successors, or its assets or properties, any other or further claim based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date.

**6.02. Injunction Related to the Discharge.** Except as otherwise provided in the Plan or the Confirmation Order, all entities, including the Equity Security Holders, that have held, currently hold, or may hold equity security interests, claims, or other debts or liabilities against Debtor or the Reorganized Debtor that are discharged pursuant to the terms of the Plan are permanently enjoined, on and after the

Effective Date, from taking any of the following actions on account of any such claims, debts, liabilities, or equity security interests:

1. Commencing or continuing in any manner any action or other proceeding of any kind with respect to any such claim, debt, liability, or equity security interests, or right, other than to enforce any right pursuant to this Plan;

2. Enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against Debtor, the Reorganized Debtor, or their property or interests in property, on account of any such claim, debt, liability, or equity security interests;

3. Creating, perfecting, or enforcing any lien or encumbrance against Debtor, the Reorganized Debtor, or their property or interests in property on account of any such claim, debt, liability, or equity security interest;

4. Asserting any right of setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to Debtor or the Reorganized Debtor or against its property or interests in property on account of any such claim, debt, liability, or equity security interest; and

5. Commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order.

Such injunction shall extend to and for the benefit of any successor of Debtor, including, without limitation, the Reorganized Debtor and its respective property and interests in property. Any entity injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' fees, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

**6.03. Terms of Bankruptcy Injunction or Stays.** All injunctions or stays provided for in Section 362 of the Bankruptcy Code, or otherwise, and in existence at Confirmation, shall remain in full force and effect until the Effective Date.

**6.04. Releases by Holders of Claims.** On the Effective Date, in exchange for and in consideration of, among other things, the payments set forth herein to or on behalf of Debtor for the benefit of holders of Allowed Claims, the financing provided to Debtor and the present and future undertakings in accordance with the terms of the Plan, each holder of a claim or interest shall be deemed to unconditionally release and forever waive all claims, debts, obligations, demands, liabilities, suits, judgments, damages, rights, and causes of action, whatsoever (other than the right to enforce Debtor's or the Reorganized Debtor's obligations under the Plan and the contracts, instruments, releases, and other agreements and documents delivered under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, then existing or thereafter arising, in law, equity, or otherwise that are based in whole or in part upon any transactions or matters with Debtor, or in connection with this bankruptcy case, the Plan, or the Disclosure Statement that occurred or could have occurred on or prior to the Effective Date against Peyton, Debtor, and Ed Garneau.

**6.05. Injunction Related to Releases.** The Confirmation Order will constitute an injunction permanently enjoining the commencement or prosecution by any entity, Equity Security Holder whether directly, derivatively, or otherwise, of any claim, demand, debt, liability, cause of action, or right that is released, discharged, or waived pursuant to the Plan against the released parties.

**6.06. Exculpation.** From and after the Effective Date, and except as provided by the Plan, neither Peyton nor any of its respective members, officers, directors, employees, professionals (*e.g.*, lawyers or accountants), lenders, or other representatives, shall have or incur any liability to any holder of a claim, Preferred Equity Securities, or Common Equity Securities for any act or omission in connection with, related to, or arising out of the bankruptcy case, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan (including objections to, and settlements of, claims under the Plan), except for willful misconduct or gross negligence. Peyton and each of its respective members, officers, directors, employees,

professionals, lenders, or other representatives shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

Pursuant to this Court's Order dated *[to be completed after Disclosure Statement approval]*, Peyton has a lien on any causes of action to which the estate became entitled to bring that arose post-petition. Though not implemented by this Plan or the Order confirming this Plan, Peyton shall release Debtor, its officers, directors, employees, attorneys, accountants, and other professionals from liability for or on any such causes of action. This release(s) shall be effectuated by independent agreement and documentation executed contemporaneous with confirmation of the Plan. (This release does not affect the right of Peyton, in its sole discretion, to pursue any such causes of action against unreleased third parties.)

#### **ARTICLE 7 Additional Provisions**

**7.01. Vesting of Property.** Upon confirmation of the Plan and except as otherwise provided in this Plan, all of the property of the Chapter 11 estate shall vest in the Reorganized Debtor. Such vesting is expressly subject to the duties of the Reorganized Debtor and the rights of Peyton as set forth in this Plan.

**7.02. Retention of Jurisdiction.** Until full consummation of the Plan, the Bankruptcy Court shall retain jurisdiction for the following purposes:

1. The determination of all questions and disputes regarding title to the assets of the estate, and determination of all causes of action, controversies, disputes, or conflicts, whether or not subject to action pending as of the date of confirmation, between Debtor and any other party-in-interest;
2. The correction of any defect, curing of any omission, or reconciliation of any inconsistency in the Plan, the order of confirmation, or other document or instrument as may be necessary to carry out the purposes and intent of the Plan;
3. The modification of this Plan after confirmation;

4. The enforcement and interpretation of the terms and conditions of this Plan, which specifically includes hearing objections to claims and resolution of disputes with respect to Retained Residuals and leases to which Debtor is a party; and

5. The entry of any order necessary to enforce the title, rights, and powers of Debtor, and to impose such limitations, restrictions, terms, and conditions as the Bankruptcy Court may deem necessary.

**7.03. Discrepancies.** In the event of a discrepancy between the terms of the Plan and the Disclosure Statement, the terms of the Plan shall control.

**7.04. Future Earnings.** All income of Debtor shall be paid to the Reorganized Debtor, subject only to the continued perfected liens and security interests of Peyton.

**7.05. Claims and Actions.** All claims and causes of action, if any, held by Debtor shall be retained by and remain the property of the Reorganized Debtor, except as set forth in this Plan.

**7.06. Waiver.** Nothing contained herein shall constitute a waiver or release of any claim, counterclaim, or dispute that Debtor may have regarding the validity of any claim or lien by way of a subsequent adversary proceeding or amendment to the Plan in the event this Plan is not confirmed as filed. The treatment outlined in this Plan is for the purposes of this Plan only and only in the event of confirmation of this Plan, and Debtor reserves the right to provide for different treatment of any claim in any amended or supplemental plan submitted by Debtor under this or any other chapter of the Bankruptcy Code.

**7.07. Values.** Any values set forth or referenced in this Plan are Debtor's estimate only based upon work performed by Debtor, Debtor's counsel, or independent accountants hired by Debtor. In the event of a valuation hearing, Debtor reserves the right to present and rely upon expert appraisal testimony that may contradict the values set forth herein. These values (and those referenced in the accompanying disclosure statement) are also subject to further orders of the Bankruptcy Court.

**7.08. Other Definitions.** Except as expressly provided herein (as allowed under the Bankruptcy Code), reference is made to the definitions set forth at Section 101 of the Bankruptcy Code.

**7.09. Revocation.** Debtor reserves the right to revoke and withdraw this Plan at any time prior to its confirmation.

**7.10. Exemption from Transfer Taxes.** Pursuant to Section 1129(c) of the Bankruptcy Code, no tax may be assessed or collected upon any issuance, transfer, or exchange of a security, or the making or delivery of an instrument of transfer pursuant to this Plan.

**ARTICLE 8**  
**Compliance with Confirmation Requirements**

**8.01. Compliance with Laws and Good Faith.** Debtor believes that the Plan complies with all provisions of Chapter 11 and any other applicable provision of the Bankruptcy Code, that the Plan has been proposed in good faith and not by any means forbidden by law, and that all fees, charges, or amounts required to be paid before confirmation have been paid.

**ARTICLE 9**  
**Procedure for Filing and Allowance of Claims and Interests**

**9.01.** Debtor has scheduled, to its knowledge, all claims and interests. The failure of any claimant or holder of an interest that is scheduled to file a proof of claim or proof of interest before the claims deadline set by the Court will be deemed agreement to the manner in which the claim or interest was scheduled, except that a secured creditor will be entitled to the benefits of Section 506 of the Bankruptcy Code in the event its collateral is of a value in excess of its claim.

***SIGNATURE PAGE FOLLOWS***

DATED: January 19, 2009

Respectfully submitted,

CARDINAL COMMUNICATIONS, INC.

By: /s/ Edouard A. Garneau  
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