UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
GALVESTON DIVISION

IN RE:	§	
	§	**CASE NO. 14-80173-H3-11**
GILES-JORDAN, INC.,	§	**(Chapter 11)**
Debtor	§	

FIRST AMENDED DISCLOSURE STATEMENT IN SUPPORT OF GILES-JORDAN, INC.'S PLAN OF REORGANIZATION

THIS FIRST AMENDED DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING TRANSMITTED TO YOU IN CONNECTION WITH THE DEBTOR'S REQUEST THAT IT BE APPROVED BY THE BANKRUPTCY COURT. THE TRANSMISSION OF THIS DISCLOSURE STATEMENT TO YOU AT THIS TIME IS NOT A SOLICITATION OF YOUR VOTE ON THE DEBTOR'S PLAN. ONCE THIS DISCLOSURE STATEMENT IS APPROVED, YOU WILL RECEIVE TO THE EXTENT YOU ARE ENTITLED TO VOTE ON THE DEBTOR'S PLAN, AN APPROVED DISCLOSURE STATEMENT, DEBTOR'S PLAN OF REORGANIZATION AND A BALLOT.

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DATED: September 8, 2014

ATTORNEYS FOR GILES-JORDAN, INC.

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I.

INTRODUCTION

On May 5, 2014 (the "Petition Date"), Giles-Jordan, Inc., a Texas corporation ("Giles-Jordan" or "Debtor"), filed its voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas, Galveston Division ("Bankruptcy Court"), thereby commencing Case No. 14-30173H3-11 ("Bankruptcy Case"). Since the Petition Date, Giles-Jordan has managed its affairs as debtor and debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

Giles-Jordan is the proponent of the Plan of Reorganization (the "Plan"), which is attached hereto as Exhibit "A." After a hearing on this Disclosure Statement, the Bankruptcy Court will have determined that this Disclosure Statement contains "adequate information" within the meaning of Section 1125 of the Bankruptcy Code and authorized Debtor to transmit it to the creditors, together with the Plan. Any capitalized term not otherwise defined in this Disclosure Statement has the meaning ascribed to it in the Plan.

A. Purpose of the Disclosure Statement

The purpose of this Disclosure Statement is to provide creditors and interest owners with information that (i) summarizes the Plan and alternatives to the Plan; (ii) advises creditors and interest owners of their rights under the Plan; (iii) assists creditors and interest owners entitled to vote in making informed decisions as to whether they should vote to accept or reject the Plan; and (iv) assists the Bankruptcy Court in determining whether the Plan complies with the provisions of Chapter 11 of the Bankruptcy Code and should be confirmed. This Disclosure Statement is designed to provide creditors and interest owners with information in sufficient detail that enables a typical holder of Claims to make an informed judgment about the Plan. Included in this Disclosure Statement is information on the deadline for casting ballots with respect to the Plan, the deadline for filing objections to confirmation of the Plan and the requirements that must be satisfied in order for the Bankruptcy Court to confirm the Plan. ***Parties in interest should read this Disclosure Statement, the Plan and all of the accompanying Exhibits in their entirety in order to ascertain:*** (i) how the Plan will affect their Claims against and Interests in Giles-Jordan; (ii) their rights with respect to voting for or against the Plan; (iii) their rights with respect to objecting to confirmation of the Plan; and (iv) how and when to cast a ballot with respect to the Plan.

This Disclosure Statement, however, cannot and does not provide holders of Claims and owners of Interests with legal or other advice or inform such parties of all aspects of their rights. Claimants and owners of Interests are advised to consult with their lawyers and/or financial advisors to obtain more specific advice regarding how the Plan will affect them and regarding their best course of action with respect to the Plan.

This Disclosure Statement has been prepared by Giles-Jordan with assistance as to legal matters and requirements from its counsel. Debtor proposes its plan in good faith and in compliance with applicable provisions of the Bankruptcy Code. Based upon information currently available, Giles-Jordan believes that the information contained in this Disclosure Statement is

correct as of the date of its filing to the best of its knowledge, information and belief. The Disclosure Statement, however, does not and will not reflect significant events that occur after its filing date and Giles-Jordan assumes no duty and presently does not intend to prepare or distribute any amendments or supplements to reflect such events.

B. Summary of Entities Entitled to Vote On the Plan and Of Certain Requirements Necessary For Confirmation of the Plan

Holders of Allowed Claims and owners of Interests classified in Classes 2, 3, 5, 6 and 7 (collectively, the "Voting Classes") are entitled to vote on the Plan because such Classes contain Claims and Interests that are "impaired" within the meaning of Section 1124 of the Bankruptcy Code. Because the Claims in Class 1 are not impaired under the Plan, holders of allowed Claims in these Classes are not entitled to vote on the Plan. Holders of Claims in Class 1, however, may object to confirmation of the Plan.

The Bankruptcy Court may confirm the Plan only if at least one Class of impaired Claims or Interests has voted to accept the Plan and if certain statutory requirements are met as to both nonconsenting members within a consenting Class and as to dissenting Classes. A Class of Claims or Interests has accepted the Plan only when at least one-half (½) in number and at least two-thirds (⅔) in amount of the allowed Claims or Interests actually voting in that Class vote in favor of the Plan.

If not all Classes vote in favor of the Plan, Giles-Jordan intends to request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code, which permits confirmation notwithstanding such rejection if the Bankruptcy Court finds that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to any rejecting class.

C. Voting Procedures, Balloting Deadline, Confirmation Hearing, And Other Important Dates, Deadlines And Procedures

1. Voting Procedures and Deadlines.

Giles-Jordan has provided copies of this Disclosure Statement and Ballots (which include detailed voting instructions) to all known holders of impaired Claims and Owners of Interests. Those holders of an Allowed Claim and owners of an Interest who seek and are entitled to vote on the Plan must complete the enclosed ballot and return it to ***Traudel Meyer, c/o Oppel & Goldberg, P.L.L.C., 1010 Lamar, Suite 1420, Houston, Texas 77002*** (the "Ballot Tabulator"), so that it actually is received by no later than the Balloting deadline (as defined below). Ballots do not constitute proofs of Claims and must not be returned to either Giles-Jordan or the Bankruptcy Court.

All ballots, including ballots transmitted by facsimile, must be signed and be returned to and actually received by the Ballot Tabulator by not later than _____, 2014, at 5:00 p.m. Central Daylight Time (the "Balloting Deadline"). Ballots received after the Balloting Deadline, and ballots returned directly to Giles-Jordan, the Bankruptcy Court or any entity other than the Ballot Tabulator, will not be counted in connection with confirmation of the Plan.

Also, just because you receive a ballot does not mean your vote will count. Claims that are subject to objection are not counted, absent allowance by order of the Court.

2. Waivers of Defects and Other Irregularities Regarding Ballots

Unless otherwise directed by the Bankruptcy Court, all questions concerning the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Bankruptcy Court in its discretion, whose determination will be final and binding absent other Order from the Bankruptcy Court. Giles-Jordan reserves the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of Giles-Jordan or its counsel, be unlawful with the Court to determine the validity of any objection. Giles-Jordan further reserves the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtor determines. Neither Giles-Jordan nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots, nor will any of them incur any liability for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until any irregularities have been cured or waived. Ballots previously furnished, and as to which any irregularities have not subsequently been cured or waived, will be invalidated.

3. Date Of The Confirmation Hearing And Deadlines For Objection To Confirmation Of The Plan.

The hearing to determine whether the Plan will be confirmed will commence on _____, 2014, at _____ p.m. in the Bankruptcy Court, ____ Floor, 515 Rusk, Houston, Texas. The Confirmation Hearing may be continued from time to time by announcement in open court without further notice.

Any objections to confirmation of the Plan must be filed with the Bankruptcy Court and served on the following persons by facsimile no later than _____, 2014, 5:00 p.m.:

Jeffrey Wells Oppel
Oppel & Goldberg, P.L.L.C.
1010 Lamar, Suite 1420
Houston, Texas 77002
FAX: (713) 659-9300

Ellen Maresh Hickman
Office of the U.S. Trustee
515 Rusk, Suite 3516
Houston, Texas 77002
FAX: (713) 718-4670

Please refer to the accompanying Notice of Confirmation Hearing for specific requirements regarding the form and nature of objections to confirmation of the Plan.

4. Important Notice and Cautionary Statement.

The historical factual and financial data relied upon in preparing the Plan and this Disclosure Statement is based upon Giles-Jordan's books, records and memory with reference when available or otherwise relevant to the records of Giles-Jordan. The liquidation analysis, estimates and other financial information referenced in this Disclosure Statement or attached hereto as Exhibits have been developed by Giles-Jordan with the assistance of its professional advisors. Although these professional advisors assisted in the preparation of this Disclosure Statement, in doing so such professionals relied upon factual information and assumptions regarding financial, business and accounting data provided by Giles-Jordan and third parties, much of which information has not been audited. ***The professional advisors to Giles-Jordan have not independently verified such information and, accordingly, make no representations as to its accuracy***. Moreover, although reasonable efforts have been made to provide accurate information, Giles-Jordan cannot warrant or represent that the information in this Disclosure Statement, including any and all financial information, is without inaccuracy or omissions, or that actual values or distributions will comport with the estimates herein.

No entity should rely upon the Plan or this Disclosure Statement or any of the accompanying Exhibits for any purpose other than to determine whether to vote in favor of or against the Plan.

Certain information included in this Disclosure Statement and its exhibits contains forward looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Such forward looking information is based on information available when such statements are made and is subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements.

The Securities and Exchange Commission has neither approved nor disapproved this Disclosure Statement, nor has it determined whether this Disclosure Statement is truthful or complete.

5. Additional Information.

If you have any questions about the procedures for voting on the Plan, desire another copy of a ballot or seek further information about the timing and deadlines with respect to confirmation of the Plan, please write to the Ballot Tabulator at the address set forth above. The Ballot Tabulator, however, cannot and will not provide holders of Claims or Interests with any advice, including advice regarding how to vote on the Plan or the legal effect that confirmation of the Plan will have upon Claims against or Interests in Giles-Jordan.

II.

BACKGROUND OF GILES-JORDAN'S BUSINESS

A. Property Background

As the principals of Giles Jordan contemplated the purchase of the thirty-nine acre property at 230 East Beach Drive, declaring chapter 11 bankruptcy was definitely not one of our goals. However, that is the reality today. Our goal today is to secure a reorganization plan that will satisfy the first Lien holder Galveston Shores L.P. and all of the unsecured creditors. We will begin with a short history of this project.

Mickey Giles, Vice President, Secretary-Treasurer and Don Jordan, President were considering the purchase of this property for several months before submitting an earnest money contract. Jordan's long-term history and knowledge of the resort market in Galveston and Corpus Christi was critical in making the decision to purchase this Property. The City of Galveston has a well-deserved reputation and image as being a very difficult city in which to develop. For example, it was many years for the Woodlands Corp. to secure the approvals to develop the canal community of Lafitte's Cove. For the nearby Beachtown, it was well over 10 years for that property to come on line. Anchor Bay on the west end is still not online since 2004. Therefore, as we considered making the offer to purchase, we wanted to feel comfortable that we could secure the requisite approvals in order to begin development in a realistic time period.

Being confident that we could achieve this, we entered into an earnest money contract to purchase the property. We soon learned that the current zoning for the property was not compatible with a reasonably quick approval. The "highest and best use" for the property consistent with its zoning at the time of purchase was as a densely developed high rise. The problem was that at the time of our "due diligence" period, the city wanted an elevated water tank (estimated cost of $6,000,000.00 and a 20 inch water line (short option $2,500,000 to long option up to $12,000,000.00) plus major sewer upgrades. In short, the cost to secure adequate utilities for the property was estimated to be anywhere from $8,500,000 to $14,500,000.00. The City would not pay for these upgrades. Thus the "highest and best" use for the property during our Due Diligence period was not realistic. Thus, we worked on a plan that would allow us to make a profit on the venture and keep the option open for a 350 room hotel on the north part of the property.

Jordan's knowledge of the lot values on this accreting beach led us to the plan and approved plat for the Preserve at Grand Beach, with 52 lots either on the beach or beach view. This plan required a Zoning Change from Rec-SDZ to PD (Planned Development). After the zoning change was approved, we had to secure the cooperation of the City's Public Works to approve the utilities for the 52 lots. This was no easy task, but we were able to negotiate a reasonable plan for utilities for the 52 lots. With this and other requirements, Giles-Jordan was able to record the plat and secure a construction permit.

Frost Bank ordered an independent appraisal from CBRE that was completed in late December 2013 that valued the property at $12,000,000.00 "AS IS." Giles-Jordan not only paid all of the soft costs for development consultants and engineering companies and other, we also

paid Option fees to the Seller. In addition, we sent him hundreds of pages of the results of our due diligence.

In conclusion, Giles-Jordan knows that it increased the Galveston Shores L.P.'s security from the approximate $4,000,000.00 value at time of purchase to its December 2013 appraised value of $12,000,000.00.

Marketing History

Giles-Jordan had and according to the real estate agent has a company interested in buying the entire site as a hotel site that called for the lots not to be developed. It was at a price that would have resulted in a profit to Giles-Jordan, and pay all creditors. Unfortunately, this party could never arrange his financing, but supposedly is still trying.

Being as this was strong possibility, we did not want to encourage customers to reserve lots with our knowledge that the lots may not be developed. We had secured a permit from the City of Galveston to place a sales trailer on the property, which we did in April. Unfortunately, there are no utilities available for the trailer, but we decided to commence sales as a backup to the sale to the hotel prospect. We staffed the trailer in early May until it became too hot. Even in that un-air conditioned state, we secured a reservation from a buyer for Lot 18. Our Bankruptcy attorney informed us that we had to inform the buyer that we were DIP Bankruptcy. Which we did, and he asked for the return of his check. Which we did, and we feel that as soon as we secure funding for the infrastructure, he will come back on board.

When it got too hot to keep the office open, we ordered a 17KW generator from Home Depot. This is a propane generator, and it was a series of tragic comedy errors to get the generator delivered, get the propane tank delivered, the gas line run from the tank to the generator, the propane delivered to the tank, and the wiring from the generator to the trailer. We finally accomplished all of these tasks, and we have had an air conditioned trailer since July 26. We are ordering furniture next week.

Since we have the sales trailer air conditioned, we have currently four (4) new lot reservations, and one existing reservation that aggregate to $1,059,500.00. In addition, we have a commitment for two (2) more reservations for Beachfront lots at $450,000.00 each for an additional $900,000.00 for a potential total of $2,278,000.00.

Three of these reservations are from a local builder (as well as the commitment for the two additional lots) that plans to build spec houses on these lots. There is no stronger marketing tool to stimulate lot sales than construction.

Historical Financial Information

For information relative to Debtor's financial condition, parties are referred to the Monthly Operating Reports filed with the Bankruptcy Court, the latest of which will be attached as Exhibit "B."

B. Financing of Pre-Petition Debtor.

Prior to Petition Date, Giles-Jordan had received financing from Galveston Shores, L.P. for the purchase of the Property.

III.
POSTPETITION EVENTS

The following is a summary of significant events that have occurred in the bankruptcy case.

A. Administration of the Case

After the Petition Date, and in accordance with Sections 1107(a) and 1108 of the Bankruptcy Code, the Debtor continues to operate its business and manage its properties as a debtor-in-possession. The Debtor has negotiated with its significant creditor Galveston Shores, L.P and several potential lenders and purchasers, the result of which is the Plan. Giles-Jordan has also prepared and submitted the required financial disclosures and submissions.

B. Creditors Committee

As of the date of this Disclosure Statement, no committee of unsecured creditors has been appointed.

C. Employment Of Professionals

Pursuant to Sections 327 and 328 of the Bankruptcy Code, Giles-Jordan has applied for approval of the employment of the law firm of Oppel & Goldberg, P.L.L.C. as its bankruptcy counsel. On June 10, 2014, the Court approved the retention of Oppel & Goldberg, P.L.L.C. as bankruptcy counsel.

From the Petition Date through the date of confirmation, pursuant to orders of the Bankruptcy Court, Giles-Jordan's Estate anticipates incurring fees and expenses to approved professionals (inclusive of any prepetition retainers held by certain professionals) in the amount of approximately $30,000. Pursuant to Section 330 and 331 of the Bankruptcy Code, the fees and expenses of each of the Professionals are subject to review and approval of the Bankruptcy Court.

D. First Meeting Of Creditors

The first meeting of creditors was held on June 2, 2014.

E. Schedules And Statement Of Financial Affairs

Giles-Jordan filed its Schedules and Statement of Financial Affairs on May 5, 2014.

F. Executory Contracts

The Debtor is a party to certain Executory Contracts and Unexpired Leases. For a specific list of such contracts and leases, please refer to Schedule G filed with the Bankruptcy Court.

G. Rejection of Contracts and Leases

All contracts and leases other than the Assumed Contracts and Leases will be assumed pursuant to the terms of the Plan.

H. Post-Petition Activities

On the Petition Date, Giles-Jordan was indebted to Galveston Shores, L.P. ("Galveston Shores") pursuant to the terms of a promissory note dated September 17, 2013 (the "Galveston Shores Debt").

As of the Petition Date, the amount owed by the Debtor to Galveston Shores on the Galveston Shores Debt was approximately $3,715,000.00. To the extent interest continued to accrue subsequent to the Petition Date, the amount owed by the Debtor on the Galveston Shores Debt is approximately $3,871,381.00.

Galveston Shores filed its Motion for Relief from Stay seeking authority to foreclose its lien against the Property. As of the date of this Disclosure Statement, the Motion is unresolved. A preliminary hearing is set for August 8, 2014.

I. Debtor's Assets

The Debtor owns 39.16 acres of permitted and platted beachfront land on the East end of Galveston, Texas. Based on an appraisal obtained before the Petition Date, the Debtor reasonably believes the fair market value of the Property to be $12,000,000.00.

1. Preference and Other Avoidance Litigation

During the one-year period before the filing date, the Debtor is alleged to have made certain transfers to, or for the benefit of, certain "insider" creditors. Those transfers may appear to be subject to avoidance and recovery by the Debtor's bankruptcy estate as preferential and/or fraudulent transfers pursuant to Bankruptcy Code sections 329, 544, 547, 548 and 550. With respect to any potential avoidance actions, the likelihood of successful recovery and benefit to the Estate must be weighed against the legal fees and other expenses that would likely be incurred by the Estate in determining whether to pursue legal remedies for the avoidance and recovery of any transfers. However, under Bankruptcy Code section 1123(b)(3)(B), the Estate, on behalf of holders of Allowed Claims and Allowed Equity Interests, shall retain all Rights of Action, claims, causes of action, and other legal and equitable rights that the Debtor had (or had power to assert) immediately prior to Confirmation of the Plan, including actions for the avoidance and recovery of estate property under Bankruptcy Code sections 329 and 550, or transfers avoidable under Bankruptcy Code sections 544, 545, 547, 548, 549 or 553(b), and the Estate may commence or continue, in any appropriate court or tribunal, any suit or other proceeding for the enforcement of

such actions. All Rights of Action, claims, causes of action, and other legal or equitable rights shall become Estate Property. All recoveries from the above-referenced actions will become Estate Property, if any, and will be distributed to holders of Allowed Claims and Allowed Equity Interests in accordance with the Plan. Transfers to non-insiders during the relevant period are set forth in the schedules.

Accordingly, the Debtor does not believe and therefore does not intend to pursue any avoidance claims.

2. Other Claims

The Debtor has received information that Galveston Shores and/or its principal, Frank Schaefer has solicited creditors in this bankruptcy and contacted possible exit sources for the Debtor to emerge from bankruptcy. Counsel for the Debtor is investigating those facts and if appropriate will take action to disallow, subordinate or otherwise contest the claim of Galveston Shores in the Bankruptcy Court or file a lawsuit in another court. The Debtor has not filed any such action but intends to retain all claims against Galveston Shores and Frank Schaefer.

IV.

SUMMARY OF THE PLAN

The discussion of the Plan set forth below is qualified in its entirety by reference to the more detailed provisions set forth in the Plan and any exhibits attached thereto, the terms of which are controlling. Holders of Claims, Equity Interests, and other parties-in-interest are urged to read the Plan and any exhibits thereto in their entirety so that they may make an informed judgment regarding the Plan.

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor-in-possession attempts to reorganize its business and financial affairs or liquidate its property and assets for the benefit of the debtor, its creditors, and other interested parties.

The commencement of a chapter 11 case creates an estate that includes all of the debtor's legal and equitable interests in property as of the date the petition is filed, other than exempt property. Unless the Bankruptcy Court orders the appointment of a Trustee, Bankruptcy Code sections 1107 and 1108 provide that a chapter 11 debtor may continue to operate its business and control the assets of its estate as a "debtor-in-possession."

The filing of a chapter 11 petition also triggers the automatic stay under Bankruptcy Code section 362. The automatic stay halts essentially all attempts to collect prepetition claims from the debtor or to otherwise interfere with the debtor's business or its bankruptcy estate.

Formulation of a plan of reorganization/liquidation is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims of creditors against, and interests of equity security holders in, the debtor. Unless a trustee is appointed, only the debtor may file a plan

during the first 120 days of a chapter 11 case (the "Exclusive Period"). After the Exclusive Period has expired, a creditor or any other interested party may file a plan, unless the debtor files a plan within the Exclusive Period. If a debtor does file a plan within the Exclusive Period, the debtor is given an additional sixty (60) days (the "Solicitation Period") to solicit acceptances of its plan. Bankruptcy Code section 1121(d) permits the Bankruptcy Court to extend or reduce the Exclusive Period and the Solicitation Period on a showing of adequate "cause."

B. Debtor's Future

The Debtor will remain in business and as reorganized, will continue to develop the Property, sell Lots and pay the holder of the Claims as set forth in the Plan.

C. Plan of Reorganization

The main mission for Giles-Jordan now is obtain confirmation of the Plan to as quickly as possible to secure a development loan in order to begin the development process so that Giles-Jordan can pay off all secured and unsecured creditors. We have a commitment from a private investor from Austin, Vince DiMare, principal of Equity Secured Capital for a development loan. In order for this loan to work, the current first lien holder, Galveston Shores L.P. will subordinate to a new first lien in favor of Equity Secured Capital. The Galveston Shores loan will be paid its contract interest rate and provide partial release provisions consistent with the development loan. Giles-Jordan is willing to devote all the net sales proceeds to paying off the first lien. Being as this development loan will be primarily devoted to putting in the infrastructure, when this is accomplished, Galveston Shores will have a secured interest in 52 developed lots, which according to the CBRE Appraisal will result in a value of $14,890,000.00 ($11,040,000 lots developed, $3,850,000 Hotel site "AS IS").

Also, Giles-Jordan is working with neighboring properties to secure an extension of TIRZ 11, and when and if this is accomplished, the value of the hotel site as well as the lots would be substantially increased. The wheels of government sometimes move slowly, but we have hope that this extension will be is approved this month (August). Galveston is a small town, and Jordan as a fourth generation BOI (Born on the Island) who traces his roots in Galveston back to 1840, is helpful to this process.

Conclusion:

Being as Giles-Jordan along with the unsecured creditors has substantially increased the value of this property, and with a development loan in place, we expect a quick sell out. Much of the effort during the Giles-Jordan ownership of this property has been devoted to trying to secure financing, but with the Court approved financing, all of our efforts will be devoted to competing the infrastructure and paying all debts in full.

J. The Development Loan/Exit Financing

The Debtor has obtained exit financing in the form of a development loan to be obtained from Equity Secured Capital L.P. pursuant to 11 U.S.C. § 363 as part of the Plan. Equity Secured Capital L.P. is an Austin, Texas based real estate lender formed in 2002. Equity Security Capital

L.P. is ready, willing and able to provide exit financing to the Debtor in the amount of Two Million Five Hundred Thousand and 00/100 Dollars ($2,500,000.00) as set forth herein.

K. Implementation of Plan

Within thirty (30) days of the order confirming the Plan (the "Closing Date"), the Debtor and Equity Security Capital L.P. will close on the development loan for $2,500,000.00 (the "Development Loan"). The Development Loan is for eighteen (18) months, interest only at 12.5% per annum with 1.5 points. The Development Loan will be secured by a first priority lien in and against the Property. The Development Loan provides the Reorganized Debtor much needed capital to develop the infrastructure for the fifty-two (52) residential lots to be sold and to pay Class 3, 4, and 5 Claims.

The debt owed to Galveston Shores will be reinstated, extended and renewed pursuant to a modified note (the "Modified Note"). In addition, Galveston Shores will have a fifty percent (50%) profit participation in the residential lots.

L. Feasibility of Plan

As shown on Exhibit "C," Debtor's management believes the Debtor will be able to fulfill the requirements of the Development Loan and the terms for the satisfaction of the Class 3 Secured Claim of Galveston Shores. The eighteen months term of the Development Loan will allow the Reorganized Debtor the time to develop the Property and to sell enough lots to pay off the Development Loan and to service and significantly reduce the principal amount of the Modified Note of Galveston Shores. Sales proceeds of residential lots sold after satisfaction of the Development Loan and Modified Note of Galveston Shores shall be subject to a 50% profit participation interest in favor of Galveston Shores.

M. Revesting of Property

All property of the Debtor will re-vest in the Debtor, as reorganized pursuant to the Plan subject only to the claims, liens and interests provided in the Plan, including the liens securing the Development Loan and Modified Note.

N. Management of the Debtor

The Debtor, as reorganized, will continue to be managed by Donald L. Jordan, as President and Mickey Giles, as Vice President, Secretary, and Treasurer. Biographies of Mr. Jordan and Mr. Giles are attached hereto as Exhibits "D" and "E" respectively. Mr. Jordan and Mr. Giles shall receive no compensation for the roles as officers of the Reorganized Debtor. However, it is anticipated that Mr. Jordan and/or Donald Jordan & Associates will be retained by the Reorganized Debtor as its real estate broker on a commission basis of eight percent (8%). It is also anticipated that Mr. Giles and/or H. Michael Giles, Inc. may be retained to provide accounting services to the Reorganized Debtor at their customary rates of $150.00 per hour.

O. Affiliates of the Debtor

The Debtor has no affiliates.

P. Accounting Basis

The accounting contained herein and the Exhibits attached hereto is on a cash basis.

Q. Bar Date for Filing Proofs of Claim

The Bankruptcy Court established September 2, 2014 as the bar date for filing proofs of claim or interests in this Bankruptcy Case for all parties.

R. Classification and Treatment of Claims

1. Unclassified Claims.

Article II of the Plan governs the treatment of certain Claims that are not classified into Classes under the Plan.

(a) Unpaid Administrative Expense Claims

(i) Generally

Section 2.1 of the Plan provides that each holder of an Allowed Administrative Expense Claim, including claims by Professionals for fees and expenses, will receive in full satisfaction, release and discharge of and in exchange for such Claim (i) the amount of such Allowed Administrative Expense Claim, without interest, in cash, on or after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Administrative Expense Claim, or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and Giles-Jordan.

Throughout the course of the Bankruptcy Case, Giles-Jordan will endeavor to satisfy the administrative expenses of the Estate as they became due or in accordance with Bankruptcy Code requirements. Accordingly, Giles-Jordan believes that most Claims that otherwise would constitute Allowed Administrative Expense Claims previously have been paid or will be satisfied in the ordinary course of business prior to the Effective Date. Nevertheless, because of delays in invoicing and the necessary approval process regarding Professional Claims, as well as the necessary tax return preparation and filing, not all of such Claims will have been paid by the Effective Date. In addition, to date the attorneys for the Debtor have not been paid any amount beyond the amount of the prebankruptcy retainer.

(ii) Payment of Administrative Claims, Professional Fee Claims, and Priority Unsecured Tax Claims

Administrative Claims are Claims for any cost or expense of the Bankruptcy Case allowable under Bankruptcy Code sections 503(b) and 507(a)(1). Those expenses include all actual and necessary costs and expenses related to the preservation of the Bankruptcy Estate or the

operation of the Debtor's business, all claims for cure payments arising from the assumption of executory contracts and unexpired leases under Bankruptcy Code section 365, and all United States Trustee quarterly fees. Under the Plan, Allowed Administrative Claims incurred through the Confirmation Date shall be paid by the Estate from the Administrative Expense Reserve within ten (10) days following the Allowance Date.

Professional Fee Claims are Claims for compensation and reimbursement of expenses by Professionals to the extent allowed under the Bankruptcy Code and Bankruptcy Rules. Allowed Professional Fee Claims incurred through the conclusion of the Closing shall be paid by the Estate within ten (10) days following the Allowance Date: (i) first from the balance of any retainers held by Professionals until fully exhausted and (ii) then from the Administrative Expense Reserve. Any Professional Fee Claims incurred by any Professionals retained by Giles-Jordan related solely to the Closing, but arising after the conclusion of the Closing, shall be paid by the Estate from Available Cash as a Estate Cost, without further application to the Bankruptcy Court, and such payment shall be made prior to any Distributions to Claimholders and Interest owners.

The estimated amount of the fees and expenses of Professionals for the Debtor in Possession through confirmation is as follows:

Professional	Capacity	Estimated Fees and Expenses
Oppel & Goldberg, P.L.L.C.	Bankruptcy Counsel	$ 20,000-30,000

(iii) United States Trustee Fees

After the Closing Date to implement the Plan and until the Bankruptcy Case is closed, the Estate shall pay as an Estate Cost all fees incurred under 28 U.S.C.§ 1930(a)(6).

(iv) Bar Date For Assertion Of Requests for Payment of Administrative Expenses Other Than Administrative Tax Claims

Section 2.1 of the Plan provides that all requests for payment of Administrative Expense Claims or any other means of preserving and obtaining payment of Administrative Expense Claims found to be effective by the Bankruptcy Court (including applications for compensation for fees and reimbursement of expenses filed by holders of Professionals Claims), other than Administrative Tax Claims, must be filed with the Bankruptcy Court and served upon Giles-Jordan and its counsel, along with the United States Trustee and all parties who have requested notice in the manner prescribed in the notice to be mailed pursuant to Section 11.3 of the Plan, by the earlier of (i) forty-five (45) days after the Effective Date; or (ii) any applicable bar date established by the Bankruptcy Court and noticed separately by the Debtor. Any request for payment of Administrative Expense Claims, other than Administrative Tax Claims, that is not timely filed as

set forth above will be forever barred, and holders of such Claims will not be able to assert such Claims in any manner against the Debtor or the Estate.

(v) Approval Of Payment

Section 2.1.2 of the Plan provides that all payments made or to be made by the Reorganized Debtor for costs and expenses in or in connection with the Bankruptcy Case, or in connection with the Plan and incident to the Bankruptcy Case, shall be subject to approval of the Bankruptcy Court as reasonable and required, following application and the opportunity for notice and a hearing pursuant to Section 2.1.1 of this Plan. Claims for taxes on any asset dispositions must be paid first.

(vi) Bar Date For Assertion Of Administrative Tax Claims

Section 2.1.3 of the Plan provides that all requests for payment or any other means of preserving and obtaining payment of Administrative Tax Claims that have not been paid, released or otherwise settled must be filed with the Bankruptcy Court and served upon the Debtor, the Reorganized Debtor, the United States Trustee, and all parties who have requested notice in the manner prescribed in the notice to be mailed pursuant to Section 11.4 of its Plan, by the later of (i) forty-five (45) days after the Effective Date; or (ii) one hundred and twenty (120) days after the filing of the tax return for such taxes with the applicable Governmental Unit.

Any request for payment of Administrative Tax Claims that is not timely filed as set forth above will be forever barred, and holders of such Claims will not be able to assert such Claims in any manner against the Debtor or the Estate. If Available Cash is insufficient to pay Allowed Administrative Claims, then such Claims will be paid out of the first cash available through contributions.

2. Class 1 (Allowed Priority Claims)

Section 5.1 of the Plan provides that each holder of an Allowed Priority Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim (i) the amount of such Allowed Priority Claim, in cash upon the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Debtor or the Reorganized Debtor with Court approval as may be necessary.

The Internal Revenue has filed a proof of claim in the amount of $3,630.00. The Debtor does not believe the claim is valid and therefore allowable unless the claim is withdrawn or amended, the Debtor intends to timely file an objection to the claim.

3. Class 2 (Allowed Secured Tax Claims)

The 2014 secured ad valorem taxes to be assessed and owned to Galveston County and Galveston ISD shall be paid as ordinary course expenses prior to their delinquency. To the extent such taxes, or any subsequent post-petition taxes are not timely paid, then the taxing authorities shall be entitled to pursue collection through allowed state court procedures, without further notice or order of the Bankruptcy Court.

4. Class 3 (Allowed Secured Claim of Galveston Shores L.P.)

This claim consists of the claim of Galveston Shores evidenced by a promissory note in the principal amount of $3,450,000.00 and secured by a lien in and against the Property (the "Galveston Shores Note"). The amount, as of the date of this Disclosure Statement believed to be owed by the Debtor to Galveston Shores is $3,871,381.00. The Galveston Shores Note shall be reinstated, renewed, extended and modified by the Modified Note as follows:

- Principal amount to be $3,871,381.00 plus accrued interest at the rate of ten percent (10%) until Closing;
- Interest shall be paid monthly at ten percent (10%) per annum until satisfaction of the Development Loan in full, upon which interest shall be paid from sales of lots proceeds;
- Secured by a lien in and against the Property junior only to the lien of Equity Secured Capital;
- Provide for partial release provisions to provide that ninety percent (90%) of the proceeds from sales of lots are to service and satisfy the Development Loan and ten percent (10%) to service Galveston Shores debt until satisfaction of the Development Loan and then ninety percent (90%) of the proceeds from the sale of the lots to Galveston Shores to satisfy the Modified Note.

In addition to the Modified Note, Galveston Shores shall have a 50% profit participation as to all proceeds from the sale of the residential lots sold after satisfaction of the Development Loan and Modified Note. As set forth in Exhibit "C," the Debtor believes this participation may provide Galveston Shores an amount in excess of $2,000,000.00 in addition to the payments it receives on the Modified Note.

5. Class 4 (Allowed Secured Claim of Jones & Carter)

This claim consists of the claim of Jones & Carter who has filed a claim in the amount of $56,369.38, purporting to be secured by a M&M lien against the Debtor's property. The Debtor has not concluded its analysis of this claim. If allowed as a Class 4 Claim, the claim will be paid in full on the Initial Distribution Date from proceeds of the Development Loan. Failure to pay Allowed Secured Claim of Jones & Carter in full by the Initial Distribution Date shall constitute a default under the Plan.

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6. Class 5 (Allowed Unsecured Claims)

Each holder of the Allowed Unsecured Claims shall receive on a pro rata basis cash from Available Cash, including cash on hand and any net available funds from the Development Loan on the Initial Distribution Date. If here is insufficient Available Cash and net proceeds from the

Development Loan to fund the full payment of all allowed Unsecured Claims, the balance of such claims shall be paid within thirty (30) days of the Initial Distribution Date (the "Second Distribution Date") from Available Cash, being cash provided by contributions from the Debtor's equity owners. Failure to pay Allowed Unsecured Claims in full by the Second Distribution Date shall constitute a default under the Plan.

The holders of Unsecured Claims as scheduled are as follows:

Creditor	Claim Amount
ASTE, LLC	$ 1,070.00
CDS	$ 8,000.00
Greer Herz & Adams, LLP	$22,837.50
Jones & Carter	$56,369.38

7. Class 6 (Claim of Harry and Teresa Giles)

The holders of the Claim in Class 6 will retain their claim against the Reorganized Debtor and will be paid by the Reorganized Debtor from cash flow after and only after the Development Loan and all claims in prior classes have been paid in full.

8. Class 7 (Allowed Interests of Equity Owners)

All ownership interests in the Reorganized Debtor will be retained in the same percentages as in the Debtor.

E. Treatment Of Executory Contracts

1. Generally

The Bankruptcy Code empowers debtors-in-possession, subject to the approval of the Bankruptcy Court, to assume or reject the debtor's executory contracts and unexpired leases. An "executory contract" generally means a contract under which material performance, other than payment of money, is due by the parties. If an executory contract or unexpired lease is rejected by the debtor-in-possession, the rejection operates as a prepetition breach of such agreement. If an executory contract or unexpired lease is assumed by the debtor-in-possession, the assumption obligates the debtor-in-possession to perform under the agreement, and damages arising for any subsequent breach of the contract or lease are treated as administrative expenses of the Estate.

Section 10.1 of the Plan provides that effective on and as of the Effective Date, all Executory Contracts that exist between Giles-Jordan and any Person and that have not previously been assumed and assigned or rejected by the Debtor, other than the Assumed Contracts rejected pursuant to Section 10 of the Plan, will be assumed pursuant to Section 365 of the Bankruptcy Code.

2. Deadline For The Assertion Of Rejection Damage Claims And For The Objection To Such Claims; Treatment of Rejection Damage Claims.

Section 10.1.1 of the Plan provides that proofs of Claims for damages allegedly arising from the rejection, pursuant to this Plan or the Confirmation Order, of any Executory Contract and unexpired lease to which a Claimant is a party must be filed with the Bankruptcy Court and served on the Debtor or Reorganized Debtor not later than thirty (30) days after the Effective Date. All proofs of Claim for such damages not timely filed and properly served as prescribed herein shall be forever barred and the holder of such a claim shall not be entitled to participate in any distribution under the Plan.

Section 10.1.2 of the Plan provides that all creditors and parties-in-interest shall be authorized to file an objection to any proof of Claim based on the rejection of an Executory Contract pursuant to this Plan or the Confirmation Order. The objection to any such proof of Claim shall be filed not later than one hundred and twenty (120) days after the later of (i) the date that such proof of Claim is filed; and (ii) the Effective Date.

The Debtor does not anticipate that the rejection of any Executory Contract under the Plan will give rise to any substantial damage claims other than Claims that previously have been asserted against the Debtor.

3. Proposed Cure Amounts For Assumed Executory Contracts And Deadline For Objection To Such Cure Amounts And To The Proposed Assumption.

F. Means For Execution And Implementation of The Plan

The Debtor, the Reorganized Debtor, Equity Security Capital and each class of creditors shall agree to forms of documents, if any, as further necessary to implement the Plan prior to the Effective Date. In the event of disputes, all such matters will be presented to the Bankruptcy Court for adjudication.

G. The Closing

A closing of the various transactions required and contemplated under the Plan shall take place on the Effective Date at the offices of Debtor's counsel, or at such place identified in a notice provided to those parties specified in section 16.2 of the Plan. At the Closing, all necessary actions shall be taken to reorganize the Debtor as the Reorganized Debtor and to implement the terms and conditions of the Plan. All necessary action shall be taken to effectuate the transactions contemplated under the Plan and otherwise implement the provisions of the Plan.

H. Distribution, Reserves And Objections To Claims

1. Claims Objection Deadline.

Section 7.1 of the Plan provides that, following the Effective Date and subject to the provisions of Section 7.1 of the Plan, the Debtor, the Reorganized Debtor or any creditor or party-

in-interest, shall be authorized to object to Claims so as to have the Bankruptcy Court determine the allowed amount, if any, of a particular Claim.

Section 7.1 of the Plan further provides that an objection to the allowance of a Claim by any Person other than the Debtor must be filed with the Bankruptcy Court and served upon the holder of the Claim, as well as the Debtor, the Reorganized Debtor and all parties who have requested notice in the manner prescribed in the notice to be mailed pursuant to Section 11.4 of the Plan, by no later than thirty (30) days after the Effective Date or such other date set by order of the Bankruptcy Court. An objection to the allowance of a Claim by the Debtor must be filed with the Bankruptcy Court and served upon the holder of the Claim, as well as all parties who have requested notice in the manner prescribed in the notice to be mailed pursuant to Section 11.4 of the Plan, by no later than sixty (60) days after the Effective Date. Upon the filing and service of an objection, the claimant whose Claim is the subject of the objection must file with the Bankruptcy court and serve upon the Debtor, the Reorganized Debtor and the party that filed the objection, a response to the objection within thirty (30) days from the date of service of the objection. The failure to file and serve such a response within such thirty (30) day period will cause the Bankruptcy Court to enter a default judgment against the non-responding claimant and thereby grant the relief requested in the objection.

Section 7.1 of the Plan further provides that, from and after sixty (60) days after the Effective Date, the Reorganized Debtor in its discretion may determine and deem any particular Claim to be an Allowed Claim prior to the expiration of the 60-day period for objection to claims, provided that such claim is not the subject of a pending objection.

Section 7.2 of the Plan provides that Claims may not be filed with the Bankruptcy Court or amended after the Confirmation Date without the prior authorization of the Bankruptcy Court. Except as otherwise provided in the Plan or by an order of the Bankruptcy Court, any new or amended Claim filed with the Bankruptcy Court after the Confirmation Date will be deemed disallowed in full and expunged without any further action by the Debtor or the Reorganized Debtor.

2. Creation Of Reserves

Section 8.1 of the Plan provides that on the Effective Date, the Debtor shall establish and fund the Distribution Reserve and the Disputed Claims reserve from the remaining Estate Assets. The Disputed Claims Reserve shall be funded with cash in an amount sufficient to pay (i) the full amount of all anticipated and/or Disputed Administrative Expense Claims, Disputed Priority Tax Claims and Disputed Claims in Classes 1 and 2; (ii) with respect to all other Disputed Unsecured Claims and Subordinated Claims, the same Pro Rata Share of such Claims as if they were Allowed Claims in the lesser of (a) the amount claimed in the proof of Claim filed by the holder of such Disputed Claim, and (b) the estimated amount of such Claim as determined by order of the Bankruptcy Court; and (iii) any other amount that the Debtor or after the Effective Date, the Reorganized Debtor, in its sole discretion, deems necessary and appropriate.

3. Distributions

(a) Generally

Section 8.3 of the Plan provides that the initial distribution from the Distribution Reserve will be within ten (10) days of the Effective Date (the "Initial Distribution Date"). On such date, (i) all Allowed Administrative Expense Claims, all Allowed Priority Tax Claims and all Allowed Claims in Classes 1, 2 and 4 shall be paid in full and Class 5 shall be paid pro rata and paid in full on the Second Distribution Date..

When a Disputed Claim becomes an Allowed Claim, the Reorganized Debtor shall make to the holder of such Claim, from the Disputed Claims Reserve, a distribution equal to the distribution that would have been made to the holder with respect to such Claim if such Claim previously had been an Allowed Claim, without interest, LESS the amount of all Amounts previously distributed to holders of Allowed Claims in respect of liability owed with respect to the formerly Disputed Claim which is allocable to such formerly Disputed Claim. Thereafter, unless previously paid in full, the newly Allowed Claim shall be paid from the Distribution Reserve in the same manner as all other Allowed Claims of the same Class. All amounts held in the Disputed Claims Reserve with respect to such newly Allowed Claim, in excess of the amount paid to the holder of such newly Allowed Claim, shall be considered Available Cash.

(b) Unclaimed Distributions

Section 15.10 of the Plan provides that, if any property distributed by the Reorganized Debtor remains unclaimed for a period of two (2) years after it has been mailed to the address set forth on the Claimant's proof of claim or as scheduled by the Debtor, or as later filed by such creditor in the Bankruptcy Court and served on Debtor, the Reorganized Debtor and its counsel (or delivery has been attempted) or otherwise has been made available, such unclaimed property will be forfeited by the Person entitled to receive the property and the unclaimed property and the right to receive it will revert to and vest in remaining unsecured creditors free and clear of any rights, claims, or interests. At least once a year until the Bankruptcy Case is closed, the Reorganized Debtor shall file with the Bankruptcy Court a schedule that identifies the name and last-known address of holders of all unclaimed distributions.

I. <u>Continuing Jurisdiction Of The Bankruptcy Court</u>

Article XIV of the Plan provides for the Bankruptcy Court to retain jurisdiction over a broad range of matters relating to the Bankruptcy Court, the Plan, the Debtor, the Reorganized Debtor and other related items. Readers are encouraged to review Article XIV to ascertain the nature of the Bankruptcy Court's post-Effective Date jurisdiction.

V.

CONFIRMATION AND EFFECTIVENESS OF THE PLAN

Because the law with respect to confirmation of a plan of reorganization is very complex, creditors concerned with issues regarding confirmation of the Plan should consult with their own

attorneys and financial advisors. The following discussion is intended solely for the purpose of provide basic information concerning certain confirmation issues. The Debtor cannot and does not represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Bankruptcy Court may confirm the Plan. Some of the requirements discussed in this Disclosure Statement include acceptance of the Plan by the requisite number of holders of Claims, and whether the Plan pays such holders at least as much as they would receive in a liquidation of the Estate under Chapter 7 of the Bankruptcy Code. These requirements, however, are not the only requirements for confirmation, and the Bankruptcy Court will not confirm the Plan unless and until it determines that the Plan satisfies all applicable requirements, including requirements not referenced in this Disclosure Statement.

A. Voting And Right To Be Heard At Confirmation

1. Who May Support Or Object To Confirmation Of The Plan?

Any party-in-interest may support or object to the confirmation of the Plan. Even entities that may not have a right to vote (e.g., entities whose claims are classified into an unimpaired Class) may still have a right to support or object to confirmation of the Plan.

2. Who May Vote To Accept Or Reject The Plan?

A holder of a Claim generally has a right to vote for or against the Plan if their Claim is both "allowed" for purposes of voting and classified into an impaired Class.

3. What Is An Allowed Claim Or Interest For Voting Purposes?

As noted above, a creditors' Claim must be "allowed" for purposes of voting in order for such claim to have the right to vote on the Plan. Generally, for voting purposes, a Claim is deemed "allowed" if (i) a proof of Claim is identified in the Schedules as other than "disputed", "contingent" or "unliquidated". In either case, when an objection to a Claim has been filed, the holder of the Claim cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules the objection or allows the Claim for voting purposes.

The definitions of "Allowed Claim" used in the Plan for purposes of determining whether Claim holders are entitled to receive distributions there under may differ materially from those used by the Bankruptcy Court to determine whether a particular Claim is "allowed" for purposes of voting. Holders of Claims are advised to review the definitions of "Allowed", "Claim", and "Disputed" set forth in Article I of the Plan to determine whether they may be entitled to receive distributions under the Plan.

4. What Is An Impaired Claim?

As noted above, the holder of a Claim has the right to vote on the Plan if that Claim is allowed and classified into a Class that is impaired under the Plan. A Class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that Class with respect to their claims or interests. The Debtor believes that Classes 2 and 3 and 5 through 7 are impaired under

the Plan. Any party that disputes the characterization of its claim as unimpaired, may request that the Bankruptcy Court find that its Claim is impaired in order to obtain the right to vote on the Plan.

5. Who Is Not Entitled To Vote?

The holders of the following four types of Claims are not entitled to vote on the Plan: (i) Claims that have been disallowed; (ii) Claims that are subject to a pending objection and which have not been allowed for voting purposes; (iii) Claims in unimpaired Classes (i.e., Classes 1 and 4); and (iv) Claims entitled to priority pursuant to Sections 507(a)(1),(a)(2), and (a)(7) of the Bankruptcy Code. Holders of Claims in unimpaired Classes are not entitled to vote because such Classes are deemed to have accepted the Plan. Holders of Claims entitled to priority pursuant to Sections 507(a)(1), (a)(2), and (a)(7) of the Bankruptcy Code are not entitled to vote because such claims are not placed in Classes and they are required to receive certain treatment specified by the Bankruptcy Code. Holders of Claims of the type described below, however, nevertheless may have the right to support or object to the confirmation of the Plan.

(a) Votes Necessary To Confirm The Plan

The Bankruptcy Court cannot confirm the Plan unless, among other things, (i) at least one (1) impaired Class has accepted the Plan without counting the votes of any insiders with that Class; and (ii) either all impaired Classes have voted to accept the Plan, or the Plan is eligible to be confirmed by "cramdown" with respect to any dissenting impaired Class.

(b) Votes Necessary For A Class To Accept The Plan

A Class of Claims or Interests is considered to have accepted the Plan when more than one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the claims that actually voted in that class have voted in favor of the Plan.

(c) Treatment of Non-Accepting Classes

As noted above, even if certain impaired Classes do not accept the proposed Plan, the Bankruptcy Court may nonetheless confirm the Plan if the non-accepting Classes are treated in the manner required by the Bankruptcy Code. The process by which non-accepting Classes are forced to be bound by the terms of a plan is commonly referred to as a "cramdown". Specifically, the Bankruptcy Code allows the Plan to be "crammed down" on non-accepting Classes of Claims of Interests if the Plan meets the requirements of Section 1129(a)(1) through (a)(7) and 1129(a)(9) through (a)(13) of the Bankruptcy Code and if the Plan does not "discriminate unfairly" and is "fair and equitable" as those terms as defined in Section 1129(b) of the Bankruptcy Code.

(d) Request for Confirmation Despite Non-Acceptance by Impaired Classes

the Debtor has requested that the Bankruptcy Court confirm the Plan by cramdown on any impaired Class that does not vote to accept the Plan, and the Debtor believes that cramdown is appropriate under the circumstances.

B. Liquidation Analysis

Another confirmation requirement is the so-called "Best Interests Test" created by Section 1129(a)(7) of the Bankruptcy Code. The Best Interests Test requires that, if a holder of a Claim is in an impaired Class and does not vote to accept the Plan, such holder receive or retain an amount under the Plan not less than the amount that such holder would receive or retain if the Debtor was to be liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, a trustee would be elected or appointed to liquidate the Debtor's assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy Code. Under those priorities, secured creditors generally are paid first from the sales proceeds of properties securing their liens. Administrative expenses generally are next to receive payment. Unsecured creditors then are paid from any remaining sales proceeds or other unencumbered assets, accordingly to their statutory and contractual rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claim in relationship to the amount of total allowed unsecured claims. Finally, shareholders receive the balance, if any, that remains after all creditors are paid.

For the Bankruptcy Court to be able to confirm the Plan, it must find that holders of Claims who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a hypothetical Chapter 7 liquidation with respect to the Debtor. The Debtor submits that this requirement is met here because, among other things, the Plan provides for the liquidation of the Debtor's Estate in a manner that is at least as efficient as would occur in the event that the Bankruptcy Case was converted to a case under Chapter 7 of the Bankruptcy Code in addition to a contribution of other income or value otherwise not available to creditors. In fact, the Debtor believes that there are a number of reasons why the Plan will result in significantly greater recoveries to holders of Allowed Claims than would result under Chapter 7 liquidation case with respect to the Debtor.

First, in a Chapter 7 case, a Chapter 7 trustee with no familiarity with the Bankruptcy Case could be appointed to complete the liquidation and distribution process. Such a trustee will have no experience or knowledge of the Property. It is very likely that the trustee will retain new professionals, who also could be unfamiliar with the case, to assist with the liquidation of the Estate. Thus, the trustee and the trustee's professionals would have to expend considerable time and effort to "get up to speed" on the issues implicated by such liquidation and litigation (thereby duplicating the substantial efforts made to date by Giles-Jordan, the Committee and their professionals). In the event litigation proves necessary on multiple issues, the Chapter 7 trustee would likely be in an inferior position to prosecute such actions without prior knowledge regarding Giles-Jordan's business.

Second, in the event of conversion to Chapter 7, creditors of the Estate also would have to bear administrative expenses in the form of the Chapter 7 trustee statutory fees. Pursuant to Section 326 of the Bankruptcy Code, the trustee's fees would be calculated as follows: (i) 25% on the first $5,000.00 or less; (ii) 10% on any amount in excess of $5,000.00 but not in excess of $50,000.00; (iii) 5% on any amount in excess of $50,000.00 but not in excess of $1,000,000.00; and (iv) reasonable compensation not to exceed 3% of such moneys in excess of $1,000,000.00,

upon all moneys disbursed or turned over in the Bankruptcy Case by the trustee to parties-in-interest, excluding Giles-Jordan, but including holders of secured Claims.

The tax implications and ramifications of the Plan, as well as the tax implications and ramifications of a conversion of the Bankruptcy Case to a Chapter 7 liquidation, are complex, and the Debtor can give no assurances that the statements set forth above will comport with actual results in the event of Plan confirmation or conversion to Chapter 7. Parties-in-interest may take opposing positions that, if correct, could impact the Bankruptcy Court's determinations regarding whether the Plan satisfies the Best Interests Test and provides creditors with greater consideration than that which would be received under a Chapter 7 liquidation.

The Debtor has prepared a liquidation analysis and determined this Plan provides greater consideration than liquidation. The assets are disclosed in the schedules and herein. The Debtor is able to maximize the value of these assets because the development of the Property provides a significant cash infusion to holders of Claims. This allows the Debtor the ability to provide the Class 3 holder a profit participation. The Debtor also believes that the costs associated with a chapter 7 trustee would erode the value recoverable from the assets and thus believes any conversion would have the dual effect of depressing values and also increasing another layer of administrative costs. The Debtor further believes if the Plan is not confirmed, there would be no money for development of the Property and Galveston Shores would pursue foreclosure of the Property. If it were successful, the Allowed Secured Claims and holders of Allowed Unsecured Claims and Equity Holders would receive nothing. As such, no further disclosure is believed necessary.

C. Feasibility

In the event feasibility is required to be proven, then the Debtor contends that the assumptions regarding asset sales and values as committed to creditors can be achieved through the proposed sales contemplated by the Plan.

Distributions under the Plan will be accomplished through the Development Loan and the sale of lots and capital contributions from the Equity Owners of the Debtor. Feasibility of the Plan, therefore, does depend as much on the Debtor's future business operations or financial viability but also on the ability of Giles-Jordan to market the lots. Based on current information and as set forth in this Disclosure Statement, Giles-Jordan reasonably believes that it has sufficient Property and other assets to fully satisfy all anticipated Allowed Priority Unsecured Non-Tax Claims, the Allowed Secured Claim of the Galveston Shores, Allowed Administrative Claims, Allowed Professional Fee Claims, and any other priority Claims. Consequently, the Plan is feasible and should provide a substantial Distribution to holders of Allowed Claims.

D. Risks Associated with the Plan

Both the confirmation and consummation of the Plan are subject to a number of risks. If certain standards set forth in the Bankruptcy Code are not met, the Bankruptcy Court will not confirm the Plan even if Claimholders accept the Plan. Although the Debtor believes that the Plan meets those standards, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court were to determine that such requirements were not met, it

could require the Debtor to re-solicit acceptances, which could delay and/or jeopardize confirmation of the Plan. Giles-Jordan believes that the solicitation of votes on the Plan will comply with Bankruptcy Code section 1126(b), and that the Bankruptcy Court will confirm the Plan. Giles-Jordan, however, can provide no assurance that modifications of the Plan will not be required to obtain confirmation of the Plan, or that those modifications will not require a re-solicitation of acceptances.

E. Alternatives to Plan

There are four possible consequences if the Plan is rejected or if the Bankruptcy Court refuses to confirm the Plan: (a) the Bankruptcy Court could dismiss the Bankruptcy Case, (b) the Bankruptcy Case could be converted to liquidation case under chapter 7 of the Bankruptcy Code, (c) the Bankruptcy Court could consider an alternative chapter 11 plan proposed by some other party, or (d) Galveston Shores could obtain relief from the automatic stay and foreclose the Property.

(a) Dismissal

If the Debtor's bankruptcy case were to be dismissed, it would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code, including the automatic stay under Bankruptcy Code section 362. The Debtor would then expect Classes 4, 5, and 6 receive nothing.

(b) Chapter 7 Liquidation

If the Plan is not confirmed, it is likely that the Bankruptcy Case will be converted to a case under chapter 7 of the Bankruptcy Code, in which case a trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. Whether a bankruptcy case is one under chapter 7 or chapter 11, holders of Secured Claims, Administrative Claims, and Priority Claims are entitled to be paid in Cash and in full before holders of Unsecured Claims receive any Distributions.

If the Bankruptcy Case is converted to chapter 7, the present Administrative Claims may have a priority lower than priority claims generated in the chapter 7 case, such as the chapter 7 Trustee's fees or the fees of attorneys, accountants, and other professionals engaged by the Estate.

Giles-Jordan believes that liquidation under chapter 7 would result in greater risk to distributions being made to holders of Unsecured Claims. Conversion to chapter 7 would give rise to (i) additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee and (ii) additional expenses and Claims, some of which would be entitled to priority that would be generated during the liquidation. In a chapter 7 liquidation, it is possible only holders of Allowed Secured Claims would receive any recovery on their Claims.

(c) Alternative Plan

If an alternative plan were proposed, there would be no capital infusion and it would more than likely be a liquidation of the Debtor and the foreclosure of the Property. In comparison to the Plan, an alternative plan would not likely provide any greater return to creditors and any return could even be less due to the additional time and expense necessary to obtain approval of any alternative plan and the fact no additional capital would be contributed. Moreover, it would require far more extensive litigation over the allowance and priority of the Secured Claim of Galveston Shores.

(d) If Galveston Shores was able to foreclose the Property, there would be no means for satisfaction of Classes 4, 5, and 6 despite the substantial equity of the Debtor in the Property.

F. Effective Date

1. Conditions To The Occurrence Of The Effective Date.

The Plan will not become effective and operative unless and until the Effective Date occurs. Section 11.2 of the Plan sets forth certain documents to the occurrence of the Effective Date, which conditions are waivable by Giles-Jordan in its sole discretion without further notice of approval of the Bankruptcy Court.

If the Plan is confirmed, Giles-Jordan believes that all of the applicable conditions to the Effective Date will occur. However, because such conditions are not within the control of Giles-Jordan, there can be no assurances that the conditions ultimately will be satisfied or waived.

2. Non-Occurrence Of Effective Date.

The Plan provides that, if confirmation occurs but the Effective Date does not occur, unless otherwise ordered by the Bankruptcy Court, (i) the Confirmation Order will be deemed vacated; (ii) all bar dates and deadlines established by the Plan or the Confirmation Order will be deemed vacated; (iii) the Bankruptcy Case will continue as if confirmation had not occurred; and (iv) the Plan will be of no further force and effect, with the result that Giles-Jordan and other parties-in-interest will be returned to the same position as if confirmation had not occurred. The failure of the Effective Date to occur, however, will not affect the validity of any order entered in the Bankruptcy Case other than the Confirmation Order.

G. Effect of Confirmation: Limitation On Liability; Indemnification

Article XII of the Plan provides that confirmation of the Plan and the occurrence of the Effective Date will have a number of important and binding effects, some of which are summarized below. Readers are encouraged to review Article XII of the Plan carefully and in its entirety to assess the various consequences of confirmation of the Plan.

1. Injunction.

Section 12.2 of the Plan provides that, if the Effective Date occurs, the entry of the Confirmation Order will and will be deemed to permanently enjoin all Persons that have held,

currently hold or may hold a Claim or other debt or liability against the Estate, from taking any of the following actions on account of such Claim: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against Giles-Jordan or the Debtor as reorganized, or the Estate, with respect to any property to be distributed under the Plan including funds or reserves held or maintained by any of them pursuant to this Plan; (ii) enforcing, levying, attaching, collecting, or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree, or order against or the Debtor as reorganized, or the Estate, with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to this Plan; (iii) creating, perfecting or enforcing in any manner directly or indirectly, any lien, charge or encumbrance of any kind against Giles-Jordan or the Debtor as reorganized, or the Estate, with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to this Plan; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly against any obligation of Giles-Jordan or the Debtor as reorganized, or the Estate, with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to this Plan; and (v) proceeding in any manner in any place whatsoever against Giles-Jordan or the Debtor, as reorganized or the Estate, with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to this Plan in any way that does not conform to, or comply, or is inconsistent with, the provisions of this Plan. This injunction, however, will not impair any valid and enforceable rights of setoff that exist under Section 553 of the Bankruptcy Code as of the Effective Date, and will not preclude any party-in-interest from seeking to enforce or interpret the terms of the Plan through an action commenced in the Bankruptcy Court.

2. Limitation Of Liability; Indemnification.

Section 12.4 of the Plan provides that the "Exculpated Persons" (defined to generally include Giles-Jordan Debtor as reorganized, their employees, agents, and professionals) will not have or incur any liability to any Person for any act taken or omission made in good faith in connection with or in any way related to negotiating, formulating, implementing, confirming, or consummating the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with or related to this Plan. Such Exculpated Persons will have no liability to any claimant for actions taken in good faith under or relating to the Plan including, without limitation, failure to obtain confirmation of this Plan or to satisfy any condition or conditions, or refusal to waive any condition or conditions precedent to confirmation or to the occurrence of the Effective Date. Further, the Exculpated Persons will not have or incur any liability to any claimant, party-in-interest herein, or any other Person for any act or omission in connection with or arising out of their administration of the Plan or the property to be distributed under this Plan, except for gross negligence, willful misconduct, or breach of fiduciary duty as finally determined by the Bankruptcy Court. The Plan will release, waive and modify any right, claim or cause of action existing on or as of the Petition Date against any Exculpated Person and owned or assertable by or on behalf of the creditor claimant.

3. Post-Effective Date Notice.

The Plan provides that, within ten (10) Business Days after the Confirmation Date, the Debtor will mail or cause to be mailed to holders of all Claims, a Notice that provides information

regarding the occurrence of the Effective Date and other matters relative to the Plan. This mailing will include notice of the injunction entered by the Plan. Claimants are encouraged to review the notice carefully in order to determine whether to request that such post-Effective Date notices be provided to them.

VI.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. Introduction

Implementation of the Plan may have federal, state and local consequences to Giles-Jordan and the Estate. No tax option has been sought or will be obtained with respect to any tax consequences of the Plan, and the following disclosure does not constitute and is not intended to constitute either a tax option or tax advice to any person.

This disclosure is provided for informational purposes only. Moreover, this disclosure summarizes only certain of the federal income tax consequences associated with the Plan's confirmation and implementation, and does not attempt to consider any facts or limitations applicable to any particular creditor. This disclosure also does not address state, local or foreign tax consequences or the consequences of any federal tax other than the federal income tax.

The following summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), the Treasury Regulations promulgated thereunder, and existing judicial decisions and published administrative rulings. In light of the numerous recent amendments to the IRC, no assurances can be given that legislative, judicial or administrative changes will not be forthcoming that would affect the accuracy of the analysis below. Any such changes could be material and could be retroactive with respect to the transactions entered into or completed prior to the enactment or promulgation thereof. Finally, the tax consequences of certain aspects of the Plan are uncertain do to a lack of applicable legal authority and may be subject to judicial or administrative interpretation that differs from the discussion below.

Creditors therefore are advised to consult with their own tax advisor regarding the tax consequences to them and to Giles-Jordan of the transactions contemplated by the plan, including federal, state, local, or foreign tax consequences.

B. Federal Income Tax Consequences to the Debtor

1. Sales of Assets

Giles-Jordan has sold or will market and sell substantially all of its assets and will distribute the proceeds from the sales to creditors pursuant to the terms of the Plan. In the event that the asset sales generate a net gain for federal income tax purposes, the Estate or following the Effective Date, the Reorganized Debtor will incur tax on any gain to the extent that the net gain exceeds Giles-Jordan's net operating losses ("NOLs") or to the extent of any alternative minimum tax ("AMT") liability that may not be fully offset by net operating loss carryforwards (as recomputed

for AMT purposes). By the Plan, any such tax must be paid before title can vest in any buyer or foreclosing party.

2. Reduction Of Indebtedness

Any modification of the terms of indebtedness that occurs (or may be deemed to occur) as a result of the confirmation and consummation of the Plan may create actual or constructive debt cancellation for tax purposes. Such actual or constructive debt cancellation, or COD, hereinafter is referred to as a "Debt Discharge Amount."

In general, the IRC provides that a taxpayer who realizes a cancellation or discharge of indebtedness must include the Debt Discharge Amount in its gross income in the taxable year of discharge to the extent that the Debt Discharge Amount exceeds any consideration given for such discharge. No income from the discharge of indebtedness is realized to the extent that payment of the liability being discharged would have given rise to a deduction.

If a taxpayer is in a case under the Bankruptcy Code and a cancellation of indebtedness occurs pursuant to a confirmed plan, however, such discharge of indebtedness is specifically excluded from gross income pursuant to an exception commonly referred to as the "Bankruptcy Exception." Although it is unclear whether the constructive cancellation of indebtedness that may occur as a result of the Plan's implementation qualifies for exclusion from income under the Bankruptcy Exception, Giles-Jordan intends to take the position that the Bankruptcy Exception in fact does apply, such that the Debt Discharge Amount is excluded from income.

A Debt Discharge Amount is also excluded from income, pursuant to an exception commonly referred to as the "Insolvency Exception", if and to the extent that Giles-Jordan is insolvent at the time of the cancellation of indebtedness. Giles-Jordan believes that he is and has for some time been insolvent within the meaning of this exception. Accordingly, even if Giles-Jordan is unable to exclude constructive debt cancellation from income under the Bankruptcy Exception, he believes that he will likely qualify to exclude such cancellation under the Insolvency Exception.

Accordingly, Giles-Jordan believes that it will not be required to include in income any Debt Discharge Amount as a result of confirmation and consummation of the Plan. The IRC, however, requires certain tax attributes of Giles-Jordan to be reduced by the Debt Discharge Amount that is excluded from income. Specifically, tax attributes are reduced in the following order of priority: (i) net operating losses and net operating loss carryovers; (ii) general business credits; (iii) minimum tax credits; (iv) capital loss carryovers; (v) basis of property of the tax payer; (vi) passive activity loss or credit carryovers; and (vii) foreign tax credit carryovers. Tax attributes generally are reduced by one dollar for each dollar excluded from gross income, except that general tax credits, minimum tax credits, passive activity credits, and foreign tax credits are reduced by 33.3 cents for each dollar excluded from gross income.

C. Federal Income Tax Consequences To Creditors

The tax consequences of the Plan's confirmation and implementation to a creditor will depend on the type of consideration received by the creditor in exchange for its Claim, whether the creditor reports income on the cash or accrual method, whether the creditor receives consideration in more than one tax year of the creditor, and whether all the consideration received by the creditor is deemed to be received by that creditor in an integrated transaction.

1. General.

(a) Gain/Loss On Exchange

A creditor will recognize gain or loss on the actual or constructive exchange of such creditor's existing Claims (other than Claims for accrued interest) for rights under the Plan, cash and any other consideration received pursuant to the Plan in an amount equal to the difference between (i) the "amount realized" in respect of such Claims; and (ii) the creditor's tax basis in such Claims. The "amount realized" will be equal to the sum of the cash and (i) as to a cash-basis taxpayer, the fair market value of all other consideration received (or, possibly in the case of debt instruments, the issue price of such debt instruments); and (ii) as to an accrual–basis taxpayer, the face amount or issue price of any new debt instruments and fair market value of the other consideration received, less any amounts allocable to interest, unstated interest, or original issue discount.

Although the issue is not free from doubt, a creditor's rights under the Plan to receive proceeds of a new note of the Reorganized Debtor will be treated as a contingent "debt instrument" for tax purposes. The issue price of a creditor's rights under the Plan to receive such proceeds will be determined under the original issue discount rules of the IRC and the Treasury Regulations promulgated thereunder. These rules provide that a portion of each payment made to a creditor would be characterized as interest and included in income in an amount determined by discounting such payment at the applicable federal rate. The creditor may recognize a gain or loss for federal income tax purposes to the extent the aggregate principal payments exceed or are less than the adjusted issue price of the debt instrument. The character of any such gain or loss as ordinary income or loss will be determined by a number of factors, including (without limitation) the tax status of the creditor, whether the Claim constitutes a capital asset in the hands of the creditor, whether the Claim has been held for more than one year or was purchased at a discount, and whether and to what extent the holder has previously claimed a bad debt deduction.

Any holder of a Disputed Claim whose claim becomes an Allowed Claim will be taxed in the manner set forth above in the year in which such holder's Claim is allowed.

(b) Tax Basis Of Items Received

The aggregate tax basis in the terms received by the holder of an Allowed Claim pursuant to the Plan, will equal the amount realized in respect of such items (other than amounts allocable to any accrued interest).

2. Receipt Of Interest

Income attributable to accrued but unpaid interest will be treated as ordinary income, regardless of whether the creditor's existing Claims are capital assets in its hands. A creditor who, under its accounting method, was not previously required to include in income accrued but unpaid interest attributable to existing Claims and who exchanges its interest Claim for cash or other property pursuant to the Plan will be treated as receiving ordinary interest income to the extent of any consideration so received allocable to such interest, regardless of whether that creditor realizes an overall gain or loss as a result of the exchange of its existing Claims. A creditor who previously had included in income accrued but unpaid interest attributable to its existing Claims will recognize a loss to the extent that such accrued but unpaid interest is not satisfied in full. For purposes of the above discussion, "accrued" interest means interest, which was accrued while the underlying claim was held by the creditor.

3. Treatment Of Litigation Proceeds

Generally, amounts received in litigation pursuant to a judgment or a settlement to avoid a lawsuit are characterized for federal income tax purposes in the same manner as they would have been if payment had been received without the litigation For example, a plaintiff who has income or profits restored to the plaintiff by reason of the plaintiff's claim must take into account the litigation recoveries as if the plaintiff initially had received the money as income or profits. Therefore, whether any proceeds from settlement or prosecution of litigation by the Estate will be taxable will depend on the nature of the circumstances underlying the litigation.

4. Other Tax Considerations

(a) Market Discount

If a creditor has a lower tax basis in an obligation than its face amount, the difference may constitute market discount under Section 1276 of the IRC. (Certain obligations are excluded from the operation of this rule, such as obligations with a fixed maturity date not exceeding one year from the date of issue, installment obligations to which Section 453B of the IRC applies and, probably demand instruments). Holders in whose hands obligations are market discount bonds will be required to treat as ordinary income any gain recognized upon the exchange of such obligations to the extent of the market discount accrued during the holder's period of ownership, unless the holder has elected to include such market discount in income as it accrued.

(b) Withholding

The Debtor will withhold from payments made to creditors pursuant to the Plan any amounts required by law to be withheld. In order to assist that withholding process, creditors may be required to provide general tax information to the Reorganized Debtor prior to receiving their distributions under the Plan.

(c) Taxation Of Certain Reserves

Section 468B(g) of the IRC provides that escrow accounts, settlement funds or similar funds are subject to current taxation. That section also provides that the Internal Revenue Service will prescribe regulations for the taxation of any such account or fund, whether as a grantor trust or otherwise, and the Internal Revenue Service issued final regulations regarding settlement funds on December 18, 1992 and proposed additional regulations on February 1, 1999. However, the final regulations specifically reserve the tax treatment of settlement funds in bankruptcy, and the proposed additional regulations do not address such funds. Thus, issues regarding who is responsible for reporting income generated by the funds in any unclaimed property or in the Disputed Claims Reserve established pursuant to the Plan are uncertain. Pursuant to the Plan, the Reorganized Debtor, as the party responsible for administering such reserves, will also be required to file appropriate income tax returns and/or information returns.

D. General Disclaimer

Persons concerned with the tax consequences of the Plan and impositions or reservations on remedies should consult their own accountants, attorneys and/or advisors. Giles-Jordan makes the above-noted disclosure of possible tax consequences for the sole purpose of alerting readers to tax issues they may wish to consider. Giles-Jordan cannot and does not represent that the tax consequences mentioned above are completely accurate because, among other things, the tax law embodies many complicated rules that make it difficult to state accurately what the tax implications of any action might be. Neither the Debtor nor its counsel are tax experts.

VII.

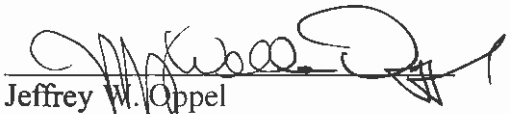
CONCLUSION

Please read this First Amended Disclosure Statement and the Plan carefully and vote by using the Ballots included with this First Amended Disclosure Statement. Giles-Jordan, Inc. urges you to vote to ACCEPT the Plan.

DATED: September 8, 2014.

DONALD L. JORDAN
President
GILES-JORDAN, INC.

OPPEL & GOLDBERG, P.L.L.C.



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