

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI**

**In Re: HAYDEL PROPERTIES, LP**

**CHAPTER 11  
CASE NO. 12-50048 KMS**

**FIRST AMENDED DISCLOSURE STATEMENT**

Dated: February 20, 2013

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**DEBTOR'S FIRST AMENDED DISCLOSURE  
STATEMENT UNDER CHAPTER 11  
OF THE UNITED STATES BANKRUPTCY CODE**

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**FIRST AMENDED DISCLOSURE STATEMENT**

**I.**

**NOTICE TO HOLDERS OF CLAIMS AND EQUITY INTERESTS**

The purpose of this First Amended Disclosure Statement (“Disclosure Statement”) is to provide you, as the holder of a Claim against HAYDEL PROPERTIES, LP (“Debtor” or “Company”) with information to enable you to make a reasonably informed decision on the Plan before exercising your right to accept or reject the Plan.

After notice and a hearing, the United States Bankruptcy Court for the Southern District of Mississippi (the “Bankruptcy Court”) approved this Disclosure Statement as containing information, of a kind and in sufficient detail, adequate to enable the holders of Claims against the Debtor to make an informed judgment to accept or reject the Plan. **THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THIS INFORMATION OR THE BANKRUPTCY COURT’S ENDORSEMENT OF THE PLAN. THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A FINDING OF FACT OR CONCLUSION OF LAW AS TO ANY MATTER SET FORTH IN THIS DISCLOSURE STATEMENT.**

You should read all of this Disclosure Statement before voting on the Plan. You are urged to consult with your own financial and other advisors in deciding whether to approve or reject the Plan. No solicitation of votes may be made except pursuant to this Disclosure Statement, and no person has been authorized to use any information concerning the Debtor or its business other than the information contained in this Disclosure Statement.

**EFFECTIVENESS OF THE PLAN UNDER SECTION 1129(a)(7) OF THE BANKRUPTCY REFORM ACT OF 1978, AS AMENDED (THE “BANKRUPTCY CODE”), REQUIRES THE APPROVAL OF THE PLAN BY THE HOLDERS OF AT LEAST TWO-THIRDS IN AMOUNT AND MORE THAN HALF IN NUMBER OF ALLOWED CLAIMS VOTING ON THE PLAN FOR EACH OF THE IMPAIRED CLASSES, OR A FINDING BY THE COURT THAT THE PLAN IS FAIR AND EQUITABLE AS TO THAT CLASS.**

After carefully reviewing this Disclosure Statement, please indicate your acceptance or rejection of the Plan by voting in favor or against the Plan; then return the ballot to the Debtor’s counsel, at the address set forth on the ballot, in the enclosed, postage paid, return envelope by

4:00 p.m. as required by the Bankruptcy Court on the Notice enclosed with a copy of this Disclosure Statement and Plan. ANY BALLOTS RECEIVED BY THE DEBTOR'S COUNSEL AFTER 4:00 P.M., GULFPORT TIME, ON THE DATE AS REQUIRED BY SAID NOTICE WILL NOT BE COUNTED UNLESS THIS DATE IS EXTENDED BY THE BANKRUPTCY COURT.

The Bankruptcy Court has entered an order setting the date, time and location of a hearing on the confirmation of the Plan, and setting the deadline in which objections to confirmation of the Plan must be filed with the Bankruptcy Court and served on counsel for the Debtor. A copy of the Notice setting the date, time and location of the hearing and the deadline for filing objections is enclosed with a copy of this Disclosure Statement and Plan. The Plan will take effect 30 days after the Bankruptcy Court order confirming the Plan becomes a Final Order, unless the confirmation is stayed.

## **II.**

### **INTRODUCTION**

A summary of the principal provisions of the Plan and the treatment of classes of claims and equity interest is set forth in Article IV below.

The Plan was conceived by management of the Company as an alternative to the more drastic measures available to the Company for restructuring its debt, such as total liquidation of its equipment and properties. The Debtor believes that the Plan provides the Debtor's Creditors with distributions having a value greater than the amount that those holders would receive if the Debtor were to be liquidated under Chapter 7 of the Bankruptcy Code. The Debtor believes that reorganization under the Plan is feasible and that the Plan provides for the greatest and earliest possible recoveries for the Creditors of the Debtor.

## **III.**

### **BACKGROUND OF THE CASE**

#### **A. The Debtor's Business**

Haydel Properties, LP is a limited partnership which owns numerous parcels of real property, including both apartments and commercial buildings. The primary income received by the Debtor is from rental income from the various parcels and from sale of some of the parcels.

In addition to the income from sales and from rents generated by the Debtor, the Debtor has two claims which have and should contribute additional income to the Debtor. The first claim revolves around an eminent domain claim in which the Debtor has already received just less than \$60,000.00 which is guaranteed funds. The Debtor could receive additional funds of \$35,000.00 or more upon the completion of the litigation involving that claim.

The second claim is a claim which the Debtor was unaware that the claim existed at the time the bankruptcy petition was filed and that claim is a claim for losses as a result of the BP oil spill. Only recently were multiple businesses along the Mississippi Coast advised that the businesses may have a claim against the funds set aside for losses from the oil spill. The Debtor has hired a CPA firm to assist the Debtor in the claim and the Debtor will seek approval for the Debtor to be represented by said firm. The Debtor expects to receive approximately \$70,000.00 in compensation less the fees and expenses incurred in representation of the Debtor in the BP claim.

Subsequent to the filing of the bankruptcy petition, the Debtor's manager became aware of the fact that numerous parcels owned by the Debtor have likely been valued at an excessive amount resulting in the ad valorem tax liability of the Debtor being more than it should be. The Debtor is pursuing a reduction of the annual land tax bill on multiple parcels which should lower the Debtor's expenses.

As set forth on page 26 and 27 of this Disclosure Statement in the section entitled "Sources of Income to Fund the Plan", the Debtor establishes how the Debtor's rental income will increase as a result of rental of numerous spaces which are not currently being rented and increase in rentals on some locations.

#### **B. Events Precipitating the Chapter 11 Petition**

The companies problems commenced with the damage received by multiple parcels during Hurricane Katrina in August of 2005. Since a substantial portion of the damage was from flood damage on parcels in which the Debtor did not have flood insurance, many of those parcels have not been repaired resulting in a reduction in rental income.

Subsequent to Katrina, the Debtor gradually fell behind in payment of ad valorem or land taxes along with payment on numerous mortgages on real property owned by the Debtor. As a result, the Debtor entered into an agreement with BancorpSouth, one of the Debtor's lenders to make monthly payments to bring that loan current. As a result of the large payments being required to be paid to BancorpSouth, the Debtor fell further behind with other lenders, resulting in a foreclosure of its deeds of trust being initiated by The Peoples Bank of Biloxi.

Although, the need for a Chapter 11 proceeding existed for other reasons that final event that forced the filing of the current case was the imminent foreclosure by Peoples Bank.

#### **C. Proceedings in the Bankruptcy Case**

Haydel Properties, LP filed a Petition for Relief under Chapter 11 of the Bankruptcy Code on January 11, 2012. In the early stages of the bankruptcy proceeding, the Debtor filed its Motions to Use Cash Collateral of BancorpSouth Bank (Dk #26), BancorpSouth Mortgage (Dk #28), Community Bank (Dk #30), Gene Whitehurst (Dk #32), Hancock Bank (Dk #34), and

Peoples Bank (Dk #36). The Court entered an Agreed Order withdrawing the Debtor's motion for authorization to use cash collateral of BancorpSouth Mortgage (Dk #191), and each of the remaining motions were resolved, resulting in the entry of orders authorizing the use of cash collateral (Dk #113 re BancorpSouth Bank's cash collateral, Dk #68 re Community Bank's cash collateral, Dk #163 re Gene Whitehurst's cash collateral, Dk #179 re Hancock Bank's cash collateral, and Dk #115 re Peoples Bank's cash collateral).

On March 3, 2012, the U.S. Trustee filed its Motion to Convert or Dismiss (Dk #80). After notice to all required parties and upon a hearing on the Motion, the Court entered its Order (Dk #204) denying the U.S. Trustee's Motion.

On March 22, 2012, the Debtor filed its motion requesting the authority to sell one parcel of real property, which is collateral of one of Peoples Bank's claims, free and clear of liens (Dk #103). After notice to all required parties, on April 26, 2012, the Court entered an Order approving the Debtor's motion to sell the parcel of real property free and clear of liens (Dk #169).

On March 28, 2012, BancorpSouth Bank filed its Motion for Relief from the Automatic Stay (Dk #116), which was set for hearing on May 31, 2012. At the conclusion of the hearing, the Court took the issue under advisement and on September 28, 2012, entered a final ruling, Order (Dk #326), which denied BancorpSouth Bank's Motion for Relief from the Automatic Stay.

On April 24, 2012, the Jackson County Tax Collector withdrew its claim in the amount of \$230.97, as a result of the Debtor paying the 2011 ad valorem taxes due on the parcel of real property in full (Dk #170).

On May 5, 2012, the Debtor filed its Motion to Extend the Time Period in Which the Debtor has the Exclusive Right to File a Plan (Dk #176). After notice to all required parties, on June 29, 2012, the Court entered an Agreed Order (Dk #224) extending the exclusive period in which the Debtor may file a Chapter 11 Plan until July 18, 2012. On July 18, 2012, the Debtor filed its Second Motion to Extend the Time to file a Plan (Dk #236), and after notice to all required parties, the Court entered an Agreed Order (Dk #283) extending the exclusive period in which the Debtor may file a Chapter 11 Plan until September 5, 2012.

On August 1, 2012, The People's Bank filed its Motion for Relief from the Automatic Stay (Dk #246) and its Motion to Dismiss or Convert (Dk #247). On the same day, BancorpSouth Bank filed its Motion for Relief from the Automatic Stay (Dk # 248) and its Motion to Dismiss or Convert (Dk #249),

On August 2, 2012, Community Bank filed its Motion for Relief from the Automatic Stay, or in the Alternative, for Adequate Protection (Dk #257).



On September 5, 2012, the Debtor filed its Chapter 11 Plan (Dk #308) and Disclosure Statement (Dk #309).

On September 19, 2012, the Court entered an Agreed Order (Dk #321), which denied BancorpSouth Bank's Motion for Relief from the Automatic Stay as being moot. On September 21, 2012, the Court entered another Agreed Order (Dk #322), which also denied the Peoples Bank's Motion for Relief from the Automatic Stay as being moot.

On September 28, 2012, the Court entered an Order (Dk #326), which denied BancorpSouth Bank's Motion for Relief from the Automatic Stay

On October 9, 2012, the Court entered an Order (Dk #331), granting Community Bank's Motion for Relief from the Automatic Stay, or in the Alternative, for Adequate Protection, requiring the Debtor to provide proof of insurance for two commercial properties, reimburse Community Bank the sum of \$39,518.33 for advances made to taxing authorities, make interest only adequate protection payments from October 20, 2012 to March 20, 2013, and authorizing the Debtor to enter and execute a modified note for the adequate protection payments and restructured debt as provided for in the Order and modifying the cash collateral order (Dk #68) as provided for in the Order.

On October 24, 2012, BancorpSouth Mortgage filed a Motion to Allow Late Filed Proof of Claim (Dk #333), and the Court entered an Order Allowing Late Proof of Claim (Dk #359) on December 11, 2012.

On October 25, 2012, the following creditors filed their Objections to the Debtor's Disclosure Statement: BancorpSouth Bank (Dk #334), Community Bank (Dk #336), People's Bank (Dk #338), and BancorpSouth Mortgage (Dk #339). On November 26, 2012, the Court entered an Agreed Order (Dk #352), resolving each of these objections and ordering the Debtor to amend its Disclosure Statement by December 17, 2012 to comply with the terms of the Agreed Order.

On December 17, 2012, the Debtor filed a Motion to Extend the Time Period in Which the Debtor has to File an Amended Disclosure Statement (Dk #362). On December 21, 2012, the Court entered an Order (Dk #363) granting the Debtor's Motion and requiring the Debtor to file an Amended Disclosure Statement by January 14, 2013.

On January 14, 2013, the Debtor filed its Second Motion to Extend the Time Period in Which the Debtor has to File an Amended Disclosure Statement (Dk #368), and on January 17, 2013, the Court entered an Order (Dk #369) granting the Debtor's Motion and requiring the Debtor to file an Amended Disclosure Statement by January 22, 2013.

On January 25, 2013, the Court entered an Order to Show Cause (Dk #371) and entered an Order Dismissing its Order to Show Cause (Dk #383) on February 18, 2013.

On January 29, 2013, the U.S. Trustee filed its Second Motion to Convert or Dismiss (Dk #375), and the Debtor filed its Response (Dk #379) on February 8, 2013. The Court has set a hearing on the Motion for February 21, 2013.

On February 15, 2013, the Debtor filed a Motion to Extend the Time Period to File an Amended Disclosure Statement (Dk #380) until February 20, 2013.

**D. The Company’s Assets and Liabilities**

**1. The Company’s Assets**

The Company’s assets consist of the following:

Total Value of Debtor’s Real Property	\$ 11,645,721.00
Refrigerators in apartments	3,500.00
Stoves in apartments	2,625.00
Laundry room equipment	2,000.00
Funds in Hancock Bank Business Checking Account	2915.56
Estimated value of BP Claim of Haydel Properties	44,000.00
Total Value of Assets	<u>\$11,716,761.56</u>

**2. The Company’s Liabilities**

On the date of the filing of the Petition for Relief, the Company had the following liabilities owed to parties other than insiders:

Priority Claims	\$ 13,585.00
Secured Claims of BancorpSouth Bank	205,826.04
Secured Claims of BancorpSouth Mortgage	80,535.00
Secured Claims of Harrison County Chancery Clerk	282,726.28
Secured Claims of Harrison County Tax Collector	116,388.55
Secured Claim of Stone County Chancery Clerk	8,826.62
Secured Claim of Stone County Tax Collector	6,316.36
Secured Claims of Jackson County Chancery Clerk	8,328.95
Secured Claims of Jackson County Tax Collector	6,417.39
Secured Claim of Hancock County Tax Collector	5,228.93
Secured Claim of Community Bank, Coast	1,586,032.03
Secured Claim of Gene Whitehurst	166,724.05
Secured Claims of The Peoples Bank, Biloxi, Mississippi	3,903,288.11
Secured Claim of Hancock Bank	101,183.00
Secured Claim of Margaret A. Haydel	101,000.00

Secured Claim of MDA ..... 0.00  
 General Unsecured Claims ..... 9,639.02

Total Amount of Liabilities (not including insider claims) ..... \$ 6,602,045.05

General unsecured claims owed to insiders ..... \$200,000.00

Total Amount of Liabilities ..... \$ 6,802,045.05

The Debtor's BP Claim is being handle Oliver Pengenguy, CPA and his fees will be paid by the BP fund and all the proceeds of the settlement will be paid directly to the Debtor. The Debtor estimates that the settlement will be completed within 90 to 150 days.

**IV.**

**THE PLAN**

**A. Overview of the Plan**

An overview of the Plan is set forth below. This overview is qualified by reference to the Plan.

The Debtor will continue to operate the rental business and continue to market numerous parcels of real property. In light of the fact that each secured creditor holds a substantial equity cushion, the plan is feasible as submitted to the Court. A substantial portion of the Debtor's property is presently leased, the amount of lease income is set forth in the income projections later in this Amended Disclosure Statement.

Additional parcels which are presently being offered to lease to others are:

1901 Hwy 90, Gautier, MS ..... \$ 3,000.00 per month  
 14451-Q Dedeaux Rd, Gulfport, MS ..... 2,500.00 per month  
 1730 E. Pass Rd, Gulfport, MS ..... 2,650.00 per month  
 1720-C Pass Rd, Gulfport, MS ..... 1,200.00 per month  
 2045 E, Pass Rd, Gulfport, MS ..... 4,500.00 per month  
 1832 E. Pass Rd, Gulfport, MS ..... 3,300.00 per month  
 2045 E Unit B, Pass Rd, Gulfport, MS ..... 1,000.00 per month  
 211 Eisenhower Dr, Unit A, Biloxi, MS ..... 4,225.00 per month  
 211 Eisenhower Dr, Unit B, Biloxi, MS ..... 3,333.00 per month

A part of the Debtor’s plan to reorganize is the intent to sell a number of parcels of real property owned by the Debtor. Currently, the Debtor has entered into a listing agreement with Jonathan Bell of Cameron Bell Properties and Coldwell Banker Aphonso Realty to lease and/or sell multiple parcels of real property. The following show the sale price listed on the parcels, many of which are also listed above for lease.

Parcel by Address	Listing Price
209 Hwy 90, Waveland, MS .....	\$ 329,000.00
1901 Hwy 90, Gautier, MS .....	275,000.00
702 Mills Ave., Gulfport, MS .....	40,000.00
3010 23 <sup>rd</sup> Ave., Gulfport, MS .....	22,500.00
4 Acres on Hwy 49, Gulfport, MS .....	990,000.00
1.07 Acres on Anniston Ave, Gulfport, MS .....	225,000.00
1720 Pass Rd, Gulfport, MS .....	245,000.00
2045 E. Pass Rd, Gulfport, MS .....	595,000.00
1832 E. Pass Rd, Gulfport, MS .....	449,000.00
2033 Pass Rd, Gulfport, MS .....	249,000.00
.4 Acre on Acadian Dr, Gulfport, MS .....	85,000.00
1.43 Acres on Pass Rd, Gulfport, MS .....	295,000.00
211 Eisenhower Dr, Biloxi, MS .....	849,000.00
1.10 Acres on Pass Rd, Biloxi, MS .....	479,000.00
2685 Pass Rd, Biloxi, MS .....	149,000.00
 Total asking price of all listings .....	 \$5,276,500.00

**B. Classification and Treatment of Claims**

Section 1123 of the Bankruptcy Code requires that a plan of reorganization classify the claims of a debtor’s creditors. The Plan divides claims into classes and sets forth the treatment afforded to each class. Under the Plan, each claim is either unimpaired or the holder of the claim or equity interest is to receive payment(s), depending on the nature of the claim. A claim is unimpaired under the Plan if the Plan (a) leaves unaltered the legal, equitable and contractual rights of the holder of the claim, (b) provides for cash payment of the full amount of the claim on the Effective Date of the Plan or (c) notwithstanding any contractual provision or law that entitles the holder of the claim to demand or receive accelerated payment after the occurrence of a default, cures the default, reinstates the maturity of the claim as it existed before the default, and compensates the holder of the claim for any damages incurred as a result of any reasonable reliance by the holder on any provision or law that entitles the holder of the claim to demand accelerated payment. The claims and interests that are or may be impaired under the Plan and therefore are or may be entitled to vote to accept or reject the Plan are claims and interests in Classes 4, 6, 8, 9, 10, 11, 12, 13, 14, 15, and 18.

For the holder of a claim to participate in the Plan and receive the treatment afforded to the applicable class, the holder's claim must be "allowed". A claim or interest will be allowed if it is filed or deemed filed, unless a timely objection to allowance of the claim is made. Generally, for a claim to be filed, a proof of claim must be timely filed on behalf of the holder of the claim with the Bankruptcy Court. A claim will also be deemed to be filed if (a) it is listed on the Schedule of Assets and Liabilities filed with the Bankruptcy Court, as amended (the "Schedules"), unless it is listed as disputed, contingent or unliquidated. If an objection to a claim is made, the Bankruptcy Court must make a determination with respect to allowance of that claim. Only holders of allowed claims are entitled to participate in and receive distributions in accordance with the Plan.

The following is a summary of the classes of creditors of the Debtor under the Plan and the provisions made in the Plan for each class.

1. **ALLOWED ADMINISTRATIVE EXPENSE CLAIMS (CLASS 1)**

a. **Description of Claims in Class 1:** Class 1 consists of all Allowed Administrative Expense Claims. These Claims include all costs and expenses of the administration of the Chapter 11 Case, including wages, salaries and other post-petition operating expenses, allowances of compensation and reimbursement of expenses for professional employed by the Debtor-in-Possession, such as attorneys and accountants, and all fees and charges assessed by the Office of the United States Trustee. Post-petition operating expenses will be paid on a current basis as will quarterly fees payable to the Office of the United States Trustee. The Debtor is unable to anticipate at this point in time, the exact amount of attorneys' fees and expenses which will be incurred. The Debtor's bankruptcy counsel, Gambrell & Associates, PLLC as of the date of filing of the Disclosure Statement, Gambrell & Associates, PLLC has incurred fees and expenses and the Debtor will be required to make payments to Gambrell & Associates, PLLC as its fees and expenses are awarded by the Bankruptcy Court.

b. **Full Payment:** On the Effective Date, each Allowed Administrative Expense Claim shall be paid in full in cash or from any retainers on hand, or upon such other terms as may be agreed by and between the holder of such Claim and the Debtor. Claims of the Office of the United States Trustee. All sums required to be paid pursuant to 28 U.S.C. § 1930(a)(6) to the United States Trustee and to the Clerk of this Court will be paid within ten (10) days after the entry of the Confirmation Order. The Reorganized Debtor will timely pay to the United States Trustee, any and all post-confirmation quarterly fees as required by 28 U.S.C. § 1930(a)(6) until such time as this Chapter 11 Case is converted, dismissed or closed by the Court. The Reorganized Debtor will also submit to the United States Trustee, post-confirmation monthly operating reports in the format prescribed by the United States Trustee until such time as this Chapter 11 Case is converted, dismissed or closed by the Court.

c. **Impairment:** Administrative Expense Claims are not impaired under the Plan.

2. **ALLOWED PRIORITY CLAIMS (CLASS 2)**

a. **Description of Claims in Class 2:** The only Priority Claims are the claims of individuals for deposits for the rental of properties owned by the Debtor. The total amount of deposits held by the Debtor on the Petition Date was \$13,585.00.

b. **Treatment:** The Debtor shall refund any deposit due to any tenants upon the surrendering of the leased unit to the Debtor at the end of a lease term in the condition required under the terms of each lease. If repairs are needed as described in the leases, then the Debtor shall retain the deposit as authorized by the lease.

c. **Impairment:** Allowed Priority Claims are not impaired under the Plan.

3. **SECURED CLAIMS OF HARRISON COUNTY CHANCERY CLERK (CLASS 3)**

a. **Description of Claims in Class 3:** The Debtor is indebted to the Harrison County Chancery Clerk for ad valorem taxes due on parcels of real property owned by the Debtor for fully secured claims in the amounts set forth as follows:

Approximate Total of Claims for 2009:	\$ 142,896.19 + interest at 1.5% per month
Approximate Total of Claims for 2010:	\$ 139,830.09 + interest at 1.5% per month

Approximate Total of All Claims of Harrison County Chancery Clerk:	\$ 282,726.28
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b. **Treatment:** All 2009 taxes were paid by the Debtor prior to the final redemption date. The Debtor has also paid a substantial portion of the 2010 taxes plus interest as of the payment date, reducing the current balance with interest through January, 2013 at \$103,206.09 The Debtor will pay the remaining tax liability prior to August 1, 2013 as required by state statutes. Should the Debtor sell any property on which 2010 land taxes are owed, then the 2010 land taxes on that parcel shall be paid from the sale proceeds along with any other 2010 land taxes which are collateral for the bank or lender that holds the first lien on the parcel being sold.

c. **Impairment:** The Allowed Secured Claims of Harrison County Chancery Clerk are not impaired under the Plan.

4. **SECURED CLAIMS OF HARRISON COUNTY TAX COLLECTOR (CLASS 4)**

a. Description of Claims in Class 4: The Debtor is indebted to the Harrison County Tax Collector for ad valorem taxes due on parcels of real property owned by the Debtor for fully secured claims in the sum of \$116,388.55, and the claim bears interest at the rate of 1.0% per month on the tax portion of said claim. The Debtor also expects that there will be post-petition land taxes for 2012 due in January, 2013 and land taxes for 2013 due in January, 2014.

b. Treatment: A portion of the 2011 taxes plus interest have been paid reducing the balance as of January 31, 2013 to \$93,864.16. The remaining tax amount together with interest as required by state statutes shall be paid on or before December 31, 2013 or sooner if the Debtor has the funds to do so. Should the Debtor sell any property on which 2011 land taxes are owed, then the 2011 land taxes on that parcel shall be paid from the sale proceeds along with any other 2011 land taxes which are collateral for the bank or lender that holds the first lien on the parcel being sold.

The 2012 land taxes shall be paid on or before April 15, 2014 together with interest due as required by state statute, and sufficient funds shall be set aside in the Debtor's tax account to provide for the pro-rata portion of land taxes due for 2013 which will be due in January, 2014 and the taxes due for 2013 shall be paid on or before January, 2014.

c. Impairment: The Allowed Secured Claims of Harrison County Tax Collector are impaired under the Plan.

5. **SECURED CLAIM OF STONE COUNTY CHANCERY CLERK (CLASS 5)**

a. Description of Claim in Class 5: The Debtor is indebted to the Stone County Chancery Clerk for 2010 ad valorem taxes due on the parcel of real property owned by the Debtor located on Hwy 49 in Wiggins, MS for a fully secured claim in the amount of \$8,826.62, and the claim bears interest at the rate of 1.5% per month on the tax portion of said claim.

b. Treatment: The 2010 taxes plus interest as required by state statutes shall be paid on or before July 31, 2013 or sooner if the Debtor has the funds to do so. Should the Debtor sell any property on which 2010 land taxes are owed, then the 2010 land taxes on that parcel shall be paid from the sale proceeds along with any other 2010 land taxes which are collateral for the bank or lender that holds the first lien on the parcel being sold

c. Impairment: The Allowed Secured Claim of Stone County Chancery Clerk is not impaired under the Plan.

6. **SECURED CLAIM OF STONE COUNTY TAX COLLECTOR (CLASS 6)**

a. Description of Claim in Class 6: The Debtor is indebted to the Stone County Tax Collector for ad valorem taxes due on the parcel of real property owned by the Debtor located on Hwy 49 in Wiggins, MS for a fully secured claim in the amount of \$6,316.36, and the claim bears interest at the rate of 1.0% per month on the tax portion of said claim.

b. Treatment: The 2011 taxes plus interest as required by state statutes shall be paid on or before November 30, 2013 or sooner if the Debtor has the funds to do so. Should the Debtor sell any property on which 2011 land taxes are owed, then the 2011 land taxes on that parcel shall be paid from the sale proceeds along with any other 2011 land taxes which are collateral for the bank or lender that holds the first lien on the parcel being sold.

The 2012 land taxes shall be paid on or before May 31, 2014 together with interest due as required by state statute, and by August 31, 2013 sufficient funds shall be set aside in the Debtor's tax account to provide for the pro-rata portion of land taxes due for 2013 which will be due in January, 2014 and the taxes due for 2013 shall be paid on or before January, 2014.

c. Impairment: The Allowed Secured Claim of Stone County Tax Collector is impaired under the Plan.

7. **SECURED CLAIMS OF JACKSON COUNTY CHANCERY CLERK (CLASS 7)**

a. Description of Claims in Class 7: The Debtor is indebted to the Jackson County Chancery Clerk for ad valorem taxes due on parcels of real property owned by the Debtor for fully secured claims in the amounts set forth as follows:

Claim for 2009:	\$ 4,855.48 + interest at 1.5% per month
Claim for 2010:	\$ 3,473.47 + interest at 1.5% per month

Total of All Claims of Jackson County Chancery Clerk: \$ 8,328.95

b. Treatment: All 2009 taxes were paid by the Debtor prior to the final redemption date. The 2010 taxes plus interest as required by state statutes shall be paid on or before July 31, 2013 or sooner if the Debtor has the funds to do so. Should the Debtor sell any property on which 2010 land taxes are owed, then the 2010 land taxes on that parcel shall be paid from the sale proceeds along with any other 2010 land taxes which are collateral for the bank or lender that holds the first lien on the parcel being sold.



c. Impairment: The Allowed Secured Claims of Jackson County Chancery Clerk are not impaired under the Plan.

8. **SECURED CLAIMS OF JACKSON COUNTY TAX COLLECTOR (CLASS 8)**

a. Description of Claims in Class 8: The Debtor is indebted to Jackson County Tax Collector for ad valorem taxes due on parcels of real property owned by the Debtor for fully secured claims in the sum of \$6,417.39, and the claims bear interest at the rate of 1.0% per month on the tax portion of said claim.

b. Treatment: The 2011 taxes plus interest as required by state statutes shall be paid on or before November 30, 2013 or sooner if the Debtor has the funds to do so. Should the Debtor sell any property on which 2011 land taxes are owed, then the 2011 land taxes on that parcel shall be paid from the sale proceeds along with any other 2011 land taxes which are collateral for the bank or lender that holds the first lien on the parcel being sold.

The 2012 land taxes shall be paid on or before May 31, 2014 together with interest due as required by state statute, and by August 31, 2013 sufficient funds shall be set aside in the Debtor's tax account to provide for the pro-rata portion of land taxes due for 2013 which will be due in January, 2014 and the taxes due for 2013 shall be paid on or before January, 2014.

c. Impairment: The Allowed Secured Claims of Jackson County Tax Collector are impaired under the Plan.

9. **SECURED CLAIM OF HANCOCK COUNTY TAX COLLECTOR (CLASS 9)**

a. Description of Claim in Class 9: The Debtor is indebted to the Hancock County Tax Collector for ad valorem taxes due on the parcel of real property owned by the Debtor located at 209 Hwy. 90, Waveland, MS for a fully secured claim in the amount of \$5,228.93, and the claim bears interest at the rate of 1.0% per month on the tax portion of said claim.

b. Treatment: The 2011 taxes plus interest as required by state statutes shall be paid on or before November 30, 2013 or sooner if the Debtor has the funds to do so. Should the Debtor sell any property on which 2011 land taxes are owed, then the 2011 land taxes on that parcel shall be paid from the sale proceeds along with any other 2011 land taxes which are collateral for the bank or lender that holds the first lien on the parcel being sold.

The 2012 land taxes shall be paid on or before May 31, 2014 together with interest due as required by state statute, and by August 31, 2013 sufficient funds shall be set aside in the Debtor's tax account to provide for the pro-rata portion of land taxes due for 2013 which will be due in January, 2014 and the taxes due for 2013 shall be paid on or before January, 2014.

c. Impairment: The Allowed Secured Claim of Hancock County Tax Collector is impaired under the Plan.

10. **SECURED CLAIMS OF BANCORPSOUTH BANK (CLASS 10)**

a. Description of Claims in Class 10: The Debtor is indebted to BancorpSouth Bank ("BancorpSouth") in the sum of \$250,826.04 as of the Petition Date together with interest and costs which have accrued since the Petition Date. The Allowed Secured Claims of BancorpSouth are fully secured and the Allowed Secured Claims shall continue to accrue interest at the contract rate of 8.5% until confirmation of the Plan.

b. Treatment: First the prior liens owed the county taxing authorities shall be paid in full and funds shall be set aside to cover the amount that would be necessary to escrow the taxes for the number of months prior to the amortization of the outstanding debt owed to BancorpSouth.

Upon confirmation of the plan, the interest rate shall be 0.50% above the Wall Street Journal Prime Rate with a floor of 3.750%. The balance remaining on the BancorpSouth claims as of the date of confirmation shall bear interest at the confirmed rate.

After the final payment of taxes owed on the parcels on which BancorpSouth holds a lien, the BancorpSouth claim shall incorporate all accrued interest both pre-confirmation and post-confirmation. The interest rate shall be adjusted every three years after confirmation of the plan, with the adjusted rate being calculated by using the Wall Street Journal Prime rate of on the 1<sup>st</sup> day of the full calendar month preceding the adjustment date plus a risk factor of 0.50% as described above with a floor as described above. The payment shall remain the same provided the interest rate on the adjustment date does not exceed 0.50 % per annum. If the rate exceeds 3.750% per annum, then the payment shall be adjusted by re-amortizing the remaining balance over the remaining term of the original 25 year amortization.

The Debtor will continue to market the parcels of real property on which BancorpSouth holds a lien and any sales of BancorpSouth collateral must be approved by BancorpSouth, but approval shall not be unreasonably withheld. If any parcels are sold, the funds from the sale will first be used to pay all outstanding ad valorem taxes on each parcel on which BancorpSouth holds a lien, then any funds remaining shall be used to reduce the debt owed to BancorpSouth by first applying the funds to interest, then to principal.

The Debtor has placed almost all the parcels on which BancorpSouth holds a lien for sale, and the Debtor expects to sell a minimum of two parcels prior to payment of all land taxes which will result in amortization of the claims. Upon the sale of the first parcel, all outstanding land taxes on all the parcels on which BancorpSouth holds a lien shall be paid, then any funds remaining shall be used to reduce the debt owed to BancorpSouth by first applying the funds to interest, then to principal.

The Debtor projects that by the time the claim of BancorpSouth is amortized as described above, the total claim will be approximately \$200,000.00. Thus, the projected monthly payment to BancorpSouth is \$1,028.26.

If funds are able to reduce the balance of the indebtedness to BancorpSouth, then the remaining balance shall be re-amortized over the remaining period of the reorganized debt of BancorpSouth.

Should BancorpSouth require that the Debtor execute new notes, deeds of trust and any other normally used by BancorpSouth in its lending transactions, then the Debtor will execute those documents provided the new documents comply with the terms of this plan.

c. Impairment: The Allowed Secured Claims of BancorpSouth are impaired under the Plan.

11. **SECURED CLAIMS OF BANCORPSOUTH MORTGAGE (CLASS 11)**

a. Description of Claims in Class 11: The Debtor as of the date that the loans will be amortized, the Debtor will be indebted to BancorpSouth Mortgage in an estimated total amount of \$81,261.27 as of the Petition Date together with interest and costs which have accrued since the Petition Date. There are three claims in this class and they are:

Claim Number 9: \$ 25,608.08	Value of Collateral for Claim: \$ 45,000.00
Claim Number 10: \$ 26,938.03	Value of Collateral for Claim: \$ 40,000.00
Claim Number 11: \$ 28,715.16	Value of Collateral for Claim: \$110,000.00

Each of the Allowed Secured Claims of BancorpSouth Mortgage is fully secured, and the Allowed Secured Claims shall continue to accrue interest at the contract rate of 5.875% until confirmation of the Plan.

b. Treatment: First the prior liens owed the county taxing authorities shall be paid in full, and funds shall be set aside to cover the amount that would be necessary to escrow the taxes for the number of months prior to the amortization of the outstanding debt owed to BancorpSouth Mortgage.

Upon confirmation of the plan, the interest rate shall remain at 5.875% per annum. The balance remaining on the BancorpSouth Mortgage claims as of the date of confirmation shall bear interest at the confirmed rate.

After the final payment of taxes owed on the parcels on which BancorpSouth Mortgage holds a lien, the BancorpSouth Mortgage claim shall incorporate all accrued interest, both pre-confirmation and post-confirmation, and the claims will be re-amortized over a period of 25 years. BancorpSouth Mortgage will be granted the authority to require new notes and new deeds of trust, which will be granted first lien status, and the Debtor

will execute all required documents required by BancorpSouth Mortgage to complete the transactions. BancorpSouth Mortgage shall have the authority to escrow for taxes, if desired.

The Debtor will continue to market the parcels of real property on which BancorpSouth Mortgage holds a lien, and any sales of BancorpSouth Mortgage collateral which will pay off that particular BancorpSouth Mortgage Claim, the Debtor shall have the absolute right to sell the property. However, if the sale proceeds of the parcel will not completely pay off the mortgage, the Debtor shall be required to present the proposed sale to BancorpSouth Mortgage and obtain approval of the sale prior to completion of the sale transaction, and the sale must be approved by BancorpSouth Mortgage, but approval shall not be unreasonably withheld.

If any parcels are sold, the funds from the sale will first be used to pay all outstanding ad valorem taxes on each parcel on which BancorpSouth Mortgage holds a lien, then any funds remaining shall be used to reduce the debt owed to BancorpSouth Mortgage by first applying the funds to interest, then to principal. However, until a portion or all of the property is sold, the projected monthly payment to BancorpSouth Mortgage on each parcel is:

Claim Number 9: Projected Balance \$ 28,570.00	Approx P&I Payment: \$182.00
Claim Number 10: Projected Balance \$ 30,100.00	Approx P&I Payment: \$191.75
Claim Number 11: Projected Balance \$ 32,090.00	Approx P&I Payment: \$204.50

If funds are able to reduce the balance of one of the claims of BancorpSouth Mortgage, but not pay off that claim entirely, then the remaining balance shall be re-amortized over the remaining period of the reorganized debt of BancorpSouth Mortgage claim.

Should BancorpSouth Mortgage require that the Debtor execute new notes, deeds of trust, and any other document normally used by BancorpSouth Mortgage in its lending transactions, then the Debtor will execute those documents, provided the new documents comply with the terms of this plan.

c. Impairment: The Allowed Secured Claims of BancorpSouth Mortgage are impaired under the Plan.

## 12. SECURED CLAIM OF COMMUNITY BANK, COAST (CLASS 12)

a. Description of Claim in Class 12: The Debtor is indebted to Community Bank, Coast (“Community Bank”) in the amount of \$1,586,032.03 as of the Petition Date, together with interest and costs which have accrued since the Petition Date. The Allowed Secured Claims of Community Bank are fully secured, and the Allowed Secured Claims shall continue to accrue interest at an agreed rate of 3.750% until confirmation of the Plan.

b. Treatment: The treatment of the Community Bank claim shall be treated as set forth in the Agreed Order (Dk #331) entered on October 9, 2013, a copy of which is attached hereto and incorporated herein as Exhibit “A”.

Should Community Bank require that the Debtor execute new notes, deeds of trust, and any other document normally used by Community Bank in its lending transactions, then the Debtor will execute those documents, provided the new documents comply with the terms of the plan.

c. Impairment: The Allowed Secured Claim of Community Bank is impaired under the Plan.

13. **SECURED CLAIM OF GENE WHITEHURST (CLASS 13)**

a. Description of Claim in Class 13: The Debtor is indebted to Gene Whitehurst in the sum of \$162,973.00 as of the Petition date together with interest at the rate of 7.0% per annum and costs which have accrued since the Petition Date. The Allowed Secured Claim of Gene Whitehurst is fully secured, and the Allowed Secured Claim shall continue to accrue interest at the contract rate of 7.0% until confirmation of the Plan

b. Treatment: Upon confirmation of the Plan, the claim shall bear interest at a rate of 5.0% per annum. The payments on the claim of Gene Whitehurst are embodied within the Order Authorizing Use of Cash Collateral (Dk #163), which requires monthly payments of \$1,030.00 through the month of December, 2012 and requires monthly payments of \$1,530.00 commencing with the payment due on January 10, 2012. The claim of Gene Whitehurst shall be determined as of the Effective Date of the Plan by the pay off balance as of said Effective Date with the adequate protection payments being applied first to interest, then to principal.

The Allowed Secured Claim shall continue to be paid at \$1,530.00 per month after confirmation and will mature once the principal and interest are fully paid.

Should Gene Whitehurst require that the Debtor execute new notes, deeds of trust and any other normally used by Gene Whitehurst in his lending transactions, then the Debtor will execute those documents provided the new documents comply with the terms of this plan.

c. Impairment: The Allowed Secured Claim of Gene Whitehurst is impaired under the Plan.

14. **SECURED CLAIMS OF THE PEOPLES BANK, BILOXI, MISSISSIPPI (CLASS 14)**

a. Description of Claims in Class 14: The Debtor is indebted to The Peoples Bank, Biloxi, Mississippi ("Peoples Bank") in the sum of \$3,903,288.11 as of the Petition Date together with interest and costs which have accrued since the Petition Date. The Allowed Secured Claims of Peoples Bank are fully secured, and the Allowed Secured Claims shall continue accrue interest at the contract rate on each claim as set forth in its original note until confirmation of the Plan.

b. Treatment: Upon confirmation of the plan, the interest rate shall be 0.50% above the Wall Street Journal Prime Rate with a floor of 3.750%. The balance remaining on the Peoples Bank claims as of the date of confirmation shall bear interest at the confirmed rate.

Since the Petition Date, the Debtor has sold one parcel of real property and paid off the loan on which the sold parcel had been placed as collateral to Peoples Bank. The amount paid on the claim was \$302,338.09 to pay off the specific claim plus an additional \$93,085.14 was placed into a Peoples Bank DIP account to hold to use to repair two parcels on which Peoples Bank holds liens which should increase the rent rolls of the Debtor by approximately \$4,500.00 per month.

After the later of the final payment of taxes owed on the parcels on which Peoples Bank holds a lien, the Peoples Bank claim shall incorporate all accrued interest both pre-confirmation and post-confirmation. The interest rate shall be adjusted every three years after confirmation of the plan, with the adjusted rate being calculated by using the Wall Street Journal Prime rate of on the 1<sup>st</sup> day of the full calendar month preceding the adjustment date plus a risk factor of 0.50% as described above with a floor as described above. The payment shall remain the same provided the interest rate on the adjustment date does not exceed 0.50 % per annum. If the rate exceeds 3.750% per annum, then the payment shall be adjusted by re-amortizing the remaining balance over the remaining term of the original 25 year amortization.

The Debtor has placed several parcels on which Peoples Bank holds a lien for sale. Upon the sale of the first parcel, all outstanding land taxes on all the parcels on which Peoples Bank holds a lien shall be paid, then any funds remaining shall be used to reduce the debt owed to Peoples Bank by first applying the funds to interest, then to principal.

The Debtor projects that by the time the claim of Peoples Bank is amortized as described above, the total claim will be approximately \$3,500,000.00. Thus, the projected monthly payment to Peoples Bank is \$17,994.59.

If funds are able to reduce the balance of the indebtedness to Peoples Bank, then the remaining balance shall be re-amortized over the remaining period of the reorganized debt of Peoples Bank.

Should Peoples Bank require that the Debtor execute new notes, deeds of trust and any other normally used by Peoples Bank in its lending transactions, then the Debtor will execute those documents provided the new documents comply with the terms of this plan.

c. Impairment: The Allowed Secured Claims of Peoples Bank are impaired under the Plan.

15. **SECURED CLAIM OF HANCOCK BANK (CLASS 15)**

a. Description of Claim in Class 15: The Debtor is indebted to Hancock Bank in the sum of \$103,375.48 as of the Petition Date together with interest and costs which have

accrued since the Petition Date. The Secured Claim of Hancock bank shall be determined by the amount of the proceeds received from a sale of the collateral. If the proceeds are sufficient to pay the full balance, then the claim shall be fully secured; if not, the claim shall be determined by the amount of the proceeds of the sale available to pay said bank.

b. Treatment: If the property has not sold by confirmation, the interest rate shall be 0.50% above the Wall Street Journal Prime Rate with a floor of 3.750% and Hancock Bank shall be paid interest only on a monthly basis for one year post confirmation. If the property has not sold by the end of the year, then the property will be surrendered to Hancock Bank and upon the sale, if any of the debt is not paid, then the remaining balance shall be treated as a general unsecured claim.

c. Impairment: The Allowed Secured Claim of Hancock Bank is impaired under the Plan.

16. **SECURED CLAIM OF MARGARET A. HAYDEL (CLASS 16)**

a. Description of Claim in Class 16: The Debtor is indebted to Margaret A. Haydel in the sum of \$101,000.00 as of the Petition Date together with interest and costs which have accrued since the Petition Date. The Allowed Secured Claim of Margaret A. Haydel is fully secured. Margaret A. Haydel is an insider as she is the mother of the two individuals who are equity security holders.

b. Treatment: Upon confirmation of the Plan, the claim shall bear interest at 3.250% per annum. No monthly payment shall be paid on the indebtedness, but Margaret A. Haydel will be paid from future funds received from the pending eminent domain proceeding involving the collateral for her claim, from the sale of said parcel, or from rents from said parcel unless this creditor agrees to waive payment from any of these three sources.

c. Impairment: The Allowed Secured Claim of Margaret A. Haydel is impaired under the Plan, but she shall not be entitled to vote on the Plan.

17. **SECURED CLAIM OF MDA (CLASS 17)**

a. Description of Claim in Class 17: The Debtor is indebted to MDA only if the Debtor sells the property prior to a specified date which is approximately one year from today's date.

b. Treatment: If the property, 823 41st Ave., Gulfport, MS, is sold prior to the deadline, then the Debtor will pay the claim from the sale. Since the Debtor does intend to sell the property within that time, the underlying grant and lien will expire.

c. Impairment: The Allowed Secured Claim of MDA is not impaired under the Plan.

18. **ALLOWED GENERAL UNSECURED CLAIMS (CLASS 18)**

a. **Description of Claims in Class 18:** There is only one Allowed General Unsecured Claim that is owed to any creditors which are not insiders and that claim is in favor of the Internal Revenue Service (“IRS”) in the amount of \$7,409.02.

b. **Treatment:** In full satisfaction of all Allowed General Unsecured Claims, each holder of an Allowed General Unsecured Claim will be paid in full over a period of five years in annual installments of one-fifth of the claim beginning with the first installment which will be due on the fifth day of the month which is one year after the confirmation of the Plan. The Debtor shall be entitled to pay any allowed general unsecured claim in full if the remaining required payment on that claim is less than \$50.00, but payment of any additional funds on that claim shall not reduce the amount to be paid on the other allowed general unsecured claims.

c. **Impairment:** Allowed General Unsecured Claims are impaired under the Plan.

19. **ALLOWED GENERAL UNSECURED CLAIMS TO INSIDERS (CLASS 19)**

a. **Description of Claims in Class 19:** There is only one Allowed General Unsecured Claim owed to an insider, and that claim is in favor of Margaret A. Haydel, the mother of the two individual equity security holders. The claim as of the Petition Date was \$200,000.00.

b. **Treatment:** In full satisfaction of the Allowed General Unsecured Claims, each holder of an Allowed General Unsecured Claim will be paid in full but no payments shall be made to said creditor on the allowed general unsecured claim until the Allowed General Unsecured Claims in Class 18 are paid in full. The Insider Claim will not receive any funds until the claims of all other Allowed General Unsecured Claims are paid in full. At that point, the Debtor will negotiate a reasonable repayment plan to Margaret A. Haydel.

c. **Impairment:** Allowed General Unsecured Claims are impaired under the Plan, but shall not be entitled to vote on the Plan.

20. **EQUITY SECURITY HOLDERS OF HAYDEL PROPERTIES, LP (CLASS 20)**

a. **Description of Claims in Class 20:** The Equity Security Holders of the Debtor are Michael D. Haydel, who is the manager of the General Partner (Haydel Investment Co., LLC) of the Debtor holding 74.25% partnership interest, and Gerald W. Haydel, who holds 24.75% partnership interest.

b. **Treatment:** The Equity Security Holders shall receive no property or distribution under the Plan other than compensation for post-petition personal services and distributions on account of their ownership of the Debtor for payment of income taxes on the



taxable income of the Debtor and the Reorganized Debtor, but shall retain their equity interests in the Reorganized Debtor.

In addition to the above contributions, the Equity Security Holders shall, prior to the closing of the case, contribute any funds above the fund generated by the Debtor to pay for accounting services, other expenses, and payment of administrative expenses required to complete the case.

- c. Impairment: The Equity Security Holders are impaired under the Plan.

## **C. Other Provisions of the Plan**

### **1. Results of the Plan**

- a. Reorganized Debtor: From and after the Effective Date, the Reorganized Debtor shall continue in existence as a limited partnership, in accordance with the law applicable in the jurisdiction under which it was incorporated and pursuant to its charter and bylaws in effect on the Effective Date. The Reorganized Debtor shall not be liquidated, and shall continue to engage in the business permitted by its limited partnership agreement and any other documents determining how the business is to operate.

- b. Revesting of Assets: The property and assets of the Debtor's Bankruptcy Estate shall revert in the Reorganized Debtor on the Effective Date free and clear of all Claims, but subject to the obligations of the Reorganized Debtor and the Secured Claims against property of the Reorganized Debtor as provided for in this Plan. The Reorganized Debtor may conduct and change its business, without any supervision by the Bankruptcy Court or the Office of the United States Trustee and free of any restriction imposed on the Debtor by the Bankruptcy Code or by the Bankruptcy Court during the Chapter 11 Case. From and after the Effective Date, the Reorganized Debtor may use, operate and deal with its assets and property without any such supervision and free of any such restrictions, but subject to the obligations of the Reorganized Debtor and the Secured Claims against property of the Reorganized Debtor as provided for in this Plan.

- c. Directors and Officers: After the Effective Date, the Manager of the Debtor shall be Michael D. Haydel, the same as set forth in paragraph 20(a). The Manager shall not be compensated for acting as such.

### **2. Executory Contracts and Unexpired Leases.**

- a. The Debtor is the lessor in numerous lease agreements with tenants of both apartments and commercial buildings. The Debtor assumes each and every lease agreement that has not terminated under its provisions prior to the entry of an order confirming the Chapter 11 Plan.

### **3. Effect of Rejection by One or More Classes of Claims**

a. Impaired Classes to Vote: Each impaired class of claims except Class 19 which consist of insider unsecured claims and interests will be entitled to vote separately to accept or reject the Plan. Only holders of Allowed Claims are entitled to vote.

b. Acceptance by Class of Creditors: A class will have accepted the Plan if the Plan is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims or interests of the class voting on the Plan.

c. Cramdown: If any impaired class fails to accept the Plan in accordance with Section 1129(a) of the Bankruptcy Code, the Debtor reserves the right to request the Bankruptcy Court to confirm the Plan in accordance with provisions of Section 1129(b) of the Bankruptcy Code.

#### **4. Provisions for Resolution and Treatment of Preferences, Fraudulent Conveyances, and Disputed Claims**

a. Preferences and Fraudulent Conveyances: Under the Plan, pursuant to Section 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtor will retain, with exclusive right to enforce in its sole discretion, any and all causes of action the Debtor, including all causes of action which Debtor owns under Section 541 or that may exist under Sections 510, 544 through 550 and 553 of the Bankruptcy Code or under similar state laws. In the event that the Debtor institutes an Adversary Proceeding against any Creditor for equitable subordination of all or a part of the Creditor's Claim, distributions made after entry of a Final Judgment in such Adversary Proceeding shall be made consistent with such Final Judgment.

b. Objections to Claims: The Debtor will have the sole authority to object and contest the allowance of any Proofs of Claim filed with the Bankruptcy Court within the later of 30 days after the Effective Date or within thirty (30) days after the deadline for filing each Claim, whichever is the later date.

c. Disputed Claims Reserve: Until all Disputed Claims are resolved by a Final Order of the Court, the distribution reserved for the holders of Unsecured Claims will be deposited by the Debtor in an account to be held in trust by counsel for the Debtor for the benefit of the holders of Unsecured Claims pursuant to the Plan (the "Unsecured Claims Reserve"). The Unsecured Claims Reserve will be held in trust by counsel Debtor for the benefit of the holders of Allowed Claims and the holders of Disputed Claims pending a determination of the Disputed Claims under the terms of the Plan.

d. Costs and Expenses: The Reorganized Debtor will be responsible for the cost and expenses incurred in connection with the maintenance of the Unsecured Claims Reserve and the making of distributions from the Unsecured Claims Reserve after the Effective Date.

#### **5. Discharge**

a. Legally Binding Effect: Discharge of Claims and Interests: The Provisions of the Plan will bind all Creditors and the equity interest holders, whether or not they accept the

Plan. Upon payment of the claims as set forth hereinabove, the Debtor shall be discharged from any and all further liability. So long as the Debtor is not under default under the terms and conditions of the Plan, creditors shall be enjoined from taking any action to collect any claim for which treatment is provided for in the Plan against any guarantor of the indebtedness.

**6. Retention of Jurisdiction**

a. Jurisdiction: Until this Chapter 11 case is closed, the Bankruptcy Court will retain such jurisdiction as is legally permissible, including that necessary to insure that the purpose and intent of the Plan are carried out and to hear and determine all Claims that could have been brought before the entry of the Confirmation Order. The Bankruptcy Court will retain jurisdiction to hear and determine all claims against the Debtor and to enforce all causes of action that may exist on behalf of the Debtor. Nothing contained in the Plan will prevent the Reorganized Debtor from taking such action as may be necessary in the enforcement of any cause of action that may exist on behalf of the Debtor and that may not have been enforced or prosecuted by the Debtor.

b. Examination of Claims: After the Confirmation Date, the Bankruptcy Court will further retain jurisdiction to decide disputes concerning the classification and allowance of the claim and the re-examination of claims that have been allowed for the purposes of voting, and to determine such objections as may be filed to creditor's claims. The failure by the Debtor to object to, or to examine, any claims for the purposes of voting, will not be deemed a waiver of the right of the Debtor or the Reorganized Debtor to object to, or to re-examine, the claim, in whole or in part.

c. Determination of Disputes: The Bankruptcy Court also will retain jurisdiction after the Confirmation Date to determine all questions and disputes regarding title to the assets of the Debtor's estate, disputes concerning the allowance of claims, and all causes of action, controversies, disputes, or conflicts, whether or not subject to any pending action, as of the Confirmation Date.

d. Additional Purposes: The Bankruptcy Court will retain jurisdiction for the following additional purposes after the Effective Date:

- (i) to modify the Plan after confirmation pursuant to the Bankruptcy Rules and the Bankruptcy Code.;
- (ii) to assure the performance by the Reorganized Debtor of its obligations to make distributions under the Plan;
- (iii) To enforce and interpret the terms and conditions of the Plan;
- (iv) to adjudicate matters arising in the bankruptcy case, including matter relating to the formulation and consummation of the Plan;

(v) to enter such orders, including injunctions, as are necessary to enforce the title, rights and powers of the Reorganized Debtor and to impose such limitations, restrictions, terms and conditions on title, rights and powers as the Bankruptcy Court may deem necessary;

(vi) to enter an order terminating this Chapter 11 case;

(vii) to correct any defect, cure any omission or reconcile any inconsistency in the Plan or the order of confirmation as may be necessary to carry out the purposes and intent of the Plan;

(viii) to allow applications for fees and expenses pursuant to Section 503(b) of the Bankruptcy Code; and

(ix) to decide issues concerning federal tax reporting and withholding that arise in connection with the confirmation or consummation of the Plan.

## **7. Default under Plan**

a. Asserting Default: If the Reorganized Debtor materially defaults under a provision of the Plan, any creditor or party in interest desiring to assert the default will provide the Debtor with written notice of the alleged default, specifying the alleged default, and specifying the reason(s) for its materiality.

b. Curing Default: The Debtor will have 30 days from receipt of the written notice in which to cure an alleged default. The notice will be delivered by United States certified mail, postage prepaid, return receipt requested, addressed to counsel for the Debtor, Robert Gambrell, Gambrell & Associates, PLLC, 101 Ricky D Britt Sr Blvd, Ste 3, Oxford, MS 38655. If the default is not cured, any creditor or party in interest may file with the Bankruptcy Court and serve on counsel for the Debtor a motion to compel compliance with applicable provision of the Plan. The Bankruptcy Court, on finding a material default, will issue such orders as are appropriate compelling compliance with the pertinent provisions of the Plan.

## **8. Miscellaneous Provisions**

a. Compliance with Tax Requirements: In connection with the Plan, the Debtor will comply with all withholding and reporting requirements imposed by federal, state and local taxing authorities, and distributions under the Plan will be subject to those withholding and reporting authorities.

b. Amendment of the Plan: The Plan may be amended by the Debtor before or after the Effective Date as provided in Section 1127 of the Bankruptcy Code.

- c. Revocation of the Plan: The Debtor reserves the right to revoke and withdraw the Plan at any time before the Confirmation Date.
- d. Effect of Withdrawal or Revocation: If the Debtor revokes or withdraws the Plan before the Confirmation Date, or if the Confirmation Date or the Effective Date does not occur, then the Plan will be deemed null and void. In that event, nothing contained in the Plan will be deemed to constitute a waiver or release of any claims by or against the Debtor or any other person, or to prejudice in any manner the rights of the Debtor or any person in any further proceedings involving the Debtor.
- e. Due Authorization By Creditors: Each creditor who elects to participate in the distributions provided for in the Plan warrants that the creditor is authorized to accept in consideration of the claim against the Debtor the distributions provided for in the Plan and that there are no outstanding commitments, agreements or understandings, express or implied, that may or can in any way defeat or modify the rights conveyed or obligations undertaken by the creditor under the Plan.
- f. Filing of Additional Documentation: On or before the Effective Date, the Debtor will file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effect and further evidence the terms and conditions of the Plan.
- g. Implementation: The Debtor is authorized to take all necessary steps, and perform all necessary acts, to consummate the terms and conditions of the Plan.
- h. Ratification: The Confirmation Order will ratify all transactions effected by the Debtor during the pendency of the Chapter 11 case.

V.

**FEASIBILITY OF THE PLAN**

**A. Distributions to Secured and Unsecured Creditors**

The distributions to Secured Creditors and General Unsecured Creditors required pursuant the Plan, adjusted to monthly payments based upon projections of what will be owed when the claims are reduced by the sale of partials of property owned by the debtor, are as follows:

Allowed Secured Claims of BancorpSouth Bank	\$ 1,028.26
Allowed Secured Claims of BancorpSouth Mortgage	257.07
Allowed Secured Claim of Community Bank, Coast	5,141.31
Allowed Secured Claim of Gene Whitehurst	1,530.00
Allowed Secured Claims of The Peoples Bank, Biloxi	17,994.59
Allowed Secured Claim of Hancock Bank	565.54

Allowed Secured Claim of Margaret A. Haydel	0.00
Allowed General Unsecured Claims	123.48
Total	<u>\$ 26,961.43</u>

The above obligations will vary and the income will vary as the Debtor continues to sell the remaining parcels of real property.

**EXPENSES**

Ad valorem land taxes	\$ 8,333.00
Repairs and Maintenance	1,000.00
Legal and Accounting fees	100.00
Insurance	8,500.00
Utilities	950.00
Deposit refunds	1,000.00
Total Monthly Expenses	<u>\$ 19,383.00</u>

**B. Sources of Income to Fund the Plan**

The Debtor was able to fund the payment of the 2009 land taxes which were required to be paid in by August 30, 2012. The Debtor's rental income has gradually increased since the filing of the bankruptcy and those rental funds will increase again in September and again in October. For example, the Debtor rented 1720 East Pass Road which supplied additional rental income in the amount of \$2,000.00 per month beginning September 15, 2012 and rented Suite L in the commercial rentals on Dedeaux Road for \$895.00 which is being paid monthly. The Debtor rented the church property on Dedeaux Road in the amount of \$400.00 per month beginning in October, 2012. The Debtor has leased a space in the shopping center on Dedeaux Road which will generate an additional \$1,000.00 per month.

In addition to the monthly rent being received monthly by the debtor in the amount of \$3,295.00 per month as of of October, 2012, the Debtor received a letter of intent to rent 1406 14<sup>th</sup> Street, Gulfport, MS in the amount of \$3,000.00 per month upon the completion of the repairs to that parcel. However, the bid to do the repairs came in too high and the Debtor should receive new bids within the next 10 to 30 days. As stated earlier, the Debtor has the funds on hand in a Peoples Bank DIP account to cover the cost of the repairs. The Debtor submits that there are sufficient funds to make the repairs on the downtown Gulfport building and repairs to a parcel on Eisenhower Drive for an additional \$1,500.00 per month and the Debtor has a prospective tenant on another parcel on Eisenhower Drive at a rental amount of in excess of \$3,000.00 per month.

Over the months of June and July, the Debtor's average rental income was \$35,098.31. When the additional monthly rental of \$6,495.00 is added to the average, the monthly rental

income will be approximately \$41,593.00 per month. The Debtor is constantly marketing the other parcels for sale and for rent and the Debtor expects enough other parcels will be rented to increase the overall monthly rental income to in excess of \$45,000.00 per month.

One of the equity security holder has sufficient inventory to start a new retail used and antique furniture business in two locations owned by the Debtor on Dedeaux Road, which will generate additional funds in the forms of rents of those two locations. The rent to be paid to the Debtor will be at a minimum of \$5,000.00 per month, but may be larger depending upon the amount of square feet used by the equity security holder in the operation of the new business.

Income from rentals .....	\$47,500.00
Total Monthly Income .....	<u>\$47,500.00</u>

Based upon the foregoing, the Debtor believes that the Plan is feasible. Should there be unexpected expenses and there be a shortfall in income, the Equity Security Holders will make capital contributions to cover any shortfall. The Equity Security Holders hold numerous BP Claims in their other businesses which should generate sufficient funds to help the Debtor in two ways. First, the other businesses will have sufficient funds to advertise and generate additional income which will allow the Equity Security Holders to inject additional cash into the Debtor, if needed.

**VI.**

**ALTERNATIVES TO CONFIRMATION  
AND CONSUMMATION OF PLAN**

The Debtor believes that the Plan affords holders of claims the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interests of those holders. If the Plan is not confirmed, however, the theoretical alternatives include: (a) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code; (b) continuation of the pending Chapter 11 case; or (c) alternative plans of reorganization;

**A. Liquidation under Chapter 7 and Liquidation Analysis**

If no plan can be confirmed, the Debtor's Chapter 11 case may be converted to a case under Chapter 7 of the Bankruptcy Code. In a Chapter 7 proceeding, a trustee or trustees would be elected or appointed to liquidate the assets of the Debtor. The proceeds of the liquidation would be distributed to the holders of claims against the Debtor in accordance with the priorities established by the Bankruptcy Code.

Under Chapter 7, a secured creditor whose claim is fully secured would be entitled to full payment, including interest, from the proceeds of the sale of its collateral. Unless its claim is

nonrecourse, a secured creditor whose collateral is insufficient to pay its claim in full would be entitled to assert an unsecured claim distribution for the deficiency. Claims entitled to priority under the Bankruptcy Code would be paid in full before any distribution to general unsecured creditors. Funds, if any remain, after payment of secured claims and priority claims would be distributed pro rata to general unsecured creditors.

In the instant Chapter 11 Case, the Debtor has sufficient equity in its real property and the personal property listed in the Schedules after the satisfaction of the liens thereon and to allow for payment in full of all allowed secured claims, allowed priority claims and allowed general unsecured claims.

As a result of the foregoing, the Debtor proposes a plan that will pay 100% of all allowed claims owed to non-insiders.

## **VII.**

### **VOTING PROCEDURES**

#### **A. Use of Ballots**

The Debtor is seeking acceptance of the Plan by (i) holders of Allowed Priority Claims, to the extent that any are filed, (ii) Allowed Secured Claims, and (iii) General Unsecured Creditors. Ballots with respect to the Plan will be accepted by the Debtor until 4:00 p.m., Gulfport Time as set out in the Notice issued by the Bankruptcy Court which is enclosed herewith (the "Voting Deadline"). The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received by the Debtor's counsel no later than 4:00 p.m., Gulfport, Mississippi time on said date at the following address: Gambrell & Associates, PLLC, 101 Ricky D Britt Sr Blvd, Ste 3, Oxford, MS 38655.

Except to the extent permitted by the Bankruptcy Court pursuant to Rule 3018 of the Federal Rules of Bankruptcy Procedure, ballots that are received after the Voting Deadline will not be accepted or used by the Debtor in connection with Debtor's request for Confirmation of the Plan.

All those desiring to vote to accept or reject the Plan must cast a ballot. Votes cast in any manner other than by using the ballot will not be counted.

After carefully reviewing this Disclosure Statement, please indicate your vote on the enclosed ballot, and return it to the address set forth above. In voting for or against the Plan, please use only the ballot sent to you with this Disclosure Statement. Please complete and sign your ballot or master ballot in accordance with the instructions set forth on the ballot.



Any ballots received that do not indicate either an acceptance or rejection of the Plan or that indicate both an acceptance and rejection of the Plan will be deemed not to constitute a vote.

**B. Persons Entitled to Vote**

Any holder of a claim against the Debtor whose claim is impaired under the Plan and entitled to vote under Article IV of the Plan, is entitled to vote to accept or reject the Plan if either (i) its claim has been scheduled by the Debtor (and the claim is not scheduled as disputed, contingent or unliquidated), or (ii) the Claim has been Allowed by a Final Order of the Bankruptcy Court. If the Debtor has filed an objection with respect to a Claim or if the Claim is a Disputed Claim (as defined in Section 2.15 of the Plan), the holder of that claim is not entitled to vote, unless the Bankruptcy Court, upon application of the holder, temporarily allows the claim in an amount that the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan. The holder's application must be heard and determined by the Bankruptcy Court on or before the date required by order of the Bankruptcy Court which is enclosed herewith. A vote may be disregarded if the Bankruptcy Court determines that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

**C. Definition of Impairment**

A class of claims or interests is impaired under a plan of reorganization unless, as set forth in Section 1124 of the Bankruptcy Code, with respect to each claim or interest of the class:

1. the Plan leaves unaltered the legal, equitable, and contractual rights of the holder of the claim or interest; or
2. notwithstanding any contractual provisions or applicable laws that entitles the holder of a claim or interest to demand or receive accelerated payment of the claim or interest after the occurrence of a default, the Plan:
  - (a) cures any default that occurred before or after the commencement of the case other than a default of a kind specified in Section 365(b)(2) of the Bankruptcy Code;
  - (b) reinstates the maturity of the claim or interest as the maturity existed before the default;
  - (c) compensates the holder of the claim or interest for any damages incurred as a result of any reasonable reliance by the holder on those contractual provisions or applicable laws; and
  - (d) does not otherwise alter the legal, equitable, or contractual rights to which the holder is entitled with respect to the claim or interest.



**D. Classes Impaired Under the Plan**

The following classes of claims and equity interest are impaired under the Plan and holders of Allowed Claims and equity interest in such classes are entitled to vote to accept or reject the Plan:

- Class 4 – Secured Claims of Harrison County Tax Collector
- Class 6 – Secured Claim of Stone County Tax Collector
- Class 8 – Secured Claims of Jackson County Tax Collector
- Class 9 – Secured Claim of Hancock County Tax Collector
- Class 10 – Secured Claims of BancorpSouth Bank
- Class 11 – Secured Claims of BancorpSouth Mortgage
- Class 12 – Secured Claim of Community Bank
- Class 13 – Secured Claim of Gene Whitehurst
- Class 14 – Secured Claims of The Peoples Bank
- Class 15 – Secured Claim of Hancock Bank
- Class 18 – Allowed General Unsecured Claims

**E. Vote Required for Class Acceptance**

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds in amount, and more than one-half in number, of the claims of that class that actually cast ballots for acceptance or rejection of the Plan. Thus, class acceptance occurs only if two-thirds in amount and a majority in number of the holder of claims voting cast their ballots in favor of acceptance.

**VIII.**

**CONFIRMATION OF THE PLAN**

**A. Confirmation Hearing**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. By order of the Bankruptcy Court, the Confirmation Hearing on the Plan has been scheduled on the date and time and at the location as set forth in the Notice enclosed herewith. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be made in writing and filed in the Bankruptcy Court and served upon the parties entitled to service, together with proof of service on or before the date and time required by order of the Bankruptcy Court which is enclosed herewith.

Objections to confirmation of the Plan are governed by Rule 9014 of the Bankruptcy Rules. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

**B. Requirements For Confirmation of The Plan**

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

1. The plan complies with the applicable provisions of the Bankruptcy Code.
2. The proponent of the plan complies with the applicable provisions of the Bankruptcy Code.
3. The plan has been proposed in good faith and not by any means forbidden by law.
4. Any payment made or to be made by the proponent, by the debtor, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in, or in connection with the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the court as reasonable.
5. The proponent of the plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under the plan; (ii) the appointment to, or continuance in, the office of that individual, is consistent with the interest of creditors and equity security holders and with public policy; and the proponent of the plan has disclosed the identity of and the nature of any compensation for any insider that will be employed or retained by the reorganized debtor.
6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rate of the debtor has approved any rate change provided for in the plan, or the rate change is expressly conditioned on that approval.
7. With respect to each impaired class of claims or interests:
  - (a) each holder of a claim or interest of the class (i) has accepted the plan; or (ii) will receive or retain under the plan on account of the claim or interest, property of a value, as of the effective date of the plan, that is not less than the amount that the holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on the effective date of the plan; or

- (b) if section 111(b)(2) of the Bankruptcy Code applies to the claims of the class, the holder of a claim of the class will receive or retain under the plan on account of the claim property of a value, as of the effective date of the plan, that is not less than the value of the holder's interest in the estate's interest in the property that secures those claims.

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

- (a) the class has accepted the plan; or
- (b) the class is not impaired under the plan.

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

- (a) with respect to a claim of a kind specified in Section 507(a)(1) or 507(a)(2) of the Bankruptcy Code, on the effective date of the plan, the holder of the claim will receive on account of the claim cash equal to the allowed amount of the claim;
- (b) With respect to claims of a kind specified in Section 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6) and 507(a)(7) of the Bankruptcy Code, each holder of a claim of the class will receive (i) if the class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of the claim; or (ii) if the class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of the claim; and
- (c) with respect to a claim of a kind specified in Section 507(a)(8) of the Bankruptcy Code, the holder of a claim will receive on account of the claim deferred cash payments, over a period not exceeding six years after the date of assessment of the claim, of a value, as of the effective date of the plan, equal to the allowed amount of the claim.

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

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

The Debtor believes that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all of the requirements of Chapter 11, and that the proposal of the Plan is made in good faith.

The Debtor believes that the holders of all claims and equity interests impaired under the Plan will receive payments or distributions under the Plan having a present value as of the Effective Date in amounts not less than the amount that they would receive if the Debtor was liquidated in a case under Chapter 7 of the Bankruptcy Code. At the confirmation hearing, the Bankruptcy Court will determine whether holders of claims and equity interests would receive greater distributions under the Plan, as well as to meet the ongoing financial needs of its business.

### **C. Cramdown**

If any impaired class of claims or equity interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtor if, as to each impaired class that has not accepted the Plan, the Plan “does not discriminate unfairly” and is “fair and equitable.” A plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code if no class that does not accept the Plan receives less than is being received by a class of equal rank.

“Fair and equitable” has different meanings with respect to the treatment of secured and unsecured claims. As set forth in Section 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

#### ***1. Secured Claims***

(a) The plan provides that the holders of the claims retain the liens securing the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of the claims and each holder of a claim of the class will receive on account of the claims and each holder of a claim of the class will receive on account of the claim deferred cash payments totaling at least the allowed amount of the claim, of a value, as of the effective date of the plan, of at least the value of the holder’s interest in the estate’s interest in the property;

(b) The plan provides for the sale, subject to Section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims, free and clear of those liens, with those liens to attach to the proceeds of the sale, and the treatment of the liens on proceeds under the previous or following bullet point of this subparagraph; or

(c) The plan provides for the realization by the holders of the indubitable equivalent of the claims.

**2. Unsecured Claims**

(a) The plan provides that each holder of a claim of the class receive or retain on account of the claim property of a value, as of the effective date of the plan, equal to the allowed amount of the claim; or

(b) The holder of any claim or interest that is junior to the claims of the class will not receive or retain under the plan on account of the junior claim or interest any property.

**3. Interest**

(a) The plan provides that each holder of an interest of the class receive or retain on account of the interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of the interest; or

(b) The holder of any interest that is junior to the class will not receive or retain under the plan on account of the junior interest any property.

If one or more classes of impaired claims and equity interests reject the Plan, the Bankruptcy Court will determine at the confirmation hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any rejecting impaired class of claims or equity interests.

In the Debtor's view, the Plan is confirmable under Section 1129(b) of the Bankruptcy Code, if necessary.

**IX.**

**CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

Due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. The Debtor has not requested a ruling from the IRS (the "IRS") with respect to these matters and no opinion of counsel has been sought or obtained by the Debtor with respect thereto. There can be no assurance that the IRS will not challenge any or all of the tax consequences of the Plan, or that such a challenge, if asserted, would not be sustained. FOR THE FOREGOING REASONS, CREDITORS AND SHAREHOLDERS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES (FOREIGN, FEDERAL, STATE AND LOCAL) TO THEM OF THE PLAN. THE DEBTOR IS NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY HOLDERS OF CLAIMS OR SHAREHOLDERS, NOR IS THE DEBTOR RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX CONSEQUENCES.

**X.**

**CONCLUSION**

All holders of claims against the Debtor are urged to vote to accept the Plan and evidence their acceptance by returning their ballots so that the ballots will be received by 4:00 p.m. on the date as required by order of the Bankruptcy Court.

DATED: February 20, 2013

Respectfully submitted,  
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