

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

<b>IN RE:</b>	§	
	§	
<b>JETSTAR PARTNERS, LTD.,</b>	§	
	§	<b>CASE NO. 12-31444</b>
	§	<b>(Jointly Administered)</b>
	§	
<b>DEBTOR.</b>	§	<b>CHAPTER 11</b>

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**DISCLOSURE STATEMENT REGARDING  
DEBTOR'S PLAN OF REORGANIZATION  
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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Dated: June 5, 2012  
Dallas, Texas

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## I. INTRODUCTION

Jetstar Partners, Ltd. (“Jetstar”), a Texas Limited Partnership, Debtor and Debtor in Possession (the “Debtor”) in the above-captioned chapter 11 Case pending before the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “Bankruptcy Court”), submit this Disclosure Statement Regarding Debtor’s Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the “Disclosure Statement”). This Disclosure Statement is to be used in connection with the solicitation of votes on the Debtor’s Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated June 6, 2012 (the “Plan”). A copy of the Plan is attached hereto as Exhibit “1.” Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed thereto in the Plan (see Article 1 of the Plan entitled “Definitions, Construction and Interpretation”).

## II. NOTICE TO HOLDERS OF CLAIMS

The purpose of this Disclosure Statement is to enable creditors whose Claims are impaired to make an informed decision in exercising their right to vote to accept or reject the Plan.

**THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.**

On \_\_\_\_\_, the Bankruptcy Court entered an order pursuant to section 1125 of the Bankruptcy Code (the “Disclosure Statement Order”) approving this Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor, typical of the solicited Holders of Claims against and Interests in the Debtor, to make an informed judgment with respect to the acceptance or rejection of the Plan. A copy of the Disclosure Statement Order is included in the materials accompanying this Disclosure Statement.

**APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT REGARDING THE FAIRNESS OR MERITS OF THE PLAN.**

Each Holder of a Claim or Interest entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Debtor and its professionals, no person has been authorized to use or promulgate any information concerning the Debtor, its business, or the Plan, other than the information contained herein, in connection with the solicitation of votes to accept or reject the Plan. No Holder of a Claim or Interest entitled to vote on the Plan should rely upon any information relating to the Debtor, its business, or the Plan other than that contained in the Disclosure Statement and the exhibits hereto. Unless otherwise indicated, the sources of all information set forth herein are the Debtor and its professionals.

After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed ballot and returning the same to the address set forth on the ballot, in the enclosed return envelope, so that it will be received by the Debtor's tabulation agent, Cynthia Williams Cole, no later than 5:00 p.m., Central Standard Time, on \_\_\_\_\_.

If you do not vote to accept the Plan, or if you are the Holder of an unimpaired Claim, you may be bound by the Plan if the requisite Holders of Claims accept it. See "Confirmation of the Plan — Solicitation of Votes; Vote Required for Class Acceptance" in section VII(B) below and "Cramdown" in section VII(D).

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:00 P.M., CENTRAL STANDARD TIME, ON \_\_\_\_\_. For detailed voting instructions and the name, address, and phone number of the person you may contact if you have questions regarding the voting procedures, see "Confirmation of the Plan — Solicitation of Votes; Voting Procedures" in section VII(A) below.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the "Confirmation Hearing"), on \_\_\_\_\_, at \_\_\_\_\_, Central Time, in the Bankruptcy Court. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan, be filed and served on or before 4:00 p.m. Central Standard Time on \_\_\_\_\_, in the manner described under the caption, "Confirmation of the Plan — Confirmation Hearing" in section VII(B) below.

THE DEBTOR SUPPORTS CONFIRMATION OF THE PLAN AND URGES ALL HOLDERS OF IMPAIRED CLAIMS TO ACCEPT THE PLAN.

### III. EXPLANATION OF CHAPTER 11

#### A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to chapter 11, the debtor in possession attempts to reorganize its business for the benefit of the debtor, its creditors, and other parties in interest.

The commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In the present chapter 11 cases, the Debtor have remained in possession of their properties and have continued to operate their businesses as Debtor in possession.

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, *inter alia*, for an automatic stay of all attempts to collect prepetition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the Bankruptcy Court, the automatic stay

remains in full force and effect until the effective date of a confirmed plan of reorganization.

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims against and interests in the debtor.

### **B. Plan of Reorganization**

Although referred to as a plan of reorganization, a plan may provide anything from a complex restructuring of a Debtor's business and its related obligations to a simple liquidation of the Debtor's assets. After a plan of reorganization has been filed, the Holders of claims against or interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to Holders of Claims against and Interests in the Debtor to satisfy the requirements of section 1125 of the Bankruptcy Code.

If all classes of claims and equity interests accept a plan of reorganization, the bankruptcy court may nonetheless still not confirm the plan unless the court independently determines that the requirements of section 1129 of the Bankruptcy Code have been satisfied. Section 1129 sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests" test and be "feasible." The "best interests" test generally requires that the value of the consideration to be distributed to the Holders of claims and equity interests under a plan may not be less than those parties would receive if the debtor was liquidated pursuant to a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization.

The Debtor believes that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the "best interests" test and the "feasibility" requirement. The Debtor supports confirmation of the Plan and urge all Holders of impaired Claims to accept the Plan.

Chapter 11 does not require that each Holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the bankruptcy court to confirm the plan. At a minimum, however, the plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting in at least one class of impaired claims under the plan. The Bankruptcy Code also defines acceptance of the plan by a class of equity interests (equity securities) as acceptance by Holders of two-thirds of the number of shares actually voting. In the present case, only the Holders of Claims who actually vote will be counted as either accepting or rejecting the Plan.

In addition, classes of claims or equity interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity or payment in full in cash.

The bankruptcy court may also confirm a plan of reorganization even though fewer than all the classes of impaired claims and interests accept it. For a plan of reorganization to be confirmed despite its rejection by a class of impaired claims or interests, the proponents of the plan must show, among other things, that the plan does not “discriminate unfairly” and that the plan is “fair and equitable” with respect to each impaired class of claims or interests that has not accepted the plan.

Under section 1129(b) of the Bankruptcy Code, a plan is “fair and equitable” as to a class of rejecting claims if, among other things, the plan provides: (a) with respect to secured claims, that each such Holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; and (b) with respect to unsecured claims and equity interests, that the Holder of any claim or equity interest that is junior to the claims or equity interests of such class will not receive or retain on account of such junior claim or equity interest any property at all unless the senior class is paid in full.

A plan does not “discriminate unfairly” against a rejecting class of claims if (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims, and (b) no senior class of claims is to receive more than 100% of the amount of the claims in such class.

The Debtor believes that the Plan has been structured so that it will satisfy these requirements as to any rejecting Class of Claims or Interests, and can therefore be confirmed, if necessary, over the objection of any Classes of Claims or Interests. The Debtor, therefore, reserve the right to request confirmation of the Plan under the “cramdown” provisions of section 1129 of the Bankruptcy Code. See “Cramdown” in section VII(D) below.

#### **IV. OVERVIEW OF THE PLAN**

##### **A. General**

The Plan you are being asked to vote on is attached as Exhibit “1.” You must carefully review the Plan before voting in favor of or against it.

Debtor believes that the Plan provides for: (a) fair and equitable treatment of all classes of Claims that is in the best interest of Creditors of Debtor and is fair and equitable to those Creditors. The Plan provides that the property of Debtor will revert in the Reorganized Debtor on the Effective Date, free and clear of all Claims and Interests except as provided under the Plan. After the Effective Date, the Reorganized Debtor may operate its businesses and buy, use and otherwise acquire and dispose of their properties free of any restrictions contained in the Bankruptcy Code.

The Plan was conceived by Debtor to preserve the greatest value for the Creditors. Debtor believes that reorganization under the Plan is feasible and that the Plan provides for the greatest recoveries for the Creditors of Debtor.

This summary describes certain major elements of this Plan. The remaining sections of this Plan deal with each of these subjects in greater detail. Those sections are controlling, and this summary will not change or be used to construe the other provisions of this Plan.

The categories of Claims and Interests listed below classify Claims and Interests for all purposes, including voting, confirmation and distribution pursuant to this Plan and pursuant to

sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Interest shall be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or otherwise satisfied prior to the Effective Date. The treatment afforded to the Creditors or Interest Holders as set forth hereunder shall be in full satisfaction, settlement, release, and discharge for and in exchange for such Creditors' Claim and such Interest Holders' Interests, respectively.

The Claims (except for Administrative Claims, Priority Tax Claims and claims for debtor-in-possession financing, which are set forth above and which are not required to be classified pursuant to section 1123(a)(i) of the Bankruptcy Code) and Interests against the Debtor are classified as follows:

	<b>Class</b>	<b>Status</b>	<b>Voting Rights</b>
Class 1	Priority Tax Claims	Unimpaired	Not Entitled to Vote
Class 2	Symetra Secured Claim	Impaired	Entitled to Vote
Class 3	Secured Tax Claims	Unimpaired	Not Entitled to Vote
Class 4	Other Secured Claims	Unimpaired	Not Entitled to Vote
Class 5	General Unsecured Claims (Convenience Class)	Impaired	Entitled to Vote
Class 6	General Unsecured Claims	Impaired	Entitled to Vote
Class 7	Interests	Impaired	Entitled to Vote

**B. Classification and Treatment Summary**

The following is a summary of the classification and treatment of Claims and Equity Interests under the Plan. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims and Equity Interests.

THIS IS ONLY A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. THE PLAN INCLUDES OTHER PROVISIONS THAT MAY AFFECT YOUR RIGHTS. YOU ARE URGED TO READ THE PLAN IN ITS ENTIRETY BEFORE VOTING ON THE PLAN.

**1. Unclassified Claims Against the Debtor**

**a. Administrative Claims**

The Holder of any Administrative Claim, other than (a) a Fee Claim, (b) an Allowed Administrative Claim, or (c) a liability incurred and paid in the ordinary course of business by the Debtor must file with the Bankruptcy Court, and serve on all parties required to receive notice thereof, an application for the allowance of such Administrative Claim no later than the Administrative Claims Bar Date. Such application must include at a minimum (a) the name of the Holder of the Claim, (b) the amount of the Claim, and (c) the basis of the Claim. Failure to timely file and serve the application required under this section shall result in the Administrative Claim being forever barred and discharged.

An Administrative Claim with respect to which notice has been timely and properly filed pursuant to the Plan shall become an Allowed Administrative Claim if no objection is filed within sixty (60) days after its filing and service. If an objection is filed within such sixty (60) day period, the Administrative Claim shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order. An Administrative Claim that is a Fee Claim, and with respect to which a Fee Application has been timely and properly filed pursuant to section 3.02 of the Plan, shall become an Allowed Administrative Claim only to the extent allowed by a Final Order.

Each Holder of an Allowed Administrative Claim shall be paid the amount of such Holder's Allowed Administrative Claim in Cash from the Administrative Claims Reserve on or as soon as practicable after the later of the Initial Distribution Date or the Allowance Date, or shall receive such other treatment as agreed upon in writing by the Debtor or the Reorganized Debtor and such Holder; provided, however, that an Administrative Claim representing a liability incurred in the ordinary course of business by the Debtor may be paid in the ordinary course of business by the Debtor or the Reorganized Debtor; and provided, further, that the payment of any Allowed Cure Claim may be made in one payment of Cash within thirty (30) days after the later of the Effective Date or the Allowance Date. All Allowed Fee Claims shall be paid by the Debtor or the Reorganized Debtor from the Administrative Claims Reserve within ten (10) days after such Claim is Allowed by a Final Order.

**b. Fee Claims**

Each Professional who holds or asserts an Administrative Claim that is a Fee Claim for

compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date shall be required to file with the Bankruptcy Court, and shall serve on all parties required to receive notice, a Fee Application within sixty (60) days after the Effective Date. Objections to Fee Applications must be filed within sixty (60) days after the filing and service of the Fee Application. Failure to timely file a Fee Application as required under the Plan shall result in the Fee Claim being forever barred and discharged.

c. Allowed Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim shall be paid the Allowed amount of such Claim pursuant to (a) the provisions of section 1129(a)(9)(C) of the Bankruptcy Code in equal annual installments commencing on the first anniversary of the later of the Effective Date or the Allowance Date, with the final payment of the unpaid balance thereof to be made on the sixth anniversary of the date of assessment of the tax, together with interest thereon at the prevailing interest rate for United States Treasury Bills maturing on January 31, 2012 as published in the Wall Street Journal on the Effective Date, or (b) such other terms as the Holder of such Claim and the Debtor or the Reorganized Debtor may agree; provided, however, that the Reorganized Debtor shall have the right to pay any Allowed Priority Tax Claim, or any unpaid balance of such Claim, in full, at any time after the Effective Date, without premium or penalty.

d. United States Trustee Fees

The Reorganized Debtor shall be responsible for timely payment of United States Trustee quarterly fees incurred pursuant to 28 U.S.C. § 1930(a)(6). Any fees due as of the Confirmation Date will be paid in full on the Effective Date. After the Confirmation Date, the Reorganized Debtor shall pay United States Trustee quarterly fees as they accrue until this case is closed by the Bankruptcy Court. The Reorganized Debtor shall file with the Bankruptcy Court and serve on the United States Trustee a quarterly financial report for each quarter (or portion thereof) that the case remains open in a format prescribed by the United States Trustee.

**2. Classified Claims and Interests**

The following tables summarize the classification and treatment of the Claims against and Interests in the Debtor, an estimate of the numbers and amounts of Claims in each class, and the impaired or unimpaired nature of each class:

a. Summary of Classified Claims and Interests

UNLESS OTHERWISE NOTED, THE DEBTOR'S ESTIMATES OF THE NUMBER AND AMOUNT OF CLAIMS IN EACH CLASS SET FORTH IN THE TABLE BELOW INCLUDES ALL CLAIMS ASSERTED AGAINST THE DEBTOR WITHOUT REGARD TO THE VALIDITY OR TIMELINESS OF THE FILING OF THE CLAIMS. THUS, BY INCLUDING ANY CLAIM IN THE ESTIMATES SET FORTH BELOW, THE DEBTOR IS NOT WAIVING THEIR RIGHTS TO OBJECT TO ANY CLAIM ON OR BEFORE THE OBJECTION DEADLINE ESTABLISHED BY THE PLAN. PAYMENTS RECEIVED BY NON-INSIDER CREDITORS WITHIN NINETY (90) DAYS PRIOR TO THE PETITION DATE AND BY INSIDER CREDITORS WITHIN ONE YEAR PRIOR TO THE PETITION DATE ARE LISTED IN THE DEBTOR'S SCHEDULES ON FILE WITH THE COURT. A COPY OF THE SCHEDULES IS AVAILABLE FOR EXAMINATION ON PACER OR BY

WRITTEN REQUEST SENT TO THE DEBTOR’S COUNSEL.

	<b>Class</b>	<b>Treatment</b>
<p>Class 1</p> <p>Debtor’s Estimate of Allowed Claims: Minimal, If Any</p>	<p>Priority Tax Claims</p>	<p>Unimpaired.</p> <p>All Allowed Other Priority Claims shall be paid by the Reorganized Debtor either (a) in full, in cash, on or as soon as practicable after the Initial Distribution Date, or (b) upon such terms as may be agreed to in writing by the Holder of such Claim and the Debtor or the Reorganized Debtor.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
<p>Class 2</p> <p>Debtor’s Estimate of Allowed Claims: 7,612,047.06</p>	<p>Symetra Secured Claim</p>	<p>Impaired</p> <p>The Holder of the Symetra Secured Claim will be paid the full amount of the Allowed Symetra Secured Claim within thirty (30) days of the closing of the sale of the real property securing the Symetra Secured Claim. Within thirty (30) days of the Effective Date, the Reorganized Debtor shall commence the process of replatting its real property so that it may be sold in parcels or as a whole. The Reorganized Debtor shall aggressively market its real property for sale for 120 days following the Effective Date or until an appropriate purchaser is located. Not later than the 150<sup>th</sup> day after the Effective Date, the Reorganized Debtor shall complete negotiations with the purchaser of its real property. Within 180 days of the Effective Date, the Reorganized Debtor shall close the sale of its real property. At any point in the sale process, the Reorganized Debtor may sell a portion or all of its real property with a pro rata share of the proceeds of the sale being paid within thirty (30) days of the closing of the sale to Symetra.</p> <p>Estimated Recovery: 100% of Allowed Secured Claim Paid Over Time</p>
<p>Class 3</p> <p>Debtor’s Estimate of Allowed Claims: 206,763</p>	<p>Secured Tax Claims</p>	<p>Unimpaired.</p> <p>On or as soon as practicable after the Initial Distribution Date, each Holder of an Allowed Secured Tax Claim, in full satisfaction, settlement, release and discharge of each such Claim, shall receive, at the Reorganized Debtor’s option, either (i) payment in Cash in an amount equivalent to the full amount of such Holder’s Allowed Secured Tax Claim; (ii) deferred Cash payments over a period of five (5) years after the Initial Distribution Date totaling the amount of such Holder’s Allowed Secured Tax Claim, with interest payable at the prevailing interest rate for United States Treasury Bills maturing on January 31, 2011 as published in the Wall Street Journal on the Effective Date; or (iii) such other treatment as may be agreed to in writing by such Holder and the Debtor or the Reorganized Debtor.</p>

	<b>Class</b>	<b>Treatment</b>
		Estimated Recovery: 100% of Allowed Claim, But Potentially Paid Over Time
Class 4  Debtor's Estimate of Allowed Claims: Minimal, If Any	Other Secured Claims	<p>Unimpaired.</p> <p>Class 4 Claims against the Debtor shall contain separate subclasses for each Other Secured Claim. Each subclass is deemed to be a separate class for all purposes under the Bankruptcy Code. On the Initial Distribution Date, each Holder of an Allowed Other Secured Claim, in full satisfaction, settlement, release and discharge of such Claim, shall receive, at the Reorganized Debtor's option, (i) the return of the Collateral securing such Allowed Other Secured Claim in full satisfaction of such Claim; (ii) payment in Cash in an amount equivalent to the lesser of (a) the value of such Collateral or (b) the full amount of the Allowed Other Secured Claim; or (iii) such other treatment as may be agreed to in writing by such Holder of the Allowed Other Secured Claim and the relevant Debtor(s) or the Reorganized Debtor. In the event that any such Allowed Other Secured Claim exceeds the value of the Collateral, any such excess (exclusive of any post-petition interest, fees or other charges Allowed by a Final Order as part of that Allowed Secured Claim) shall constitute a General Unsecured Claim for purposes of the Plan, unless the Holder of such Claim has elected treatment pursuant to section 1111(b) of the Bankruptcy Code and in accordance with Bankruptcy Rule 3014.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
Class 5  Debtor's Estimate of Allowed Claims: 41,999	General Unsecured Claims (Convenience Class)	<p>Impaired</p> <p>Holders of Allowed General Unsecured Claims (Convenience Class), after the later of the Initial Distribution Date or the Allowance Date, shall receive payment in Cash in an amount equivalent to eighty percent of the full amount of such Holder's Allowed General Unsecured Claim.</p> <p>Estimated Recovery: 80% of Allowed Claim</p>
Class 6	General Unsecured Claims	<p>Impaired</p> <p>The Holders of General Unsecured Claims shall be paid 10% of the Allowed amount of its Claim over time at an interest rate that shall not exceed the 5% and the monthly payment of principal and interest not exceeding \$1000.</p> <p>Estimated Recovery: 10% of Allowed Claim, But Paid Over Time</p>
Class 7	Equity Interest	<p>Impaired</p> <p>As of the Effective Date, all Interests in the Debtor will be retained, and the Holders of such Interests will retain any property on account of such Interests. These classes are unimpaired under the Plan.</p>

**C. Means of Implementation of the Plan**

**1. Distributions**

The Reorganized Debtor will make all distributions required under the Plan, subject to the provisions of the Plan.

**2. Claims Objections/Resolution**

Notwithstanding any provision herein to the contrary, the Reorganized Debtor shall make Distributions only to Holders of Allowed Claims. Except as specifically provided in section 13.01 of the Plan, a Holder of a Disputed Claim will receive a Distribution based only on that portion of the Claim which is not Disputed. Distribution on the Disputed portion of the Claim will be made if and to the extent that the Disputed Claim becomes an Allowed Claim. The Reorganized Debtor, in their sole discretion, may withhold Distributions otherwise due hereunder to the Holder of a Claim until the Objection Deadline, to enable the Reorganized Debtor to file a timely objection thereto. Any Holder of a Disputed Claim that becomes an Allowed Claim after the Initial Distribution Date will receive its Distributions accruing before the Allowance Date, without postpetition interest (except as otherwise expressly provided in the Plan), as soon as practicable after the Allowance Date in accordance with the provisions of the Plan.

The Debtor and the Reorganized Debtor will have the sole authority to object to and contest the allowance of any Claims filed with the Bankruptcy Court. The Debtor and the Reorganized Debtor will use their best efforts to prosecute objections to Claims as warranted. All objections to Claims must be filed by the Objection Deadline, which shall be sixty (60) days after the Effective Date. When the Debtor or the Reorganized Debtor file an objection to a Claim, the Claim will become a Disputed Claim. Disputed Claims may become Allowed Claims by entry of a Final Order allowing the Claim in whole or in part.

**3. Assertion of Estate Actions, Defenses and Counterclaims**

Except as otherwise provided in the Plan, the Confirmation Order, or in any contract, instrument, release or other agreement entered into in connection with the Plan, in accordance with section 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtor shall retain and may exclusively prosecute, settle, or compromise any Estate Action. The Reorganized Debtor shall also retain and may prosecute and enforce all defenses, counterclaims, and rights against or with respect to all Claims asserted against the Debtor, the Reorganized Debtor, or the Estates. Notwithstanding the foregoing, the Debtor has performed a determined that no transfers were made to Insiders of the Debtor within the year prior to the Petition Date other than payments for salary and expense reimbursements. The Debtor does not believe that there are any significant preference claims arising under Bankruptcy Code section 547 to which there are no defenses that are economical to pursue and have thus determined to waive all preference claims under the Plan, and neither the Debtor nor the Reorganized Debtor shall assert or prosecute such claims except as a defense to any Claim or a setoff asserted by any Claimant.

**4. Sources of Cash**

The Reorganized Debtor will continue to operate using the funds generated from its leases. No exit financing will be obtained.

**5. Revesting of Assets**

Except as otherwise provided in the Plan, the property and assets of the Debtor's Estates under section 541 of the Bankruptcy Code will revest in the Reorganized Debtor on the Effective Date free and clear of all Claims and Interests, but subject to the obligations of the Reorganized Debtor as set forth in the Plan and the Confirmation Order. Commencing on the Effective Date, the Reorganized Debtor may deal with its assets and property and conduct its business without any supervision by, or permission from, 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 Case.

**6. Management of the Reorganized Debtor.**

The Debtor's current partners are listed in the Statement of Financial Affairs. The partners of the Reorganized Debtor shall remain the same on the Effective Date. All decisions regarding continued operations of the Debtor will be made by the partners of the Debtor.

**D. Effect of Confirmation of Plan**

**1. Discharge of Debtor**

All consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims against and Interests in the Debtor of any nature whatsoever or against any of the Debtor's assets or properties.

**2. Release**

The Debtor, the Reorganized Debtor, and any of such parties' respective present or former members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, investment bankers, or agents, and any of such parties' successors and assigns (the "Released Parties") shall not have or incur, and are hereby released from, any claim, obligation, cause of action, or liability to one another, to any Claim Holder or Interest Holder, to any other party in interest, or to any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or to any of their successors or assigns, for any prepetition or post-petition act or omission through and including the Effective Date in connection with, relating to, or arising out of the Debtor's business, the Case, the formulation, preparation, dissemination, approval, confirmation, administration, or consummation of the Plan, the Disclosure Statement, or the property to be distributed under the Plan, except for any act or omission to the extent such act or omission is determined in a Final Order to have constituted willful misconduct or gross negligence, and in all respects the Released Parties shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan or in connection with the Debtor's business.

Notwithstanding any other provision of this Plan, no Holder of a Claim or Interest, no other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, and no successors or assigns of the foregoing, shall have any right of action against the Released Parties for any prepetition or post-petition act or omission through and including the Effective Date in connection with, relating to, or arising out of the Debtor's business, the Case, the formulation, preparation, dissemination, approval, confirmation, administration, or consummation of the Plan or the Disclosure Statement, except for any act or

omission to the extent such act or omission is determined in a Final Order to have constituted willful misconduct or gross negligence.

### **3. Injunction**

The satisfaction, releases, and discharge pursuant to the Plan shall also act as an injunction against any Person commencing or continuing any action, employment of process, or act to collect or recover any Claim or cause of action against the Debtor or the Reorganized Debtor satisfied, released, or discharged under the Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof.

#### **E. Retention of Jurisdiction**

Until the Case is closed, the Bankruptcy Court will retain the jurisdiction as is legally permissible under applicable law, including under sections 105(a) and 1142 of the Bankruptcy Code, including that necessary to ensure that the purpose and intent of the Plan are carried out and to hear and determine all Claims and Interests and objections thereto that could have been brought before the entry of the Confirmation Order. The Bankruptcy Court will retain jurisdiction to hear and determine all Claims against and Interests in the Debtor and to enforce all causes of action that may exist on behalf of Debtor, over which the Bankruptcy Court otherwise has jurisdiction.

#### **F. Modification or Revocation of Plan**

The Debtor reserves the right to modify the Plan either before or after Confirmation to the fullest extent permitted under section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, including but not limited to modifications necessary to negotiate the resolution of an objection to Confirmation of the Plan. The Debtor may withdraw the Plan at any time before the Confirmation Date, or thereafter prior to the Effective Date. The Plan may be amended by the Debtor before or after the Effective Date as provided in section 1127 of the Bankruptcy Code.

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

##### **1. General Treatment; Rejected if Not Assumed**

The Plan constitutes and incorporates a motion by the Debtor to reject, as of the Effective Date, all prepetition executory contracts and unexpired leases to which any of the Debtor is a party, except for executory contracts or unexpired leases that have been assumed or rejected pursuant to Final Order of the Bankruptcy Court or are designated in a Plan Document filed no later than \_\_\_\_\_ that lists the executory contracts and unexpired leases that the Debtor intends to assume and sets forth the cure amounts as to any lease or contract to be assumed.

##### **2. Cure Payments and Release of Liability**

All Allowed Cure Claims that may be required by section 365(b)(1) of the Bankruptcy Code under any executory contract or unexpired lease that is assumed under the Plan or pursuant to a prior Final Order of the Bankruptcy Court shall be made in accordance with section 8.02 of the Plan. To the extent that a party to an assumed executory contract or unexpired lease has not filed an appropriate pleading with the Bankruptcy Court on or before the thirtieth (30th) day after the Effective Date disputing the amount of any Cure Claim offered to it, disputing the cure of

any other defaults, disputing the promptness of the Cure Claim payments, or disputing the provisions of adequate assurance of future performance, then such party shall be deemed to have waived its right to dispute such matters. The Debtor does not anticipate payment of any Cure Claims.

### **3. Bar to Rejection Damages**

If the rejection of an executory contract or an unexpired lease by the Debtor results in damages to the other party or parties to such contract or lease, a Claim for such damages shall be forever barred and shall not be enforceable against the Debtor, the Reorganized Debtor or their respective properties or agents, successors, or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon the Reorganized Debtor by the earlier of (a) thirty (30) days after the Effective Date or (b) such other deadline as the Bankruptcy Court may set for asserting a Claim for such damages.

### **4. Rejection Claims**

Any Claim arising from the rejection of an unexpired lease or executory contract shall be treated as a General Unsecured Claim pursuant to the Plan, except as limited by the provisions of sections 502(b)(6) and 502(b)(7) of the Bankruptcy Code and state law mitigation requirements. Nothing contained herein shall be deemed an admission by the Debtor that such rejection gives rise to or results in a Claim or shall be deemed a waiver by the Debtor of any objections to such Claim if asserted.

## **H. Indemnification of Current and Former Partners**

The obligations of any Debtor to indemnify any of the Current Partners, whether under a Debtor's governing documents, any agreement, law or regulation, or otherwise, will be assumed by the Reorganized Debtor and will continue after the Confirmation Date and be the obligations of that Reorganized Debtor.

**THIS IS ONLY A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. THE PLAN INCLUDES OTHER PROVISIONS THAT MAY AFFECT YOUR RIGHTS. YOU ARE URGED TO READ THE PLAN IN ITS ENTIRETY BEFORE VOTING ON THE PLAN.**

## **V. THE CHAPTER 11 CASE**

### **A. Factors Leading to Chapter 11 Filing**

The Debtor was formed on October 14, 1999, for the purpose of owning and developing real property in Dallas County, Texas. The Debtor owns and operates certain real property in Irving, Dallas County, Texas (the "Property"). To finance the development of the Property, Symetra Life Insurance Company, formerly known as SAFECO Life Insurance Company ("Symetra"), a Washington corporation, loaned the Debtor \$8,460,000.00 as evidenced by a Real Estate Note dated December 8, 2006, (as amended and/or modified, the "Note").

Collinternational IV, Inc., a Texas corporation, is the sole general partner of the Debtor.

The Property is a business office park consisting of five buildings leased by various tenants. The Property is currently sixty-eight percent leased and occupied with monthly collection of rental income totaling \$47,459.02. Rental income is sufficient to fund daily operations and maintenance but is insufficient to service the Symetra debt.

Pursuant to the Note, all unpaid principal and interest was due and payable in full on January 1, 2012 (the "Maturity Date"). The Debtor has attempted to negotiate an out-of-court restructure of the Note with Symetra without success. The Property has value that can be best realized outside of foreclosure. The Debtor intends to utilize the protections offered by the Bankruptcy Code to sell the Property in a single transaction or, alternatively, to multiple purchasers.

**B. Pre-Petition Capital Structure of the Debtor**

**1. Secured Claims Symetra**

Symetra alleges to be the current owner and holder of the Note for the purported original amount of \$8,460,000.00. To secure the Note, Symetra proclaims to be the beneficiary under a Deed of Trust. Symetra further alleges to be secured by an Assignment of Leases and Rents, and a Security Agreement and Fixture Filing.<sup>1</sup>

**2. Unsecured Claims**

The Debtor also owes approximately \$60,000 in unsecured obligations to approximately 20 vendors.

**VI. THE CHAPTER 11 CASE**

**B. Commencement of the Chapter 11 Case**

On March 5, 2012, (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). Pursuant to section 1107(a) and 1108 of the Bankruptcy Code, the Debtor continues to operate its business and manage its properties, affairs and assets as Debtor-in-possession.

**C. Significant Events Since Commencement of Chapter 11 Case**

**1. Continuation of Debtor's Business**

Since the filing of the chapter 11 Case, the Debtor has continued to operate its business and manage its properties as Debtor in possession. The Debtor's financial performance has remained stable during the pendency of the chapter 11 Case.

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<sup>1</sup> Information about the Note and any alleged indebtedness to Symetra is included for informational purposes only and is not an admission by the Debtor as to the validity of the Note.

**2. Stay of Litigation**

An immediate effect of the filing of a bankruptcy case is the imposition of the automatic stay under the Bankruptcy Code, which, with limited exceptions, enjoins the commencement or continuation of all litigation against the Debtor. This injunction will remain in effect until the Effective Date unless otherwise modified by the order of the Bankruptcy Court.

**3. First Day Motions**

Pleadings filed on or about the Petition Date included a Motion for Emergency, Interim and Permanent Use of Cash Collateral pursuant to Bankruptcy Code Section 363(c) and Federal Rule of Bankruptcy Procedure 4001(b) (the “Cash Collateral Motion”) (collectively, the “First Day Motions”).

The Bankruptcy Court entered Orders granting the requested in the First Day Motions on an interim or final basis. The Debtor’s Schedules and Statements of Financial Affairs were filed on March 20, 2012.

**4. Retention of Debtor’s Professionals**

*Reorganization Counsel.* Debtor filed an Application to Employ Bell Nunnally & Martin LLP (“BNM”). The Bankruptcy Court entered an Order authorizing the Debtor to engage BNM as reorganization counsel in Debtor’s chapter 11 Case.

**VII. CONFIRMATION OF THE PLAN**

**A. Solicitation of Votes; Voting Procedures**

**1. Ballots and Voting Deadlines**

A ballot to be used for voting to accept or reject the Plan, together with a return envelope, is enclosed with all copies of this Disclosure Statement mailed to all Holders of Claims entitled to vote.

BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE INSTRUCTION SHEET THAT ACCOMPANIES THE BALLOT.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than 5:00 p.m., Central Time, on \_\_\_\_\_, at the following address:

Bell Nunnally & Martin, LLP  
Attention: Cynthia Williams Cole  
3232 McKinney Avenue, Suite 1400  
Dallas, Texas 75204  
Facsimile 214-740-5736

YOUR BALLOT MAY NOT BE COUNTED IF IT IS RECEIVED AT THE ABOVE ADDRESS AFTER 5:00 P.M., CENTRAL TIME, ON \_\_\_\_\_.

## 2. **Parties in Interest Entitled to Vote**

Any Holder of a Claim against or Interest in the Debtor at the date on which the Disclosure Statement Order is approved and entered whose Claim or Interest has not previously been disallowed by the Bankruptcy Court is entitled to vote to accept or reject the Plan, if such Claim or Interest is impaired under the Plan and either (i) such Holder's Claim or Interest has been scheduled by the Debtor (and such Claim or Interest is not scheduled as disputed, contingent, or unliquidated) or (ii) such Holder has filed a proof of claim or proof of interest on or before \_\_\_\_\_, the last date set by the Bankruptcy Court for such filings. Any Claim or Interest as to which an objection has been filed is not entitled to vote, unless the Bankruptcy Court, upon application of the Holder to whose Claim or Interest an objection has been made, temporarily allows such Claim or Interest in an amount that it deems proper for the purpose of accepting or rejecting the Plan. Any such application must be heard and determined by the Bankruptcy Court on or before commencement of the Confirmation Hearing. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

## 3. **Definition of Impairment**

As set forth in section 1124 of the Bankruptcy Code, a class of claims or equity interests is impaired under a plan of reorganization unless, with respect to each claim or equity interest of such class, the plan:

(a) leaves unaltered the legal, equitable, and contractual rights of the Holder of such claim or equity interest; or

(b) notwithstanding any contractual provision or applicable law that entitles the Holder of a claim or equity interest to demand or receive accelerated payment of such claim or equity interest after the occurrence of a default:

(i) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code;

(ii) reinstates the maturity of such claim or interest as it existed before such default;

(iii) compensates the Holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; and

(iv) does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the Holder of such claim or interest.

## 4. **Impaired Classes Under the Plan**

Class 2, 5, and 6 Claims against the Debtor are impaired under this Plan and the Holders of those Claims are entitled to vote to accept or reject this Plan.

## 5. **Unimpaired Classes Under the Plan**

Class 1, 3 and 4 Claims against the Debtor are not impaired under this Plan and the Holders of those Claims are conclusively presumed to have accepted this Plan under section

1126(f) of the Bankruptcy Code.

**6. Interests**

The Holders of Class 7 Interests in the Debtor will retain their equity interest pursuant to the terms of the plan, and such Holders are entitled to vote to accept or reject this Plan.

**7. 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 dollar amount, and more than one-half in number, of the claims of that class which actually cast ballots for acceptance or rejection of the Plan. Thus, class acceptance takes place only if at least two-thirds in amount and a majority in number of the Holders of claims voting cast their ballots in favor of acceptance.

The Bankruptcy Code defines acceptance of a plan by a class of equity interests as acceptance by Holders of at least two-thirds in amount of the equity interests of that class that actually cast ballots for acceptance or rejection of the plan. Thus, class acceptance takes place only if at least two-thirds in amount of the Holders of equity interests voting cast their ballots in favor of acceptance.

**B. Confirmation Hearing**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, the Confirmation Hearing has been scheduled for \_\_\_\_\_, at \_\_\_\_\_, Central Time, in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division. The Bankruptcy Court may adjourn the Confirmation Hearing from time to time 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 with the Bankruptcy Court on or before 4:00 p.m. Central Standard Time on \_\_\_\_\_.

In addition, any such objection must be served upon and received by the following parties, together with proof of service, no later than 4:00 Central Time on \_\_\_\_\_:

Cynthia Williams Cole  
Bell Nunnally & Martin LLP  
3232 McKinney Avenue, Suite 1400  
Dallas, Texas 75204

Bankruptcy Rule 9014 governs objections to confirmation of the Plan. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, THE BANKRUPTCY COURT MAY NOT CONSIDER IT.

**C. Requirements For Confirmation of a Plan**

At the Confirmation Hearing, the Bankruptcy Court must determine whether the

Bankruptcy Code's requirements for confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. As set forth in section 1129 of the Bankruptcy Code, these requirements are as follows:

1. The plan complies with the applicable provisions of the Bankruptcy Code.
2. The proponents of the plan complied with the applicable provisions of the Bankruptcy Code.
3. The plan has been proposed in good faith and not by any means forbidden by law.
4. Any payment made or promised by the Debtor, by the plan proponents, 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 Bankruptcy Court as reasonable.
5.
  - (a)
    - (i) 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; and
    - (ii) the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security Holders and with public policy; and
  - (b) the proponent of the plan has disclosed the identity of any insider that will be employed or retained by the reorganized Debtor, and the nature of any compensation for such insider.
6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.
7. With respect to each impaired class of claims or interests:
  - (a) each Holder of a claim or interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such Holder would so receive or retain if the Debtor was liquidated on such date under chapter 7 of the Bankruptcy Code on such date; or
  - (b) if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the Holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such Holder's interest in the estate's interest in the property that secures such claims.
8. With respect to each class of claims or interests:
  - (a) such class has accepted the plan; or
  - (b) such class is not impaired under the plan.

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

(a) with respect to a claim of a kind specified in section 507(a)(1) or 507(a)(2) of the Bankruptcy Code, on the effective date of the plan, the Holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(b) with respect to a class of claims of a kind specified in section 507(a)(3), 507(a)(4), 507(a)(5) or 507(a)(6) of the Bankruptcy Code, each Holder of a claim of such class will receive:

(i) if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(ii) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim; and

(c) with respect to a claim of a kind specified in section 507(a)(7) of the Bankruptcy Code, the Holder of a claim will receive on account of such claim deferred cash payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the effective date of the plan, equal to the allowed amount of such claim.

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

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

12. All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payments of all such fees on the effective date of the plan.

13. The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114, at any time prior to confirmation of the plan, for the duration of the period the Debtor has obligated itself to provide such benefits.

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

The Debtor believes that Holders of all Allowed Claims impaired under the Plan will receive payments under the Plan having a present value as of the Effective Date not less than the amounts likely to be received if the 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 Allowed Claims or Interests would receive greater distributions under the Plan than

they would receive in liquidation under chapter 7.

The Debtor also believes that the feasibility requirement for confirmation of the Plan is satisfied by the fact that the Debtor's future operating revenues will be sufficient to satisfy the Debtor's obligations under the Plan in addition to supporting sustainable growth of the enterprise. These facts and others demonstrating the confirmability of the Plan will be shown at the Confirmation Hearing.

#### **D. Cramdown**

In the event that any impaired Class of Claims 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 which has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to that Class. A plan of reorganization "does not discriminate unfairly" within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its claims or equity interests.

"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. With respect to a class of *secured claims*, the plan provides:

(a) (i) that the Holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the Debtor or transferred to another entity, to the extent of the allowed amount of such claims; and

(ii) that each Holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such Holder's interest in the estate's interest in such property;

(b) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) and (b) of this subparagraph; or

(c) the realization by such Holders of the "indubitable equivalent" of such claims.

2. With respect to a class of *unsecured claims*, the plan provides:

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

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

3. With respect to a class of *equity interests*, the plan provides:

(a) that each Holder of an interest of such class receive or retain on account of such 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 such Holder is entitled, any fixed redemption price to which such Holder is entitled or the value of such interest; or

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

In the event that one or more Classes of impaired Claims or 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 Interests. For the reasons set forth above, the Debtor believe the Plan does not discriminate unfairly against, and is fair and equitable with respect to, each impaired Class of Claims and Interests.

### **VIII. RISK FACTORS**

The following is intended as a summary of certain risks associated with the Plan, but it is not exhaustive and must be supplemented by the analysis and evaluation made by each Holder of a Claim or Interest of the Plan and this Disclosure Statement as a whole with such Holder's own advisors.

#### **A. Insufficient Acceptances**

For the Plan to be confirmed, each impaired Class of Claims is given the opportunity to vote to accept or reject the Plan. With regard to such impaired voting Classes, the Plan will be deemed accepted by a Class of impaired Claims if the Plan is accepted by claimants of such Class actually voting on the Plan who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Allowed Claims of the Class voted. In addition, the Plan will be deemed accepted by an impaired Class of Interests if at least two-thirds (2/3) of the Holders of Interests in such Class cast ballots voting to accept the Plan. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. The Debtor reserve the right to request confirmation pursuant to the cramdown provisions in section 1129(b) of the Bankruptcy Code, which will allow confirmation of the Plan regardless of the fact that a particular Class of Claims or Interests has not accepted the Plan. However, there can be no assurance that any impaired Class of Claims under the Plan will accept the Plan or that the Debtor would be able to use the cramdown provisions of the Bankruptcy Code for confirmation of the Plan.

#### **B. Confirmation Risks**

The following specific risks exist with respect to confirmation of the Plan:

1. Any objection to confirmation of the Plan filed by a member of a Class of Claims or Interests can either prevent confirmation of the Plan or delay confirmation for a significant period of time.
2. If the Debtor must seek confirmation of the Plan over the rejection of one or more impaired Classes of Claims, the cramdown process could delay confirmation.
3. Prior to Plan confirmation, the Debtor need to obtain satisfactory exit financing to ensure the feasibility of the Plan.

**C. Conditions Precedent**

Confirmation of the Plan and occurrence of the Effective Date are subject to certain conditions precedent that may never occur. The Debtor, however, is working diligently with all parties in interest to ensure that all conditions precedent are satisfied.

**IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

The Debtor has evaluated other reorganization alternatives to the Plan, including the liquidation of the Debtor and a sale of the Debtor's assets. After studying these alternatives, the Debtor has concluded that the Plan is the best alternative and will maximize recoveries by Holders of Claims, assuming confirmation of the Plan and consummation of the transactions contemplated by the Plan. The following discussion provides a summary of the Debtor's analysis leading to its conclusion that the Plan will provide the highest value to Holders of Claims.

**A. Liquidation Alternative**

The Debtor and its financial advisors have analyzed whether a chapter 7 liquidation of the assets of the Debtor would be in the best interest of Holders of Claims and Equity Interests (the "Liquidation Analysis"). The liquidation value of the Debtor's assets is substantially lower than the value that may be realized through the Plan. The Debtor believes that liquidation would result in substantial diminution in the value to be realized by Holders of Claims because of (i) the failure to realize the greater going-concern value of the Debtor's assets; (ii) additional administrative expenses involved in the appointment of a trustee or trustees, attorneys, accountants, and other professionals to assist such trustee(s) in a chapter 7 proceeding; (iii) additional expenses and claims, some of which would be entitled to priority in payments, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtor's operations; and (iv) the substantial time which would elapse before Creditors would receive any distribution in respect of their Claims. Consequently, the Debtor believes that the Plan, which provides for the continuation of the Debtor's business, provides a substantially greater return to Holders of Claims than would liquidation.

**CONCLUSION**

The Debtor urges Holders of Claims to vote to **ACCEPT** the Plan and to evidence such acceptance by returning their ballots so that they will be received by 5:00 p.m., Central Time, on

\_\_\_\_\_.

Dated: \_\_\_\_\_

By: \_\_\_\_\_