

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

IN RE: §
LBJ LAKEFRONT, INC. § CASE NO. 10-10023-CAG
(Debtor) § (Chapter 11)

DEBTOR'S AMENDED DISCLOSURE STATEMENT

NOTICE:

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE COURT UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE CHAPTER 11 PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN, THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE.

Dated: March 26, 2010

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I. INTRODUCTION

This Disclosure Statement (“Disclosure Statement”) is submitted by LBJ Lakefront, Inc. (“Debtor”), debtor-in-possession in the above-referenced chapter 11 case, in connection with Debtor’s First Amended Plan of Reorganization, dated March 26, 2010 (the “Plan”) filed with the Court, a copy of which is attached hereto as Exhibit A.

A. Purpose of the Disclosure Statement

Pursuant to the terms of Chapter 11 of the United States Bankruptcy Code (the “Code”), a plan proponent may not solicit support of a plan, unless at the time of, or prior to solicitation there is transmitted to the holders of claims and interests: (i) a copy of summary of the Plan, and (ii) a written disclosure statement which has been approved by the Court as containing information of the kind, and in sufficient detail, to enable a typical creditor to make an informed judgment in whether to vote to accept or reject the Plan.

In providing this Disclosure Statement to parties-in-interest, the Plan Proponent expressly seeks to enable such parties to make an informed judgment on whether to approve or reject the Plan. This Disclosure Statement contains a summary of the Plan, general information about the Debtor and its Chapter 11 Case and financial information concerning the Debtor’s current and future business operations based on the sources and information identified in C below.

B. Construction

Except where otherwise required by the context of this Disclosure Statement, and any subsequent amendments or modifications hereof, capitalized terms used but not defined herein shall have the meanings set forth in the Plan or the Bankruptcy Code. The terms of the Plan govern in the event of any inconsistency with the summaries in the Disclosure Statement. All exhibits to the Disclosure Statement are incorporated into and are a part of this Disclosure Statement as if set forth in full herein.

C. Source of Information

The information contained herein has been from the information available to the Debtor and contained in the record of this Court as filed by the Debtor, including (1) the Debtor’s Schedules and Statement of Financial Affairs, and (2) other pleadings.

D. Voting Procedure

Creditors holding Allowed Claims, as that term is defined in the Plan, are entitled to vote to accept or reject the Plan. In voting to accept or reject the Plan, creditors and parties in interest will be requested to fill out only the Official Ballot as approved by the Court. All ballots must be received by Debtor’s counsel at the address below by a date to be fixed by the Court. Unless the Court orders otherwise, no vote received after such date will be counted in determining whether the Plan should be confirmed. Notice of the deadline for submitting ballots will be given. Additionally, once a ballot has been submitted it cannot be withdrawn or modified except as provided under the Bankruptcy Code and/or Federal Rules of Bankruptcy Procedure.

Even though a creditor may abstain from voting or vote to reject the Plan, all creditors will be bound by the terms and treatment set forth in the Plan, if the Plan is accepted by the requisite majority in each class of creditors and/or is confirmed by the Court. Allowance of a claim or interest for voting purposes does not necessarily mean that the claim will be allowed for purposes of distribution under the Plan. All holders of Allowed Claims and Interests who are entitled to vote are therefore urged to complete, sign, and promptly mail the ballot to:

Hohmann, Taube & Summers, L.L.P.
Attn: LBJ Lakefront Plan Tabulation
100 Congress Ave., 18th Floor
Austin, TX 78701
Phone: (512) 472-5997
Fax: (512) 472-5497

ALL OBJECTIONS TO THE CONFIRMATION OF THE PLAN MUST BE FILED WITH THE COURT AND SERVED ON DEBTOR'S COUNSEL, AND ALL BALLOTS MUST BE RECEIVED BY DEBTOR'S COUNSEL, BY 5:00 p.m. CST ON APRIL 19, 2010.

In order for the Plan to be deemed accepted by a class of creditors, at least two-thirds (2/3rds) in dollar amount and more than one-half (1/2) in total number of Allowed Claims of the creditors in such class who actually cast votes on the Plan must accept the Plan. Under certain limited circumstances, as described in § 1129(b) of the Code, the Court may confirm the Plan notwithstanding the rejection thereof by more than one-third (1/3rd) in the amount or one-half (1/2) in number of creditors voting on the Plan in any given class. Debtor hereby notifies all creditors that it intends to seek confirmation under § 1129(b) of the Code in the event that any class of creditors is deemed to reject the Plan.

E. Confirmation Hearing

The Court has set a hearing to determine whether or not the Plan has been accepted by the requisite number of holders of claims and interests and whether or not all other confirmation requirements have been satisfied. The hearing shall be held before the Honorable Craig A. Gargotta, United States Bankruptcy Judge at Austin Courtroom 1, Homer Thornberry Judicial Building, 903 San Jacinto, Austin, Texas 78701 (the "Confirmation Hearing") on April 28, 2010 at 9:00a.m. The Confirmation Hearing may be adjourned from time to time without further written notice to parties other than an announcement in open court. Any objection to confirmation must be made in writing and specify in detail the name and address of the objecting party, all grounds for objection, and the amount of the claim against or a description of the interest in the Debtor held by the objecting party.

Any such objections must be filed with the Court, and served on all parties entitled to notice in the bankruptcy case, by a date which shall be fixed by the Court.

F. Disclaimers

THE DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT IS INTENDED AS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ITSELF. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR (INCLUDING BUT NOT LIMITED TO EXISTING LITIGATION INVOLVING THE DEBTOR, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS) OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON HOLDERS OF CLAIMS OR INTERESTS. THE DESCRIPTIONS SET FORTH HEREIN OR THE ACTIONS, CONCLUSIONS OR RECOMMENDATIONS OF THE DEBTOR OR ANY OTHER PARTY, BUT NEITHER THE DEBTOR NOR ANY SUCH PARTY MAKES ANY REPRESENTATION OR WARRANTY REGARDING SUCH DESCRIPTION.

ONCE THE UNITED STATES BANKRUPTCY COURT FOR THE WESTERN DISTRICT OF TEXAS HAS APPROVED THIS DISCLOSURE STATEMENT, WHICH APPROVAL DOES NOT CONSTITUTE A DETERMINATION ON THE MERITS OF THE PLAN ANNEXED HERETO AND DESCRIBED IN THIS DISCLOSURE STATEMENT THE APPROVAL OF THE DISCLOSURE STATEMENT WILL MEAN THAT THE BANKRUPTCY COURT HAS FOUND THAT THE DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION TO PERMIT CREDITORS AND INTEREST HOLDERS OF THE DEBTOR TO MAKE A REASONABLY INFORMED DECISION IN EXERCISING THEIR RIGHTS TO VOTE UPON THE PLAN.

THIS DISCLOSURE STATEMENT HAS NEITHER BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. THE DEBTOR MAINTAINS THAT NO SEC APPROVAL IS REQUIRED.

THIS DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN SHOULD BE READ IN THEIR ENTIRETY. CREDITORS AND EQUITY INTEREST HOLDERS ARE URGED TO CONSULT WITH THEIR OWN INDIVIDUAL COUNSEL, EACH OTHER AND SUCH OTHER ADVISORS AS MAY BE NECESSARY OR APPROPRIATE, AND TO REVIEW ALL OF THE PLEADINGS FILED IN THESE BANKRUPTCY CASES IN ORDER TO FULLY

UNDERSTAND THE DISCLOSURES MADE HEREIN, AND ANY OTHER PERTINENT MATTERS IN THESE PROCEEDINGS. ANY PLAN OF REORGANIZATION WILL BE COMPLEX, AND ANY INTELLIGENT JUDGMENT CONCERNING THE PLAN CANNOT BE MADE WITHOUT FULLY UNDERSTANDING THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, THE FULL COMPLEXITIES OF THE PLAN, AND MATTERS PREVIOUSLY OCCURRING IN THESE BANKRUPTCY CASES.

NO FORMAL APPRAISALS HAVE BEEN UNDERTAKEN OF THE DEBTOR'S PROPERTY BY THE DEBTOR OTHER THAN AS SET FORTH BELOW. THE VALUES PLACED THEREON AND SUMMARIZED BELOW ARE DEBTOR'S BEST ESTIMATE OF THE VALUES OF THE PROPERTY AS OF THE TIME OF THE FILING OF THE PLAN OF REORGANIZATION AND THIS DISCLOSURE STATEMENT. THESE VALUES MAY DIFFER FROM VALUES PLACED ON THE SAME PROPERTY AT THE TIME OF THE FILING OF THE PETITION FOR RELIEF AND THE SUBSEQUENT SCHEDULES.

II. GENERAL INFORMATION

A. Events leading to the bankruptcy filing

Debtor is a corporation which was formed in 2002 to market, develop and sell real estate in the Horseshoe Bay area. The Debtor entered in to an option contract with the Ken G. & Karen J. Martin Revocable Trust (the "Trust") which granted the Debtor the option to purchase various tracts of real estate owned by the Trust for market value in return for Debtor's commitment to pay various operating expenses related to such property. Debtor's sole stockholder, Ken G. Martin, and his wife, Karen Martin (the "Martins") are also the creators of the Trust.

Since 2002, Debtor has spent several hundred thousand dollars fulfilling its obligation under the option agreement and has paid for marketing expenses, taxes and other obligation in relation to the option property. Since 2002, Debtor has obtained various loans from the Martins and from American Bank of Texas ("ABT") for such operations. The loans from ABT were secured by the lots subject to the option. One of the lots, located at 415 Matern Island, has been developed in to a high end residence recently appraised at \$6,000,000.00.

In January 2009 loans provided by ABT to the Trust and the Martins matured. These loans, which were secured by various option lots including the house at 415 Matern Island were in the principal amount of approximately \$5,450,000. The Martins, the Debtor and ABT negotiated for a period of time in an attempt to resolve the debt, but in the summer of 2009, ABT posted the real estate subject to the option for non-judicial foreclosure. To protect the value of this property, which Debtor's appraisals indicate have equity over the debt to ABT in excess of \$17,000,000, the Trust filed for relief under Chapter 11. Subsequently, the Bankruptcy Court dismissed the Trust's bankruptcy case because it did not qualify for Chapter 11 relief.

Subsequently, the Martins and ABT continued to negotiate to attempt to resolve the debt. However, no agreements were reached. ABT again posted the option lots for foreclosure to occur in January 2010. Compass Bank ("Compass"), who also had a lien on a trust owned

lot, also posted its collateral property for foreclosure in January. In order to protect the equity in the option lots and the value of such options to the Debtor, the Debtor exercised the option, purchased all of the lots that had been posted for foreclosure from the Trust and executed a promissory note payable to the Trust. On January 4, 2010, the day before the scheduled foreclosure, Debtor filed for relief under Chapter 11, initiating this bankruptcy case.

B. Ownership and Management

Debtor is a corporation whose stock is owned 100% by Ken G. Martin.

C. Asset Value

The Debtor obtained recent appraisals on 19 of 20 Lots purchased under the option placing aggregate value of such property (including the lot with the home located at 415 Matern Island) at approximately \$23,000,000. A listing of the lots and their appraised value is attached as **Exhibit B**. The other Lot (Applehead Island Lot 85) was appraised by ABT at \$1,050,000.00. The Debtor's appraisals were performed by Donna Green with Highland Lakes Appraisers; the appraisal for 415 Matern was performed as of September 1, 2009, and the other Lots were appraised as of January 1, 2010. The Lots which are subject to liens asserted by ABT have been appraised by an appraiser commissioned by ABT at approximately \$13,000,000. Debtor owns other property, including a billboard that it leases to third parties, which has minor value when compared to the real estate. A listing of the Debtor's personal property was filed as Schedule "B" with the Debtor's Schedules; a copy is attached hereto as **Exhibit C**. Among the assets listed is an account receivable of \$20,000.00 owed by SW Ownership LLC as of April 1, 2010 pursuant to a contract dated December 1, 2009. Debtor has attempted to collect accrued amounts plus accruing penalties, but has been unsuccessful. Debtor anticipates requiring legal actions to collect the outstanding amount owed.

D. Financial Information

1. Income. The Debtor has income from the rental of a sign that it owns. Such income was approximately \$19,000 in 2006, \$39,000 in 2007 and \$37,000 in 2008 (from billboard lease revenues) per year, but such income is insufficient to service debt owed to ABT and Compass.

2. Amounts owed to related parties. Debtor owes the Trust \$12,160,883.39 as of the filing date of this bankruptcy proceeding. Such amount is secured by the Property. Debtor owes Ken Martin \$1,590,477.02 for Loans previously made. Debtor also owes Mr. Martin accrued salary of \$135,978.09 representing \$15,000 per month pursuant to his employment agreement minus \$44,021.91 in reimbursements paid during the year immediately preceding the Debtor's bankruptcy filing.

3. Amounts paid to related parties within the year immediately preceding the bankruptcy filing are as follows: Ken Martin \$44,021.91. Trust \$0.

E. Operations in Chapter 11

Since the Petition Date, the Debtor has continued to own and operate its property in the ordinary course of business. The Debtor has continued to lease its billboard, and has had the house located at 415 Matern Island, as well as Applehead Island Lots 8, 97, 28 and 29 Matern Island Lots 27-B and 29, Lots 29035 and W29040 on Wennmohs, Lots 29005 and 29006 on Matern Court and HSB North Lots 1008 & 1009 listed for sale through Resort Ventures of Horseshoe Bay, a local real estate broker.

F. Significant Post-Petition Events

1. Commencement of Chapter 11. The Debtor commenced its case seeking protection under Chapter 11 of the Bankruptcy Code on January 4, 2010.

2. Retention of Professionals. Hohmann, Taube & Summers, L.L.P. filed an application for employment in a first day motion on January 4, 2010. This Court approved the Debtor's retention of Hohmann, Taube & Summers, L.L.P. The Order granting Hohmann, Taube & Summers, L.L.P. to represent the Debtor was entered on January 29, 2010.

3. Cash Collateral. There are no cash collateral issues, as the sign owned by the Debtor is not subject to any lien claim and is the only income generating asset.

4. Bar Date. The Court has not yet established a bar date for claims.

5. Motions for Relief from Stay. Immediately after the bankruptcy filing, ABT (later joined by Compass) filed an emergency motion for relief from stay based upon "bad faith filing" grounds. The Bankruptcy Court denied both ABT's motion and Compass' motion.

G. Summary of the Plan of Reorganization

The description of the Plan set forth below constitutes a summary only, and should be read in conjunction with the Plan, which is attached hereto as **Exhibit A**. The Plan is a legal document which will, upon confirmation, be binding on all parties. Creditors, equity interest holders and other parties-in-interest are urged to consult with independent counsel and review the more detailed description of the Plan contained in Section V of this Disclosure Statement as well as the Plan itself.

This Plan of Reorganization proposes that the Debtor will convey the enough of the property subject to the liens of each of ABT and Compass by special warranty deed to ABT and Compass respectively in full satisfaction of the indebtedness owed to each (with the valuations to be determined by the Bankruptcy Court at confirmation), and the notes and deeds of trust shall be deemed fully paid and canceled. Unsecured creditors will receive a cash payment equal to fifty percent (50%) of their Allowed Claim, payable sixty (60) days following the Effective Date and a subsequent payment of the balance owed, without interest 60 days thereafter. Administrative Claims and Priority Tax Claims shall be paid as set forth below. Debtor anticipates reaching agreement on payment terms with the taxing authorities.

All executory contracts of the Debtor will be rejected by this Plan, except for those contracts which are identified in the Plan or Exhibits thereto which are being accepted, and except for any

executory contracts for which the motions may be pending prior to confirmation requesting rejection.

III. DESCRIPTION OF TREATMENT OF CLAIMS UNDER PLAN

1. Class I - Administrative Claims. Each holder of an Allowed Administrative Claim shall receive from the Debtor with respect to such Allowed Claim, either (i) the amount of such Allowed Claim from the Debtor, in one(1) cash payment on the later of (a) the Effective Date, (b) the date that is sixty (60) days after a request for payment of the Claim is filed, (c) the date that is twenty (20) days after the Claim becomes an Allowed Claim; or (ii) such other treatment as may be agreed upon in writing by such holder; provided, however, that an Allowed Administrative Claim representing a liability incurred in the ordinary course of business shall be paid by the Debtor upon presentment or otherwise in accordance with the terms of the particular transaction and any agreements relating thereto.

Applications for compensation and reimbursement filed by professionals employed under §327 of the Bankruptcy Code or otherwise employed by order of the Bankruptcy Court shall be filed no later than sixty (60) days after the Effective Date. All other requests for payment of Administrative Claims (or any other means of preserving and obtaining payment of Administrative Claims found to be effective by the Bankruptcy Court) shall be filed by the earlier of (i) thirty (30) days after the date of service of notice of the Effective Date, or (ii) any applicable bar date established by the Bankruptcy Court and noticed separately by the Debtor, and if no timely request for payment of an Administrative Claim is received, such claims shall be forever barred and shall not be assertable in any manner against the Debtor or the estate, provided no request for payment shall be required with respect to Administrative Claims that have been previously paid or with respect to Administrative Claims representing liabilities incurred in the ordinary course of business, unless a dispute exists as to any such liabilities or unless the provisions of the Bankruptcy Code require approval or allowance by the Bankruptcy Court as a precondition to payments being made on any such liability. As of this date, the only known entity holding such a claim is Debtor's counsel. Accrued fees owed to Debtor's counsel are approximately \$40,000.00. This class is not impaired.

2. Class II – Priority Non-Tax Claims. Each holder of an Allowed Class II Priority Non Tax Claim shall be paid in full or pursuant to an agreement between Debtor and such claimant on the Effective Date. The Debtor does not believe any Class II claims exist at this time. This class is not impaired.

3. Class III – Priority Tax Claims. Each holder of a Class III Priority Tax Claim shall receive payment of its Allowed Claim, in full, on or before the Effective Date or pursuant to agreement between Debtor and the Priority Tax Claimant. Priority Tax Claims total \$86,766.19. This class is not impaired. Debtor reserves the right to contest these claims.

4. Class IV – Secured Claim of American Bank of Texas. The Allowed Secured Claim of ABT shall be paid, in full on the Effective Date of the Plan by transfer of so much of the property, after valuation by the Court under 11 U.S.C. § 506, to fully satisfy the claim of ABT. Debtor intends to convey at least the house at 415 Matern Island to ABT. If the value of such property, as determined by the Court is insufficient to fully satisfy the Allowed Claim of ABT, Debtor will determine at the confirmation hearing, which additional property shall be conveyed to ABT to fully

satisfy ABT's Allowed Secured Claim. Upon such transfer, all Notes, Deeds of Trust and lien secured by the collateral property will be deemed paid in full and canceled. This class is impaired.

5. Class V - Secured Claim of Compass Bank. The Allowed Secured Claim of Compass Bank shall be satisfied by the transfer of Lot 151-A to Compass. Upon such transfer, the Note, Deed of Trust and lien of Compass Bank in Lot 151-A, and secured by Lot 151-A shall be paid in full and of no force and affect.

6. Class VI - Claim of the Trust. The Allowed Secured Claim of the Trust shall be paid by agreement between the Trust and the Debtor. It is anticipated that Debtor and the Trust shall enter into a balloon note which shall be due on the sale of real estate not conveyed to ABT or Compass. This class is impaired.

7. Class VII - Unsecured Claims. Allowed Unsecured Claims will be paid one-half (1/2) of the allowed amount of each such claim on the sixtieth (60th) day following the Effective Date and the balance 120 days after the Effective Date. This class is impaired.

8. Class VIII - Equity Interests. Equity Interests of the Debtor shall continue unchanged.

IV. MEANS FOR IMPLEMENTATION OF THE PLAN

On the Effective Date, the Debtor will convey a sufficient amount of the property pledged to the debt of ABT and Lot 151-A by special warranty deed to ABT and Compass respectively in full satisfaction of the indebtedness owed to ABT and Compass, and the notes, agreements, deeds of trust and lien secured by such assets shall be deemed fully paid and canceled. Debtor believes that the value of the real property exceeds the total claims asserted by ABT and Compass. Debtor requests that this Court conduct a valuation hearing under 11 U.S.C. 506 to determine the value of the Property.

Thereafter, the Reorganized Debtor will retain all remaining property, and will operate, hold or develop such property as it deems appropriate. Ken Martin will remain as the President of the Debtor.

V. ANALYSIS

A. Property. Though the fair market value of the Property equals or exceeds the debt owed to each of ABT and Compass, a liquidation sale of the real estate would result in a significantly lower price. Based upon the actions of ABT prior to bankruptcy, including ABT's posting of all of the Property for foreclosure, the Debtor believes that ABT would foreclose on all of the Property at an amount not exceeding the indebtedness, resulting in no funds being available to other creditors.

B. Claims. Counsel for the Debtor has reviewed payments made to creditors within the 90 days proceeding the Bankruptcy Filing Date and any payments made to insiders within one year prior to the filing of the Chapter 11 case. A listing of such payments was included with the Debtor's Statement of Financial Affairs, which has been filed in this case. Payments to creditors appear to be within the ordinary course of business. Payments to related parties within the year immediately proceeding the filing appear to be for legitimate business purposes and are significantly less than offsetting loans made by shareholders. The Debtor is unaware of any potential litigation claims.

C. Analysis. The Plan proposes to transfer the Property to ABT and Compass on the Effective Date and to pay unsecured creditors an amount equal to one-half (1/2) of their Allowed Claim sixty (60) days following the Effective Date with the balance owed to unsecured creditors to be paid 60 days after the initial payment. As such, the Plan proposes a greater distribution than liquidation. Liquidation would likely provide no distribution for creditors other than a payment to ABT and Compass, no payment of administrative claims, and no distribution to unsecured creditors.

D. Executory Contracts and Unexpired Leases. All executory contracts of the Debtor will be rejected by the Plan, except for those contracts which are identified in the Plan (which may be modified at any time prior to confirmation to specify agreements to be assumed) or exhibits thereto which are being accepted, and except for any executory contracts for which motions may be pending prior to confirmation requesting rejection.

E. Miscellaneous Provisions.

1. Retention of Jurisdiction. As more specifically provided in the Plan, the Court shall retain jurisdiction with respect to all matters arising out of, and related to the Chapter 11 bankruptcy case and Plan of Reorganization, after the Confirmation Date.

2. Amendment and/or Modification of Plan. The Plan may be amended or modified at any time prior to the Confirmation Date upon such notice as the Court may require. The Plan may be amended or modified at any time prior to the Effective Date, with the approval of the Court, to remedy any defects or omissions or reconcile any inconsistencies in the Plan or in the Confirmation Order in such manner as may be necessary to carry out the purposes and intent of the Plan, so long as it does not materially and adversely affect holders of claims or interests.

3. Severability. The invalidity, voidness, or unenforceability of any provision of the Plan will in no way limit or affect the enforceability and operative effect of any other provisions of the Plan.

4. Discharge. The rights and treatment afforded in the Plan for all claims against and interests in the Debtor will be in exchange for and in complete satisfaction, discharge, and release of claims and interests of any nature, including any interest accrued on such claims from and after the Petition Date, against the Debtor and any of its assets. Except as otherwise provided in the Plan, on the Effective Date, claims against and interests in the Debtor will be satisfied, discharged, and released in full and all persons shall be precluded from asserting against the Debtor, its successors, or their respective assets or further claims against or interests based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date.

5. Binding Effect. The Plan will be binding upon and inure to the benefit of the Debtor and the holders of claims against and interests in the Debtor.

6. Conditions Precedent. Entry of a Confirmation Order, is the only condition precedent to the occurrence of the Effective Date of the Plan.

VI. TAX CONSEQUENCES OF PLAN

The following discussion summarizes certain considerations that may affect the anticipated federal income tax consequences of implementation of the Plan to holders of claims and interests and to the Debtor. It does not address all federal income tax consequences of the Plan nor does it address the state or local income tax or other state and local tax consequences of implementation of the Plan to holders of claims against and interests in the Debtor. Counsel for the Debtor are not tax attorneys and have not, and will not render any opinion concerning the tax consequences of the Plan to the Debtor or any other entity.

The description of the federal income tax consequences of implementing the Plan is based on interpretation of the applicable provisions of the Internal Revenue Code of 1986 (the "1986 Tax Code"), the regulations promulgated thereunder and other relevant authority, including all amendments and revisions to the 1986 Tax Code. This interpretation, however, is not binding on the Internal Revenue Service ("IRS") or any court. The Debtor has not obtained, nor does it intend to obtain, a ruling from the IRS, nor has the Debtor obtained an opinion of counsel with respect to any of these matters. The ability to predict how the IRS or the courts will treat certain issues affecting projected federal income tax consequences of implementing the Plan is more limited than it might otherwise be because, in addition to the IRS's continuing reexamination of the federal income tax treatment of certain matters, some of the provisions of the 1986 Tax Code and the regulations promulgated thereunder were substantially revised by the Revenue Act of 1987, the Technical and Miscellaneous Revenue Act of 1988, the Revenue Reconciliation Act of 1989, the Revenue Reconciliation Act of 1990 and other recent tax legislation. Finally, the discussion below is general in nature and is not directed to the specific tax situation of any particular interested taxpayer.

FOR THESE REASONS, ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF IMPLEMENTATION OF THE PLAN TO THEM UNDER APPLICABLE FEDERAL, STATE AND LOCAL TAX LAWS.

A. Tax Consequences to Holders of Claims

Holders of claims may be required to recognize income or may be entitled to a deduction as a result of implementation of the Plan. The exact tax treatment depends on, among other things, each holder's method of accounting, the nature of each holder's claim, the fair market value of any property received, and whether and to what extent such holder has taken a bad debt deduction in prior taxable years with respect to the particular debt owed to it by the Debtor. A holder's method of accounting and the extent such holder has taken a bad debt deduction determines a holder's "tax basis" in its claim. To the extent that the fair market value of property received under the Plan exceeds the tax basis in the claim, taxable income must be recognized by a holder. To the extent the tax basis in a holder's claim is greater than the fair market value of property received under the Plan, a loss may be recognizable. ALL HOLDERS OF CLAIMS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF IMPLEMENTATION OF THE PLAN TO THEM UNDER APPLICABLE FEDERAL, STATE AND LOCAL TAX LAWS.

B. Tax Consequences of Holders of Interests

The Debtor does not anticipate that the Plan will result in any tax consequences to the holders of interests in the Debtor pursuant to 26 U.S.C. § 701 *et seq.*

HOWEVER, EACH HOLDER OF AN INTEREST IS URGED TO CONSULT WITH HIS OR ITS OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE TREATMENT OF HIS OR ITS INTEREST UNDER THE PLAN.

VII. CONFIRMATION STANDARDS

The Court shall confirm the Plan at the Confirmation Hearing only if the requirements of §1129 of the Code are met. Among the requirements for confirmation of a plan of reorganization are that the Plan must be (i) accepted by all impaired classes of claims and equity interest, or if rejected by an impaired class, that the Plan does not discriminate unfairly and is fair and equitable as to such class, (ii) feasible, and (iii) in the best interest of holders of claims and interest that are impaired under the Plan. These are complex statutory provisions and this summary is not intended to be a complete statement of the law.

A. Acceptance

Each impaired class must accept the Plan by the percentages set forth in §1126 of the Code. Under the Plan, Classes IV, V, VI, VII and VIII are impaired by the Plan and are entitled to vote to accept or reject the Plan. In addition, the Debtor expressly reserves the right to seek confirmation under §1129(b) with respect to any class of claims that is entitled to vote to accept or reject the Plan, and such class rejects the Plan.

B. Unfair Discrimination/Fair and Equitable

If less than all the impaired classes accept the Plan, the Plan may nevertheless be confirmed by the Court under §1129(b) of the Code, as long as one (1) impaired class has affirmatively voted to accept the Plan, not counting the votes of any “insiders”. In order to be confirmed pursuant to §1129(b) of the Code, the Court must find, with respect to each unaccepting class, that the Plan “does not discriminate unfairly” and is “fair and equitable with respect to that class.” A plan does not discriminate unfairly if no class receives more than it is entitled to for its claim. The Code establishes different “fair and equitable” tests for secured creditors and unsecured creditors as follows:

1. Secured Creditors. A secured creditor whose claim is impaired must retain the liens securing its claim and receive under the Plan, cash payments that have a present value at least equal to such holder’s allowed secured claim, or otherwise receive the “indubitable equivalent” of the value of the interest in the debtor’s asset upon which it holds a lien. Debtor believes that ABT and Compass will receive the indubitable equivalent of its secured claim under the Plan by transferring the property to each in satisfaction of all claims asserted.

2. Unsecured Creditors. An unsecured creditor whose claim is impaired must receive or retain under the Plan, property of a value at least equal to the amount of its allowed unsecured claim, or the holders of claims and interests that are junior to the claims of the dissenting class shall not receive any property under the Plan, this principle is also referred to as the ‘absolute priority rule’ which is discussed briefly below.

3. Equity Interests. An equity interest holder, or shareholder, must receive and retain under the Plan, property of a value 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 the interest, or the holder of any interest junior to the nonaccepting class shall not receive or retain any property under the Plan, this principle is also referred to as the ‘absolute priority rule’ which is discussed briefly below.

4. Absolute Priority Rule. In order for a plan to be “fair and equitable” it must comply with the ‘absolute priority rule’, which requires with respect to each impaired dissenting creditors and interests holders that such claims or creditors receive or retain on account of their claims or interests, property of a value, as of the Effective Date of the Plan, at least equal to the value of their claim or interest or, if they receive less than full value, that no inferior or junior class receive or retain anything on account of such junior claim or interest. In other words, beginning with the most senior impaired dissenting class of creditors, such class must receive full and complete payment before any class in descending rank or priority may participate in a distribution under the Plan.

C. Feasibility

If the Debtor is proposed to be reorganized, the Court must also determine that confirmation of the Plan is not likely to be followed by the liquidation or further financial reorganization of the Debtor, unless provided in the Plan. This is a liquidating plan, therefore feasibility should not be a contested issue.

D. Best Interests

Section 1129(a)(7) of the Code requires that, with respect to each impaired class, each member of such class either has accepted the Plan, or will receive or retain under the Plan on account of its claim, property of a value, as of the Effective Date, that is at least equal to the amount which such member of the class would receive or retain if the Debtor were liquidated under Chapter 7 of the Code. The Court, in considering whether the Plan is in the “best interests” of creditors, is not required to consider any alternative to the Plan other than the dividend projected in a liquidation of all the debtor’s assets under Chapter 7 of the Code. The Debtor has determined that confirmation of the Plan will provide each holder of an allowed claim or interest with a recovery that is not less than such holder would receive pursuant to liquidation of the Debtor under Chapter 7 of the Code.

E. Good Faith Requirement

In order to confirm a Plan, the Court must find that the Plan was proposed in good faith and that the Plan and its proponent have complied with all applicable provisions of the Code.

VIII. ALTERNATIVES TO THE PLAN

A. Dismissal

If a Plan cannot be confirmed in this case, an alternative would be the dismissal of the Debtor’s case. The Debtor’s assets would be liquidated by the first secured mortgage holders. Debtor believes that credit bids from each of ABT and Compass would leave nothing for other creditors.

B. Conversion to Chapter 7

If no Chapter 11 Plan of Reorganization can be confirmed, the bankruptcy case may be converted to a liquidation case under Chapter 7 of the Code, and a trustee would be elected or appointed to liquidate the assets of the Debtor. The Debtor believes that liquidation under Chapter 7 would result in no distribution to any creditor other than ABT and Compass.

IX. CONCLUSION AND RECOMMENDATION

This Disclosure Statement is intended to assist each holder of claims against and interests in the Debtor to make an informed decision regarding the acceptance of Debtor’s Plan. If the Plan is accepted, all creditors will be bound by its terms. Debtor believes that confirmation and implementation of this Plan is preferable to any of the alternatives described above because it will provide a greater recovery to claimants than any other alternative. Therefore, Debtor respectfully urges each holder of a claim against or interest in the Debtor to carefully review the Disclosure Statement and the enclosed copy of the Plan, to accept the Plan and to evidence such acceptance by returning their ballots on or before the date to be fixed by the Court.

Respectfully submitted,

LBJ LAKEFRONT, INC.

By: /s/ Ken G. Martin, Its President

CERTIFICATE OF SERVICE

I hereby certify that the above and foregoing document has been served through the Court's electronic noticing system on those parties receiving such notice, and upon the parties listed on the attached Service List by depositing same in the United States First Class Mail on this 26th day of March, 2010.

/s/ Mark C. Taylor
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