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COUNSEL FOR PRM REALTY GROUP, LLC

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

In re:	§	
	§	CASE NO. 10-30240-HDH-11
PETER R. MORRIS,	§	
	§	CHAPTER 11
Debtor,	§	

In re:	§	
	§	CASE NO. 10-30241-HDH-11
PRM REALTY GROUP, LLC,	§	
	§	CHAPTER 11
Debtor.	§	

FIRST AMENDED JOINT DISCLOSURE STATEMENT

TO: Creditors and Equity Security Holders Debtors

Contained in the packet of documents which has been sent to you by Debtors are the First Amended Joint Disclosure Statement (the “**Disclosure Statement**”), the Joint Plan of Reorganization (the “**Plan**”), the Ballot for Voting on the Joint Plan of Reorganization (the “**Ballot**”) and the Order Approving First Amended Joint Disclosure Statement and Fixing Time

for Filing Acceptance or Rejection of Plan, Combined with Notice Thereof. Please read all of these materials carefully. Please note that in order for your vote to be counted, you must 1) include your name and address, 2) fill in, date, and sign the enclosed Ballot and 3) return it to the respective attorney's office for Debtors by the date and time specified on the Ballot.

Please direct all correspondence and contact regarding the Debtors, this Disclosure Statement and Plan, other than Ballots and notices, as follows:

PRM Realty Group, LLC
118 N. Clinton St., Ste LL366
Chicago, Illinois 60661
Attention: Michael Meyer, Corporate Counsel
Telephone: (312) 827-2724
Facsimile: (312) 704-1744
Email: mmeyer@prmrealty.com

ARTICLE I - INTRODUCTORY STATEMENT

Peter R. Morris (“**Morris**”) and PRM Realty Group, LLC (“**PRM Realty**”, and collectively, “**Debtors**”) have filed contemporaneous hereto with the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “**Bankruptcy Court**”) their Plan in the above-captioned cases (the “**Bankruptcy Cases**”). Pursuant to the terms of the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the “**Bankruptcy Code**”), this Disclosure Statement has been approved by the Bankruptcy Court. Such approval is required by statute and will not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or as to the value or suitability of any consideration offered thereby.

Any terms not defined herein will have the meaning set forth in the Plan.

A. DISCLAIMERS

ONLY THOSE REPRESENTATIONS SET FORTH IN THIS DISCLOSURE STATEMENT ARE AUTHORIZED BY DEBTORS. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION.

THE STATEMENTS CONTAINED HEREIN ARE MADE AS OF THE DATE OF THIS DISCLOSURE STATEMENT UNLESS ANOTHER DATE IS SPECIFIED. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE HEREOF. DEBTORS ARE UNABLE TO GUARANTEE THAT THE INFORMATION CONTAINED IN THE PLAN AND THIS DISCLOSURE STATEMENT IS ENTIRELY WITHOUT ERROR, BUT ALL REASONABLE EFFORTS HAVE BEEN MADE TO ENSURE THAT ALL REPRESENTATIONS ARE AS ACCURATE AS POSSIBLE.

THE SOURCE OF INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS THE DEBTORS OR THEIR AGENTS AND EMPLOYEES AND HAS NOT BEEN SUBJECT TO AN AUDIT. THE STATEMENTS MADE HEREIN LIKEWISE HAVE NOT BEEN VERIFIED BY DEBTORS’ COUNSEL, ALTHOUGH AN ATTEMPT HAS BEEN MADE TO BE CONSERVATIVE AND REALISTIC. NEITHER DEBTORS NOR THEIR COUNSEL REPRESENT OR WARRANT THE ACCURACY OF DISCUSSIONS CONTAINED HEREIN.

AS STATED PREVIOUSLY, YOU ARE URGED TO REVIEW THE PLAN AND THIS DISCLOSURE STATEMENT IN THEIR ENTIRETY PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN TO ENSURE A COMPLETE UNDERSTANDING OF THE TRANSACTIONS CONTEMPLATED UNDER THE PLAN AND HOW THOSE TRANSACTIONS WILL AFFECT YOUR CLAIM AGAINST, OR INTEREST IN DEBTORS.

IF ANY IMPAIRED CLASS VOTES TO ACCEPT THE PLAN, BUT NOT ALL

CLASSES ACCEPT THE PLAN, DEBTORS WILL SEEK CONFIRMATION UNDER THE CRAM DOWN PROVISION OF § 1129(B) OF THE BANKRUPTCY CODE AND HEREBY GIVE NOTICE OF INTENT TO INVOKE THE CRAM DOWN PROVISIONS OF § 1129(B) IN THAT EVENT.

B. BRIEF EXPLANATION OF CHAPTER 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Upon the commencement of a Chapter 11 case, § 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect from a debtor any claims which arose prior to the bankruptcy filing or otherwise to interfere with a debtor's property or business.

Under Chapter 11, a debtor attempts to reorganize its business for the benefit of the debtor, its Creditors, and equity security holders in the formulation of a plan of reorganization. For the first 120 days after the filing of a Chapter 11 bankruptcy petition, the debtor is the only party who may file a plan of reorganization in the bankruptcy case, which is generally referred to as "exclusivity." Once exclusivity ends, any party in interest may file a plan of reorganization. The legal requirements for court approval, called "confirmation," of a plan are discussed on Page 5 of this Disclosure Statement.

C. THIS DISCLOSURE STATEMENT

Why You Have Received This Disclosure Statement. You have received this Disclosure Statement because Debtors have proposed a Plan with the Bankruptcy Court in order to satisfy their debts and provide for a reorganization of the Debtors' businesses. The Bankruptcy Court held a hearing and approved this Disclosure Statement on November 1, 2012. A copy of the Plan is enclosed with the materials that you have received. This Disclosure Statement, as required by 11 U.S.C. § 1125, is being provided to all known Creditors¹ and other parties-in-interest whose claims are impaired in connection with the solicitation and acceptance of the Plan proposed by Debtors.

Purpose of this Disclosure Statement. The purpose of this Disclosure Statement is to provide such information as will enable a hypothetical, reasonable investor typical of the holders of Claims against Debtors to make an informed judgment in exercising their right either to accept or reject the Plan.

Purpose of the Plan. The purpose of Debtors' Plan is to provide a mechanism for the reorganization of Debtors' assets and for the payment of Debtors' Creditors. The Plan was developed by Debtors. Debtors believe that the Plan is more attractive than other alternatives, such as conversion to Chapter 7 liquidation or dismissal of the Chapter 11 Case. EACH CREDITOR IS URGED TO READ THE PLAN PRIOR TO VOTING.

Bankruptcy Court Approval of this Disclosure Statement. After a hearing on notice, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind in

¹ Terms used in this Disclosure Statement are defined in Article II of the Plan, and the terms should be read together with those definitions.

sufficient detail, adequate to enable a hypothetical, reasonable investor typical of the Classes being solicited to make an informed judgment about the Plan.

Sources of Information. The information contained in this Disclosure Statement has been submitted by Debtors unless specifically stated to be from other sources. Certain materials contained in this Disclosure Statement are taken directly from other, readily accessible instruments or are digests of other instruments. While Debtors have made every effort to retain the meaning of such other instruments or the portions transposed, Debtors urge that any reliance on the contents of such other instruments should depend on a thorough review of the instruments themselves.

Only Authorized Disclosure. No representations concerning the Plan are authorized by Debtors or the Bankruptcy Court other than as set forth in this Disclosure Statement. Any representations or inducements made by any person to secure your vote which are other than herein contained should not be relied upon, and such representations or inducements should be reported to counsel for Debtors, who will deliver such information to the Bankruptcy Court.

Voting on the Plan. **YOUR ACCEPTANCE OF THE PLAN IS IMPORTANT.** In order to vote on the Plan, a Creditor or interest holder must have filed a proof of claim or interest on or before the Bar Date, unless scheduled by Debtors as not disputed, liquidated or contingent. Any Creditor scheduled as not disputed, liquidated and not contingent is, to the extent scheduled, deemed to have filed a claim and, absent objection, such claim is deemed allowed. A Creditor or interest holder may vote to accept or reject the Plan by filling out and mailing to counsel for Debtors the Ballot that has been provided in this package of information.

In order for the Plan to be accepted by a class of Creditors, more than one half in number and at least two-thirds in amount of such class of Claims must vote to accept the Plan. Only those claim holders that actually vote are considered in the calculations. In order for the Plan to be accepted by interest holders, at least two-thirds in amount of interests must vote to accept the plan. Again, only voting interest holders are considered in the calculation. You are, therefore, urged to fill in, date, sign and promptly mail and/or fax the enclosed Ballot, which has been furnished to you, to:

Debtor: Peter R. Morris and PRM Realty Group, LLC
Julia Appleton
McGuire, Craddock & Strother, P.C.
2501 N. Harwood, Suite 1800
Dallas, TX 75201
Facsimile: (214) 954-6850
Email: jappleton@mcsllaw.com

Please be sure to complete the form properly and identify legibly the name of the claimant or interest holder.

The Bankruptcy Court has fixed December 7, 2012, by 5:00pm CST, as the last date and time by which Ballots must be served on counsel for Debtors. Except to the extent allowed by

the Bankruptcy Court, Ballots that are received after such time will not be counted. Ballots of holders of impaired Claims received pursuant to this solicitation and which are signed but are not expressly voted for acceptance or rejection of the Plan will be counted as Ballots for accepting the Plan. A Ballot accepting the Plan may not be revoked, except by a Final Order of the Bankruptcy Court.

ARTICLE II – BANKRUPTCY SUMMARY

A. HISTORY OF THE DEBTORS

PRM Realty is an Illinois limited liability company formed on April 19, 2000. PRM Realty is a privately held real estate firm specializing in financing, developing, and managing world-class real estate assets and ventures both in the United States and internationally. PRM Realty's expertise includes all fields vital to successful real estate transactions, including finance, theoretical and practical appraisals and valuations, acquisitions, urban and development planning, marketing, architecture and design, engineering, construction, leasing and property management, strategic planning, risk analysis, law, and capital market movements. PRM Realty is owned by Morris (90%) and Robert Harte (10%).²

Morris is the President and Chief Executive Officer of PRM Realty. His real estate activities include strategic planning and business development. He has over thirty (30) years of experience in financing, developing, and operating multi-family, resort residential and commercial real estate.

B. EVENTS LEADING UP TO BANKRUPTCY

Debtors, like others in the business of land investment, financing and development, are highly dependent on functioning credit markets for mortgage-backed real estate lending. Prior to the Petition Date, Debtors raised most of their capital through mortgage loans from banks and non-traditional real estate lenders (hard money lenders). Debtors borrowed through mortgage loans and, consistent with the practices of most land-based investors and developers and with the expectations of the lenders themselves, would refinance such loans when they became due, often times increasing the principal amount of the loan as the values of the properties increased to provide working capital for the Debtors.

Throughout their history, Debtors have been able to consistently obtain refinancing for their loans and use their expertise to enhance the value of their properties. In the year prior to the Petition Date many of these loans had matured, were set to mature within one year or required servicing that Debtors did not have the liquidity to pay because of their inability to refinance or sell other assets due to the worsening credit markets and real estate conditions. Furthermore, Debtors contributed significant additional cash to support the assets in the absence of functioning credit markets. Accordingly, Debtors suffered illiquidity issues due to the infusion of additional cash in conjunction with the non-existent credit markets. Debtors believed at that time and today that the inherent value of their assets was and is far greater than the debt associated therewith.

² Substantial funds were provided by Peter Morris to support the operations of this entity. The claims for recovery of Peter Morris's funds rank above the claim of any other equity owner including, but not limited to, Mr. Harte.

In the years immediately prior to the Petition Date, the capital markets for real estate financing (both debt and equity) were completely frozen. Debtors utilized significant amounts of their remaining liquid capital in an attempt to preserve their assets and avoid foreclosures and/or bankruptcy. However, the real estate market crash was more severe, deeper and longer than expected based on past market corrections. Having exhausted the Debtors' liquid resources, bankruptcy became necessary.

On January 6, 2010 (the "Petition Date"), PRM Realty and Morris filed bankruptcy under Chapter 11 of the Bankruptcy Code in order to obtain protection from lawsuits from Creditors in multiple jurisdictions throughout the country and use the tools of the Bankruptcy Code to successfully reorganize. Rather than allow Secured Creditors to take properties, deemed by the Debtors to be worth far more than the secured debt, Debtors sought to execute their business plan of seeking to obtain values for their properties that reflect the highest and best use of the properties rather than the short term liquidation value in a horrendous real estate market. Debtors believe that this Plan will allow such a result and provide substantial benefit to all Creditors and the Reorganized Debtors above what would be achieved in a liquidation.

Since the Petition Date, real estate and credit markets have slowly begun to rebalance. Through execution of the Plan, the Debtors seek to realize on the inherent values of the assets through a combination of market correction and value-added horizontal development activities. Morris, PRM Realty and its predecessor have successfully stewarded similar assets through volatile markets in the past and believes that Debtors will do so in the current market if given the opportunity.

In 2008, Morris and his ex-wife Natalie Frank received a Bifurcated Judgment for Dissolution of Marriage in the Circuit Court of Cook County, State of Illinois. The Divorce Judgment dissolved the marriage and reserved all other issues, including financial settlement and disposition of property, for future determination. Morris and Ms. Frank have yet to agree upon a final financial settlement or disposition of property. However, Morris and Ms. Frank have come to agreement on the split of proceeds of certain assets sold during the term of the Bankruptcy Cases, including the Stratford Property discussed below. Morris believes that agreements can be reached in the future regarding certain co-owned artwork that is to be sold as part of the Plan.

C. ASSETS AND LIABILITIES AT THE TIME OF THE FILING

Copies of Debtors' Schedules reflecting Debtors' estimation of their assets and liabilities as of the respective Petition Dates are available through the PACER system, which can be accessed at www.txnb.uscourts.gov.

D. SIGNIFICANT EVENTS IN CHAPTER 11

Initial § 341 Meeting of Creditors. The initial meetings of Creditors were held and concluded pursuant to 11 U.S.C. § 341 for the respective Debtors on the following dates:

<u>Debtor</u>	<u>§341 Meeting of Creditors</u>
PRM Realty:	March 1, 2010
Morris:	March 1, 2010

Employment of Legal Counsel. The Court entered its order approving Debtors' applications to employ the respective law firms on the following dates:

<u>Debtor</u>	<u>Law Firm</u>	<u>Approval Order</u>
PRM Realty:	Pronske & Patel, P.C.	June 4, 2010
Morris:	McGuire, Craddock & Strother, P.C.	May 19, 2010

Post-Petition Operations of Debtors. Monthly Operating Reports reflecting post-petition operations through July 31, 2012 can be accessed through the PACER system at www.txnb.uscourts.gov.

Successes in the Debtors' Cases

Resolution of Litigation

During the course of PRM Realty's Bankruptcy Case, PRM Realty has been involved in significant bankruptcy litigation, including motions for relief from stay filed by AICCO, Inc., SVF North Wacker Chicago, LLC, Blue Cross Blue Shield of Illinois, Principal Life Insurance Company, and SPCP Group, LLC.

PRM Realty successfully resolved the SVF North Wacker Chicago, LLC, Blue Cross Blue Shield of Illinois, and Principal Life Insurance Company motions before having to attend contested preliminary or final hearings. After a contested preliminary hearing on the SPCP Group, LLC motion on July 7, 2010, the Court took the matter under advisement and entered its order granting limited relief to SPCP Group, LLC on August 3, 2010. Debtors successfully fought a motion for joint administration of all of the Debtors' related bankruptcy cases—a move that, if granted, would have unnecessarily confused the global Creditor body and significantly delayed the reorganization of each individual debtor—and obtained a reassignment of all the Debtors' bankruptcy cases to this Court in order to maximize judicial and administrative efficiency.

PRM Realty has obtained court approval to reject its costly pre-petition office lease and enter into a more fiscally prudent lease while simultaneously resolving a potentially large post-petition administrative claim. PRM Realty has also obtained court approval of a more cost effective arrangement to finance its property insurance policies. PRM Realty has also submitted proposed uncontested orders to take the Bankruptcy Rule 2004 examination of joint venture

partners concerning potentially valuable litigation claims. Finally, PRM Realty has reached an agreement with the Internal Revenue Service to pay outstanding payroll taxes.

During the course of Morris' bankruptcy case, Morris has been involved in various bankruptcy litigation matters, including motions for relief from stay filed by VW Credit, Inc., and Cole Taylor Bank and objections to exemptions filed by SPCP Group, LLC and Cole Taylor Bank. Morris successfully resolved the VW Credit, Inc. motions and the objection to exemptions filed by SPCP Group, LLC. Morris has reached agreement with Cole Taylor Bank on the exemption issue and Cole Taylor Bank's stay motions.

Additionally, Morris successfully negotiated an agreed order and stipulation with Cole Taylor Bank that resolved their stay motions in a manner that relieved the estate of approximately \$3,126,822 in secured debt and permitted the Debtor to satisfy his ongoing domestic support obligations. The Debtor also successfully resolved the stay motion filed by Terri Shiree Mason that rid the Morris estate of a \$10 million claim and the stay motion filed by the Board of Directors for the 800 N. Michigan Avenue Condominium Association. Finally, On July 23, 2010, the Court approved Morris's settlement of a contentious Alabama State court lawsuit with the White Sands Group that would have cost significant time and resources to defend.

Loan Restructurings and Workouts

Notwithstanding the significant litigation in the Debtors' cases, both PRM Realty and Morris have been successful in a number of their negotiations with various Creditors to resolve a number of their substantial unsecured guaranty claims. For example, PRM Realty and Morris have reached settlement with: (i) alleged guarantee Creditor Hancock Bank to reduce their potential guarantee exposure from \$3.8 million to \$2.3 million; (ii) alleged guarantee Creditor Regions Bank to reduce their potential guarantee exposure from \$8,250,000 to \$250,000; and (iii) alleged guarantee Creditor D. B. Zwirn Real Estate Credit Partners, LLC/Fortress Investment Group, LLC to reduce their potential guarantee exposure from over \$36 million to \$0.

On June 30, 2010, the Court approved Morris' settlement with Highland Community Bank that involved paying off a \$200,000.00 loan and paying down and extending a second \$1.1 million loan through the liquidation of a certificate deposit pledged as collateral for those loans, thereby reducing the interest accruing and avoiding a large deficiency to his estate.

Debtors have also negotiated significant reductions in guarantee liabilities outside of Court, including reducing (i) Morris's alleged guarantee liability to Metropolitan National Bank from \$38,557,787 to \$0; (ii) PRM Realty's alleged guarantee liability to Metropolitan Bank from \$33,373,000 to \$0; (iii) Morris' and PRM Realty's alleged guarantee liability to Capital One Bank from \$6,500,000 to \$0; (iv) Morris' and PRM Realty's alleged guarantee liability to NRFC Holdings II, LLC from \$5,500,000 to \$0; (v) Morris' and PRM Realty's alleged guarantee liability to Compass Bank related to the Stonehill-PRM Realty joint venture from \$1,275,000 to \$0; and (vi) Morris' alleged liability to The Bank of Scotland from \$1,148,099 to \$0.

The Debtors have also worked to negotiate and extend property-level debt on its significant assets. In March 2012, PRM Smith Bay, LLC, a wholly-owned subsidiary of PRM Realty, modified and extended the first-lien debt on the approximately 7.55-acre Cebes Point property in St. Thomas, United States Virgin Islands (“USVI”). On March 22, 2012, the Court entered an Order granting the Joint Motion for Approval of Compromise and Commitment Letter with FirstBank Puerto Rico. As of March 30, 2012, the principal loan amount was reduced to approximately \$2,333,000, the loan was extended to March 30, 2017, and the interest rate was favorably renegotiated.

Favorable Asset Sales

Debtors have sold assets on favorable terms in order to provide operating income and to build a reserve to assist in financing the Plan. On May 10, 2012, the Court approved Morris’ motion to sell an undeveloped residential lot in Chicago, Illinois located at 600 W. Stratford Place, co-owned with his ex-wife Natalie Frank. The sale closed on August 16, 2012 for \$1,850,000, net of brokerage fees. Approximately \$406,000 was paid to Morris’ estate and the first lien of BMO Harris Bank was transferred to escrowed proceeds pursuant to the May 10 sale order.

Morris has also sold a number of art works during the pendency of the Bankruptcy Case that have provided working capital for the Debtors and allowed for the Debtors to contribute cash to the Plan. Those sales include certain works of Dorothea Tanning resulting in total net proceeds to Morris’ Estate of over \$875,000.

Property-Level Reorganizations

Debtors have been successful in reorganizing two complex and significant assets. The Plan of Reorganization proposed by PMP II, LLC was confirmed by order entered on August 17, 2010. After over a year of intense litigation in the state and federal courts of Hawaii and New York, the PMP II, LLC plan was made possible by the raising of new equity to payoff the existing first lien mortgage in the alleged amount of approximately \$36 million. Pursuant to the plan, PMP II, LLC retained a non-dilutable 25% interest in the unleveraged project, proceeds from which will help to fund the Plan and be contributed to the unsecured Creditors of PRM Realty and Morris if the Plan is confirmed.

Moreover, the Plan of Reorganization proposed by PRM Development, LLC, Hans Lollick Land Company, LLLP and Little Hans Lollick Holdings, LLP was confirmed by order entered on May 16, 2011. The Plan extended the loans on the two island properties for a period of eighteen (18) months in order for the titleholders to effectively market and sell the islands. The properties are currently listed for \$24,500,000 and the combined secured debt on the islands is less than \$11 million. Debtors’ Estates may receive significant benefit from the confirmation of these affiliates’ Plans as set forth herein.

Compromise and Settlement Agreement with SPCP Group, LLC

On May 6, 2010, SPCP Group, LLC filed a *Motion to Appoint Chapter 11 Trustee Pursuant to 11 U.S.C. § 1104 or, in the Alternative, Convert Case to Chapter 7, or, in the Alternative, to Appoint Examiner* in the Morris Case (“**Morris Trustee Motion**”). On December 30, 2010, the United States Trustee filed a *Motion to Convert to Chapter 7 under 11 U.S.C. § 1112(b)(1)* in the PRM Realty Case (“**PRM Trustee Motion**”) that was joined by SPCP Group, LLC on January 20, 2011. Significant time and resources were dedicated to defending the Morris Trustee Motion and the PRM Trustee Motion, including cumbersome discovery and numerous hearings.

On May 6, 2011, the Court approved the comprehensive Compromise and Settlement Agreement among the Debtors and SPCP Group, LLC, the lien holder on the Lake Valhalla Property, that ended various litigation matters between the parties (the “**CSA**”). The CSA resolved the Morris Trustee Motion and caused the United States Trustee to stay prosecution of the PRM Trustee Motion. Pursuant to the CSA, Morris retains a 50% interest in the proceeds of any sale of an approximately 1,100-acre parcel of undeveloped property in Cold Springs, New York (“**Lake Valhalla**”) that exceeds the secured debt on the property. Pursuant to the CSA, SPCP has released all of its claims in the Debtors’ Cases.

NHB Advisors

On May 10, 2012, the Court granted Debtors joint motion to appoint NHB Advisors, Inc. (“**NHB Advisors**”) as Financial Advisors for the Debtors. NHB Advisors is one of the country’s premier mid-market turnaround and crisis management firms and is well respected for its role as a financial advisor. NHB has extensive experience working with financially troubled entities in complex financial reorganizations—both in Chapter 11 cases and in out-of-court restructuring situations. In particular, NHB and its principals and associates have served, or are serving, as financial advisors to numerous official committees and debtors in possession in bankruptcy proceedings. NHB Advisors has agreed to be paid on a “success” basis, meaning that it will only be paid for its fundraising efforts through a percentage of funds raised and will be paid for its financial advisory services from the Reorganized Debtors’ share of any proceeds received pursuant to the Plan.

Since its appointment, NHB Advisors has contacted many prospective investors in the United States and internationally, seeking exit financing for the Plan in a variety of forms. These investors are comprised of strategic parties, such as resort developers and high-net worth individuals as well as financial parties, such as private equity firms, REIT funds, and other money management firms. NHB Advisors has targeted over two hundred firms through direct correspondence. Approximately fifteen of these firms have demonstrated an advanced interest in an investment in the Plan and have executed non-disclosure and non-circumvention agreements to access the Debtors’ due diligence data room. At the time the Plan was submitted, several firms were in discussions with NHB Advisors, including due diligence calls with Debtors’ management days prior to the filing of this Disclosure Statement. Furthermore, Debtors have themselves contacted and met with many groups regarding financing of the Plan. While no letter of intent or commitment letter has yet been signed, NHB Advisors and the Debtors will continue

their efforts to obtain exit financing throughout the pendency of the Plan and Disclosure Statement.

ARTICLE III - SUMMARY OF THE PLAN

A. OVERVIEW OF THE PLAN

THE FOLLOWING DISCUSSION IS A GENERAL OVERVIEW OF THE PLAN ONLY. IT IS NOT INTENDED TO MODIFY THE TERMS OF THE PLAN IN ANY WAY. THE PLAN IS ENCLOSED WITH THIS DISCLOSURE STATEMENT. CREDITORS ARE URGED TO READ THE PLAN IN ITS ENTIRETY IN DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN.

The Plan provides for a reorganization of all liabilities owed by Debtors, as described herein.

B. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

The Plan classifies and treats various classes of Creditors of the Debtors' Estates. The following is a summary of classification and treatment of Creditors' claims under the Plan:

For the purpose of satisfaction of all Claims against and Interests in Debtors, the Claims and Equity Interests are divided into the following classes:

Class 1: Administrative Claims

Class 1 Administrative Claims consist of any claim for payment of any cost or expense of administration of the Bankruptcy Cases entitled to priority in accordance with §§ 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, any actual and necessary expenses of preserving Debtors' Estates and operating their businesses from and after the Petition Date to and including the Confirmation Date and all allowances of compensation and reimbursement approved by the Bankruptcy Court in accordance with the Bankruptcy Code and any fees or charges assessed against the Debtors' Estates under the Bankruptcy Code. Except to the extent that the holder of an Administrative Claim may otherwise agree, Administrative Claims which are Allowed Claims prior to the Effective Date of the Plan will be paid in full within ten (10) days of the Effective Date of the Plan. Administrative Claims that become Allowed Claims after the Effective Date of the Plan will be paid in full in cash within ten (10) business days following the date the Administrative Claim becomes an Allowed Claim by Final Order of the Bankruptcy Court. For purposes of payment of Administrative Claims, any person desiring to have their Claim paid as an Administrative Claim under the Plan, must file an application for allowance of that Administrative Claim on or before thirty (30) days after the Confirmation Date or such person will be barred from asserting an Administrative Claim. The Allowed Class 1 Administrative Claims are as follows:

PRM REALTY ADMINISTRATIVE CLAIMS

	<u>Allowed Claim</u>	<u>Description</u>	<u>Disputed, Contingent or Unliquidated</u>	<u>Claim Filed</u>	<u>Notes</u>
Internal Revenue Service	\$ 63,308.69	Payroll taxes		x	Subject to reduction of penalties and interest
SVF N. Wacker Chicago	\$ 37,032.86	Post-petition rent		x	
Pronske & Patel, P.C. ³	\$ 30,000.00	Legal Fees			
Total PRM Realty Administrative Claims	\$ 100,341.55				

MORRIS ADMINISTRATIVE CLAIMS

	<u>Allowed Claim</u>	<u>Description</u>	<u>Disputed, Contingent or Unliquidated</u>	<u>Claim Filed</u>	<u>Notes</u>
McGuire, Craddock & Strothers	\$ TBD	Legal fees			
Total Morris Administrative Claims	\$ -				

Class 2: Priority Tax Claims

Class 2 Priority Tax Claims consist of any claim that is entitled to priority in payment under § 507(a)(8) of the Bankruptcy Code. Priority Tax Claims will be paid by the Reorganized Debtors, up to the Allowed amount of such Claim, plus interest at the rate of 4.5% per annum accrued thereon on a quarterly basis on October 1, January 1, April 1 and July 1 of each year over a period not exceeding five (5) years after the date of assessment of the Claims, as provided in § 1129(a)(9)(C) of the Bankruptcy Code commencing after the first full quarter following the Effective Date.

³ Pursuant to the settlement agreement between Pronske & Patel, P.C. and PRM Realty, legal fee amount includes fees attributable to certain PRM Realty affiliates including Maluhia Development Group, LLC.

PRM REALTY PRIORITY TAX CLAIMS

	<u>Allowed Claim</u>	<u>Description</u>	<u>Disputed, Contingent or Unliquidated</u>	<u>Claim Filed</u>	<u>Notes</u>
State of California Emp. Dev. Dept.	\$ 9,993.26	Employment taxes	x	x	
Illinois Dept. of Emp. Security	\$ 11,114.27	Employment taxes		x	
Ill. Dept. of Revenue	\$ 8,008.90	Misc. taxes			
Hawaii Dept. of Taxation - Income Tax Division	\$ 3,534.97	Misc. taxes			
Illinois Dept. of Emp. Security	\$ 2,222.85	Employment taxes		x	
Internal Revenue Service	\$ 152.97	Misc. taxes			
Hawaii Department of Labor	\$ 61.46	Employment taxes			
Hawaii Unemp. Ins. Div.	\$ 13.14	Employment taxes			
Missouri Dept. of Revenue	\$ 12.86	Employment taxes			
Total Priority Tax Claims	\$ 35,114.68				

MORRIS PRIORITY TAX CLAIMS

	<u>Allowed Claim</u>	<u>Description</u>	<u>Disputed, Contingent or Unliquidated</u>	<u>Claim Filed</u>	<u>Notes</u>
Internal Revenue Service	\$ 19,585.27	Misc. taxes		x	
Illinois Department of Revenue	\$ 301.13	Misc. taxes		x	
Total Priority Tax Claims	\$ 19,886.40				

Class 2A: Priority Non-Tax Claims

Class 2A Priority Non-Tax Claims consist of any claim that is entitled to priority in payment under § 507(a)(8) of the Bankruptcy Code, not listed in Class 2. Priority Non-Tax Claims will be paid by the Reorganized Debtors, up to the Allowed amount of such Claim, plus interest at the rate of 4.5% per annum accrued thereon on a quarterly basis on October 1, January 1, April 1 and July 1 of each year over a period not exceeding five (5) years after the date of assessment of the Claims, as provided in § 1129(a)(9)(C) of the Bankruptcy Code commencing after the first full quarter following the Effective Date, or as otherwise agreed by the Claimholder.

PRM REALTY PRIORITY NON-TAX CLAIMS

	<u>Allowed Claim</u>	<u>Description</u>	<u>Disputed, Contingent or Unliquidated</u>	<u>Claim Filed</u>	<u>Notes</u>
Matti Vilkkila	\$ 10,950.00	Employee Wages			
Patrick Ouimet	\$ 10,950.00	Employee Wages			
Derek Kim	\$ 10,950.00	Employee Wages	x	x	
Daniel Wade	\$ 10,950.00	Employee Wages		x	
Brian Thomas	\$ 10,464.52	Employee Wages		x	
Kenneth Miller	\$ 10,000.00	Employee Wages			
Grant Lee	\$ 8,173.07	Employee Wages			
Aura Amar	\$ 7,701.93	Employee Wages			
Ronald Signoretto	\$ 5,031.94	Employee Wages			
Jeffrey Glazer	\$ 4,269.26	Employee Wages			
Reuben Feder	\$ 4,076.94	Employee Wages			
Debra Bush	\$ 3,082.69	Employee Wages			
Letitia Vela	\$ 2,533.86	Employee Wages			
Michael D. McCormick	\$ 3,270.00	Employee Wages		x	
Total Priority Tax Claims	\$ 102,404.21				

Class 3: Morris Domestic Support Obligations:

Claims in Class 3 will receive the following treatment:

Class 3A: This Class consists of the Administrative Claim of Hollis Logan (“**Logan**”) against Morris in the approximate amount of \$613,504.36 consisting of accrued domestic support obligations. Allowed Claims in Class 3A will receive the treatment accorded to Administrative Claims under the Bankruptcy Code or as may otherwise be agreed by Morris and the Claimholder.

Class 3B: This Class consists of the Administrative Claim of Natalie Frank (“**Frank**”) against Morris in the approximate amount of \$356,436.69 consisting of accrued domestic support obligations. Allowed Claims in Class 3B will receive the treatment accorded to Administrative Claims under the Bankruptcy Code or as may otherwise be agreed by the Debtor and the Claimholder.

Class 4: Secured Claim of The Shearwater

Class 4 consists of the alleged Secured Claim of The Shearwater (“**Shearwater**”) against Morris that is secured by a first lien in an Allowed amount to be determined by the Court or mutually agreed upon by the parties thereto on a timeshare interest in residential property owned by Morris and located at 3730 Kamehameha Road, Apartment 310, Princeville, Kauai, Hawaii (“**Kauai Timeshare Property**”).⁴ Allowed Secured Claims in Class 4 will receive the following treatment:

(a) Assumption of PVO Loan. Morris will assume the PVO loan with no assumption fee, subject to the following modifications: The existing note and loan documents will be modified as follows: the term of the note will be five (5) years from the Effective Date; the interest rate will be 4% per annum; interest only will be paid each month; all amounts owed will be deaccelerated; and association fees will be paid monthly.

(b) Defaults. All defaults and events of default existing as of the Petition Date and as of the Effective Date will be waived, and any defaults and events of default resulting from the confirmation of the Plan, the occurrence of the Effective Date, and/or the actions and transactions contemplated by the Plan, including the payments to be made under the Plan and changes in ownership and control effectuated by the Plan, will also be waived.

⁴ The Kauai Timeshare Property is not expected to produce any cash during the Plan Term. However, the property has intangible value to the Debtors for the purpose of defraying employee travel expenses associated with nearby Estate Assets and occasional customer entertainment. Accordingly, payment of the monthly debt service and association fees will come from Debtors’ overhead. In the event that the Kauai Timeshare Property is sold for a value that exceeds the secured debt during the Plan Term, the proceeds will be contributed to the Plan as Plan Funds.

(c) RCI Points. On the Effective Date, all RCI Points accrued prior to the Petition Date and as of the Effective Date in the approximate amount of 792,600⁵ will be reinstated and available for Morris to use as provided in the rules and regulations associated therewith.

(d) Default Interest/Penalties/Charges. Except as provided herein, no default interest, late charges, or other penalties or monetary compensation or fees will be required to be paid to Bancentre in connection with Morris's assumption of the Bancentre loan, or the treatment provided under this Plan for Allowed Class 4 Claims.

(e) Collateral. PVO will retain its liens against its Collateral with the same validity, enforceability, attachment, perfection, priority, and legal rights that existed on the Petition Date.

(f) Shearwater Reservation of Rights. Shearwater does not consent to the treatment set forth herein and reserves all of its rights to object to confirmation of the Plan.

Class 5: Secured Claim of The Ritz-Carlton Development Company, Inc.

Class 5A: This Class consists of the Secured Claim of The Ritz-Carlton Development Company, Inc. ("**Ritz-Carlton**") against PRM Realty in the approximate amount of \$126,000.00 which is secured by a first lien on timeshare interest No. 2404-10 in residential property owned by PRM Realty and located at Estate Nazareth, No. 1, Red Hook Quarter, St. Thomas, USVI ("**Ritz Timeshare 1**"). Allowed Secured Claims in Class 5A will receive the following treatment: Within thirty (30) days of the Effective Date, Morris will execute and deliver to Ritz-Carlton a condominium deed conveying the Ritz Timeshare 1 to Ritz-Carlton in full satisfaction of the note and loan documents. Ritz Carlton will waive any and all rights to any and all Claims or Causes of Action against PRM Realty related to the loan or to the Ritz Timeshare 1, including attorneys' fees, and deficiency claims.

Class 5B: This Class consists of the Secured Claim of Ritz-Carlton against PRM Realty in the approximate amount of \$117,000.00 which is secured by a first lien on timeshare interest No. 1504-5 in residential property owned by PRM Realty and located at Estate Nazareth, No. 1, Red Hook Quarter, St. Thomas, USVI ("**Ritz Timeshare 2**").⁶ Allowed Secured Claims in Class 5B will receive the following treatment:

⁵ Morris asserts that he is entitled to 132,100 RCI Points per year and has been a member since October 2005. No points have been used to date. The Shearwater disputes that Morris is entitled to accrued RCI Points.

⁶ The Ritz Timeshare 2 property is not expected to produce any cash during the term of the Plan. However, the property has intangible value to the Debtors for the purpose of defraying employee travel expenses associated with nearby Estate Assets and occasional customer entertainment. Accordingly, payment of the monthly debt service and association fees will come from Debtors' overhead. In the event that the Ritz Timeshare 2 property is sold for a value that exceeds the secured debt during the Plan Term, the proceeds will be contributed to the Plan as Plan Funds.

(a) Assumption of Ritz-Carlton Loan. Morris will assume the Ritz-Carlton loan with no assumption fee, subject to the following modifications: The existing note and loan documents will be modified as follows: the term of the note will be twenty (20) years from the Effective Date; the interest rate will be 4% per annum; interest only will be paid each month; all amounts owed will be deaccelerated; and association fees will be paid monthly.

(b) Defaults. All defaults and events of default existing as of the Petition Date and as of the Effective Date will be waived, and any defaults and events of default resulting from the confirmation of the Plan, the occurrence of the Effective Date, and/or the actions and transactions contemplated by the Plan, including the payments to be made under the Plan and changes in ownership and control effectuated by the Plan, will also be waived.

(c) Default Interest/Penalties/Charges. Except as provided herein, no default interest, late charges, or other penalties or monetary compensation or fees will be required to be paid to Bancentre in connection with Morris's assumption of the Bancentre loan, or the treatment provided under this Plan for Allowed Class 5B Claims.

(d) Collateral. Ritz-Carlton will retain its liens against its Collateral with the same validity, enforceability, attachment, perfection, priority, and legal rights that existed on the Petition Date.

(e) Waivers/Consents. Ritz-Carlton will be deemed to consent to and approve the transactions contemplated by the Plan, including, without limitation, the payments to the holders of Allowed Claims and Allowed Administrative Claims pursuant to the Plan.

Class 6: Secured Claim of BMO Harris Bank, N.A.

This Class consists of the disputed Secured Claim of BMO Harris Bank, N.A. ("BMO Harris") against Morris relating to the real property located at 600 W. Stratford Place, Chicago, Illinois ("Stratford Property"). Pursuant to the Bankruptcy Court's Order of May 10, 2012, the Stratford Property was sold free and clear of all liens, claims, interests, restrictions and encumbrances and the lien of BMO Harris was transferred to escrowed proceeds received from the Stratford Property sale believed by Debtors' to be in excess of the amount of BMO Harris's claim. Secured Claims in Class 6 will receive payment of the Allowed Claim in full.

Class 7: General Unsecured Claims of PRM Realty and Morris

Class 7 Allowed General Unsecured Claims consist of all other Allowed Claims against Debtors not placed in any other Class. In the event that a Class 7 General Unsecured Claimholder holds identical claims against both Debtors (i.e., joint and several claims), the duplicate claims will be Disallowed.

For purposes of distribution only, the Allowed Claims in Class 7A and 7B shall be pooled, duplicate Claims shall be eliminated and such pooled Allowed Claims shall share ratably

in the Net Distributable Cash Flow. After duplicate Claims are eliminated, the estimated amount of the Class 7 Allowed General Unsecured Claims is \$22,599,381.

Class 7A: PRM Realty General Unsecured Claims. This Class consists of any Allowed General Unsecured Claims against PRM Realty in the approximate amount of \$18,727,322. Creditors holding Allowed Class 7A General Unsecured Claims will receive payment of their Allowed Claims from Net Distributable Cash Flow (as defined below).

Class 7B: Morris General Unsecured Claims. This Class consists of any Allowed General Unsecured Claims against Morris in the approximate amount of \$12,750,116. Creditors holding Allowed Class 7B General Unsecured Claims will receive payment of their Allowed Claims from Net Distributable Cash Flow.

Class 8: PRM Realty Equity Interests

Class 8 Equity Interests shall be deemed to be terminated and canceled upon the Effective Date. On the Effective Date, Morris shall be the sole member of PRM Realty in consideration for contribution of the Contributed Assets defined below and other consideration.

C. IMPLEMENTATION OF THE PLAN

The Reorganized Debtors will operate their businesses following the Effective Date and will dedicate sufficient revenues to fund all obligations contained herein. For the purposes of the Plan, the Debtors' Estate and Contributed Assets will be pooled for the purpose of distributions of Net Distributable Cash Flow.

(a) Summary

The Debtors' Plan will have a five (5) year term ("**Plan Term**") whereby the Debtors will seek to enhance the value of the existing assets ("**Estate Assets**") through entitlement, market correction, litigation and/or development and distribute the resulting Net Distributable Cash Flow to the Class 7 Allowed General Unsecured Creditors. Debtors will initially fund their operations from a combination of cash reserves, new sales of art work, Contributed Assets, collections of accounts receivable, and/or funds raised from third-parties, if available ("**Plan Funds**"). The Debtors day-to day operations will be funded by the Plan Funds ("**Operating Expenses**"). For the Plan Term, revenues received by the Debtors after funding of the Debtors' Operating Expenses will be paid pursuant to the Distribution Priority set forth below, with Net Distributable Cash Flow being distributed among the Class 7 Unsecured Creditors, the Debtors and any third-party investor or lender.

In constructing the Plan, the Debtors have structured the terms to accommodate two possible scenarios: (a) plan financing is obtained ("**Plan Financing**"); and (b) no Plan Financing is obtained and the Debtors are required to finance the Plan from existing cash, operating revenues and sales of Estate Assets and Contributed Assets. The Debtors believe that the Plan is feasible in either scenario although the Net Distributable Cash Flow would in all likelihood be greater under the third-party financing scenario. Please review Debtors' Projected Annual Cash

Flow Schedules attached hereto as “**Exhibit A**” (Third-Party Financed Plan) and “**Exhibit B**” (Debtor Financed Plan).

(b) Contribution of Cash and Property to Plan

In 2009 as part of his estate planning, a number of trusts were settled by Morris for the benefit of his children. The assets contributed to those trusts include interests in real property and a collection of letters to and from the surrealist painter Rene Magritte. Morris believes that the statutory limitation for avoidance actions relating to those trusts has passed. However, Morris intends to cause certain of the trust assets to be contributed to the Plan for the benefit of the Debtors’ Estate, only in the event the Plan is confirmed. Furthermore, the trusts are benefited from the confirmation of the Plan as they rely on Morris, the manager of the trusts’ operating entities, to realize on the disposition of the trust assets at optimal values.

Morris will cause certain trust assets to be contributed to the Plan that the Debtors believe would not be available to the Debtors’ Creditors in the event of a liquidation or dismissal (“**Contributed Assets**”). Morris will cause cash and property currently owned by certain trusts to be contributed to the Plan on the Effective Date at a value to be agreed upon between Morris and the trustee of the trusts (“**Contributed Asset Value**”), in exchange for a return of the Contributed Asset Value as well as a return on capital of eight percent (8%) per annum (“**Contributed Asset Return**”). The repayment of the Contributed Asset Value as well as the Contributed Asset Return will be paid solely from the Debtors’ share of Net Distributable Cash Flow.

(c) Distribution Priority

The Plan Funds will first be used to fund Operating Expenses including: (i) payment of Administrative Claims within ten (10) days of the Effective Date or as otherwise agreed; (ii) payment of the Priority Tax Claims and Priority Non-Tax Claims over the Plan Term; (iii) payment of certain deferred property-related expenses within ten (10) days of the Effective Date or as otherwise agreed; (iv) Debtors’ company overhead and expenses for the Plan Term; (v) debt service for loans secured by property of the Debtors’ Estates or assets owned by affiliates of Debtors’ that will be a source of Net Distributable Cash Flow upon sale, development, collection or financing of those assets over the Plan Term; (vi) expenses related to the Plan and Contributed Assets including property taxes, brokerage fees, property insurance, legal, consulting, marketing and other soft development costs; and (vii) cash reserves for payment of Operating Expenses going forward. Please review Debtors’ Projected Annual Cash Flow Schedules attached hereto as “**Exhibit A**” (Third-Party Financed) and “**Exhibit B**” (Debtor Financed).

On December 31 of each year during the Plan, beginning on December 31, 2013, remaining Plan Funds after the payment of Operating Expenses (“**Net Distributable Cash Flow**”), if and when available, will be distributed on an annual basis as follows:

Scenario “A” – Third-Party Financed Plan:⁷

Net Distributable Cash Flow received by the Debtors in the event that Plan Financing is obtained will be paid in the following distribution priority:

- (i) Repayment of principal amount of Plan Financing;
- (ii) Payment of Plan Financing return;
- (iii) Distribution of remaining Net Distributable Cash Flow:

<u>Cumulative Net Distributable Cash Flow</u>	<u>Unsecured Creditors</u>	<u>Debtors</u>	<u>Third-Party Investor/Lender</u>
Up to and including \$1,000,000	80%	15%	5%
Up to and including \$5,000,000	50%	45%	5%
Up to and including \$10,000,000	15%	80%	5%
Over \$10,000,000	0%	95%	5%

Please review Debtors’ Projected Annual Cash Flow Schedules relating to Scenario “A” attached hereto as “**Exhibit A**”.

⁷ No definitive agreement has been reached regarding the terms of Plan Financing. Upon the execution of a definitive agreement, Debtors will provide supplemental information. Furthermore, NHB Advisors is entitled to 5% of the Plan Financing amount upon closing.

Scenario “B” – Debtor Financed Plan:⁸

Net Distributable Cash Flow received by the Debtors in the event no Plan Financing is obtained will be paid in the distribution priority described below. Although the percentage distribution to the Class 7 Allowed General Unsecured Creditors is lower under the Debtor Financed Plan, the actual return is projected to be similar to the Third-Party Financed Plan because no priority return will be paid to the third-party lender/investor. The Debtors’ share of the Net Distributable Cash Flow will likely increase under this scenario because they will be providing the sole source of outside funding through the Contributed Assets.

<u>Cumulative Net Distributable Cash Flow</u>	<u>Unsecured Creditors</u>	<u>Debtors</u> ⁹
Up to and including \$1,000,000	80%	20%
Up to and including \$5,000,000	30%	70%
Up to and including \$10,000,000	20%	80%
Over \$10,000,000	5%	95%

Please review Debtors’ Projected Annual Cash Flow Schedules relating to Scenario “B” attached hereto as “**Exhibit B**”.

Under either Scenario A or Scenario B, the Class 7 Allowed General Unsecured Creditors shall receive up to 25% of the Allowed Class 7 Claims. Debtors’ financial projections titled Annual Cash Flow Schedule are attached hereto “**Exhibit A**” (Third-Party Financed) and **Exhibit B**” (Debtor Financed) and incorporated by reference herein. Such projections have been generated using Debtors’ expertise gained from operating its business.

(d) PRM Realty Estate Assets

1. Cash Reserves. PRM Realty will contribute its cash reserves as of the Effective Date to the Plan Funds.

2. PR Global Hotel Ventures, LLC Cash. PRM Realty will contribute funds remaining on the Effective Date from collection on its account receivable from its non-debtor affiliate, PR Global Hotel Ventures, LLC, to the Plan Funds.

⁸ Debtors reserve the right to obtain third-party financing at any time prior to Confirmation and following the Effective Date. In the event third-party financing is obtained, Debtors will seek to amend the Plan in accordance with the negotiated terms of such financing.

⁹ A portion of the Net Distributable Cash Flow payable to Debtors will be paid to the Morris Family Investment companies in consideration for contribution of the Contributed Assets as repayment of the Contributed Asset Value and the Contributed Asset Return. In addition, a portion (5%) of the Net Distributable Cash Flow paid to Debtors will be paid to NHB Advisors as compensation for financial advisory services.

3. PRM Development, LLC. PRM Realty is the 100% owner of PRM Development, LLC (“**PRM Development**”).¹⁰ PRM Development owns a 33.33% equity interests in Hans Lollick Land Company, LLLP (“**Great Hans LLLP**”)¹¹ and Little Hans Lollick Holdings, LLP (“**Little Hans LLP**”)¹², which respectively own undeveloped 500-acre and 100-acre islands less than a mile north of St. Thomas, USVI (“**Hans Lollick Property**”). The remaining 66.66% of Great Hans LLLP and Little Hans LLP is owned by a third-party. PRM Realty will assist in the sale, refinance and/or development of the Hans Lollick Property and provide funding for PRM Development’s share of the carrying costs of the Hans Lollick Property. Following payment of its share of the first lien mortgage and other property level Creditors, revenues received by PRM Realty pursuant to its ownership in PRM Development will be contributed to the Plan as Plan Funds.

Significant difficulties lie ahead in effectuating a sale of the Hans Lollick Property including, effectively marketing the islands to a broad, international group of wealthy individuals and companies, performing a leadership and diplomacy role among the group of partners with varying financial incentives and time horizons, and closing a likely complicated sale involving numerous brokerage arrangements, zoning and permitting complexities and possibly foreign participants. Accordingly, the Debtors believe the potential recovery for the Estates under the Plan is far greater than would be achieved in a liquidation.

4. PMP II, LLC. PRM Realty, through its affiliate Bagelpipe, LLC, is the 100% owner of PMP II, LLC (“**PMP**”).¹³ PMP owns a 25% non-dilutable equity interest in Hawaii Kai Memorial Park, LLC, which owns a 69-acre parcel of property in the Hawaii Kai neighborhood of Honolulu, Hawaii, zoned and entitled for development of a luxury cemetery (“**Cemetery Property**”). The remaining 75% of HKMP, LLC is owned by third-parties. PRM Realty will assist in the development of the Cemetery Property and generation of revenues from the sale of burial plots, niches, crypts and other services. Following payment of property-level Creditors, revenues received by PRM Realty pursuant to its ownership in PMP will be contributed to the Plan as Plan Funds. PRM Realty does not intend to seek a sale of the Cemetery Property during the Plan Term, and only revenues from ordinary operations, once developed, received during the Plan Term shall be contributed as Plan Funds.

¹⁰ PRM Development’s chapter 11 bankruptcy case is pending in this Court, Case No. 10-35547-HDH-11. A Joint Plan of Reorganization was confirmed on May 13, 2011.

¹¹ Great Hans LLLP’s chapter 11 bankruptcy case is pending in this Court, Case No. 10-36161-HDH-11. A Joint Plan of Reorganization was confirmed on May 13, 2011.

¹² Little Hans LLP’s chapter 11 bankruptcy case is pending in this Court, Case No. 10-36159-HDH-11. A Joint Plan of Reorganization was confirmed on May 13, 2011.

¹³ PMP’s chapter 11 bankruptcy case is pending in this Court, Case No. 10-30252-HDH-11. On August 17, 2010, PMP’s Plan of Reorganization was confirmed.

PRM Realty will be required to use its development and real estate expertise to assist in (i) navigating the Hawaii political process required to obtain the permits necessary for operation of the Cemetery Property, (ii) obtaining construction financing to build the Cemetery Property infrastructure and facilities, (iii) initiating an effective marketing strategy; (iv) acquiring the staff, operation plan and technology to operate the Cemetery Property; (v) managing the diverse ownership group with differing financial incentives and time horizons; and (vi) underwriting and making commitments necessary to achieve successful permitting such as executing surety bonds. Accordingly, the Debtors believe that the Estates will only receive a recovery from this asset if the Debtors are permitted to continue to manage and shepherd the asset through completion of the Cemetery Property.

5. PRM Kauai, LLC. PRM Realty is the 100% owner of PRM Kauai, LLC (“**PRM Kauai**”). PRM Kauai owns a 50% equity interest in Kauai Beach Villas – Phase II, LLC, which owns a 33.39-acre parcel of undeveloped land located on the Island and County of Kauai, Hawaii (“**Kauai Beach Villas Property**”). The remaining 50% of PRM Kauai is owned by a third-party. PRM Realty will assist in the sale, refinancing and/or development of the Kauai Beach Villas Property and provide funding for PRM Kauai’s share of the carrying costs of the Kauai Beach Villas Property. Following payment of its share of the first lien mortgage and other secured Creditors, revenues received by PRM Realty pursuant to its ownership in PRM Kauai will be contributed to the Plan as Plan Funds. The Debtors acknowledge that (i) the Plan does not affect rights and obligations of Pahio Marketing, Inc. and non-debtor PRM Kauai, LLC under the Limited Liability Company Operating Agreement of Kauai Beach Villas – Phase II, LLC dated June ___, 2002 (the “Operating Agreement”) and (ii) Pahio Marketing, Inc. and PRM Kauai, LLC reserve all of their respective rights *vis-a-vis* each other.

6. PRM St. Thomas, LLC. PRM Realty, through its affiliates Long Bay Partners, LLC and PRM Caribbean, LLC, is the 100% owner of PRM St. Thomas, LLC (“**PRM St. Thomas**”). PRM St. Thomas owns a 15% equity interest in Yacht Haven USVI, LLC, which itself or its affiliates own certain property, property rights, contract rights or other interests in the Yacht Haven Grande Marina located on the harbor of Charlotte Amalie, St. Thomas, USVI (“**Yacht Haven Property**”). PRM St. Thomas is owed significant proceeds from the sale, operation and/or ownership of the Yacht Haven Property. PRM Realty will assist PRM St. Thomas in the collection of any proceeds it is due from its ownership interest in the Yacht Haven Property and provide funding to support those collection activities. Revenues received by PRM Realty pursuant to its ownership in PRM St. Thomas will be contributed to the Plan as Plan Funds.

7. PRM Bedford Hills, LLC. PRM Realty is the 33.33% owner of PRM Bedford Hills, LLC (“**PRM Bedford**”). The remaining 66.66% of PRM Bedford is owned by third-parties. PRM Bedford owns three office and retail buildings located in Bedford Hills, New York (“**Bedford Hills Property**”). PRM Realty will assist in the sale, operation and/or refinancing of the Bedford Hills Property. Following payment of its share of the first lien mortgage, revenues received by PRM Realty pursuant to its ownership in PRM Bedford will be contributed to the Plan as Plan Funds.

8. Stonehill-PRM Realty. PRM Realty is the 50% owner of Stonehill-PRM Realty, L.P., Stonehill-PRM Realty, GP, LLC and indirectly various other affiliates (collectively "**Stonehill-PRM Realty**"). The remaining 50% of Stonehill-PRM Realty is owned by third-parties. Stonehill-PRM Realty owns or owned equity interests in various real estate investments located in Texas, Arkansas, Georgia, Louisiana and West Virginia ("**Stonehill-PRM Realty Property**"). PRM Realty asserts it is owed at least \$8 million in partner loans plus interest as well as its *pro rata* share of any proceeds from the sale, refinancing and/or development of the Stonehill-PRM Realty Property. PRM Realty will seek repayment of these partner loans, seek collection of any additional proceeds it is due from its ownership interest in the Stonehill-PRM Realty Property, and provide funding to support those collection activities. Revenues received by PRM Realty pursuant to its ownership in Stonehill-PRM Realty will be contributed to the Plan as Plan Funds.

9. PRM Smith Bay, LLC. PRM Realty is the 100% owner of PRM Smith Bay, LLC ("**PRM Smith Bay**"). PRM Smith Bay a 7.55-acre parcel of undeveloped land located at No. 14 Estate Smith Bay, St. Thomas, USVI ("**Smith Bay Property**"). PRM Realty will assist in the sale, refinancing and/or development of the Smith Bay Property and provide funding for the carrying costs of the Smith Bay Property. Following payment in full of the first lien mortgage, revenues received by PRM Realty pursuant to its ownership in PRM Smith Bay will be contributed to the Plan as Plan Funds.

In order to achieve a recovery for the Debtors' Estates from the Smith Bay Property, PRM Realty will be required to utilize its development expertise in obtaining the permits necessary to begin construction and marketing of the Smith Bay Property, including new application for Coastal Zone Management permits that have lapsed and possibly reconfiguring the development plan due to the changed economic conditions. Furthermore, PRM Realty will be required to implement an effective marketing plan that will reach a broad group of onshore and offshore buyers. Accordingly, the Debtors believe that the Estates will only receive a recovery from this asset if the Debtors are permitted to continue to manage the asset pursuant to the Plan.

10. Other Assets. Any other assets not specifically described herein shall become the property of the Reorganized PRM Realty upon the Effective Date and any revenues received therefrom shall not be contributed as Plan Funds, except as may be determined by PRM Realty in its sole discretion, including for use to pay Operating Expenses.

11. Reorganized Debtor. Upon the Confirmation Date of the Plan, the Reorganized PRM Realty will be the survivor of PRM Realty.

12. Cramdown. If any impaired class votes to accept the plan, but not all classes accept the plan, PRM Realty will seek confirmation under the cram down provision of § 1129(b) of the Bankruptcy Code.

(e) Morris Contributed Assets

1. Morris Family Investments VIII, LLC – Magritte Letter Collection. Morris Family Investments VIII, LLC (“**MFI VIII**”) will agree to contribute three volumes of letters written and received by the famous Belgian Surrealist painter Rene Magritte as well as cash received from the sale of one volume to the Plan. In exchange, MFI VIII will receive, solely from the Net Distributable Cash Flow paid to the Debtors, the repayment of the Contributed Asset Value plus the Contributed Asset Return. Revenues from the sale of the MFI VIII contributed assets will be contributed to the Plan as Plan Funds.

2. Morris Family Investments VI, LLC – Louisenhoj Holdings, LLC. Morris Family Investments VI, LLC (“**MFI VI**”) will agree to contribute its 50% interest in Louisenhoj Holdings, LLC, the owner of an approximately 14-acre parcel of undeveloped land in St. Thomas, USVI to the Plan. In exchange, MFI VI will receive, solely from the Net Distributable Cash Flow paid to the Debtors, the repayment of the Contributed Asset Value plus the Contributed Asset Return. Revenues from the sale of the MFI VI contributed assets after payment of property-level Creditors will be contributed to the Plan as Plan Funds.

3. Morris Family Investments VII, LLC – Misgunst Holdings, LLC. Morris Family Investments VII, LLC (“**MFI VII**”) will agree to contribute its 50% interest in Misgunst Holdings, LLC, the owner of an approximately 14-acre parcel of undeveloped land in St. Thomas, USVI to the Plan. In exchange, MFI VII will receive, solely from the Net Distributable Cash Flow paid to the Debtors, the repayment of the Contributed Asset Value plus the Contributed Asset Return. Revenues from the sale of the MFI VII contributed assets after payment of MFI VII will be contributed to the Plan as Plan Funds.

(f) Morris Estate Assets

1. Cash Reserves. Morris will contribute his cash reserves as of the Effective Date to the Plan Funds.

2. PR Global Hotel Ventures, LLC Cash. Morris will contribute funds remaining on the Effective Date from collection on his account receivable from his non-debtor affiliate, PR Global Hotel Ventures, LLC, to the Plan Funds.

3. Art Works. Morris is the owner, and in certain cases the co-owner with his ex-wife Natalie Frank, of paintings, statues, pottery and other objects (“**Art Works**”). Morris will sell a significant portion of the Art Works over the Plan Term. Revenues received by Morris from the sale of the Art Works will be contributed to the Plan as Plan Funds. With regard to the co-owned Art Works, Morris expects that he will continue to be able to work constructively with Ms. Frank to optimize the marketing and ultimate sale values of the Art Works.

4. CPPP Holdings, LLC. Morris is the 50% owner of CPPP Holdings, LLC (“**CPPP Holdings**”), the 100% owner of a bar and restaurant called the Fat Turtle located in the Yacht Haven Grande Marina, Charlotte Amalie, St. Thomas, USVI (“**Fat Turtle**”). The remaining 50% of CPPP Holdings is owned by a third-party. Morris will assist in the operation of the Fat Turtle and generation of revenue from the food and beverage sales, concert promotions and merchandise sales. Revenues received by Morris pursuant to his ownership in CPPP Holdings will be contributed to the Plan as Plan Funds. Morris does not intend to seek a sale of Fat Turtle during the Plan Term, and only revenues received from ordinary operations during the Plan Term shall be contributed as Plan Funds.

Morris will be required to assist in (i) ongoing day-to-day management of the Fat Turtle; (ii) management and negotiations with the Fat Turtle’s landlord; and (iii) management of the relationship with his partner, all of which require significant skill, experience, relationships, time and resources possessed by Morris. Accordingly, the Debtors believe that the Estates will only receive a recovery from this asset if the Debtors are permitted to continue to actively manage the asset pursuant to the Plan.

5. CCCP Holdings, LLC. Morris is the 60% owner of CCCP Holdings, LLC (“**CCCP Holdings**”), an entity that owns an interest in Caribbean Lottery Services, Inc., the operator of the USVI lottery. The remaining 40% of CCCP Holdings is owned by a third-party. Morris will assist in the operation of CCCP Holdings. Revenues received by Morris pursuant to his ownership in CCCP Holdings will be contributed to the Plan as Plan Funds. Morris does not intend to seek a sale of CCCP Holdings’ assets during the Plan Term and only revenues received from ordinary operations during the Plan Term shall be contributed as Plan Funds.

Morris will be required to manage the relationship with his partner, which requires significant skill, experience, relationships, time and resources possessed by Morris. Accordingly, the Debtors believe that the Estates will only receive a recovery from this asset if the Debtors are permitted to continue to actively manage the asset pursuant to the Plan.

6. Maluhia Development Group, LLC. Morris is the 90% owner of Maluhia Development Group, LLC (“**MDG**”).¹⁴ The remaining 10% of MDG is owned by a Robert Harte. MDG is a claimant in arbitration with Jen-Hsun and Lori Huang currently pending in Honolulu, Hawaii. MDG claims damages for, *inter alia*, uncompensated construction work completed on a home in Maui, Hawaii. Morris will assist MDG in pursuing those claims and may, if funds are available, provide funding to support those collection activities during the Plan Term. Following payment in full of property-level Creditors, revenues received by Morris pursuant to his ownership in MDG will be contributed to the Plan as Plan Funds.

7. Lake Valhalla Property. Pursuant to the CSA with SPCP Group, LLC,

¹⁴ MDG’s chapter 11 bankruptcy case is pending in this Court, Case No. 11-30475-HDH-11. On July 6, 2012, MDG filed its Disclosure Statement and Plan of Reorganization.

Morris and his non-debtor affiliate retain a 50% interest in the proceeds from the sale of the Lake Valhalla Property located in Cold Springs, New York. Revenues received by Morris pursuant to this interest in Lake Valhalla will be contributed to the Plan as Plan Funds.

8. Other Assets. Any other assets not specifically described herein shall become the property of the Reorganized Morris upon the Effective Date and any revenues received therefrom shall not be contributed as Plan Funds, except as determined by Morris in his sole discretion, including for use to pay Operating Expenses.

9. Reorganized Debtor. Upon the Confirmation Date of the Plan, the Reorganized Morris will be the survivor of Morris.

10. Cramdown. If any impaired class votes to accept the plan, but not all classes accept the plan, Morris will seek confirmation under the cram down provision of § 1129(b) of the Bankruptcy Code.

D. DISPOSITION OF CAUSES OF ACTION

Debtors have not yet concluded their analysis of existing claims and Causes of Action and expressly reserve the right to continue such analysis. All Claims and Causes of Action owned by Debtors, Causes of Action that could have been brought by a Creditor on behalf of Debtors, and all Causes of Action created by the Bankruptcy Code not expressly waived or released under the Plan may be pursued by the Reorganized Debtors for the benefit of the Creditors, as provided herein, including, but not limited to Causes of Action arising in and under Chapter 5 of the Bankruptcy Code. The Reorganized Debtors will have the exclusive right to settle or compromise all such Causes of Action subject to Bankruptcy Court approval. Bankruptcy Court approval is not required to settle or compromise any collection activities relating to any and all accounts receivable.

Several of the Causes of Action and Claims are briefly described as follows:

1. Potential Causes of Action by Debtors against Pahio Marketing, Inc., The Shearwater, Pahio Vacation Ownership, Inc., Bancentre Corp., James Gibson, David Walters, the Estate of David E. Walters, the David E. Walters Trust, Wyndham Worldwide, and/or Lynn McCrory, among others, relating to the Kauai Timeshare Property owned by Morris and financed by Bancentre Corp./Pahio Vacation Ownership, Inc., as well as the 34-acre parcel of property owned by Kauai Beach Villas-Phase II, LLC, a joint venture between Pahio Marketing, Inc. and PRM Kauai, LLC, a wholly-owned subsidiary of PRM Realty, the acquisition of which was also financed by Bancentre Corp. The potential Claims and Cause of Action include various lender liability claims, fraud, breach of fiduciary duty, fraudulent transfer, tortious interference with business relationships, breach of contract, civil conspiracy, violations of various state and federal statutes relating to financing, banking, consumer fraud and racketeering, among others.

2. Debtors reserve their rights regarding Causes of Action against one of more of Stonehill-PRM Realty, L.P., Stonehill-PRM Realty GP, LLC, James Brownlow, Virgil Jordan,

Thomas McDaniel, Michael Hirsbrunner, Brian Selbo, Paul Lentz, Jason Lentz, John Davenport, Troy Phillips, Glast Phillips & Murray, P.C., Forestar Group Inc., and/or Craig Knight, among others, relating to partner loans made by PRM Realty and Morris to the Stonehill-PRM Realty joint venture, distributions from the Stonehill-PRM Realty joint venture, and the Gulf Coast Portfolio investment. The potential Claims and Cause of Action include fraud, breach of fiduciary duty, unjust enrichment, legal malpractice, negligence, civil conspiracy, aiding and abetting breach of fiduciary duty, fraudulent transfer, tortious interference with business relationships, breach of contract, and conversion, among others.

3. Potential Causes of Action by Morris against Douglas A. Gerrard, David J. Morris, Deere Park Capital, LLC, Fox, Hefter, Swibel, Levin & Carroll, LLP, Steven G. Thorne, Phillip W. Smith, Professional Marketing International, Inc., and/or National Marketing Resources, LLC, among others relating to Fortune Financial Systems, Inc., and the Voting Trust and Pooling Agreement dated February 2000. The potential Claims and Cause of Action include fraud, breach of fiduciary duty, unjust enrichment, civil conspiracy, aiding and abetting breach of fiduciary duty, fraudulent transfer, tortious interference with business relationships, breach of contract, and conversion, among others.

4. Potential Causes of Action by Debtors against Kenneth McCulloch, MHM, Ltd., Dennis Boyton, Hot Reps, Ltd., Andrew Melville, French Duncan, David Coulthard, Robert Breare, Robert Mitchell, Amanda Rosa, and Amanda Rosa Interiors, and/or Farries, Kirk & McVean, among others. The potential Claims and Cause of Action include fraud, breach of fiduciary duty, unjust enrichment, aiding and abetting breach of fiduciary duty, civil conspiracy, fraudulent transfer, breach of contract, and conversion, among others.

5. Potential Causes of Action by Debtors against Jen-Hsun and Lori Huang, Maui Builders, Inc., and John Bews relating to the sale and construction of House 10 at Maluhia at Wailea. The claims against the Huangs are set forth in the Hawaii Dispute Prevention and Resolution, Inc. Arbitration between Maluhia Development Group, LLC, Morris, PRM Realty, *et al.*, v. Jen-Hsun Huang and Lori Huang; Arbitration No. 06-0331-A. The Debtors' claims against John Bews and Maui Builders, Inc., are similar to those asserted are in the lawsuit captioned Maluhia Development Group, LLC v. Maui Builders, Inc., and John Bews in the Circuit Court for the Second Circuit, State of Hawaii; Case No. 08-1-0226, since dismissed without prejudice subject to a Tolling Agreement. A copy of the pleadings filed in the aforementioned arbitration and lawsuits may be obtained upon request of the Debtors.

6. Potential objections to Claims listed as disputed, contingent or unliquidated on the Debtors' schedules and to Claims filed subsequent to the Petition date not in accordance with the Debtors' scheduled Claim amounts. Please see a list of potential Claim objections attached hereto as "**Exhibit C**".

7. Potential Causes of Action by Debtors against parties listed as having accounts payable to Debtors pursuant to Exhibit B to Schedule B of the Debtors' respective Schedules attached hereto as "**Exhibit D**" for PRM Realty and "**Exhibit E**" for Morris.

E. EXECUTORY CONTRACTS AND LEASES

General Assumption and Assignment. Debtors anticipate, but do not guarantee, that all unexpired executory contracts will be assumed at Confirmation. All assumed contracts will be paid in the ordinary course of business on a going forward basis after Confirmation. All executory contracts and unexpired leases of Debtors (including, but not limited to, those listed on the Debtors' Schedules) which are not expressly rejected on or before ninety (90) days after the Confirmation Date or not otherwise specifically treated in the Plan or in the Confirmation Order will be deemed to have been assumed by Debtors on the Confirmation Date. Debtors reserve the right to file an exhibit with the Bankruptcy Court prior to the Confirmation Date rejecting any executory contract or lease.

Cure of Assumed Executory Contracts and Unexpired Leases. To the extent necessary, Debtors will cure all defaults existing under any assumed executory contract or unexpired lease by paying the amount, if any, claimed by any party to such executory contract or unexpired lease as set forth in a proof of claim, which will be filed with the Bankruptcy Court within fifteen (15) days after the Confirmation Date and will be titled "Assumption Cure Proof of Claim." Alternatively, Debtors may pay such amount as may be agreed upon between Debtors and any party to such executory contract or unexpired lease, provided an Assumption Cure Proof of Claim is timely filed within fifteen (15) days after the Confirmation Date.

Debtors will have the right to file within sixty (60) days of the filing of an Assumption Cure Proof of Claim an objection in writing to the amount set forth in the Assumption Cure Proof of Claim and the Bankruptcy Court will determine the amount actually due and owing in respect of the defaults.

Payment of such Claims will be made by the Reorganized Debtors on the later of: (1) ten (10) Business Days after the expiration of the sixty day period for filing an objection in respect of any Assumption Cure Proof of Claim filed pursuant to this section; or (ii) when a timely objection is filed, ten (10) Business Days after an order of the Bankruptcy Court allowing such Claim becomes a Final Order.

F. RESOLUTION OF DISPUTED CLAIMS

Only Allowed Claims will be paid by Debtors according to the Plan. An Allowed Claim is any claim against Debtors for which a proof of claim was timely and properly filed or is deemed to have been timely and properly filed because the Debtors have or hereafter do list such Claim on their schedules as liquidated and not disputed or contingent.

Within sixty (60) days from the Effective Date, unless such date is extended by Order of the Bankruptcy Court after notice and hearing, the Reorganized Debtors may file with the Bankruptcy Court objections to Claims and Interests.

If the Reorganized Debtors file an objection to a proof of claim ("**Undetermined Claim**"), then an Allowed Claim will be the amount of the claim allowed by order of the Bankruptcy Court. Thereafter, only upon entry of an order determining the amount of the

Allowed Claim and to the extent that an Undetermined Claim becomes an Allowed Claim, such Allowed Claim will be entitled to such distributions as provided under the Plan. Such distributions will be made in the manner provided for by the Plan and the terms of any Final Order of the Bankruptcy Court with respect to such Allowed Claim. In the event that Debtors make any distributions to Creditors at any time prior to a determination of allowance of an Undetermined Claim, payments on such Undetermined Claim will commence and be due and payable on the first quarterly payment date following the date of the order allowing such claim, and will be re-amortized to equal an amount sufficient to fully pay the Allowed Claim.

Unless and until an Undetermined Claim becomes an Allowed Claim, no Creditor holding such a claim will have any claim against the distribution held by Debtors and/or Reorganized Debtors with respect to such claim.

ARTICLE IV - CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN

Conditions to Confirmation. Confirmation of the Plan cannot occur unless each of the following conditions precedent has occurred:

1. The Bankruptcy Court will have approved the Disclosure Statement; and
2. The Confirmation Order is entered by the Bankruptcy Court.

ARTICLE V - MODIFICATION OF THE PLAN

Section 1127(a) of the Bankruptcy Code permits Debtors to amend or modify a plan at any time prior to confirmation. Post-confirmation modifications of a plan are allowed under § 1127(b) of the Bankruptcy Code, if the proposed modification is offered before a plan has been substantially consummated or pursuant to an article of the confirmed plan authorizing the intended modification. Debtors reserve the right to amend or modify the Plan at any time at which such modification is permitted under the Bankruptcy Code.

In the event Debtors propose to modify the Plan prior to the Confirmation Order, further disclosures pertaining to the proposed modification will be required only if the Bankruptcy Court finds, after a hearing, that the pre-confirmation modifications adversely change the treatment of any Creditor or equity security interest holder who has previously accepted the Plan. If the proposed pre-confirmation modification is material and adverse, or if a post-confirmation modification is sought, Debtors intend to supplement this Disclosure Statement as necessary to describe the changes made in the Plan and the reasons for any proposed modifications.

ARTICLE VI - CONSIDERATIONS IN VOTING ON THE PLAN

A. ALTERNATIVES TO THE PLAN

Although the Disclosure Statement is intended to provide information to assist in the formation of a judgment as to whether to vote for or against the Plan and although Creditors are not being offered through that vote an opportunity to express an opinion concerning alternatives to the Plan, a brief discussion of alternatives to the Plan may be useful. Debtors believe the

proposed Plan to be in the best interests of Creditors and Debtors, and do not favor any alternative to the proposed Plan. In arriving at that conclusion, Debtors assess the alternatives as follows:

Denial of Confirmation. If Plan is not confirmed, Debtors will seek dismissal of the Cases rather than conversion to Chapter 7. However, under either scenario, the Debtors believe that the Unsecured Creditors would receive significantly less money than proposed in the Plan. In either event, the Contributed Assets discussed herein would not be available for the benefit of the Unsecured Creditors. Furthermore, the cooperation that Debtors expect to receive regarding the sale of Art Works co-owned by the Morris would likely not be forthcoming. Finally, Debtors believe that they can come to an agreement with the Class 3 Claimholders regarding a terming out of the Class 3 Administrative Claims relating to domestic support obligations. If the Plan is not confirmed and no agreement is reached, the Bankruptcy Code requires that the approximately \$1,000,000 in domestic support obligations receive priority to other Creditors. Thus, Class 3 Claims would likely receive any cash available from liquidation of the Debtor Property above the Secured Claims.

Dismissal of the Cases. Dismissal of the Bankruptcy Cases would most likely lead to the same unsatisfactory result as Chapter 7 liquidation discussed below. Upon dismissal and termination of the automatic stay, Debtors anticipate that their attention and resources will be consumed by multiple litigation matters throughout the country filed by Creditors. In that scenario, Debtors' resources will be consumed by defending litigation matters and have little ability to hold and/or dispose of the Estate Assets at values that would provide money to any party other than the Secured Creditors.

Chapter 7 Liquidation Analysis. Debtors could convert the case to Chapter 7 and allow a bankruptcy trustee to be appointed to liquidate and distribute assets. In the event that the Bankruptcy Court does not confirm a Plan in these Cases, conversion to Chapter 7 may ultimately result. Debtors believe this alternative to be unsatisfactory for the reasons stated below, and that Unsecured Creditors would receive significantly less money than proposed in the Plan in the event that the Debtors' assets are liquidated under Chapter 7 of the Bankruptcy Code.

Debtors have attempted to set forth alternatives to the proposed Plan. However, Debtors must caution Creditors that a vote must be for or against the Plan. The vote on the Plan does not include a vote on alternatives to the Plan. There is no assurance what turn the proceedings will take if the Plan fails to be accepted. If you believe one of the alternatives referred to is preferable to the Plan and you wish to urge it upon the Bankruptcy Court, you should consult counsel.

B. LIQUIDATION ANALYSIS

The likely result of a conversion of the Bankruptcy Case to Chapter 7 liquidation would be a lifting of the automatic stay of 11 U.S.C. § 362(a) to permit foreclosure by the lenders as to the Debtor Property. In the event of a liquidation of the Debtors' assets in a Chapter 7 bankruptcy case, the Secured Lenders would foreclose on the Debtor Property, leaving very little proceeds available for the repayment of any other Creditors. Furthermore, there is no market for

the Debtors' equity interests and a liquidation sale of those assets would net very little proceeds. Liquidation would result in the Debtors being stripped of their assets and thus they would have no definite source of income. In the absence of any adversary proceedings, the only other source of funds would be cash, personal property and accounts receivable, which would lead to smaller distributions to claim classes than would the Plan. When compared to foreclosure of the property and liquidation of the Debtors, the Plan is clearly superior to a Chapter 7 Liquidation Scenario. Attached to this Disclosure Statement as "**Exhibit F**" and "**Exhibit G**" are documents showing the projected recovery to PRM Realty's and Morris' Creditors, respectively, in a liquidation scenario.

C. SPECIFIC CONSIDERATIONS IN VOTING

All of the foregoing give rise in the instant case to the following implications and risks concerning the Plan.

While the Plan provides for certain payments at confirmation, such payments will only apply to Allowed Claims including Claims arising from defaults. Under the Bankruptcy Code, a Claim may not be paid until it is allowed. A Claim will be allowed in the absence of objection.

A Claim, including a Claim arising from default, which has been objected to will be heard by the Bankruptcy Court at a regular, evidentiary hearing and allowed in full or in part or disallowed. While Debtors bear the principal responsibility for Claim objections, any interested party, including Creditors, may file claim objections. Accordingly, payment on some Claims, including Claims arising from defaults, may be delayed until objections to such Claims are ultimately settled.

D. DISCLOSURES REQUIRED BY THE BANKRUPTCY CODE

The Bankruptcy Code requires disclosure of certain facts:

- 1) There are no payments made or promises of the kind specified in § 1129(a)(4) of the Bankruptcy Code which have not been disclosed to the Bankruptcy Court.
- 2) Counsel to Debtors have advised Debtors that Debtors will require legal services in connection with this case after confirmation which will require reimbursement. PRM Realty may continue to use Pronske & Patel, P.C. as counsel after confirmation and Morris may continue to use McGuire, Craddock & Strother, P.C. as counsel after confirmation.

E. DESCRIPTION OF MANAGEMENT AND CONTROL PERSONS OF DEBTOR

There will be no changes to the management and control persons of PRM Realty, as of the date of filing of the Plan, as a result of the Plan.

ARTICLE VII - PROVISIONS GOVERNING DISTRIBUTION

Claims. Claims are defined in the Plan. The Plan is intended to deal with all Claims

against the Debtors' estates of whatever character, whether or not contingent or liquidated, and whether or not allowed by the Bankruptcy Court pursuant to § 502(a) of the Bankruptcy Code; however, only those Claims Allowed pursuant to § 502(a) of the Bankruptcy Code will be entitled to and receive payment under the Plan.

Compliance with Plan. Any Person, including a Creditor, which has not, within the time provided in the Plan, performed any act required in the Plan or in the Confirmation Order, will not be entitled to participate in any distribution under the Plan.

Provisions Covering Distributions. All payments required by the Plan will be made by Reorganized Debtors, their successor, assign or designee. Payments to be made in cash pursuant to the Plan will be made by check drawn on a domestic bank or by wire transfer from a domestic bank, such mode of payment to be at the sole discretion of Reorganized Debtors.

Distributions and deliveries to holders of an Allowed Claim will be made to the holder at the address set forth on the latest-filed proof of claim filed by such holder or at the address listed on Debtors' Schedules of such holder if no proof of claim is filed. If any holder's distribution is returned as undeliverable, Reorganized Debtors will hold the distribution until notified of such holder's new address or the first anniversary of the Effective Date occurs, at which time the undelivered distribution will revert and become the property of Reorganized Debtors and the Claim will be discharged and forever barred.

Checks issued in respect of Allowed Claims will be null and void if not cashed within ninety (90) days of the date of issuance thereof. Requests for re-issuance will be made directly to Reorganized Debtors at the Notice Address(es) listed herein in Article XI by the Holder of the Allowed Claim with respect to which such check originally was issued. Any Claim in respect of such voided check will be made on or before the later of the first anniversary of the Effective Date or ninety (90) days after the date of issuance of such check. After such date, all Claims in respect of such checks will be discharged and forever barred.

ARTICLE VIII - RETENTION OF JURISDICTION

Purposes. Notwithstanding entry of the Confirmation Order, the Bankruptcy Court will retain jurisdiction in the following matters after confirmation of the Plan:

- i. to determine any and all objections to the allowance of Claims or Interests, both before and after the Confirmation Date, including any objections to the classification of any claim or interest;
- ii. to determine any and all applications for fees and expenses authorized to be paid or reimbursed in accordance with § 503(b) of the Bankruptcy Code or the Plan;
- iii. to determine any and all pending applications for the assumption or rejection of executory contracts or for the rejection or assumption and assignment, as the case may be, of unexpired leases to which

Debtors are a party or with respect to which they may be liable; to hear and determine any actions to void or terminate unexpired contracts or leases; and to hear and determine and, if need be, to liquidate any and all claims arising therefrom;

- iv. to hear and determine any and all actions initiated by Debtors and/or Reorganized Debtors, whether by motion, complaint or otherwise;
- v. to determine any and all applications, motions, adversary proceedings and contested matters pending before the Bankruptcy Court on the Confirmation Date or filed or instituted after the Confirmation Date;
- vi. to modify the Plan, the Disclosure Statement or any document created in connection with the Plan or remedy any defect or omission or reconcile any inconsistency in any Order of the Bankruptcy Court, the Plan, the Disclosure Statement or any document created in connection with the Plan, in such manner as may be necessary to carry out the purposes and effects of the Plan to the extent authorized by the Bankruptcy Code;
- vii. to ensure that the distribution is accomplished in accordance with the provisions of the Plan;
- viii. to allow, disallow, determine, liquidate or estimate any claim or interest and to enter or enforce any order requiring the filing of any such claim or interest before a particular date;
- ix. to enter such orders as may be necessary to interpret, enforce, administer, consummate, implement and effectuate the operative provisions of the Plan, the Confirmation Order and all documents and agreements provided for herein or therein or executed pursuant hereto or thereto including, without limitation, entering appropriate orders to protect Debtors from Creditor actions;
- x. to hear any other matter not inconsistent with Chapter 11 of the Bankruptcy Code and/or applicable bankruptcy law;
- xi. to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked or vacated;
- xii. to determine such other matters as may arise in connection with the Plan, this Disclosure Statement or the Confirmation Order;

- xiii. to enforce all orders, judgments, injunctions, and rulings entered in connection with the Chapter 11 Case;
- xiv. to determine all issues relating to the Claims of any taxing authorities, state or federal;
- xv. to determine any avoidance actions brought pursuant to the provisions of the Bankruptcy Code; and
- xvi. to enter a Final Order and final decree closing the Chapter 11 Case.

Exclusive Jurisdiction. The Bankruptcy Court will have exclusive jurisdiction to resolve all controversies, suits and disputes that may arise in connection with the interpretation, enforcement, consummation, implementation or administration of the Plan, the Confirmation Order or the Disclosure Statement and all entities will be enjoined from commencing any legal or equitable action or proceeding with respect to such matters in any other court or administrative or regulatory body.

Abstention. If the Bankruptcy Court abstains from exercising jurisdiction or is otherwise without jurisdiction over any matter arising out of the Chapter 11 Case, including the matters set forth in this Article VIII, Article VIII of the Plan will have no effect upon and will not control, prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

Closing of Case. The Reorganized Debtors will file an application for final decree and to close the Bankruptcy Case and promptly set a hearing no later than twelve (12) months after the Effective Date, or show cause to the Bankruptcy Court within such period why the Bankruptcy Court should not enter a final decree. Any adversary proceeding that is a Cause of Action will survive the entry of a final decree and closing of the Chapter 11 Case, and jurisdiction will be retained over such proceeding.

ARTICLE IX - MISCELLANEOUS PROVISIONS

Certain Rights Unaffected. Except as otherwise provided in the Plan, any rights or obligations which the Debtors' Creditors may have amongst them as to their respective claims or the relative priority or subordination thereof are unaffected.

Binding Effect. As of the Effective Date, the Plan will be binding upon and inure to the benefit of Debtors, Reorganized Debtors, the holders of the Claims, and their respective successors and assigns.

Discharge of Claims.

A. PRM Realty. Except as otherwise provided in the Plan or in the Confirmation Order, the rights afforded in the Plan and the payments and distributions to be made hereunder will discharge all existing debts and Claims of any kind, nature, or description whatsoever

against PRM Realty or any of its assets or properties to the extent permitted by § 1141 of the Bankruptcy Code. Upon the Effective Date, all existing Claims against PRM Realty will be deemed to be discharged and all holders of Claims will be precluded from asserting against PRM Realty's assets or properties, any other or further Claim based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder filed a proof of claim.

B. Morris. Morris, as an individual debtor, will only receive a discharge upon completion of the payments required by the Plan, unless the Court orders otherwise as provided in § 1141(5)(B) of the Bankruptcy Code. Until such time as the Court has entered an order granting Morris' discharge, the automatic stay as provided by § 362 of the Bankruptcy Code shall remain in full force and effect and all creditors and other parties are enjoined from exercising any rights against Morris or any of the Morris's assets, except as may be expressly provided by the Plan. Upon the granting of a discharge to Morris, such discharge shall discharge Morris from all existing debts and Claims of any kind, nature, or description whatsoever against Morris or any of his assets or properties to the extent permitted by § 1141 of the Bankruptcy Code. Upon such discharge, all existing Claims against Morris will be deemed to be discharged and all holders of Claims will be precluded from asserting against Morris' assets or properties, any other or further Claim based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder filed a proof of claim.

Discharge of Debtors.

A. PRM Realty. Any consideration distributed under the Plan will be in exchange for and in complete satisfaction, discharge, and release of all Claims of any nature whatsoever against PRM Realty or any of its assets or properties. Upon the Effective Date, PRM Realty will be deemed discharged and released to the extent permitted by § 1141 of the Bankruptcy Code from any and all Claims, including but not limited to demands and liabilities that arose before the Effective Date, whether or not (a) a proof of claim based upon such debt is filed or deemed filed under § 501 of the Bankruptcy Code; (b) a claim based upon such debt is allowed under § 502 of the Bankruptcy Code; or (c) the holder of the claim based upon such debt has accepted the Plan. The Confirmation Order will be a judicial determination of discharge of all liabilities of PRM Realty. Pursuant to § 524 of the Bankruptcy Code, such discharge will void any judgment against PRM Realty at any time obtained to the extent it relates to a claim discharged, and operates as an injunction against the prosecution of any action against PRM Realty or the property of PRM Realty, to the extent it relates to a claim discharged.

B. Morris. Morris, as an individual debtor, will only receive a discharge upon completion of the payments required by the Plan, unless the Court orders otherwise as provided in § 1141(5)(B) of the Bankruptcy Code. Until such time as the Court has entered an order granting Morris' discharge, the automatic stay as provided by § 362 of the Bankruptcy Code shall remain in full force and effect and all creditors and other parties are enjoined from exercising any rights against Morris or any of the Morris's assets, except as may be expressly provided by the Plan. Upon the granting of a discharge to Morris, such discharge shall discharge Morris from any and all Claims, including but not limited to demands and liabilities

that arose before the Effective Date, whether or not (a) a proof of claim based upon such debt is filed or deemed filed under § 501 of the Bankruptcy Code; (b) a claim based upon such debt is allowed under § 502 of the Bankruptcy Code; or (c) the holder of the claim based upon such debt has accepted the Plan. The Confirmation Order will be a judicial determination of discharge of all liabilities of Morris. Pursuant to § 524 of the Bankruptcy Code, such discharge will void any judgment against Morris at any time obtained to the extent it relates to a claim discharged, and operates as an injunction against the prosecution of any action against Morris or the property of Morris, to the extent it relates to a claim discharged.

Exculpations. Debtors' professionals will not have or incur any liability to any Holder of a Claim for any act, event, or omission in connection with, or arising out of, the confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence.

Injunctive Relief. Except as provided herein, on and after the Confirmation Date, all Creditors and persons acting in concert with them are enjoined and restrained pursuant to § 105 of the Bankruptcy Code from taking any action to correct or enforce any Claim directly or indirectly against the Debtors' assets or properties in any manner inconsistent with the terms contained in the Plan. The discharge granted by this Plan voids any judgment at any time obtained with respect to any debt discharged.

Notices. All notices, requests or demands in connection with the Plan will be in writing and will be deemed to have been given when received or, if mailed, five (5) days after the date of mailing, provided such writing will have been sent by registered or certified mail, postage prepaid, return receipt requested, and sent to the following parties, addressed to:

Debtors: Peter R. Morris and PRM Realty Group, LLC

Julia Appleton
McGuire, Craddock & Strother, P.C.
2501 N. Harwood, Suite 1800
Dallas, TX 75201
Tel: (214) 954-6813
Fax: (214) 954-6850

All notices and request to Holders of Claims and Interests will be sent to them at the address listed on the last-filed proof of claim and if no proof of claim is filed, at the address listed in Debtors' Schedules.

ARTICLE X - CONCLUSION

Debtors respectfully submit that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the "best interest of Creditors" and "feasibility" requirements and that it should be confirmed even in the event a class of claims does not vote for acceptance of the Plan. Debtors believe that the Plan "is fair and equitable" and "does not

discriminate unfairly.” Additionally, Debtors believe that the Plan has been proposed in good faith.

Debtors respectfully request that this Disclosure Statement be approved for circulation to the Creditors of Debtors and that they be permitted to solicit votes for acceptance of the Plan.

Dated: November 2, 2012.

PRM Realty Group, LLC

By: PRM Management of Illinois, Inc.,
Its Manager

By: /s/ Peter R. Morris
Peter R. Morris,
President

Peter R. Morris

/s/ Peter R. Morris

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COUNSEL FOR PRM REALTY GROUP, LLC

SCHEDULE OF EXHIBITS

- A. Projected Annual Cash Flow Schedules – Third-Party Financed
- B. Projected Annual Cash Flow Schedules – Debtor Financed
- C. List of Potential Claim Objections
- D. PRM Realty Accounts Receivable
- E. Morris Accounts Receivable
- F. PRM Realty Liquidation Analysis
- G. Morris Liquidation Analysis