THIS DISCLOSURE STATEMENT HAS BEEN CONDITIONALLY APPROVED BY THE BANKRUPTCY COURT AND IS SUBJECT TO THE QUALIFICATIONS SET FORTH HEREIN IN ALL RESPECTS.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

IN RE:	§	
	§	**Chapter 11**
PEREGRINE DEVELOPMENT, LLC	§	
	§	**Case No. 11-41449-BTR**
Debtor.	§	

SECOND AMENDED DISCLOSURE STATEMENT IN SUPPORT OF ARTHUR JAMES, II'S CHAPTER 11 PLAN OF REORGANIZATION FOR PEREGRINE DEVELOPMENT, LLC

TABLE OF CONTENTS

Page

ARTICLE I INTRODUCTION AND PURPOSE OF DISCLOSURE STATEMENT 1

1.1 General. 1

1.2 Considerations in Preparation of the Disclosure Statement and Plan. 3

1.3 Summary of the Plan. 4

1.4 Confirmation Hearing and Objection Deadline. 4

1.5 Enclosures. 5

ARTICLE II EXPLANATION OF CHAPTER 11 6

2.1 Overview of Chapter 11. 6

2.2 Plan of Reorganization. 6

ARTICLE III STRUCTURE AND HISTORY OF THE DEBTOR 7

3.1 Overview of the Debtor. 7

3.2 Debtor's Action in Chapter 11. 9

ARTICLE IV THE CHAPTER 11 CASE 11

4.1 Proceedings in the Chapter 11 Case. 11

ARTICLE V FINANCIAL INFORMATION 12

5.1 Assets. 12

5.2 Liabilities. 12

ARTICLE VI SUMMARY OF THE PLAN OF REORGANIZATION 13

6.1 General Concept of the Plan. 14

6.2 Classification of Claims and Equity Interests. 14

6.3 Treatment of Claims and Equity Interests. 15

6.4 Cramdown. 16

6.5 Treatment of Executory Contracts and Unexpired Leases. 16

6.6 Discharge. 16

6.7 Moratorium, Injunction and Limitation of Recourse for Payment. 16

6.8 Compensation of Co-Managers 17

ARTICLE VII LITIGATION 18

7.1 Preferences, Fraudulent Transfers and Other Avoidance Actions. 18

7.2 Litigation. 19

ARTICLE VIII MEANS OF EXECUTION OF THE PLAN 19

8.1 Requirements of Confirmation. 19

8.2 Conditions to the Effective Date. 20

ARTICLE IX FEDERAL INCOME TAX CONSEQUENCES SECURITIES LAW CONSIDERATIONS 21

9.1 Certain Federal income Tax Consequences of the Plan. 21

9.2 Net Operating Loss Carry-Forwards 22

ARTICLE X ALTERNATIVES TO THE PLAN AND LIQUIDATION ANALYSIS 22

10.1 Alternatives to the Plan. 22

10.2 Liquidation Analysis. 24

ARTICLE XI RISK FACTORS 25

11.1 Business Risks. 25

11.2 Risk Related to Taxation. 25

11.3 Bankruptcy Risks. 26

ARTICLE XII MISCELLANEOUS MATTERS 27

12.1 Releases for Post-Petition Acts. 27

12.2 Exculpation; Limitation of Liability and Releases 27

12.3 Retention of Jurisdiction. 28

12.4 Amendment of the Plan; Modification of the Plan 29

ARTICLE XIII VOTING PROCEDURE 29

13.1 Classes Entitled to Vote on the Plan. 29

13.2 General Provisions. 30

13.3 Acceptance by Impaired Classes of Claims. 30

13.4 Ballots. 30

13.5 Disputed and Unliquidated Claims. 31

13.6 Possible Reclassification of Claimants. 31

ARTICLE XIV CONCLUSION 32

DISCLOSURE STATEMENT FOR PLAN OF REORGANIZATION FOR THE DEBTOR

ARTICLE I

INTRODUCTION AND PURPOSE OF DISCLOSURE STATEMENT

1.1 General.

Arthur James, II ("Arthur"), a Co-Owner and Co-Manager of Peregrine Development, LLC (the "Debtor"), has proposed a Plan of Reorganization (as hereinafter modified or amended, the "Plan") and is the "Plan Proponent" herein. Pursuant to Bankruptcy Code § 1125 and in connection with the solicitation of Ballots for the acceptance of the Plan, this Disclosure Statement (the "Disclosure Statement") and the accompanying Ballot are being furnished by the Plan Proponent to the holders of Claims against the Debtor. A copy of the Plan is attached hereto as **Exhibit "A"**. All capitalized terms used herein shall have the meaning given them in the Plan, or, if not defined in the Plan, as defined in the Bankruptcy Code, unless otherwise defined herein or the context clearly requires otherwise.

The purpose of this Disclosure Statement is to provide "adequate information" to Persons who hold Claims against and/or Equity Interests in the Debtor that are Impaired and who are entitled to vote on the Plan to enable them to make an informed decision before exercising their right to vote to accept or reject the Plan. This Disclosure Statement was conditionally approved at the hearing held May 29, 2012, and held to contain adequate information.

The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guarantee of the accuracy or completeness of the information contained herein or an endorsement of any of the information contained in this Disclosure Statement or the Plan. Claimants should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No Person may solicit votes with respect to the Plan except pursuant to this Disclosure Statement and the Bankruptcy Code.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE BEING PROPOSED BY ARTHUR JAMES, II ("ARTHUR"), A CO-MANAGER OF THE DEBTOR. THIS DISCLOSURE STATEMENT AND PLAN ARE NOT FILED BY THE DEBTOR. ARTHUR IS A COMANAGER OF THE DEBTOR. THE OTHER CO-MANAGER IS BUCKAROO PARTNERS, L.P. ("BUCKAROO"), WHO HAS NOT CONSENTED TO THE FILING OF THIS DISCLOSURE STATEMENT AND PLAN. ARTHUR BELIEVES THAT ITS PLAN IS FAIR AND EQUITABLE AND TREATS ALL CREDITORS, INTEREST HOLDERS AND PARTIES IN INTEREST IN AN APPROPRIATE MANNER.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED HEREIN IS INTENDED SOLELY FOR THE USE OF CREDITORS OF THE DEBTOR IN EVALUATING THE PLAN AND VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS

AND VARIABLES AND THERE CAN BE NO ABSOLUTE ASSURANCE THAT THE PLAN WILL BE EFFECTUATED.

IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PURSUANT TO BANKRUPTCY CODE § 1145, ANY SECURITIES OFFERED AND ISSUED PURSUANT TO THE PLAN, IF CONSUMMATED, HAVE NOT BEEN REGISTERED WITH THE SECURITIES EXCHANGE COMMISSION (THE "SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES ACT OR SIMILAR STATE LAWS, NOR HAVE THE SECURITIES BEEN APPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION. NEITHER THE SEC NOR THE STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE PLAN PROPONENT BELIEVES THAT THE PLAN AND THE TREATMENT OF CLAIMS AND EQUITY INTERESTS THEREUNDER IS IN THE BEST INTERESTS OF CREDITORS AND EQUITY INTEREST HOLDERS AND URGES THAT YOU VOTE TO ACCEPT THE PLAN.

HOLDERS OF CLAIMS SHOULD CAREFULLY READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE EXHIBITS, PRIOR TO VOTING ON THE PLAN. IN THE EVENT OF ANY INCONSISTENCIES BETWEEN THE PROVISIONS OF THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN SHALL CONTROL. THE DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR, ARTHUR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTOR, ARTHUR OR HOLDERS OF CLAIMS OR EQUITY INTERESTS.

After carefully reviewing this Disclosure Statement and all exhibits and attachments hereto, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. In order for your vote to be counted, your ballot must be properly completed as set forth herein and in accordance with the voting instructions on the ballot and returned to:

Michael R. Rochelle
Attn: Peregrine Balloting
ROCHELLE MCCULLOUGH LLP
325 N. St. Paul, Suite 4500
Dallas, Texas 75201
Email: buzz.rochelle@romclawyers.com;
Facsimile: 214.953.0185

DEBTOR'S COUNSEL MUST RECEIVE BALLOTS ON OR BEFORE 5:00 P.M., CENTRAL TIME, ON JUNE 22, 2012 (THE "VOTING DEADLINE") AT THE ABOVE

ADDRESS. EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT, BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE ACCEPTED OR USED IN CONNECTION WITH THE PLAN PROPONENT'S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF.

For further voting instructions, refer to Article XIII of this Disclosure Statement.

1.2 Considerations in Preparation of the Disclosure Statement and Plan.

To prepare this Disclosure Statement, Arthur James, II and his professionals relied upon information that had been prepared by counsel to the Debtor and from documents filed with the Bankruptcy Court. Arthur also relied on his intimate knowledge of the property in question, having been its owner and manager for over six (6) years prior to Bankruptcy and having personally dealt with tenants, potential buyers, governmental and quasi-governmental entities with respect to the Property. Arthur has also used his judgment to determine whether information reviewed is material, important and necessary to an evaluation of the Plan. This Disclosure Statement contains statements that constitute the Plan Proponent's views of certain facts. All such disclosures should be read as assertions. To the extent any paragraph does not contain an express reference that it constitutes an assertion of a particular party, it should be read as an assertion of the party indicated by the context and meaning of such paragraph.

The statements contained in this Disclosure Statement are made as of the Petition Date unless another time is specified. Delivery of this Disclosure Statement or any exercise of rights granted in connection with the Plan shall not, under any circumstances, create an implication that no change has occurred in the information set forth herein since the date of this Disclosure Statement. Notwithstanding the foregoing, certain information contained in this Disclosure Statement, by its nature, is forward-looking and contains estimates and assumptions that may prove inaccurate, and contains projections that may prove wrong or that may prove materially different from actual future results. No party should rely on any information provided in the Disclosure Statement unless such information has been independently verified. The Plan Proponent cannot represent or warrant that the information contained in this Disclosure Statement is without any inaccuracy. Nothing contained in this Disclosure Statement shall have any preclusive effect against the Debtor or Arthur (whether by waiver, admission, estoppel or otherwise) in any cause or proceeding that may exist or occur in the future. This Disclosure Statement shall not be construed or deemed to constitute an acceptance of fact or an admission by Arthur or the Debtor regarding any statement made herein, and all rights and remedies of Arthur and the Debtor are expressly reserved in this regard.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECTED TO A CERTIFIED AUDIT AND IS BASED, IN PART, UPON INFORMATION PREPARED BY PARTIES OTHER THAN THE PLAN PROPONENT. THEREFORE, ALTHOUGH THE PLAN PROPONENT HAS MADE EVERY REASONABLE EFFORT TO BE ACCURATE IN ALL MATERIAL MATTERS, THE PLAN PROPONENT IS UNABLE TO WARRANT OR REPRESENT THAT ALL THE INFORMATION CONTAINED HEREIN IS COMPLETELY ACCURATE.

The Plan Proponent cannot provide legal or financial advice to any holder of a Claim or Equity Interest. Each holder of a Claim or Equity Interest should verify independently and consult its individual attorney, accountant, tax advisor, or other financial advisor as to the effect of the Plan on such individual holder of a Claim or Equity Interest.

No statements concerning the Debtor, the value of their property, or the value of any benefit offered to the holder of a Claim or Equity Interest in connection with the Plan should be relied upon other than as set forth in this Disclosure Statement. In arriving at your decision, you should not rely on any representation or inducement made to secure your acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be immediately reported to counsel for Arthur James, II, Jerry C. Alexander, Passman & Jones, P.C., 1201 Elm Street, Suite 2500, Dallas, Texas 75270-2599, Email: alexanderj@passmanjones.com, Telephone: (214) 742-2121, Facsimile: (214) 748-7949.

1.3 Summary of the Plan.

For the convenience of all parties, material terms of the Plan are summarized in this Disclosure Statement. **Although the Plan Proponent believes that this Disclosure Statement accurately describes the material provisions of the Plan, all summaries of the Plan contained in this Disclosure Statement are qualified by the Plan itself, and the documents described therein, which control in the event of any inconsistency or incompleteness.** The Plan Proponent strongly urges each recipient entitled to vote on the Plan to review, in its entirety, the contents of this Disclosure Statement, the Plan, and the other documents that accompany or are referenced in this Disclosure Statement before making a decision to accept or reject the Plan.

As described in more detail below, Arthur contemplates payment in full of all Allowed Claims from cash on hand, cash to be received from certain contracts and reimbursements, and, if necessary, cash from the sale and/or lease of some or all of its real property.

Under the Plan, holders of Equity Interests in the Debtor shall not receive any payment for or return on that equity until all allowed claims are paid in full.

1.4 Confirmation Hearing and Objection Deadline.

THE BANKRUPTCY COURT HAS SET JUNE 25, 2012, AT 3:00 P.M. CENTRAL TIME, IN THE COURTROOM OF THE HONORABLE BRENDA T. RHOADES, UNITED STATES BANKRUPTCY JUDGE, UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF TEXAS, SHERMAN DIVISION, 660 NORTH CENTRAL EXPRESSWAY, SUITE 300B, PLANO, TEXAS, 75074, AS THE DATE, TIME, AND PLACE FOR THE CONFIRMATION HEARING ON THE PLAN. THE PLAN PROPONENT WILL REQUEST CONFIRMATION OF THE PLAN AT THE CONFIRMATION HEARING. THE BANKRUPTCY COURT HAS FURTHER FIXED JUNE 20, 2012, AT 5:00 P.M. CENTRAL TIME AS THE DEADLINE (THE "OBJECTION DEADLINE") FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN WITH THE BANKRUPTCY COURT. The Bankruptcy Court, counsel for Arthur, counsel for the Debtor, and the Office of the United States Trustee must receive any objection on or before the date provided herein. All objections must be (a) filed and served in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Plan; and (b) served such that the objection is actually received not later than the Objection Deadline, by the following persons:

To Arthur James, II c/o:

Jerry C. Alexander
PASSMAN & JONES, P.C.
1201 Elm Street, Suite 2500
Dallas, Texas 75270-2599
Email: alexanderj@passmanjones.com
Telephone: (214) 742-2121
Facsimile: (214) 748-7949
COUNSEL FOR ARTHUR JAMES, II

To the Debtor c/o:

Eric M. Van Horn
Rochelle McCullough, LLP
325 N. St. Paul Street, Suite 4500
Dallas, Texas 75201
E-Mail: evanhorn@romclawyers.com
Telephone: 214-953-0182
Facsimile: 214-953-0185
COUNSEL FOR THE DEBTOR

To the U.S. Trustee:

Timothy W. O'Neal
Office of the U.S. Trustee
300 Plaza Tower
110 North College Avenue
Tyler, Texas 75702
Tel: (903) 590-1450, Ext. 215
Fax: (903) 590-1461

OBJECTIONS NOT TIMELY FILED AND ACTUALLY RECEIVED BY COUNSEL AT THE ABOVE ADDRESSES SHALL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

1.5 Enclosures.

Accompanying this Disclosure Statement are the following exhibits:

Exhibit "A": Plan of Reorganization for the Debtor; and
Exhibit "B": Order Approving Disclosure Statement for Plan of Reorganization for the Debtor;

Reference is also made to the Bankruptcy Schedules prepared and filed by the Debtor, the Monthly Operating Reports, and other various pleadings on file in this Bankruptcy Case. Those Creditors entitled to vote on the Plan are encouraged to examine each of the foregoing documents. Copies may be obtained from the United States Bankruptcy Clerk or by written request to counsel for the Debtor.

ARTICLE II

EXPLANATION OF CHAPTER 11

2.1 Overview of Chapter 11.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. The commencement of a chapter 11 case creates an "estate" comprised of all the legal and equitable interests of a debtor. Bankruptcy Code §§ 1101, 1107 and 1108 provide that a debtor may remain in possession of its property and continue to operate its business as a "debtor in possession." The filing of a petition under chapter 11 of the Bankruptcy Code triggers the automatic stay set forth in Bankruptcy Code § 362. With certain exceptions, the automatic stay halts attempts by a creditor to collect prepetition claims against a debtor or to interfere with a debtor's business or assets.

2.2 Plan of Reorganization.

The formulation of a plan of reorganization or liquidation is a principal goal of a chapter 11 case. The plan is the vehicle for satisfying claims against, and equity interests in, a debtor. The Plan provides for the payment of Allowed Claims from the Debtor's assets including cash on hand, cash to be received, and, if necessary, the liquidation of certain real property in accordance with the priorities under the Bankruptcy Code.

Classes of claims or equity interests that are not "impaired" under a plan of reorganization or liquidation are presumed to have accepted the plan; and as such, persons in such class are not entitled to vote on the plan. Acceptances of the Plan are being solicited only from those Persons who hold Claims in an Impaired Class (i.e., Class 2). A Class is impaired if the legal, equitable, or contractual rights attaching to the Claims of that Class are modified.

After a plan has been filed, the holders of claims against, or equity interests in, a debtor may vote to determine whether to accept or reject the plan. To be confirmed, at a minimum, a plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting from at least one class of claims impaired under the plan.

Even if all classes of claims and equity interests accept a plan, the Bankruptcy Court nonetheless may deny confirmation. Bankruptcy Code § 1129 sets forth the requirements for confirmation. Among other things, the Bankruptcy Code requires that a plan be in the "best interests" of creditors and equity interest holders and that the plan be feasible. The "best interests" test generally requires that the value of the consideration to be distributed to creditors under a plan may not be less than those parties would receive if that debtor were liquidated under a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. A plan also must be determined to be "feasible," which generally requires a finding that there is a reasonable probability that the debtor will be able to perform the obligations incurred under the plan, and that the debtor will be able to continue operations without the need for further financial reorganization.

The Bankruptcy Court may confirm a plan even though fewer than all of the classes of impaired claims and equity interests accept it. In order for a plan to be confirmed despite the rejection of a class of impaired claims or equity interests, the Plan Proponent must show, among other things, that the plan does not discriminate unfairly and that the plan is fair and equitable with respect to each impaired class of claims or equity interests that has not accepted

the plan. Under Bankruptcy Code § 1129(b), a plan is "fair and equitable" as to a class if, among other things, the plan provides (a) that each holder of a claim included in the rejecting class will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) that the holder of any claim or equity interest that is junior to the claims of such class will not receive or retain on account of such junior claim or equity interest any property.

The Bankruptcy Court further must find that the economic terms of the plan meet the specific requirements of Bankruptcy Code § 1129(b) with respect to the particular objecting class. The Plan Proponent must satisfy all applicable requirements of Bankruptcy Code § 1129(a) (except Bankruptcy Code § 1129(a)(8)) if the Plan Proponent proposes to seek confirmation of the plan under the provisions of Bankruptcy Code § 1129(b)).

ARTICLE III

STRUCTURE AND HISTORY OF THE DEBTOR

3.1 Overview of the Debtor.

The Debtor currently owns approximately 14 acres of valuable undeveloped real property in Lewisville, Texas at the intersection of Interstate 35E ("I-35E") and State Highway 121 ("SH 121") (the "Real Property") where retail and commercial development has occurred and continues to occur.

The Debtor was organized to develop the Real Property by, *inter alia,* reclaiming the Real Property from the 100 year flood plain; constructing certain capital improvements and infrastructure including roads, water lines, sewer lines, and utility lines; and selling or leasing the Real Property for retail and commercial development.

On December 9, 2005, the Real Property was purchased by Arthur James, II, individually, from J. Grady Brown, Jr. through a non-interest bearing five-year owner-financed promissory note in the amount of $5,000,000.00 secured by a deed of trust filed on March 3, 2006 (the "Brown Loan").

Mr. James later assigned or conveyed the Real Property to the Debtor, a limited liability company for which Mr. James was the sole and managing member. Mr. Brown later assigned or conveyed the Brown Loan to Buckaroo. On August 26, 2008, the Debtor executed a real estate lien note in the original principal amount of $2,400,000.00 made payable to Southwest Securities, FSB ("SWS") secured by a deed of trust on the Real Property of even date (the "First SWS Loan"). The First SWS Loan required interest only payments with the principal due in December 2010 and was guaranteed by Edward T. Pratt, Jr. ("Pratt"). Arthur subordinated its first lien position to SWS. Proceeds of the First SWS Loan was used primarily for development costs, namely to raise a portion of the Real Property out of a flood plain to increase its development value.

On March 19, 2009, the Debtor executed a real estate lien note in the original principal amount of $1,202,510.00 made payable to SWS secured by the Real Property by a deed of trust of even date (the "Second SWS Loan", collectively with the First SWS Loan, the "SWS Loans"). The Second SWS Loan required interest only payments with the principal due in December 2010 and was also guaranteed by Pratt. Mr. Brown again subordinated his junior lien position to SWS. Proceeds of the Second SWS Loan were used for development costs and

capital improvements, namely to provide water, build one or more roads on the Real Property pursuant to the request of the City of Lewisville which intimated that it would reimburse the Debtor for such costs from a newly created Tax Increment District Financing entity ("TIRZ").

From and after December 9, 2005, Arthur James, II worked diligently to improve and enhance the value of the Property in all aspects of real estate development, from raising land from the flood plain to obtaining zoning, dealing with governmental agencies and quasi-governmental agencies and investing his own time and money to keep the Debtor in possession of the Property. The Property is very important to Arthur since it is his sole tangible asset of substantial value, and consequently, he has every incentive to see to it that the Property appreciates in value and the creditors are paid in full.

In 2009, the Debtor learned from the Texas Department of Transportation ("TXDOT") that it intended to condemn, through its eminent domain powers, approximately four acres of the Real Property, in order to complete a flyover connecting SH 121 to I-35E (the "Flyover Property") and would pay approximately $2.6 million for it.

In August 2010, the Debtor received an appraisal from TXDOT which valued the Debtor's entire real property at $12,249,590.00 and valued the Flyover Property at $2,669,217.00 (the "TXDOT Appraisal").

During the same period, the Debtor was informed that SWS, facing its own financial difficulties, would not continue to hold commercial loans that provided for interest-only payments. The Debtor was, therefore, unable to refinance the SWS Loans before they matured in December 2010. As a result, the Debtor did not have enough time for TXDOT to officially condemn and pay for the portion of the Real Property it would be taking, and for the Debtor to obtain reimbursement from the City of Lewisville/TIRZ for the approximately $900,000.00 the Debtor spent building a road and other improvements on the Real Property.

The SWS Loans matured without the Debtor's being able to refinance them and caused significant differences to arise between the Debtor and Mr. Pratt on one hand, and Arthur and Buckaroo on the other.

On February 9, 2011, SWS assigned the SWS Loans such that Pratt stepped into SWS' shoes as the first lien holder.

In March 2011, Pratt posted the Real Property for foreclosure on April 5, 2011.

Also in March, the Debtor received a letter from TXDOT offering (the "Original Offer") to purchase the Flyover Property for $2,669,217.00 (the "Original Offer Price").

In April 2011, the foreclosure of the Real Property by Pratt was enjoined through a lawsuit and application for temporary restraining order and request for temporary and permanent injunction filed in state court in Denton County by Mr. Brown and Buckaroo. During this time, Buckaroo, the Debtor and Mr. James reached a global agreement resolving their disputes. The Agreement is dated effective April 29, 2011 (the "Arthur Agreement"). The Arthur Agreement, *inter alia,* provides that Buckaroo would convert the debts owed to it in exchange for receiving a fifty percent ownership interest in the Debtor. The Arthur Agreement also required the Debtor to file for bankruptcy protection to avoid foreclosure of the Real Property by Pratt if an agreement was not reached with Pratt. The Debtor's organization documents have since

been revised and restated to reflect its new ownership structure, and, *inter alia,* Buckaroo has released its $5,000,000 lien on the Real Property.

Meanwhile, an agreement to resolve the disputes with Pratt could not be obtained. Consequently, the Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code on May 3, 2011 (the "Petition Date") to prevent the foreclosure, provide for an orderly sale of the land being taken by TXDOT, and ensure payment to Pratt to extinguish the first lien position.

3.2 Debtor's Action in Chapter 11.

On June 1, 2011, the Debtor filed an Application to Employ Rochelle McCullough LLP ("RM" or the "Firm") as its general bankruptcy counsel. On June 27, 2011, the Court approved the Debtor's employment of the Firm.

In addition, since the Petition Date, the Debtor worked extensively behind the scenes to negotiate a consensual sale to TXDOT at an acceptable price. This process was multi-faceted.

On May 19, 2011, the Debtor received another offer from TXDOT, through Albert Halff, Inc. ("Halff"), offering to purchase the Flyover Property at the Original Offer Price.

The Debtor's first step to obtain an acceptable price was to propose a counteroffer to TXDOT, which it did on or about July 18, 2011. TXDOT, through Halff, rejected the counteroffer, on or about July 26, 2011. On or about July 27, 2011, TXDOT, through Halff, informed the Debtor that if the Debtor did not accept the Original Offer within 14 days, then the offer would be considered rejected, and the eminent domain proceedings would be commenced – a proceeding that would be handled by the Attorney General of the State of Texas (the "AG") upon referral of the matter from TXDOT to the AG. In early September, the Debtor, through counsel, identified and contacted the Assistant AG (the "AAG") in the Transportation Division of the AG's office who would handle the Peregrine/TXDOT matter because Peregrine was in bankruptcy. The AAG worked extensively with the Debtor to determine and execute an alternative way to negotiate a consensual sale to TXDOT. As originally proposed by the AAG in early September, TXDOT would purchase the Flyover Property for $500,000.00 more than the Original Offer Price, a price that was acceptable to the Debtor. But such purchase could not be completed until TXDOT's commissioners referred the Peregrine matter to the AG. The commissioners, however, only meet once per month on the last Thursday of each month. For reasons unknown to the Debtor, the Peregrine sale was not on the commissioners' agenda for the months of September or October, as the AAG anticipated.

In early November, the Debtor and AAG discussed the immediate need to sell the Flyover Property to TXDOT as a result of the United States Trustee's Motion to Dismiss or Convert Case (the "UST's Motion") as a result of the delay occasioned by the Debtor's matter not being referred to the AG by TXDOT's commissioners. On November 8, 2011, the Debtor's representatives, its counsel, the AAG, and a TXDOT representative met and developed an alternative way to sell the Flyover Property to TXDOT at the Sale Price that would be outside of TXDOT's normal operating procedures.

On November 17, 2011, the Debtor and the State executed the sale agreement for the State's purchase of the Flyover Property.

On December 1, 2011, the Court entered its Order Granting the Debtor's Motion for Order Authorizing Sale of Certain Real Property (the "Sale Order") [Docket No. 38] to the State of Texas (the "State") for $3,168,419.00 (the "Sale Price").

On December 16, 2011, and in anticipation of the closing of the sale to the State, the Debtor filed its Motion for Entry of Agreed Order to (I) Allow and Pay the Secured Claim of Edward T. Pratt, Jr.[1]; (II) Require Pratt to Execute Lien Releases; and (III) Eliminate the 14 Day Stay Pursuant to Bankruptcy Rule 6004(h) If Applicable (the "Motion to Pay Pratt") [Docket No.41].

On December 20, 2011, the Court entered an order on the Motion to Pay Pratt which allowed Pratt to be paid the Pratt Payoff Amount (as defined in the Motion to Pay Pratt) at closing subject to a twenty-one day period for parties to object to the Pratt Claim (the "Pratt Payment Order") [Docket No. 48]. On the same day, the Pratt Payment Order and notice of the deadline to object to the Pratt Claim was filed and served by the Debtor (the "Notice of Objection Deadline") [Docket No. 49]. On the same day, the sale to the State closed and Pratt was paid the Pratt Payoff Amount.

On January 5, 2012, a purported creditor, Byron Sibson, filed an objection to the Motion to Pay Pratt (the "Sibson Objection") [Docket No. 53].

On January 10, 2012, Mr. Sibson filed a Motion for a 120 Day Stay of this bankruptcy case (the "Sibson Motion for Stay") [Docket No. 110].

On February 6, 2012, the Court held a hearing on the Motion to Pay Pratt, the Sibson Objection, and the Sibson Motion for Stay. The Court overruled the Sibson Objection to the Motion to Pay Pratt, thereby allowing the Pratt Claim, and allowing Pratt to retain the Pratt Payoff Amount he received the closing of the sale of the Flyover Property to the State in full satisfaction of the Pratt Claim (the "Pratt Claim Order") [Docket No. 67]. The Court also denied the Sibson Motion for Stay [Docket No. 68]. On April 20, 2012, the brother and son of Arthur James, II, the Co-Manager of the Debtor, filed their Motion of Tom James and Arthur James III for Conversion of Debtor's Chapter 11 Proceeding to a Proceeding Under Chapter 7 of the Bankruptcy Code Pursuant to 11 U.S.C. §1112(b) and Waiver of Thirty Day Hearing Requirement (the “Motion to Convert”).

On May 4, 2012, the Debtor filed its Response to the Motion to Convert but did not respond to the substantive allegations in such motion.

Arthur James, II will file his Objection to the Motion to Convert (the “Objection”), or ask the Debtor to file an Objection, pointing up the progress that had been made, why there is no need to convert the bankruptcy to a Chapter 7, and why it would be best for everyone to continue as a Chapter 11.

A hearing on the Motion to convert was scheduled for May 29, 2012 at 10:30 a.m., but will be reset to a later time.

[1] Claim No. 2 (the "Pratt Claim").

ARTICLE IV

THE CHAPTER 11 CASE

4.1 Proceedings in the Chapter 11 Case.

(a) The Filing of the Petition.

The Debtor filed its voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code on May 3, 2011.

(b) Debtor's Employment of Professionals.

The Debtor employed Rochelle McCullough, LLP as its general bankruptcy counsel and the Court approved the Firm's retention on a final basis pursuant to the order entered on June 27, 2011.

(c) Schedules and Statements of Financial Affairs.

On May 17, 2011, the Debtor filed its Original Schedules (with any amendments, the "Schedules") and State of Financial Affairs (the "SOFA") listing the Debtor's assets and liabilities as of the commencement of this Case. The Schedules were amended on June 14, 2011.

(d) Meeting of Creditors.

On June 3, 2011 the United States Trustee conducted the initial meeting of creditors pursuant to Bankruptcy Code § 341 for the Case.

(e) Operating Reports.

As required by the United States Trustee, Monthly Operating Reports have been filed with the Clerk of the Bankruptcy Court.

(f) Bar Date for Filing Proofs of Claim.

The deadline by which non-governmental entities were required to submit their Proofs of Claim was set as September 1, 2011, and the deadline for governmental entities was set as October 31, 2011.

(g) Exclusivity.

Exclusivity expired on or about September 1, 2011, pursuant to 11 U.S.C. § 1121. The same day, the Debtor also filed an amended voluntary petition.

(h) Asset Sale and Payment of Secured Creditors.

As described above, the Debtor sold the Flyover Property to the State, and paid its secured creditors: Pratt and certain ad valorem taxing authorities.

ARTICLE V

FINANCIAL INFORMATION

5.1 Assets.

The Debtor's current assets consist of (i) the Real Property which the Debtor which the Debtor values at, at least, approximately $2,500,000.00; (ii) one checking account holding approximately $520,000.00 in Cash; (iii) an account receivable owed by Riverside DPH, L.P. ("Riverside") pursuant to that certain Easement Agreement dated September 4, 2007 (the "Riverside Contract")[2] which the Debtor values at approximately $350,000.00; (iv) a potential reimbursement from the City of Lewisville/TIRZ which the Debtor values at up to approximately $900,000.00; (v) a potential right to construction of a digital advertising billboard sign which the Debtor is unable to value at this time; and (vi) existing tenants Arthur has worked hard to maintain, which will produce $45,000-50,000 per annum revenue if they remain as tenants.

5.2 Liabilities.

(a) Prepetition.

(i) **Secured Claims**.

The Debtor scheduled one secured claim in the amount of $2,178,000.00 held by Pratt. As discussed above, Pratt filed the Pratt Claim which was subsequently allowed and paid in full. Pursuant to the Sale Order, the Debtor also paid certain secured claims of ad valorem taxing authorities. The Debtor, therefore, has no secured claims pending against it.

(ii) **Priority Claims**.

The Debtor scheduled four (4) known Priority Claims in the amount of $25,940.00, including one claim for Roger Fraley in the amount of $11,725.00. As a result of the filing of the Fraley Claim (defined below) which replaced the Debtor's scheduled claim for him, the Debtor currently has three (3) scheduled Priority Claims for a total amount of $13,215.00.

(iii) **General Unsecured Claims**.

As hereinabove set forth, the Debtor's Schedules reflect General Unsecured Claims of approximately $444,646.99, including one claim for Roger Fraley. In addition, certain parties who purport to be creditors of the Debtor filed proofs of claim in this Case. Those purported creditors include Waterside Hotel Group, L.P. [Claim No. 4, in the amount of $315,700.00 plus other unspecified potential amounts] (the "Waterside Claim"); Roger Fraley [Claim No. 5] in the amount of $830,000.00] (the "Fraley Claim"); Byron Sibson [Claim No. 6], in the amount of $17,374.00] (the "Sibson

[2] The Riverside Contract was disclosed by the Debtor on Schedule G as the Huffines Contract. To the extent necessary, the Riverside Contract will be assumed by the Debtor pursuant to 11 U.S.C. § 365.

Claim"); and Wood, Thacker & Weatherly, P.C. [Claim No. 7 in the amount of $9,595.82] (the "WTW Claim") (collectively the "Objectionable Claims"). Including the Objectionable Claims, the Debtor's total general unsecured liabilities are $1,542,041.81.[3] On May 10, 2012, the Debtor filed an objection to the Fraley Claim. Arthur intends to object to the other Objectionable Claims unless the Debtor does so. In addition, Arthur James, II, Tom James and Arthur James, III were scheduled as holding claims in the amounts of $134,561, $97,000, and $86,400, respectively (collectively, the "Insider Claims"). Substantiation for these claims will be provided to establish their legitimacy. Arthur reserves the right to object to any claims.

(b) Post-Petition Liabilities.

(i) **Professional Claims**.

Under the Plan, each Professional must file its final fee application within thirty (30) days after the Effective Date of the Plan.

For a more detailed discussion and analysis of the Debtor's assets and liabilities, please refer to the exhibits attached hereto, the Bankruptcy Schedules, the Monthly Operating Reports, and the other pleadings on file in this Case.

ARTICLE VI

SUMMARY OF THE PLAN OF REORGANIZATION

THIS SECTION PROVIDES A SUMMARY OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN.

THE REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE REPRESENTATIONS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF A HOLDER OF A CLAIM OR EQUITY INTEREST UNDER THE PLAN AND SHALL, UPON THE EFFECTIVE DATE, BE BINDING UPON A HOLDER OF A CLAIM AGAINST, OR AN EQUITY INTEREST IN, THE DEBTOR AND OTHER PARTIES IN INTEREST.

[3] The Fraley Claim replaced the claim scheduled by the Debtor for Mr. Fraley. Therefore, this amount does not include the scheduled amount and only includes the amount asserted in the Fraley Claim.

6.1 General Concept of the Plan.

The Plan provides for the orderly payment of Allowed Claims through the Debtor's business operations, namely, the recovery of amounts owed to the Debtor by Riverside; the reimbursement for capital improvements from the City of Lewisville/TIRZ; revenue generated by the digital advertising billboard sign, if such sign is constructed on the Debtor's real property; and, if necessary to pay Allowed Claims, the lease and/or sale of some or all of the Real Property.

Under the Plan, holders of unpaid Administrative Claims, Professional Fee Claims, Priority Claims, and claims relating to U.S. Trustee Fees will be paid first. Until satisfied as provided by this Plan, each Holder of an Allowed General Unsecured Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Claim, its Pro Rata share of Available Cash on the Initial Distribution Date, and its Pro Rata share of Available Cash on the Annual Distribution Dates. Holders of Allowed General Unsecured Claims shall receive interest on account of such Allowed General Unsecured Claims at the Federal Judgment Interest Rate pursuant to 28 U.S.C. § 1961[4] from the Petition Date to the date of payment. Holders of General Unsecured Claims which become Allowed Claims after the Initial Distribution Date shall be entitled to a "catch up" Distribution on the next Annual Distribution Date in addition to the Distribution it will receive on such Annual Distribution Date. Distributions for Disputed Claims shall be reserved until the claim is ruled on by the Bankruptcy Court. Allowed General Unsecured Claims shall be paid in full on or before the fifth (5th) anniversary of the Effective Date.

Under the Plan, holders of Equity Interests in the Debtor will retain their interests in the Debtor but shall not be entitled to receive any Distributions until all Allowed Claims are paid in full.

6.2 Classification of Claims and Equity Interests.

Bankruptcy Code § 1122 requires that a plan classify the claims of a debtor’s creditors and the interests of its equity holders. The Bankruptcy Code provides that, except for certain claims classified for administrative convenience, a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests of such class. The Bankruptcy Code further provides that a plan offer the same treatment for each claim or equity interest of a particular class unless the holder of a particular claim or equity interest agrees to less favorable treatment of its claim or equity interest.

Certain Classes of Creditors have not been classified in the Plan because they will be paid in full and are not Impaired. Such Claimants include those holding Allowed Administrative Claims, Allowed Professional Fee Claims, and Claims relating to U.S. Trustee Fees.

[4] The Federal Judgment Interest Rate is available at: http://www.txed.uscourts.gov/page1.shtml?location=attorney.

6.3 Treatment of Claims and Equity Interests.

(a) Distribution Summary / Overview.

The following is an overview of the treatment to be afforded to each Class of Creditors or holders of Equity Interests as provided under the Plan. It is provided for convenience only and is specifically qualified by the Plan itself.

CLASS	IMPAIRED / UNIMPAIRED	DISTRIBUTION PROPOSED UNDER PLAN
Class 1: Allowed Priority Claims	Unimpaired	Each holder of an Allowed Priority Claim shall be paid by the Debtor either (i) the amount of such holder's Allowed Priority Claim in one cash payment on the later of (1) the Effective Date (or as soon as reasonably practicable thereafter) and (2) fifteen (15) Business Days following the date such Claim is allowed by Final Order or (ii) such other less favorable treatment that may be agreed upon in writing by the Creditors' Debtor and such holder. Estimated Recovery – 100%.
Class 2: Allowed General Unsecured Claims	Impaired	Each holder of an Allowed General Unsecured Claim shall receive full payment with interest within three (3) years of the Effective Date, and be entitled to interim semi-annual distributions as provided in the Plan until fully paid. Estimated Recovery – 100%.
Class 3: Equity Interests	Unimpaired	Each holder of an Equity Interest in the Debtor shall be entitled to retain such interest, but shall not be entitled to receive any distribution on account of such interest until all Allowed Claims are paid in full.

(b) Treatment of Classes.

The treatment of the Classes are summarized as follows:

Each holder of an Allowed Priority Claim shall be paid by the Reorganized Debtor either (i) the amount of such holder's Allowed Priority Claim in one Cash payment on the later of (1) the Effective Date (or as soon as reasonably practicable thereafter) and (2) fifteen (15) Business Days following the date such Claim is allowed by Final Order or (ii) such other less favorable treatment that may be agreed upon in writing by the Reorganized Debtor and such holder.

Until satisfied as provided by this Plan, each Holder of an Allowed General Unsecured Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Claim, its Pro Rata share of Available Cash on the Initial Distribution Date, and its Pro Rata share of Available Cash on the Annual Distribution Dates. Holders of Allowed General Unsecured Claims shall receive interest on account of such Allowed General Unsecured Claims at the Federal Judgment Interest Rate from the Petition date to the date of payment. Holders of General Unsecured Claims which become Allowed Claims after the Initial Distribution Date shall be entitled to a "catch up" Distribution on the next Annual Distribution Date in addition to the Distribution it will receive on such Annual Distribution Date. Allowed General Unsecured Claims shall be paid in full on or before the fifth (5th) anniversary of the Effective Date.

On the Effective Date, each holder of an Equity Interest in the Debtor shall retain the Equity in the Debtor held on the Petition Date with the prohibition of payment of dividends until Classes 1 and 2 and Administrative Claims are paid as required by the Plan.

6.4 Cramdown.

To the extent necessary, Arthur requests Confirmation of the Plan, as it may be modified from time to time, under Bankruptcy Code § 1129(b). Arthur reserves the right to modify the Plan to the extent, if any, that Confirmation pursuant to Bankruptcy Code § 1129(b) requires modification or for any other reason in its discretion

6.5 Treatment of Executory Contracts and Unexpired Leases.

Unless the Debtor has previously assumed, or filed a motion to assume, an executory contract or an unexpired lease as provided by Bankruptcy Code § 365(a), Confirmation of the Plan shall constitute the rejection of all executory contracts or unexpired leases, if any, effective as of the Petition Date for executory contracts and unexpired leases with the Debtor. The non-Debtor party to an executory contract or unexpired lease rejected under the Plan shall be required to File with the Bankruptcy Court within thirty (30) days after entry of the Confirmation Order, a Proof of Claim for all alleged damages resulting from such rejection. The failure to timely file such Proof of Claim shall result in such Claim being forever barred and discharged.

6.6 Discharge.

Except as otherwise provided in the Plan, or in the order Confirming the Plan, the rights afforded in the Plan and payments and Distributions to be made under the Plan shall discharge all existing debts and Claims of any kind, nature, or description whatsoever against the Debtor and the Reorganized Debtor or any of its assets or properties to the extent permitted by Bankruptcy Code § 1141. Upon the Effective Date, all existing Claims against the Debtor and the Reorganized Debtor shall be, and shall be deemed to be discharged; and all holders of Claims shall be precluded from asserting against the Reorganized debtor or any of its 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.

6.7 Moratorium, Injunction and Limitation of Recourse for Payment.

Except as otherwise provided in the Plan or by subsequent Order of the Bankruptcy Court, the Confirmation Order shall provide, among other things, that from and after the Effective Date, all Persons who have held, hold, or may hold Claims against, or Equity Interests in, any of the Debtor are permanently enjoined from taking any of the following actions against the Estate, the Debtor, the Reorganized Debtor, or any of their respective officers, directors, attorneys or financial advisors or any of their respective property or other assets on account of any such Claims or Equity Interests: (a) commencing or continuing, in any manner or in any place, any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting or enforcing any Lien or encumbrance; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtor; and (e) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; provided, however, nothing contained herein shall preclude such Persons from exercising their rights pursuant to and consistent with the terms of the Plan.

6.8 Compensation of Co-Managers.

Each Co-Manager of Peregrine shall be paid $2,000 per month compensation based in part on the following types of services that have been and are continuing to be provided (on a very time-consuming basis, but which have had and will continue to have considerable tangible benefit to Peregrine). The third Co-Manager will also be so compensated and shall also be reimbursed his reasonable expenses.

(a) Management of Peregrine has negotiated with and TXDOT has agreed to pay Peregrine $88,000.00 for moving the nursery trees out of the TXDOT right-of-way. There are no conditions to this other than to provide photographic evidence that this has been done.

(b) Management of Peregrine has conducted discussions regarding a co-development transaction with other property owners proximate to the Property and has continued to discuss cash and development alternatives. Discussions are at a stage which would not make it beneficial to Peregrine to discuss the terms herein, but there has been effort expended here also with progress. These discussions, if successful, could also save Peregrine substantial fees for future projects and sales.

(c) Management of Peregrine has conducted discussions regarding the TIRZ payments.

(d) Management of Peregrine has discussed conceptually with certain claimants a way to resolve claims with non-monetary items which substantially benefit Peregrine.

(e) Management of Peregrine has discussed with the City of Lewisville the placing of street lights down Arthur's Lane at no cost to Peregrine.

(f) Management of Peregrine has devised a plan to keep the AG exemption and save $85,000 in roll-back taxes and $40,000/year in property taxes relating to the original and continued exempt agricultural use of the Property.

(g) Management of Peregrine has talked to potential buyers for portions of the Property previously thought to be of no or negligible value.

(h) Management of Peregrine has successfully concluded the renegotiation of leases with tenants. These negotiations have entailed numerous discussions with the City of Lewisville staff (which will recommend this to the City Council of Lewisville) so that sales offices for these tenants can be temporary and not hooked up to city sewer and water, which has made these leases feasible and not cost prohibitive. These leases shall generate approximately $49,200 per year for Peregrine.

(i) Management has negotiated the sale and removal of a metal building which is in the TXDOT right-of-way for $12,500.00.

ARTICLE VII

LITIGATION

7.1 Preferences, Fraudulent Transfers and Other Avoidance Actions.

Pursuant to Bankruptcy Code § 547, a debtor may recover certain preferential transfers of property, including Cash, made while insolvent during the ninety (90) days immediately prior to the filing of its bankruptcy petition with respect to pre-existing debts to the extent the transferee received more than it would have in respect of the preexisting debt had the debtor been liquidated under chapter 7 of the Bankruptcy Code. In the case of "Insiders," the Bankruptcy Code provides for a one-year preference period.

Transfers made in the ordinary course of the debtor and the transferee's business according to the ordinary business terms are not recoverable. Furthermore, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension may constitute a defense, to the extent of any new value, against any otherwise recoverable transfer of property. If a preferential transfer were recovered by the debtor, the transferee would have a general unsecured claim against the debtor to the extent of the debtor's recovery.

Under Bankruptcy Code § 548 and various state laws, a debtor may recover certain prepetition transfers of property, including the grant of a security interest in property, made while insolvent to the extent the debtor receives less than fair value for such property. In addition, avoidance actions exist under Bankruptcy Code §§ 544, 545, 549 and 553(b) that allow a debtor to avoid and/or recover certain property. As of the date of the distribution of this Disclosure Statement, Arthur has not yet estimated the potential recovery from the prosecution of their Avoidance Actions. Under the Plan, Arthur will have the authority to investigate and prosecute all such Avoidance Actions.

As reflected on the Schedules filed in this Case, Arthur is not currently aware of any claims held by the Debtor against third parties. However, Arthur has not performed an exhaustive investigation or analysis of potential claims and Causes of Action against third parties. It is the contemplation of the Plan, that such investigation and analysis will continue post-Confirmation. **YOU SHOULD NOT RELY ON THE OMISSION FROM THE DISCLOSURE STATEMENT OF A CLAIM OR CAUSE OF ACTION TO ASSUME THAT THE DEBTOR HOLDS NO CLAIM OR CAUSE OF ACTION AGAINST ANY THIRD-PARTY, INCLUDING ANY CREDITOR THAT MAY BE READING THIS DISCLOSURE STATEMENT AND/OR CASTING A BALLOT.**

Unless expressly released by the Plan or by an order of the Bankruptcy Court, any and all such claims or Causes of Action against third parties are specifically reserved.

PLEASE TAKE NOTICE: WITH THE EXCEPTION OF THOSE CAUSES OF ACTION THAT ARE EXPRESSLY RELEASED OR WAIVED UNDER THE TERMS OF THE PLAN, ALL CAUSES OF ACTION OF THE DEBTOR AND ITS ESTATE, WHETHER OR NOT SPECIFIED HEREIN, WILL BE PRESERVED UNDER THE PLAN. THE LACK OF DISCLOSURE OF ANY PARTICULAR CAUSE OF ACTION SHALL NOT BE DEEMED TO PRECLUDE OR CONSTITUTE *RES JUDICATA,* RELEASE OR WAIVER OF ANY SUCH CAUSE OF ACTION, IT BEING THE INTENTION OF THE PLAN PROPONENT

FOR THE PLAN TO PRESERVE ANY AND ALL CAUSES OF ACTION HELD BY THE DEBTOR OR ITS ESTATE AS OF THE EFFECTIVE DATE OF THE PLAN.

Arthur's failure to identify a claim or Cause of Action herein is specifically not a waiver of any claim or Cause of Action. Arthur will not ask the Bankruptcy Court to rule or make findings with respect to the existence of any Cause of Action or the value of the entirety of the Estates at the Confirmation Hearing; accordingly, except claims or Causes of Action which are expressly released by the Plan or by an order of the Bankruptcy Court, Arthur's failure to identify a claim or Cause of Action herein shall not give rise to any defense of judicial estoppel with respect to claims or Causes of Action which could be asserted against third parties, including Creditors of the Debtor which may be reading this Disclosure Statement and/or casting a Ballot. When casting your Ballot, you should consider and take into account the possibility that the Debtor may hold a claim or Cause of Action against you which will be preserved, and, if appropriate, fully pursued post-Confirmation.

7.2 Litigation.

There is no pending litigation against the Debtor.

ARTICLE VIII

MEANS OF EXECUTION OF THE PLAN

8.1 Requirements of Confirmation.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of Bankruptcy Code §1129 have been satisfied, in which event the Bankruptcy Court will enter a Confirmation Order. For the Plan to be confirmed, Bankruptcy Code § 1129 requires that:

(a) The Plan complies with the applicable provisions of the Bankruptcy Code;

(b) The Plan Proponent has complied with the applicable provisions of the Bankruptcy Code;

(c) The Plan has been proposed in good faith and not by any means forbidden by law;

(d) Any payment or distribution made or promised by the Debtor or by a Person issuing securities or acquiring property under the Plan for services or for costs and expenses in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

(e) The Plan Proponent has disclosed the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director, officer or voting Debtor of the Debtor, an affiliate of the Debtor participating in a joint plan with the Debtor, or a successor to the Debtor under the Plan; the appointment to, or continuance in, such office of such individual is consistent with the interests of Creditors and holders of Equity Interests and

with public policy; and the Plan Proponent has disclosed the identity of any insider that will be employed or retained by any successor to the Debtor and the nature of any compensation for such insider;

(f) Any government regulatory commission with jurisdiction, after Confirmation of the Plan, over the rates of the Debtor have approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval;

(g) With respect to each impaired Class of Claims or Equity Interests, either each holder of a Claim or Equity Interest of the Class has accepted the Plan or will receive or retain under the Plan on account of that Claim or Equity Interest property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated on such date under chapter 7 of the Bankruptcy Code. If Bankruptcy Code § 1111(b)(2) applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in the property that secures that Claim;

(h) Each Class of Claims or Equity Interests has either accepted the Plan or is not Impaired under the Plan;

(i) Except to the extent that the holder of a particular Allowed Administrative Claim or Priority Claim has agreed to a different treatment of its Allowed Claim, the Plan provides that Allowed Administrative Claims or Priority Claims shall be paid in full;

(j) If a Class of Claims or Equity Interests is Impaired under the Plan, at least one Class of Claims or Equity Interests that is Impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim or Equity Interest of that Class; and

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

The Plan Proponent believes that the Plan satisfies all of the statutory requirements of the Bankruptcy Code, that the Plan was proposed in good faith, and that he has complied with, or will have complied with, all the requirements of the Bankruptcy Code necessary to achieve Confirmation of the Plan.

8.2 Conditions to the Effective Date.

Each of the following events shall occur on or before the Effective Date; provided however, Arthur may waive (b) and (c) below, whereupon the Effective Date shall occur without further action by any Person:

(a) the Confirmation Order shall have been entered by the Bankruptcy Court and shall not be subject to a stay; and

(b) the Bankruptcy Court shall have determined that the Reorganized Debtor is duly authorized to take actions contemplated in the Plan; and

(c) all other agreements contemplated by, or entered into pursuant to, the Plan and all documents required to be filed with the Plan Supplement, shall have been duly and validly executed and delivered by the parties thereto and all conditions to their effectiveness shall have been satisfied or waived.

ARTICLE IX

FEDERAL INCOME TAX CONSEQUENCES SECURITIES LAW CONSIDERATIONS

9.1 Certain Federal income Tax Consequences of the Plan.

THE FOLLOWING DISCUSSION IS A SUMMARY OF CERTAIN OF THE SIGNIFICANT FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO THE DEBTOR AND TO HOLDERS OF CLAIMS AND INTERESTS. NO RULINGS OR OPINIONS HAVE BEEN REQUESTED FROM THE INTERNAL REVENUE SERVICE OR COUNSEL WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN.

DEBTOR RESERVES THE RIGHT TO SEEK SUCH RULINGS OR OPINIONS IF ADVISABLE. HOWEVER, EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT HIS OWN TAX ADVISOR FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES PECULIAR TO HIM UNDER THE PLAN.

THE PLAN PROPONENT AND ITS ATTORNEYS ARE NOT ACCOUNTANTS, TAX ADVISORS, OR CERTIFIED PUBLIC ACCOUNTANTS. ANY DISCLOSURE HEREIN IS NOT A SUBSTITUTE FOR A HOLDER SEEKING ITS OWN TAX ADVICE AND YOU SHOULD DO SO.

THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN TO THE HOLDERS OF CLAIMS AND INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. IN ADDITION, THIS DISCUSSION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTOR OR HOLDERS OF ALLOWED CLAIMS, NOR DOES THE DISCUSSION DEAL WITH TAX ISSUES PECULIAR TO CERTAIN TYPES OF TAXPAYERS (SUCH AS LIFE INSURANCE COMPANIES, S CORPORATIONS, FINANCIAL INSTITUTIONS, TAX EXEMPT ORGANIZATIONS AND FOREIGN TAXPAYERS). NO ASPECT OF FOREIGN, STATE, LOCAL, OR ESTATE AND GIFT TAXATION IS ADDRESSED. THEREFORE, THE FOLLOWING SUMMARY IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM.

THIS SUMMARY IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), TREASURY REGULATIONS PROMULGATED AND PROPOSED THEREUNDER, JUDICIAL DECISIONS AND PUBLISHED ADMINISTRATIVE RULES AND PRONOUNCEMENTS OF THE INTERNAL REVENUE SERVICE ("IRS" OR THE "SERVICE") AS IN EFFECT ON THE DATE HEREOF. CHANGES IN SUCH RULES OR NEW INTERPRETATIONS THEREOF MAY HAVE RETROACTIVE EFFECT AND COULD THEREFORE SIGNIFICANTLY AFFECT THE CONSEQUENCES DESCRIBED BELOW.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS

DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS AND EQUITY INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE ("IRC"); AND (B) HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

9.2 Net Operating Loss Carry-Forwards.

The federal income tax aspects of reorganization under Chapter 11 are complicated and uncertain, and it is not possible to present in this Disclosure Statement a detailed analysis of the tax consequences of the actions contemplated by the Plan. Consequently, each creditor and interest holder is urged to consult its own tax advisors with respect to the consequences of the Plan. **ARTHUR MAKES NO REPRESENTATIONS OF ANY NATURE REGARDING THE FEDERAL (OR STATE) INCOME TAX CONSEQUENCES OF THE PLAN AS TO ANY PARTY IN INTEREST.**

The Debtor's balance sheet and prior tax returns reflect certain tax attributes that may or may not be obtainable. Some of these tax attributes (e.g., net operating loss carry forwards, if any) are for the benefit of the Debtor. Arthur has not independently verified or otherwise confirmed the favorable nature of such tax attributes. It is Arthur's belief that determining the value of such tax attributes would be difficult and directly dependent upon many factors outside of Arthur's or the Debtor's control, including, but not limited to, changes in the legal and regulatory framework and the operational and corporate structure of Debtor. Arthur does not believe confirmation of this Plan will impair any tax attributes; however, obtaining value from the tax attributes is conditioned upon Debtor's return to profitable operations. While Arthur believes it is possible, there is no assurance that the Debtor will return to profitability in the future.

ARTICLE X

ALTERNATIVES TO THE PLAN AND LIQUIDATION ANALYSIS

10.1 Alternatives to the Plan.

Any discussions referring to alternatives are limited by both practical consideration of space and the opinion of the Plan Proponent regarding same. In addition, applicable law does not require that information regarding alternatives be included in a disclosure statement, so any information is provided at the discretion of the Plan Proponent.

The Plan Proponent believes that the Plan affords Claimants the greatest realization from the Debtor's assets, and is in the best interests of all Claimants. The Plan Proponent has considered alternatives to the Plan, such as the dismissal of the Debtor's Case, a liquidation within the context of chapter 7, and the formulation of other possible chapter 11 plans. In the opinion of the Plan Proponent, such alternatives would not afford the Claimants a return as great as may be achieved under the Plan.

If the Debtor's Case was dismissed, the Debtor no longer would have the protection of the Bankruptcy Code. In the event of a dismissal of the Case, even the most diligent of the Creditors likely would experience difficulty realizing a significant recovery on their Claims. Further, dismissal would likely result in certain Creditors filing lawsuits against the Debtor that would likely cause the Debtor to incur more legal expenses than if such claims or causes of

action were resolved in this Case. Such post-dismissal litigation would also likely consume the Debtor's Co-Managers' time and efforts that would otherwise be focused on obtaining funds from the sources described above, e.g., the Riverside Contract, so that Creditors can be paid in full as quickly as possible.

If the Plan is not confirmed, it would be likely that the Case would be converted to chapter 7 of the Bankruptcy Code, in which circumstance, a trustee would be elected or appointed to liquidate the remaining assets of the Debtor for distribution to Creditors in accordance with the priorities established by the Bankruptcy Code. If the Case was converted to chapter 7, the present Administrative and Priority Claims would have a lower priority than claims generated in the chapter 7 case. Because the Debtor's assets are being partially liquidated, and potentially fully liquidated, under the Plan, there would not be a benefit to the conversion of the Case to a case under chapter 7. Furthermore, the Debtor's Real Property is unique. It was raised out of a flood plain through substantial reclamation work, and is at a rapidly changing highway and interstate intersection where significant construction is taking place and will take place for the foreseeable future. Potential buyers will likely need to conduct significant due diligence, including environmental surveys, and engage in significant negotiations with the City of Lewisville to obtain permits and approvals to develop the Real Property. Potential buyers would also likely need important information from the Debtor's Co-Managers. As a result, if a chapter 7 trustee even needed to sell the Real Property, such a sale would likely take a significant amount of time.

An alternative plan being pursued by Buckaroo says unkind (and untrue) things about Arthur and his fitness to manage.

Rather than "reciprocate" and seek the removal of Buckaroo[5] through James Brown as Co-Manager, Arthur is willing to continue to work with Mr. Brown, recognizing that 50/50 control was "the deal" and it would be improper and immoral to try to take that away from him. If necessary, i.e. if James Brown will not agree to attempt again to co-manage with Arthur, adding a "third Co-Manager" could be in the best interests of the Debtor.

Arthur's Plan has suggested the appointment of a third Co-Manager in the following manner:

> Arthur James, II and Buckaroo will continue to act as Co-Managers under the Operating Agreement. If necessary, as provided in the Operating Agreement, the Court may appoint a third Co-Manager to act under the protection of the Court[6] to cast the third and deciding vote in the event the existing Co-Managers, Arthur James, II and James Brown, the Manager of the general partner of Buckaroo, cannot agree on a business operational (but not Plan or Operation Agreement Amendments) course of action. The implementation of this

[5] Arthur reserves the right to raise any matters concerning Buckaroo and its fitness to manage without Arthur or to be sole manager of Peregrine in his Objection to the Disclosure Statement and Plan of Buckaroo, if Buckaroo goes forward with same. Doing so now would not foster an atmosphere conducive to an agreement on outstanding issues, or a single Plan.

[6] It is suggested that an efficient way to accomplish this is for the Operating Reports for the Debtor to contain an item which lists any third vote that has been required of the third Co-Manager during the previous 30 days, and the acceptance by the Court of this report each month shall constitute a ratification both by the Court and the dissenting manager to the action taken or not taken.

procedure will also assure that any outside influence or control perceived by one Manager as being exerted against another Manager can have no effect on the Debtor.

The proposal is equally fair to both sides, unlike Buckaroo's Proposal, and in the best interest of Peregrine. Neither Buckaroo nor Arthur should be excluded from the management of Peregrine, and both of them signed an agreement that prohibits that and instead calls for the appointment of a third Co-Manager. Moreover, Arthur is the person who raised substantial portions of the land from the flood plain and was the Owner and Manager of the Property for a period in excess of five years. He has successfully created and preserved most of the value of the land for Peregrine, and has worked diligently on all of the things set out in paragraph 6.8 hereof.

10.2 Liquidation Analysis.

(a) The Plan Meets the "Best Interest of Creditors" Test.

The "best interest of creditors" test set out in Bankruptcy Code § 1129(a)(7) requires that the Bankruptcy Court find that the Plan provides to each non-accepting holder of a Claim or Equity Interest treated under the Plan a recovery that has a present value at least equal to the present value of the distribution that such Person would receive from the debtor if the debtor were liquidated under chapter 7 of the Bankruptcy Code. The Plan Proponent has considered the impact of a conversion to chapter 7 and compared the amounts Claimants with Allowed Claims would receive upon liquidation to the amounts they will receive under the Plan. The Plan Proponent's analysis leads it to conclude that each Creditor, and the Creditors as a whole, and the Debtor's Equity Interest holders, would receive less in liquidation under chapter 7 than each will receive pursuant to the Plan.

(b) Costs of Chapter 7 Liquidation.

Conversion to chapter 7 would impose significant additional monetary and time costs on the Debtor's Estate. Under chapter 7, one or more trustees would be elected or appointed to administer the Estate, to resolve pending controversies, including Disputed Claims against the Debtor and Claims of the various Estates against other parties, and to make distributions to Claimants. A chapter 7 trustee would be entitled to compensation in accordance with the scale set forth in Bankruptcy Code § 326 and the Debtor would also incur significant administrative expenses.

It is highly unlikely that a chapter 7 trustee in this Case would possess any particular knowledge about the Debtor. The Plan Proponent asserts that the value of the Debtor's assets would be greatly diminished thereby. Additionally, a trustee would probably seek the assistance of professionals that would not have any significant background or familiarity with this Case. The trustee and any professionals retained by the trustee likely would expend significant time familiarizing themselves with this Case. This would result in duplication of effort, increased expenses and delay in payments to the Claimants.

In an analysis of a conversion to chapter 7, it must be recognized that additional costs in both time and money are inevitable. In addition to these time and monetary costs, there are other problems in a chapter 7 liquidation that would result in a substantially smaller recovery for Claimants than under the Plan.

Further, distributions under the Plan probably would be made earlier than would distributions in a chapter 7 case. In contrast to the Plan, which contemplates distributions to holders of Allowed Claims as soon as practicable after the Effective Date, distributions of the proceeds of a chapter 7 liquidation might not occur until one or more years after the completion of the liquidation in order to afford the Debtor the opportunity to resolve claims and prepare for distributions.

(c) Conclusion.

THE PLAN PROPONENT BELIEVES THAT CONFIRMATION AND IMPLEMENTATION OF THE PLAN IS PREFERABLE TO ANY OF THE ALTERNATIVES DESCRIBED HEREIN BECAUSE THE PLAN SHOULD PROVIDE GREATER CERTAINTY AND RECOVERIES THAN THOSE THAT WOULD BE AVAILABLE UNDER CHAPTER 7. IN ADDITION, OTHER ALTERNATIVES WOULD INVOLVE DELAY, UNCERTAINTY AND SUBSTANTIAL ADMINISTRATIVE COSTS.

ARTICLE XI

RISK FACTORS

HOLDERS OF CLAIMS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.

11.1 Business Risks.

The Disclosure Statement and the material incorporated by reference herein (the "Incorporated Materials") include "forward-looking statements" as defined in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this Disclosure Statement and the Incorporated Materials regarding the Debtor's financial position, and plans and objectives, including, but not limited to, statements using words such as "anticipates," "expects," "estimates," "believes," and "likely" are forward-looking statements.

The Plan Proponent believes that its current views and expectations are based on reasonable assumptions; however, there are significant risks and uncertainties that could affect expected results. Important factors that could cause actual results to differ materially from those in the forward-looking statements are discussed throughout this Disclosure Statement and its attachments. The Plan Proponent does not intend to update or otherwise revise the forward-looking statements contained herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

11.2 Risk Related to Taxation.

Pursuant to the Plan, each Holder of an Allowed Claim receiving cash or property under the Plan will recognize gain or loss equal to the difference between the amount of any cash and the fair market value of any other property received by such holder and the basis which the holder has in such Allowed Claim. The character of any recognized gain or loss will depend upon the status of the holder, the nature of the Claim and the period for which the Claim was

held by the holder. The basis of a holder in any property received under the Plan will be the fair market value of such property on the Effective Date of the Plan, and the holding period in such property received will begin on the Effective Date.

The federal, state and local tax consequences of the Plan could be complex and, in some cases, uncertain. In addition, the foregoing summary does not discuss all aspects of federal income taxation that may be relevant to a particular holder of an Allowed Claim in light of its particular circumstances and income tax situation. Accordingly, each holder of a Claim is strongly urged to consult with its own tax advisor regarding the federal, state, and local tax consequences of the Plan.

11.3 Bankruptcy Risks.

(a) Objections to Classifications.

Bankruptcy Code § 1122 provides that a plan may place a claim or equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests of such class. The Plan Proponent believes that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

(b) Risk of Non-Confirmation of the Plan.

Even if all Classes of Claims and Equity Interests that are entitled to vote accept it, the Plan might not be confirmed by the Bankruptcy Court. Bankruptcy Code § 1129 sets forth the requirements for confirmation and requires, among other things, that the confirmation of a plan is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor, and that the value of distributions to dissenting creditors and equity interest holders not be less than the value of distributions such creditors and equity interest holders would receive if a debtor were liquidated under chapter 7 of the Bankruptcy Code. The Plan Proponent believes that its Plan satisfies all the requirements for Confirmation of the Plan under the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will also conclude that the requirements for Confirmation of the Plan have been satisfied.

(c) Non-Occurrence of Effective Date of Plan.

Even if all Classes of Claims and Equity Interests that are entitled to vote accept the Plan, the Plan may not become effective. The Plan sets forth conditions to the occurrence of the Effective Date that could remain unsatisfied. The Plan Proponent believes that it will satisfy all requirements for consummation under the Plan. However, there can be no assurance that the Bankruptcy Court will conclude that the requirements for consummation of the Plan have been satisfied.

(d) Appeal of the Confirmation Order.

The Confirmation Order may be the subject of an appeal. If the Confirmation Order is vacated on appeal (assuming an appeal could be taken and such appeal would not be rendered moot due to substantial consummation of the Plan prior to prosecution), the Plan would fail.

ARTICLE XII

MISCELLANEOUS MATTERS

12.1 Releases for Post-Petition Acts.

Arthur, the Debtor, the Estate, and its respective members, officers, directors, attorneys or financial advisors shall be deemed to have been released and discharged on the Effective Date, of any Claim or Cause of Action arising from or related to acts or omissions occurring after the Petition Date; provided, however, no such parties shall be released and discharged of any Claim or Cause of Action arising from or related to acts or omissions involving undisclosed self-dealing.

12.2 Exculpation; Limitation of Liability and Releases.

(a) None of the Exculpated Parties shall have or incur any liability to any person or any of their respective agents, employees, representatives, advisors, attorneys, affiliates, shareholders, or members, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Case, the Disclosure Statement, the transactions contemplated by or described in the Plan or Disclosure Statement, the formulation, negotiation, or implementation of this Plan, the pursuit of Confirmation of this Plan, the Confirmation of this Plan, the consummation of this Plan, or the administration of this Plan or the property to be distributed under this Plan.

(b) notwithstanding any other provisions of this Plan, no person, no person's agents, directors, managers, officers, employees, representatives, advisors, attorneys, affiliates, shareholders, or member and no person's successors or assigns shall have any right of action against any of the Exculpated Parties for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Case, the Disclosure Statement, the transactions contemplated by or described in the Plan or Disclosure Statement, the formulation, negotiation, or implementation of this Plan, the pursuit of Confirmation of this Plan, the Confirmation of this Plan, the consummation of this Plan, or the administration of this Plan or the property to be distributed under this Plan.

Effective as of the Confirmation Date, but subject to the occurrence of the Effective Date, and in consideration of the terms and provisions of this Plan including, (1) the Debtor and each holder of an Equity Interest that (a) voted to accept the Plan (or is deemed to accept the Plan), or (b) consented to the confirmation of the Plan (including the Debtor, its managers, principals and equity holders), and (2) to the fullest extent permissible under applicable law, as such law may be extended or integrated after the Effective Date, the Debtor and each holder of an Equity Interest (collectively, the "Releasing Parties" and each a "Releasing Party") shall release, unconditionally and forever, Arthur and its present and former members, officers, directors, managers, agents, financial advisors, attorneys, employees, equity holders, parent corporations, subsidiaries, partners, affiliates, and representatives from any and all claims or causes of action that exist as of the Effective Date and arise from or relate to, in any manner, in whole or in part, the operation of the business of the Debtor, the subject matter of, or the transaction or event giving rise to, the Equity Interest of such holder, the business or contractual arrangements between the Debtor and such holder, any restructuring of such claim or equity prior to the Petition Date, or any act, omission, occurrence, or event in any manner related to such subject matter, transaction or obligation, or occurring or existing on property owned by the Debtor, or arising out of the Chapter 11 Case, including, but not limited to, the pursuit of confirmation of the

Plan, the consummation thereof, the administration thereof, or the property to be distributed thereunder.

12.3 Retention of Jurisdiction.

Under Bankruptcy Code §§ 105(a) and 1142, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Cases, the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) Allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Claim, and the resolution of any objections to the allowance or priority of Claims or Equity Interest;

(b) Hear and determine all applications for compensation and reimbursement of expenses of Professionals under Bankruptcy Code §§ 330, 331, 503(b), 1103 and 1129(a)(4) for services rendered and expenses incurred on or before the Effective Date;

(c) Hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Debtor may be liable, including, if necessary, the liquidation or allowance of any Claims arising therefrom;

(d) Effectuate performance of, and payments under, the provisions of the Plan;

(e) Determine any and all adversary proceedings, motions, applications, and contested or litigated matters, including, but not limited to, all Causes of Action;

(f) Enter such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan, and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

(g) Hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Plan, including disputes arising under agreements, documents or instruments executed in connection with the Plan;

(h) Consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(i) Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with the implementation, consummation, or enforcement of the Plan or the Confirmation Order;

(j) Enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reserved, stayed, revoked, modified, or vacated;

(k) Hear and determine any matters arising in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

(l) Enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Cases;

(m) Hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code §§ 346, 505 and 1146;

(n) Hear and determine all matters related to the property of the Estate, or the Debtor from and after the Effective Date;

(o) Hear and determine such other matters as may be provided in the Confirmation Order and as may be authorized under the provisions of the Bankruptcy Code; and

(p) Enter final decrees closing the Cases.

12.4 Amendment of the Plan; Modification of the Plan.

The Plan Proponent may alter, amend, or modify the Plan or any Exhibits thereto under Bankruptcy Code § 1127(a) at any time prior to the Confirmation Date. After the Confirmation Date and prior to Substantial Consummation of the Plan, the Plan Proponent may, under Bankruptcy Code § 1127(b), institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do not materially or adversely affect the treatment of holders of Claims or Equity Interests under the Plan; provided, however, prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or Order of the Bankruptcy Court.

ARTICLE XIII

VOTING PROCEDURE

ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DETERMINED, PURSUANT TO THE BANKRUPTCY CODE, BASED UPON THE BALLOTS OF THE CLAIMANTS IN CLASS 2 THAT ACTUALLY VOTE ON THE PLAN. THEREFORE, IT IS IMPORTANT THAT HOLDERS OF ALLOWED CLAIMS IN CLASS 2 EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN.

13.1 Classes Entitled to Vote on the Plan.

Each Impaired Class of Claims and Equity Interests that will receive or retain property or any interest in property under the Plan shall be entitled to vote to accept or reject the Plan. By operation of law, each Unimpaired Class of Claims is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan. Accordingly, in these Cases, any holder of Allowed Claims classified in Class 2 of the Plan may have a voting claim and should have received a Ballot for voting since this Class consists of Impaired Claims that are receiving property under the Plan.

13.2 General Provisions.

Any Claimant holding a Claim who does not vote will not be counted in the percentage or number requirements for voting. A Claim to which an objection has been filed is not an Allowed Claim unless and until the Bankruptcy Court rules on the objection. For purposes of voting on the Plan, the Bankruptcy Court may temporarily set an amount for such an objected Claim. The allowance or disallowance of any Claim for voting purposes does not necessarily mean that all or a portion of the Claim or Equity Interest will be Allowed or Disallowed for purposes of distribution under the Plan.

13.3 Acceptance by Impaired Classes of Claims.

An Impaired Class of Claims shall have accepted the Plan if (a) the holders (other than any holder designated under Bankruptcy Code § 1126(e)) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan; and (b) the holders (other than any holder designated under Bankruptcy Code § 1126(e)) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

13.4 Ballots.

(a) Ballots and Voting.

Holders of Allowed Claims and Interests in Class 2 are entitled to vote on the Plan have been sent a Ballot, together with instructions for voting, with this Disclosure Statement. Claimants should read the Ballot carefully and follow the instructions contained therein. In voting to accept or reject the Plan, you must use only the Ballot or Ballots sent to you with this Disclosure Statement. The Plan Proponent is authorized to receive and tabulate the Ballots. Claimants entitled to vote will be instructed to return their ballots to the Debtor. The Plan Proponent will present the results of the voting to the Bankruptcy Court at the Confirmation Hearing.

If you are a member of a Class entitled to vote on the Plan and did not receive a Ballot for such Class, or if your Ballot is damaged or lost, or if you have any questions concerning voting procedures, you should contact:

Michael R. Rochelle
ROCHELLE MCCULLOUGH LLP
325 N. St. Paul, Suite 4500
Dallas, Texas 75201
Email: buzz.rochelle@romclawyers.com;
Telephone: 214.953.0182
Facsimile: 214.953.0185

(b) Returning Ballots by Voting Deadline.

You should complete and sign the Ballot that you receive and return it to counsel for the Debtor on or before the Voting Deadline in the enclosed, pre-addressed envelope. Ballots will not be accepted by telecopy. Creditors must vote all their Claims either for acceptance or rejection of the Plan.

(c) Objections.

All objections to Confirmation of the Plan must be made in writing, filed with the Clerk of the Bankruptcy Court and served upon the Persons designated in Article I of this Disclosure Statement by the Objection Deadline. It is important to note that whether a holder of a Claim or Equity Interest votes on the Plan, such Person will be bound by the terms and treatment set forth in the Plan if it is accepted by the various Classes and numbers of holders of Claims in the required majorities and/or it is confirmed by the Bankruptcy Court.

BALLOTS OF HOLDERS OF CLAIMS THAT ARE SIGNED AND RETURNED BUT DO NOT INDICATE A VOTE EITHER FOR ACCEPTANCE OR REJECTION OF THE PLAN SHALL NOT BE COUNTED.

(d) Changing Votes.

Federal Rule of Bankruptcy Procedure 3018(a) permits a claimant, for cause, to move the Bankruptcy Court to permit such claimant to change or withdraw its acceptance or rejection of a plan of reorganization. Any request to change or withdraw a vote must occur at least fourteen days before the Confirmation Hearing, unless otherwise allowed by the Bankruptcy Court.

(e) Reservation of Rights.

By enclosing a Ballot, the Plan Proponent is not representing that you are entitled to vote on the Plan. By including a Claim Amount on the Ballot, the Plan Proponent is not acknowledging that you have an Allowed Claim in that amount or waive any rights that they may have to object to your vote or claim.

13.5 Disputed and Unliquidated Claims.

Disputed Claims are not entitled to vote to accept or reject the Plan. If you are a Claimant holding a Disputed Claim, you may ask the Bankruptcy Court to have your Claim temporarily Allowed for the purpose of voting pursuant to Federal Rule of Bankruptcy Procedure 3018.

13.6 Possible Reclassification of Claimants.

The Plan Proponent is required pursuant to Bankruptcy Code §1122 to place Claims into Classes that contain substantially similar Claims. Although the Plan Proponent believes it has classified all Claims in compliance with Bankruptcy Code § 1122, it is possible that a Claimant may challenge the classification of its Claim. If the Plan Proponent is required to reclassify the Claim of any Claimants under the Plan, the Plan Proponent, to the extent permitted by the Bankruptcy Court, intends to continue to use the acceptances received from such Claimants pursuant to the solicitation of acceptances using this Disclosure Statement for the purpose of obtaining the approval of the Class or Classes of which such Claimants are ultimately deemed to be a member. Any reclassification of Claimants should affect the Class in which such Claimants were initially a member, or any other Class under the Plan, by changing the composition of such Class and the required vote thereof for approval of the Plan.

ARTICLE XIV

CONCLUSION

By this Disclosure Statement, the Plan Proponent has attempted to provide information regarding the Debtor's Estate and the potential benefits that might accrue to holders of Allowed Claims against, and Equity Interests in, the Debtor under the Plan as proposed. The Plan is the result of extensive efforts by the Plan Proponent and its advisors to provide the holders of Allowed General Unsecured Claims a meaningful dividend.

THE PLAN PROPONENT THEREFORE URGES YOU TO VOTE IN FAVOR OF THE PLAN.

Respectfully submitted,

By: */s/ Arthur James, II*
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ATTORNEYS FOR ARTHUR JAMES, II

CERTIFICATE OF SERVICE

I hereby certify that the above and foregoing document has been served through the Court's electronic noticing system on those parties receiving such notice on this 31st day of May, 2012.

/s/ Jerry C. Alexander
Jerry C. Alexander