

**UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF LOUISIANA  
Lake Charles Division**

**IN RE:**

**REEVES DEVELOPMENT COMPANY, LLC**

**CASE NO. 12- 21008**

**Debtor**

**CHAPTER 11**

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**SECOND AMENDED DISCLOSURE STATEMENT FOR PLAN OF  
REORGANIZATION UNDER CHAPTER 11 OF THE  
BANKRUPTCY CODE AS OF DECEMBER 31, 2013**

**THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE CHAPTER 11 PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THERE WILL BE A HEARING ON THIS DISCLOSURE STATEMENT TO DETERMINE IF IT PROVIDES ADEQUATE INFORMATION. IF THE DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT, THERE WILL BE A SUBSEQUENT HEARING TO CONSIDER CONFIRMATION OF THE PLAN. ALL CREDITORS AND EQUITY INTEREST HOLDERS WILL BE NOTIFIED OF THE DATE OF SUCH CONFIRMATION HEARING.**

**THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.**

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## INTRODUCTION

Reeves Development Company, LLC, hereinafter referred to as the “Debtor”, or on and after the Effective Date of the Plan, the “Reorganized Debtor”, has filed its Debtor’s Amended Plan of Reorganization dated December 31, 2013 (the “Plan”). The Plan is attached to this Second Amended Disclosure Statement as **Exhibit D-1**. The Debtor submits this Second Amended Disclosure Statement (“Disclosure Statement”), pursuant to Section 1125 of title 11 of the United States Code (“Bankruptcy Code”), to holders of Claims against and Interests in the Debtor, in connection with (i) the solicitation of acceptances or rejections of the Plan (together with any modification, amendment or supplement, of the Plan), and (ii) the hearings to consider approval of the Plan to be scheduled before the United States Bankruptcy Court for the Western District of Louisiana (“Bankruptcy Court”) on the date(s) set forth in the accompanying notice.

In the event of a conflict or difference between the definitions used, and provisions contained, in this Disclosure Statement and the Plan, the definitions and provisions contained in the Uniform Glossary of Defined Terms for Plan, Disclosure Statement and Plan Documents shall control.

### I. PURPOSE AND SUMMARY OF THE PLAN

THE DESCRIPTION OF THE PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY. HOLDERS OF CLAIMS AND INTERESTS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW AND ANALYZE THE PLAN IN ITS ENTIRETY.

**The primary purpose of the plan is to reorganize the debts of the Debtor and pay all allowed claims in full.**

### II. SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

#### **A. TREATMENT OF CLAIMS AND INTERESTS**

The Plan contemplates payment of all Allowed Claims against the Debtor based upon the cash flow created through the Debtor’s business operations and the sale of property developed by the Debtor and affiliated companies. The holders of Equity Interests will not receive any distribution unless the Debtor is current on all payments to creditors under this plan, and only to the extent that such distributions are for an amount equal to, or less than, the tax liability created

by the Debtor and passed through to the Equity Interests, provided however, that no distributions to Equity Interest shall be allowed until all creditors have been paid an amount equal to 50% of the outstanding balance of the approved claims of all creditors as of the Effective Date.

Except as specifically described otherwise herein, calculation of any and all interest to be paid on Allowed Claims hereunder shall begin on the Effective Date.

**B. CLAIMS UNDER THE PLAN**

The following is a summary of the classification and treatment of Claims under the Plan:

CLASS	TREATMENT
<b>Unclassified:</b> Allowed Administrative Expense Claims to Steffes, Vingiello & McKenzie, and to Thomas J. Gayle. Additional fees and expenses are expected to be incurred through the closing of the case.	All holders of Approved Unclassified Administrative Expense Claims shall be paid with cash from the Debtor as of the Effective Date. The amount due as of the plan date is estimated to be \$90,000. These amounts are expected to increase by the closing of the case. The Debtor expects to pay these expenses with available cash, within 30 days of the Effective Date.
Unimpaired. Not entitled to vote.	Estimated percentage recovery: 100%
<b>Unclassified:</b> Unpaid Administrative Claims for expenses incurred during the normal course of business, after filing but prior to the Effective Date, in an estimated amount of \$15,000.00.	After the initial filing date, Debtor has incurred expenses in the normal course of business. Including an outstanding amount to WinSim (Proprietary Simulation Software) for \$5,700.00. Debtor intends to seek court approval for these expenses, and permission to pay for pre filing expenses of \$3,900.00 to critical services provided WinSim. The Debtor expects to continue to incur expenses up to and including the Effective Date. These expenses will be paid from cash within 45 days of the Effective Date, per its agreements with vendors.
Unimpaired. Not entitled to vote.	Estimated percentage recovery: 100%
<b>Unclassified:</b> Priority Tax Claims. The total amount of Allowed Priority Tax Claims, net of payments, are estimated to be \$560,000.00	Except to the extent that the Reorganized Debtor and a Holder of an Allowed Priority Tax Claim against the Debtor agree to a different treatment, each Holder of an Allowed Priority Tax Claim against the Debtor shall receive, at the sole option of the Reorganized Debtor, (a) on the Effective Date, Cash in an amount equal to the unpaid portion of such Allowed Priority Tax Claim, or (b) commencing 120 days after the occurrence of the Effective Date and continuing over a period not to exceed 56 Months, equal monthly payments, consisting of principal and interest, at the applicable rate, such that the outstanding principal balance is reduced to \$0.00 at the end of the 56 month Claim provided for by the Plan. All other Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due. Any Priority Tax Claim secured by a lien shall retain such lien to secure its claim until paid in full, except that, in order to allow Debtor to transfer clear title to any property purchasers, the Debtor may elect to pay the Priority creditors an amount equal to \$2,500.00 per acre, in which case the liens shall be released. Should the

	<p>sale be conditioned upon a vendors lien from the Debtor to the Purchaser, the Debtor may pay the holders of Priority Tax Claims an amount equal to less than \$2,500.00 per acre for the release price and obtain a full release of liens and encumbrances held by the Priority Tax Claim Holders, but the Claim Holders Liens and encumbrances shall attach to Debtors rights as to the proceeds due from the vendors lien.</p>
Unimpaired. Not entitled to vote.	Estimated percentage recovery: 100%
<b><i>Classified Claims</i></b>	
<p><b>Class 1: Iberia Bank Secured Claim.</b> The allowed secured claim of Iberia Bank.</p>	<p>On the Effective Date, all allowed accrued interest calculated at the non-default contractual rate of 4% per annum (or at such other rate as the bankruptcy court determines to be appropriate) plus any amounts Allowed by the bankruptcy Court pursuant to 11 U.S.C. § 506(b) shall be capitalized and added to the outstanding principal balance due under the Iberia Note (“the New Principal Balance”). As permitted under 11 U.S.C. § 1123(a)(5)(H), the maturity of the Iberia Note shall be extended to sixty (60) months from the Effective Date (“the New Maturity Date”). The Debtor shall then repay the New Principal Balance with interest accruing at the non-default contractual rate of 4% per annum from the Effective Date (or if the Plan is confirmed pursuant to 11 U.S.C. §1129(b)(2)(A) with respect to this Class, at such other interest rate, as determined by the Bankruptcy Court pursuant to 11 U.S.C. §1129(b)(2)(A)(i)(II), that provides the holder of the Class 2 Claim with deferred cash payments totaling at least the Allowed amount of such Claim, of a value, as of the Effective Date of the Plan, of at least the value of such Claim.</p> <p>The Proof of Claim filed by Iberia is disputed and will be the subject of litigation. Regardless of the outcome of said litigation, the Debtor intends to pay the Allowed Claim of Iberia in full through this Plan.</p> <p>The liens, mortgages and encumbrances securing the Holder of the Allowed Iberia Secured Claims interest shall remain valid, to the extent they were so before the Effective Date. Except that in order to allow Debtor to transfer clear title to any property purchasers of its Terminal Development, the Debtor may elect to pay the Iberia Secured Claim Holder an amount equal to \$15,000.00 per acre, in which case the liens shall be released as to such property. Should any such sale be conditioned upon a vendors lien in favor of the Debtor, the Debtor may elect to have the Secured Liens cancelled as to the transferred property, by agreeing to transfer the claims holders rights from any liens or encumbrances on the property sold, to the Debtors rights or interest secured by the Vendors Lien, in which case all proceeds generated from payments under the lien shall be passed through to the Claim Holder, until the total amount paid is equal to \$15,000.00 per acre.</p> <p>The Secured Claim Holder shall also be entitled to receive principal reduction payments as from the Debtor and the Debtors affiliated company Reeves Commercial Properties, LLC Case No: 12-21009.</p> <p>Subject to approval of the concurrent plan approval process in the Reeves Commercial Case, Reeves Commercial agrees that it shall pay all approved monthly interest due, up to a total of \$20,000.00 per month. Debtor agrees to pay the balance of any approved interest due on the</p>



	<p>approved outstanding principal balance of the Iberia Secured Debt. The Debtor and its affiliate agree that each entity will provide principal reduction payments, each year, in the following amounts:</p> <table border="0"> <thead> <tr> <th>Reeves Development</th> <th>Reeves Commercial</th> </tr> </thead> <tbody> <tr> <td>Year 1--- \$ 830,000.00</td> <td>\$ 30,000.00</td> </tr> <tr> <td>Year 2--- \$1,200,000.00</td> <td>\$ 0.00</td> </tr> <tr> <td>Year 3--- \$1,300,000.00</td> <td>\$ 400,000.00</td> </tr> <tr> <td>Year 4--- \$2,200,000.00</td> <td>\$ 0.00</td> </tr> <tr> <td>Year 5--- \$ Balance Due</td> <td>\$ Balance Due</td> </tr> </tbody> </table> <p>However, if an amount in excess of the required amount is paid in one year, the excess amount may be transferred to the following year, as long as the sum total of the cumulative amount is equal to or greater than the sum of the payments required under the plan.</p>	Reeves Development	Reeves Commercial	Year 1--- \$ 830,000.00	\$ 30,000.00	Year 2--- \$1,200,000.00	\$ 0.00	Year 3--- \$1,300,000.00	\$ 400,000.00	Year 4--- \$2,200,000.00	\$ 0.00	Year 5--- \$ Balance Due	\$ Balance Due
Reeves Development	Reeves Commercial												
Year 1--- \$ 830,000.00	\$ 30,000.00												
Year 2--- \$1,200,000.00	\$ 0.00												
Year 3--- \$1,300,000.00	\$ 400,000.00												
Year 4--- \$2,200,000.00	\$ 0.00												
Year 5--- \$ Balance Due	\$ Balance Due												
Impaired, entitled to vote.	Estimated percentage recovery: 100%												
<p><b>Class 2-14:</b> The Allowed Secured Vendor Claims as follows:  Class 2: Standard Materials  Class 3: Overhead Door  Class 4: Stripe A Zone  Class 5: Headwaters Materials  Class 6: Francis Simon  Class 7: Calvary Air  Class 8: NES Equipment  Class 9: Acme Brick  Class 10: Ahern Rentals  Class 11: Sunbelt Rentals:  Class 12: John R Pollock dba Landscape Specialist  Class 13: United Rentals  Class 14: S&amp;S Sprinklers</p> <p>This class of claims includes potential contract offset claims of \$77,228.00.</p>	<p>Beginning 120 days after the Effective Date of the plan approval, Holders of Approved Secured Vendor Claims in Classes 2-14 shall receive quarterly interest payments equal to 2% per annum on the outstanding principal balance. Plus, an amount equal to the claim holders pro rata share as to the total allowed outstanding principal balances of the total claims included in Classes 2-14, of an amount equal to \$1,500.00 per acre for each acre of land sold by the Debtor during the preceding quarter. This payment is subject to claimants release of all rights under any liens or security interest attaching to the property sold. The per acre release price may be adjusted downward to accommodate a vendors lien sales agreement with the SPE as described in section 4.2.2.3. above. However, in no event, shall the cumulative quarterly payments made total less than 20% of the original principal balance of the claim, for each year, beginning on the Effective Date of this plan.</p> <p>Claim Holders in Classes 2-14 may be entitled direct payments, from the Debtors Customers, offset against retention amounts owed Debtor and held by Customers. Only Claim Holders holding legal claims against the retention shall be paid from these funds. To the extent any cash collateral of Iberia Bank is used to pay this claim and Iberia Bank does not approve the above treatment, these claims will be paid in full within one (1) year of the full payment of the Iberia Bank claim.</p>												
Impaired, entitled to vote.	Estimated percentage recovery is 100%.												
<p><b>Class 15:</b> The Unsecured Claim of Branch Banking and Trust.</p>	<p>To the extent that the holder of the Unsecured Claim of BB&amp;T is not fully compensated from the assets of Houma Dollar Partner, LLC, the excess amount shall be included in the unsecured claims of the debtor. The assets of Houma Dollar Partners are expected to generate net sales proceeds sufficient to satisfy the claims of BB&amp;T. This claim is currently estimated to total \$6,000,000.00.</p>												
Impaired, entitled to vote.	Estimated percentage recovery is 100%.												
<p><b>Class 16:</b> Allowed General Unsecured Claims. This class of claims includes potential contract offset claims of \$152,552.66.</p>	<p>Beginning 120 Days after the Effective Date of the plan approval, Holders of Approved General Unsecured Claims shall begin to receive quarterly interest payments equal to 2% of the outstanding balance of the approved claim. Beginning 360 days from the Effective Date of the plan</p>												

	<p>of reorganization, the Debtor, in its sole discretion, shall determine the amount of cash available to pay unsecured creditors based upon the total free cash flow produced by the debtor in the previous year. In no event shall these annual payments total less than the following amounts:</p> <p>*Year 1: 10% of Approved Claim Balance As of Effective Date</p> <p>*Year 2: 15% of Approved Claim Balance As of Effective Date</p> <p>*Year 3: 25% of Approved Claim Balance As of Effective Date</p> <p>*Year 4: 25% of Approved Claim Balance As of Effective Date</p> <p>*Year 5: 25% of Approved Claim Balance As of Effective Date</p> <p>Debtor, in its sole discretion, may pay excess cash held by debtor to the creditors holding approved claims under this class in advance of the prescribed dates if all other claims payments are current. To the extent possible, and in the sole discretion of the Debtor, payments totaling \$5,000.00 per acre of property sold shall be paid pro rata to the Holders of General Unsecured Claims, based upon the total outstanding principal balance of all Unsecured Claim Holders at the time of the payment.</p> <p>To the extent that any cash collateral of Iberia Bank is used to pay these claims and Iberia Bank does not approve the above treatment, these claims will be paid in full within one (1) year of the full payment of the Iberia Bank claim.</p>
Impaired, entitled to vote.	Estimated percentage recovery, 100%.
<b>Class 17:</b> Subordinated Claims of Affiliates	The Holder of the Subordinated Claim of Reeves Commercial Properties, LLC, agrees that it will not receive any payments for its claims, until all other approved claims under this plan have been paid in full.
Impaired, entitled to vote.	Estimated percentage recovery, 100%.

The Claims and Claim amounts listed above are amounts estimated by the Debtor as of the filing of this Disclosure Statement and all such Claims are still being reviewed by the Debtor. A listing of Claims or any amounts with respect thereto above or elsewhere in this Disclosure Statement shall not constitute, or be deemed to constitute, allowance of such Claims and all such Claims and amounts are subject, and will remain subject, to challenge and objection by the Debtor and the Reorganized Debtor prior to voting on the Plan and at any time thereafter as provided in the Plan.

### C. INTERESTS UNDER THE PLAN

The following is a summary of the classification and treatment of Interests under the Plan:

<b>Class 18:</b> Equity Interest in Debtor	Equity holders agree to forgo any payments under this plan until all creditors have received principal payments totaling 50% of the approved balance as of the Effective Date. Any payments to Equity holders allowed hereunder shall be limited to an amount equal to the tax liability passed through to the equity holders by the Debtor.
Impaired, entitled to vote.	

### **III. GENERAL OVERVIEW AND BACKGROUND INFORMATION**

#### **A. BACKGROUND AND GENERAL INFORMATION**

##### **1. OVERVIEW AND BACKGROUND OF THE DEBTOR**

The Debtor has operated as design build contractor offering its services primarily in markets located within Texas and Louisiana. The Debtor has acted as the General Contractor and Project Manager on a wide range of commercial and industrial construction projects with a total value in excess of \$350,000,000.00. These projects included the construction and development of over 250 single tenant retail stores leased to Dollar General Corporation, 20 + Greenfield Subdivision Projects for commercial, industrial and residential uses, as well as 600+ residential single family homes and over 260,000 square feet of commercial multi tenant retail space. Debtor’s experience in the civil construction field includes surface excavation operations supplying select engineered fill to the local construction market for 10 of the last 12 years and the construction of over 20 miles of public roads.

##### **2. DEBTOR’S CORPORATE STRUCTURE**

The Equity holders of Reeves Development Company, LLC are Charles & Suzanne Reeves 50% and MMA, INC., 50%.

#### **B. THE DEBTOR'S MANAGEMENT**

The Debtor is managed by its managing member, Charles Reeves, Jr. Mr. Reeves has over 30 years experience in fields of construction and development. This experience is not limited to the areas of commercial real estate development, but also includes experience with large project development involving Heavy Petrochemical Construction, Natural Gas Production and Processing, large scale metal fabrication and specialty welding.

### **C. THE DEBTOR'S DEBT STRUCTURE AT CONFIRMATION**

The Debtor's Capital Structure is as follows:

Unclassified Administrative Claims	\$	10,000.00
Normal Administrative Expense Claims	\$	15,000.00
Priority Tax Claims	\$	560,000.00
Iberia Secured Claim	\$	8,140,843.61
Secured Vendor Claims	\$	297,715.00
General Unsecured Claims	\$	2,872,449.50
Subordinated Claim of Affiliate	\$	1,506,172.54

### **D. EVENTS LEADING TO THE CHAPTER 11 CASE**

During the years of 2006, 2007 and 2008, the Debtor was providing services as a Design Build Contractor for a number of third party customers and its affiliates, Houma Dollar Partners, LLC and Reeves Commercial Properties, LLC. In approximately 85% of the contracts between the Debtor and its Customers, the Debtor was paid from the proceeds of loan advances obtained from construction loans for the various projects. The customers, including the affiliated companies, would pay the Debtor for services from funds advanced from these construction loans. Debtors affiliated company Houma Dollar Partners, LLC was one of the top four National Preferred Developers for Dollar General Corp. As a result of this relationship, the Debtor constructed approximately 35-45 Dollar General Stores per year for its affiliate, Houma Dollar Partners. During the last Quarter of 2008, subsequent to the credit market collapse that occurred in September, the Debtor began a gradual slowdown in the number of projects planned for the subsequent years. Do to the time frames necessary to complete the entire design build cycle of a commercial retail site (over one year in most cases), the effects from the pullback initiated by the Debtor could not have the desired impact until the second quarter of 2010.

#### **HOUMA/COLONIAL RELATIONSHIP EVENTS:**

A central component of the Debtor's pullback strategy, centered around the goal of Houma Dollar Partners ("Houma"), to consolidate its construction lending relationships, and focus on the development of 12-18 projects per year. In December of 2008, Houma made the decision to consolidate its lending relationships with its primary construction lender, Colonial

Bank of Alabama. This decision was based upon two factors. First, was Colonial's announcement that it had received approval from the Troubled Asset Relief Program "TARP", for an injection of \$535 Million Dollars of Capital Investment from the United States Treasury, in the form of Preferred Stock Purchases. Second, Colonial's Houma Relationship Manager, Sam Nelson, stated that the Commercial Construction Account with Houma was one of the soundest in the bank. In February 2009, Nelson received the bank's internal credit review of the Houma Relationship, which supported his statement and recommended approval of Houma's Guidance Line of Credit. Within two weeks of receiving the underwriting approvals for the Houma Loan Renewal, Nelson presented the loan to the credit approval committee and asked for approval. With no prior warning, the head of the committee announced the bank would no longer approve any real estate construction loans and would be denying the request for renewal. Nelson informed Houma management of the decision and after some discussion, it was decided that Nelson would go back to the committee and request an extension of 6 months, with a specific request to allow six new projects to continue development under the line. After the 6 month extension, no new stores would be allowed to begin, but the remaining stores would be completed and sold in the normal course of business. This would give Houma time to complete its pipeline of projects that were already through the substantial pre-closing approval process without the delays that would come from changing the process. This modified request was approved and the loan reinstated on April 2, 2009. During early May of 2009, Colonial received an order from its Primary Federal Regulator, to "Cease and Desist All Lending Activities". It was later determined that the order was not applicable to existing approved lines of credit, but the practical effect was a severe reduction in cash flow available to Houma during the summer of 2009, caused by the bank personnel's inability to navigate through the increased level of approvals necessary for common tasks. This caused Houma to be unable to draw funds on construction loans for over 2 months during the summer of 2009, which in turn made it unable to pay the Debtor for services performed during this period.

Colonial Bank subsequently failed on August 14, 2009 and was seized by the FDIC. The next day, the assets of Colonial were sold to Branch Banking and Trust (BB&T) in a loss sharing arrangement. BB&T eventually approved some of Houma's construction loans for renewal, but the delays in processing the paperwork prevented restarting work in time to avoid the winter weather related shutdowns. As a result of these delays in funding, Houma was forced to sell most of its projects while it was in a distressed position, at prices substantially below market value. The cash Houma received from the distressed sales allowed the completion of approximately eighteen (18) stores under contract with the Debtor. Completing as many projects as possible was a top priority so that the overall loss could be reduced. Only two (2) projects under construction in Indiana and one (1) in Washington, Louisiana were started but not completed. The estimated loss from these three (3) projects alone totaled in excess of \$1,600,000.00. While the losses on projects resulting from distressed sales totaled less than \$350,000.00 per unit, the number of properties totaled a substantial sum. Even though Houma

and the Debtor took all of the actions available to mitigate the losses, the Debtor still suffered substantial losses.

### **Cameron/Iberia Bank Events**

Another significant component to the Debtor's income stream was derived from a design build construction relationship with a local *Low to Moderate Income Housing Developer*. This relationship produced projects which included over 650 Single Family Homes and 250 Multifamily Units in 14 successful development projects. Numerous commercial and retail projects were also produced from this relationship. In August of 2008, the Debtor signed two design build construction contracts with the developer for the construction of two new subdivision developments. These projects included the construction of 225 Single Family Homes, 3 Maintenance Structures and 2 Community Centers totaling 20,000 Square Feet. The projects received LEED Certification through Debtor management. These projects were funded from a number of sources, and included revolving lines of credit issued to the developer from Cameron State Bank ("CSB") in the amount of \$5,000,000.00 per project. The Debtor's contract amounts totaled \$40,500,000.00 and the total project development budgets totaled more than \$50,000,000.00.

Subsequent to the failure of Colonial Bank in August, 2009, the financial condition of the Debtor deteriorated to the point that additional capital injections would be necessary to continue operations. Debtor began exploring options available to restructure its financial commitments in a manner that would produce additional liquidity. One such option involved the restructuring of several loans to the Debtor and its affiliated company, Reeves Commercial Properties, LLC by CSB which merged with Iberia Bank.

The Debtor and Iberia Bank disagree regarding alleged defaults on loan agreements by the respective parties and are engaged in litigation. The Debtor filed for Bankruptcy protection on October 30, 2012 to avoid a sheriff's sale scheduled for its property the next day. The bankruptcy case has stayed all activity in the litigation except a motion by Iberia Bank to remove the case to Federal Court.

### **E. SIGNIFICANT POST-PETITION EVENTS**

On October 30, 2012 (the "Petition Date"), Debtor filed for relief under Chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its properties as debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

## **1. CONTINUATION OF BUSINESS; STAY OF LITIGATION.**

Following the Petition Date, the Debtor has continued to operate as debtor-in-possession with the protection of the Bankruptcy Court. The Bankruptcy Court has certain supervisory powers over the Debtor's operations during the pendency of the Chapter 11 Case, including the power to approve any transactions that are outside the ordinary course of the Debtor's business. An immediate effect of the filing of a bankruptcy case is the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all litigation against the Debtor. This injunction will remain in effect until the Effective Date unless modified or lifted by order of the Bankruptcy Court.

Since the filing of the bankruptcy case, the Debtor has committed to pay a total of up to \$250,221.00 to its affiliated company, Reeves Commercial Properties, LLC. These funds are to be applied to the outstanding obligation of Debtor to affiliate, and are to be used to fund the installation of a new roof and other maintenance items at the affiliates Oak Park Center. The rents from this center will be used to pay interest due for the Allowed Secured Claim of Iberia Bank, on which both the Debtor and its affiliate, Reeves Commercial Properties, LLC, are co-makers. Additional funds, from Oak Park rents, collected by the court appointed keeper, have been used to pay the ongoing maintenance expenses at Oak Park. These maintenance costs include insurance and property taxes for the Oak Park Property and the HWY 397 Land.

## **2. FIRST DAY PLEADINGS**

Following the filing of the petition, the Debtor filed, among other pleadings, the following "first day pleadings" with the Bankruptcy Court:

a. *Application to Employ Counsel* [P-5];

## **3. COMPLIANCE WITH BANKRUPTCY CODE, BANKRUPTCY RULES, LOCAL COURT RULES, AND U.S. TRUSTEE DEADLINES.**

On November 13, 2012, the Debtor filed its Statement of Financial Affairs, Schedules of Assets and Liabilities, Schedules of Executory Contracts and Unexpired Leases, and Lists of Equity Security Holders. Pursuant to Section 341 of the Bankruptcy Code, a meeting of creditors for the Debtor was held on December 6, 2012.

## **4. SIGNIFICANT POST-PETITION ACTIVITIES**

Among the business projects the Debtor anticipates are two (2) which it has begun, namely:

- a. The Material Pit located on a portion of the Debtor's industrial property with working having already commenced, see Exhibit 7; and
- b. A Letter of Intent with Calcasieu Lime, LLC, a copy of which is attached as Exhibit 8.

All of the Debtor's anticipated business projects are described below.

#### **IV. THE PLAN**

The Debtor has proposed the Plan and believes that the classification and treatment of Claims and Membership Interests provided for in the Plan are consistent with the requirements of the Bankruptcy Code. Under the Bankruptcy Code, holders of Allowed Claims against and Membership Interests in the Debtor that are Impaired and that receive distributions under the Plan are entitled to vote on the Plan. A copy of the Plan accompanies this Disclosure Statement as **Exhibit D-1**. A summary of the classification and treatment of Claims and Interests under the Plan is set forth above in this Disclosure Statement.

The interest rate proposed for the creditor holding the secured claim of Iberia Bank, is set at the predefault rate of 4%. The Priority Tax Claim Holders shall be paid at the appropriate legal rate. All other secured and Unsecured Claim Holders shall be paid interest at a rate of 2% per annum.

#### **A. ONGOING BUSINESS DEVELOPMENT**

##### **Confidential Projects:**

The Debtor has numerous business projects planned. Several of these projects ("Confidential Projects") involve participation by parties who require the execution of Confidentiality Agreements with regard to their participation and/or project information. Likewise, the Debtor maintains proprietary information regarding certain of the projects. Consequently, the Debtor requires that any creditor or party in interest requesting information ("Requesting Creditor") to supplement this Disclosure Statement with regard to such Confidential Projects must execute a Confidentiality Agreement in approved in form and substance by the parties to the Confidential Projects and to the Requesting Creditor. If the parties fail to agree regarding the content of such a Confidentiality Agreement, either the Debtor or the Requesting Creditor may file a motion with the Bankruptcy Court to resolve the dispute.

Each of the following projects is deemed by the Debtor to be a Confidential Project, however, certain facts pertaining to each such Project may not be confidential and may be disclosed upon mere request to the Debtor, to wit:



**Rail Terminal Development Project:** Upon approval of this plan, the ability of the Debtor to generate revenue and advance its development plans will be greatly enhanced. The primary asset of the Debtor is 404 Acres of Industrial Property, Zoned Industrial 2 and located in Calcasieu Parish, Louisiana. The Debtor has conceptually designed an Industrial Park on the site that includes a Multimodal Rail Terminal capable of handling large unit trains used to transport crude oil and construction aggregates. The Development is designed to accommodate up to 4 primary occupants that can benefit from the cost savings seen from the reduction in freight cost that come with the use of large dedicated power unit trains. The Debtor intends to finalize all pre-construction development tasks and execute participation agreements and property sales contracts with at least primary occupants within 180 days of plan approval. Primary occupant number one would handle the bulk delivery and sale of construction aggregates such as limestone and sand. Primary Occupant number two would provide terminal services and a local pipeline connection capable of handling unit train shipments of crude oil. Debtor has received serious inquiries from multiple prospects interested in providing capital and expertise to jointly develop each line of business associated with the primary occupants. The entities making these inquiries range from private equity firms to Fortune 100 Companies.

It is the Debtors intent to immediately move into the final engineering phase of the Terminal Development Project. The plan authorizes the Debtor to expend funds necessary to complete the engineering design of all rail tracks located within the Terminal. The pre construction development cost necessary to bring the Terminal to a point which will allow the Debtor to accurately fix all costs, including cost of construction and all other development expenses, are necessary costs that must be incurred to obtain the information necessary to finalize negotiations with property purchasers and or equity providers. These steps should be completed before any final development agreements are executed with equity providers and prior to binding sales contract execution. The engineering process is necessary to ensure the Developer is aware of all potential cost necessary for the property development. This knowledge allows the Developer to appropriately price the developed parcels for sale. The Debtor estimates the total pre development cost to be no greater than \$240,000.00. The initial cash to fund these cost shall come from the receivables due the Debtor, as well as other cash generated from new business. If any cash amounts collected are determined to be the cash collateral of the Secured Creditor, Debtor shall take the steps necessary to properly account for the use of such cash and reflect the use thereof clearly in its financial statements. The plan allows for adequate protection of the Secured Creditor through its first lien position on the development property.

The Debtors development site is strategically located to allow industrial tenants and property purchasers to service the various industrial expansion projects that are planned for the area. Southwest Louisiana is poised to become the natural gas export capital of the world. The Interstate Pipeline and Liquefied Natural Gas Terminal Infrastructure already located in the area have provided the base from which the following projects will be built:

Sasol Chemicals---Ethane Cracker	\$ 4,000,000,000.00
Westlake Chemicals---Ethylene Expansion	\$ 540,000,000.00
Pinnacle Entertainment---Mojito Point Casino	\$ 460,000,000.00
Trunkline LNG---LNG Export Terminal	\$ 6,000,000,000.00
Chenerie Energy---LNG Export Terminal	\$ 6,000,000,000.00
Sasol Chemicals---Gas to Liquids Facility	\$15,000,000,000.00
Magnolia LNG--LNG Export Terminal	\$ 2,000,000,000.00
Lake Charles CoGen--Cogeneration Facility	\$ 2,000,000,000.00
Port of Lake Charles--Gas to Liquids Development	<u>\$ 1,200,000,000.00</u>
Total Announced Expansions	\$37,200,000,000.00

Recent sales of undeveloped property, intended for industrial uses, have been recorded with sales prices exceeding \$30,000.00 per acre. Tracts of industrial property with a classification matching the Debtors property have been recorded with sales prices exceeding \$58,000.00 per acre. While some large tract sales of property, intended for industrial use, have been reported for amounts averaging between \$15,000.00 and \$21,000.00 per acre. These lower priced sales have all been for property located in flood zones, with average elevations of approximately 7' above mean sea level. On two occasions in the last eight (8) years, storm surges pushed water into Southwest Louisiana flooding all low lying property to a level of 9.4' above mean sea level. The Debtors development property is at an average elevation of 17.5' above mean sea level. This provides the Debtor with a significant advantage to these lower sites.

An additional consideration to consider when evaluating these sales is the cost to mitigate any damage from the destruction of wetlands. Recent changes adopted by the US Army Corp of Engineers, increased the amount of mitigation necessary to offset damages caused by new development. In most cases, these costs have increased to more than \$20,000.00 per acre of property developed. Over 60% of the Debtors site has no wetland soils characteristics and any remaining area that might be found to exhibit partial characteristics of a wetland soil, will be exempt from any permitting requirements based upon the prior converted status of the property. This prior converted status was granted based upon the agricultural operations that have been ongoing at the site since 1985 and before. These factors, when properly accounted for by an appraiser, would require a positive adjustment to the lower priced undeveloped property sales as follows:

Comparable Sales Price	\$17,500.00 per acre
Adjustment for Wetland Expense	<u>\$20,000.00 per acre</u>
Adjusted Comparable Sales Price	\$37,500.00 per acre

The upwards adjustment is easily defended with the added benefit of the increased elevation. When the comparable sales numbers are properly adjusted, the Debtor's property has an undeveloped value as follows:

404 Acres @ \$37,500.00 per acre     \$15,150,000.00

This value is more than ample to protect the secured creditor from any risk associated with the Debtor's use of any cash collateral.

### **2013 Projects:**

**Natural Gas Fueling Station Development:** The Debtor had received commitments from local businesses to purchase interest in a Natural Gas Fueling Co-Operative that will be constructed on the Terminal Development Site. This project can be ready to begin construction within six (6) months or less of the Effective Date. A property sale to this group should occur immediately prior to commencement of construction.

**Cement and Lime Terminal:** The Debtor is currently negotiating a participation agreement with an investment group interested in building a rail served Lime and Cement Terminal using an existing rail spur located adjacent to Debtors property. The agreement will include a land lease and sale as well as a provision for throughput tariffs on the product moving through the site by rail. This venture is ready to purchase property; however, the debtor intends to execute a land lease with a purchase option to allow the project to proceed during the ongoing litigation to determine the balance of the Iberia Debt. Pending court approval, the Debtor has entered into a Letter of Intent, Exhibit D-7, with Calcasieu Lime, LLC to lease a portion of its industrial property. The managing member of Calcasieu Lime, LLC is Mark Abraham who is the 1<sup>st</sup> cousin of the wife of Charles Reeves. The terms of the Letter of Intent are believed to be those of an arm's length transaction.

### **2014 Projects:**

**Aggregate Yard:** The development of an aggregate terminal to support the sale of Limestone, imported by rail, from the Texas Quarries in and around Austin will most likely be the first major sale from the development. Although property in the Development supporting the Crude Oil Terminal generates more interest, a longer development timeline due to air quality permitting requirements may delay a sale close sale until 2014. Three entities currently involved in the aggregate business along the Gulf Coast have expressed interest in purchasing property and leasing track capacity in the Terminal Development. This sale should be ready to close upon the completion of the track infrastructure or slightly before. A property sale was conservatively estimated to close on or before April 30, 2014. The debtor will require approximately 6-9

months from plan approval to complete the necessary engineering and pre-sale items that will be required by the purchasers.

**Crude Oil Receiving Terminal:** The Debtor has been in serious discussions with Crude Oil Shippers and Purchasers with the local refiners. Significant changes have occurred in the US Domestic Energy Production industry over the last five (5) years. Domestic Crude Oil Production has increased over three (3) Million Barrels per day over levels just seven (7) years ago. Coupled with expected increases in Canadian Crude Oil Production, experts are predicting North American Energy Independence by 2025. This new energy production has created logistical nightmares for producers needing to get their production to market. Areas like North Dakota and the Texas Panhandle are experiencing explosive increases in production. Much of this product is now moving by rail with large increases in volume projected over the next twenty (20) years. Canadian Northern Railroads new Pipeline on Rail program has experienced huge growth and is expected to operate at capacity for the foreseeable future. The Crude Oil Terminal section of the Development will most likely be sold within three (9) months of plan approval, subject only to any delays that may be encountered during the final engineering phase. The Debtor has signed confidentiality agreements that prohibit the disclosure of its negotiations; however, upon the execution of a binding agreement, the debtor will include the right to disclose information to the secured creditors, subject to the creditors' execution of confidentiality, non-disclosure and non-compete agreements in a form acceptable to the debtor and other participants.

**Other Prospects:** The Debtor's Terminal Site will be served by the Union Pacific and Burlington Northern and Santé Fe Railroads, as well as the Port of Lake Charles, newly formed shortline, Port Rail Link. The sites close proximity to the area industry and the planned industrial expansions has generated interest in property purchases from entities as diverse as a local Transportation Company needing ten (10) acres for a new Truck Terminal, to a joint venture discussions with a Fortune 100 Energy Company. Experts are predicting that as the new US Natural Gas Export HUB, Southwest Louisiana is poised for the most significant economic expansion Louisiana has ever experienced. Lake Charles, Louisiana is located at the epicenter of the Export HUB. The Debtor's Rail Terminal Development Property is located in middle of the epicenter. There is not a brighter spot in the country for this type development.

## **B. VALUATION OF THE DEBTOR**

*Retentions Receivable (Collectable within 90 Days of Plan Approval)	\$ 130,662.00
*Development Property	\$15,150,000.00

\*Other Equipment

\$ 50,000.00

### **C. TREATMENT OF UNCLASSIFIED CLAIMS UNDER THE PLAN**

The Plan provides for the payment of Claims against the Debtor, including the treatment of unclassified Claims. The principal Administrative Claims known to the Debtor are the fees and expenses of the Debtor's attorneys, Steffes, Vingiello & McKenzie, LLC and Thomas J. Gayle. As of January 31, 2014, those fees and expenses are estimated to be approximately \$75,000.00. Additional fees and expenses will continue to be incurred through the Effective Date of the Plan. It is anticipated that roughly \$15,000.00 of unpaid administrative expenses will exist at Confirmation. These will be paid before the Effective Date.

#### **1. ADMINISTRATIVE CLAIMS.**

A. ADMINISTRATIVE EXPENSE CLAIMS. On the later of (i) the Effective Date or (ii) the date on which an Administrative Expense Claim becomes Allowed, the Reorganized Debtor shall either (a) pay to each Holder of an Allowed Administrative Expense Claim, in Cash, the full amount of such Allowed Administrative Expense Claim, or (b) satisfy and discharge such Administrative Expense Claim in accordance with such other terms that the Reorganized Debtor and such Holder shall have agreed upon in writing; *provided, however*, that such agreed-upon treatment shall not be more favorable than the treatment provided in subsection (a).

B. BAR DATE FOR FILING ADMINISTRATIVE EXPENSE CLAIMS. Requests for payment of Administrative Expense Claims and hearing notices related thereto shall be Filed and properly served in accordance with the local rules of the Bankruptcy Court no later than thirty (30) days after the Effective Date. Such request shall include at a minimum (a) the name of the Holder of the Administrative Expense Claim, (b) the amount of the Administrative Expense Claim and (c) the basis for the Administrative Expense Claim. Failure to file and serve such request and related notice(s) timely and properly shall result in the Administrative Expense Claim being forever barred and discharged.

C. PROFESSIONAL COMPENSATION CLAIMS. All professionals or other entities requesting compensation or reimbursement of expenses under Sections 327, 328, 330, 331, 333, 503(b), 506 and 1103 of the Bankruptcy Code for services rendered before the Effective Date (including any compensation requested by any professional for any other entity for making a substantial contribution in the Reorganization Case) shall File and serve on the Reorganized Debtor an application for final allowance of compensation and reimbursement of expenses no later than thirty (30) days after the Effective Date.

D. ORDINARY COURSE LIABILITIES. Holders of Administrative Expense Claims based on unpaid and undisputed amounts due by the Debtor in Possession for goods and services provided to it after the Petition Date and before the Effective Date arising in the ordinary course of the Debtor's business shall not be required to file any request for payment of such Claims but each shall be deemed to be an Allowed Administrative Expense Claim in the undisputed amount recognized by the Debtor in Possession. Such deemed Allowed Administrative Expense Claims shall be paid in the ordinary course of business by the Reorganized Debtor without any further action by the Holders of such Claims.

## 2. PRIORITY TAX CLAIMS.

Except to the extent that the Reorganized Debtor and a Holder of an Allowed Priority Tax Claim against the Debtor agree to a different treatment, each Holder of an Allowed Priority Tax Claim against the Debtor shall receive, at the sole option of the Reorganized Debtor, (a) on the Effective Date, Cash in an amount equal to the unpaid portion of such Allowed Priority Tax Claim, or (b) commencing 120 days after the occurrence of the Effective Date and continuing over a period not exceeding Fifty Six Months (56) months from and after the Order For Relief Date, equal monthly Cash payments in an aggregate amount equal to the unpaid portion of such Allowed Priority Tax Claim, together with interest at the applicable rate under nonbankruptcy law, subject to the sole option of the Reorganized Debtor, as applicable, to prepay the entire amount of the unpaid portion of Allowed Priority Tax Claim and in a manner not less favorable than the most favored nonpriority unsecured Claim provided for by the Plan. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due. Any Priority Tax Claim secured by a lien shall retain such lien to secure its claim until paid in full, except as provided for in the plan of reorganization in Sections, 4.2.2.1, 4.2.2.2 and 4.2.2.3.

## D. TREATMENT OF CLASSIFIED CLAIMS UNDER THE PLAN

### Class 1 – Secured Claim of Iberia Bank:

*Impairment and Voting.* Class 1 is impaired by this Plan. The Holder of the Class 1 Claim is entitled to vote to accept or reject this Plan.

*Treatment.* On the Effective Date, all accrued unpaid interest calculated at the non-default contractual rate of 4% per annum (or at such other rate as the bankruptcy court determines to be appropriate) plus any amounts Allowed by the bankruptcy Court pursuant to 11 U.S.C. § 506(b) shall be capitalized and added to the outstanding principal balance due under the Restructured Note to Cameron State Bank (“the New Principal Balance”). As permitted under 11 U.S.C. § 1123(a)(5)(H), the maturity of the Restructured Note shall be extended to sixty (60) months from the Effective Date (“the New Maturity Date”). The Debtor shall repay the New Principal

Balance as set forth in the plan of reorganization attached hereto. The entire remaining New Principal Balance and any unpaid accrued interest then due to the Class 1 Claim holder shall be paid in full by the Debtor on or before the New Maturity Date. The Debtor shall have the right to prepay principal on the New Principal Balance at any time and to pay the entire New Principal Balance of the Class 1 Claim in full at any time prior to the New Maturity Date without penalty. The Holder of the Class 1 Claim shall retain all of its existing liens, privileges and encumbrances in the Debtor's Assets with the same validity, priority and extent that existed on the Petition Date to secure the timely repayment of the Class 1 Claim, except as to those claims for property released per the terms of the debt reduction requirements detailed in the attached plan.

**Classes (2-14) – Secured Vendor Claims. (see list above)**

*Impairment and Voting.* Class (2-14) Claims are impaired by this Plan. Each Holder of a Class 2-14 Claim is entitled to vote to accept or reject this Plan.

*Treatment.* Each holder of an Allowed Claim in Classes 2-14 shall begin receiving quarterly cash payments of interest, based upon the outstanding balance of the allowed claim as of the Effective Date, at a rate of 2% per annum, or such other rate as determined by the court. Additional principal payments shall occur at times determined in the sole discretion of the Debtor, except that Debtor shall cause to be paid each holder of an allowed unsecured claim, an annual principal reduction payment, the first payment due one (1) year following the Effective Date and each year thereafter for five (5) years or until the Allowed Claim is paid in full, an amount equal to 20% of the outstanding principal balance of the Allowed Claim as of the Effective Date. Other principal reduction payments, as outlined herein and in the plan, are subject to the sole discretion of the Debtor.

To the extent any cash collateral of Iberia Bank is used to pay these claims and Iberia Bank does not consent to the above treatment, no plan payments will be made to this Class unless and until the Iberia Bank claim is paid in full. In which case, this class will be paid in full within one year from the full payment of the Iberia Bank claim.

**Class 15 – Unsecured Claim of Branch Banking & Trust.**

*Impairment and Voting.* The Unsecured Claim of Branch Banking & Trust is impaired by this Plan and is entitled to vote to accept or reject this Plan.

*Treatment.* The Holder of the Unsecured Claim of BB&T, to the extent any amount due is not satisfied by asset sales in the Houma Dollar Partners, LLC Case No 12-20649, shall be included treated in the same manner as the General Unsecured Creditors.

**Class 16 – General Unsecured Claims.**

*Impairment and Voting.* General Unsecured Claims are impaired by this Plan. Each Holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject this Plan.

*Treatment.* each holder of an Allowed General Unsecured Claim shall begin receiving quarterly cash payments of interest, based upon the outstanding balance of the allowed claim as of the Effective Date, at a rate of 2% per annum, or such other rate as determined by the court, beginning three months after the Effective Date and continuing each three months thereafter until paid in full. Additional principal payments shall occur at times determined in the sole discretion of the Debtor, except that Debtor shall cause to be paid each holder of an allowed unsecured claim, minimum principal reduction payments equal to the percentages outlined below:

Year 1: 10% of Allowed Claim Balance As of Effective Date

Year 2: 15% of Allowed Claim Balance As of Effective Date

Year 3: 25% of Allowed Claim Balance As of Effective Date

Year 4: 25% of Allowed Claim Balance As of Effective Date

Year 5: 25% of Allowed Claim Balance As of Effective Date

To the extent any cash collateral of Iberia Bank is used to pay these claim and Iberia Bank does not consent to the above treatment, no plan payments will be made to this Class unless and until the Iberia Bank claim is paid in full. In which case, this class will be paid in full within one year from the full payment of the Iberia Bank claim.

**Class 17 -- Subordinated Claim of Affiliate.**

*Impairment and Voting.* The Subordinated Claim of Affiliate, Reeves Commercial Properties, LLC is impaired by this Plan. The Holder of the Class 17 Claim is entitled to vote to accept or reject this Plan.

*Less Favorable Treatment of Reeves Commercial Properties, LLC Claim.* Provided that this Plan is confirmed by the Bankruptcy Court and the Effective Date occurs, by voting in favor of confirmation of this Plan, the holder of the General Unsecured Claim of Reeves Commercial Properties, LLC, shall be deemed to have consented to the following less favorable treatment of its General Unsecured Claim as Allowed: the holder of the General Unsecured Claim of Reeves Commercial Properties, LLC shall not receive any payments by virtue of such claim until (a) all Unclassified Claims have been paid in full and (b) all other Allowed Claims have been paid in full. Reeves Commercial Properties, LLC further agrees to grant a permanent servitude granting the Debtor a right of passage sufficient to comply with any requirements for public acceptance of



maintenance dedications for any improvements thereon. This grant of servitude is subject to the approval of Reeves Commercial Properties, LLC's Plan of Reorganization submitted in Case No. 12-21009.

## **E. TREATMENT OF CLASSIFIED INTERESTS UNDER THE PLAN**

### **Class 18 – Equity Interests.**

*Impairment and Voting.* Class 18 is impaired by this Plan. Each Holder of an Allowed Equity Interest is entitled to vote to accept or reject this Plan.

*Treatment.* Although the Holders of Equity Interests shall retain those interests after confirmation, no distributions may be made to the Holders of such Equity Interests by virtue of same unless the following conditions have been met: (a) all Unclassified Claims have been paid in full; (b) all other Allowed General Unsecured Claims other than the claim of Reeves Commercial Properties, LLC have been paid in full as provided by this Plan; and, (c) the Debtor is current on all payments to the holder of the Class 1 and 2 Claims. However, the Holders of Equity Interest Claims in this plan shall be allowed to receive distributions equal to the amount of any pass through taxable liabilities, provided all Claim Holders, except the impaired claim of Reeves Commercial Properties, LLC have been paid an amount equal to 50% of the outstanding principal balance of allowed claims as of the Effective Date.

## **F. MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN**

### **1. EFFECTIVE DATE.**

The “Effective Date” of the Plan shall be the date specified by the Debtor in a notice filed with the Bankruptcy Court as the date on which the Plan shall take effect, and which occurs after (i) the Confirmation Order becomes a Final Order; and (ii) the condition precedent to the Effective Date provided for in Article XI of the Plan has been satisfied.

### **2. EFFECTIVE DATE CONDITIONS.**

(1) The Confirmation Order, in form and substance satisfactory to the Debtor shall have become a Final Order.

(2) The Debtor shall have sufficient cash on hand with which to make all payments required to be made on the Effective Date.

*Effect of Failure of Conditions.* In the event that the conditions specified in Article 10.1 of the Plan have not been satisfied on or before sixty (60) days after the Confirmation Date, then without an order of the Bankruptcy Court: (a) this Plan shall be null and void in all respects; (b) any settlement of Claims or Interests provided for hereby shall be null and void without further order of the Bankruptcy Court; and (c) the time within which the Debtor may assume and assign or reject all executory contracts and unexpired leases shall be extended for a period of sixty (60) days after such date.

### **3. MEANS TO IMPLEMENT THE PLAN.**

The Reorganized Debtor shall act as Disbursing Agent under the Plan and make all distributions required under the Plan.

## **G. OBJECTIONS TO CLAIMS/ADMINISTRATIVE CLAIMS/INTERESTS**

### **1. OBJECTIONS TO CLAIMS OR INTERESTS; PROSECUTION OF DISPUTED CLAIMS OR DISPUTED INTERESTS.**

The Debtor and the Reorganized Debtor have the responsibility and authority for administering, disputing, objecting to, compromising and settling or otherwise resolving and finalizing Distributions (if any) with respect to all Claims.

### **2. ESTIMATION OF DISPUTED CLAIMS.**

The Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtor has previously objected to such Claim.

### **3. NO DISTRIBUTION ON ACCOUNT OF DISPUTED CLAIMS.**

If a Claim or any portion of a Claim is disputed, no payment or Distribution shall be made on account of the disputed portion of such Claim (or the entire Claim, if the entire Claim is disputed), unless such Disputed Claim or portion thereof becomes an Allowed Claim.

## **H. CLAIMS AGAINST OTHERS**

The Reorganized Debtor shall retain and may enforce, and shall have the sole right to enforce, any claims, demands, rights and Causes of Action that the Debtor or its Estate may hold against any Entity. The Reorganized Debtor or its successor may pursue such retained claims, demands, rights or Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtor, or its successor. Further, the Reorganized Debtor, as the case may be,

retain their rights to file and pursue, and shall have the sole right to file and pursue any adversary proceedings against any account debtor related to debt balances or deposits owed to any Debtor.

As stated before, the Debtor disputes the Proof of Claim of Iberia and will file a Complaint seeking damages against Iberia.

## **I. EXECUTION OF DOCUMENTS AND PARTNERSHIP ACTION**

The Debtor's Managing Member is authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures and other agreements or documents, and to take such actions as may be necessary or appropriate, to effectuate and further evidence the terms and conditions of this Plan and the debt and equity securities issued pursuant to this Plan.

## **V. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

### **A. ASSUMPTION**

The Debtor has rejected all executory contracts, to the extent that any exist, except that certain contract by and between the Debtor and WinSim, Inc.

### **B. REJECTION**

If the rejection of an executory contract or unexpired lease by the Debtor (pursuant to this Plan or otherwise) results in a Claim, then such Claim shall be forever barred and shall not be enforceable against the Debtor and the Reorganized Debtor unless a Proof of Claim is filed and served upon counsel for the Debtor no later than thirty (30) days after the earlier of (i) entry of the Confirmation Order, or (ii) entry of an order approving such rejection. Unless otherwise ordered by the Bankruptcy Court, all Claims arising from the rejection of executory contracts and unexpired leases shall be treated, to the extent they are Allowed Claims, as Allowed Class 3 Claims.

### **C. CURE PAYMENTS, COMPENSATION FOR PECUNIARY LOSS, AND ADEQUATE ASSURANCE**

On the Effective Date, the Reorganized Debtor (a) shall cure or provide adequate assurance that it shall cure any and all undisputed defaults under any Assumed Contract, and (b) compensate or provide adequate assurance that it shall promptly compensate the other parties to such executory contract or unexpired lease for the agreed amount of any actual pecuniary loss to such party resulting from such undisputed default in accordance with Section 365(b)(1) of the Bankruptcy Code. In the event that the Reorganized Debtor disputes the existence of a default, or the nature, extent or amount of any required cure, adequate assurance or compensation, the

obligations of the Reorganized Debtor under Section 365(b) of the Bankruptcy Code shall be determined at the Confirmation Hearing or at any other hearing ordered by the Bankruptcy Court, and any such obligations shall be performed by the Reorganized Debtor within thirty days after the Effective Date unless otherwise provided in the Confirmation Order or by other order of the Bankruptcy Court.

## **VI. POST-CONFIRMATION MANAGEMENT AND COMPENSATION**

The Debtor will continue to operate its business and develop its property after the Effective Date of the Plan. Management of the Debtor will remain the same. At this time, no equity holders or managers of the Debtor receive a salary or compensation from the Debtor. After the Effective Date of this plan, the Managing Member of the Debtor shall receive a guaranteed payment from the debtor in the amount of \$5,000.00 per month, plus 50% of all free cash flow of the Debtor, subject to the following conditions:

- 1) Cash flow derived from Debtors Terminal Development Property Sales, to the extent it is over and above the release amounts listed herein shall not be included in the calculation of free cash flow, except as to amounts in excess of \$30,000.00 per acre.
- 2) Cash flow from any retainage or accounts receivable of the Debtor as of the Effective Date, shall not be included in the calculations determining Free Cash Flow.
- 3) These restrictions shall not be construed to restrict the Debtors use of the excess cash flow, described in items 1 and 2 above, as approved in the Plan.

## **VII. LITIGATION**

### **A. PENDING LAWSUITS**

- 1) Reeves Development Company, LLC, et al vs. Cameron State Bank, Iberia Bank and Morgan Harmison
- 2) B & J, Inc. vs. Reeves Development Company, LLC
- 3) Reeves Development Company, LLC vs. Mark Vail dba M & M Pits
- 4) Charles Reeves, Jr. and Reeves Development Company, LLC vs. John Hass Hirsch, E. Emily Hirsch Hart Rosen and David A. Kerstein as Trustees for the Nathalie Hass Hirsch Trust, et al

- 5) Reeves Development Company, LLC vs. Custom Steel Erectors, LLC, et al
- 6) Reeves Development Company, LLC vs. Ernest Hamilton Construction, Inc., et al
- 7) Lake Area Plumbing, Inc. vs. Reeves Development Company, LLC
- 8) Strickland Plumbing, LLC vs. Reeves Development Company, LLC

## **B. POTENTIAL ACTIONS**

### **1. POTENTIAL AVOIDANCE ACTIONS**

The Debtor has begun investigating payments made by the Debtor prior to the filing of the case to determine if any avoidable transfers were made. The Debtor is not currently aware of any such claims. The Debtor reserves all rights available to it under the law to initiate these avoidance actions at any time before the Effective Date, and for 120 days thereafter. The Debtor is not aware of any avoidable transfers.

While the Debtor is not aware of any other claims or causes of action in favor of the Debtor, all claims and causes of action in favor of the Debtor, including, without limitation, all claims under Sections 544, 548, and 549, 550, 551, 553 and 554 of the Bankruptcy Code, are reserved and may be prosecuted after the Effective Date by the Reorganized Debtor. At present, the Debtor has made no such demands nor commenced such litigation and has no intention of doing so prior to confirmation.

## **VIII. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtor and certain U.S. holders of Claims and Interests. The following summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated there under, judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. No assurance can be given that legislative or administrative changes or court decisions may not be forthcoming which would require significant modification of the statements expressed in this section. Certain tax aspects of the Plan are uncertain due to the lack

of applicable regulations and other tax precedent. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND ANY INTERESTS ARE HEREBY NOTIFIED THAT (a) ANY DISCUSSION OF TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE TAX CODE, AND (b) THIS DISCUSSION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OF THE PLAN.

THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, ALL HOLDERS SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

The Debtor is a conduit entity and, as such, pays no taxes. The plan treatment of the Debtor's assets generates a potential tax event for the equity holders of the Debtor. The tax event can be a gain or loss depending on the equity owner's basis in the partnership and the gain or loss can either be a capital gain or ordinary income depending on the individual's treatment of the investment in the Debtor. Because the Debtor's Plan is a full pay plan that will not discharge or reduce any of its indebtedness, it does not appear that confirmation of the Plan will result in any adverse tax consequences to the holders of equity interests. However, the primary means of claim repayment comes from the sale and rental of Debtor property. The income generated from these sales will create significant taxable income which will flow through to the Equity Interest. The plan addresses these potential taxable consequences and allows the Debtor to make Equity distributions to Equity Holders, in amounts necessary to cover the increased tax liabilities passed through. The plan states that no payments to Equity Holders shall be made unless all allowed Claim Holders in this plan have received principal reduction payments equal to 50% of the Allowed Claim Principal Balance as of the Effective Date. The Claim Holder of the Reeves Commercial Properties, LLC claim is excluded from the 50% payment requirement. The Equity Holders are considered an impaired class under this plan and entitled to vote.

## **IX. LIQUIDATION ANALYSIS UNDER CHAPTER 7**

Under the Bankruptcy Code, in order for a plan to be confirmed, each creditor must receive or retain under the Plan a recovery that has a value at least equal to the value of the

distribution that such creditor would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

The following Chapter 7 liquidation analysis ("Analysis") presents the estimated net value of the Assets of the Debtor, assuming that the Debtor is liquidated under the provisions of Chapter 7 of the United States Bankruptcy Code, and that the net proceeds from the liquidation of the Debtor are applied among the creditors of the Debtor's estate. The Analysis indicates the estimated values that might be obtained by classes of claims if the Debtor's assets were liquidated pursuant to a Chapter 7 liquidation, as an alternative to the Plan. Based on this Analysis, a liquidation under Chapter 7 would produce less value for distribution to creditors than that recoverable under the Plan.

Underlying the Analysis is a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies beyond the control of the Debtor or a Chapter 7 trustee. Therefore, there can be no assurance that the assumptions and estimates employed in determining the liquidation value of the Debtor's assets will result in an accurate estimate of the proceeds that would be realized should the Debtor undergo actual liquidation. The actual amounts of claims against the estates could vary significantly from each of the Debtor's estimates depending on the claims asserted during the pendency of the bankruptcy proceedings and the outcomes of the Debtor's claims objections. The Analysis does not include the effect of any federal or state income tax liabilities that may arise as a result of the conversion of the case, if any. The Analysis also does not include liabilities that may arise as a result of lease or contract rejections, litigation, real estate or ad valorem tax assessments, or other potential claims unless expressly disclosed herein.

The Debtor's primary assets included the real property located in Calcasieu Parish, Louisiana, retainage amounts due, various pieces of office equipment and the possible litigation settlements that may or may not result in positive awards of damages. The real property has an "as is" value of \$15,150,000.00, when broken up and sold in a development plan as smaller tracts ranging in size from 10 to 160 acres. The estimated market absorption rate necessary to accomplish all of the sales is 60 months. The estimated Value of the property, as developed, is \$22,760,000.00, with a market absorption time of 42 months. The property is secured by the Priority Tax Claims in an amount of \$560,000.00, the Secured Claim of Iberia Bank in the amount of \$8,072,308.08 and Secured Vendor Claims in the amount of \$297,715.00. The industrial nature of this property is such that potential purchasers, which include end users and developers, must go through an orderly evaluation of the site to ensure suitability for their intended purposes. This precludes these type buyers from participating in distressed sale events. This narrows the pool for prospective buyers in a distressed sale to speculators, who by the very nature of their business must purchase property far below what they consider to be market value. Since it is probable that a sale of the Secured Collateral through Chapter 7 would result in a price

below fair market value, the most likely result in a Chapter 7 liquidation is that a Secured Creditor would foreclose on their collateral, with the funds generated by through the foreclosure sale disbursed according to the respective rank of the creditors. As a consequence, the Secured Collateral would be stripped away as assets of the Chapter 7 bankruptcy estate. Since the Debtor has no other real property, and its other assets and receivables are cash collateral of Iberia Bank, there would be no remaining assets to liquidate and distribute to administrative and priority creditors. If the Debtor's property were abandoned by the Chapter 7 Trustee and foreclosed upon, there would not be any funds available for distribution to unsecured creditors. In the event of a sale of the property by the Chapter 7 Trustee, all outstanding administrative and priority claims must be paid in a Chapter 7 liquidation before any distribution to Unsecured Creditors. The administrative claims consist of the fees and expenses due to the Debtor's Chapter 11 professionals (estimated at \$65,000.00), the fees and expenses of the Chapter 7 Trustee (est. \$45,000.00), and the fees and expenses of a realtor (estimated at 1% of sale price).

A chart reflecting the hypothetical distribution in a Chapter 7 case based on a sale @ 50% of Value \$7,575,000.00, which is estimated sales price in a distressed sale and no value from the retention receivables, which will all be used to pay offset claims and legal fees:

**HYPOTHETICAL DISTRIBUTION UNDER CHAPTER 7**

	<b>Claims</b>	<b>Estimated Distribution</b>	<b>Balance</b>
<b>ASSETS</b>			
Real Estate			\$ 7,575,000.00
Retainage			\$ 0.00
Other			\$ 30,000.00
			<b>\$ 7,605,000.00</b>
<b>LESS</b>			
Secured Claim Iberia	\$ 8,072,308.00	\$ (7,605,000.00)	
Secured Vendor	\$ 297,715.00	\$ -	\$ -
Priority Tax Claims	\$ 560,000.00	\$ -	\$ -
Chapter 7 Fees	\$ -	\$ -	\$ -
Realtor Fees	\$ 69,090.00	\$ -	\$ -
Chapter 11 Admin Fees	\$ 65,000.00	\$ -	\$ -
Unsecured Claims	\$ 2,872,449.56	\$ -	\$ -

1 This statement does not purport to establish or state the rank of secured creditors in relation to their respective collateral

Pursuant to the Debtor's liquidation analysis the recoveries under a Chapter 7 liquidation scenario would be significantly lower than that proposed by the Plan for a variety of reasons.



First, the sale of the Debtor's primary asset under a compressed timeframe and the distressed nature of a Chapter 7 liquidation will most likely result in a lower sale price than true fair market value of the property. Second, the conversion of the case to Chapter 7 liquidation would necessitate the payment of fees to the Chapter 7 Trustee, and possibly attorneys, realtors, accountants and other professionals retained by the Chapter 7 Trustee, for disposition of the assets. These fees directly reduce any recovery otherwise available to creditors and/or the holders of Equity Interests, and would result in no distribution to priority or unsecured creditors. Accordingly, each holder of a Claim will receive or retain under the Plan a recovery that has a value at least equal to the value of the distribution that such creditor would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

## **X. CONFIRMATION PROCEDURE**

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

### **A. VOTING AND OTHER PROCEDURES**

A Ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement submitted to the holders of Claims that are entitled to vote to accept or reject the Plan. Each holder of a Claim or interest in Classes 3 and 4 shall be entitled to vote to accept or reject the Plan. Pursuant to the provisions of the Bankruptcy Code, only holders of claims or interests in classes that are impaired under the terms and provisions of a Chapter 11 plan and are to receive distributions there under are entitled to vote to accept or reject the plan. Classes of claims or interests in which the holders of claims and interests will not receive or retain any property under a Chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan. Classes of claims or interests in which the holders of claims or interests are unimpaired under a Chapter 11 plan, such as Class 1, are deemed to have accepted the plan and also are not entitled to vote to accept or reject the plan.

The Bankruptcy Code defines "acceptance" of a plan by a class of: (i) Claims, as acceptance by creditors actually voting in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims; and (ii) Interests, as acceptance by interest holders in that class actually voting that hold at least two-thirds in number of ownership shares of the common stock of a debtor.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or otherwise in accordance with the provisions of the Bankruptcy Code.

With respect to the Plan, any holder of a Claim in an Impaired Class (i) whose Claim has

been listed by the Debtor in the Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated), or (ii) who filed a proof of claim on or before the applicable bar date (or, if not filed by such date, any proof of claim filed within any other applicable period of limitations or with leave of the Bankruptcy Court), which Claim has not been disallowed and is not the subject of an objection, is entitled to vote. Holders of Claims that are disputed, contingent and/or unliquidated are entitled to vote their Claims only to the extent that such Claims are Allowed for the purpose of voting pursuant to an order of the Bankruptcy Court. The Debtor may seek a determination that any Class of Claims that is entitled to vote to accept or reject the Debtor's Plan that does not vote to accept or reject the Debtor's Plan be deemed to accept the Plan, as applicable.

After carefully reviewing this Disclosure Statement, including any exhibits, each holder of an Allowed Claim or Equity Interest entitled to vote may vote whether to accept or reject the Debtor's Plan. A Ballot for voting on the Plan accompanies this Disclosure Statement. If you hold a Claim or Equity Interest in more than one Class and you are entitled to vote Claims in more than one Class, you may receive a Ballot or Ballots, which will permit you to vote in all appropriate Classes of Claims. Please vote and return your Ballot to Steffes, Vingiello & McKenzie, LLC as follows, whether by U.S. mail, or by hand delivery or courier service:

**Steffes, Vingiello & McKenzie, LLC**  
**Attention: Arthur A. Vingiello**  
**13702 Coursey Boulevard, Bldg.3**  
**Baton Rouge, Louisiana 70817**

ANY EXECUTED BALLOT THAT FAILS TO INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED. BALLOTS RETURNED TO STEFFES, VINGIELLO & MCKENZIE, LLC BY FACSIMILE TRANSMISSION OR ANY OTHER ELECTRONIC MEANS WILL NOT BE COUNTED.

**THE VOTING DEADLINE IS 5:00 P.M., CENTRAL TIME ZONE,  
ON \_\_\_\_\_, 2014.**

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN. ALL CREDITORS THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

**Ballots must be received by Steffes, Vingiello & McKenzie, LLC by the Voting Deadline.** If a Ballot is received after the Voting Deadline, it will not be counted. Complete the Ballot by providing all the information requested, and sign, date and return the Ballot by mail,

overnight courier or personal delivery to Steffes, Vingiello & McKenzie, LLC at the address set forth above.

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN THE TIME AND DATE SET FORTH IN THE ACCOMPANYING NOTICE. ANY OBJECTIONS TO THE CONFIRMATION OF THE PLAN MUST BE FILED IN ACCORDANCE WITH AND NO LATER THAN THE TIME AND DATE SET FORTH IN THE ACCOMPANYING NOTICE.

If you are entitled to vote on the Plan and you did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the procedures for voting on the Plan, please telephone Arthur A. Vingiello at the following telephone number: **1-225-751-1751**.

## **B. DISCLAIMERS AND ENDORSEMENTS**

This Disclosure Statement contains information about the Debtor's Plan. Holders of Claims and Membership Interests are urged to study the text of the Plan carefully to determine the impact of the Plan on their Claims or Membership Interests and to consult with their financial, tax and legal advisors.

Nothing contained in this Disclosure Statement or the Plan will be deemed an admission or statement against interest that can be used against the Debtor in any pending or future litigation. Any reference to creditors or Claims or Membership Interests in this Disclosure Statement is not an admission with respect to the existence, ownership, validity, priority, or extent of any alleged Lien, Claim, Equity Interest or encumbrance.

Certain statements and assertions in this Disclosure Statement may be subject to dispute by parties in interest.

## **C. THE CONFIRMATION HEARING**

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing with respect to the Plan. The Confirmation Hearing in respect of the Plan has been scheduled for the date and time set forth in the accompanying notice before the Honorable **Robert R. Summerhays**, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Western District of Louisiana, on \_\_\_\_\_, 2014. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice other than an announcement of the adjourned date made at the Confirmation Hearing or posted at the courthouse at the Confirmation Hearing or at an adjournment thereof. Any objection to

confirmation (i) must be made in writing, (ii) must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or a description of the interest in the Debtor held by the objector, and (iii) must be timely made. Any such objections must be filed with the Bankruptcy Court and served so that they are received by the Bankruptcy Court, and the following counsel, on or before the date and time set forth in the accompanying notice:

**Counsel to the Debtor:**

Steffes, Vingiello & McKenzie, LLC  
William E. Steffes, #12426  
Arthur A. Vingiello, #13098  
13702 Coursey Blvd., Building 3  
Baton Rouge, Louisiana 70817  
Telephone: (225) 751-1751  
Facsimile: (225) 751-1998

**D. CONFIRMATION**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan if the requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all Impaired Classes of Claims or, if rejected by an Impaired Class, that the plan “does not discriminate unfairly” and is “fair and equitable” as to such Class, (ii) feasible, and (iii) in the “best interests” of creditors that are Impaired under the Plan.

**E. UNFAIR DISCRIMINATION AND FAIR AND EQUITABLE TESTS**

Under the Bankruptcy Code, a plan does not have to be accepted by every class of creditors or interest holders to be confirmed. If a class of claims or interests rejects a plan or is deemed to reject a plan, the plan proponent has the right to request confirmation of the plan pursuant to Section 1129(b) of the Bankruptcy Code the so-called "cramdown" provision of the Bankruptcy Code. Section 1129(b) permits the confirmation of a plan notwithstanding the non-acceptance of such plan by one or more impaired classes of claims and interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not “discriminate unfairly” and is “fair and equitable” with respect to each non-accepting class, and meets the other legal criteria for confirmation.

In the event that any Class of Claims or Interests fails to accept the Plan in accordance with Section 1129(a)(8) of the Bankruptcy Code, the Debtor (a) requests that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code.

Accordingly, to obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan does not “discriminate unfairly” and is “fair and equitable” with respect to each Impaired, non-accepting Class. The Bankruptcy Code provides a nonexclusive definition of the phrase “fair and equitable.” The Bankruptcy Code establishes “cram down” tests for Classes of Secured Claims, unsecured Claims and Interests that do not accept the plan, as follows:

### **1. Secured Creditors**

Either (a) each Impaired secured creditor retains the Liens securing its Secured Claim and receives on account of its Secured Claim deferred cash payments (x) totaling at least the Allowed Amount of the Secured Claim and (y) having a present value at least equal to the value of the secured creditor’s collateral, (b) each Impaired secured creditor realizes the “indubitable equivalent” of its Allowed Secured Claim, or (c) the property securing the Claim is sold free and clear of Liens with the secured creditor’s Lien to attach to the proceeds of the sale and such Lien on proceeds is treated in accordance with clause (a) or (b) of this subparagraph.

### **2. Unsecured Creditors**

Either (a) each Impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its Allowed Claim, or (b) the holders of Claims and Interests that are junior to the Claims of the dissenting Class will not receive any property under the plan, and the “best interest” test is met so that each Impaired unsecured creditor recovers at least what that creditor would receive if the case was converted to a Chapter 7 case.

### **3. Holders of Interests**

Either (a) each holder of Impaired Interests receives or retains under the plan property of a value equal to the greatest of the Allowed Amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest, or (b) no holder of junior interests receives or retains any property, and the “best interest” test is met, so that each Impaired Membership Interest holder recovers at least what that Equity Interest holder would receive if the case was converted to a Chapter 7 case.

### **4. No Unfair Discrimination**

In addition, the “cram down” standards of the Bankruptcy Code prohibit “unfair discrimination” with respect to the claims of any impaired, non-accepting class. While the “unfair discrimination” determination depends upon the particular facts of a case and the nature of the claims at issue, in general, courts have interpreted the standard to mean that the impaired, non-accepting class must receive treatment under a plan of reorganization which allocates value

to such class in a manner that is consistent with the treatment given to other classes with claims against the debtor of equal or junior status.

All Classes of creditors will receive distributions under the Plan; thus, no Class of creditors is conclusively presumed to have rejected the Plan. The Debtor believes that the treatment of all Classes of Claims and Interests under the Plan satisfies the “no unfair discrimination” requirement for nonconsensual confirmation of the Plan under Section 1129(b) of the Bankruptcy Code. With respect to each such Impaired, non-accepting Class, there is no Class of equal priority receiving more favorable treatment under the Plan, and no Class that is junior to such Impaired, non-accepting Class will receive or retain any property under the Plan on account of the Claims or Interests in such Class.

## **F. FEASIBILITY**

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization unless the liquidation of the debtor is provided for in the plan. It is not likely that the confirmation will be followed by liquidation or the need for further financial reorganization of the Debtor. Financial projections demonstrating the pro forma financial results of the Reorganized Debtor are attached as Exhibit D-3.

## **G. BEST INTEREST TEST**

In order to confirm a plan of reorganization, the Bankruptcy Court must determine that the plan is in the best interests of all classes of creditors and equity security holders impaired under that plan. The "best interest" test requires that the Bankruptcy Court find that the plan provides to each member of each impaired class of claims and interests (unless each such member has accepted the plan) a recovery which has a value at least equal to the value of the distribution that each creditor or interest holder would receive if the debtor was liquidated under Chapter 7 of the Bankruptcy Code.

All Classes of creditors will receive distributions under the Plan; thus, no Class of creditors is conclusively presumed to have rejected the Plan. The Debtor requests confirmation of the Plan over the rejection of any Classes. In so doing, the Debtor seeks to establish that the Plan complies with the best interest of creditors test with respect to any such Class or Classes, and satisfy all other legal criteria for confirmation.

As reflected in the discussion above, and as demonstrated in the Liquidation Analysis contained in this Disclosure Statement, the Debtor believes that the Plan provides to each holder of a Claim and Interest holder a value at least equal to the value of the distribution that each holder would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

## **H. CERTAIN RISK FACTORS TO BE CONSIDERED**

HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, THE PLAN (AND ANY DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE), BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND THE IMPLEMENTATION OF THE PLAN.

The major risk factor is that the Debtor will be unable to achieve the projections set forth in the Plan and make the payments required by the Plan. This can occur in the event of an unforeseen downturn in the economic expansions planned in the Southwest Louisiana Industrial Market Sector.

## **I. CERTAIN BANKRUPTCY CONSIDERATIONS**

### **1. RISK OF LIQUIDATION OF THE DEBTOR'S ESTATE**

If the Plan is not confirmed and consummated, there can be no assurance that the Debtor's Chapter 11 Case will continue as Chapter 11 reorganization case rather than be converted to liquidation, or that any alternative plan of reorganization would be on terms as favorable or more favorable to holders of Claims and Equity Interests as the terms of the Plan. If a liquidation or different reorganization were to occur, the distributions to certain holders of Allowed Claims may be reduced, or possibly completely eliminated. As previously noted, the Debtor believes that in a liquidation under Chapter 7, only the secured Claim of Iberia Bank is likely to receive any distributions. In addition, certain additional Claims may arise in a Chapter 7 liquidation and from the rejection of settlement agreements in affiliated company cases and other unforeseen consequences related to the cessation of the Debtor's operations. As described above, this might negatively impact the amount of distributions under the Plan, if any, to holders of Allowed Claims or Allowed Equity Interests. As a result of these circumstances, the Debtor believes that the Plan provides a significantly higher return to holders of Claims and Equity Interests in the Debtor, as compared to liquidation.

### **2. RISK OF NON-OCCURRENCE OF THE EFFECTIVE DATE**

The occurrence of the Effective Date in the Plan is conditioned upon the happening of certain events. There can be no assurance that all of these events will occur or that those that do

not occur will be waived. Accordingly, even if the Plan is confirmed, there can be no assurance that the Effective Date will occur.

### **3. UNCERTAINTY REGARDING OBJECTIONS TO CLAIMS**

The Plan provides that certain objections to Claims can be filed with the Bankruptcy Court after the Effective Date. A creditor may not know that its Claim will be objected to until after the Effective Date.

### **4. PERFORMANCE OF OBLIGATIONS BY THE DEBTOR UNDER THE PLAN**

Although the Debtor and the Reorganized Debtor believes that it can successfully perform all of its obligations under the Plan, there can be no assurance that the Reorganized Debtor will do so. This could result in a subsequent liquidation of the Debtor.

## **XI. CONCLUSION AND RECOMMENDATION**

The Debtor believes that confirmation and implementation of the Plan is preferable to any alternative. In addition, any other alternative would involve significant delay, litigation, uncertainty, substantial additional administrative costs, and may result in the Debtor's liquidation. The Debtor urges holders of Impaired Claims and Equity Interests to vote in favor of the Plan.

Dated: February 3, 2014

DISCLOSURE STATEMENT FILED BY:

Reeves Development Company, LLC

By: /s/Charles Reeves, Jr.  
Charles Reeves, Jr., Manager

STEFFES, VINGIELLO & MCKENZIE, LLC  
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