

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF OKLAHOMA

IN RE: SOUTHERN OAKS OF OKLAHOMA, LLC,

Debtor-in-Possession

12-BK-10356 -NLJ
Chapter 11

**DISCLOSURE STATEMENT FOR
PLAN OF REORGANIZATION OF
SOUTHERN OAKS OF OKLAHOMA, LLC
PROPOSED BY THE DEBTOR IN POSSESSION**

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ATTORNEY FOR THE DEBTOR IN POSSESSION

Dated: August 8, 2012

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF OKLAHOMA

IN RE: SOUTHERN OAKS OF OKLAHOMA, LLC,

12-BK-10356 -TMW

Chapter 11

Debtor-in-Possession

DEBTOR'S DISCLOSURE STATEMENT, DATED AUGUST 8, 2012

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of Southern Oaks of Oklahoma, LLC (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the Debtor's Amended Plan of Reorganization (the "Plan") filed by the Debtor on August 8, 2012, 2011. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

The proposed distributions under the Plan are discussed at pages 8-17 of this Disclosure Statement. General unsecured creditors are classified in Class 11, and will receive a distribution of 100% of their allowed claims, with interest in 60 equal monthly installments or as earlier paid in full.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why the Proponent believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Confirm the Plan

The hearing at which the Court will determine whether to confirm the Plan will take place on _____, 2012, at 9:30 a.m. in the 2nd Floor Courtroom, at the United States Bankruptcy Court, 215 Dean A. McGee Avenue, Oklahoma City, Oklahoma 73102.

2. Deadline For Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Welch Law Firm, P.C., 4101 Perimeter Center Drive, Suite 360, Oklahoma City, Oklahoma 73112-2309. See section IV.A. below for a discussion of voting eligibility requirements. **Your ballot must be received by _____, 2012 or it will not be counted.**

3. Deadline For Objecting to the Confirmation of the Plan.

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon Counsel for the Debtor, at Welch Law Firm, P.C., 4101 Perimeter Center Drive, Suite 360, Oklahoma City, Oklahoma 73112-2309 by _____, 2012.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact Ruston C. Welch, Esquire, Welch Law Firm, P.C., 4101 Perimeter Center Drive, Suite 360, Oklahoma City, Oklahoma 73112-2309.

C. Disclaimer

The Court has approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. All America Bank assumes no responsibility for the accuracy of the information in this disclosure statement and does not concur with various statements made herein.

D. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code.

Under Chapter 11, a debtor's business may be reorganized for the benefit of its creditors and equity interest holders. In addition to rehabilitating a debtor, Chapter 11 also promotes equality of treatment for similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets. Commencing a Chapter 11 case creates an estate that contains all of a debtor's property as of the filing date.

The principal objective of a Chapter 11 case is the consummation of a plan of reorganization. A plan of reorganization sets forth the treatment of claims against, and equity interests in, a debtor. Once the Bankruptcy Court confirms a plan of reorganization, the terms of the plan become binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the Plan, and any creditor or equity interest holder of the debtor.

Generally, an order of the Bankruptcy Court confirming a plan of reorganization discharges the debtor from any debt that arose prior to the date of confirmation of the plan, and substitutes for that debt the obligations specified for that debt under the confirmed plan.

If a plan "impairs" claims, then each class of such impaired claims is entitled to vote to accept or reject the proposed plan of reorganization. Chapter 11 does not require that every holder of a claim or interest vote to accept a plan in order for the Court to confirm the plan. However, the plan must meet a number of statutory tests-including a minimum level of acceptance-before the plan may be confirmed.

In order to solicit acceptances of a proposed plan, plan proponents, like the Debtor here, must prepare and distribute a disclosure statement to the creditors and equity interest holders entitled to vote on the plan. Code Section 1125 requires that the disclosure statement contain adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan.

II. BACKGROUND

A. Description and History of the Debtor's Business

The Debtor is a limited liability company organized and existing under the laws of the State of Oklahoma since March 28, 2006. The Debtor is the survivor and successor entity by mergers on January 12, 2012 and January 27, 2012 to the following ten (10) Oklahoma limited liability companies (the "Merged Entities") which were organized and existing in the state of Oklahoma since their respective formation date:

| <u>Name</u> | <u>Formation Date</u> |
|----------------------------------|-----------------------|
| QUAIL 12, LLC | June 5, 2003 |
| QUAIL 13, LLC | June 5, 2003 |
| 1609 N.W. 47 TH , LLC | November 13, 2003 |
| 2233 S.W. 29 th , LLC | April 21, 2004 |
| 400 S.W. 28 th , LLC | June 4, 2003 |

| | |
|----------------------------------|------------------|
| SOUTH ROBINSON, LLC | April 2, 2004 |
| 9 ON S.E. 27 TH , LLC | June 26, 2003 |
| SOUTHSIDE 10, LLC | April 21, 2004 |
| QCB 08, LLC | December 3, 2007 |
| PRAIRIE VILLAGE OF OKLAHOMA, LLC | December 6, 2006 |

The Debtor and each of its predecessors in interest have been in the business of acquiring and leasing single family residential properties, limited commercial and or multifamily properties. Each of these limited liability companies had similar business operations consisting of the ownership of residential properties.

The Debtor owns a 126 unit apartment complex in south Oklahoma City, 115 single family residences, 10 residential duplexes and 4 commercial properties in the Oklahoma City Metro area and a 100 unit apartment complex in Pryor, Oklahoma (collectively, the "Properties"). The Properties are mortgaged to numerous secured creditors. Some of these secured creditors also hold mortgage liens on Debtor affiliates' properties which is collateral for the same or related loans for which the Debtor is liable.

The apartments are managed by principals of the Debtor and on-site employees. In consideration of the management services of the principals, they are paid 6% of collected rents. Debtor operates the non-apartment Properties by and through an affiliate property management company, Houses For Rent of OKC, LLC ("HFR"), who advertises, leases, collects rents, pays expenses, provides equipment, labor and materials for maintenance, repairs and make-ready services. HFR has agreed to continue such services but to maintain the Debtor's rents and income in a separate DIP account and to separately account for each secured creditor's cash collateral. For these services, HFR is compensated twenty percent (20%) of rents allocated as 14% for wages, maintenance and overhead and 6% management fee.

B. Insiders of the Debtor

The Debtor is owned by Brookeman Perry, L.L.C. Prior to the merger the Merged Entities were owned by Brookeman Perry, L. L. C., which is wholly owned by Steve Murry and Stacy Murry. Insiders of the Debtor also include affiliates owned by Brookeman Perry, L.L.C. or owned directly or indirectly by Steve and Stacy Murry, including the following:

Insiders owned by Brookeman Perry, LLC:

- 1049 N.W. 2nd, LLC
- 1309 City Avenue, LLC
- 20 S.W. 59th, LLC
- 2545 S.W. 59th, LLC
- 2704 Murray Drive, LLC
- 29 West Shore Drive, LLC

3021 S.W. 28th Street, LLC
3200 S. Robinson, LLC
3625 S.W. 43rd, LLC
5922 N.W. 41st, LLC
6 AT OSB, LLC
64 West Shore Drive, LLC
80 West Shore Drive, LLC
Charlemagne of Oklahoma, LLC
House Kings, LLC
Houses for Rent of OKC, LLC
Kirk 2006, LLC
Mayfield Lodge, LLC
Quail 10, LLC
Quail 16, LLC
Quail 2006, LLC
Quail 2007, LLC
R & A Holdings, LLC
Sherwood 52, LLC
Sooner 11, LLC
Southeast 52nd, LLC

Insiders owned by Steve and Stacy Murry:

Brookeman Perry, LLC
Brookshire 30, LLC
Brookshire Place, LLC
Lucky Pete's Pawn Shop, LLC
S & S Homebuilders, LLC
Total Make Ready, LLC

Insiders owned by Steve Murry:

Stay Dry Roofing and Guttering, LLC

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively the "Managers") were Brookeman Perry, LLC, Steve Murry and Stacy Murry. The Managers of the Debtor during the Debtor's chapter 11 case have been: Brookeman Perry, LLC, Steve Murry and Stacy Murry.

After the Effective Date of the order confirming the Plan, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the

Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will be: Brookeman Perry, LLC, Steve Murry and Stacy Murry.

D. Events Leading to Chapter 11 Filing

As a result of the economic downturn in the fall of 2009 and discovery of employee embezzlement, the Debtor, Merged entities and affiliates and managers/members were faced with substantial financial difficulties. The Debtor and its affiliates worked with their respective lenders and creditors to reach accommodations. However, one secured creditor called numerous loans that were payable on demand and shortly thereafter commenced numerous cases of litigation against affiliates of the Debtor as well as Steve and Stacy Murry, for judgment on the respective loans and foreclosure of all collateral. In connection therewith, that secured creditor demanded and received turnover of all rents and profits from properties constituting their collateral. For one year, that secured creditor refused to allow any rents or income from the properties to be used to preserve, protect or make ready such properties to be leased or maintained.

As a result of that secured lender's actions, an affiliate owner of an apartment complex filed a voluntary Chapter 11 petition on July 2, 2010 in the Western District of Oklahoma. Management continued to operate and lease the lender's other collateral through their affiliate, Houses For Rent of OKC, LLC, without the payment of any expenses or management fees.

In December, 2010, that lender obtained a judgment for foreclosure in the consolidated litigation cases in Oklahoma County and Canadian County, Oklahoma. Thereafter, the lender sought foreclosure of approximately fifty properties and caused a sheriff's sale to be scheduled on February 24, 2011. An affiliate, Brookshire Place, LLC, commenced a voluntary chapter 11 bankruptcy case on February 23, 2011 to protect and preserve its equity in the lender's properties and to obtain use of the rents and income from such properties for the repair, maintenance and make ready expenses thereof. Both of these bankruptcy cases have resulted in confirmed plans of reorganization, substantial consummation and performance under such plans without default.

In June, 2011 and during the other Chapter 11 proceedings, one of the Debtor's secured creditors, Interbank, exercised remedies under assignment of rent agreements to demand that all rents from collateral securing its loans be paid to Interbank. The Debtor quickly reached a Forbearance Agreement with Interbank. Pursuant to the Forbearance Agreement, the Debtor collected and paid all net cash flow to Interbank. In November, 2011, Interbank demanded the Debtor turnover all of the collateral properties to Interbank. Efforts to resolve this demand were unsuccessful. In December, 2011, a sale of eight properties fell through and prevented the Debtor from performing a liquidation requirement under the Forbearance Agreement. The forbearance ended on December 31, 2011. The Debtor filed its voluntary Chapter 11 on January 31, 2012 and continues to operate its properties as debtor in possession.

E. Significant Events During the Bankruptcy Case

Upon filing of this case, the Debtor sought and obtained use of cash collateral. The Debtor has operated within approved budgets throughout the case. The Debtor has used cash collateral to repair and make ready properties for leasing and becoming income generating collateral.

The Debtor obtained court approval of its employment of legal counsel, Ruston C. Welch of Welch Law Firm, P. C. The Debtor has also sought and obtained court approval of the employment of a real estate broker, William Forest, to market and sell the Prairie Village Apartments located in Pryor, Oklahoma.

The Debtor has abandoned a few properties to be sold in connection with non-debtor properties, with the sale proceeds being paid to the secured creditor and used to cure delinquent taxes owed on that creditor's remaining collateral.

F. Projected Recovery of Avoidable Transfers

The Debtor has not yet completed its investigation with regard to pre-petition transactions. If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in the Debtor's Bankruptcy Schedules as filed herein. The basis of the valuation for the real estate is the respective county tax assessment with the exception of the Southern Oaks Apartments.

The Debtor's assets and liabilities are reflected in the Debtor's Bankruptcy Schedules and Summary of Schedules as filed herein .

The most recent post-petition operating report (without the attached bank statements) filed since the commencement of the Debtor's bankruptcy case is set forth in **Exhibit B**.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Class #1 - Administrative Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has not placed the following claims in any class:

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

| Type | Estimated Amount Owed | Proposed Treatment |
|--------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Expenses Arising in the Ordinary Course of Business After the Petition Date | None | Paid in full on the Effective Date of the Plan, or according to terms of obligation if later |
| The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date | None | Paid in full on the Effective Date of the Plan, or according to terms of obligation if later |
| Professional Fees, as approved by the Court. | \$75,000 | Paid in full on the Effective Date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the Effective Date |

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|---------------------------------|-------------|-------------------------------------------------------------------------------------------|
| | | of the Plan |
| Clerk's Office Fees | None | Paid in full on the Effective Date of the Plan |
| Other administrative expenses | None | Paid in full on the Effective Date of the Plan or according to separate written agreement |
| Office of the U.S. Trustee Fees | \$4,875.00 | Paid in full on the Effective Date of the Plan or regular quarterly payment date |
| TOTAL | \$79,875.00 | |

2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by §507(a)(8) of the Code. Unless the holder of such a §507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The Debtor's estimated § 507(a)(8) priority tax claims are less than \$200 and will be paid in full on the Effective Date. .

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as an unsecured claim.

The following chart lists all classes containing Debtor's secured pre-petition claims and their proposed treatment under the Plan:

| Class # | Description | Insider? | Treatment |
|---------|-------------------|----------|--------------------------------------------|
| 2 | Secured claim of: | No | Monthly Pmt = at least \$100.00, which may |

| | | | |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>Cleveland County Treasurer</p> <p>Collateral description = Debtor's real property located in Cleveland County, Oklahoma</p> <p>[POC 3-7]</p> <p>Priority of lien =first</p> <p>Total claim = \$4,039.69</p> | | <p>be pre-paid</p> <p>Pmts Begin = 30 days after Effective Date</p> <p>Pmts End = no later than 60 months after Effective Date</p> <p>Interest rate %= determined by §511</p> <p>Treatment of Lien= all liens retained</p> |
| <p>3</p> | <p>Secured claim of: Mayes County Treasurer</p> <p>Collateral description =Debtor's real property known as Prairie Village Apartments located in Mayes County, Oklahoma</p> <p>[POC #1]</p> <p>Priority of lien =first</p> <p>Total claim = Approx. \$46,000.</p> | <p>No</p> | <p>Claim to be paid in full at closing of sale of property, with interest. If property is not sold within 6 months after Effective Date, then claim to be paid in monthly installments which may be pre-paid</p> <p>Pmts Begin = 180 days after Effective Date</p> <p>Pmts End = 60 months after Effective Date</p> <p>Interest rate %= determined by §511</p> <p>Treatment of Lien= all liens</p> |
| <p>4</p> | <p>Secured claim of: Oklahoma County Treasurer</p> <p>Collateral description = Debtor's real property located in Oklahoma County, Oklahoma</p> <p>[POC #9]</p> <p>Priority of lien =first</p> | <p>No</p> | <p>For the 12 months following the Effective Date, 20% of the net sale proceeds (after payment of taxes owing on the property to be sold) of any property securing a secured creditor in Classes 5-9 will be paid to delinquent taxes owed on that claimant's collateral.</p> <p>Thereafter, the balance will be paid in 48 equal monthly payments with accrued interest.</p> <p>Pmts Begin = 12 months days after</p> |

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| | Total claim = Approx. \$215,000 after post petition payments made to date. | | <p>Effective Date</p> <p>Pmts End = 60 months after Effective Date</p> <p>Interest rate %= determined by §511</p> <p>Treatment of Lien= all liens retained</p> |
| 5 | <p>Secured claim of: First Enterprise Bank</p> <p>Collateral description = Mortgage lien on 9 single family residential properties described in the Schedules.</p> <p>Priority of lien = first, subject to real estate taxes</p> <p>Total secured claim = Approx. \$395,000.</p> | No | <p>Existing loan documents and mortgages will remain and the allowed claim will be paid in monthly payments as set forth in its existing loan documents.</p> <p>Monthly payments of approximately \$2,201.</p> <p>Treatment of Lien= all liens retained</p> |
| 6 | <p>Secured claim of: InterBank</p> <p>Collateral description = Mortgage lien on 51 single family residences 9 residential duplexes 3 commercial properties described in the Schedules.</p> <p>Priority of lien = first, subject to real estate taxes</p> <p>Total secured claim after pay down from sale proceeds = Approx. \$6,400,000.</p> | No | <p>The Prairie Village Apartments property will be sold with net sale proceeds paid on the secured claim.</p> <p>The loan documents will be modified to provide for repayment of the Allowed Claim as to each property in equal monthly installments of interest only on the tenth day of each month following the Effective Date, for 6 months, and in principal and interest payments thereafter on the tenth day of each month calculated at 5% interest per annum over a 365/365 basis with an amortization period of 30 years.</p> <p>The final maturity date shall be the tenth anniversary of the Effective Date.</p> <p>Monthly Interest only payments of approximately \$27,000.</p> <p>Monthly P&I payments of approximately</p> |

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|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | \$36,000. |
| 7 | <p>Secured claim of: Kirkpatrick Bank</p> <p>Collateral description = Mortgage lien on 10 properties described in the Schedules.</p> <p>Priority of lien = first, subject to real estate taxes</p> <p>Total secured claim = Approx. \$700,000.</p> | No | <p>The Allowed Claim of Kirkpatrick Bank will remain secured by the existing loan documents, mortgages, liens and security interest and the allowed secured claim will be paid in monthly payments as set forth in its existing loan documents.</p> <p>Treatment of Lien= all liens retained</p> <p>Monthly payments of approximately \$4,712.</p> |
| 8 | <p>Secured claim of: OneWest Bank, FSB</p> <p>Collateral description = Mortgage lien on following properties:</p> <p>8.1=709 Red Oak Terr 8.2= 8301 Willow Creek 8.3=6308 S. Broadway</p> <p>Priority of lien = first, subject to real estate taxes, in each property for amount secured by such property</p> <p>Total secured claim = Approx.= 278,000.</p> | No | <p>The Allowed Claim of OneWest Bank, FSB as to each property will remain secured by the existing loan documents, mortgages, liens and security interest.</p> <p>The loan documents will be modified to provide for repayment of the Allowed Claim as to each property in equal monthly installments of principal and interest calculated at 5% interest per annum over a 365/365 basis with an amortization period of 30 years. The maturity date shall be the tenth anniversary of the Effective Date.</p> <p>Monthly payments of approximately \$1,491.</p> |
| 9 | <p>Secured claim of: Quail Creek Bank</p> <p>Collateral description = Mortgage lien on 25 properties described in Schedules.</p> <p>Priority of lien = first,</p> | No | <p>The Allowed Claim of Quail Creek Bank as to each property will remain secured by the existing loan documents, mortgages, liens and security interest.</p> <p>The loan documents will be modified to provide for repayment of the Allowed Claim as to each property in equal monthly installments of principal and interest</p> |

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| | <p>subject to real estate taxes.</p> <p>Total secured claim = Approx. \$1,708,000.</p> | | <p>calculated at 5% interest per annum over a 365/365 basis with an amortization period of 30 years. The maturity date shall be the tenth anniversary of the Effective Date.</p> <p>Monthly payments of approximately \$9,170.</p> |
| 10 | <p>Secured claim of: Seterus, Inc.</p> <p>Collateral description = Mortgage lien on property at 2143 NW 50th OKC OK</p> <p>Priority of lien = first, subject to real estate taxes,</p> <p>Total secured claim Approx. \$66,500.</p> | No | <p>The Allowed Secured Claim of Seterus, Inc. will remain secured by the existing loan documents, mortgage, liens and security interest.</p> <p>The loan documents will be modified to provide for repayment of the Allowed Claim in equal monthly installments of principal and interest calculated at 5% interest per annum over a 365/365 basis with an amortization period of 30 years. The maturity date shall be the tenth anniversary of the Effective Date.</p> <p>Monthly payments of approximately \$357.</p> |
| 11 | <p>Secured claim of: Sooner State Bank</p> <p>Collateral description = Mortgage lien on 4 properties described in Schedules</p> <p>Priority of lien = first, subject to real estate taxes, in each property for amount secured by such property</p> <p>Total secured claim Approx. \$70,000.</p> | No | <p>The Allowed Claim of Sooner State Bank, as to each property will remain secured by the existing loan documents, mortgages, liens and security interest.</p> <p>The loan documents will be modified to provide for repayment of the Allowed Claim as to each property in equal monthly installments of principal and interest calculated at 5% interest per annum over a 365/365 basis with an amortization period of 30 years. The maturity date shall be the tenth anniversary of the Effective Date.</p> <p>Monthly payments of approximately \$375.</p> |
| 12 | <p>Secured Claim of: Suntrust Mortgage, Inc.</p> <p>Collateral description =</p> | No | <p>The Allowed Secured Claim of Suntrust Mortgage, Inc., as to each property will remain secured by the existing loan documents, mortgages, liens and security</p> |

| | | | |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>Mortgage lien on 4 properties described as follows: 12.1=2501 Kathy Ct 12.2=7713 Embassy Terr 12.3=1816 Zion Place 12.4=12713 Meadows</p> <p>Priority of lien = first, subject to real estate taxes, in each property for amount secured by such property</p> <p>Total secured claim Approx. \$319,000.</p> | | <p>interest.</p> <p>The loan documents will be modified to provide for repayment of the Allowed Claim as to each property in equal monthly installments of principal and interest Cited at 5% interest per annum over a 365/365 basis with an amortization period of 30 years. The maturity date shall be the tenth anniversary of the Effective Date.</p> <p>Monthly payments of approximately \$1,715.</p> |
| 13 | <p>Secured Claim of: Federal National Mortgage Association, as assignee of Suntrust Mortgage, Inc.</p> <p>Collateral description = Mortgage lien on property described as 2625 NW 25th St., OKC OK</p> <p>Priority of lien = first, subject to real estate taxes</p> <p>Total secured claim Approx. \$107,500.</p> | No | <p>The Allowed Secured Claim of Federal National Mortgage Association, will remain secured by the existing loan documents, mortgage, liens and security interest.</p> <p>The loan documents will be modified to provide for repayment of the Allowed Secured Claim in equal monthly installments of principal and interest Cited at 5% interest per annum over a 365/365 basis with an amortization period of 30 years. The maturity date shall be the tenth anniversary of the Effective Date.</p> <p>Monthly payments of approximately \$577.</p> |

2. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the Effective Date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

The Debtor is unaware of any claims in this class. If any claim is allowed in this class, they will be paid in full on the Effective Date or as otherwise may be agreed between such claimant and the Debtor.

3. Class of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 11 which contains general unsecured claims against the Debtor:

| Class # | Description | Insider? | Treatment |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14 | <p>Unsecured claim of: First Enterprise Bank</p> <p>Collateral description = Mortgage lien on 24 non-debtor properties</p> <p>Total claim = Approx. \$1,300,000</p> | No | <p>Priority of lien on non-debtor properties= first, subject to real estate taxes.</p> <p>Unsecured claim to remain secured by non-debtor properties and to be repaid from rents on such properties in equal monthly installments of principal and interest calculated at 5% interest per annum over a 365/365 basis with an amortization period of 30 years. The maturity date shall be the tenth anniversary of the Effective Date.</p> |
| 15 | <p>Unsecured claim of: InterBank</p> <p>Estimated Unsecured claim = ZERO.</p> | No | <p>If InterBank has an unsecured claim, it will be repaid in 120 equal monthly installments commencing 10 days after the Effective Date with interest at the rate allowed on judgments entered in the federal courts under 28 U.S.C. §1961.</p> |
| 16 | <p>Unsecured claim of: Kirkpatrick Bank</p> <p>Collateral description = Mortgage lien on 110 non-debtor properties.</p> <p>Priority of lien = first, subject to real estate taxes</p> <p>Total unsecured claim =</p> | No | <p>Priority of lien on non-debtor properties= first, subject to real estate taxes.</p> <p>Existing loan documents and mortgages will remain and the allowed secured claim will be paid in monthly payments as set forth in its existing loan documents.</p> <p>Treatment of Lien= all liens retained.</p> |

| | | | |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Approx. \$4,900,000 | | |
| 17 | <p>Unsecured claim of: Quail Creek Bank</p> <p>Collateral description = Mortgage lien on 66 non-debtor properties.</p> <p>Priority of lien = first, subject to real estate taxes.</p> <p>Total claim = Approx. \$1,954,000.</p> | No | <p>Priority of lien on non-debtor properties= first, subject to real estate taxes.</p> <p>The Allowed Unsecured Claim of Quail Creed Bank, as to each property will remain secured by the existing loan documents, mortgage, liens and security interest.</p> <p>The loan documents will be modified to provide for repayment of the Allowed Claim as to each property in equal monthly installments of principal and interest Cited at 5% interest per annum over a 365/365 basis with an amortization period of 30 years. The maturity date shall be the tenth anniversary of the Effective Date.</p> |
| 18 | <p>Unsecured claim of: Sooner State Bank</p> <p>Collateral description = Mortgage lien on 5 non- debtor properties.</p> <p>Priority of lien = first, subject to real estate taxes.</p> <p>Total claim = Approx. 182,000.</p> | No | <p>Priority of lien on non-debtor properties= first, subject to real estate taxes.</p> <p>The Allowed Unsecured Claim of Sooner State Bank, as to each property will remain secured by the existing loan documents, mortgage, liens and security interest.</p> <p>The loan documents will be modified to provide for repayment of the Allowed Claim as to each property in equal monthly installments of principal and interest Cited at 5% interest per annum over a 365/365 basis with an amortization period of 30 years. The maturity date shall be the tenth anniversary of the Effective Date.</p> |
| 19 | General Unsecured Class | | Paid in full in 60 equal monthly installments with interest at the rate allowed on judgments entered in the federal courts under 28 U.S.C. §1961. |

4. Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a limited liability company ("LLC"), the equity interest holders are the members.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

| Class # | Description | Impairment | Treatment |
|---------|-------------------------|------------|-------------------------------------|
| 20 | Equity Interest holders | Impaired | Equity Interests shall be retained. |

D. Means of Implementing the Plan

1. Source of Payments; Establishment of Plan Fund

Payments and distributions under the Plan will be funded by the following:

Rents, issues and profits of the property of the Debtor;

Rents, issues and profits of the property of Charlemagne of Oklahoma LLC, an affiliate of the Debtor;

Rents, issues and profits of property of the members or affiliates of the Debtor; and

Contributions by the members of the Debtor.

2. Post-confirmation Management

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

| Name | Affiliations | Insider? | Position | Compensation |
|-----------------------------|-----------------------|----------|----------------------|-----------------------------------------|
| Steve Murry | Member of Sole Member | yes | Manager | None separate from Management Agreement |
| Stacy Murry | Member of Sole Member | yes | Manager | None separate from Management Agreement |
| Houses For Rent of OKC, LLC | common ownership | yes | Management Agreement | None separate from Management Agreement |

E. Risk Factors

The proposed Plan has the following risks:

All general economic conditions including economic downturn or recession will likely continue to impact the values of real estate, income of tenants and ability to lease or sell properties;

Excessive vacancies, turnover, evictions and non-paying tenants;

The occurrence of health problems or death of the managers or insiders; and

The financial condition of Charlemagne of Oklahoma, LLC or affiliates of the Debtor, including the possibility of a secured creditor of such affiliates taking adverse action against such entities or the members/managers of the Debtor.

F. Executory Contracts and Unexpired Leases

All unexpired tenant leases and the Management Agreement with Houses for Rent of OKC, LLC, will be assumed by the Debtor under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. Other than the unsecured claim of Houses For Rent of OKC, LLC which will be treated under Class 11, the Debtor does not believe there are any amounts necessary to cure and compensate the other party to any such contract or lease for any defaults.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are listed in **Exhibit C** will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is the later of October 14, 2011 or 30 days after entry of an Order rejecting the executor contract . Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

The following are the anticipated tax consequences of the Plan:

- (1) Tax consequences to the Debtor of the Plan;

There Debtor does not believe it will incur any negative tax consequence from the Plan, however, upon the liquidation of properties, the Debtor may incur income tax on the gain from any sale.

- (2) General tax consequences on creditors of any discharge, and the general tax consequences of receipt of plan consideration after confirmation.

As the plan provides for the payment in ful of all claims, there should not be any consequences from the discharge of debts. Creditor's that receive interest on their claim as provided in the plan may have to realize that as income. Please contact your tax adviser for the specific impact the Plan may have on you.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that all classes are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

1. What Is an Allowed Claim or an Allowed Equity Interest?

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either

(1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was June 15, 2012.

2. What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is impaired under the Plan. As provided in §1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. Who is Not Entitled to Vote

The holders of the following five types of claims and equity interests are not entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan.

4. Who Can Vote in More Than One Class

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section B.2.

1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half ($\frac{1}{2}$) in number of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds ($\frac{2}{3}$) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds ($\frac{2}{3}$) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation.

The Debtor has examined the potential recoveries to creditors in liquidation pursuant to the provisions of Chapter 7. The Debtor believes that the recoveries under the Plan are greater than under a Chapter 7 liquidation. Based on various legal assumptions regarding the allowance of claims, the Debtor estimates that a recovery to unsecured creditors would be zero in a Chapter 7 liquidation.

The Debtor believes that the recovery under the proposed Plan provides a significantly greater recovery to secured and unsecured creditors. The Debtor's plan would provide a recovery to secured creditors equal to 100% over time and to unsecured creditors of approximately 100%, based upon the scheduled unsecured claims. The Debtor estimates that

distributions to unsecured creditors in a hypothetical Chapter 7 case would be zero. A Chapter 7 trustee would incur significant costs which would duplicate costs already incurred, and the lack of knowledge regarding the assets and potential recoveries would impair a Chapter 7 trustee from achieving proceeds comparable to those which could be generated pursuant to a plan involving the rehabilitation of assets, continued operation of the Debtor's business and distribution of the current and future cash proceeds.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. Ability to Initially Fund Plan

The Plan Proponent believes that the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

2. Ability to Make Future Plan Payments And Operate Without Further Reorganization

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections are listed in **Exhibit D**.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

Discharge. On the Effective Date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the Effective Date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the Effective Date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan. The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

PLAN PROPONENT:

SOUTHERN OAKS OF OKLAHOMA,
LLC., an Oklahoma limited liability
company

By Brookeman Perry, LLC, SOLE
MEMBER / MANAGER

/s/ STEVE MURRY
Steve Murry, Manager

ATTORNEY FOR THE
PLAN PROPONENT:

/s/ RUSTON C. WELCH
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EXHIBITS

Exhibit A - Copy of Proposed Plan of Reorganization

Exhibit B - Most Recently Filed Post Petition Operating Report

Exhibit C - List of Executory Contracts to be Rejected

Exhibit D - Pro-Forma of Cash Flow and Earnings for Post-Confirmation Period