

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
GALVESTON DIVISION**

**IN RE:
SPARKLEBERRY EB, LLC**

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CASE NO. 10-80395-H3-11

**DEBTOR'S COMBINED
PLAN AND DISCLOSURE STATEMENT**

THIS COMBINED PLAN AND DISCLOSURE STATEMENT IS SUBMITTED TO ALL CREDITORS OF THE DEBTOR, ENTITLED TO VOTE ON THE PLAN OF REORGANIZATION HEREIN DESCRIBED AND CONTAINS INFORMATION THAT MAY AFFECT YOUR DECISION TO ACCEPT OR REJECT THE DEBTOR'S PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE. THIS COMBINED PLAN AND DISCLOSURE STATEMENT IS INTENDED TO PROVIDE ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE AS TO THE DEBTOR'S PLAN OF REORGANIZATION. ALL CREDITORS AND INTEREST HOLDERS ARE URGED TO READ THE COMBINED PLAN AND DISCLOSURE STATEMENT WITH CARE.

THE DISCLOSURE STATEMENT HAS BEEN TENTATIVELY APPROVED BY COURT ORDER DATED _____, A COPY OF WHICH IS INCLUDED HEREIN. THE PLAN HAS NOT YET BEEN APPROVED BY THE COURT. CREDITORS HAVE THE RIGHT TO OBJECT TO THIS DISCLOSURE STATEMENT AS NOT CONTAINING ADEQUATE INFORMATION AS REQUIRED UNDER SECTION 1125(b).

Sparkleberry EB, LLC is a limited liability company organized under the laws of the State of Texas for the purpose of development land on Galveston East Beach ("Sparkleberry"). Sparkleberry is owned by a STN 2002, LLC. The officers of the company are Arnold C. Tauch, President, Richard Anderson, Vice President and Jack C. Moss, Sec./Treas.

Sparkleberry filed for Chapter 11 bankruptcy protection on July 5, 2010. Sparkleberry owns approximately 15 acres of raw land on East Beach in Galveston, Texas.

After the filing of the bankruptcy petition, Sparkleberry was authorized to continue in business under the protection of the Bankruptcy Code and to attempt to work out an arrangement with Creditors on a plan for payment of its debt. This document explains how Sparkleberry

proposes to pay Creditors and remain in business. If the Bankruptcy Court approves this plan, Creditors rights to collect their debt will be limited by federal law (the Bankruptcy Code). If the plan is approved, Creditors will only be allowed to collect their debt from Sparkleberry as provided in this document. All information contained in this combined Disclosure Statement and Plan has come from the books and records of the Debtor. The Debtor keeps its books on a cash basis.

1. Why Did Sparkleberry File this Bankruptcy Case?

Sparkleberry had a loan with Whitney Bank, N.A. secured by virtually all of its property. This loan was fully matured on the date this case was filed. The Debtor's real property was posted for foreclosure in July 2010 and this case was entered to preserve the equity in the property for the benefit of the members of the LLC. The only creditors other than Whitney Bank, N.A. are the ad valorem tax claimants and a law firm, McLeod Alexander Powel & Apffel, P.C.

2. What Has Happened Since The Bankruptcy Case Was Filed?

Sparkleberry has attempted unsuccessfully to market the real property and has filed its *Expedited Motion To Employ United Country Jones Swenson Auction Marketing as Auctioneer, To Approve Bid Procedures and Scheduling of Auction, To Approve Auction Purchase and Sale Agreement, To Authorize Sale of Real Property Free and Clear Of Liens, Claims and Encumbrances and To Set A Hearing To Approve The Sale After The Auction* (the "Auction Motion"). The Auction Motion envisions an auction of the Real Property on November 17, 2010.

3. How does Sparkleberry Propose to Repay Its Debts?

- A. Secured Debt- Sparkleberry owes Whitney Bank or its successors and assigns approximately \$3,710,620.37 including all accrued interest, fees and other reasonable costs incurred by Whitney Bank. This debt shall be paid in full from the proceeds of the Auction. Whitney Bank is a qualified bidder for the auction and may submit a credit bid up to the amount of its secured claim.

Sparkleberry also owes approximately \$115,019.22 in advalorem taxes for 2008 and 2009 tax years. There will be additional taxes pro rated at closing of the auction for 2010. All of the ad valorem taxes will be paid from the proceeds of the auction provided the buyer is not Whitney Bank with a credit bid. If Whitney Bank is the buyer with a credit bid, then it will have the option of either paying these taxes in cash at the closing or taking the property subject to the claims of the advalorem tax claimants.

- B. Unsecured Debt - Sparkleberry owes a single unsecured claim in the amount of \$38,183.22 to McLeod, Alexander, Powel & Apffel, P.C. This claim shall be

paid from the Auction Proceeds only after payment in full of all secured claims and costs of the sale.

C. Litigation – Sparkleberry has no ongoing litigation and does not anticipate any.

4. Creditors Divided into Classes.

The Bankruptcy Code requires Sparkleberry to divide creditors into classes. That is, creditors with similar legal rights are put into the same class. All creditors and the classes they are in are shown in paragraph 9 of this document.

5. Creditors Have the Right to Vote on the Plan.

After reading this plan and disclosure statement, Creditors will have the right to vote on whether the Bankruptcy Code should confirm this plan. Each creditor should read this combined plan and disclosure statement carefully, discuss it with a lawyer, and then fill out the ballot that is attached. Sparkleberry will assemble the ballots and report to the Bankruptcy Judge on at least two days before _____. The Court will conduct the “Confirmation Hearing” in this case to decide whether to confirm the plan on _____, 2010 at _____.m. at the Bankruptcy Court, 515 Rusk, Courtroom 403, 4th Floor, Houston, Texas 77002.

6. Creditors Also Have the Right to Object to this Disclosure Statement and Creditors Have the Right to Object to the Confirmation of the Plan.

If a creditor believes this combined plan and disclosure statement does not contain sufficient information to decide whether to vote for or against the plan, the Creditor may file a written objection with the Bankruptcy Court. If a creditor believes that the plan does not meet the requirements of the Bankruptcy Code, the creditor may file a written objection with the Bankruptcy Court. The deadline for objections has been set for _____.

7. The Court May Approve this Plan and limit Creditor’s Legal Rights.

The Court will consider only written objections that are timely filed and ballots that are timely filed. If no objections are filed (or if all objections are overruled by the Court) and at least one class of creditors accepts the plan, the Court may approve the plan. If the Court approves the plan, all creditors will be bound, even if a Creditor did not vote and even if a creditor voted against the plan. This means that a Creditor will not be allowed to collect its claim against Sparkleberry except as provided in the Plan.

8. How Does a Class “Accept” the Plan?

Each class is considered separately. Only the creditors who vote are counted. The Court will conclude that the class “accepts” the Plan if two requirements are met:

More than 50% of the voting creditors vote in favor of the plan; and,

Those creditors voting in favor of the plan hold at least 2/3 of the total amount of the debt that is voted.

9. Which Class are you as a Creditor in, and How Does Sparkleberry Propose to Pay the Class Under the Plan?

The following is a list of Sparkleberry’s creditors and how Sparkleberry proposes to pay them under the Plan:

Class 1: Secured – Whitney Bank, N.A.

This class is comprised of the claim of Whitney Bank secured with validly perfected liens on virtually all of the Debtor’s property, including the real property located on East Beach in Galveston County, TX. This class is impaired.

Class 2: Advalorem Tax Claimants

This class is comprised of the claims of all taxing authorities owed property taxes by the Debtor that are secured by a valid statutory lien on the Debtor’s real property located on East Beach in Galveston County, TX. This class is impaired.

Class 3: Unsecured Claims

This class is comprised of the unsecured claims of the Debtor. The only claimant in this class is McLeod, Alexander, Powel & Apffel, P.C. This class is impaired.

Class 4: Members

The remaining class are the members of the Sparkleberry. They will retain their ownership of the company and enjoy a return for their investment only if funds exist after full satisfaction of the Class 1 debt. This class is unimpaired.

10. What if a Creditor is not Listed in Paragraph 9 above?

Paragraph 9 lists all creditors who will have an allowed claim. All claims that Sparkleberry agrees to pay (or that are disputed) are listed in paragraph 9.

11. How Does Sparkleberry Propose to Remit its Payments to its Creditors.

The Plan envisions the sale of the sole asset of Sparkleberry through an auction process. The Sale pursuant to the auction would close in a Title Company. The Title Company would pay all secured claims of the Debtor because they would be an encumbrance on the property that was being sold. However, any proceeds of the sale that remains after payment of all secured claims and all costs of sale would be remitted to Sparkleberry. Sparkleberry, in turn, would pay the claims of the Unsecured Class and the Member Class as provided herein.

12. How Does Sparkleberry Propose to Pay its Administrative Expenses and Fee Claims Under the Plan?

As of the date of confirmation, Sparkleberry anticipates that it will owe administrative professional fees to the US Trustee. The US Trustee's fees will be paid as incurred until the case is closed. Each person/professional asserting a fee claim for services rendered or expenses incurred during Sparkleberry's Chapter 11 proceeding shall file with the Bankruptcy Court, and serve on the U.S. Trustee, Sparkleberry and its counsel, a fee application within 45 days after confirmation of Sparkleberry's plan.

Unless otherwise agreed by the holder of an administrative claim and his professionals shall receive from Sparkleberry the amount of its allowed claim payable within 10 days of on the latter of 15 days after confirmation of the plan or after the Bankruptcy Court's approval of their respective fee applications and if a refund is owing to Sparkleberry, then the claimant agrees to refund such amounts within 10 days after the approval of its final fee application.

13. Does Sparkleberry intend to assume its executory contracts/leases?

Sparkleberry has no executory contracts or leases.

14. Will Sparkleberry Continue to File Operating Reports with the Court after Confirmation?

Yes, Sparkleberry shall continue to file operating reports with the Court until the entry of a final decree closing its case. Sparkleberry shall also continue to pay any and all U.S. Trustee fees imposed under the Bankruptcy Code as and when such fees become due until a final decree is entered in its case.

The Reorganized Debtor shall timely pay on the Effective Date all pre- confirmation quarterly fees owed to the United States Trustee. The Reorganized Debtor also shall timely pay post-confirmation quarterly fees assessed under 28 U.S.C. § 1930(0)(6) until such time as the Bankruptcy Court enters a final decree closing this chapter 11 case, or enters an order either converting this case to a case under chapter 7 or dismissing this case. After confirmation, the Reorganized Debtor shall timely file with the Bankruptcy Court and, shall transmit to the United States Trustee, a true and correct statement of all disbursements for each quarter, or portion thereof, that this chapter 11 case remains open in a format prescribed. by the United States Trustee.

15. What to Do for More Information?

Creditors should talk to a lawyer about their rights and the responsibility in this case. Creditors should have their lawyers call the lawyer for the Debtor. The Debtor's lawyer is: Barbara Rogers, Rogers & Anderson, PLLC, 1415 N. Loop West, Suite 1020, Houston, Texas 77008, telephone: (713) 868-4411, facsimile: (713) 868-4413.

If a creditor does not have a lawyer, but still wants more information, that creditor can call the Debtor's lawyer directly. HOWEVER, REMEMBER THAT THE DEBTOR'S LAWYER CANNOT GIVE CREDITORS LEGAL OR FINANCIAL ADVICE BECAUSE THE DEBTOR'S LAWYER REPRESENTS THE DEBTOR NOT CREDITORS.

16. How Much Does Sparkleberry Propose to Pay Creditors?

See paragraph 9 above.

17. Does Sparkleberry Have Enough Money and Earning to Make the Payments Called for in the Plan?

Yes. This will be accomplished with cash flow.

18. Are there any alternatives to the plan?

There are two alternatives, liquidation or dismissal.

19. Is There Any Risk That the Plan Might Not Succeed?

Yes. If Sparkleberry is unable to successfully auction its property for an amount of money sufficient to pay Whitney Bank, then the Plan will not succeed, and, in all likelihood, will be followed by a liquidation that will not result in any parties in interest being paid except for Whitney Bank and the Ad Valorem Tax Claimants.

20. Are There Any Tax Effects of this Plan?

Sparkleberry suffers no tax effects. Creditors should consult their own tax advisors.

21. Please Vote for this Plan.

Sparkleberry asks that the Creditors vote in favor of this plan because it will allow Sparkleberry to pay all of its creditors in full and still stay in business. Sparkleberry thinks that is more than the creditors will receive if the plan is not confirmed.

REMEMBER THAT THE DEADLINE FOR BALLOTS IS _____.

Mail your ballot to: Barbara M. Rogers
Rogers & Anderson, PLLC
1415 N. Loop West, Suite 1020
Houston, Texas 77008

22. Vesting of Property in the Reorganized Debtor.

On the Effective Date, all property of Sparkleberry shall vest in the Reorganized Debtor free and clear of all liens, claims, interests, and charges arising on or before the confirmation of the Plan, except as provided in this Plan or in the continuation order, on the condition that the Reorganized Debtor comply with the terms of the Plan, including the making of all payments to creditors provided for in this Plan. If the Reorganized Debtor defaults in performing under the provisions of this Plan and this case is converted to a case under Chapter 7 prior to substantial consummation of this Plan, all property vested in the Reorganized Debtor and all subsequently acquired property owed as of or after the conversion date shall re-vest and constitute property of the bankruptcy estate in the converted case.

23. Effective Date.

The Effective Date of the Plan shall be the date of confirmation of the Plan.

Sparkleberry EB, Inc.

By: Jack Moss, Sec/Treas

Rogers & Anderson, PLLC

/s/ Barbara M. Rogers

Barbara M. Rogers

SBN 17163200

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Houston, Texas 77008

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COUNSEL FOR DEBTOR