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COUNSEL FOR THE DEBTOR

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

In re:	§	
	§	**CASE NO. 11-30444-HDH-11**
PRM SMITH BAY, LLC,	§	
	§	**CHAPTER 11**
Debtor.	§	

DISCLOSURE STATEMENT

TO: Creditors and Equity Owners of PRM Smith Bay, LLC ("Smith Bay" or "Debtor")

Contained in the packet of documents that has been sent to you by Smith Bay is the Disclosure Statement (the "Disclosure Statement"), the Plan of Reorganization (the "Plan"), the Ballot for Voting on the Plan of Reorganization (the "Ballot") and the Order Approving Disclosure Statement and Fixing Time for Filing Acceptance or Rejection of Plan, Combined with Notice Thereof. Please read all of these materials carefully. Please note that in order for your vote to be counted, you must 1) include your name and address, 2) fill in, date, and sign the enclosed Ballot and 3) return it to the attorney for Debtor by the date and time specified on the Ballot.

ARTICLE I - INTRODUCTORY STATEMENT

Smith Bay has filed contemporaneous hereto with the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "Bankruptcy Court") its Plan in the above-captioned case (the "Bankruptcy Case"). Pursuant to the terms of the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "Bankruptcy Code") this Disclosure Statement has been approved by the Bankruptcy Court. Such approval is required by statute and will not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or as to the value or suitability of any consideration offered thereby.

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

A. DISCLAIMERS

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

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

THE SOURCE OF INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS THE DEBTOR OR ITS AGENTS AND EMPLOYEES AND HAS NOT BEEN SUBJECT TO AN AUDIT UNLESS OTHERWISE SPECIFICALLY NOTED. THE STATEMENTS MADE HEREIN LIKEWISE HAVE NOT BEEN VERIFIED BY DEBTOR'S COUNSEL, ALTHOUGH AN ATTEMPT HAS BEEN MADE TO BE CONSERVATIVE AND REALISTIC. NEITHER DEBTOR NOR ITS COUNSEL REPRESENT OR WARRANT THE ACCURACY OF DISCUSSIONS CONTAINED HEREIN REGARDING EVENTS.

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

IF ANY IMPAIRED CLASS VOTES TO ACCEPT THE PLAN, BUT NOT ALL CLASSES ACCEPT THE PLAN, DEBTOR WILL SEEK CONFIRMATION UNDER THE CRAM DOWN PROVISION OF § 1129(B) OF THE BANKRUPTCY CODE AND HEREBY GIVES NOTICE OF INTENT TO INVOKE THE CRAM DOWN PROVISIONS OF § 1129(B) IN THAT EVENT.

B. BRIEF EXPLANATION OF CHAPTER 11

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

Under Chapter 11, a debtor attempts to reorganize its business for the benefit of the debtor, its creditors, and equity security holders in the formulation of a plan of reorganization. For the first 120 days after the filing of a Chapter 11 bankruptcy petition, the debtor is the only party who may file a plan of reorganization in the bankruptcy case, which is generally referred to as "exclusivity." Once exclusivity ends, any party in interest may file a plan of reorganization. The legal requirements for court approval, called "confirmation," of a plan are discussed on Pages 4-5 of this Disclosure Statement.

C. THIS DISCLOSURE STATEMENT

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

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

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

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

Bankruptcy Court Approval of this Disclosure Statement. After a hearing on notice, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind in sufficient detail, adequate to enable a hypothetical, reasonable investor typical of the Classes being solicited to make an informed judgment about the Plan.

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

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

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

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

Gerrit M. Pronske
Pronske & Patel, P.C.
2200 Ross Avenue, Suite 5350
Dallas, TX 75201
FAX 214.658.6509
email: smeiners@pronskepatel.com

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

The Bankruptcy Court has fixed _____ as the last date by which Ballots must be served on counsel for Debtor. Except to the extent allowed by the Bankruptcy Court, Ballots that are received after such time will not be counted. Ballots of holders of impaired Claims received pursuant to this solicitation and which are signed but are not expressly voted for acceptance or rejection of the Plan will be not counted. A Ballot accepting the Plan may not be revoked, except by a Final Order of the Bankruptcy Court.

ARTICLE II – BANKRUPTCY SUMMARY

A. HISTORY OF THE DEBTOR

Debtor is a Delaware limited liability company formed in May 2004 for the purpose of holding an undeveloped 7.5 acre parcel of land on St. Thomas in the United States Virgin Islands known as Cabes Point (the "Property"). PRM Realty Group, LLC, a chapter 11 debtor in possession before this Court, is the 100% owner and manager of Debtor.

B. EVENTS LEADING UP BANKRUPTCY

On May 24, 2005, Debtor acquired the Property from Aimery and Leslie Caron pursuant to an Option Agreement dated August 29, 2002 for a purchase price of $1,200,000.00.

On October 23, 2007, FirstBank agreed to loan $2,600,000 to the Debtor, whereby FirstBank received a first lien mortgage against the Property, Debtor agreed to make monthly interest only payments equal to the Prime Rate on October 23, 2007 plus fifty (50) basis points for an effective rate of over an eighteen (18) month term.

On April 21, 2009, FirstBank and the Debtor agreed to amend the terms of the loan such that the interest rate was fixed at 7.5%, the maturity date was extended for five (5) years, the principal amount of the note was reduced to $2,360,000.00 and the Debtor agreed to make monthly payments of principal and interest equaling $28,013.82.

On July 29, 2009, the Debtor sent a letter to FirstBank requesting forbearance on the loan due to the collapse of the real estate and capital markets in the United States and in the USVI. The Debtor and FirstBank negotiated a modification of the loan from August 2009 to November 2009. The negotiations were ultimately unsuccessful and FirstBank filed a foreclosure action against the Debtor in the United States District Court for the District of Virgin Islands on February 2, 2010, Case Number 10-00015.

Modification discussions resumed in April 2010 and continued until January 19, 2011, whereby the foreclosure action was tolled. On January 19, 2011, the Debtor received notice that FirstBank intended to resume its prosecution of the foreclosure action.

On January 20, 2011 (the "Petition Date"), Debtor filed its Voluntary Petition for protection under Chapter 11 of the Bankruptcy Code in order to use the tools and procedures provided in bankruptcy to reorganize its business.

FirstBank Position in the Property. FirstBank holds a first lien against the Property to secure its indebtedness under a Promissory Note dated October 23, 2007 and amended April 21, 2009 (the "FirstBank Note").

C. ASSETS AND LIABILITIES AT THE TIME OF THE FILING

Attached hereto as **Exhibit A** is a Summary of Debtor's Schedules reflecting Debtor's estimation of its assets and liabilities as of January 20, 2011. Complete copies of Debtor's Schedules are available upon written request submitted to legal counsel for the Debtor via either facsimile at (214) 658-6509 or via email at smeiners@pronskepatel.com.

D. SIGNIFICANT EVENTS IN CHAPTER 11

Initial § 341 Meeting of Creditors. On February 22, 2011, the initial meeting of creditors was held and concluded pursuant to 11 U.S.C. § 341.

Employment of Legal Counsel. On April 5, 2011, the Court entered its order approving Smith Bay's application to employ the law firm of Pronske & Patel, P.C. as counsel for Smith Bay after a hearing conducted on the application on March 30, 2011.

Post-Petition Operations of Debtor. Each of the Debtor's Monthly Operating Reports reflecting post-petition operations through March 31, 2010 are attached hereto as **Exhibit B** and incorporated by reference herein.

ARTICLE III - SUMMARY OF THE PLAN

A. OVERVIEW OF THE PLAN

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

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

B. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

Debtor reserves all rights to object to any and all claims, Liens, and Interests filed or asserted against Debtor or Debtor's Property or property interests notwithstanding any discussion or treatment herein or in the Plan. Debtor estimates that the aggregate allowed claims against Debtor's estate will be as follows:

Class	Claims	Number	Estimated Allowed Amount

Class	Claims	Number	Estimated Allowed Amount
1	Administrative Claims (other than ordinary course)	1	Approximately $24,800.00
2	Priority Tax Claims	1	$12,987.00
3	Secured Claim of FirstBank	1	$2,569,271.00
4	General Unsecured Claims	32	$187,091.63
5	Equity Interests	1	$Unknown

The Plan classifies and treats various classes of Creditors of Debtor's Estate. The following is a summary of classification and treatment of Creditors' Claims under the Plan:

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

CLASS 1: ADMINISTRATIVE CLAIMS

Class 1 Administrative Claims consist of any claim for payment of any cost or expense of administration of the Bankruptcy Case entitled to priority in accordance with §§ 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, any actual and necessary expenses of preserving Debtor's Estate and operating its business from and after the Petition Date to and including the Confirmation Date and all allowances of compensation and reimbursement approved by the Bankruptcy Court in accordance with the Bankruptcy Code and any fees or charges assessed against Debtor's Estate under the Bankruptcy Code. Except to the extent that the Holder of an Administrative Claim may otherwise agree in writing, Administrative Claims that are Allowed Claims prior to the Effective Date of the Plan shall be paid in full on or before the Effective Date of the Plan. Administrative Claims that become Allowed Claims after the Effective Date of the Plan shall be paid in full in cash on or before fourteen (14) business days following the date the Administrative Claim becomes an Allowed Claim by Final Order of the Bankruptcy Court. For purposes of payment of Administrative Claims, any administrative claimant desiring to be paid under the Plan must file an application for allowance of Administrative Claim on or before thirty (30) days after the entry of an Order confirming the Plan or such Claimant shall be barred from asserting an Administrative Claim.

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

Type	Estimated Allowed Amount	Proposed Treatment
Expenses arising in the ordinary course of business after the Petition Date	$unknown	Paid in full on the Effective Date or according to terms of obligation, if later
Professional Fees of Counsel for the Debtor (subject to Court approval)	$24,800.00	Paid on full on the Effective Date or according to separate written agreement

Office of the United States Trustee Fees	$650.00	Paid in full on the Effective Date

CLASS 2: PRIORITY TAX CLAIMS

Class 2 Priority Tax Claims consist of any claim that is entitled to priority in payment under § 507(a)(8) of the Bankruptcy Code. Priority Tax Claims shall be paid by the Reorganized Debtor, up to the Allowed amount of such Claim, plus interest at the rate of 4.5% per annum accrued thereon on a quarterly basis on October 1, January 1, April 1 and July 1 of each year over a period not exceeding six (6) years after the date of assessment of the Claims, as provided in § 1129(a)(9)(C) of the Bankruptcy Code, commencing after the first full quarter following the Effective Date.

CLASS 3: SECURED CLAIM OF FIRSTBANK

The Class 3 Claim of FirstBank shall be treated as a fully Secured Claim in an amount to be determined by the Bankruptcy Court pursuant to 11 U.S.C. § 506(b) at the Confirmation Hearing, or as otherwise agreed to prior to such hearing by the Debtor and FirstBank. The Class 3 Claim of FirstBank shall be treated as follows. The existing loan documents between the Debtor and FirstBank shall be assumed fully by the Reorganized Debtor with the following exceptions: a) the maturity date of the loan shall be five (5) years from the Effective Date; b) interest shall accrue at the rate of six percent (6%) per annum. The Reorganized Debtor reserves the right to lease the Property in order to raise sufficient capital to make the required interest payments. In the alternative, the Reorganized Debtor shall make the monthly interest payments from funds raised in conjunction with the PRM Realty Group, LLC and Peter R. Morris bankruptcy cases. The Claim, plus any accrued but unpaid interest on such Claim, shall be due and payable in full on the maturity date.

(i) Payment of Lender Accrued Fees and Costs. Debtor will pay FirstBank's reasonably accrued fees and costs, including attorney's fees, and appraisal fees, on or before the Effective Date; provided, however, that FirstBank's attorney fees shall be subject to the fee approval process under § 330 of the Bankruptcy Code in the event FirstBank and Debtor cannot agree to the amount of such fees.

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

(iii) Default Interest/Penalties/Charges. Except as provided herein, no default interest, late charges, or other penalties or monetary compensation or fees shall be required to be paid to FirstBank in connection with the Reorganized Debtor's assumption of FirstBank's loan, the treatment provided under this Plan for Allowed Class 3 Claims, or the reorganization of Debtor and/or any change of control and ownership effectuated by the Plan.

(iv) Collateral. FirstBank shall retain all of its liens and security interests in Debtor's assets, including the Property, granted to it pursuant to the FirstBank loan documents, with the same validity, enforceability, attachment, perfection, priority, and legal rights that existed on the Petition Date.

(v) Waivers/Consents. FirstBank shall be deemed to consent to and approve the transactions and changes contemplated by the Plan, including, without limitation, the payments to the holders of Allowed Claims and Allowed Administrative Claims pursuant to the Plan.

The Class 3 Claim of FirstBank is impaired under the Plan.

CLASS 4: GENERAL UNSECURED CLAIMS

Class 4 Allowed General Unsecured Claims consist of all other Allowed Claims not placed in any other Class, specifically Class 3. Creditors holding Allowed Class 4 General Unsecured Claims shall receive 100% of their Allowed Claims from proceeds of the development and/or sale of the Property.

Class 4 General Unsecured Claims are impaired under the Plan.

CLASS 5: EQUITY INTERESTS

The Class 5 Equity Owner shall retain its interest in Debtor, in exchange for its providing for funding of the Plan and its commitment to use its skill, effort, and experience to develop the Property for the benefit of the Creditors.

Class 5 Equity Interests are impaired under the Plan.

C. IMPLEMENTATION OF THE PLAN

Debtor shall operate its business following the Effective Date and shall dedicate sufficient revenues to fund all obligations contained herein. Debtor's Financial Projections are attached hereto as **Exhibit C**, and incorporated by reference herein. Such projections have been generated using Debtor's expertise gained from operating its business.

Development and/or Sale of the Property. The Reorganized Debtor shall develop and/or sell the Property over a period of up to five (5) years following the Effective Date. Court approval is not required to sell the Property as allowed herein.

Reorganized Debtor. Upon the Confirmation Date of the Plan, the Reorganized Debtor shall be the survivor of Debtor and shall be vested with the property of Debtor's Estate. Debtor's current management shall remain in place upon confirmation of the Plan, including Peter R. Morris, President of the Debtor's manager PRM Management of Illinois, Inc. PRM Realty Group, LLC, a chapter 11 debtor in possession before this Court, and the 100% owner and manager of the Debtor will also remain in place upon confirmation of the Plan.

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

D. DISPOSITION OF CAUSES OF ACTION

Debtor has investigated and is unaware of any avoidance causes of action and therefore does not identify any herein or anticipate bringing any such causes of action post-Confirmation. All Claims and Causes of Action owned by the Debtor, Causes of Action that could have been brought by a Creditor on behalf of Debtor, and all Causes of Action created by the Bankruptcy Code not expressly waived or released under the Plan may be pursued by the Reorganized Debtor for the benefit of the Creditors, as provided herein, including, but not limited to Causes of Action arising in and under Chapter 5 of the Bankruptcy Code and actions against FirstBank relating to its bad faith and possibly fraudulent negotiation of a loan modification involving the Debtor, CPPP Holdings, LLC, and the Fat Turtle restaurant in St. Thomas, which is fifty percent owned by Peter Morris through his ownership in CPPP Holdings, LLC. The actions against FirstBank will assert that, *inter alia*:

(i) As part of the proposed modification, FirstBank agreed that all or Morris's share of the revenues from the Fat Turtle would help to sufficiently fund debt service and that CPPP Holdings, LLC would provide a guaranty of the modified loan;

(ii) FirstBank also agreed that CPPP Holdings, LLC or an affiliate would lease part of the Property and operate a restaurant similar to the Fat Turtle;

(iii) The restaurant and lease would generate revenue for the Debtor to make debt service payments on the modified loan providing additional coverage for FirstBank;

(iv) FirstBank repeatedly requested financial information related to the Fat Turtle restaurant's operations as a condition to approving the modification;

(v) At the same time, at least one FirstBank employee actively participated in the operation, administration and cash management of the Fat Turtle restaurant and possessed the very information that FirstBank was requesting;

(vi) Upon information and belief, while refusing to provide the information to the Debtor, the FirstBank employee provided the information to FirstBank and the non-Morris owner of the Fat Turtle restaurant;

(vii) FirstBank withheld documentation related to the Fat Turtle restaurant and loan modification including point of sale deposits, transfer of funds between and among related accounts, audits, analysis and/or reports related to Fat Turtle's operations with full knowledge that Morris was the co-owner of the Fat Turtle;

(viii) Upon information and belief, at the same time FirstBank was negotiating the loan modification, it was also shopping the Property to potential purchasers;

(ix) FirstBank employees transferred funds from the Fat Turtle, CCCP Holdings, LLC and CPPP Holdings, LLC accounts without the required authorization of its managing members;

(x) FirstBank had multiple conflicts of interest in its actions related to the administration of the bank accounts of the Fat Turtle, CCCP Holdings, LLC, CPPP Holdings, LLC, and other related parties, assisting in the operation of the Fat Turtle restaurant, and negotiating a modification of Debtor's loan that involved the very same parties;

(xi) Throughout the lengthy negotiations, the Debtor was repeatedly assured that the decisionmakers at FirstBank were being kept informed of the terms of the modification and that the terms were acceptable;

(xii) The Debtor relied on representations, to its detriment, by the management of FirstBank that the loan modification terms were acceptable and that a modification would be finalized once it was processed through bank's formal approval process.

The Reorganized Debtor shall have the exclusive right to settle or compromise all such Causes of Action subject to Bankruptcy Court approval. Bankruptcy Court approval is not required to settle or compromise any collection activities relating to any and all accounts receivable.

E. EXECUTORY CONTRACTS AND LEASES

Rejection of Executory Contracts. Debtor will be conclusively deemed to have rejected all executory contracts and/or unexpired leases not expressly assumed herein upon the Effective Date of the Plan. A proof of claim arising from the rejection of an executory contract or unexpired lease under this Section must be filed no later than thirty (30) days after the date of the Order confirming the Plan.

F. RESOLUTION OF DISPUTED CLAIMS

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

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

If the Reorganized Debtor files an objection to a proof of claim ("Undetermined Claim"), then an Allowed Claim shall be the amount of the claim allowed by order of the Bankruptcy

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

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

ARTICLE IV - CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN

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

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

ARTICLE V - MODIFICATION OF THE PLAN

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

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

ARTICLE VI - CONSIDERATIONS IN VOTING ON THE PLAN

A. ALTERNATIVES TO THE PLAN

Although the Disclosure Statement is intended to provide information to assist in the formation of a judgment as to whether to vote for or against the Plan and although creditors are not being offered through that vote an opportunity to express an opinion concerning alternatives

to the Plan, a brief discussion of alternatives to the Plan may be useful. Debtor believes the proposed Plan to be in the best interests of creditors and Debtor, and do not favor any alternative to the proposed Plan. In arriving at that conclusion, Debtor assesses the alternatives as follows:

Chapter 7 Liquidation Analysis. Debtor could convert its case to Chapter 7 and allow a bankruptcy trustee to be appointed to liquidate and distribute assets. In the event that the Bankruptcy Court does not confirm a plan of reorganization in this case, conversion to Chapter 7 will ultimately result. Debtor believes this alternative to be unsatisfactory for the reasons stated in Article VI. B. below, and that Unsecured Creditors would receive no money or significantly less money than proposed in the Plan in the event that Debtor's assets are liquidated under Chapter 7 of the Bankruptcy Code.

Dismissal of the Case. Dismissal of the Bankruptcy Case would most likely lead to the same unsatisfactory result as Chapter 7 liquidation.

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

B. LIQUIDATION ANALYSIS

The likely result of a conversion of the Bankruptcy Case to Chapter 7 liquidation would be a lifting of the automatic stay of 11 U.S.C. § 362(a) to permit foreclosure by FirstBank as to the Property. In the event of a liquidation of Debtor's assets in a Chapter 7 bankruptcy case, FirstBank would foreclose on the Property, leaving no amounts available for the repayment of any other creditors. Liquidation would result in Debtor being stripped of its sole asset, and thus it would have no source of income. In the absence of any adversary proceedings, there is no other source of funds that would lead to any distribution to any of the claim classes. When compared to foreclosure of the property and liquidation of Debtor, the Plan is clearly superior to a Chapter 7 Liquidation Scenario. Attached to this Disclosure Statement as **Exhibit D** is a document showing the projected recovery to Debtor's creditors in a liquidation scenario.

C. SPECIFIC CONSIDERATIONS IN VOTING

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

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

A Claim, including a Claim arising from default, which has been objected to will be heard by the Bankruptcy Court at a regular, evidentiary hearing and allowed in full or in part or

disallowed. While the Debtor bears the principal responsibility for Claim objections, any interested party, including creditors, may file claim objections. Accordingly, payment on some Claims, including Claims arising from defaults, may be delayed until objections to such Claims are ultimately settled.

D. RISK FACTORS

The Plan is subject to a number of material risks, including those enumerated below. Prior to deciding how to vote on the Plan, each Holder of an impaired Claim and holder of an Interest should carefully consider all of the information contained in this Disclosure Statement, especially the factors mentioned in the following paragraphs.

Certain Risks of Non-Confirmation. There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Court will confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of the distributions to non-accepting Holders of Claims and Interests will not be less than the value of the distributions that such Holders would receive if Debtor was liquidated under Chapter 7 of the Bankruptcy Code. Although Debtor believes that these requirements will be satisfied, there can be no assurance that the Court will concur.

If the Plan were not to be confirmed and consummated, it is unclear whether a reorganization comparable to the reorganization contemplated hereby could be implemented in a timely manner, and, if so, what distributions Holders of Claims and Interests would ultimately receive with respect to their Claims and Interests. Moreover, if an alternative reorganization could not be implemented in a timely manner, it is possible that Debtor would have to liquidate their assets under Chapter 7, in which case it is likely that the holders of Claims and Interests would receive substantially less than they would have received pursuant to the Plan.

Potential Effects of a Prolonged Chapter 11 Proceeding. Prolonged Chapter 11 proceedings could have adverse effects on Debtor, including the continuing loss of asset values and the continuing accrual of Administrative Expenses relating to the continuation of bankruptcy proceedings.

Risks Relating to the Projections. The management of Debtor has prepared projected financial information contained in this Disclosure Statement (the "Projections") in connection with the development of the Plan to present the projected effects of the Plan and the transactions contemplated hereby. The Projections assume that the Plan and the transactions contemplated hereby will be implemented in accordance with its terms and based upon numerous other assumptions and estimates. The assumptions and estimates underlying the Projections are inherently uncertain and are subject to significant business, economic, legal, and competitive risks and uncertainties that could cause actual results to differ materially from those projected. Accordingly, the Projections are not necessarily indicative of the future financial condition or results of the operations of the Reorganized Debtor, which may vary significantly from those set

forth in the Projections. Consequently, the projected financial information contained in this Disclosure Statement should not be regarded as a representation by the Debtor, the Debtor's advisors, or any other person that the Projections can or will be achieved.

Forward-Looking Information May Prove Inaccurate. This Disclosure Statement contains various forward-looking statements and information that are based on management's beliefs as well as assumptions made by and information currently available to management. When used in this document, the words believe, expect, anticipate, and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties, and assumptions, including those identified above. Should any one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected.

Market and Economic Factors. This Disclosure Statement assumes that the market and current economic conditions will remain relatively unchanged or will marginally improve within the next five years. Any significant increase in litigation expenses or any changes in applicable law could have a negative (or positive) effect on Debtor and Debtor's current and future operations and collections and could affect the figures and projections presented in this Disclosure Statement.

E. DISCLOSURES REQUIRED BY THE BANKRUPTCY CODE

The Bankruptcy Code requires disclosure of certain facts:

1) There are no payments made or promises of the kind specified in § 1129(a)(4) of the Bankruptcy Code which have not been disclosed to the Bankruptcy Court.

2) Counsel to Debtor has advised Debtor that Debtor will require legal services in connection with this case after confirmation which will require reimbursement. Debtor may continue to use Pronske & Patel, P.C. as counsel after confirmation.

F. DESCRIPTION OF MANAGEMENT AND CONTROL PERSONS OF DEBTOR

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

G. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE 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.

ARTICLE VII - PROVISIONS GOVERNING DISTRIBUTION

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

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

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

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

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

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

ARTICLE VIII - RETENTION OF JURISDICTION

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

i. to determine any and all objections to the allowance of Claims or Interests, both before and after the Confirmation Date, including any objections to the classification of any claim or interest;

ii. to determine any and all applications for fees and expenses authorized to be paid or reimbursed in accordance with § 503(b) of the Bankruptcy Code or the Plan;

iii. to determine any and all pending applications for the assumption or rejection of executory contracts or for the rejection or assumption and assignment, as the case may be, of unexpired leases to which

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

iv. to hear and determine any and all actions initiated by Debtor and/or Reorganized Debtor, whether by motion, complaint or otherwise;

v. to determine any and all applications, motions, adversary proceedings and contested matters pending before the Bankruptcy Court on the Confirmation Date or filed or instituted after the Confirmation Date;

vi. to modify the Plan, the Disclosure Statement or any document created in connection with the Plan or remedy any defect or omission or reconcile any inconsistency in any Order of the Bankruptcy Court, the Plan, the Disclosure Statement or any document created in connection with the Plan, in such manner as may be necessary to carry out the purposes and effects of the Plan to the extent authorized by the Bankruptcy Code;

vii. to ensure that the distribution is accomplished in accordance with the provisions of the Plan;

viii. to allow, disallow, determine, liquidate or estimate any claim or interest and to enter or enforce any order requiring the filing of any such claim or interest before a particular date;

ix. to enter such orders as may be necessary to interpret, enforce, administer, consummate, implement and effectuate the operative provisions of the Plan, the Confirmation Order and all documents and agreements provided for herein or therein or executed pursuant hereto or thereto including, without limitation, entering appropriate orders to protect Debtor from creditor actions;

x. to hear any other matter not inconsistent with Chapter 11 of the Bankruptcy Code and/or applicable bankruptcy law;

xi. to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked or vacated;

xii. to determine such other matters as may arise in connection with the Plan, this Disclosure Statement or the Confirmation Order;

xiii. to enforce all orders, judgments, injunctions, and rulings entered in connection with the Chapter 11 Case;

xiv. to determine all issues relating to the Claims of any taxing authorities, state or federal;

xv. to determine any avoidance actions brought pursuant to the provisions of the Bankruptcy Code; and

xvi. to enter a Final Order and final decree closing the Chapter 11 Case.

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

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

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

ARTICLE IX - MISCELLANEOUS PROVISIONS

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

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

Discharge of Claims. Except as otherwise provided in the Plan or in the Confirmation Order, the rights afforded in the Plan and the payments and distributions to be made hereunder shall discharge all existing debts and Claims of any kind, nature, or description whatsoever against the Debtor or any of its assets or property to the extent permitted by § 1141 of the Bankruptcy Code. Upon the Effective Date, all existing Claims against the Debtor shall be deemed to be discharged and all holders of Claims shall be precluded from asserting against the Debtor's assets or property, any other or further Claim based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder filed a proof of claim.

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

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

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

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

Debtor:

PRM Smith Bay, LLC
c/o PRM Realty Group, LLC
118 N. Clinton Street, Suite LL366

Chicago, IL 60661

Debtor's Counsel:

Gerrit M. Pronske
Pronske & Patel, P.C.
2200 Ross Avenue, Suite 5350
Dallas, TX 75201
Tel: 214.658.6500
Fax: 214.658.6509

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

ARTICLE X - CONCLUSION

The Debtor respectfully submits that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the "best interest of creditors" and "feasibility" requirements, and that it should be confirmed even in the event a class of claims does not vote for acceptance of the Plan. Debtor believes that the Plan "is fair and equitable" and "does not discriminate unfairly." Additionally, Debtor believes that the Plan has been proposed in good faith.

Debtor respectfully requests that this Disclosure Statement be approved for circulation to the creditors of Debtor and that it be permitted to solicit votes for acceptance of the Plan.

Dated: April 26, 2011.

SMITH BAY, LLC

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

By: PRM Realty Group, LLC,
its Manager

By: *Peter R. Morris*
Peter R. Morris, its President

OF COUNSEL:

By: */s/ Gerrit M. Pronske*
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