Hudson M. Jobe, Esq.
QUILLING, SELANDER, LOWNDS,
WINSLETT & MOSER, P.C.
2001 Bryan Street, Suite 1800
Dallas, Texas 75201
(214) 871-2100 – Telephone
(214) 871-2111 – Facsimile

ATTORNEYS FOR DEBTOR

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

IN RE:	**§**	
	§	**CASE NO. 12-34620-BJH11**
T SORRENTO, INC.,	**§**	**(Chapter 11)**
	§	
DEBTOR	**§**	

FIRST AMENDED DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT OF THE ORIGINAL CHAPTER 11 PLAN (DATED APRIL 3, 2013)

THIS FIRST AMENDED DISCLOSURE STATEMENT HAS BEEN PREPARED BY T SORRENTO, INC. THIS ORIGINAL DISCLOSURE STATEMENT DESCRIBES THE TERMS AND PROVISIONS OF THE ORIGINAL CHAPTER 11 PLAN DATED APRIL 3, 2013 (THE "PLAN"). ANY TERM USED IN THIS FIRST AMENDED DISCLOSURE STATEMENT THAT IS NOT DEFINED HEREIN HAS THE MEANING ASCRIBED TO THAT TERM IN THE PLAN OR AS SUCH TERM MAY BE DEFINED IN THE UNITED STATES BANKRUPTCY CODE. A COPY OF THE PLAN IS INCLUDED WITH THIS FIRST AMENDED DISCLOSURE STATEMENT.

FIRST AMENDED DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT OF THE ORIGINAL CHAPTER 11 PLAN DATED APRIL 3, 2013

SUMMARY OF THE PLAN

The following is intended as a summary only and parties are cautioned to review the Plan in detail, as the Plan will govern any conflict between this Disclosure Statement and the Plan. Any capitalized terms not defined herein have the meaning set forth in the Plan.

The Debtor owns property referred to as Casino, Stanley, the McKinney Ranch, and 2400 Walton Walker. The Debtor's debts as of the Petition Date include approximately $95,000.00 of 2012 property tax obligations (since reduced to $7,142.18), the claim of RMR/West Orient under the Casino Loan Documents of $3,606,666.14, the claim of RMR/West Orient under the Stanley Loan Documents of $1,435,209.94, the alleged secured Galleria Deficiency Claim of $9,314,755.71, and general unsecured claims in the approximate amount of $80,750.00.

Since the Petition Date, the Debtor has incurred professional fees related to the Bankruptcy Case in the approximate amount of $22,525.64 above the retainer amounts. Additionally, the claims of RMR/West Orient have accrued post-petition interest and fees under the respective loan documents subject to allowance under the Bankruptcy Code.

In summary, the Plan provides for: (a) the satisfaction of outstanding 2012 property taxes; (b) the restructure of the obligations under the Casino Loan Documents secured by the Casino property to a term of 5 years; (c) the satisfaction of allowed non-insider unsecured claims by 6 months after the Effective Date; and (d) the retention of equity interests by the current equity holder. With respect to Stanley and the obligations under the Stanley Loan Documents and the Galleria Deficiency Claim, the Bankruptcy Court will estimate the disputed Galleria Deficiency Claim. Following estimation of the Galleria Deficiency Claim, the Debtor will elect either: (1) Option 1 to retain Stanley, restructure the obligations under the Stanley Loan Documents secured by Stanley to a term of 5 years, and allow the Galleria Deficiency Claim to continue to be secured by Stanley pending final resolution of the Galleria Deficiency Claim with certain additional adequate protection depending on the amount of the Estimated RMR Claim; or (2) Option 2 to transfer Stanley to RMR in return for a credit for the value of Stanley against the various loan obligations.

Additionally, the Plan provides that Transcontinental Realty Investors, Inc. ("TCI") will directly or indirectly advance the funds required to implement, effectuate, perform, and consummate the Plan, and that TCI and Pillar Income Asset Management, Inc. will retain any claims for advancement of post-petition and post-confirmation funds to the Debtor.

The Plan's objective is to preserve and maximize the value of the Casino property and its significant equity for the benefit of all parties-in-interest, which will in turn provide the greatest potential recovery to all parties and not just the secured lender. If possible, the Plan provides to likewise preserve and maximize the value of Stanley pending a final determination in the Deficiency Litigation. If retention of Stanley is not possible, the Plan allows for the controlled disposition of the Stanley property and for the secured lender to realize the same value from the

property that the secured lender would receive outside of bankruptcy. The Debtor will aggressively market Casino and Stanley (if retained) for sale and development using independent, third-party real estate agents and brokers, during the 5 year period following the effective date of the Plan.

I.

INTRODUCTION

A. Filing of the Debtor's Chapter 11 Reorganization

The Debtor filed its petition for relief under Chapter 11 of the Bankruptcy Code on April 2, 2012 (the "Petition Date"), in the United States Bankruptcy Court for the District of Nevada. Such case was subsequently transferred to the United States Bankruptcy Court for the Northern District of Texas, Dallas Division on June 27, 2012 (the "Bankruptcy Court"). Since the Petition Date, the Debtor has continued to manage its financial affairs and assets as a debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

B. Purpose of Disclosure Statement

This Disclosure Statement is submitted in accordance with section 1125 of the Bankruptcy Code for the purpose of soliciting acceptances of the Plan from holders of certain Classes of Claims. The only Creditors whose acceptances of the Plan are sought are creditors whose Claims are "impaired" by the Plan, as that term is defined in section 1124 of the Bankruptcy Code, and who are receiving distributions under the Plan. Holders of Claims or Interests that are not "impaired" are deemed to have accepted the Plan. Holders of Claims or Interests that are not receiving distributions under the Plan are deemed to have rejected the Plan.

TCI and Debtor have each prepared this Disclosure Statement pursuant to the provisions of section 1125 of the Bankruptcy Code, which requires that a copy of the Plan, or a summary thereof, be submitted to all holders of Claims against, and Interests in, the Debtor, along with a written Disclosure Statement containing adequate information about the Debtor of a kind, and in sufficient detail, as far as is reasonably practicable, that would enable a hypothetical, reasonable investor typical of Creditors and holders of Interests to make an informed judgment in exercising their right to vote on the Plan.

Section 1125 of the Bankruptcy Code provides, in pertinent part:

> (b) An acceptance or rejection of a plan may not be solicited after the commencement of the case under this title from a holder of a claim or interest with respect to such claim or interest, unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing adequate information. The court may approve a disclosure statement without a valuation of the Debtor or an appraisal of the Debtor's assets.
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> * * *

> (d) Whether a disclosure statement required under subsection (b) of this section contains adequate information is not governed by any otherwise applicable non-bankruptcy law, rule, or regulation, but an agency or official whose duty is to administer or enforce such a law, rule, or regulation may be heard on the issue of whether a disclosure statement contains adequate information. Such an agency or official may not appeal from, or otherwise seek review of, an order approving a disclosure statement.
>
> (e) A person that solicits acceptance or rejection of a plan, in good faith and in compliance with the applicable provisions of this title, or that participates, in good faith and in compliance with the applicable provisions of this title, in the offer, issuance, sale, or purchase of a security, offered or sold under the plan, of the Debtor, of an affiliate participating in a joint plan with the Debtor, or of a newly organized successor to the Debtor under the plan, is not liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing solicitation of acceptance or rejection of a plan or the offer, issuance, sale, or purchase of securities.

This Disclosure Statement was approved by the Bankruptcy Court during a hearing on _____. Such approval is required by the Bankruptcy Code and does not constitute a judgment or determination by the Bankruptcy Court as to the desirability of the Plan, or as to the value or suitability of any consideration or treatment proposed or offered under the Plan. Such approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement meets the requirements of Section 1125 of the Bankruptcy Code and contains adequate information to permit the holders of Allowed Claims, whose acceptance of the Plan is solicited, to make an informed judgment regarding acceptance or rejection of the Plan.

> **The Approval By The Bankruptcy Court Of This Disclosure Statement Does Not Constitute An Endorsement By The Bankruptcy Court Of The Plan Or A Guarantee Of The Accuracy Or Completeness Of The Information Contained Herein. The Material Herein Contained Is Intended Solely For The Use Of Creditors And Holders Of Interests Of The Debtors In Evaluating The Plan And Voting To Accept Or Reject The Plan And, Accordingly, May Not Be Relied Upon For Any Purpose Other Than The Determination Of How To Vote On The Plan. Each Debtor's Reorganization Pursuant To The Plan Is Subject To Numerous Conditions And Variables And There Can Be No Absolute Assurance That The Plan, As Contemplated, Will Be Effectuated As To Any Debtor.**
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> **The Debtor Believes That The Plan And The Treatment Of Claims Under The Plan Are In The Best Interests of Creditors, And Urge That You Vote To Accept The Plan.**
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> **This Disclosure Statement Has Not Been Approved Or Disapproved By The United States Securities & Exchange Commission, Nor Has The United States Securities & Exchange Commission Passed Upon The Accuracy Or**

Adequacy Of The Statements Contained Herein. Any Representation To The Contrary Is Unlawful.

This Disclosure Statement And Any Exhibits or Appendices May Contain Forward-Looking Statements Relating To Business Expectations, Asset Sales Projections, And Liquidation Analysis. Business Plans May Change As Circumstances Warrant. Actual Results May Differ Materially As A Result Of Many Factors, Many Of Which the Debtors Have No Control Over.

C. Hearing on Confirmation of the Plan

The Bankruptcy Court has set _____, at ___:_____, ___.m. Dallas, Texas Time, as the time and date for the hearing (the "Confirmation Hearing") to determine whether the Plan has been accepted by the requisite number of Creditors and whether the other requirements for Confirmation of the Plan have been satisfied. Once commenced, the Confirmation Hearing may be adjourned or continued by announcement in open court with no further notice.

Holders of Claims may vote on the Plan by completing and delivering the enclosed Ballot to: Hudson M. Jobe, 2001 Bryan Street, Suite 1800, Dallas, Texas 75201, hjobe@qslwm.com (for more information, call Telephone No. 214-871-2100). **Ballots must be actually received on or before 5:00 p.m. Dallas, Texas time on _____, in order to be effective and included within the "voting tally" for purposes of determining whether a class of creditors has accepted or rejected the Plan**.

If the Plan is rejected by one or more impaired Classes of creditors or holders of Interests, the Plan, or a modification thereof, may still be confirmed by the Bankruptcy Court under section 1129(b) of the Bankruptcy Code (commonly referred to as a "cramdown") if the Bankruptcy Court determines, among other things, that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class or Classes of creditors or holders of Interests impaired by the Plan. The procedures and requirements for voting on the Plan are described in more detail below.

D. Sources of Information

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtor, its properties, and the Plan have been prepared from information furnished by the Debtor. Unless an information source is otherwise noted, the statement was derived from information provided by the Debtor.

The Information Contained Herein Has Not Been Subjected To A Certified Audit And Is Based, In Part, Upon Information Prepared By Parties Other Than The Debtor. Therefore, Although The Debtor Has Made Every Reasonable Effort To Be Accurate In All Material Matters, The Debtor Is Unable To Warrant Or Represent That All The Information Contained Herein Is Completely Accurate.

Certain of the materials contained in this Disclosure Statement may have been taken directly from other readily accessible documents or are digests of other documents. While the Debtor has made every effort to retain the meaning of such other documents or portions that have been summarized, the Debtor urges that any reliance on the contents of such other documents should depend on a thorough review of the documents themselves. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of such document shall apply.

The authors of the Disclosure Statement have compiled information from the Debtor without professional comment, opinion or verification and do not suggest comprehensive treatment has been given to matters identified herein. Each Creditor and holder of an Interest is urged to independently investigate any such matters prior to reliance thereon.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified, and neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with it shall, under any circumstances, create an implication that there has been no change in the facts set forth herein since the date hereof.

No statements concerning the Debtor, the value of its property, or the value of any benefit offered to any holder of a Claim or Interest in connection with the Plan should be relied upon other than as set forth in this Disclosure Statement. In arriving at your decision, you should not rely on any representation or inducement made to secure your acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be reported to counsel for the Debtor, Hudson M. Jobe, 2001 Bryan Street, Suite 1800, Dallas, Texas 75201, Telephone: (214) 871-2100; Email: hjobe@qslwm.com.

II.

EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, a debtor-in-possession attempts to reorganize its business and financial affairs for the benefit of the Debtor, its creditors, and other parties-in-interest.

The commencement of a Chapter 11 case creates an estate comprising all the legal and equitable interests of the Debtor in property as of the date the petition is filed. Unless the Bankruptcy Court orders the appointment of a trustee, Sections 1101, 1107 and 1108 of the Bankruptcy Code provide that a Chapter 11 Debtor may continue to operate its business and control the assets of its estate as a "debtor-in-possession", which is how the Debtor has operated since the Petition Date.

The filing of a Chapter 11 petition also triggers the automatic stay, which is provided by Section 362 of the Bankruptcy Code. The automatic stay essentially halts all attempts to collect

pre-petition claims from the Debtor or to otherwise interfere with the Debtor's business or its estate.

Formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan sets forth the means for satisfying the claims of creditors against and interests of equity security holders in the Debtor. Unless a trustee is appointed, only the Debtor may file a plan during the first 120 days of a Chapter 11 case (the "Exclusive Period"). After the Exclusive Period has expired, a creditor or any other party-in-interest may file a plan, unless the Debtor files a plan within the Exclusive Period. If a Debtor does file a plan within the Exclusive Period, the Debtor is given sixty (60) additional days (the "Solicitation Period") to solicit acceptances of its plan. Section 1121(d) of the Bankruptcy Code permits the Bankruptcy Court to extend or reduce the Exclusive Period and the Solicitation Period upon a showing of adequate "cause." The Debtors' Exclusive Periods and Solicitation Periods have not been extended by the Bankruptcy Court and the Debtors have not requested such extensions.

B. Plan of Reorganization

A plan of reorganization provides the manner in which a Debtor will satisfy the claims of its creditors. After the plan of reorganization has been filed, the holders of claims against or interests in a Debtor are permitted to vote on whether to accept or reject the plan. Chapter 11 does not require that each holder of a claim against or interest in a Debtor vote in favor of a plan of reorganization in order for the plan to be confirmed. At a minimum, however, a plan of reorganization must be accepted by a majority in number and two-thirds in amount of those claims actually voting from at least one class of claims impaired under the plan. The Bankruptcy Code also defines acceptance of a plan of reorganization by a class of interests (equity securities) as acceptance by holders of two-thirds of the number of equity interests actually voted.

Classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and, thus, are not entitled to vote. Acceptances of the Plan in this case are being solicited only from those persons who hold Claims in an impaired Class. A Class is "impaired" if the legal, equitable, or contractual rights attaching to the Claims or Interests of that Class are modified. Modification does not include curing defaults and reinstating maturity or payment in full in cash.

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

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

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

The Bankruptcy Court must further find that the economic terms of the plan of reorganization meet the specific requirements of Section 1129(b) of the Bankruptcy Code with respect to the particular objecting class. The proponent of the plan of reorganization must also meet all applicable requirements of Section 1129(a) of the Bankruptcy Code (except Section 1129(a)(8) if the proponent proposes to seek confirmation of the plan under the provisions of Section 1129(b)). These requirements include the requirement that the plan comply with applicable provisions of the Bankruptcy Code and other applicable law, that the plan be proposed in good faith, and that at least one impaired class of creditors has voted to accepted the plan.

III.

VOTING PROCEDURES AND REQUIREMENTS FOR CONFIRMATION

If you are in one of the Classes of Claims whose rights are affected by the Plan (*see* "Summary of the Plan" below), it is important that you vote. **If you fail to vote, your rights may be jeopardized.**

A. "Voting Claims" -- Parties Entitled to Vote

Pursuant to the provisions of Section 1126 of the Bankruptcy Code, holders of Claims or Interests that are (i) allowed, (ii) impaired, and (iii) that are receiving or retaining property on account of such Claims or Interests pursuant to the Plan, are entitled to vote either for or against the Plan ("Voting Claims"). Accordingly, in these cases, any holder of a Claim classified in Classes 2 – 3 and 5 – 9 of this Plan may have a Voting Claim and should have received a ballot for voting (with return envelope) in these Disclosure Statement and Plan materials (hereinafter, "Solicitation Package") since these are the Classes consisting of impaired Claims that are receiving property. Holders of Claims in Class 1 are not impaired and are not entitled to vote because they are presumed to have accepted the Plan.

By Enclosing a Ballot With This Disclosure Statement, The Debtor Is Not Representing That You Possess or Hold An Allowable Claim Or Are Entitled To Vote On The Plan.

B. Return of Ballots

If you are a holder of a Voting Claim, your vote on the Plan is important. Completed ballots should either be returned in the enclosed envelope or otherwise sent to counsel for the Debtors at the following address:

Hudson M. Jobe
2001 Bryan Street, Suite 1800
Dallas, Texas 75201
hjobe@qslwm.com
Telephone: 214-871-2100
Facsimile: 214-871-2111

1. Deadline for Submission of Ballots

Ballots must actually be received by Debtor's counsel, whether by mail, facsimile, or hand-delivery, by _____ at 5:00 P.M. Dallas, Texas Time (The "Ballot Return Date"). Any Ballots received after that time will not be counted. Any Ballot which is not executed by a person authorized to sign such Ballot will not be counted. If you have any questions regarding the procedures for voting on the Plan, contact Counsel for the Debtor, Hudson M. Jobe, 2001 Bryan Street, Suite 1800, Dallas, Texas 75201, Telephone (214) 871-2100, Telecopy (214) 871-2111, or to hjobe@qslwm.com

The Debtor Urges All Holders Of Voting Claims To Vote In Favor Of The Plan.

C. Confirmation of Plan

1. Solicitation of Acceptances

The Debtor is soliciting your vote. The cost of any solicitation will be borne by the Debtor. No other additional compensation shall be received by any party for any solicitation other than as disclosed to and approved by the Bankruptcy Court.

No Representations Or Assurances, If Any, Concerning The Debtors (Including, Without Limitation, Their Future Business Operations Or Projections of Anticipated Property Sale Prices or Net Sale Proceeds) Or The Plan Are Authorized By The Debtor Other Than As Set Forth In This Disclosure Statement. Any Representations Or Inducements Made By Any Person To Secure Your Vote That Are Other Than Herein Contained Should Not Be Relied Upon By You In Arriving At Your Decision, And Such Additional Representations Or Inducements Should Be Reported To Counsel For The Debtor So That It May Take Such Action As May Be Deemed Appropriate On Account Thereof.

This Is A Solicitation Solely By The Debtor And Is Not A Solicitation By Any Officer, Director, Shareholder, Partner, Member, Attorney, Or Accountant For The Debtor. The Representations, If Any, Made Herein Are Those Of The Debtor And Not Of Such Officers, Directors, Shareholders, Partners,

Members, Attorneys, Or Accountants, Except As May Be Otherwise Specifically And Expressly Indicated.

Under the Bankruptcy Code, a vote for acceptance or rejection of a plan may not be solicited unless the claimant has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by Section 1125(b) of the Bankruptcy Code. Violation of Section 1125(b) of the Bankruptcy Code may result in sanctions by the Bankruptcy Court, including disallowance of any improperly solicited vote.

2. Requirements for Confirmation of the Plan

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

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

(ii) The Debtor has complied with the applicable provisions of the Bankruptcy Code;

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

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

(v) The Debtor has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint plan with the Debtor, or a successor to the Debtor under the Plan; the appointment to, or continuance in, such office of such individual is consistent with the interests of Creditors and holders of Interests and with public policy; and the has disclosed the identity of any insider that will be employed or retained by the Reorganized and the nature of any compensation for such insider;

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

(vii) With respect to each impaired Class of Claims or Interests, either each holder of a Claim or Interest of the Class has accepted the Plan or will receive or retain under the Plan on account of that Claim or Interest property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor were

liquidated on such date under Chapter 7 of the Bankruptcy Code. If Section 1111(b)(2) of the Bankruptcy Code applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in the Debtor's interest in the property that secures that Claim;

(viii) Each Class of Claims or Interests has either accepted the Plan or is not impaired under the Plan;

(ix) Except to the extent that the holder of a particular Administrative Claim or Priority Claim has agreed to a different treatment of its Claim, the Plan provides that Administrative Claims and Priority Claims shall be paid in full on the Effective Date or the date on which it is Allowed;

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

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

The Debtor believes that the Plan satisfies all of the statutory requirements of the Bankruptcy Code and that the Plan was proposed in good faith. The Debtor believes that it has complied or will have complied with all the requirements of the Bankruptcy Code.

3. Acceptances Necessary to Confirm the Plan

Voting on the Plan by each holder of a Claim or Interest is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim or Interest vote in favor of the Plan in order for the Court to confirm the Plan. Generally, to be confirmed under the acceptance provisions of Section 1126(a) of the Bankruptcy Code, the Plan must be accepted by each Class of Claims that is impaired under the Plan by Class members holding at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class actually voting in connection with the Plan; in connection with a Class of Interests, more than two-thirds (2/3) of the shares actually voted must accept to bind that Class. A Class of Interests that is impaired under the Plan accepts the Plan if more than two-thirds (2/3) in amount actually voting vote to accept the Plan. Even if all Classes of Claims and Interests accept the Plan, the Bankruptcy Court may refuse to Confirm the Plan.

4. Cramdown

In the event that any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtor if, as to each impaired Class that has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable." A plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interests. "Fair and equitable" has different meanings for holders of secured and unsecured claims and equity interests.

With respect to a secured claim, "fair and equitable" means either (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal to the allowed amount of its claims with a present value as of the effective date of the plan at least equal to the value of such creditor's interest in the property securing its liens, (ii) property subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be treated in accordance with clauses (i) and (iii) hereof, or (iii) the impaired secured creditor realizes the "indubitable equivalent" of its claim under the plan.

With respect to an unsecured claim, "fair and equitable" means either (i) each impaired creditor receives or retains property of a value equal to the amount of its allowed claim, or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive any property under the plan.

With respect to equity interests, "fair and equitable" means either (i) each impaired equity interest receives or retains, on account of that equity interest, property of a value equal to the greater of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of the equity interest; or (ii) the holder of any equity interest that is junior to the equity interest of that class will not receive or retain under the plan, on account of that junior equity interest, any property.

In the event one or more Classes of impaired Claims or Interests rejects or is deemed to have rejected the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired Class of Claims or Interests.

The Debtor believes that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims and Interests that is impaired.

IV.

BACKGROUND OF THE DEBTOR AND TCI

A. Background

RMR, as lender, and TCI, as borrower, entered into that certain Loan Agreement, Promissory Note, and Deed of Trust, dated as of February 2, 2004 in the principal amount of $6,985,000 (the "Casino Loan"). The proceeds of the First Loan were secured by a first priority

lien in favor of RMR originally on 66.094 acres of undeveloped land (the acreage has been reduced by reconveyance over time), located in Dallas County, Texas and commonly known as the Casino tract ("Casino"). Since the inception of the Casino Loan, parcels of Casino have been sold from time to time and the Casino Loan paid down. Currently, approximately 30.296 acres remains subject to the current amount of the Casino Loan (described more fully herein).

RMR and Transcontinental also entered into that certain Loan Agreement, Promissory Note, and Deed of Trust dated December 5, 2005 in the principal amount of $2,420,000 (the "Stanley Loan"). The proceeds of the Stanley Loan were secured by a first priority lien in favor of RMR on certain undeveloped land (approximately 23.748 gross acres) located in Dallas County, Texas commonly known as the Stanley tract ("Stanley"). Stanly has not been partially sold and remains in place subject to the Stanley Loan (described more fully herein).

TCI has executed a guaranty agreement related to certain debts owed to RMR arising from a loan to Woodmont TCI Group IX, LLC (the "Galleria Loan"). The Galleria Loan went into default, the entity went into bankruptcy, a plan was confirmed, and the reorganized entity subsequently defaulted on payments. During the bankruptcy case, RMR asserted that the property securing the Galleria Loan was worth in excess of $28,000,000.00. In turn, RMR negotiated for and received a fully secured claim with post-petition interest and attorney's fees pursuant to Bankruptcy Court Order. Following default by Woodmont TCI Group IX, LLC, RMR foreclosed on the collateral securing the Galleria Loan and credited the loan for $14,500.000. Based upon the default and foreclosure, RMR asserts deficiency claim from the Galleria Loan in the amount of $9,314,755.71 as of the Petition Date (the "Galleria Deficiency Claim").

B. Prepetition Events

On January 4, 2011, TCI transferred Galleria and Stanley to FRE Real Estate, Inc. f/k/a TCI Park West II, Inc. ("FRE") and filed a *General Warranty Deed* evidencing the transfer in the County Clerk's Office in Dallas County, Texas. Also on January 4, 2011, FRE filed a Chapter 11 bankruptcy petition in this Court, Case No. 11-30210 (the "FRE Bankruptcy Case"). Shortly after the bankruptcy filing, two of FRE's creditors filed separate motions to dismiss the FRE Bankruptcy Case. RMR subsequently joined one such motion to dismiss. At the hearing on the motions to dismiss, the Bankruptcy Court found that FRE Bankruptcy Case was filed in bad faith and granted the motions to dismiss without prejudice by court order entered on March 1, 2011.

After dismissal of the FRE Bankruptcy Case, on March 31, 2011, FRE transferred Casino and Stanley back to TCI and filed a *General Warranty Deed* evidencing the transfer in the County Clerk's Office in Dallas County, Texas. Also on March 31, 2011, TCI transferred Casino and Stanley to the Debtor and filed a *General Warranty Deed* evidencing the transfer in the County Clerk's Office in Dallas County, Texas. TCI's transfer of Casino and Stanley was made as an equity contribution to the Debtor.

Thereafter, TCI sold its equity interest in the Debtor to ABCLD Income, LLC on March 23, 2011 in return an agreement by ABCLD Income, LLC to service the approximate direct debt against the Debtor's property believed at the time to be $7,334,173.60 and pay an additional $9,265,826.40 to TCI pursuant to a Note obligation. Accordingly, TCI stands to benefit from the Plan, both with respect to the Plan's servicing of debt for which TCI is liable, and also up to the

amount of the $9,265,826.40 Note. ABCLD Income, LLC stands to benefit from the Plan to the extent ABCLD Income, LLC is able to obtain value for its equity interest in excess of the claims in the Debtor's bankruptcy case and its property and the obligations owing to TCI under the equity purchase agreement.

Following the dismissal of the FRE Bankruptcy Case, RMR, TCI, and other third parties executed a series of four forbearance agreements wherein over $1,000,000.00 was paid to RMR in return for extensions of the Casino and Stanley Loans. Such forbearance agreements where executed with the intention of obtaining additional time to sell or otherwise satisfy the current amounts owing on the Casino and Stanley Loans and such agreements were silent as to Casino and Stanley securing an alleged Galleria Deficiency Claim.

Following expiration of the fourth forbearance agreement, the parties were unable to reach terms for further workout and on March 12, 2012, RMR filed a *Notice of Substitute Trustee's Sale under Deed of Trust* ("Notice of Sale") for the Hollywood Tract and a separate Notice of Sale for the Stanley Tract with the County Clerk of Dallas County, Texas. Also on March 12, 2012, RMR served TCI, FRE, and the Debtor via Certified Mail with a notice of foreclosure and the Notice of Sale for Casino and Stanley. Correspondingly, Casino and Stanley were posted for foreclosure on March 12, 2012 for an April 3, 2012 foreclosure sale. Prior to the foreclosure, the Debtor commenced its petition in bankruptcy with the United States Bankruptcy Court for the District of Nevada.

C. Post-Petition Events

The following events have occurred since the April 3, 2012 filing:

Motion to Transfer Venue

On May 15, 2012, RMR moved to transfer venue from the Nevada Bankruptcy Court to the Northern District of Texas, Dallas Division. Following a contested hearing, the Nevada Bankruptcy Court ordered the transfer of venue by Court Order entered June 27, 2012. There was a procedural delay in the transfer of the case to the Dallas Bankruptcy Court, and the Debtor's Bankruptcy Case was docketed with the Northern District of Texas, Dallas Division on or about July 17, 2012.

Churchill Contract

On May 1, 2012, the Debtor obtained an executed Contract for Sale and Purchase of Unimproved Real Property from Churchill Residential, Inc. regarding approximately 9.73 of the total approximate 30.296 Casino acreage for the purchase price of $4,740,000.00 (the "Churchill Contract"). The Churchill Contract provided for an initial review and inspection period through August 2012, and such period was extended further by agreement.

Exclusivity

On July 25, 2012, the Debtor moved for an extension of exclusivity to file a Chapter 11 Plan and such request was contested by RMR. Following a hearing on July 30, 2012, the

Bankruptcy Court ultimately denied the extension of exclusivity to file a Plan, and therefore the exclusive periods under Bankruptcy Code section 1121 have expired and are no longer in effect.

Stand Down Agreement

At the hearing on exclusivity, RMR suggested for the first time that it considered Casino and Stanley to be secured by the alleged Galleria Deficiency claim. Following the Court's denial of the request to extend exclusivity on July 30, 2012, the parties reached a general agreement and understanding that RMR supported the current Churchill Contract and that the contract, if closed, would provide significant opportunity for the parties to resolve their disputes concerning further workout of the loan and the issues presented by the Galleria Deficiency Claim. Accordingly, the parties generally agreed to allow the sale to proceed and to not take further action in the bankruptcy case while the sale was pending.

Agricultural Exemption

The Debtor successfully obtained an agricultural exemption on the Casino property in tax year 2012. As a result, the Debtor was able to reduce its total 2012 property tax debt from approximately $95,000.00 to $7,412.18. The Debtor expects and intends to retain this exemption in the future.

Sale Termination/Dismissal/Lift Stay

Ultimately, the Churchill Contract was terminated on or about November 7, 2012, due to the proposed buyer being unable to obtain a zoning variance specific to its particular intended use for the property. Following the termination of the Churchill Contract, the United States Trustee moved for dismissal or conversion of the Debtor's bankruptcy case on November 28, 2012. Thereafter, RMR moved for relief from the automatic stay to foreclose on Stanley and Casino on December 7, 2012.

Dismissal/Lift Stay Hearing

On January 23, 2013, the Bankruptcy Court held a hearing on the request for dismissal/conversion by the United States Trustee and the request for relief from stay by RMR. The hearing on these matters continued to January 25, 2013 and on February 7, 2013, the Court announced its findings of fact and conclusions of law into the record. Such findings included that dismissal or conversion of the case was not appropriate given the overall circumstances of the case. With respect to the relief from stay, the Bankruptcy Court ruled that the Debtor has equity in Casino because Casino was not subject to the alleged Galleria Deficiency Claim by virtue of the language in the Casino Loan Documents. The Bankruptcy Court ruled that Stanley does secure the Casino Loan, as well as the alleged Galleria Deficiency Claim, and that the Debtor had no equity in Stanley. The Bankruptcy Court found, however, that Stanley was necessary to an effective reorganization and denied the request for relief from stay as to both Casino and Stanley. The Bankruptcy Court's order was without prejudice and the Bankruptcy Court granted the Debtor a ninety (90) day period to confirm a Plan.

D. Alleged Values of Properties and Claims

With respect to Casino, RMR asserts that the obligations owing under the Casino Loan total $3,606,666.14 as of the Petition Date and $3,996,256.27 as of February 1, 2013 inclusive of post-Petition interest and fees not including attorney's fees in the asserted approximate amount of $60,000.00 (the "Casino Debt"). RMR asserts that the Casino Debt is secured by Casino, valued by RMR at $8,580,000 as of June, 2011, and Stanley, valued by RMR at $2,650,000 as of February, 2011.

With respect to Stanley, RMR asserts that the obligations owing under the Stanley Loan total $1,435,209.94 as of the Petition Date and $1,638,558.04 inclusive of post-Petition interest and fees (the "Stanley Debt"). RMR asserts that the Stanley Debt is secured by Stanley, valued by RMR at $2,650,000 as of February, 2011. Additionally, RMR asserts that Stanley is additionally secured by the alleged Galleria Deficiency Claim, which RMR calculates as $9,314,755.71 as of the Petition Date.

The Debtor does not dispute RMR's calculation of the Casino and Stanley Debt as of the Petition Date. The Debtor has only been informally provided with some, but not all, of RMR's position on post-petition fees and interest, and reserves the right to challenge same, while at the same time acknowledging that RMR's post-petition figures appear generally correct and likely recoverable. The Debtor unequivocally denies that RMR is factually and legally entitled to the Galleria Deficiency Claim based upon, *inter alia,* RMR's positions on value of the collateral in the Woodmont case and the factual evidence supporting RMR's credit value at foreclosure.

With respect to Casino and Stanley, the Debtor is currently finalizing its appraisals but expects the appraisals to support fair market retail value of $14,730,000 for Casino, fair market bulk value of $12,000,000 for Casino, and $3,060,000 for Stanley.

E. Other Claims

In addition to the claims of RMR, the Debtor has $7,142.18 in 2012 property tax obligations following the obtainment of the agricultural exemption on Casino. Upon information and belief, $3,999.45 of these taxes have been satisfied by RMR from a pre-Petition reserve that the third-parties funded for 2012 property taxes on behalf of the Debtor for $93,359.60. The Debtor anticipates a 2013 tax bill of the same amount or less for 2013.

Additionally, the Debtor has employed the law firm of Quilling, Selander, Lownds, Winslett & Moser, P.C. ("QSLWM") as general counsel in its bankruptcy case. QSLWM has been provided with a retainer of $23,444.35 from Pillar Income Asset Management and will be provided an additional $53,047.67 retainer from TCI on or about April 4, 2013. QSLWM has incurred fees and expenses in the approximate amount of $22,525.64 above these retainer amounts. The amount of QSLWM's fees and expenses above the retainer will be satisfied by further retainer prior to Confirmation or by TCI upon allowance of the fees by Court Order. Although difficult to predict, QSLWM estimates that up to additional $30,000.00 of fees and expenses above the retainer may be incurred through plan confirmation.

The Debtor has also employed appraisers and other experts for purposes of the properties, the bankruptcy case, and confirmation. Although such amounts are difficult to predict with certainty, the Debtor budgets approximately $40,000.00 for such experts through confirmation.

Such fees will be satisfied by TCI upon plan conformation or later receipt of invoice or where required, Bankruptcy Court approval.

The Debtor believes that three unsecured claims will be allowed in the total approximate amount of $80,750.00. Such claims will be satisfied by TCI by one immediate 50% payment and a subsequent 50% payment 6 months later.

Last, the third parties that have advanced or will advance funds on behalf of the Debtor may be entitled to contribution or reimbursement claims. The Plan provides that such parties will retain any such claims under applicable non-bankruptcy law, but not be entitled to distribution on any such claims until satisfaction of the remainder of the Debtor's claims.

F. TCI

TCI is a publicly owned Nevada corporation whose shares are traded on the New York Stock Exchange under the symbol "TCI". TCI's shares are currently trading for approximately $12 per share. During the last 52 weeks, TCI's shares have traded in the range of $1.75/share to $6.01/share. TCI owns numerous commercial properties with a book value in excess of one billion dollars in Texas and elsewhere within the United States. As a publicly held company, TCI files periodic reports with the United States Security & Exchange Commission ("SEC"), including annual and quarterly financial reports commonly known and referred to as "10-K's" and "10-Q's". Creditors and parties in interest are encouraged to review TCI's most recent SEC filings and reports for a more detailed and comprehensive description of TCI's business, assets, debts, financial condition, and transactions. Such SEC reports may be viewed at TCI's website: www.transconrealty-invest.com or may be obtained by contacting TCI's investor relations department. Additionally, such reports and filings may be obtained on-line from a number of websites, including the EDGAR database maintained by the SEC at www.sec.gov/edgar. For the convenience of parties, TCI's 10-Q quarterly period ended September 30, 2012 is attached as Exhibit "B" hereto.

Subject to applicable securities laws and restrictions and any confidentiality or nondisclosure agreement deemed necessary or advisable by TCI or its counsel, TCI is willing to provide such additional "non-public" information regarding its financial condition, properties, or activities as any Claimant may reasonably request in order to evaluate such matters and TCI's ability to fund the Plan, provided, however, that any such additional disclosures by TCI to such requesting party does not violate or contravene Sections 1125 or 1126 of the Bankruptcy Code regarding the contents of this Disclosure Statement or the solicitation of acceptances for the Plan.

G. Mineral Interests related to Casino and Stanley.

Pursuant to certain Mineral Rights Deeds dated April 25, 2006 and July 19, 2006, TCI transferred the mineral interest in Casino and Stanley to an entity, T Majestic, Inc., for the purpose of grouping Casino and Stanley with other tracts into a single mineral lease. Accordingly, on August 10, 2007 and August 27, 2007, respectively, TCI and other parties executed a Surface Use Agreement and T Majestic, Inc. executed an Oil, Gas, and Mineral Lease ("OGML") with Trinity East Energy, LLC ("Trinity"). Thereafter, by agreements dated May 5, 2008 and May 14, 2008, the Surface Use Agreements were terminated as to Casino and Stanley.

The OGML includes over 720 acres, including the approximate 54 acres of Casino and Stanley. The OGML included an initial term through August 27, 2010 and was subsequently extended on March 22, 2010 through August 27, 2012.

Pursuant to the Second Forbearance Agreement dated June 6, 2011, RMR required that the mineral interests of Casino and Stanley be transferred to TCI. Accordingly, by Minerals Rights Deed dated June 7, 2011, T Majestic, Inc. transferred the mineral interests in Casino and Stanley to TCI.

On October 17, 2011, T Majestic, Inc. extended the term of the OGML through February 14, 2014. That being said, neither TCI nor the Debtor were parties to such extension, and a result, the OGML has terminated as to Casino and Stanley.

The OGML has never provided any material revenue. The OGML does not provide for any up-front bonus payments, nor have any funds been received for extensions of the OGML. The revenue under the OGML is limited to royalties, and the only site that Trinity has developed is a small tract unrelated and not pooled with Casino or Stanley. Since the inception of the OGML, the OGML only began producing and paying royalties in mid-2010 and since then has paid only approximately $9,522.30 in royalties through 2012. For 2012, the total royalties were $1,157.82. To the extent the royalties could somehow be attributed to Casino and Stanley notwithstanding the apparent termination of the OGML as to Casino and Stanley and the fact that Casino and Stanley are not pooled with the producing tract, TCI would have been entitled to only $667.37 from the inception of the lease and $81.15 for 2012 related to Casino and Stanley.

The Debtor does not believe that the OGML or the mineral interests in Casino and Stanley have material value. To alleviate any issues with the separation of the mineral estate from the surface, the Plan provides for TCI to convey the mineral interests in Casino and Stanley to the Debtor, or as to Stanley transferred to RMR in the event the Debtor exercises Option 2 as to Stanley.

H. Ownership/management of the Debtor.

The Debtor is owned by ABCLD Income, LLC. The President of the Debtor is Ronald F. Akin, who is also a 50% indirect owner of the Debtor via ABCLD Income, LLC. Donna Shumate has no position with the Debtor and is a 50% indirect owner of the Debtor via ABCLD Income, LLC. Craig E. Landess and Steven A. Shelley each hold the position of Vice-President of the Debtor. Mr. Landess and Mr. Shelley also each hold the position of Vice-Presidents of TCI.

V.

FEASIBILITY OF THE PLAN

A. Feasibility

The Debtor believes that the Plan is feasible. With respect to Casino, the Debtor's appraisals support a continuing loan to value ratio of 30% or better and a probable sale of Casino within the first twelve months of the Plan. With an appropriate period to manage Casino in a non-distressed position, the Debtor believes that it can utilize its expertise to maximize value from Casino and satisfy the claims of RMR and make a return to equity. With respect to the payments under the Plan, the Debtor has a track record of obtaining third party sources to assist the Debtor with its properties and the financial condition of TCI will be sufficient to consummate and service the Plan.

B. Alternatives to Confirmation of the Plan

There are three possible consequences if the Plan is rejected or if the Bankruptcy Court refuses to confirm the Plan: (a) the Bankruptcy Court could dismiss the Debtor's Chapter 11 bankruptcy case, (b) the Debtor's Chapter 11 bankruptcy case could be converted to liquidation cases under Chapter 7 of the Bankruptcy Code, or (c) the Bankruptcy Court could consider an alternative plan of reorganization proposed by some other party.

1. Dismissal

If the Debtor's bankruptcy case was dismissed, the Debtor would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. The Secured Creditor would then have the right to exercise its rights to declare defaults, accelerate the indebtedness, impose and charge default interest rates and other fees, charges, and penalties, and foreclose and liquidate the Debtor's assets constituting its collateral. Dismissal would negatively impact the Debtor's ability to sell their properties to a third party through a fair and orderly marketing and sales program designed to obtain a fair or maximum value for the properties in excess of the secured claims. Dismissal could force a race among other creditors to take over and dispose of any remaining assets. In the event of dismissal, it is very doubtful that TCI would fund or advance any amounts to Debtor to pay any administrative, priority, or unsecured claims.

RMR would likely foreclose on Stanley and Casino for substantially less than the value the Debtor could obtain for such properties. Depending on the amount credited by RMR, the foreclosure could be insufficient to satisfy the claim of RMR under the Stanley Loan Documents. Unsecured claimants would then be left to recover only in the event the Debtor was able to liquidate 2400 Walton Walker and the McKinney Ranch for an amount sufficient to satisfy unsecured claimants. The Debtor values such properties at $139,045.00 and $84,290.00 and believes that such properties could take months or years to sell for market value and it is possible that a judgment creditor could attach to the properties before the Debtor could sell the properties. Accordingly, if the Debtor's bankruptcy case was dismissed, unsecured creditors face a likely recovery at an unknown point in the future and not the guaranteed early payment under the Plan.

2. Chapter 7 Liquidation

If the Plan is not confirmed, it is possible that the Debtor's Chapter 11 case will be converted to a case under Chapter 7 of the Bankruptcy Code, in which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. In such event, the Chapter 7 Trustee would be attempting to liquidate the Debtor's property in a distressed situation. The Chapter 7 Trustee would not, by default, have funds available to maintain taxes and insurance on the properties. As a result, the Trustee's ability to liquidate Casino and Stanley would likely depend on whether RMR allowed the Trustee to liquidate the property versus RMR lifting stay to foreclose and sell Casino and Stanley directly.

Whether liquidated by the Trustee or RMR, the Debtor believes that both parties would be liquidating the property in a distressed situation and be unable to obtain the same value that the Debtor could obtain after stabilizing the properties and proper market exposure. Similar to dismissal, if the Debtor's bankruptcy case was converted and RMR allowed the Trustee to liquidate the property, unsecured creditors face a likely recovery at an unknown point in the future and not the guaranteed early payment under the Plan. If RMR did not allow the Trustee to liquidate Casino, unsecured creditors would likely obtain a distribution from the sale of 2400 Walton Walker and the McKinney Ranch, but such distribution would be at an unknown point in the future and not the guaranteed early payment under the Plan.

3. Confirmation of an Alternative Plan.

It is possible that a creditor or third party may file and pursue confirmation of an alternative plan. Such a Plan would likely call for the foreclosure of Stanley and Casino and/or the sale of Casino or Stanley in a distressed environment. Such a sale would realize less than the full potential of Casino that the Debtor could obtain after stabilizing the property and proper market exposure. Depending on the terms of such alternative plan, other creditors may or may not stand to realize the same distribution on their claims as the Plan.

VI.

RISK FACTORS

The primary risk factor associated with the Plan is the Debtor's ability to realize value from Casino sufficient to satisfy the carried debt and TCI's satisfaction of the post-Confirmation payments. Creditors are encouraged to review TCI's SEC reports and filings to assess TCI's financial condition and evaluate the risk that TCI may be incapable to fund the Plan following Confirmation.

VII.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. Introduction

Implementation of the Plan may have federal, state and local tax consequences to the Debtor and its Estate, as well as to Creditors and Equity Interest holders of the Debtor. No tax opinion has been sought or will be obtained with respect to any tax consequences of the Plan, and the following disclosure does not constitute and is not intended to constitute either a tax opinion or tax advice to any Person.

This disclosure is provided for informational purposes only. Moreover, this disclosure summarizes only certain of the federal income tax consequences associated with the Plan's confirmation and implementation and does not attempt to comment on all such aspects. Similarly, this disclosure does not attempt to consider any facts or limitations applicable to any particular Creditor or Equity Interest holder that may modify or alter the consequences described below. This disclosure does not address state, local or foreign tax consequences or the consequences of any federal tax other than the federal income tax.

This disclosure is based upon the provisions of the Internal Revenue Code of 1986, as amended, the regulations promulgated thereunder, existing judicial decisions, and administrative rulings. In light of the expansiveness of such authorities, no assurance can be given that legislative, judicial or administrative changes will not be forthcoming that would affect the accuracy of the discussion below. Any such changes could be material and could be retroactive with respect to the transactions entered into or completed prior to the enactment or promulgation thereof. Finally, the tax consequences of certain aspects of the Plan are uncertain due to a lack of applicable legal authority and may be subject to judicial or administrative interpretations that differ from the discussion below.

CREDITORS AND EQUITY INTEREST HOLDERS, THEREFORE, ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM AND TO THE DEBTOR OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.

B. Nature of the Debtor for Federal Income Tax Purposes

The Debtor is a Nevada corporation. The Debtor was a wholly-owned subsidiary of TCI and its tax reporting activity was included in the consolidated American Realty Investors, Inc. and subsidiaries tax return through tax year 2010. Beginning in tax year 2011, the Debtor's tax reporting activity has been included in the consolidated return for ABC Land & Development, Inc. & subsidiaries. The Debtor has no prior Net Operating Losses or other carry-forwards.

C. Tax Consequences for the Debtor

The Debtor's tax basis in Casino and Stanley is $16,600,000.00 and $0.00 in McKinney Ranch and 2400 Walton Walker. Any amounts realized by the Debtor over its tax basis would

likely be taxed as a capital gain. "Long term" capital gains are generally taxed at a preferential rate in comparison to ordinary income (26 U.S.C. §1(h)). The amount an investor is taxed depends its tax bracket, and the amount of time the investment was held before being sold. “Short-term” capital gains are taxed at the investor's ordinary income tax rate and are generally defined as investments held for a year or less before being sold. Long-term capital gains, which are gains on dispositions of assets held for more than one year, are taxed at a lower rate than short-term gains. When the taxable gain or loss resulting from the sale of an asset is calculated, its cost basis is subtracted from the amount realized on the sale. The cost basis is equal to the purchase price, adjusted for certain factors such as fees paid (brokerage fees, certain legal fees, sales fees) and depreciation. Currently, the Debtor has not depreciated any of its property. The precise rate of tax would depend on the applicable rate in effect as of the tax year of the disposition.

If the properties were sold for less than the tax basis through voluntary sale or foreclosure, the Debtor may be able to recognize a taxable loss from the disposition, and such loss may be able to be applied for the benefit of the Debtor’s equity and/or tax consolidated group. Currently, the Debtor has no prior year operating loss or other carry-forward that could be utilized by the Debtor for tax purposes.

D. Federal Income Tax Consequences to Creditors

The tax consequences of the implementation of the Plan to a creditor will depend in part on whether the creditor’s current “debt” or “claim” constitutes a “security” for federal income tax purposes, the type of consideration received by the creditor in exchange for its Allowed Claim, whether the creditor reports income on the accrual or cash basis, whether the creditor receives consideration in more than one tax year of the creditor, whether the creditor is a resident of the United States, and whether all the consideration received by the creditor is deemed to be received by that creditor in an integrated transaction.

A creditor who receives cash or property in full satisfaction of its Claim will be required to recognize gain or loss on the payment or exchange. The creditor will recognize gain or loss equal to the difference between the amount realized in respect of such Claim and the creditor’s tax basis in the Claim. The exact tax treatment depends on each Creditor’s method of accounting, the basis of the amount of distributions received, and whether and to what extent such Creditor has taken a bad debt reduction in prior taxable years with respect to a particular debt owed to it by the Debtor. **EACH CREDITOR IS URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES OF ITS CLAIM UNDER THE PLAN.**

E. Tax Withholding

Pursuant to the Plan, the Debtor or TCI will withhold from payments made to Creditors pursuant to the Plan any amounts required by law to be withheld. In order to assist that withholding process, Creditors may be required to provide general tax information to the Debtor or other or TCI prior to receiving their distributions under the Plan.

F. Disclaimers

PERSONS CONCERNED WITH THE TAX CONSEQUENCES OF THE PLAN SHOULD CONSULT THEIR OWN ACCOUNTANTS, ATTORNEYS AND/OR ADVISORS. THE DEBTOR MAKES THE ABOVE-NOTED DISCLOSURE OF POSSIBLE TAX CONSEQUENCES FOR THE SOLE PURPOSE OF ALERTING READERS TO TAX ISSUES THAT THEY MAY WISH TO CONSIDER. THE DEBTOR CANNOT, AND DO NOT, REPRESENT THAT THE TAX CONSEQUENCES MENTIONED ABOVE ARE COMPLETELY ACCURATE BECAUSE, AMONG OTHER THINGS, THE TAX LAW EMBODIES MANY COMPLICATED RULES THAT MAKE IT DIFFICULT TO STATE ACCURATELY WHAT THE TAX IMPLICATIONS OF ANY ACTION MIGHT BE.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, THE DEBTOR INFORMS ALL RECIPIENTS OF THIS DISCLOSURE STATEMENT THAT ANY U.S. TAX INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING THE EXHIBITS HERETO) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF (A) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE, OR (B) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION OR MATTER ADDRESSED HEREIN.

VIII.

CONCLUSION

This Disclosure Statement has attempted to provide information regarding the Debtor's estate and the potential benefits that might accrue to holders of Claims against and Interests in the Debtor under the Plan as proposed. The Plan is the result of the effort of the Debtor and their advisors and management to fully pay all allowed claims against it. The Debtor believes that the Plan is feasible and will provide each holder of a Claim against the Debtor with an opportunity to receive the same or greater benefits than those that would be received by the immediate liquidation of assets, or by any alternative plan. The Debtor, therefore, hereby urges you to vote in favor of the Plan.

Whether or not you expect to attend the Confirmation Hearing, which is scheduled to commence on _____ at _____. Dallas, Texas Time, you must sign, date, and mail your ballot as soon as possible for the purpose of having your vote count at such hearing. All ballots must be returned to the attorney for the Debtor:

Hudson M. Jobe
2001 Bryan Street, Suite 1800
Dallas, Texas 75201
Telephone: 214-871-2100
Facsimile: 214-871-2100
Email: hjobe@qslwm.com

All ballots must be returned on or before _____. Dallas, Texas Time on _____. Any ballot which is illegible or which fails to designate an acceptance or rejection of the Plan will not be counted.

DATED: April 3, 2013

T SORRENTO, INC.

By: */s/ Steven Shelley*

Its: Vice President

This Disclosure Statement Has Been
Prepared and Filed on Behalf of the Debtor By:

QUILLING, SELANDER, LOWNDS,
WINSLETT & MOSER, P.C.
2001 Bryan Street, Suite 1800
Dallas, TX 75201
(214) 871-2100 (Telephone)
(214) 871-2111 (Facsimile)

By: */s/ Hudson M. Jobe*
Hudson M. Jobe
State Bar No. 24041189

ATTORNEYS FOR THE DEBTOR

4822-8968-4755, v. 1