IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
BEAUMONT DIVISION

IN RE:	§	**CASE NO. 16-10569**
	§	
THE DAVID WINSTON EARLY CABELL FAMILY L.P., LTD.	§	**Chapter 11**
	§	
	§	
Debtor.		

DISCLOSURE STATEMENT

(Dated: August 4, 2017)

THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

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INTRODUCTION

This Disclosure Statement (the "**Disclosure Statement**") and the accompanying ballots (the "**Ballots**") are being furnished by Chapter 11 debtor David Winston Early Cabell L.P., Ltd. (the "**Debtor**") to the holders of Claims against and Interests in the Debtor pursuant to Section 1125 of title 11 of the United States Code (the "**Bankruptcy Code**") in connection with the solicitation of ballots for the acceptance of the Debtor's Plan of Reorganization (the "**Plan**").

Capitalized terms used in this Disclosure Statement and not defined herein shall have their respective meanings as defined in the Plan or, if not defined in the Plan, as defined in the Bankruptcy Code.

On November 22, 2016 (the "**Petition Date**"), the Debtor filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Texas, Beaumont Division (the "**Bankruptcy Court**"). No Official Committee of Unsecured Creditors has been appointed by the United States Trustee in this case.

After notice and a hearing on [DATE], the Bankruptcy Court approved this Disclosure Statement and authorized the Debtor to solicit votes with respect to the Plan.

The purpose of this Disclosure Statement is to enable those persons whose Claims against and Interests in the Debtor are Impaired and entitled to vote under the Plan to make an informed decision on whether to vote for or against the Plan. Holders of Claims should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes with respect to the Plan may be made except pursuant to this Disclosure Statement. No statement or information concerning the Debtor (particularly as to the results or financial condition, or with respect to distributions to be made under the Plan) or any of the Debtor's assets, properties or business that is given for the purpose of soliciting acceptances or rejections of the Plan, is authorized other than as set forth in this Disclosure Statement. In the event of any inconsistencies between the provisions of the Plan and this Disclosure Statement, the provisions of the Plan shall control. A copy of the Plan is attached hereto as **Exhibit A** to this Disclosure Statement.

This Disclosure Statement was approved by the Bankruptcy Court on [DATE] as containing adequate information to enable persons whose votes are being solicited to make an informed judgment with respect to acceptance or rejection of the Plan. A copy of the Bankruptcy Court's order approving this Disclosure Statement and establishing procedures for voting on the Plan (the "**Approval Order**") is attached to your copy of this Disclosure Statement as **Exhibit B**. The Approval Order is not a guarantee of the accuracy or completeness of the information contained herein or an endorsement of any of the information contained in this Disclosure Statement or the Plan.

After carefully reviewing this Disclosure Statement and all exhibits and schedules attached hereto, please indicate your acceptance or rejection of the Plan by voting to accept or reject the Plan on the enclosed Ballot.

BALLOTS SHOULD BE MARKED, SIGNED, DATED AND RETURNED SO THAT THEY ARE *ACTUALLY RECEIVED* BY NO LATER THAN 5:00 P.M., (CST) ON [ ], 2017 (THE "VOTING DEADLINE") AT THE FOLLOWING ADDRESS, AS SET FORTH ON THE ENCLOSED RETURN ENVELOPE:

KILMER CROSBY & WALKER PLLC
c/o BRIAN KILMER
712 Main St., Suite 1100
Houston, Texas 77002
Telephone: 713.300.9662
Facsimile: 214.731.3117

BALLOTS MAY BE SENT BY FACSIMILE OR E-MAIL PROVIDED THEY ARE RECEIVED BY THE ABOVE DEADLINE AND AN ORIGINAL FOLLOWS PROMPTLY BY MAIL OR OTHER DELIVERY METHOD. ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED (UNLESS OTHERWISE ORDERED BY THE BANKRUPTCY COURT). BALLOTS THAT ARE RECEIVED AFTER THE VOTING DEADLINE MAY NOT BE USED IN CONNECTION WITH THE DEBTOR'S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF, EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT.

THE DEBTOR BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF ALL CLAIMANTS OF THE DEBTOR AND, CONSEQUENTLY, THE DEBTOR URGES ALL CLAIMANTS TO VOTE TO ACCEPT THE PLAN.

This Disclosure Statement has been compiled by the Debtor to accompany the Plan. The factual statements, projections, financial information, and other information contained in this Disclosure Statement have been taken from documents prepared by the Debtor, including the Debtors' Schedules and Statements of Financial Affairs, pleadings filed in the Bankruptcy Case, and information obtained in the Bankruptcy Case. Nothing contained in this Disclosure Statement shall have any preclusive effect against the Debtor (whether by waiver, admission, estoppel or otherwise) in any cause or proceeding which may exist or occur in the future. This Disclosure Statement shall not be construed or deemed to constitute an acceptance of fact or an admission by the Debtor with regard to any of the statements made herein, and all rights and remedies of the Debtor are expressly reserved in this regard. This Disclosure Statement contains statements which constitute the Debtor's or other third parties' views of certain facts. All such disclosures should be read as assertions of such parties. To the extent any paragraph does not contain an express reference that it constitutes an assertion of a particular party, it should be read as an assertion of the party indicated by the context and meaning of such paragraph.

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

Certain of the information contained in this Disclosure Statement, by its nature, is forward looking, contains estimates and assumptions which may prove to be inaccurate, and contains projections which may prove to be wrong, or which may be materially different from actual future results. Each Claimant should independently verify and consult its individual attorney and accountant as to the effect of the Plan on such individual Claimant or Interest holder.

The Debtor strongly urges each recipient entitled to vote on the Plan to review carefully the contents of this Disclosure Statement, the Plan, and the other documents that accompany or are referenced in this Disclosure Statement in their entirety before making a decision to accept or reject the Plan.

IT IS OF THE UTMOST IMPORTANCE TO THE DEBTOR THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN BY COMPLETING AND SIGNING THE BALLOT ENCLOSED HEREWITH AND RETURNING IT TO COUNSEL FOR THE DEBTOR, AT THE ADDRESS SET FORTH IN THE BALLOT INSTRUCTIONS THAT ACCOMPANY THE BALLOT. SHOULD YOU HAVE ANY QUESTIONS REGARDING THE VOTING PROCEDURES, YOUR BALLOT, OR THE BALLOT INSTRUCTIONS, OR IF YOUR BALLOT IS DAMAGED OR LOST, CONTACT COUNSEL FOR THE DEBTOR AT THE FOLLOWING ADDRESS:

KILMER CROSBY & WALKER PLLC
c/o BRIAN KILMER
712 Main St., Suite 1100
Houston, Texas 77002
Telephone: 713.300.9662
Facsimile: 214.731.3117

The Approval Order fixes _____, 2017 at _____ (CST), in the Courtroom of the Honorable Bill Parker, United States Bankruptcy Judge, United States Bankruptcy Court for the Eastern District of Texas, Beaumont Division, 300 Willow Street, Suite 100, Beaumont, Texas 77001, as the date, time, and place for the hearing on Confirmation of the Plan, and fixes _____, 2017 as the date by which all objections to Confirmation of the Plan must be filed with the Bankruptcy Court and received by counsel for the Debtor. The Debtor will request Confirmation of the Plan at the Confirmation Hearing.

ARTICLE I
HISTORICAL BACKGROUND AND PREPETITION BUSINESS OPERATIONS

The Debtor is a limited partnership that acts as a holding company for certain assets, including three pieces of real property and a publishing company. The Debtor has no operations and does not have any employees. The Debtor owns an office building located at 304 Pearl St., Beaumont, Texas 77701 (the "**Real Property**"). Additionally, the Debtor owns significant cash and interests in marketable securities (the "**Financial Assets**") held in a brokerage account at Wells Fargo Bank, National Association ("**Wells Fargo**") and holds equity in a non-debtor subsidiary.

ARTICLE II
FACTORS LEADING TO FILING OF THE CHAPTER 11 CASES / PRESENT STATUS OF DEBTOR'S CASE

A. Debtor's Financing History

Prior to the Petition Date, Wells Fargo extended certain financial accommodations to the Debtor in the form of: (i) a $4,500,000.00 term loan, dated January 31, 2012 (the "**Term Loan**"); and (ii) a $1,250,000.00 revolving line of credit loan, dated March 9, 2012 (the "**Revolver Loan**," and collectively with the Term Loan, the "**Wells Fargo Loans**"). By virtue of the various loan documents (collectively, the "**Loan Documents**")[1] underlying the Wells Fargo Loans, Wells Fargo holds alleged liens on both the Real Property (the "**Real Property Liens**") and Financial Interests (the "**Financial Interest Liens**," and collectively with the Real Property Liens, the "**Wells Fargo Liens**"). Accordingly, on April 3, 2016, Wells Fargo filed Proof of Claim No. 2 with regard to the Term Loan (the "**Term Claim**") and Proof of Claim No. 3 with regard to the Revolver Loan (the "**Revolver Claim**," and collectively with the Term Claim, the "**Proofs of Claim**") in order to evidence its alleged rights against the Debtor. Wells Fargo has no liens of any kind on the Debtor's publishing company.

B. The Real Property Valuation Dispute and Threats of Foreclosure On the Debtor's Assets by Wells Fargo

In June 2016, Wells Fargo retained Advanced Appraisal Group (the "Appraiser") to conduct an appraisal (the "Appraisal") of the Real Property as of July 13, 2016. On July 28, 2016,

[1] As defined under section 1.49 of the Plan, the Loan Documents include: (i) those certain financial accommodations extended by Wells Fargo to the Debtor prior to the Petition Date and in connection with the Term Loan and the Revolver Loan, including: (i) that certain Credit Agreement between the Debtor, as borrower, and Wells Fargo, as lender, dated January 31, 2012; (ii) that certain Credit Agreement between the Debtor, as borrower, and Wells Fargo, as lender, dated March 9, 2012; (iii) that certain Term Note (Real Estate – P+I – LIBOR Swap) in the original principal amount of $4,500,000.00, executed by the Debtor in favor of Wells Fargo, dated as of January 31, 2012; (iv) that certain Revolving Line of Credit Note (Prime Rate) in the original principal amount of $1,250,000.00, executed by the Debtors in favor of Wells Fargo, dated as of March 9, 2012; (v) that certain Amended and Restated Revolving Line of Credit Note (Prime Rate) in the original principal amount of $1,050,000.00, executed by Wells Fargo, dated as of April 16, 2015; (vi) that certain First Modification to Promissory Note executed by the Debtor, as borrower, and Wells Fargo, as lender, dated as of September 30, 2015; (vii) that certain Deed of Trust and Assignment of Rents and Leases executed by the Debtor in favor of Wells Fargo, dated as of February 2, 2012, and recorded in the Official Public Records of Jefferson County, Texas on February 7, 2012 under File No. 2012003981; (viii) that certain Security Agreement: Securities Account between the Debtor and Wells Fargo, dated as of February 2, 2012; (ix) that certain Security Agreement (Financial Assets) between the Debtor and Wells Fargo, dated as of April 16, 2015; (x) that certain Amended and Restated Security Agreement (Financial Assets) between the Debtor and Wells Fargo, dated as of April 16, 2015; (xi) that certain Securities Control Agreement between the Debtors and Wells Fargo, dated as of February 2, 2012; (xii) that certain Securities Account Control Agreement (WFA, LLC (NC) – Trading Permitted) between the Debtor and Wells Fargo, dated as of March 9, 2012.

the Appraiser provided a copy of an appraisal of the real property to Wells Fargo, which noted that the "as is" market value for the real estate was $2,365,000.00.[2]

On September 12, 2016, Wells Fargo sent a demand letter to the Debtor stating that the Appraisal resulted in a loan-to-value ratio that was no longer in compliance with the Loan Documents, and that the Debtor either needed to prepay the outstanding balance in a substantial amount or pledge additional collateral to bring the Debtor into compliance. The basis for Wells Fargo's demand was that the Real Property had diminished in value (to the purported $2,365,000.00 value), thereby resulting in an outstanding loan balance which constituted a greater percentage of the overall value of the Real Property than was allowed by the Loan Documents.

Based on the Appraisal, Wells Fargo sent a demand letter to the Debtor which stated that the Debtor was in breach of a covenant within the Loan Documents requiring a minimum loan-to-value ratio, and demanded that the Debtor take numerous steps to bring the ratio back into compliance under the Loan Documents. Wells Fargo did not raise any other defaults under the demand letter. As of the time the Debtor received the demand letter and as of the Petition Date, the Debtor maintains that it was in compliance with the Loan Documents other than the sole alleged loan-to-value covenant breach alleged by Wells Fargo.

After receipt of the demand letter, the Debtor and Wells Fargo engaged in negotiations to restructure and modify the Loan Documents out of court. During these discussions, representatives for Wells Fargo indicated on at least two occasions that they believed that the Appraisal – **the sole basis for the alleged loan-to-value default under the Loan Documents and which Wells Fargo itself had commissioned** – was flawed. Despite their attempts at an amicable resolution, the parties were unable to come to a mutual resolution of their issues.

Simultaneously with these negotiations, the Debtor retained a broker and solicited buyers for the Real Property, eventually procuring a buyer for the Real Property at a purchase price of $1,670,000.00. Wells Fargo ultimately refused to approve the sale, notwithstanding the valuation of the Real Property contained within Wells Fargo's self-commissioned Appraisal.

Subsequent to its refusal to allow the Debtor to sell the Real Property at $1,670,000.00, on November 17, 2016, Wells Fargo declared a default (the "**Alleged Default**"), based solely on the loan-to-value breach resultant from the recently prepared and Wells Fargo commissioned Appraisal. Wells Fargo's declaration of default, premised on the supposedly flawed Appraisal, threatened foreclosure of certain assets of the Debtor, including the Real Property and the Financial Assets.

Importantly, the Financial Assets at the time of the Alleged Default were significantly increasing in value. Any foreclosure on the Financial Assets, due to their increasing value, would result in a windfall for Wells Fargo and a severe detriment to the Debtor's creditor base. Based on the foregoing (and the Debtor's suspicions that Wells Fargo had manufactured the Appraisal so as to obtain foreclosure rights as to the Financial Assets), the Debtor's management concluded that

[2] The Appraisal actually provided an "as-is" valuation of $2,777,000.00 but reduced the amount to $2,365,000.00 to account for some renovation and carrying costs. The Debtor disputes whether these deductions are appropriate.

it had no alternative but to undertake an orderly restructuring of its business in a chapter 11 proceeding to avoid foreclosure on the Real Property and the Financial Assets and to preserve its litigation rights against Wells Fargo. The Debtor accordingly filed for chapter 11 protection under the Bankruptcy Code on the Petition Date.

C. The Consensual Foreclosure Between the Debtor and Wells Fargo

On April 13, 2017, Wells Fargo filed a motion for an agreed order with the Debtor to post notice of foreclosure and foreclose on the Real Property (the "**Foreclosure Motion**") [Docket No. 25]. On April 28, 2017, the Bankruptcy Court entered an order (the "**Foreclosure Order**," and the allowed foreclosure under the Foreclosure Order, the "**Wells Fargo Foreclosure**") [Docket No. 30] approving the Foreclosure Motion, and Wells Fargo was thereby authorized to utilize any and all state-law remedies to foreclose on the Real Property. However, the Foreclosure Order did not resolve the issue of valuation as to the Real Property, as the Debtor fully reserved all of its litigation rights. Accordingly, the deficiency claim of Wells Fargo upon foreclosure has remained an open issue as of the date of this Disclosure Statement.

D. The Adversary Proceeding Between the Debtor and Wells Fargo

In light of Wells Fargo's inconsistent positions surrounding the Appraisal (in essence, concluding that its Appraisal was flawed/erroneous, yet at the same time, utilizing the same Appraisal as empirical evidence of the deflated value of the Real Property so as to declare a loan-to-ratio default under the Loan Documents) and the prospect of a windfall to Wells Fargo upon foreclosure of the Financial Assets, the Debtor came to believe that Wells Fargo commissioned the Appraisal to manufacture the Alleged Default or at the very least, acted in bad faith when it declared the Alleged Default. Accordingly, the Debtor brought an adversary proceeding (Adv. No. 17-01001) (the "**Adversary Proceeding**") against Wells Fargo for, among other things: (i) breach by Wells Fargo under the Loan Documents; (ii) constructive fraud and bad faith in Wells Fargo's dealings with the Debtor under the Loan Documents; (iii) a declaratory judgment stating that the Alleged Default was brought by Wells Fargo against the Debtor in bad faith; (iv) equitable subordination and/or disallowance of the Proofs of Claim; and (v) an objection to the Proofs of Claim within the Debtor's bankruptcy based upon the foregoing. Accordingly, the Debtor would state that the Proofs of Claim are disputed, contingent, and unliquidated.

ARTICLE III
PURPOSE OF CHAPTER 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. The commencement of a Chapter 11 case creates an "estate" comprised of all the legal and equitable interests of a debtor. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may remain in possession of its property and continue to operate its business as a "debtor-in-possession." Thus, since the Petition Date, the Debtor has maintained and preserved its property under the supervision of the Bankruptcy Court (the Debtor is merely a holding company with no employees and is thus not conducting operations).

Confirmation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan is the vehicle for satisfying the holders of claims against and equity interests in a debtor. Under the Bankruptcy Code, when soliciting acceptance or rejection of a plan of reorganization, a debtor must transmit to the holders of claims or interests a disclosure statement approved by the court as containing "adequate information." On _____, the Bankruptcy Court ruled that this Disclosure Statement contained information that is in compliance with the adequate information requirement of the Bankruptcy Code. The Disclosure Statement describes various transactions contemplated under the Plan and is supplied to you for purposes of assisting in your evaluation of, and your decision of how to vote on, the Plan. The Plan is attached hereto as **Exhibit A**.

ARTICLE IV
ASSETS OF THE DEBTOR

The following is a summary description of each of the Debtor's principal assets as they existed as of the date the Debtor filed its schedules of assets and liabilities (the "**Schedules**"). The information has been compiled from the Debtor's records and the Schedules. The Debtor conducts all of its accounting on a cash basis.

4.1 David Winston Early Cabell Family, L.P., Ltd.

Real Property: The Schedules filed by the Debtor indicate that the Debtor holds the following real property: (i) the Real Property, valued at approximately $2,777,000.00 (before deduction of expenses to lease and maintain); and (ii) a condominium located at 7060 Phelan Boulevard, Suite 104, Beaumont, Texas 77706 and valued at approximately $77,000.00 (the "**Condominium**").

Cash/Cash Equivalents: The Schedules filed by the Debtor indicate that the Debtor had: (i) funds in a certain securities account held with Wells Fargo (the "**Securities Account**") totaling $854,722 (as of 8/3/2017); and (ii) securities in the Securities Account with a cash value of $1,576,568.00 (as of 8/3/2017), for a total of $2,431,292.00 in cash and cash equivalents as of the time of the filing of the Schedules.

Accounts Receivable: The Schedules filed by the Debtor indicate that the Debtor had accounts receivable in the approximate amount of $46,250.00 as of the time of the filing of the Schedules, which were collected. In addition, as of August 3, 2017, the non-debtor subsidiary, Cabell Publishing Company has $279,494.00 in accounts receivable, of which it is estimated that 90% shall be collected by October 31, 2017.

Investments: The Schedules filed by the Debtor indicate that the securities and cash held by the Debtor in the Securities Account hold a value of $2,431,292, as of August 3, 2017.

Equity Interests. The Schedules filed by the Debtor indicate that the Debtor has a 100% equity interest in Cabell Publishing Co., a wholly-owned non-debtor subsidiary of the Debtor. The value of the equity interest in unknown.

Claims and Causes of Action: The Debtor owns the following claims and causes of action:

(a) **Preferential Transfers/Fraudulent Transfers**. Within 90 days of the Petition Date, the Debtor made a number of payments to creditors. Each of these payments is potentially an avoidable preference or fraudulent transfer (collectively, the "**Avoidance Actions**"). A list of the payments made by the Debtor within the 90 day period preceding the Petition Date is contained in the Statement of Financial Affairs filed by the Debtor in response to question 3 therein. In addition, the Debtor may have made other payments or transfers more than ninety days before the Petition Date that may be avoidable and are listed in response to question 4 of the Statement of Financial Affairs. Section 546 of the Bankruptcy Code provides a time frame of two years from the entry of Order for Relief (the Order for Relief is the same as the Petition Date for the Debtor) within which to bring an action to set aside an avoidable preference or fraudulent transfer. While the Debtor has not attempted to estimate the potential recoveries on such Avoidance Actions, the Debtor does not estimate any substantial recoveries on the Avoidance Actions.

(b) **General Causes of Action.** At the present time, the Debtor believes that the Adversary Proceeding constitutes the only claim or cause of action against third-parties. However, to the extent it is determined that the Debtor possesses any additional existing causes of action, the Debtor specifically retains any such causes of action, including any and all claims, rights and causes of action that have been or could have been brought by or on behalf of the Debtor arising before, on or after the Petition Date, known or unknown, in contract or in tort, at law or in equity or under any theory of law, including, but not limited to any and all claims, rights and causes of the Debtor or the Estate may have against any Person arising under chapter 5 of the Bankruptcy Code, or any similar provision of state law or any other law, rule, regulation, decree, order, statute or otherwise including avoidance actions as stated above, any and all claims, causes of action, counterclaims, demands, controversies, against third parties on account of costs, debts, sums of money, accounts, reckonings, bonds, bills, damages, obligations, liabilities, objections, and executions of any nature, type, or description which the Debtor has or may come to have, including, but not limited to, negligence, gross negligence, usury, fraud, deceit, misrepresentation, conspiracy, unconscionability, duress, economic duress, defamation, control, interference with contractual and business relationships, conflicts of interest, misuse of insider information, concealment, disclosure, secrecy, misuse of collateral, wrongful release of collateral, failure to inspect, environmental due diligence, negligent loan processing and administration, wrongful setoff, violations of statutes and regulations of governmental entities, instrumentalities and agencies (both civil and criminal), racketeering activities, securities and antitrust laws violations, tying arrangements, deceptive trade practices, breach or abuse of fiduciary duty, breach of any alleged special relationship, course of conduct or dealing, obligation of fair dealing, obligation of good faith, whether or not in connection with or related to this Plan, at law or in equity, in contract in tort, or otherwise, known or unknown, suspected or unsuspected.

ARTICLE V
LIABILITIES OF THE DEBTOR

5.1 Administrative Claims: Administrative Claims are any Claims defined in section 503(b) of the Bankruptcy Code as "administrative expenses" and granted priority under section 507(a)(1) of the Bankruptcy Code, including:

(1) a Claim for any cost or expense of administration in connection with these cases, including, without limitation, any actual, necessary cost or expense of preserving the Debtor's Estate and of operating the businesses of the Debtor incurred on or before the Effective Date;

(2) the full amount of all Claims for compensation for legal, accounting and other services or reimbursement of costs under sections 330, 331 or 503 of the Bankruptcy Code;

(3) all fees and charges assessed against the Debtor's Estate under Chapter 123 of Title 28 of the United States Code; and

(4) a Claim for post-petition Taxes and related items, including any interest and penalties on such post-petition Taxes.

(a) **Professionals**. With Court approval, the Debtor: (i) employed the law firm of Kilmer Crosby & Walker PLLC ("**KCW**") as their bankruptcy counsel. As of the date of the hearing on the Disclosure Statement, KCW has incurred $40,261.74 in fees and expenses.

(b) **Other Asserted Administrative Claims.** No other requests for administrative expense payments have been filed in this case.

5.2 Priority Claims. Priority Claims are unsecured Claims which are entitled to priority above General Unsecured Claims under section 507(a)(1) of the Bankruptcy Code. The Debtor does not believe that it has any outstanding priority claims as of the time of the filing of this Disclosure Statement.

5.3 Creditors Holding Secured Claims. The Schedules of the Debtor reflect a few Secured Claims as listed below, although the Wells Fargo claims are in dispute and are the subject of the Adversary Proceeding. The scheduled and filed Claim amounts listed below do not include the accrual of interest after the filing of the cases, to the extent such post-petition interest may be applicable.

(a) **Wells Fargo**

Term Loan. On January 31, 2012, Wells Fargo extended the Term Loan to the Debtor in the aggregate amount of $4,500,000.00. By virtue of the Loan Documents underlying the Term Loan, Wells Fargo holds alleged liens on

both the Real Property and the Financial Assets. The Schedules reflect a remaining balance on the Term Loan of $3,982,773.00. Accordingly, on April 3, 2016, Wells Fargo filed Proof of Claim No. 2 with regard to the Term Loan to evidence its interest in the Term Loan under the Loan Documents.

Revolver Loan. On March 9, 2012, Wells Fargo extended the Revolver Loan to the Debtor in the aggregate amount of $1,250,000.00. By virtue of the Loan Documents underlying the Revolver Loan, Wells Fargo holds alleged liens on both the Real Property and the Financial Assets. Accordingly, on April 3, 2016, Wells Fargo filed Proof of Claim No. 3 with regard to the Revolver Loan to evidence its interest in the Revolver Loan under the Loan Documents.

(b) **Serafino**

Condominium Term Loan. On October 22, 2014, the Debtor entered into a loan (the "**Condominium Loan**") with Aless Ann Serafino ("**Serafino**") for the purpose of purchasing the Condominium. The Condominium Loan is evidenced by: (i) that certain Promissory Note between the Debtor as borrower and Serafino as lender, dated October 22, 2014, in the original principal amount of $70,000.00 (the "**Condominium Note**"); and (ii) that certain security agreement pursuant to which the Debtor granted Sarafino liens on the Condominium as security for the Condominium Loan (the "**Condominium Security Agreement**," and collectively with the Condominium Loan, the "**Condominium Loan Documents**"). The Schedules reflect a remaining balance on the Condominium Loan of $54,839.79.

5.4 Nonpriority Unsecured Claims. The Debtor has filed Schedules which list Creditors holding nonpriority Unsecured Claims in the aggregate amount of $9,328.00. Any Unsecured Claim that is not entitled to priority under section 507 of the Bankruptcy Code shall be defined as a "**General Unsecured Claim**." A detailed list of all nonpriority Unsecured Claims is attached to this Disclosure Statement as **Exhibit C**.

5.5 Pending Litigation Involving the Debtor. The Adversary Proceeding constitutes the only pending piece of litigation to which the Debtor is a party.

ARTICLE VI
MATTERS ARISING DURING THE CHAPTER 11 CASES

6.1 Commencement of the Debtor's Cases. The Debtor's Chapter 11 Case was commenced by the filing of a voluntary petition under Chapter 11 on the Petition Date. Shortly after this Case was commenced, the Debtor filed its Schedules and Statement of Financial

Affairs, along with its motion to retain KCW as primary bankruptcy counsel to the Debtor. The Debtor has been filing monthly operating reports as required by the Bankruptcy Court.

6.2 Actions Subsequent to Commencement of Cases. Subsequent to the commencement of the Debtor's cases, the Debtor engaged in substantive negotiations with its two primary secured lenders, Wells Fargo and Serafino, regarding the lenders' treatment under the prospective Plan in order to arrive at a potentially consensual treatment of the secured claims against the Debtor, reduce the likelihood of objections to the Plan, and ensure a maximization of value to both the Debtor's secured and unsecured classes of creditors. The Debtor was able to achieve a consensual resolution of Serafino's claim on the Condominium Loan, but was unable to agree to an amicable resolution with Wells Fargo's claims as to either the Term Loan or the Revolver Loan.

During the negotiations between the Debtor and Wells Fargo as to the resolution of Wells Fargo's claims on the Term Loan and the Revolver Loan, on April 13, 2017, Wells Fargo filed the Foreclosure Motion. On April 28, 2017, the Bankruptcy Court entered the Foreclosure Order approving the Foreclosure Motion, and Wells Fargo was thereby authorized to utilize any and all state-law remedies to foreclose on the Real Property. However, the Foreclosure Order did not resolve the issue of valuation as to the Real Property and the Debtor fully resolved all its litigation rights surrounding the Wells Fargo claim and to seek a recovery against Wells Fargo. Accordingly, the deficiency claim of Wells Fargo upon foreclosure has remained as open issue as of the entry of the Foreclosure Order.

In light of Wells Fargo's inconsistent positions surrounding the Appraisal (in essence, concluding that its Appraisal was flawed/erroneous, yet at the same time, utilizing the same Appraisal as empirical evidence of the deflated value of the Real Property so as to declare a loan-to-ratio default under the Loan Documents) and the prospect of a windfall to Wells Fargo upon foreclosure of the Financial Assets, the Debtor came to believe that Wells Fargo commissioned the Appraisal to manufacture the Alleged Default or at the very least, acted in bad faith when it declared the Alleged Default. Accordingly, the Debtor brought the Adversary Proceeding against Wells Fargo for, among other things: (i) breach by Wells Fargo under the Loan Documents; (ii) constructive fraud and bad faith in Wells Fargo's dealings with the Debtor under the Loan Documents; (iii) a declaratory judgment stating that the Alleged Default was brought by Wells Fargo against the Debtor in bad faith; (iv) equitable subordination and/or disallowance of the Proofs of Claim; and (v) an objection to the Proofs of Claim within the Debtor's bankruptcy based upon the foregoing. The Adversary Proceeding remains pending as of the filing of this Disclosure Statement. Accordingly, the Debtor would state that Wells Fargo's claims as to both the Term Loan and the Revolver Loan are disputed, contingent, and unliquidated.

ARTICLE VII
THE PLAN OF REORGANIZATION

The Debtor believes that the Plan provides the best vehicle by which Holders of Allowed Unsecured Claims can maximize the recovery on their Allowed Claims. A copy of the Plan is attached as **Exhibit A.** The Debtor urges you to review carefully and then vote to accept the Plan.

7.1 Summary of the Plan

The Plan provides for a substantive restructuring of the Debtor's obligations, and a satisfaction of the claims of the Debtor's creditors as provided in the terms and timeframes as set out below. The Plan will be funded by the Assets vested in the Reorganized Debtor pursuant to the Plan and the cash generated from the operations of Cabell Publishing Co., a wholly-owned non-debtor subsidiary of the Debtor.

1. The Term Claim is a Disputed Claim and the subject of the Adversary Proceeding. During the pendency of the Adversary Proceeding, the Term Claim shall be amortized over 25 years at a 3% annual rate and paid to Wells Fargo over 60 months in equal monthly installments of principal and interest (the "**Wells Fargo Term Adversary Payments**"), with the unpaid balance due at the end of the 60 month period.

    a. In the event that Wells Fargo prevails in the Adversary Proceeding on the merits as to its Term Claim and the Term Claim is found to be an Allowed Claim against the Debtor's estate, the Term Claim shall be treated as follows: (i) the Real Property shall be attributed a value of $2,365,000.00 (commensurate with the valuation attributed to the Appraisal, or at the value determined by the Court), and the Wells Fargo Foreclosure shall be deemed to satisfy the Term Claim in this amount; and (ii) Wells Fargo shall be allowed to foreclose on the Financial Assets in the aggregate amount of $1,617,773.00 (although this amount depends on the Court's valuation of the Real Property), thereby completely satisfying the Term Claim.

    b. In the event that the Debtor prevails in the Adversary Proceeding and the Term Claim is found to be invalid or otherwise subordinated within this bankruptcy, the Term Claim shall be adjusted by the Bankruptcy Court as deemed appropriate, and Wells Fargo shall be required to remit to the Debtor's estate all Wells Fargo Term Adversary Payments it received during the pendency of the Adversary Proceeding to the extent such Wells Fargo Term Adversary Payments exceed the Allowed Amount of the Term Claim.

    c. In the event that the Debtor's claims within the Adversary Proceeding as to the Term Claim are only partially granted, the monthly payments of principal and interest allocated to be paid to the Allowed Term Claim resultant from the Adversary Proceeding shall be adjusted upwards or downwards if and as necessary to conform to the amount of such Allowed

Claim (less credit for all Wells Fargo Term Adversary Payments already paid).

2. The Revolver Claim is a Disputed Claim and the subject of the Adversary Proceeding. During the pendency of the Adversary Proceeding, the Revolver Claim shall be amortized over 25 years in the same fashion as the Term Claim described above (with such amortized payments on behalf of the Revolver Claim to be defined as the "**Wells Fargo Revolver Adversary Payments**").

   a. In the event that Wells Fargo prevails in the Adversary Proceeding on the merits as to the Revolver Claim and the Revolver Claim is found to be an Allowed Claim against the Debtor's estate, the Revolver Claim shall be treated as follows: (i) the Revolver Loan shall be fully reinstated (subject to the exceptions contained within sections (iii) and (iv) of this paragraph); (ii) Wells Fargo's liens on the Financial Assets (a) shall continue to attach in the aggregate amount of $547,738.00 as security for such reinstatement and (b) Wells Fargo shall concede that, as the date of re-attachment, the Debtor is, and shall be, barring any material change in the value of the Financial Assets, in compliance with all loan-to-value covenants contained within the Revolver Loan; (iii) the Debtor shall agree to a release of the Financial Interest Liens in the amount of $300,000.00, notwithstanding any language within the Loan Documents to the contrary; (iv) any and all amounts due under the Revolver Note at the end of five years from reinstatement shall be paid in full to Wells Fargo by the Debtor; and (v) the Revolver Claim shall be reduced in an amount equivalent to the aggregate amount of all Wells Fargo Revolver Adversary Payments received by Wells Fargo.

   b. In the event that the Debtor prevails in the Adversary Proceeding and the Revolver Claim is found to be invalid or otherwise subordinated within this bankruptcy, the Revolver Claim shall be adjusted by the Bankruptcy Court as deemed appropriate, and Wells Fargo shall be required to remit to the Debtor's estate all Wells Fargo Revolver Adversary Payments it received during the pendency of the Adversary Proceeding to the extent such Wells Fargo Revolver Adversary Payments exceed the Allowed Amount of the Revolver Claim.

   c. In the event that the Debtor's claims within the Adversary Proceeding are only partially granted, the monthly payments of principal and interest allocated to be paid to the Allowed Revolver Claim resultant from the Adversary Proceeding shall be adjusted upwards or downwards if and as necessary to conform to the amount of such Allowed Claim (less credit for all Wells Fargo Revolver Adversary Payments already paid).

3. The Condominium Note shall be reinstated in full under its original terms.

4. All Allowed General Unsecured Claims shall be paid in full over five years in 20 equal quarterly installments.

5. All holders of Interests in the Debtor shall receive equivalent interests in the Reorganized Debtor, subject to the satisfaction of all obligations to pay all Allowed Claims as set forth in the Disclosure Statement and the Plan. No distributions shall be made to any Interest holder until all Allowed Claims have been satisfied.

7.2 Acceptance and Confirmation of the Plan

(a) **Requirements for Confirmation.** At the confirmation hearing, the Court will determine whether the provisions of section 1129 of the Bankruptcy Code have been satisfied. Section 1129 of the Bankruptcy Code, as applicable here, provides as follows:

The Plan must comply with the applicable provisions of the Code, including section 1123 which specifies the mandatory contents of a plan and section 1122 which requires that Claims and Interests be placed in Classes with "substantially similar" Claims and Interests (section 1129(a)(1)).

The Debtor proposing the Plan must comply with the applicable provisions of the Code (section 1129(a)(2)).

The Plan must have been proposed in good faith and not by any means forbidden by law (section 1129(a)(3)).

Any payment made or to be made by the Debtor, or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Case, or in connection with the Plan and incident to the Case, must be disclosed to the Court and approved or be subject to the approval of the Court as reasonable (section 1129(a)(4)).

The Debtor must disclose the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the reorganized debtor, of an affiliate of the Debtor participating in the Plan with the Debtor, or of a successor to the Debtor under the Plan. The appointment to, or continuance in, such office of such individual must be consistent with the interests of the Debtor's creditors, equity holders, and with public policy. The Debtor must also disclose the identity of any insider that will be employed or retained by the reorganized debtor and the nature of any compensation for such insider (section 1129(a)(5)).

The Plan must meet the "best interest of creditors" test which requires that each holder of a Claim or Interest of a Class of Claims or Interests that is impaired under the Plan either accept the Plan or receive or retain under the Plan on account of such 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 receive or

retain if the Debtor was liquidated on such date under Chapter 7 of the Code. If the holders of a Class of Secured Claims make an election under section 1111(b) of the Code, each holder of a Claim in such electing Class must receive or retain under the Plan on account of its Claim property of a value, as of the Effective Date of the Plan, that is not less than the value of its interest in the Debtor's interest in the property that secures its Claim (section 1129(a)(7)). To calculate what non-accepting holders would receive if the Debtor was liquidated under Chapter 7, the Court must determine the dollar amount that would be generated upon disposition of the Debtor's assets and reduce such amount by the costs of liquidation. Such costs would include the fees of a Trustee (as well as those of counsel and other professionals) and all expenses of sale.

Each Class of Claims or Interests must either accept the Plan or not be impaired under the Plan (section 1129(a)(8)). Alternatively, as discussed herein, the Plan may be confirmed over the dissent of a Class of Claims or Interests if the "cramdown" requirements of section 1129(b) of the Code are met.

Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan must provide that holders of Administrative Claims and Priority Claims (other than tax claims) will be paid in full in cash on the Effective Date of the Plan, and that holders of Priority Tax Claims will receive on account of such Claims deferred cash payments, over a period not exceeding six (6) years after the date of assessment of such tax, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim (section 1129(a)(9)).

At least one impaired Class must accept the Plan, determined without including the acceptance of the Plan by any insider holding a Claim of such Class (section 1129(a)(10)).

The Plan must be "feasible." In other words, it cannot be likely that Confirmation will be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan, unless such liquidation is proposed in the Plan (section 1129(a)(11)).

All fees required to be paid under the Code have been paid or the Plan provides for such payment on its Effective Date (section 1129(a)(12)).

(b) **The Plan Meets All of the Requirements for Confirmation.** The Debtor believes that the Plan satisfies all statutory requirements of Chapter 11 of the Code and should be confirmed. More specifically:

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

(ii) The Debtor has complied with the Bankruptcy Code and has proposed the Plan in good faith;

(iii) All disclosure requirements concerning payments made or to be made for services rendered in connection with the Chapter 11 case or the Plan have been, or will be met prior to or at the Confirmation Hearing; and

(iv) Administrative Claims, Priority Claims, and fees required to be paid under the Code are appropriately treated under the Plan.

ARTICLE IX
LIQUIDATION ANALYSIS

A liquidation analysis of the Debtor's business is attached hereto as **Exhibit D**. The Debtor has considered alternatives to the Plan, such as a liquidation of the Debtor's holdings in a Chapter 7 case or a sale of a portion or all of the Debtor's assets, and does not believe that a Chapter 7 liquidation would afford the holders of Claims or Interests a return as great as may be achieved by the continuation of the Reorganized Debtor as a going concern as provided for under the Plan. The Debtor believes that the Assets which shall vest in the Reorganized Debtor under the Plan, combined with the cash flow generated by Cabell Publishing Co., a wholly-owned non-debtor subsidiary of the Debtor, will be sufficient to fund the payments contemplated under the Disclosure Statement and the Plan.

Moreover, under Chapter 7, a trustee would be appointed to administer the Estate, to resolve potential controversies by and against the Estate, and to make distributions to Creditors. If the Case was converted to a case under Chapter 7, significant additional Administrative Expenses would be incurred. Any distributions to holders of Claims would be substantially delayed and, in all likelihood, reduced as compared to the anticipated results of Confirmation of the Plan. A Chapter 7 trustee would be entitled to compensation in accordance with the scale set forth in section 326 of the Bankruptcy Code. A Chapter 7 trustee might also seek to retain new professionals, including attorneys and accountants, in order to resolve any disputed Claims and possibly to pursue claims of the Estate against other parties. As the Plan affords creditors the potential for the greatest realization from the Debtor's assets, it is therefore in the best interests of Creditors.

THE DEBTOR BELIEVES THAT CONFIRMATION AND IMPLEMENTATION OF THE PLAN IS PREFERABLE TO ANY OF THE ALTERNATIVES DESCRIBED HEREIN BECAUSE IT SHOULD PROVIDE GREATER RECOVERIES THAN THOSE AVAILABLE IN A CHAPTER 7 LIQUIDATION TO THE HOLDERS OF SECURED AND UNSECURED CLAIMS WHO WOULD LIKELY RECEIVE LESS IN A CHAPTER 7 LIQUIDATION. IN ADDITION, OTHER ALTERNATIVES WOULD INVOLVE DELAY, UNCERTAINTY, AND SUBSTANTIAL ADMINISTRATIVE COSTS.

ARTICLE X
VOTING PROCEDURES

ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DETERMINED, PURSUANT TO THE BANKRUPTCY CODE, BASED UPON THE ALLOWED CLAIMS AND ALLOWED INTERESTS THAT ACTUALLY VOTE ON THE PLAN. THEREFORE, IT IS IMPORTANT THAT CLAIMANTS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN.

10.1 Classes Entitled to Vote on the Plan

All members of Impaired Classes who hold Allowed Claims are entitled to vote to accept or reject the Plan. Section 1124 of the Bankruptcy Code generally provides that a class of claims or interests is considered to be Impaired under a plan unless the plan does not alter the legal, equitable and contractual rights of the holders of such claims or interest. For purposes of Plan solicitation, all Classes of Claims except for Classes 1, 4, and 6 are Impaired and are, therefore, entitled to cast ballots on this Plan.

10.2 Persons Entitled to Vote on the Plan

Only holders of Allowed Claims and holders of Disputed Claims which have been temporarily allowed for voting purposes are entitled to vote on the Plan. For purposes of the Plan, an Allowed Claim is: (i) a Claim against or Interest in the Debtor, proof of which, if filed on or before the Bar Date, which is not a Contested Claim or Contested Interest; (ii) if no proof of Claim or Interest was so filed, a Claim against or Interest in the Debtor that has been or hereafter is listed by the Debtor in the Schedules as liquidated in amount and not disputed or contingent; or (iii) a Claim or Interest allowed hereunder or by Final Order. An Allowed Claim or Allowed Interest does not include any Claim or Interest or portion thereof which is a Disallowed Claim or Disallowed Interest which has been subsequently withdrawn, disallowed, released or waived by the holder thereof, by this Plan, or pursuant to Final Order. Unless otherwise specifically provided in the Plan, an Allowed Claim or Allowed Interest shall not include any amount for punitive damages or penalties. Therefore, although the holders of Disputed Claims will receive ballots, these votes will not be counted unless such Claims become Allowed Claims as provided under the Plan or are temporarily allowed for voting purposes by the Court.

THE CLAIMS IN ALL CLASSES UNDER THE PLAN, WITH THE EXCEPTION OF CLASSES 1, 4, AND 6, ARE IMPAIRED AND ARE ENTITLED TO VOTE WITH RESPECT TO ACCEPTANCE OR REJECTION OF THE PLAN.

10.3 Vote Required For Class Acceptance

During the Confirmation Hearing, the Bankruptcy Court will determine whether the Classes voting on the Plan have accepted the Plan by determining whether sufficient acceptances have been received from the holders of Allowed Claims actually voting in such Classes. A Class of Claims will be determined to have accepted the Plan if the holders of Allowed Claims in the Class casting votes in favor of the Plan (i) hold at least two-thirds of the total amount of the Allowed Claims of the

holders in such Class who actually vote and (ii) constitute more than one-half in number of holders of the Allowed Claims in such Class who actually vote on the Plan.

As a condition to Confirmation, the Bankruptcy Code requires that each impaired Class of Claims or Interests accept the Plan, subject to the "cramdown" exception of section 1129(b) described herein. To effectuate the section 1129(b) exception, at least one impaired Class of Claims must accept the Plan.

10.4 Voting Instructions

(a) **Ballots and Voting.** Holders of Allowed Claims entitled to vote on the Plan have been sent a Ballot (a copy of which has been attached hereto as **Exhibit E**), together with instructions for voting, with this Disclosure Statement. Claimants should read the Ballot carefully and follow the instructions contained therein. In voting for or against the Plan, please use only the Ballot that accompanies this Disclosure Statement.

EACH CREDITOR WILL RECEIVE A SINGLE BALLOT ONLY. IF YOU HAVE MORE THAN ONE CLAIM AGAINST THE DEBTOR, YOU MAY REPRODUCE THIS BALLOT AS MANY TIMES AS NECESSARY TO PROPERLY VOTE YOUR CLAIMS. IF YOU HAVE ANY QUESTIONS CONCERNING THE BALLOT OR VOTING PROCEDURES, YOU SHOULD CONTACT COUNSEL FOR THE DEBTORS:

KILMER CROSBY & WALKER PLLC
c/o BRIAN KILMER
712 Main St., Suite 1100
Houston, Texas 77002
Telephone: 713.204.4144
Facsimile: 214-731-3117

BALLOTS THAT ARE SIGNED AND RETURNED, BUT NOT EXPRESSLY VOTED EITHER FOR ACCEPTANCE OR REJECTION OF THE PLAN, SHALL BE COUNTED AS BALLOTS FOR THE ACCEPTANCE OF THE PLAN IF PERMITTED BY THE BANKRUPTCY COURT.

(b) **Returning Ballots and Voting Deadline.** You should complete and sign each Ballot that you receive and return it in the pre-addressed envelope enclosed with each Ballot to the counsel for the Debtor in the self-addressed envelope provided, by the Voting Deadline. A notice of the voting deadline, the date of the Confirmation Hearing, and the deadline to object to Confirmation shall be sent to you in the form attached hereto as **Exhibit F.**

THE VOTING DEADLINE IS 5:00 P.M. (CST), ON [____, 2017]. IN ORDER TO BE COUNTED, BALLOTS MUST BE ACTUALLY RECEIVED BY COUNSEL FOR THE DEBTOR ON OR BEFORE 5:00 P.M. (CST), ON THE VOTING DEADLINE AT THE ADDRESS SET FORTH IN THE BALLOT INSTRUCTIONS WHICH ACCOMPANY THE

ENCLOSED BALLOT. EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT, BALLOTS RECEIVED AFTER THE VOTING DEADLINE MAY NOT BE ACCEPTED OR USED IN CONNECTION WITH THE DEBTOR'S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF.

(c) **Incomplete or Irregular Ballots.** Ballots which fail to designate the Class to which they apply shall be counted in the appropriate Class as determined by the Debtor, subject only to contrary determinations by the Bankruptcy Court.

(d) **Changing Votes.** Bankruptcy Rule 3018(a) permits a Claimant, for cause, to move the Bankruptcy Court to permit such claimant to change or withdraw its acceptance or rejection of a plan of reorganization.

10.5 Contested and Unliquidated Claims

Contested Claims are not entitled to vote to accept or reject the Plan. If you are the holder of a Contested Claim, you may ask the Bankruptcy Court pursuant to Bankruptcy Rule 3018 to have your Claim temporarily Allowed for the purpose of voting.

10.6 Possible Reclassification of Creditors and Interest Holders

The Debtor is required pursuant to section 1122 of the Bankruptcy Code to place Claims and Interests into Classes that contain substantially similar Claims or Interests. While the Debtor believes that it has classified all Claims and Interests in compliance with section 1122, it is possible that a Claimant or Interest holder may challenge the classification of its Claim or Interest. If the Debtor is required to reclassify any Claims or Interests of any Claimants or Interest holders under the Plan, the Debtor, to the extent permitted by the Bankruptcy Court, intends to continue to use the acceptances received from such Claimants or Interest holders pursuant to the solicitation of acceptances using this Disclosure Statement for the purpose of obtaining the approval of the Class or Classes of which such Claimants or Interest holders are ultimately deemed to be a member. Any reclassification of Claimants or Interest holders should affect the Class in which such Claimants or Interest holders were initially a member, or any other Class under the Plan, by changing the composition of such Class and the required vote thereof for approval of the Plan.

ARTICLE XI
CRAMDOWN OR MODIFICATION OF THE PLAN

11.1 "Cramdown": Section 1129(b) of the Bankruptcy Code

In the event any Impaired Class of Claims shall fail to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, the Debtor shall request the Bankruptcy Court to confirm the Plan in accordance with the provisions of section 1129(b) of the Bankruptcy Code.

The Court may confirm a plan, even if it is not accepted by all impaired Classes, if a plan has been accepted by at least one impaired Class of Claims and the plan meets the "cramdown"

provisions set forth in section 1129(b) of the Code. The "cramdown" provisions require that the Court find that a plan "does not discriminate unfairly" and is "fair and equitable" with respect to each non-accepting impaired Class. In the event that all impaired Classes do not vote to accept the Plan, the Debtor will request that the Bankruptcy Court nonetheless confirm the Plan pursuant to the provisions of section 1129(b) of the Code.

The Court may find that the Plan is "fair and equitable" with respect to a Class of non-accepting impaired Interests only if (a) the holder of an Interest will receive or retain under the Plan property of a value as of the Plan's Effective Date equal to the greatest of any fixed liquidation preference or redemption price or the value of such Interest or (b) the holder of any Interest that is junior to such Interest will not receive or retain any property under the Plan.

The Court may find that the Plan is "fair and equitable" with respect to a Class of non-accepting impaired Unsecured Claims only if (a) each impaired unsecured Creditor receives or retains under the Plan property of a value as of the Effective Date of such Plan equal to the amount of its Allowed Claim, or (b) the holder of any Claim or Interest that is junior to the Claims of the dissenting Class will not receive or retain any property under the Plan.

The Court may find that the Plan is "fair and equitable" with respect to a Class of non-accepting Secured Claims, only if, under the Plan, (a) the holder of each Secured Claim in such Class retains such holder's lien and receives deferred cash payments totaling at least the Allowed amount of such Secured Claim and having a value, as of the Effective Date of the Plan, equal to or in excess of the value of such holder's interest in the estate's interest in the collateral for the Secured Claim, (b) the collateral for such Secured Claim is sold, the lien securing such Claims attached to the proceeds, and such liens on proceeds are afforded the treatment described under clause (a) or (c) of this sentence, or (c) the holders of such Secured Claims realize the "indubitable equivalent" of their claims.

If all of the provisions of section 1129 are met, the Court may enter an order confirming the Plan.

11.2 The Plan Meets the "Best Interests of Creditors" Test

The "best interest of creditors" test requires that the Court find that the Plan provides to each non-accepting holder of a Claim or Interest treated under the Plan a recovery which has a present value at least equal to the present value of the distribution that such person would receive from the Debtor if the Debtor were liquidated under Chapter 7 of the Code. An analysis of the likely recoveries and effect on Creditors in the event of liquidation under Chapter 7 of the Code is attached hereto as **Exhibit D**.

11.3 The Plan is Feasible

The Code requires that, as a condition to Confirmation of a plan, the Court find that Confirmation is not likely to be followed by a liquidation or a need for further financial reorganization except as proposed in that plan. The Plan provides for the Reorganized Debtor to continue operating as a going concern, and the Debtor anticipates that the Assets which shall vest

in the Debtor via confirmation of the Plan, combined with cash flow from the ongoing operations of Cabell Publishing Co., a wholly-owned non-debtor subsidiary of the Debtor, will adequately fund payments to all constituencies under the Plan. Projections detailing the Reorganized Debtor's future financial performance and Plan payments are attached hereto as **Exhibit G**. Accordingly, the Plan is unlikely to be followed by a liquidation or a need for further financial reorganization, and is therefore feasible under the Bankruptcy Code.

11.4 The Plan Meets the Cramdown Standard With Respect to Any Impaired Class of Claims Rejecting the Plan

The Plan satisfies the provisions for cramdown under section 1129(b)(2) of the Bankruptcy Code. Secured Creditors are retaining their Liens and receiving the value of their interest in the Debtors' property totaling the Allowed Amount of their Secured Claims. Interest holders are not receiving or retaining any property under the Plan on account of their Interests unless and until all senior Creditors are paid in full. In the event an Impaired Class rejects the Plan, the Plan shall be deemed a motion for cramdown of such Class under section 1129(b)(2) of the Bankruptcy Code.

11.5 Modification or Revocation of the Plan; Severability

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code and any applicable notice requirements, the Debtor reserves the right to alter, amend or modify the Plan before its substantial consummation. The Debtor also reserves the right to withdraw the Plan prior to the Confirmation Date. If the Debtor withdraws the Plan, or if Confirmation does not occur, then the Plan shall be null and void in all respects, and nothing contained in the Plan will: (1) constitute a waiver or release of any Claims or rights against, or any Interest in, the Debtor; or (2) prejudice in any manner the rights of the Debtor.

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, at the request of the Debtor, has the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

ARTICLE XII
RISK FACTORS

The following is intended as a summary of certain risks associated with the Plan, but is not exhaustive and must be supplemented by the analysis and evaluation of the Plan and this Disclosure Statement made by each Claimant as a whole in consultation with such Claimant's own advisors.

12.1 Cash Flow

In order for Creditors to be paid, the Plan requires that the Reorganized Debtor and Cabell Publishing Co., a wholly-owned non-debtor subsidiary of the Debtor, produce a minimum level of cash flow for distribution. It is possible that the Reorganized Debtor's vested Assets and its subsidiary's future cash flow may not meet the projections attached hereto as **Exhibit G.** Despite these risks, the Debtor believes that the most realistic and timely avenue by which Creditors will be paid is through future cash flow produced by the Reorganized Debtor's and Cabell Publishing Co.'s operations as proposed in the Plan.

12.2 Uncertain Results of Pending and Future Litigation.

As mentioned above, the only pending piece of litigation to which the Debtor is a party is the Adversary Proceeding. As Wells Fargo's claims comprise nearly the entirety of the Debtor's liabilities, any judgment rendered by the Bankruptcy Court will significantly impact the Debtor's liquidity and ability to meet its obligations under the Plan. While the Debtor does not anticipate becoming involved in any litigation in the future, the results of potential future litigation should be considered in any decision as to accept or reject the Plan.

12.3 Insufficient Acceptances

The Plan may not be confirmed without sufficient accepting votes. Each impaired Class of Claims and Interests receiving a distribution under the Plan is given the opportunity to vote to accept or reject the Plan. The Plan will be accepted by a Class of impaired Claims if the Plan is accepted by Claimants in such Class actually voting on the Plan who hold *at least* two-thirds (2/3) in amount and *more than* one-half (½) in number of the total Allowed Claims of that Class which actually vote. The Plan will be accepted by a Class of Impaired Interests if it is accepted by holders of Interests in such Class actually voting on the Plan who hold *at least* two-thirds (2/3) in amount of the total Allowed Interests of the Class which actually vote. However, an Interest Holder is deemed to have rejected the Plan and is therefore not entitled to vote on the Plan. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes.

If any impaired Class of Claims under the Plan fails to provide acceptance levels sufficient to meet the minimum Class vote requirements but at least one Impaired Class of Claims accepts the Plan, then, subject to the provisions of the Plan, the Debtor intends to request Confirmation of the Plan under Section 1129(b) of the Bankruptcy Code.

ARTICLE XIII
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain possible federal income tax consequences of the Plan to the Debtor, and to the holders of Claims and Interests. It is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, and administrative and judicial interpretations thereof which are now in effect, but which could change, even retroactively, at any time. This discussion does not address all aspects of federal, state and local tax laws that could impact the various classes of Claimants, the holders of Interests or the Debtor.

NO RULING HAS BEEN SOUGHT OR OBTAINED FROM THE IRS WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN OBTAINED BY THE DEBTOR WITH RESPECT THERETO. NO REPRESENTATIONS OR ASSURANCES ARE BEING MADE WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES AS DESCRIBED HEREIN. CERTAIN TYPES OF CLAIMANTS AND INTEREST HOLDERS MAY BE SUBJECT TO SPECIAL RULES NOT ADDRESSED IN THIS SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES. FURTHER, STATE, LOCAL, OR FOREIGN TAX CONSIDERATIONS MAY APPLY TO A HOLDER OF A CLAIM OR INTEREST WHICH ARE NOT ADDRESSED HEREIN. BECAUSE THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND MAY VARY BASED ON INDIVIDUAL CIRCUMSTANCES, EACH HOLDER OF A CLAIM OR INTEREST AFFECTED BY THE PLAN MUST CONSULT, AND RELY UPON, HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO THAT HOLDER'S CLAIM OR INTEREST. THIS INFORMATION MAY NOT BE USED OR QUOTED IN WHOLE OR IN PART IN CONNECTION WITH THE OFFERING FOR SALE OF SECURITIES.

13.1 Tax Consequences to the Debtor. Under the IRC, a taxpayer generally must include in gross income the amount of any discharge of indebtedness income realized during the taxable year. Section 108(a)(1)(A) of the IRC provides an exception to this general rule, however, in the case of a taxpayer that is under the jurisdiction of a bankruptcy court in a case brought under the Bankruptcy Code where the discharge of indebtedness is granted by the court or is pursuant to a Plan approved by the court, provided that the amount of discharged indebtedness that would otherwise be required to be included in income is applied to reduce certain tax attributes of the taxpayer. Section 108(e)(2) of the IRC provides that a taxpayer shall not realize income from the discharge of indebtedness to the extent that satisfaction of the liability would have given rise to a deduction. As a result of sections 108(a)(1)(A) and 108(e)(2) of the IRC, the Debtor does not anticipate that any of them will recognize any taxable income from the discharge of indebtedness through the Chapter 11 Cases. Reductions in tax attributes (net operating loss carryover) will occur to the extent of cancellation of indebtedness income not recognized due to the above.

Under section 1141 of the Bankruptcy Code, confirmation of the Plan will discharge the Debtor from all debts except as provided for in the Plan. Implementation of the Plan may result in discharge of indebtedness to the Debtor as a matter of tax law to the extent of any unsatisfied portion of such Claims. Any such discharge of indebtedness should not be included in gross income of the Debtor, however, because of the exceptions to such inclusion discussed above.

13.2 Tax Consequences to Creditors. A Creditor who receives cash or other consideration in satisfaction of any Claim may recognize ordinary income. The impact of such ordinary income, as well as the tax year for which the income shall be recognized, shall depend upon the individual circumstances of each Claimant, including the nature and manner of organization of the Claimant, the applicable tax bracket for the Claimant, and the taxable year of the Claimant. Each Creditor is urged to consult with its tax advisor regarding the tax implications of any payments or distributions under the Plan.

In general, the principal federal income tax consequences of the Plan to holders of Claims will be (a) recognition of loss or a bad debt deduction to the extent that the total payments received under the Plan with respect to the Claim are less than the adjusted basis of the holder in such Claim, or (b) recognition of taxable income by the holder of the Claim to the extent of the excess of the amount of any payments made under the Plan in respect of the Claim over the holder's adjusted basis therein.

Common examples of holders of Claims who may recognize taxable income upon receipt of payments under the Plan include (a) former employees with Claims for services rendered while serving as employees of the Debtor, (b) trade creditors whose Claims represent an item not previously reported in income (including Claims for lost income upon rejection of leases or other contracts with the Debtor), (c) holders of Claims who had previously claimed a bad debt deduction with respect to their Claims in excess of their ultimate economic loss, and (d) holders of Claims that include amounts of pre-petition interest that had not previously been reported in income. Common examples of Claims who may recognize a loss or deduction for tax purposes as a result of implementation of the Plan, provided that such holders are not paid in full, include holders of Claims that arose out of cash actually loaned or advanced to the Debtor, and holders of Claims consisting of items that were previously included in income of such holders on the accrual method of accounting, to the extent, in both cases, that the economic loss to such holders has not been allowed as a tax deduction in a prior year.

The amount and character or any resulting income or loss recognized for federal income tax consequences to a holder of any Claim as a result of implementation of the Plan will, however, depend on many factors. The most significant of these factors include (a) the nature and origin of the Claim, (b) whether the holder is a corporation (c) the extent to which the Plan provides for payment of the particular Claim, (d) the extent to which any payment made is allocable to pre-petition interest which is part of such Claim, and (e) the prior tax reporting positions taken by the holder with respect to the item that constitutes the Claim. As to the last factor, relevant tax reporting positions include whether the holder had to report under its method of accounting any portion of the Claim (including accrued and unpaid interest) as income prior to receipt and whether the holder previously claimed a bad debt or worthlessness deduction with respect to the Claim, which would affect the adjusted basis of the holder in the Claim.

General rules for the deduction of bad debts are provided in IRC section 166 as follows:

If either (a) the creditor is a corporation, or (b) the debt is a business bad debt in the hands of the creditor, and the creditor demonstrates that the debt is collectable only in part, a deduction for partial worthlessness of the debt will be allowed to the extent that the debt is charged off in the accounting records of the creditor.

For a creditor not described in the previous paragraph, a bad debt deduction is allowable only in the year that the debt becomes wholly worthless.

If the creditor is not a corporation and the debt is a nonbusiness bad debt, the bad debt deduction is treated as a short-term capital loss, which can offset only capital gain income and a

limited amount of ordinary income.

For purposes of IRC section 166, a "nonbusiness debt" means a debt other than (i) a debt created or acquired in connection with the creditor's trade or business, or (ii) a debt the loss from the worthlessness of which was incurred during the operation of the creditor's trade or business.

The time as of which a debt becomes worthless (or partially worthless), and therefore the tax year in which a creditor may claim a bad debt deduction, is a question of fact. Pursuant to Income Tax Regulations ("Regs.") section 1.166-2(c), as a general rule, bankruptcy is an indication of the worthlessness of at least a part of an unsecured, non-priority debt. In bankruptcy cases, a debt may become worthless before settlement in some instances, and only when a settlement in bankruptcy has been reached in other instances. The mere fact that bankruptcy proceedings instituted against the debtor are terminated in a later year, thereby confirming the conclusion that the debt is worthless (or partially worthless), does not necessarily shift the deduction to such later year. Thus, even though the precise amount that holders of General Unsecured Claims or other Claims will receive under the Plan may not be known until the final distribution date, the determination of the precise amount that will be paid under the Plan with respect to a Claim, or that no amount will be paid, does not necessarily establish that any resulting bad debt deduction is properly allowable in the Creditor's tax year in which the final distribution is made, rather than in an earlier year. Accordingly, to the extent that a Creditor may claim a bad debt deduction which it has not previously claimed, it is possible that the Creditor will be required to amend its return for a prior year and claim the deduction in that year, rather than in the year in which the final distribution is made. Creditors should consult with their individual tax advisors with respect to this issue.

The extent to which gain or loss may be recognized by a holder of a Claim upon implementation of the Plan may be significantly affected by any bad debt deduction that may have been claimed by the holder in a prior year with respect to the debt on which the Claim is based. If the holder took a bad debt deduction in a prior year which is recovered in whole or part through a payment made to the holder pursuant to the Plan, the holder will generally be required to include in income the amount recovered in the year the holder receives the payment. An exception to this rule permits exclusion of a recovery of a prior bad debt deduction to the extent that the earlier bad debt deduction did not produce a tax benefit to the holder.

THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING OR CONSULTATION WITH A TAX ADVISOR. THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS OR HER OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

ARTICLE XIV
RECOMMENDATION OF THE DEBTOR

The Debtor believes that the Plan is in the best interests of all Creditors and Interest holders. Accordingly, the Debtor recommends that you vote for acceptance of the Plan and hereby solicits your acceptance of the Plan.

DATED: August 4, 2017

DEBTOR:

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EXHIBIT A – PLAN OF REORGANIZATION

EXHIBIT B – APPROVAL ORDER

EXHIBIT C – NONPRIORITY UNSECURED CLAIMS

EXHIBIT D – LIQUIDATION ANALYSIS

EXHIBIT E – BALLOT

EXHIBIT F – NOTICE OF VOTING DEADLINE, CONFIRMATION HEARING DATE, AND DEADLINE TO OBJECT TO PLAN

EXHIBIT G – CASH FLOW PROJECTIONS