THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED TO THE BANKRUPTCY COURT FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT.

IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

In re:	§	
	§	**Chapter 11**
CAROL ROSE, INC.	§	
	§	**Case No. 17-42058-11**
Debtor.	§	

JOINT DISCLOSURE STATEMENT IN SUPPORT OF THE JOINT CHAPTER 11 PLAN OF CAROL ALISON RAMSAY ROSE, INDIVIDUALLY, AND CAROL ROSE, INC., DATED JANUARY 22, 2018

KELLY HART & PITRE LLP	**GARDERE WYNNE SEWELL LLP**
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INTRODUCTORY DISCLOSURES

THIS DISCLOSURE STATEMENT, WHICH HAS BEEN FILED BY THE DEBTORS, IN THEIR CAPACITIES AS DEBTORS AND DEBTORS-IN-POSSESSION, CONTAINS A SUMMARY OF MATERIAL PROVISIONS OF THE JOINT PLAN OF THE DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE, INCLUDING PROVISIONS RELATING TO THE TREATMENT OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS AND THE MEANS OF IMPLEMENTATION OF THE PLAN.

THIS DISCLOSURE STATEMENT ALSO SUMMARIZES CERTAIN FINANCIAL INFORMATION CONCERNING THE DEBTORS AND THE CLAIMS ASSERTED AGAINST THE DEBTORS IN THEIR BANKRUPTCY CASES. WHILE THE DEBTORS BELIEVE THAT THIS DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS AND INFORMATION SUMMARIZED, HOLDERS OF CLAIMS AND INTERESTS SHOULD CAREFULLY REVIEW THE ENTIRE PLAN AND EACH OF THE DOCUMENTS REFERENCED IN THIS DISCLOSURE STATEMENT AND SHOULD SEEK THE ADVICE OF THEIR OWN LEGAL COUNSEL AND OTHER ADVISORS BEFORE CASTING THEIR BALLOTS ON THE PLAN.

EXCEPT FOR THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, AND THE EXHIBITS ATTACHED HERETO, NO REPRESENTATIONS CONCERNING THE DEBTORS, THE DEBTORS' ASSETS AND LIABILITIES, THE PAST OPERATIONS OF THE DEBTORS, THE PLAN AND ITS TERMS, OR ALTERNATIVES TO THE PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY INFORMATION WITH RESPECT TO SUCH TOPIC AREAS THAT IS PROVIDED TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN, WHICH IS NOT CONTAINED IN THESE SOLICITATION MATERIALS, IS UNAUTHORIZED AND SHOULD BE REPORTED IMMEDIATELY TO THE DEBTORS' LEGAL COUNSEL.

UNLESS INDICATED OTHERWISE, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF OR THE DATE OTHERWISE INDICATED HEREIN, AND NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY RECOVERY MADE IN CONNECTION WITH THE PLAN WILL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE THIS DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARING THIS DISCLOSURE STATEMENT WERE COMPILED.

THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS

DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT, EXPRESS OR IMPLIED, IS INTENDED TO GIVE RISE TO ANY COMMITMENT OR OBLIGATION OF THE PLAN PROPONENTS OR ANY OTHER PARTY, NOR WILL IT BE CONSTRUED AS CONFERRING UPON ANY PERSON ANY RIGHTS, BENEFITS, OR REMEDIES OF ANY NATURE WHATSOEVER. THIS DISCLOSURE STATEMENT IS INFORMATIONAL ONLY. ADDITIONALLY, HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH CREDITOR AND INTEREST HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS AS TO ANY MATTER CONCERNING THE PLAN, THE EFFECTS OF IMPLEMENTATION OF THE PLAN, AND THE VOTING PROCEDURES APPLICABLE TO THE PLAN.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

ARTICLE I
INTRODUCTION

The Debtors, Carol Rose, Inc. ("Rose, Inc.") and Carol Alison Ramsay Rose ("Rose") (collectively, "Debtors"), as debtors and debtors-in-possession, submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of title 11 of the Bankruptcy Code in connection with the solicitation of votes on the *JOINT CHAPTER 11 PLAN OF CAROL ROSE, INC. AND CAROL ALISON RAMSAY ROSE DATED JANUARY 16, 2018* (the "Plan," attached as **Exhibit A**). To the extent any inconsistencies exist between this Disclosure Statement and the Plan, the Plan governs.

Capitalized terms used but not defined herein have the meanings assigned to them in Article I of the Plan.

WHO IS ENTITLED TO VOTE: Under the Bankruptcy Code, only Holders of Claims or Interests in "impaired" classes are entitled to vote on the Plan (unless, for reasons discussed in more detail below, such Holders are deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code). Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under the Plan unless (i) the Plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the Plan, among other things, cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

The following table summarizes: (i) the designation of Claims and Interests under the Plan, (ii) which Classes are Impaired and Unimpaired by the Plan, (iii) which Classes are entitled to vote and not entitled to vote on the Plan, and (iv) the estimated recoveries for holders of Claims. The table is qualified in its entirety by reference to the full text of the Plan. For a more detailed summary of the terms and provisions of the Plan, *see Article III—Summary of the Plan* below.

All Classified Claims are subject to Disallowance if the Holder of such Claims is the alleged transferee of a transfer that is an Avoidance Action. Also, the Debtors, and as applicable the Reorganized Debtors, retain all rights to object to any Claim under applicable non-bankruptcy law or bankruptcy law. This Disclosure Statement shall not be used as a basis for Allowance of any Claim.

Class	**Designation**	**Impairment Status**	**Voting Rights**	**Estimated Amount of Claims**	**Estimated Recovery**
N/A	Administrative Claims	N/A	None	Approximate amount: $350,000	One Hundred Percent (100%) of Allowed Claims
N/A	Priority Tax Claims	N/A	None	Approximate amount: $30,000	One Hundred Percent (100%) of Allowed Claims
1	Allowed Priority Non-Tax Claims	Impaired	Entitled to Vote	Approximate amount: $0	TBD
2	Secured Claims	Impaired	Entitled to Vote	Approximate amount: $202,000	TBD
3	Aaron Unsecured Claims	Impaired	Entitled to Vote	Approximate amount: TBD	Unknown
4	Weston Unsecured Claims	Impaired	Entitled to Vote	Approximate amount: TBD	Unknown
5	General Unsecured Claims	Impaired	Deemed to Reject	Approximate amount: $69,000	TBD
6	Equity Interests	Impaired	Entitled to Vote	N/A	Retain Same Equity Interest

DECIDING HOW TO VOTE ON THE PLAN: All Holders of Claims are encouraged to read this Disclosure Statement, its exhibits, and the Plan carefully and in their entirety before, if applicable, deciding to vote either to accept or to reject the Plan. This Disclosure Statement contains important information about the Plan, considerations pertinent to acceptance or rejection of the Plan, and developments concerning the Chapter 11 Case.

A Ballot to be used for voting to accept or reject the Plan is enclosed with this Disclosure Statement and transmitted to all Holders of Allowed Claims entitled to vote on the Plan (the "Voting Classes"). The Holders of Allowed Claims entitled to vote on the Plan should carefully review the Ballot and the instructions thereon, and must execute the Ballot, and return it to the address indicated thereon by the deadline to enable the Ballot to be considered for voting purposes. The Ballot is for voting purposes only and does not constitute and shall not be deemed a Proof of Claim or an assertion of a Claim.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR VOTE MUST BE RECEIVED BY THE VOTING AGENT AT THE ADDRESS SET FORTH BELOW ON OR BEFORE THE **VOTING DEADLINE OF ___ P.M., PREVAILING CENTRAL TIME, ON _____, 2018**, UNLESS EXTENDED BY THE DEBTORS. **PLEASE NOTE**: A FULL EXPLANATION OF THE VOTING REQUIREMENTS AND VOTING PROCEDURES IS FOUND IN ARTICLE IX OF THIS DISCLOSURE STATEMENT.

EACH BALLOT ADVISES THAT (A) EACH HOLDER OF A CLAIM WHO HAS AFFIRMATIVELY VOTED TO ACCEPT THE PLAN AND (B) EACH HOLDER OF A CLAIM WHO DOES NOT VOTE TO ACCEPT OR REJECT THE PLAN AND IS A HOLDER OF A CLAIM IN A CLASS THAT HAS VOTED TO ACCEPT THE PLAN SHALL BE DEEMED TO HAVE CONSENTED TO THE RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS SET FORTH IN ARTICLE XI OF THE PLAN AND UNCONDITIONALLY, IRREVOCABLY, AND FOREVER RELEASED AND DISCHARGED THE RELEASED PARTIES IDENTIFIED IN ARTICLE XI OF THE PLAN FROM ANY AND ALL CAUSES OF ACTION.

ARTICLE IX OF THIS DISCLOSURE STATEMENT PROVIDES ADDITIONAL DETAILS AND IMPORTANT INFORMATION REGARDING VOTING PROCEDURES AND REQUIREMENTS. PLEASE READ ARTICLE VIII OF THIS DISCLOSURE STATEMENT CAREFULLY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN, WHICH HAS BEEN PROPOSED BY THE DEBTORS. THE DEBTORS BELIEVE THAT THE PLAN MAXIMIZES THE VALUE OF THE DEBTORS' ESTATE AND REPRESENTS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THEIR CHAPTER 11 CASES.

ARTICLE II
BACKGROUND

2.1 *Debtors' History*

Carol Alison Ramsay Rose has worked in the equine industry for over fifty years. Ms. Rose is the sole director and shareholder of Carol Rose, Inc. Carol Rose, Inc. is a Texas corporation that owns a horse ranch located in Gainesville, Texas. The ranch boards, breeds, and maintains quarter horses. These and other quarter horse-related activities are Carol Rose, Inc.'s and Carol Alison Ramsay Rose's primary income source.

Both Carol Alison Ramsay Rose and Carol Rose, Inc. are debtors-in-possession in these bankruptcy cases. This chapter 11 plan does not substantively consolidate the assets and liabilities of the Debtors. This chapter 11 plan provides for full payment of all Allowed claims against the Debtors in the order of priority outlined.

2.2 *Debtors' Management*

Rose is the sole owner and President of Carol Rose, Inc.

2.3 *Capital Structure*

Carol Rose is the sole shareholder of Rose, Inc.

2.4 *Other Significant Obligations.*

(a) Cooke County Tax

Cooke County, Texas has filed Proof Claim of Nos. 16 and 17 in the Bankruptcy Case of Rose and Proof of Claim Nos. 6 and 7 in the Bankruptcy Case of Rose, Inc. asserting a Secured Claim to the extent of collateral value and an Unsecured Priority Tax Claim under 11 U.S.C. § 507(a)(8)(B) to the extent of any shortfall in collateral value. The cumulative amount of the Cooke County Tax Claims is $29,342.43.

(b) GM Financial

GM Financial filed Proof of Claim No. 1 in the Bankruptcy Case of Rose, Inc. in the secured amount of $91,285 for vehicle financing.

(c) Mortgages

Vanderbilt Mortgage and Finance filed Proof of Claim No. 1 in the Bankruptcy Case of Rose in the secured amount of $7,476.72. 21st Mortgage Corp. filed Proof of Claim No. 2 in the Bankruptcy Case of Rose in the secured amount of $37,192.04.

ARTICLE III
EVENTS LEADING TO CHAPTER 11

The key precipitating event that led to the filing of these Chapter 11 Cases was the impact on and deterioration of the Debtors' business operations as a result of litigation against the Aaron Parties and litigation brought by the Weston Parties.

Prepetition, on or about October 3, 2013, Debtors filed an action in the 235th Judicial District Court in Cooke County, Texas docketed as Cause No. 13-00535 (the "Aaron Lawsuit"). The Aaron Lawsuit is styled as *Carol Rose and Carol Rose, Inc. v. Lori Aaron, Phillip Aaron, Aaron Ranch, and Jay McLaughlin*. The Debtors alleged a number of causes of action including, without limitation, breach of contract and fraud in connection with a series of agreements, including a lease and consulting agreement, between the Debtors and Lori Aaron, Phillip Aaron, and Aaron Ranch (the

"Aaron Parties"). The Aaron Parties responded by asserting numerous counterclaims and related relief based on the aforementioned agreements.

Subsequently, on or about August 7, 2015, Equis Equine, LLC and Elizabeth Weston brought suit against Debtors (and the Aaron Parties) related to the Aaron's Litigation, alleging causes of action of fraud, conspiracy, and other violations of Texas law. The action was filed in the 235th Judicial District Court in Cooke County, Texas, docketed as Cause No. CV15-00481, and styled as *Equis Equine, LLC and Elizabeth Weston v. Carol Rose, Carol Rose, Inc. d/b/a Carol Rose Quarter Horses d/b/a Carol Rose Ranch d/b/a Carol Rose Dispersal Sale, Lewis T. Stevens, Don Green, Harold Brown, Aaron Ranch, Aaron's Ranch, Inc., Lori Aaron, and Phillip Aaron*.

The Debtors dispute the positions taken by the Aaron and Weston parties and like their chances in the litigation. As explained below, the Debtors have removed the litigation to the Bankruptcy Court and look forward to and expect a successful and speedy trial, which resolution will allow the Debtors to continue their post-confirmation business operations unimpeded, all for the benefit of the true Creditors of the Estates.

ARTICLE IV
KEY EVENTS DURING CHAPTER 11 CASE

The following is a general summary of this Chapter 11 Case.

4.1 *Filing Chapter 11*

Rose filed Chapter 11 on September 18, 2017. Rose, Inc. filed Chapter 11 on September 19, 2017.

4.2 *Retention of Professionals*

The Debtors have also filed applications to retain professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code as debtor-in-possession in this Chapter 11 Case. The Bankruptcy Court approved the retention and employment of Kelly Hart & Pitre/Kelly Hart & Hallman LLP ("Kelly Hart") as bankruptcy counsel and special counsel for Rose [Docket Nos. 43, 44, Case No. 17-42053] and as special counsel for Rose, Inc. [Docket No. 27, Case No. 17-42058], and the retention and employment of Gardere, Wynne, Sewell LLP ("Gardere") as bankruptcy counsel for Rose, Inc. [Docket No. 24, Case No. 17-42058].

4.3 *Bankruptcy Schedules and Statement of Financial Affairs*

On October 30, 2017, and November 1, 2017, Rose and Rose, Inc., respectively, timely filed their Statement of Financial Affairs and their Schedules of Assets (A and B), Exempt Property (C), Creditors Holding Secured Claims (D), Creditors Holding Unsecured Priority Claims (E), Creditors Holding Unsecured Nonpriority Claims (F), Executory Contracts and Unexpired Leases (G), and Codebtors (H) (the "Schedules") [Docket Nos. 39-41, Case No. 17-42053; Docket Nos. 22-23, Case No. 17-42058]. On September 8, 2017, the Debtor also timely filed its Statement of Financial Affairs [Docket No. 19]. On December 29, 2017, Rose filed an Amended Schedule E-F [Docket No. 68, Case No. 17-42053].

4.4 *Executory Contracts*

Rose, Inc. is party to two insurance policies, which are scheduled as executory contracts: (1) Chubb Agribusiness and (2) Texas Mutual Insurance Co. Rose is not party to any executory contracts. Rose, Inc. has not determined its course of action with respect to these insurance contracts. However, such contracts will be treated under the Plan.

4.5 *Removal of State Court Litigation*

On October 25, 2017, Debtors filed their Joint Notice of Removal [Docket No. 38, 17-42053; Docket No. 21, 17-42058] removing the Aaron's Litigation (Adversary Nos. 17-04104 and 17-04105, now consolidated by order of the court under 17-04104).

On December 5, 2017, Debtors filed their Joint Notice of Removal [Docket No. 57, 17-45023; Docket No. 37, 17-42058] of the Equis Equine/Weston state court litigation to the Bankruptcy Court (Adversary Nos. 17-04125, 17-04126).

The Aaron Parties objected to the removal and filed their *Motion for (I) Mandatory Abstention and/or Permissive Abstention and Remand of Removed Action; and (II) Relief from the Automatic Stay, Waiver of Thirty Day Hearing Requirement, and Request for Hearing in Sherman Division* [Docket No. 17, Adv. No. 17-04104; Docket No. 17, Adv. No. 17-04105], to which the Debtors filed a Joint Objection [Docket No. 19, Adv. No. 17-04104; Docket No. 19, Adv. No. 17-04105]. The Bankruptcy Court held a preliminary hearing on the Aaron Parties' Motion on January 11, 2018, and continued the matter to a final hearing.

The Equis Equine/Weston parties did not object to removal of their case and objected to the Aaron Parties' Removal Objection in the Aaron's Litigation [Docket No. 20, 17-42053].

4.6 *Dischargeability Action*

On December 19, 2017, Equis Equine, LLC and Elizabeth Weston (the "Weston Parties") filed their *Complaint to Determine Exception to Discharge for Money Obtained by Fraud Under 11 U.S.C. § 523(a)(2)(A)* [Docket No. 60, 17-42053, Docket No. 1, 17-04131], initiating Adversary No. 17-04131 in the Bankruptcy Case of Rose. On January 10, 2018, the Weston Parties filed their *Amended Complaint (I) to Determine Exception from Discharge for Money Obtained by Fraud under 11 U.S.C. § 523(a)(2)(A), (II) for Equitable Subordination under 11 U.S.C. § 510(c), (III) for Declaratory Judgment of Proofs of Claim, and (IV) for Entry of Judgment on Non-Debtor State-Law Claims* [Docket No. 6, 17-04131].

The Aaron Parties did not file a discharge action by the deadline to do so and filed a *Motion to Extend Bar Date for Filing Claims and Deadline to Object to Discharge* [Docket No. 59, 17-42053] (the "Bar Date Motion"), to which Rose filed an Objection [Docket No. 70, 17-42053]. At a hearing conducted January 11, 2018, the Court denied the Bar Date Motion with respect to the request to extend the proof of claim deadline. The Court reserved its ruling as to the request to extend the deadline to object to discharge and/or dischargeability, as contained in the Bar Date Motion.

4.7 *Operations and Estate Assets*

Debtors have continued operations since the commencement of the Bankruptcy Case.

ARTICLE V
SUMMARY OF THE PLAN

5.1 *Introduction*

THE SUMMARY OF THE PLAN SET FORTH BELOW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PROVISIONS OF THE PLAN AND THE SUMMARY CONTAINED HEREIN, THE TERMS OF THE PLAN WILL GOVERN. CREDITORS ARE ENCOURAGED TO THOROUGHLY REVIEW THE TERMS OF THE PLAN AND TO SEEK INDEPENDENT LEGAL OR FINANCIAL ADVICE REGARDING THE TERMS OR TREATMENT CONTAINED THEREIN.

5.2 *Overview of the Plan*

The Plan provides for the payment of unclassified Allowed Administrative Claims and Allowed Priority Tax Claims, and six (6) separate classifications of Claims and Equity Interests.

5.3 *Administrative Claims, Professional Fees, and Priority Tax Claims*

As provided in section 1123(a) of the Bankruptcy Code, Administrative Claims (including Professional Fee Claims) under section 507(a)(2) of the Bankruptcy Code and Priority Tax Claims under section 507(a)(8) of the Bankruptcy Code are not classified for purposes of voting on, or receiving Distributions under the Plan. Holders of Administrative Claims (including Professional Fee Claims) and Priority Tax Claims are not entitled to vote on the Plan but, rather, are treated separately in accordance with Article II of the Plan and under sections 1129(a)(9)(A) and (C) of the Bankruptcy Code.

(a) Timing and Treatment of Administrative Claims and Professional Fees

Except as provided below for Professionals requesting compensation or reimbursement for Professional Fee Claims, requests for payment of Administrative Claims must be filed no later than forty-five (45) days after notice of entry of the Confirmation Order is filed with the Bankruptcy Court or such later date as may be established by order of the Bankruptcy Court. Holders of Administrative Claims who are required to file a request for payment of such Claims and who do not file such requests by the Administrative Claims Bar Date, shall be forever barred from asserting such Claims against the Debtors or their respective property, and the holder thereof shall be enjoined from commencing or continuing any action, employment of process, or act to collect, offset, or recover such Administrative Claim.

An Administrative Claim with respect to which notice has been properly filed and served shall become an Allowed Administrative Claim only to the extent Allowed by Final Order not made the subject of appeal, or as such Claim is settled, compromised, or otherwise resolved.

HOLDERS OF ADMINISTRATIVE CLAIMS THAT ARE REQUIRED TO FILE AND SERVE A REQUEST FOR PAYMENT OF SUCH ADMINISTRATIVE CLAIMS BY THE ADMINISTRATIVE BAR DATE THAT FAIL TO DO SO SHALL BE

FOREVER BARRED, ESTOPPED, AND ENJOINED FROM ASSERTING SUCH ADMINISTRATIVE CLAIMS AGAINST THE DEBTORS OR THEIR RESPECTIVE PROPERTY OR THE REORGANIZED DEBTORS.

Total Professional Administrative Expense Claims through the Effective Date have not been finalized, but can only be estimated at this time. However, as of the date of the Plan, Kelly Hart estimates that fees and expenses due to it from the Carol Rose Estate are approximately $250,000, and Gardere estimates that fees and expenses due to it from the Carol Rose, Inc. Estate are approximately $100,000.

(b) Treatment of Allowed Priority Tax Claims

The Cooke County Tax Claim shall be Allowed in the amount equal to the amount of such Claim against the Debtors,[1] and, with respect to the Secured Claim of Cooke County shall be paid, in full on the Distribution Date (Sale), unless there shall be a dispute to the Cooke County Tax Claim; in which case, the Bankruptcy Court shall resolve such dispute and sufficient funds shall be held in escrow after the Closing until the Bankruptcy Court resolves any ranking dispute with respect to the Secured Claim. The Holder of the Cooke County Priority Tax Claim shall retain all lien rights and ranking thereof. If the Cooke County Tax Claim is not fully paid as a Secured Claim by the proceeds of the Sale at Closing, the Holder of the portion of the Tarrant County Tax Claim that is a Priority Tax Claim under section 507(a)(8)(B) of the Bankruptcy Code shall receive (a) cash in an amount not to exceed the amount of such Claim or (b) such other treatment as may be agreed on by the Debtors and Cooke County, or as may otherwise be provided in the Bankruptcy Code.

(c) UST Fees

All fees payable under 28 U.S.C. § 1930 shall be paid in Cash in full by Debtors on or before the Effective Date. Fees payable pursuant to 28 U.S.C. § 1930 for the Estates after the Effective Date will be paid by the Disbursing Agent from the Administrative Claims Fund.

5.4 *Classification and Treatment of Claims and Interests*

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including voting, confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

Class Number	Claim	Status	Voting Rights
Class 1	Allowed Priority Non-Tax Claims	Impaired	Entitled to Vote

[1] The Debtors reserve all rights to dispute the amount of the Cooke County Tax Claim.

Class Number	Claim	Status	Voting Rights
Class 2	Secured Claims	Impaired	Entitled to Vote
Class 3	Aaron Unsecured Claims	Impaired	Entitled to Vote
Class 4	Weston Unsecured Claims	Impaired	Entitled to Vote
Class 5	General Unsecured Claims	Impaired	Deemed to Reject
Class 6	Equity Interests	Impaired	Entitled to Vote

5.5 *Claims Analysis*

The following table provides a summary of the filed and scheduled Claims for discussion purposes only and does not reflect any opinion by the Debtors or Plan Proponents of any Claims that are Allowed or Disallowed:

Type Claim	Plan Estimate	Filed/Scheduled
Admin. Claims	$350,000	$350,000
Priority Tax Claims	$30,000	$30,000
Secured Claims	$202,000	$202,000
Unsecured Claims	$69,000	$69,000
Aaron Unsecured Claims	Unknown	Unknown
Weston Unsecured Claims	Unknown	Unknown

5.6 *Plan Classification and Treatment Summary*

(a) Class 1 (Allowed Priority Non-Tax Claims)

1. **Classification**

Class 1 consists of Priority Non-Tax Claims.

2. **Treatment**

Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to less-favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Priority Non-Tax Claim, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash by the Reorganized Debtors sixty days after (i) the Effective Date, (ii) the date on which such Priority Non-Tax Claim against the Debtors becomes an Allowed Priority Non-Tax Claim, or (iii) such other date as may be agreed by the parties or ordered by the Bankruptcy Court.

3. **Voting**

The Holder(s) of the Class 1 Claim are Impaired and entitled to vote to accept or reject the Plan.

(b) Class 2 (Secured Claims)

1. **Classification**

Class 2 consists of the Secured Claims.

2. **Treatment**

Shall be satisfied at each Reorganized Debtor's option by (i) payment of such Allowed Secured Claim in full in Cash, including interest required under section 506(b) of the Bankruptcy Code; (ii) delivery of the Collateral securing such Allowed Secured Claim; (iii) or payment of the proceeds upon liquidation of the Collateral, less any expenses incurred in the liquidation; or (iv) other treatment agreed by the parties or in a manner that such Class 2 Claim is rendered unimpaired. Any Deficiency Claim shall be treated as a Class 5 General Unsecured Claim or a Priority Tax, as determined by the Bankruptcy Court or agreed between the holder of such Claim, on the one hand, and the Reorganized Debtor, on the other hand.

3. **Voting**

The Holder(s) of the Class 2 Claim are Impaired and entitled to vote to accept or reject the Plan.

(c) Class 3 (Aaron Unsecured Claim)

1. **Classification**

Class 3 consists of the Aaron Unsecured Claim.

2. **Treatment**

Except to the extent that a Holder of an Allowed Class 3 Claim has been paid prior to the Effective Date, or agrees to less-favorable treatment, each Holder of such Claim shall be paid its Pro Rata Share from, at each Reorganized Debtor's sole and absolute discretion, either (a) Net Sale Proceeds no more than ninety (90) days after the Sale is closed or (b) Excess Cash Flow in forty (40) quarterly installments at six (6%) percent per-annum simple interest from the Effective Date until paid in full.

The amount, validity, extent, value, and priority of each Class 3 Claim will be subject to determination by the Bankruptcy Court or pursuant to an agreement between the Reorganized Debtors and the holder of each Class 3 Claim.

All issues and disputes regarding the commencement of, continuation of, amount of, or the business judgment regarding the use of all proceeds or operations of the Reorganized Debtors shall be specifically reserved for determination by the Court.

3. **Voting**

The Holder(s) of the Class 3 Claim are impaired and entitled to vote to accept or reject the Plan.

(d) Class 4 (Weston Unsecured Claim)

1. **Classification**

Class 4 consists of the Weston Unsecured Claim.

2. **Treatment**

Except to the extent that a Holder of an Allowed Class 4 Claim has been paid prior to the Effective Date, or agrees to less-favorable treatment, each Holder of such Claim shall be paid its Pro Rata Share from, at the Reorganized Debtors' sole and absolute discretion, either (a) Net Sale Proceeds no more than ninety (90) days after the Sale is closed or (b) Excess Cash Flow in forty (40) quarterly installments at six (6%) percent per-annum simple interest from the Effective Date until paid in full.

The amount, validity, extent, value, and priority of each Class 4 Claim will be subject to determination by the Bankruptcy Court or pursuant to an agreement between the Reorganized Debtors and the holder of each Class 4 Claim.

All issues and disputes regarding the commencement of, continuation of, amount of, or the business judgment regarding the use of all proceeds or operations of the Reorganized Debtors shall be specifically reserved for determination by the Court.

3. **Voting**

The Holder(s) of the Class 4 Claim are impaired and entitled to vote to accept or reject the Plan.

(e) Class 5 (General Unsecured Claims)

1. **Classification**

Class 5 consists of General Unsecured Claims.

2. **Treatment**

Except to the extent that a Holder of an Allowed Class 5 Claim has been paid prior to the Effective Date, or agrees to less-favorable treatment, each Holder of such Claim shall be paid its Pro Rata Share from, at the Reorganized Debtors' sole and absolute discretion, either (a) Net Sale Proceeds no more than ninety (90) days after the Sale is closed or (b) Excess Cash Flow in forty (40) quarterly installments at six (6%) percent per-annum simple interest from the Effective Date until paid in full.

The amount, validity, extent, value, and priority of each Class 5 Claim will be subject to determination by the Bankruptcy Court or pursuant to an agreement between the Reorganized Debtors and the holder of each Class 5 Claim.

All issues and disputes regarding the commencement of, continuation of, amount of, or the business judgment regarding the use of all proceeds or operations of the Reorganized Debtors shall be specifically reserved for determination by the Court.

3. **Voting**

The Holder(s) of the Class 5 Claim are impaired and entitled to vote to accept or reject the Plan.

(f) Class 6 (Equity Interests)

1. **Classification**

Class 5 consists of the Equity Interests.

2. **Treatment**

The holders of Class 6 Equity Interests shall retain the same percentage ownership interest in Carol Rose, Inc. The holders of Class 6 Claims are impaired. The Holders of the Class 6 Equity Interests are entitled to vote to accept or reject the Plan.

3. **Voting**

The Holder(s) of the Class 6 Claim are impaired and entitled to vote to accept or reject the Plan.

5.7 *Means for Implementation of the Plan*

(a) **Continued Existence After the Effective Date**

The Debtors shall continue to exist after the Effective Date as Reorganized Debtors in accordance, as applicable, with applicable laws of the jurisdiction in which it is incorporated or organized and pursuant to an amended certificate of incorporation and the amended by-laws. On or after the Effective Date, the Reorganized Debtors may, in their sole and absolute discretion, and

free of any restriction of the Bankruptcy Code or the Bankruptcy Rules take such action as permitted by applicable law and the Reorganized Debtor Carol Rose, Inc.'s organizational documents, as applicable, as the Reorganized Debtors may determine is reasonable and appropriate. In conformity with applicable bankruptcy and non-bankruptcy law, Reorganized Debtor Carol Rose, Inc. shall cause to be filed with all appropriate governmental agencies appropriate restated articles of incorporation, restated by-laws, as the case may be, to the extent necessary under the Bankruptcy Code and as permitted by applicable non-bankruptcy law.

(b) Operations Between the Confirmation Date and the Effective Date

During the period from the Confirmation Date through and until the Effective Date, the Debtors shall continue to operate their businesses as debtors-in-possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules, and all orders of the Bankruptcy Court that are then in full force and effect.

(c) Release of Liens

Upon the Effective Date, all Liens against and alleged interests in assets of the Estate are hereby released, satisfied, or terminated, and the holders of such Secured Claims and any such interests in property shall deliver to the Debtors or the Reorganized Debtors, as applicable, (i) any Collateral or other property of the Debtors held by the holder, together with any termination statement, instrument of satisfaction, or release of all security interests with respect to Allowed Secured Claims that may be reasonably required to terminate any related financing statements, mortgages, mechanics' or other statutory liens, or *lis pendens*, or similar interests or documents; and (ii) a form of release and waiver of any interest in property of the Debtors is a form satisfactory to the Debtors. The Reorganized Debtors are authorized to file any such UCC-3 termination statement or other act of cancellation, waiver or release, as may be necessary to fulfill the terms of this Section.

(d) Directors and Officers of the Reorganized Debtors

As of the Effective Date, the term of the current members of the board of directors of the Debtor Carol Rose, Inc. shall expire, and the initial board of directors of the Reorganized Debtor Carol Rose, Inc. shall be appointed in accordance with the new certificate of incorporation and new by-laws of Reorganized Debtor, Carol Rose, Inc. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the initial board of directors for the Reorganized Debtor Carol Rose, Inc. will be Carol Alison Ramsay Rose. To the extent any such director or officer is an "insider" as such term is defined in section 101(31) of the Bankruptcy Code, the nature of any compensation to be paid to such director or officer will also be disclosed in a later document. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the new certificate of incorporation, new by-laws, and other constituent documents of the Reorganized Debtor Carol Rose, Inc.

(e) Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors are authorized to and may issue, execute, deliver, File, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued

pursuant to the Plan, in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization or consents except those expressly required pursuant to the Plan.

(f) Exemption from Certain Taxes and Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto or in any way provided for in the Plan, shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (i) the creation of any mortgage, deed-of-trust, lien, or other security interest, (ii) the making or assignment of any lease or sublease, (iii) any restructuring transaction authorized by the Plan, or (iv) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation, or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any restructuring transaction occurring under the Plan.

(g) Other Corporate Action

Entry of the Confirmation Order shall constitute authorization for Reorganized Debtors and the Debtors, pursuant to section 1123(a)(5)(D) of the Bankruptcy Code, to take or cause to be taken all corporate actions consistent with the Plan necessary or appropriate to implement all provisions of, and to consummate, the Plan prior to, on and after the Effective Date and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court without further approval, act or action under any applicable law, order, rule or regulation, including, without limitation, any action required by the directors of Reorganized Debtors, the Debtors, including, among other things, (a) the incurrence of all obligations contemplated by the Plan and the making of distributions under the Plan and (b) the implementation of all settlements and compromises as set forth in or contemplated by the Plan.

(h) Settlement of Claims and Controversies

Pursuant to section 1123(b)(3)(A) of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for all distributions under the Plan and other benefits provided under this Plan, the provisions of this Plan shall constitute a good-faith compromise and settlement of all Claims and controversies relating to the rights that a Holder of a Claim or Interest may have with respect to such Claim or Interest or any distribution under the Plan on account of thereof. If the Confirmation Order is not entered or the Effective Date does not occur, the Debtors reserve their rights with respect to all disputes resolved and settled under this Plan. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the Effective Date, of each compromise and settlement embodied in the Plan, and the Bankruptcy Court's finding that all such compromises and settlements are (a) in the Debtors' and the Estates' best interests and (b) fair, equitable and within the range of reasonableness. The provisions of the Plan, including, without limitation, its release, injunction, exculpation, and compromise provisions are mutually dependent.

(i) Vesting of Assets

On the Effective Date, except as otherwise expressly provided herein, title to all Assets shall remain/vest in the Reorganized Debtors, as applicable, free and clear of all Liens, Claims, Causes of Action, and without further order of the Bankruptcy Court. On and after the Effective Date, except as otherwise provided herein, the Debtors and the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of their Assets free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules.

(j) Sources of Cash for Plan Distributions

All Cash necessary to make distributions under this Plan shall be obtained from the Excess Cash Flow or the Net Sale Proceeds, as determined by the Reorganized Debtors in their sole and absolute discretion.

(k) Approval of Agreements

The solicitation of votes on the Plan shall be deemed a solicitation for the approval of the Plan Supplement Documents and all transactions contemplated by the Plan. Entry of the Confirmation Order shall constitute approval of the Plan Supplement Documents and such transactions and authorization for the Reorganized Debtors and the Debtors, as appropriate, to execute and deliver each of the Plan Documents.

(l) Entry of Final Decree

As soon as is practicable after the Effective Date, the Reorganized Debtors shall File an application with the Clerk of the Court requesting the entry of a Final Decree closing the Bankruptcy Case; provided, however, the Reorganized Debtors shall not File an application for Final Decree in this case until and unless the conditions to the Plan becoming effective have been fully met. The Reorganized Debtors shall be responsible for all U.S. Trustee fees owed pursuant to 28 U.S.C. § 1930.

(m) Retention of Rights to Pursue Causes of Action

Pursuant to section 1123(b) of the Bankruptcy Code, all Causes of Action are hereby preserved by this Plan, notwithstanding the occurrence of the Effective Date. The Reorganized Debtors shall retain the exclusive authority and all rights to enforce, commence, and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement Document, and each Reorganized Debtor's rights to commence, prosecute, or settle such Causes of Action shall be preserved. For the avoidance of doubt, the preservation of Causes of Action herein includes, without limitation, each of the Debtor's right to object to all Secured Claims, Administrative Claims, Priority Claims, and General Unsecured Claims. The Reorganized Debtors may pursue such Causes of Action in accordance with each Reorganized Debtor's best interests in its sole and absolute discretion. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement Documents, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against them. The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action against any Entity. For the avoidance of doubt, the Reorganized Debtors reserve and shall retain the applicable Causes of Action, notwithstanding the

rejection or repudiation of any Executory Contract or Unexpired Lease during the Bankruptcy Case or pursuant to the Plan. The Reorganized Debtors through their authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, File, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

The Debtors have not investigated any potential Causes of Action other than the Aaron's Litigation, which is specifically and expressly retained and shall vest in the Reorganized Debtors as of the Effective Date. Therefore, on the Effective Date, all Causes of Action shall remain with the Debtors or Reorganized Debtors, which shall hold all rights on behalf of the Estates to commence and pursue any and all Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal). The Reorganized Debtors shall pursue such Causes of Action as set forth herein, including all Causes of Action asserted in the Aaron's Litigation, in their sole and absolute discretion. The failure to list or describe any unknown Cause of Action herein is not intended to limit the rights of the Reorganized Debtors to pursue any unknown Cause of Action. Unless Causes of Action are expressly waived, relinquished, released, compromised or settled herein or any Final Order, the Debtors or their Estates (before the Effective Date) and the Reorganized Debtors (post-Effective Date), expressly reserve all Causes of Action (including the unknown Causes of Action) for later adjudication and therefore, no preclusion doctrine or other rule of law, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action on, after, or as a result of the confirmation or Effective Date of the Plan, or the Confirmation Order. In addition, the Debtors or their Estates and the Reorganized Debtors expressly reserve the right to pursue or adopt any Claims not so waived, relinquished, released, compromised, or settled that are alleged in any lawsuit in which the Debtors or their Estates are a defendant or an interested party, including, without limitation, the plaintiffs and co-defendants in such lawsuits. Such retained potential causes of action include, without limitation, (i) any potential Cause of Action arising from or related to any transfer or other actions or omissions referenced in any the Schedules, (ii) any potential Causes of Action against any past or present insider of the Debtors, (iii) any causes of action related to the extent, validity, and priority of any liens, (iv) any actions for breach of contract, and (v) any actions arising in tort. The Reorganized Debtors shall have the right to identify any additional Causes of Action prior to the Effective Date of the Plan.

5.8 *Treatment of Executory Contracts and Unexpired Leases*

Reorganized Debtors may be a party to an executory contract or unexpired lease. Except as otherwise provided herein or in any order of the Bankruptcy Court, on the Effective Date or no later than thirty (30) days after the Effective Date, every Executory Contract shall be deemed rejected unless it is identified on the Schedule of Assumed Executory Contracts and Unexpired Leases. The Debtors/Reorganized Debtors reserve the right to modify the treatment of an Executory Contract pursuant to this Plan. Each Executory Contract on the Schedule of Assumed Executory Contracts and Unexpired Leases shall be assumed only to the extent that it constitutes an executory contract or unexpired lease as contemplated by section 365 of the Bankruptcy Code. Nothing contained in this Plan constitutes an admission by any of the Debtors that any such contracts or leases are "executory" or that any of the Debtors has any liability thereunder. Further,

such assumption is subject to the same rights that any of the Debtors held or holds on or after the Petition Date to modify or terminate such agreement(s) under applicable non-bankruptcy law. If the Bankruptcy Court or any other court of competent jurisdiction determines before, on, or after the Effective Date, that any agreement in the form of a lease of real or personal property identified for assumption on the Schedule of Assumed Executory Contracts and Unexpired Leases is, in fact, a secured transaction, the resulting secured indebtedness arising from such determination shall be treated as a Class 2 Claim. Each Executory Contract assumed pursuant to this section shall be fully enforceable by the Reorganized Debtors in accordance with its terms, except as modified by the provisions of the Plan, any order of the Bankruptcy Court authorizing and providing for its assumption or applicable federal law.

5.9 *Claims Objection*

(a) **Prosecution of Objections to Claims**

As of the Effective Date, the Reorganized Debtors shall have the exclusive authority on or before the Claims Objection Bar Date to file objections, settle, compromise, withdraw, or litigate to judgment objections to Claims. Hearings on any such objections shall be fixed for hearing at least twenty-eight (28) days after the filing of the objections or at such other time as may be fixed by the Bankruptcy Court or agreed to by the parties (subject to the authority of the Bankruptcy Court). Reorganized Debtors shall litigate to judgment, settle, or withdraw objections to Disputed Claims, and with regard to objections, if any, pending as of Confirmation. From and after the Effective Date, the Reorganized Debtors may settle or compromise any Disputed Claim without approval of the Bankruptcy Court. Reorganized Debtors also reserve the right to resolve any Disputed Claims outside the Bankruptcy Court under applicable governing law. Until a Claim becomes an Allowed Claim or is Disallowed, the Claim will be treated as a Disputed Claim. Specifically, the Debtors' defenses, affirmative defenses, and claims within the Aaron's Litigation and the Weston Litigation shall constitute objections to the Claims of the Aarons and the Westons, and the Debtors are authorized, but it shall not be necessary, to amend the pleadings within the Aaron's and Weston Litigation to set forth claims objections in their discretion.

(b) **Allowance of Claims**

Except as to Claims allowed by the Plan or as otherwise expressly provided herein or in any order by the Bankruptcy Court prior to the Effective Date (including the Confirmation Order), no Claim shall be deemed Allowed, unless and until such Claim is deemed Allowed under the Bankruptcy Code or the Bankruptcy Rules or the Bankruptcy Court enters a Final Order in the Bankruptcy Case allowing such Claim. Except as to Claims Allowed by the Plan or any order entered by the Bankruptcy Court prior to the Effective Date (including the Confirmation Order), the Reorganized Debtors, after confirmation, will have and retain any and all rights and defenses the Debtors had with respect to any Claim as of the Petition Date.

5.10 *Releases, Indemnification, Injunction; Exculpation; Discharge*

(a) **Discharge of Debtors**

The rights afforded under the Plan and the treatment of all Claims and Equity Interests under the Plan shall be in exchange for and in complete satisfaction, discharge, and release of Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from

and after the Petition Date, against the Debtors and the Reorganized Debtors, or any of their assets or properties. Except as otherwise provided herein, on the Effective Date, all such Claims against and Equity Interests in the Debtors and the Reorganized Debtors shall be satisfied, discharged, and released in full, and all persons shall be precluded from asserting against the Debtors or the Reorganized Debtors, and/or any party released under the Plan, their successors and/or assigns, their assets, or their properties any other or further Claims or Equity Interests based on any act or omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date.

(b) **Injunction**

THERE SHALL BE AN INJUNCTION TO THE FULL EXTENT ALLOWED UNDER SECTIONS 1141 AND 524 OF THE BANKRUPTCY CODE, AND ALL HOLDERS OF CLAIMS SHALL BE ENJOINED FROM PURSUING ANY ACTION ON ACCOUNT OF OR RELATED TO ANY CLAIM THROUGH ANY CONDUCT OR PROCEEDING WHATSOEVER, WITH RESPECT TO DISCHARGED, RELEASED, ENJOINED OR EXCULPATED CLAIMS, AND AS AGAINST ANY PERSON SUBJECT TO OR DERIVING RIGHTS FROM THE DISCHARGE AND/OR ANY RELEASE OR EXCULPATION ARISING UNDER THE PLAN.

(c) **Exculpations**

The Debtors and the Reorganized Debtors and each of their respective representatives (including any attorneys), shall have no liability to any Holder of any Claim, for any act or omission occurring during the course of this Bankruptcy Case occurring up to the Effective Date, including acts or omissions in connection with, or arising out of, the filing of the petition, the preparation of motions, memoranda, or other documents, preparation and/or negotiation of the Disclosure Statement and the Plan, the solicitation of votes for and the pursuit of Confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for gross negligence or willful misconduct as determined by a Final Order of the Bankruptcy Court, which shall possess exclusive jurisdiction over all such determinations, and, in all respects, shall be entitled to rely on the advice of counsel with respect to their duties and responsibilities under the Plan.

(d) **Indemnification Obligations**

Subject to the occurrence of the Effective Date, the obligations of the Debtors and the Reorganized Debtors to indemnify, defend, reimburse or limit the liability of directors, officers, or employees who were directors, officers, or employees of the Debtors as of the Petition Date or became so thereafter against any liabilities, claims or causes of action as provided under applicable state or federal law, shall not be discharged, irrespective of whether such indemnification, defense, reimbursement, or limitation is owed in connection with an event occurring before or after the Petition Date. The indemnification obligations of the Debtors and the Reorganized Debtors, set forth herein are limited to those authorized or permitted under state or federal law as the same is now or may become applicable at the time any claim for indemnification is made.

5.11 *Modification of the Plan; Revocation*

The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules to (1) amend or modify the Plan prior to the entry of the Confirmation Order and (2) after the entry of the Confirmation Order, Reorganized Debtors may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

5.12 *Conditions Precedent to the Occurrence of the Effective Date; Waiver*

(a) **Conditions Precedent to Confirmation**

The Effective Date shall not occur until the following conditions have been satisfied or waived.

1. The Confirmation Order, in form and substance reasonably acceptable to Debtors, shall have been entered and shall be a Final Order.

2. All documents, actions, and agreements necessary to implement the Plan shall have been confected and executed.

5.13 *Findings by the Bankruptcy Court and Effects of Confirmation*

In addition to the findings set forth in section 1129(a) of the Bankruptcy Code, and such others as may be separately issued by the Bankruptcy Court, Confirmation of the Plan shall be based upon such findings by the Bankruptcy Court as are reasonably proper in the premises and the Confirmation Order shall contain such orders upon such findings as appropriate. Without limitation, such findings and the effects of the Confirmation Order shall include, in addition to the effects otherwise described in the Plan:

ARTICLE VI
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND SECURITIES LAW CONSIDERATIONS

6.1 *Generally*

THE FOLLOWING DISCUSSION IS A SUMMARY OF CERTAIN OF THE SIGNIFICANT FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO THE DEBTORS, AND TO HOLDERS OF CLAIMS AND EQUITY INTERESTS AND IS BASED ON THE INTERNAL REVENUE CODE, TREASURY REGULATIONS PROMULGATED AND PROPOSED THEREUNDER, JUDICIAL DECISIONS AND PUBLISHED ADMINISTRATIVE RULES AND PRONOUNCEMENTS OF THE IRS AS IN EFFECT ON THE DATE HEREOF. CHANGES IN SUCH RULES OR NEW INTERPRETATIONS THEREOF COULD SIGNIFICANTLY AFFECT THE TAX CONSEQUENCES DESCRIBED BELOW. NO RULINGS HAVE BEEN REQUESTED FROM THE IRS. MOREOVER, NO LEGAL OPINIONS HAVE BEEN REQUESTED FROM COUNSEL WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN.

THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN TO THE HOLDERS OF CLAIMS AND EQUITY INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. IN ADDITION, THIS DISCUSSION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTOR OR THE HOLDERS OF ALLOWED CLAIMS OR EQUITY INTERESTS (SUCH AS HOLDERS WHO DO NOT ACQUIRE THEIR CLAIM ON ORIGINAL ISSUE), NOR DOES THE DISCUSSION DEAL WITH TAX ISSUES PECULIAR TO CERTAIN TYPES OF TAXPAYERS (SUCH AS DEALERS IN SECURITIES, S CORPORATIONS, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, TAX-EXEMPT ORGANIZATIONS AND FOREIGN TAXPAYERS). NO ASPECT OF FOREIGN, STATE, LOCAL OR ESTATE AND GIFT TAXATION IS ADDRESSED.

THE FOLLOWING SUMMARY IS, THEREFORE, NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR EQUITY INTEREST. HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES PECULIAR TO THEM UNDER THE PLAN. THE DEBTORS ASSUME NO RESPONSIBILITY FOR THE TAX EFFECT THAT CONFIRMATION AND RECEIPT OF ANY DISTRIBUTION UNDER THE PLAN MAY HAVE ON ANY GIVEN CREDITOR OR OTHER PARTY IN INTEREST.

6.2 *Tax Consequences to Holders of Claims*

(a) **Realization and Recognition of Gain or Loss in General**

The federal income tax consequences of the implementation of the Plan to a Holder of a Claim will depend, among other things, on the origin of the Holder's Claim, when the Holder's Claim becomes an Allowed Claim, when the Holder receives payment in respect of such Claim, whether the Holder reports income using the accrual or cash method of accounting, whether the Holder has taken a bad debt deduction or worthless security deduction with respect to such Claim, and whether the Holder's Claim constitutes a "security" for federal income tax purposes.

Generally, a Holder of an Allowed Claim will realize gain or loss on the exchange under the Plan of its Allowed Claim for stock and other property (such as Cash and new debt instruments), in an amount equal to the difference between (i) the sum of the amount of any Cash and the issue price of any debt instrument, (other than any consideration attributable to a Claim for accrued but unpaid interest), and (ii) the adjusted basis of the Allowed Claim exchanged therefor (other than basis attributable to accrued but unpaid interest previously included in the Holder's taxable income). The treatment of accrued but unpaid interest and amounts allocable thereto varies depending on the nature of the Holder's Claim and is discussed below.

Whether or not such realized gain or loss will be recognized (*i.e.*, taken into account) for federal income tax purposes will depend in part upon whether such exchange qualifies as a recapitalization or other "reorganization" as defined in the Tax Code, which may in turn depend upon whether the Claim exchanged is classified as a "security" for federal income tax purposes. The term "security" is not defined in the Tax Code or in the Treasury Regulations. One of the most significant factors considered in determining whether a particular debt instrument is a security is the

original term thereof. In general, the longer the term of an instrument, the greater the likelihood that it will be considered a security. As a general rule, a debt instrument having an original term of 10 years or more will be classified as a security, and a debt instrument having an original term of fewer than five years will not. Debt instruments having a term of at least five years but less than 10 years are likely to be treated as securities, but may not be, depending upon their resemblance to ordinary promissory notes, whether they are publicly traded, whether the instruments are secured, the financial condition of the Debtors at the time the debt instruments are issued, and other factors. Each Holder of an Allowed Claim should consult his or her own tax advisor to determine whether his or her Allowed Claim constitutes a security for federal income tax purposes.

(b) **Accrued Interest**

Each Holder of an Allowed Claim is urged to consult its tax advisor regarding the allocation of consideration and deductibility of unpaid interest for tax purposes. The Plan does not provide that interest on any Claim will accrue from the Petition Date until the Effective Date.

(c) **Withholding**

All distributions to Holders of Claims under the Plan are subject to any applicable withholding. Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at a Twenty-Eight Percent (28%) rate. Backup withholding generally applies if the Holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

ARTICLE VII
VOTING; CONFIRMATION; ALTERNATIVE TO PLAN

7.1 *Confirmation Standards*

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for _____, 2018, at [*] _.m. Central Time. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequently adjourned Confirmation Hearing. Objections to Confirmation of the Plan must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection, and the amount and Class of the Claim.

Any such objection must be filed with the Bankruptcy Court on or before _____, 2018, at [*] _.m. Central Time. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and the Debtors, including that:

- the Plan has classified Claims and Interests in a permissible manner;
- the Plan complies with the applicable provisions of the Bankruptcy Code;
- the Debtors have complied with the applicable provisions of the Bankruptcy Code;
- the Debtors, as proponents of the Plan, have proposed the Plan in good faith and not by any means forbidden by law;
- the disclosure required by section 1125 of the Bankruptcy Code has been made;
- the Plan has been accepted by the requisite votes of Creditors and Equity Interest Holders;
- the Plan is feasible and Confirmation will not likely be followed by the liquidation or the need for further financial reorganization of the Debtors or the Reorganized Debtors;
- the Plan is in the "best interests" of all Holders of Claims or Interests in an impaired Class by providing to Creditors or Interest Holders on account of such Claims or Interests property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain in a chapter 7 liquidation, unless each Holder of a Claim or Interest in such Class has accepted the Plan;
- all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date; and
- the disclosures required under section 1129(a)(5) of the Bankruptcy Code concerning the identity and affiliations of persons who will serve as officers, directors and voting trustees of the Reorganized Debtors have been made.

(a) "Best Interests" Test

The Bankruptcy Code requires that the Bankruptcy Court find that the Plan is in the best interest of all holders of Claims and Interests that are Impaired by the Plan and that have not accepted the Plan as a requirement to confirm the Plan. The "best interests" test, as set forth in section 1129(a)(11) of the Bankruptcy Code, requires the Bankruptcy Court to find either that all members of an Impaired Class of Claims or Interests have accepted the Plan or that the Plan will provide a member who has not accepted the Plan with a recovery of 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 were liquidated under chapter 7 of the Bankruptcy Code on such date.

In chapter 7 liquidation, no junior class of Claims or Interests may be paid unless all classes of Claims or Interests senior to such junior class are paid in full. Section 510(a) of the Bankruptcy Code provides that subordination agreements are enforceable in a bankruptcy case to the same extent that such subordination is enforceable under applicable nonbankruptcy law. Therefore, no class of Claims or Interests that is contractually subordinated to another class would receive any payment on account of its Claims or Interests, unless and until such senior classes were paid in full. Once the Bankruptcy Court ascertains the recoveries in liquidation of the Debtors' secured and priority creditors, it would then determine the probable distribution to unsecured creditors from the remaining available proceeds of the liquidation. If this probable distribution has a value greater than

the value of distributions to be received by the unsecured creditors under the Plan, then the Plan is not in the best interests of creditors and cannot be confirmed by the Bankruptcy Court.

The Debtors believe that the Plan affords Holders of Claims the potential for the greatest realization on the Debtors' assets and, therefore, is in the best interests of such Holders. For further discussion, see the Liquidation Value discussion below in Article 7.3.

(b) **Feasibility**

The Bankruptcy Code requires that Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor.

A. Projected Financial Statements

THE DEBTORS WILL PREPARE PROJECTED OPERATING AND FINANCIAL RESULTS (THE "**PROJECTIONS**") FOR THE DEBTORS THROUGH THE PERIOD ENDING DECEMBER 31, 2028 (THE "**PROJECTION PERIOD**"). THE PROJECTIONS WILL BE SUBMITTED IN A SUPPLEMENT TO THIS DISCLOSURE STATEMENT .

THE PROJECTIONS SHOULD BE READ IN CONJUNCTION WITH THE ASSUMPTIONS, QUALIFICATIONS, AND RISK FACTORS SET FORTH IN THIS DISCLOSURE STATEMENT.

THE PROJECTIONS ARE PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING "ADEQUATE INFORMATION" UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE UNDER THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED ON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR.

THE ASSUMPTIONS AND RESULTANT PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES CONTAIN CERTAIN STATEMENTS THAT MAY BE CONSIDERED "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THE PROJECTIONS HAVE BEEN PREPARED BY THE DEBTOR'S MANAGEMENT AND PROFESSIONALS. THESE PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALIZED OR MAY BE UNDERSTATED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO ASSURANCES CAN BE MADE AS TO THE ACCURACY OF THE ASSUMPTIONS AND RESULTANT PROJECTIONS OR THE DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS FOLLOWING THE EFFECTIVE DATE. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE

PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR MAY BE UNANTICIPATED; THUS, THEY MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THEREFORE, THE PROJECTIONS MAY NOT BE RELIED ON AS GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TO COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS NOR IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. THE DEBTOR'S INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE PROJECTIONS; ACCORDINGLY, THEY DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO SUCH PROJECTIONS.

AS A MATTER OF COURSE, THE DEBTORS DO NOT PUBLISH THEIR BUSINESS PLAN AND STRATEGY OR PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. ACCORDINGLY, THE DEBTORS DO NOT INTEND, AND DISCLAIMS ANY OBLIGATION, TO FURNISH UPDATED BUSINESS PLANS OR PROJECTIONS TO HOLDERS OF CLAIMS OR INTERESTS PRIOR TO THE EFFECTIVE DATE, OR ANY OTHER PARTY AFTER THE EFFECTIVE DATE. HOWEVER, FROM TIME TO TIME, THE DEBTORS MAY PREPARE UPDATED PROJECTIONS IN CONNECTION WITH PURSUING FINANCING (INCLUDING THE EXIT FINANCING), CREDIT RATINGS, AND OTHER PURPOSES. SUCH PROJECTIONS MAY DIFFER MATERIALLY FROM THE PROJECTIONS PRESENTED HEREIN.

THE DEBTORS BELIEVE THAT THE PLAN PROPOSES A SUITABLE AND ACHIEVABLE METHOD – THROUGH FUTURE CASH FLOWS OR LIQUIDATION – TO REPAY ALLOWED CLAIMS; THEREFORE, IT WILL NOT BE FOLLOWED BY A NEED FOR FURTHER FINAL REORGANIZATION.

Accordingly, the Debtors submit that the Plan is feasible and satisfies the requirements of Section 1129 of the Bankruptcy Code.

(c) **Cram Down**

If all of the applicable requirements for Confirmation of the Plan are met as set forth in section 1129(a) of the Bankruptcy Code except for subsection (8) thereof, the Debtors may request the Bankruptcy Court to confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding the requirements of section 1129(a)(8) of the Bankruptcy Code, on the basis that the Plan is fair and equitable and does not discriminate unfairly with respect to any Impaired Class that does not vote to accept this Plan as described in the Disclosure Statement.

To obtain confirmation, it must be demonstrated to a bankruptcy court that a plan "does not discriminate unfairly" and is "fair and equitable" with respect to each dissenting impaired class. A plan does not discriminate unfairly if the legal rights of a dissenting impaired class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to

those of the dissenting impaired class and if no class receives more than it is entitled to for its claims. The Debtors believe the Plan satisfies this requirement.

The Bankruptcy Code establishes different "fair and equitable" tests for secured claims, unsecured claims, and holders of equity interests.

(i) **Secured Claims**. With respect to treatment of a secured claim under a plan, "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 a 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 are treated in accordance with clauses (i) and (iii) hereof, or (iii) the impaired secured creditor realizes the "indubitable equivalent" of its claim under a plan.

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

(iii) **Equity Interests**. With respect to the treatment of equity interests under a plan, "fair and equitable" means either (i) each equity interest holder will receive or retain under a plan property of a value equal to the greatest of the allowed amount of any fixed liquidation preference or redemption price, if any, of such equity interest or the value of the equity interest, or (ii) the holders of equity interests that are junior to the dissenting class of equity interests will not receive or retain any property under a plan on account of such junior equity interest.

The Debtors believe that the Plan can be confirmed on a non-consensual basis if the Holders of any Class of Claims entitled to vote on the Plan vote to reject the Plan (provided at least one Impaired Class of Claims entitled to vote votes to accept the Plan). If appropriate, the Debtors will demonstrate at the Confirmation Hearing that the Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code as to any non-accepting Class.

7.2 *Vote Required for Acceptance by a Class*

The Bankruptcy Code defines acceptance of a plan by a class of Claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the allowed Claims of that class held by creditors, other than any entity designated under section 1129(e) of the Bankruptcy Code, who cast ballots for acceptance or rejection of the Plan.

(i) Acceptance by Impaired Classes. Each Impaired Class of Claims that will (or may) receive or retain property or any interest in property under the Plan shall be entitled to vote to accept or reject the Plan. An Impaired Class of

Claims shall have accepted the Plan if (i) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (ii) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half (1/2) in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

(ii) Voting Presumptions. Claims in Unimpaired Classes are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan. There are no Unimpaired Classes in the Plan. Claims and Equity Interests in Classes that do not entitle the holders thereof to receive or retain any property under the Plan are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan. This is applicable to the Equity Interests in Class 6 which are conclusively presumed to reject the Plan.

(iii) Voting Rights. Pursuant to the provisions of the Bankruptcy Code, only Holders of Claims and Equity Interests in Classes that are (a) treated as "impaired" by a plan of reorganization and (b) entitled to receive a distribution under such plan are entitled to vote on the Plan. Under the Plan, only Holders of Claims in Classes 1, 2, 3, 4 and 6 are entitled to vote on the Plan. Holders of General Unsecured Claims in Class 5 are conclusively presumed to reject the Plan.

Notwithstanding the foregoing, only holders of Allowed Claims in the voting Classes are entitled to vote on the Plan. A Claim which is unliquidated, contingent, or disputed is not an Allowed Claim and is, therefore, not entitled to vote, unless and until the amount is estimated or determined, or the dispute is determined, resolved, or adjudicated in the Bankruptcy Court or another court of competent jurisdiction, or pursuant to agreement as may be permitted. However, the Bankruptcy Court may deem a contingent, unliquidated, or disputed Claim to be allowed on a provisional basis, for purposes only of voting on the Plan. If your Claim is contingent, unliquidated, or disputed, you will receive instructions for seeking temporary allowance of your Claim for voting purposes and it will be your responsibility to obtain an order provisionally allowing your Claim.

7.3 *Alternatives to Confirmation Is Chapter 7 Liquidation*

If the Debtor fails to obtain enough acceptances from Classes 1, 2, 3, 4 and 6 to confirm the Plan, or the Plan is not subsequently confirmed and consummated, the alternative is liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

Proceeding under chapter 7 would impose significant additional monetary and time costs on the Debtors' Estates. Under chapter 7, a trustee would be elected or appointed to administer the Estates, to resolve pending controversies, including Disputed Claims against the Debtors and Claims of the Estates against other parties, and to make distributions to holders of Claims. A chapter 7 trustee would be entitled to compensation in accordance with the scale set forth in section 326 of

the Bankruptcy Code, and the trustee would also incur significant administrative expenses. The chapter 7 administrative expenses also take priority over any chapter 11 administrative expenses.

There is a strong probability that a chapter 7 trustee in these cases would not possess any particular knowledge about the Debtors or the quarter horse business. Additionally, a trustee would probably seek the assistance of professionals who may not have any significant background or familiarity with the Chapter 11 Cases. The trustee and any professionals retained by the trustee likely would expend significant time familiarizing themselves with this Chapter 11 Case. This would result in duplication of effort, increased expenses, and delay in payments to creditors, time and money are inevitable. In addition to these time and monetary costs, there are other problems in a chapter 7 liquidation that would result in a substantially smaller recovery for holders of Claims than under the Plan.

Further, Distributions under the Plan probably would be made earlier than would distributions in a chapter 7 case. Distributions of the proceeds in chapter 7 liquidation might not occur until one or more years after the completion of the liquidation in order to afford the trustee the opportunity to resolve claims and prepare for distributions.

The Bankruptcy Court must also find that the Holders of Claims and Equity Interests who do not accept the Plan and/or who object to the Plan will receive at least as much under the Plan as such Holders of Claims and Equity Interests would receive in a chapter 7 liquidation. This requirement, called the best-interests-of-creditors test, applies in connection with the Plan to those Creditors and Equity Interest Holders in impaired Classes, which are all Classes in the Plan. The best interests of creditors test discussion in disclosure statements is accompanied by a "liquidation analysis" or discussion of what Creditors and Equity Interest Holders would receive upon liquidation of the bankruptcy estates through chapter 7 of the Bankruptcy Code. In effect, the Bankruptcy Code recognizes that the chapter 7 liquidation process is the bankruptcy process that most likely provides the greatest chance of the least amount of recovery; hence the right of the dissenting creditor, regardless of the Vote of the Class, retains this basic right.

The Debtors offer this liquidation analysis for review by those Holders whose Claims and/or Equity Interests are Impaired by the Plan. The Debtors believe that liquidation under chapter 7 would result in substantial diminution of the value of the Estates because, among other reasons: (i) of the additional administrative expenses involved in the appointment of a trustee and additional attorneys, accountants, and other professionals to assist such trustee (section 726(b) of the Bankruptcy Code elevates the priority of the trustee and his professionals above the administrative expenses of the chapter 11 case); and (ii) of the overall diminution in value of Debtors' assets resulting from the disruption and delay caused by the conversion to chapter 7, institution of a trustee and resignation of current management.

Such an outcome is certainly less than as may be obtained by these Creditors under the Plan. The Holders of Equity Interests would receive nothing on account of their interests, so the Plan makes the Equity Interest Holders no worse off.

THE PLAN PROPONENTS BELIEVE THAT THE PLAN AFFORDS SUBSTANTIALLY GREATER RECOVERY TO HOLDERS OF CLAIMS AND NO WORSE TREATMENT OF EQUITY INTERESTS THAN SUCH HOLDERS WOULD RECEIVE IF THE DEBTOR WERE LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

ARTICLE VIII
CERTAIN FACTORS TO BE CONSIDERED

Prior to voting to accept or reject the plan, all holders of Claims should read and carefully consider the risk factors set forth below, as well as all other information set forth or otherwise referenced in this disclosure statement. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation. Additional risks and uncertainties not presently known to the Debtors or that it currently deems immaterial may also harm their Estates.

8.1 *Objections to Plan and Confirmation*

Section 1129 of the Bankruptcy Code provides certain requirements for a chapter 11 plan to be confirmed. Parties-in-interest may object to confirmation of the Plan based on an alleged failure to fulfill these requirements or other reasons.

8.2 *Objections to Classification of Claims and Equity Interests*

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because each class of Claims and Equity Interests encompass Claims or Interests that are substantially similar to the other Claims or Equity Interests in each such class.

8.3 *Failure to Obtain Confirmation of the Plan*

The Debtors cannot ensure it will receive enough acceptances to confirm the Plan. But, even if the Debtors do receive enough acceptances, there can be no assurance that the Bankruptcy Court will confirm the Plan. Even if enough acceptances are received and, with respect to those Classes deemed to have rejected the Plan, the requirements for "cramdown" are met, the Bankruptcy Court, which as a court of equity may exercise substantial discretion, may choose not to confirm the Plan or may require additional solicitations or consents prior to confirming the Plan. Section 1129 of the Bankruptcy Code requires, among other things, that the value of distributions to dissenting holders of Claims and Interests may not be less than the value such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Debtors' ability to propose and confirm an alternative plan is uncertain. Confirmation of any alternative plan under chapter 11 of the Bankruptcy Code would likely take significantly more time and result in delays in the ultimate distributions to the holders of Claims. If confirmation of an alternative plan is not possible, the Debtors would likely be liquidated under chapter 7. Based upon the Debtors' analysis, liquidation under chapter 7 would result in distributions of reduced value, if any, to holders of Claims.

8.4 *Failure to Consummate or Effectuate a Plan*

Consummation of the Plan is conditioned upon, among other things, entry of the Confirmation Order approving any transactions contemplated thereunder. As of the date of this Disclosure Statement, there can be no assurance that any or all of the foregoing conditions will be met or that the other conditions to consummation, if any, will be satisfied. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and effectuated and the liquidation completed.

8.5 *Risk of Non-Occurrence of the Effective Date of the Plan*

Although the Debtors believe that the Effective Date may occur within a reasonable time following the Confirmation Date, there can be no assurance as to such timing.

8.6 *Claims Estimation*

There can be no assurance that the estimated amount of Claims is correct, and the actual Allowed amounts of Claims may differ from estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, the actual Allowed amounts of Claims may vary from those estimated therein.

8.7 *Certain Tax Considerations, Risks and Uncertainties*

THERE ARE A NUMBER OF MATERIAL INCOME TAX CONSIDERATIONS, RISKS AND UNCERTAINTIES ASSOCIATED WITH CONSUMMATION OF THE PLAN. INTERESTED PARTIES SHOULD READ CAREFULLY THE DISCUSSION SET FORTH IN THIS DISCLOSURE STATEMENT FOR A DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES BOTH TO THE DEBTOR AND TO HOLDERS OF CLAIMS THAT ARE IMPAIRED UNDER THE PLAN.

ARTICLE IX
VOTING PROCEDURES AND REQUIREMENTS

9.1 *Introduction*

Detailed instructions for voting on the Plan are provided with the Ballots accompanying this Disclosure Statement. For purposes of the Plan, only holders of record of Claims in the following Classes, as of the Voting Record Date, are entitled to vote: Classes 1, 2, 3, 4, and 6.

If your Claim is **not** in Classes 1, 2, 3, 4, and 6, you are not entitled to vote on the Plan. All Equity Interests are not entitled to vote.

If your Claim is in Class 1, 2, 3, 4, and 6, you should read your ballot and follow the listed instructions carefully. Please use only the ballot that accompanies this Disclosure Statement.

9.2 *Voting*

For your vote to be counted, your signed ballot must be actually received at the following address before the Voting Deadline of , 2018, at 6:00 p.m. (prevailing Central time):

By Hand Delivery, Certified, Registered, or Regular Mail, or Overnight Carrier:

Kelly Hart & Pitre
301 Main Street
Suite 1600
Baton Rouge, LA 70801

UNLESS THE BALLOT IS ACTUALLY RECEIVED BY THE BALLOTING AGENT ON OR PRIOR TO THE VOTING DEADLINE, SUCH BALLOT WILL BE REJECTED AS INVALID AND WILL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE PLAN.

9.3 *Reservation of Rights*

THE DEBTORS RESERVE THE RIGHT, WITH THE APPROVAL OF OTHER PLAN PROPONENTS, AND WITHOUT NOTICE EXCEPT AS MAY BE REQUIRED UNDER APPLICABLE LAW, TO EXTEND THE SOLICITATION PERIOD OR TERMINATE THE SOLICITATION OF VOTES ON THE PLAN.

9.4 *Waivers of Defects, Irregularities, etc.*

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawals of ballots will be determined by the Debtors in their sole discretion, which determination will be final and binding. The Debtors reserve the right to reject any and all ballots submitted by any creditors not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve their rights to waive any defects or irregularities or conditions of delivery as to any particular ballot by its creditors. The interpretation (including the ballot and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

ARTICLE X
CONCLUSION

The Debtors recommend that holders of Claims in Classes 1, 2, 3, 4, and 6 vote to accept the Plan and to evidence such acceptance by returning their signed ballots so that they will be received before the Voting Deadline of _____, 2018, at 6:00 p.m. (prevailing Central time).

Dated: January 22, 2018

Respectfully submitted, as of the date first set forth above,

Carol Rose, Inc.

/s/ Carol Alison Ramsay Rose
By: Its Shareholder

Carol Alison Ramsay Rose

/s/ Carol Alison Ramsay Rose

Prepared and Submitted by,

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