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

In re:	§	
	§	Case No.14-25043
SAMUEL EVANS WYLY, et al.,	§	
	§	Chapter 11
Debtors	§	
	§	Jointly Administered
	§	

DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT OF THE FIRST AMENDED CHAPTER 11 PLAN OF CAROLINE D. WYLY

Judith W. Ross
State Bar No. 21010670
Eric Soderlund
State Bar No. 24037525
Law Offices of Judith W. Ross
700 N. Pearl Street, Suite 1610
Dallas, Texas 75201
Telephone: 214-377-7879
Facsimile: 214-377-9409
Email: judith.ross@judithwross.com
eric.soderlund@judithwross.com

ATTORNEYS FOR DEBTOR AND
DEBTOR IN POSSESSION CAROLINE D. WYLY

IMPORTANT! THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR ON YOUR DECISION TO ACCEPT OR REJECT A CHAPTER 11 PLAN OF REORGANIZATION PROPOSED BY THE DEBTOR. PLEASE READ THIS DOCUMENT WITH CARE.

Dated: July 27, 2016

SUMMARY INFORMATION

Plan Proponent:	Caroline D. Wyly
Plan Summary:	The Plan provides for the creation of a Liquidating Trust and for certain of the Debtor's property and other property to be transferred to the Liquidating Trust to be distributed to Creditors in satisfaction of Allowed Claims pursuant to the priority provisions of the Bankruptcy Code. The Plan provides for payment in full of the Allowed Administrative Claims (including Allowed Professional Fees and U.S. Trustee Fees), Allowed Priority Tax Claims, Allowed Secured Ad Valorem Tax Claims, the Allowed nonpriority Unsecured Claims, the Allowed nonpriority Unsecured Claim of the SEC, and the Allowed nonpriority Unsecured Claim of the IRS. BBVA Compass Bank will receive its collateral in satisfaction of its Allowed Claim (or, if it so chooses, the Liquidating Trustee may sell the property and pay BBVA Compass Bank the amount of its Allowed Claim). The Plan also provides for the potential resolution of a Claim involving Security Capital Limited.
Eligibility to Vote:	**ANY HOLDER OF AN IMPAIRED CLAIM MAY VOTE ON THE PLAN IF (A) SUCH HOLDER FILED A PROOF OF CLAIM, OR (B) THE DEBTOR LISTED SUCH CLAIM IN HER BANKRUPTCY SCHEDULES IN A LIQUIDATED AMOUNT. BASED ON THE DEBTOR'S REVIEW OF HER BANKRUPTCY SCHEDULES AND THE PROOFS OF CLAIM FILED AGAINST HER, ONLY THOSE HOLDERS OF CLAIMS LISTED AS TEMPORARILY ALLOWED FOR VOTING PURPOSES ON EXHIBIT B SHALL BE ALLOWED TO VOTE. NOTWITHSTANDING THE FOREGOING, 1) THE NONPRIORITY UNSECURED CLAIM OF THE SEC SHALL BE TEMPORARILY ALLOWED FOR VOTING PURPOSES IN THE AMOUNT OF $101,238,418.53, AND 2) THE NONPRIORITY UNSECURED CLAIM OF THE IRS SHALL BE TEMPORARILY ALLOWED FOR VOTING PURPOSES IN THE AMOUNT OF $19,467,070.**
Voting Deadline:	Ballots must be received by Law Offices of Judith W. Ross, Debtor's counsel, no later than _____ ___, 2016, at ___:00 p.m. prevailing Central Time.
Confirmation Objection Deadline:	Objections to confirmation of the Plan musts be filed and served by no later than _____ ___, 2016, at ___:00 p.m. prevailing Central Time
Confirmation	

Hearing:	A hearing on confirmation of the Plan will be held commencing at _____.m. prevailing Central Time on _____, 2016, before the Honorable Barbara J. Houser, United States Bankruptcy Court for the Northern District of Texas, Dallas Division, Earle Cabell Federal Bldg, 1100 Commerce St., Dallas, TX 75242. The hearing on confirmation of the Plan may be adjourned from time to time without further notice except as given in open court.

THE PRECEDING IS A SUMMARY OF THE PROVISIONS OF THE PLAN AND IS NOT INTENDED AS A SUBSTITUTE FOR READING THE PLAN IN ITS ENTIRETY. PLEASE READ THIS DISCLOSURE STATEMENT, THE PLAN AND ITS EXHIBITS, AND THE EXHIBITS HERETO IN THEIR ENTIRETY PRIOR TO VOTING ON THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS SUMMARY, OR THIS DISCLOSURE STATEMENT AND THE PLAN, THE PROVISION OF THE PLAN WILL CONTROL.

TABLE OF EXHIBITS

ARTICLE I
INTRODUCTION

Caroline D. Wyly (the "**Debtor**" or "**Dee Wyly**"), debtor-in-possession in the above-referenced Chapter 11 Case, submits this *Disclosure Statement Under 11 U.S.C. § 1125 in Support of the First Amended Chapter 11 Plan of Caroline D. Wyly* (the "**Disclosure Statement**"). A copy of the Plan is attached as **Exhibit A** to this Disclosure Statement. **Unless otherwise defined herein, capitalized terms used herein shall have the meaning ascribed to them in Article I of the Plan.**

This Disclosure Statement is provided to all of the Debtor's creditors and other parties in interest entitled to it under the Bankruptcy Code. This Disclosure Statement sets forth certain relevant information regarding the Debtor's history, her need to seek Chapter 11 protection, significant events that have occurred during the Chapter 11 Case, an analysis of the expected return to the Debtor's creditors and the anticipated procedures for satisfying Claims. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain risk factors associated with the Plan, and the manner in which Distributions will be made under the Plan. Additionally, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims must follow for their votes to be counted.

A. Filing of the Debtor's Chapter 11 Case

The Debtor filed her voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "**Court**") on October 23, 2014 (the "**Petition Date**"). Since the Petition Date, the Debtor has continued to manage and operate her affairs as a debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

B. Summary of Treatment of Claims and Distributions Under the Plan

The Plan provides for the creation of a Liquidating Trust and for certain of the Debtor's property and other property to be transferred to the Liquidating Trust to be distributed to Creditors in satisfaction of Allowed Claims pursuant to the priority provisions of the Bankruptcy Code. The Plan provides for payment in full of the Allowed Administrative Claims (including Allowed Professional Fees and U.S. Trustee Fees), Allowed Priority Tax Claims, Allowed Secured Ad Valorem Tax Claims, the Allowed nonpriority Unsecured Claims, the Allowed nonpriority Unsecured Claim of the SEC, and the Allowed nonpriority Unsecured Claim of the IRS. BBVA Compass Bank will receive its collateral in satisfaction of its Allowed Secured Claim (or, if it so chooses, the Liquidating Trustee may sell the property and pay BBVA Compass Bank the amount of its Allowed Claim). The Plan also provides for the potential resolution of Claims involving Security Capital Limited.

The principal objective and intention of the Plan is to efficiently, promptly and fairly pay in full the claims of the IRS, the SEC, and the other Creditors

Below is a summary of the Classified Claims and the Plan's proposed treatment of such claims.

Class	Claimant	Treatment	Status	Voting Rights
Class 1	Allowed Secured Ad Valorem Tax Claims	The Debtor, through the Liquidating Trustee, will pay the Allowed Secured Ad Valorem Tax Claims in full within thirty days of the Effective Date, and subject to prior payment in full of the Allowed Administrative Claims and Priority Claims.	Impaired	Yes
Class 2	Allowed Secured Claims of BBVA Compass Bank	The Debtor shall convey the Aspen Property that secures the indebtedness of BBVA Compass Bank to BBVA Compass Bank in satisfaction of all of its indebtedness, unless another agreement is reached.	Impaired	Yes
Class 3	Allowed Nonpriority Unsecured Claims (excluding Allowed Claims in Classes 4 and 5)	The Debtor, through the Liquidating Trustee, will pay the Allowed nonpriority Unsecured Claims in full within the earlier of (1) thirty days of the Effective Date, or (2) within ten days of allowance of any Disputed Claim that becomes an Allowed nonpriority Unsecured Claim, and subject to prior payment in full of the Administrative Claims and Priority Claims.	Impaired	Yes

Class 4	Allowed Nonpriority Unsecured Claim of the SEC	Class 4 consists of the Allowed nonpriority Unsecured Claim of the SEC against Caroline D. Wyly as a relief defendant in the Relief Defendant Action. Subject to prior payment in full of the Allowed Administrative Claims and Priority Claims addressed in Article II of the Plan, the Debtor, through the Liquidating Trustee, will pay the allowed nonpriority Unsecured Claim of the SEC in one of two ways. Either: (a) The amount of $101,238,418.53 (which is the amount of the SEC's judgment against the Charles Probate Estate) less any amounts the Other Relief Defendants have bonded, posted, pledged, or otherwise satisfied will be deposited into the Liquidating Trust. Within thirty days of the entry of the SEC Final Order, the Liquidating Trustee shall pay the amount owed to the SEC under the SEC Final Order; or (b) An appellate surety bond or a reasonable equivalent will be posted by a surety entity in the amount of $101,238,418.53, (which is the amount of the SEC's judgment entered against the Charles Probate Estate) less any amounts the Other Relief Defendants have bonded, posted, pledged, or otherwise satisfied. Within thirty days of the entry of the SEC Final Order, this surety bond or equivalent shall be used to pay the amounts owed under the SEC Final Order, unless other mutually agreeable arrangements are made. In the event the Final Order related to the SEC Litigation finds no liability on the part of the Charles Probate Estate, then the bond will be extinguished and the SEC will be deemed to be paid in full by the Debtor's estate.	Impaired	Yes
Class 5	Allowed Nonpriority Unsecured Claims of the IRS	Class 5 consists of the Allowed nonpriority Unsecured Claim of the IRS. Subject to prior payment in full of the Administrative Claims and Priority Claims addressed in Article II of the Plan, the Debtor, through the Liquidating Trustee, will pay the Allowed nonpriority Unsecured Claim of the IRS in the amount of $19,467,070 within thirty days of the Effective Date.	Impaired	Yes
Class 6	Residual interests of Debtor	On the Effective Date, the Debtor shall receive and retain the Retained Assets.	Impaired	No

C. Purpose of Disclosure Statement

Bankruptcy Code § 1125 requires the Debtor to prepare and obtain Bankruptcy Court approval of a Disclosure Statement as a prerequisite to soliciting votes on the Debtor's Plan. The purpose of the Disclosure Statement is to provide adequate information, meaning information of a kind, in sufficient detail, that would enable a hypothetical reasonable investor typical of holders of Claims or Interests of the relevant Class to make an informed judgment about the Plan and make a decision to vote to accept or reject the Plan.

YOU ARE ENCOURAGED TO READ THE PLAN, THIS DISCLOSURE STATEMENT AND EXHIBITS THERETO IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN. PRIOR TO ITS DISTRIBUTION TO ALL CREDITORS AND OTHER PARTIES IN INTEREST, THIS DISCLOSURE STATEMENT WAS APPROVED BY THE COURT AS CONTAINING ADEQUATE INFORMATION; HOWEVER, COURT APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY COURT APPROVAL OF THE PLAN.

D. Confirmation Hearing

The Bankruptcy Court has set _____, 2016 @ _____ (the "**Confirmation Hearing**"), as the time and date for the hearing to consider whether the Plan has been accepted by the requisite number of votes, and whether the other standards for confirmation of the Plan have been satisfied. Once commenced, the Confirmation Hearing may be adjourned or continued by announcement in open court with no further notice.

E. Disclaimers

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED HEREIN IS INTENDED SOLELY FOR THE USE OF CREDITORS OF THE DEBTOR IN EVALUATING THE PLAN AND VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON, OR WHETHER TO OBJECT TO, THE PLAN.

THE DEBTOR BELIEVES THAT THE PLAN AND THE TREATMENT OF CLAIMS THEREUNDER IS IN THE BEST INTERESTS OF CLAIM HOLDERS AND URGES THAT YOU VOTE TO ACCEPT THE PLAN. THE PLAN SHOULD BE REVIEWED CAREFULLY.

ARTICLE II
EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11 and Voting on the Plan of Reorganization

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor-in-possession may seek to reorganize its affairs for the benefit of the debtor's creditors and other interested parties. The commencement of a Chapter 11 case creates an estate comprising all of the debtor's legal and equitable interests in property as of the date the petition is filed. Unless the bankruptcy court orders the appointment of a trustee, a Chapter 11 debtor may continue to manage and operate its affairs as a "debtor-in-possession," as the Debtor has done since the Petition Date.

Formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan sets forth the means for satisfying the claims of creditors against the debtor. After a plan is filed, the holders of claims are generally permitted to vote to either accept or reject the plan. Chapter 11 does not require that each holder of a claim vote in favor of a plan in order for the plan to be confirmed. At a minimum, however, a plan must be accepted by a majority in number and two-thirds (2/3) in amount of those claims actually voting from at least one class of claims impaired under the plan.

Classes of claims or interests that are not impaired under a plan of reorganization are conclusively presumed to have accepted the plan and therefore are not entitled to vote. A class is "impaired" if the plan modifies the legal, equitable, or contractual rights attaching to the claims or interests of that class.

ARTICLE III
VOTING PROCEDURES AND CONFIRMATION REQUIREMENTS

A. Ballots and Voting Deadline

A ballot for voting to accept or reject the Plan is enclosed with this Disclosure Statement, and has been mailed to Creditors (or their authorized representatives) entitled to vote. After carefully reviewing the Disclosure Statement, including all exhibits, each Creditor (or its authorized representative) entitled to vote should indicate its vote on the enclosed Ballot. All Creditors (or their authorized representatives) entitled to vote must (i) carefully review the Ballot and instructions thereon, (ii) execute the Ballot, and (iii) return it to the address indicated on the Ballot by _____, 2016 at 4:00 p.m. Central Time (the "**Voting Deadline**") for the Ballot to be considered.

YOU ARE NOT REQUIRED TO VOTE, BUT ONLY THOSE VOTES ACTUALLY RECEIVED BY THE DEBTOR'S COUNSEL ON OR BEFORE THE VOTING DEADLINE WILL BE COUNTED, EITHER FOR OR AGAINST THE PLAN. ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.

B. Holders of Claims Entitled to Vote

ANY HOLDER OF AN IMPAIRED CLAIM MAY VOTE ON THE PLAN IF (A) SUCH HOLDER FILED A PROOF OF CLAIM, OR (B) THE DEBTOR LISTED SUCH CLAIM IN HER BANKRUPTCY SCHEDULES IN A LIQUIDATED AMOUNT.

BASED ON THE DEBTOR'S REVIEW OF HER BANKRUPTCY SCHEDULES AND THE PROOFS OF CLAIM FILED AGAINST HER, ONLY THOSE HOLDERS OF CLAIMS LISTED AS TEMPORARILY ALLOWED FOR VOTING PURPOSES ON EXHIBIT B SHALL BE ALLOWED TO VOTE. NOTWITHSTANDING THE FOREGOING, 1) THE NONPRIORITY UNSECURED CLAIM OF THE SEC SHALL BE TEMPORARILY ALLOWED FOR VOTING PURPOSES IN THE AMOUNT OF $101,238,418.53, AND 2) THE NONPRIORITY UNSECURED CLAIM OF THE IRS SHALL BE TEMPORARILY ALLOWED FOR VOTING PURPOSES IN THE AMOUNT OF $19,467,070.

CREDITORS ARE URGED TO REVIEW EXHIBIT B TO SEE IF THE DEBTOR HAS TREATED SUCH CREDITOR'S CLAIM AS TEMPORARILY ALLOWED FOR VOTING PURPOSES. ANY CREDITOR WHO HAS A CLAIM THAT IS NOT LISTED ON EXHIBIT B AS TEMPORARILY ALLOWED FOR VOTING PURPOSES MAY FILE A MOTION WITH THE COURT REQUESTING TEMPORARY ALLOWANCE OF ITS CLAIM FOR VOTING PURPOSES.

C. Bar Dates for Filing Proofs of Claim

The Bankruptcy Court established February 24, 2015 as the deadline for nongovernmental entities to file Proofs of Claim against the Debtor, and established April 21, 2015 as the deadline for governmental entities to file Proofs of Claim. With respect to a Claim for damages arising from the rejection of an executory contract or unexpired lease, the deadline for Filing Proofs of Claim is thirty (30) calendar days after entry of an Order approving the rejection of such executory contract or unexpired lease or such other date as the Bankruptcy Court may fix by Order.

D. Classes Impaired Under the Plan

Holders of Claims in Classes 1, 2, 3, 4, and 5 are Impaired and eligible to vote as described in this Disclosure Statement, Article III.

E. Confirmation of the Plan of Reorganization

1. Solicitation of Votes Accepting the Plan

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

No representations concerning the Plan are authorized by the Debtor other than those set forth in this Disclosure Statement. The information contained in this Disclosure Statement has been provided by the Debtor. In reaching your decision on how to vote on the Plan, the Debtor recommends that you not rely on any representation or inducement made to secure your acceptance or rejection of the Plan that is not in this Disclosure Statement or in the Plan itself.

Certain information included in this Disclosure Statement and its Exhibits contain forward-looking statements. Such forward-looking statements are based on information available when such statements are made and deals with future results, the occurrence of which involves risks and uncertainties that could cause actual results to differ materially from those expressed in the statements.

2. Requirements for Confirmation of the Plan

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

(a) The Plan comply with the applicable provisions of the Bankruptcy Code;
(b) The Debtor has complied with the applicable provisions of the Bankruptcy Code;
(c) The Plan has been proposed in good faith and not by any means forbidden by law;
(d) Any payment or Distribution made or promised by the Debtor or by a person issuing securities or acquiring property under the Plan for services or for costs and expenses in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
(e) The Debtor has disclosed the identity and affiliation of any individual proposed to serve, after Confirmation of the Plan, as a director, officer or voting trustee of the Debtor, or a successor to the Debtor under the Plan;

the appointment to, or continuance in, such office of such individual is consistent with the interests of Creditors and with public policy; and the Debtor has disclosed the identity of any insider that will be employed or retained by the Liquidation Trustee after confirmation and the nature of any compensation for such insider;

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

(g) With respect to each Impaired Class of Claims, either each Holder of a Claim of the Class has accepted the Plan, or will receive or retain under the Plan on account of that Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would so receive or retain if the Debtor were liquidated on such date under Chapter 7 of the Bankruptcy Code. If Bankruptcy Code §1111(b)(2) applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that Holder's interest in the Debtor's interest in the property that secures that Claim;

(h) Each Class of Claims has either accepted the Plan or is not Impaired under the Plan;

(i) Except to the extent that the holder of a particular Administrative Claim, Priority Tax Claim or Priority Non-Tax Claim has agreed to a different treatment of its Claim, the Plan provides that Administrative Claims, Priority Tax Claims and Priority Non-Tax Claims shall be paid in full on the Effective Date or the Allowance Date;

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

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

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

3. Acceptances Necessary to Confirm the Plan

Voting on the Plan by each Creditor (or its authorized representative) is important. Chapter 11 of the Bankruptcy Code does not require that each Creditor

vote in favor of the Plan in order for the Bankruptcy Court to confirm the Plan. Generally, to be confirmed under the acceptance provisions of Bankruptcy Code § 1126(a), the Plan must be accepted by each Class of Claims that is Impaired under the Plan by parties holding at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class actually voting in connection with the Plan. Even if all Classes accept the Plan, the Bankruptcy Court may refuse to confirm the Plan.

4. Cramdown

The Debtor has requested the Plan be confirmed by the Bankruptcy Court even if fewer than all Classes of Impaired Creditors vote to accept it. This type of confirmation over the objection of Creditors, commonly known as a "cramdown," can only occur if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable." A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or interests. "Fair and equitable" has different meanings for holders of secured and unsecured claims and interests.

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

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

In the event at least one Class of Impaired Claims rejects or is deemed to have rejected the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting Impaired Class of Claims. The Debtor believes that the Plan does not discriminate unfairly and is fair and equitable with respect to each Impaired Class of Claims.

ARTICLE IV
DEBTOR'S BACKGROUND AND EVENTS LEADING TO HER BANKRUPTCY FILING

A. Personal History of the Debtor

Dee Wyly is the 82-year-old widow of Charles, who died in a car accident in 2011. Dee and Charles had been married 56 years at the time of his passing and had four children. The couple resided in Dallas, Texas, with an additional residence in Aspen, Colorado. Charles and Dee were well-known philanthropists and major contributors to many art projects in Dallas and Colorado. Were it not for the generous contributions of Dee and Charles Wyly, it is questionable whether the Dee and Charles Wyly Theatre of the Dallas Center for the Performing Arts would have ever been built. Dee and her husband also contributed through the years to many charities, including Kick Start, the Center for Brain Health, St. Alcuin Montessori School, Lakehill Preparatory School, Southern Methodist University, Louisiana Tech University, and Charles's church. Mr. and Mrs. Wyly received many awards for their philanthropy, including, among others, the Thanksgiving Square Spirit of World Thanksgiving Award, Dallas Children's Theater's Rosewood Award, the Boys and Girls Club Robert H. Dedman Lifetime Achievement award, and the American Jewish Community Human Relations Award. In 2008, Philanthropy World Magazine and Philanthropy, Inc. named them the 2008 Outstanding Philanthropists. The Salvation Army posthumously awarded Charles the William Booth award.

B. Events Precipitating the Chapter 11 Filing

Almost immediately after her husband passed away, Dee was rendered cash-flow insolvent. Before Charles died, he had received substantial annuity payments that enabled the couple's philanthropy and secured a comfortable lifestyle. When Charles died in 2011, all annuity payments ceased. Dee's income suddenly dropped by more than ninety percent. As a consequence, Dee's income following the death of Charles—while substantial—was completely inadequate to pay the costs of maintaining the assets she now was responsible for supporting.

Under Charles' will, Dee is to receive 90% of the Charles Probate Estate, but Dee has been unable to access her interest in the estate due to ongoing litigation with the SEC. In 2010, after conducting a decade-long investigation, the SEC commenced a suit (the "**SEC Litigation**") in the U.S. District Court for the Southern District of New York ("**SDNY Court**") against Charles Wyly and his brother, Samuel Wyly ("**Sam**"), the other debtor in this jointly-administered Case, on claims relating to various violations of federal securities law, including securities fraud, sale of unregistered securities and reporting violations. Those claims relevant to the Debtor and her Estate focused on the reporting of security trades made by certain trusts created for Charles Wyly's descendants in 1992 (the "**92 Trusts**") and for Dee, Charles

and their descendants in 1994 and 1995 (the "**94/95 Trusts**") in the Isle of Man ("**IOM**").

Upon the death of Charles in 2011, the SEC continued prosecution of its claims against the Charles Probate Estate. In February of 2015, the SDNY Court entered a judgment against the Charles Probate Estate and ordered it pay $101,238,418.53 in disgorgement and prejudgment interest. The Charles Probate Estate has appealed the SEC judgment to the U.S. Court of Appeals for the Second Circuit (the "**SEC Appeal**"). Importantly, Dee was not a party to the SEC Litigation and was never investigated by the SEC. However, as a result of the judgment entered against the Charles Probate Estate, the SEC has prevented Dee from accessing her interest in the Charles Probate Estate. As discussed herein, the SEC subsequently named Dee as a "relief defendant" seeking disgorgement of funds she allegedly received as a result of the securities law violations that underlie the judgment the SEC obtained against the Charles Probate Estate in the SEC Litigation.

As the SEC pursued collection efforts against the Charles Probate Estate, the Internal Revenue Service (the "**IRS**") began pursing audits against Dee and the Charles Probate Estate for income tax that were originally commenced against Charles Wyly in 2004 and which were resumed in 2013. In addition, the IRS initiated gift tax audits against Dee and the Charles Probate Estate and an estate audit against the Charles Probate Estate.

As a result of the litigation with the SEC and the IRS audits, Dee was compelled to fund significant legal costs without the liquidity required to pay such costs and simultaneously preserve the value of the assets she was left with upon the sudden and tragic death of her husband. These legal-related expenses, along with Dee's everyday living expenses, exceeded her current income by a substantial margin. Dee's homestead in Dallas is not encumbered by a mortgage, and the family's home in Colorado has significant equity, but she was unable to tap that equity due to the financial uncertainty resulting from the untimely death of Charles and the ongoing SEC Litigation. Unable to access the equity in her homes or some of the funds to which she is entitled as beneficiary in the Charles Probate Estate, Dee managed to continue to pay her expenses only through the kindness of family who have loaned or gave their assets to her support.

Faced with ongoing, mounting expenses and unable to access her interest in the Charles Probate Estate, Dee filed bankruptcy in an attempt to resolve her disputes with the IRS and SEC so that she could live out her life in peace and without the turmoil associated with ongoing governmental disputes.

ARTICLE V
SIGNIFICANT POST PETITION DEVELOPMENTS

A. Joint Administration

On October 19, 2014, the Debtor's brother- in-law, Sam Wyly, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Bankruptcy Court has entered an order providing for the joint administration of the Debtor's bankruptcy case with Sam's case for procedural purposes only (ECF #134). The Debtor's case and Sam's case have not been substantively consolidated. Sam has filed a separate plan of reorganization (ECF #1375).

B. First Meeting of Creditors

The Debtor's first meeting of creditors required by Bankruptcy Code § 341 was held on December 16, 2014.

C. Schedules and Statements of Financial Affairs

The Debtor filed her Bankruptcy Schedules on January 6, 2015 (ECF #351 and #352). The Bankruptcy Schedules are available electronically on the Public Access to Court Electronic Records ("**PACER**") website at https://www.pacer.gov/pcl.html. Creditors may also contact Debtor's counsel to obtain a copy of the Bankruptcy Schedules.

D. Retention of Professionals

The Bankruptcy Court approved the Debtor's retention of the following professionals pursuant to § 327 of the Bankruptcy Code (collectively, the "**Approved Professionals**"): (i) Law Offices of Judith W. Ross ("**Judith W. Ross**") as Debtor's bankruptcy counsel; (ii) Bridgepoint Consulting, LLC ("**Bridgepoint**"), as Debtor's financial advisor and accountant; (iii) Lan Smith Sosolik, PLLC[1] ("**Lan Smith**") as the Debtor's special tax counsel (iv) Covington Burling ("**Covington**") as special counsel for the SEC Litigation; (v) Stout, Risius, Ross, Inc. ("**Stout**") as Debtor's consultant in connection with the IRS Litigation; and (vi) Katten Muchin Rosenman LLP ("**Katten**") as Debtor's expert witness in connection with the IRS Litigation.

On November 20, 2014, the Bankruptcy Court entered its *Order Granting Motion to Establish Procedures for Monthly and Interim Compensation and Reimbursement of Expenses for Case Professionals* (ECF #193) (the "**Interim Fee**

[1] The principal attorney advising the Debtor on tax matters is Don Lan, whose previous firm, Kroney Morse Lan, PLLC, was originally employed as the Debtor's tax counsel. Upon the formation of Lan Smith Sosolik, PLLC, the Debtor applied for and was granted authority to employ Mr. Lan's new firm as special tax counsel.

Order"). The Debtor has compensated its Approved Professionals during the Chapter 11 Case in accordance with the provisions of the Interim Fee Order and as more fully described below. As of May 31, 2016, the Approved Professionals had billed the Debtor approximately $2,656,085 for services rendered in the Bankruptcy Case. Of this amount, the Bankruptcy Court has approved on an Interim Basis and the Debtor has paid approximately $2,459,632.

E. Sale/Auction of Assets

Pursuant to the Court's order authorizing the Debtor to sell certain Estate property and the Application to Employ Dallas Auction Gallery, Ltd. ("**DAG**") as Broker and Auctioneer (ECF #588 and #1041), DAG has conducted periodic auctions of the Debtor's property resulting in sale proceeds of approximately $72,500. As a result of its efforts and in accordance with the Bankruptcy Court's orders, DAG has received commissions totaling $1,812.50.

F. Post-Petition Litigation

1. The SEC's Relief Defendant Action

Prepetition, the Debtor was not a party to any litigation. However, in November of 2014, shortly after the Petition Date, the SEC named the Debtor and certain family members and other beneficiaries of the IOMT as "relief defendants" in the SEC Litigation (the "**Relief Defendant Action**") and has sought to have them disgorge funds they allegedly received as the result of the securities law violations that underlie the judgment the SEC obtained against the Charles Probate Estate in the SEC Litigation. The Relief Defendant Action is pending in the SDNY Court. The SEC has filed a Proof of Claim against the Debtor asserting damages in an unliquidated amount arising out of the Relief Defendant Action. The Debtor has objected to the SEC's Proof of Claim which is currently pending (ECF #99).

2. The IRS Litigation

On December 1, 2014, the Debtor filed a motion (the "**505 Motion**") pursuant to Section 505 of the Bankruptcy Code seeking a determination of the tax liabilities, including possible income, estate and gift taxes and penalties, potentially owed by her bankruptcy estate and the Charles Probate Estate (ECF #247). On December 19, 2014, the Debtor and the Charles Probate Estate initiated an adversary proceeding against the IRS seeking a declaratory judgment as to Dee's and the Charles Probate Estate's tax liability, if any, to the IRS (Adv. 14-03160, ECF #1). As a result of objections raised as to whether the Bankruptcy Court had jurisdiction to determine the tax liabilities that were the sole responsibility of the Charles Probate Estate, the Court indicated that it wanted to abate the adversary proceeding and have the

Bankruptcy Court decide the issue of Dee's sole and joint tax liabilities to the IRS. Following the Court's instructions, the matter was abated.

Thereafter, the IRS filed Proof of Claim No. 11 in the Debtor's Case asserting a claim in the amount of $1,239,665,801.00 for unpaid income taxes, gift taxes, penalties and interest, including $386,056,928.00 in "fraud penalties" under § 6663 of the Internal Revenue Code. The Debtor objected to the IRS's claim (the "**Claim Objection**") and, by agreement of the parties, the Bankruptcy Court set the 505 Motion and Claim Objection to be heard concurrently, as each sought to have the Bankruptcy Court determine the IRS's allowed claims against the Debtor's estate.

A trial on the IRS claims commenced on January 6, 2016 and concluded on January 21, 2016. Closing arguments were heard on January 27 and 28, 2016. After a trial on the merits, the Bankruptcy Court entered its *Memorandum Opinion of the Bankruptcy Court* (ECF # 1247) on May 10, 2016. In her opinion, the Bankruptcy Court found, *inter alia,* that Dee Wyly was an innocent spouse and did not commit tax fraud. On June 27, 2016, the Bankruptcy Court entered its *Order Determining Tax Liabilities of Debtor Caroline D. Wyly* (ECF # 1357) wherein the Bankruptcy Court allowed the IRS's claims against Dee Wyly as follows: a priority unsecured claim for federal income taxes, including all underpayments, overpayments and interest thereon through the Petition Date for tax years 2012 through 2013, in the amount of $17,599,546.00 (treated in the Plan as an unclassified claim); and a claim for federal gift taxes from the tax year 2010 and all interest thereon through the Petition Date in the amount of $19,467,070.00 (treated in the Plan as a Class 5 Claim).[2] The Debtor has appealed the Bankruptcy Court's Orders related to the IRS's claims (ECF #1387).[3]

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[2] Prior to the trial on the IRS claims, on August 24, 2015, the Bankruptcy Court granted the IRS's Motion for Partial Summary Judgment, thereby giving collateral estoppel effect to sixty-four (64) specific facts and/or legal conclusions established in the SEC Litigation (ECF #789 and #791). Of particular significance to the Debtor was the SDNY Court's determination that certain of the offshore trusts at issue in the SEC Litigation and underlying the IRS claims are foreign grantor trusts of Charles. Because of this determination by the SDNY Court, and because the Bankruptcy Court gave collateral estoppel effect to the SDNY Court's determination, the Debtors and the IRS agreed prior to trial that there were substantial underpayments of income taxes by Dee for tax years 1992 and 1994 through 2003, 2006, 2008, 2011, and 2013. This agreement is contingent upon (i) the SDNY Court's determination of foreign grantor trust status being affirmed on appeal, which appeal is currently pending before the Second Circuit Court of Appeals, and/or (ii) the Bankruptcy Court's collateral estoppel decision being affirmed on appeal.

[3] The Debtor is not appealing the gift tax findings of the Bankruptcy Court. The Debtor is appealing only those issues that have relevance to the Charles Probate Estate which, in turn, impact her ability to inherit from the Charles Probate Estate.

3. The Security Capital Litigation

Security Capital Limited ("**Security Capital**") is a Cayman Island corporation formed in August 1998. Security Capital commenced a voluntary liquidation in the Cayman Islands on September 7, 2007, more than seven years prior to the Debtor's bankruptcy filings. Security Capital and its liquidation remains under the supervision of the Grand Court of the Cayman Islands.

Security Capital filed two Proofs of Claim against the Debtor, Proof of Claim number 6 in the amount of $6,589,610.96, and Proof of Claim number 7 in the amount of $30,503,561.64. Security Capital's Proofs of Claim are based on loans it made to Charles Wyly in 2002 and 2003 that are purportedly community property debts.

The IRS and SEC have alleged that Sam and Charles Wyly created Security Capital as a special purpose vehicle to participate in "back-to-back loan arrangements." The IRS and SEC allege that under the "back-to-back loan arrangement," various IOM controlled foreign corporations (which are owned by IOM trusts controlled by the Wylys) made loans to Security Capital, and then Security Capital would at the same time loan money to either Sam Wyly, Charles Wyly, or entities created for and controlled by Sam Wyly, Charles Wyly, or their children on terms that were not commercially reasonable.

On April 20, 2016, the United States of America, by and through the United States Attorney and the Department of Justice on behalf of the IRS filed the *Complaint of the United States of America for Declaratory Judgment and Related Relief* (the "**Security Capital Complaint**") against Security Capital, Dee and Sam Wyly (the "**Security Capital Litigation**") (Adv. No. 16-3059, ECF #1) seeking (i) a declaratory judgment that the monies held by the Joint Official Liquidator's (the "**JOLs**") of Security Capital in the Cayman Islands constitute property of the Debtor's and Sam's bankruptcy estates, and (ii) an order that the Proofs of Claim filed by Security Capital against the Debtor's and Sam's estate should be disallowed in full. The SEC sought to intervene in the Security Capital Litigation (Adv. No. 16-3059, ECF #12).

The Debtor and Sam challenged the SEC's and IRS's standing to bring the Security Capital Litigation and filed multiple motions challenging the actions of the IRS and SEC including motions to dismiss the Security Capital Complaint (Adv. No. 16-3059 ECF #13 and #15). Thereafter, the IRS withdrew the Security Capital Complaint (Adv. No. 16-3059, ECF #24) and the SEC withdrew its motion to intervene (Adv. No. 16-3059, ECF #22).

As more fully described in this Disclosure Statement, Article VIII of the Plan, includes a proposed settlement of the Security Capital Proofs of Claim and the Causes of Action, if any, the Debtor has against Security Capital.

G. Claims Against the Debtor

The Debtor has used her best efforts to ascertain and report all Claims against her. In her Bankruptcy Schedules, the Debtor disclosed known Creditors believed to hold secured Claims (Schedule D) in the aggregate amount of $16,667,907.10 and known Creditors believed to hold Unsecured nonpriority Claims (Schedule F) in the aggregate amount of $65,958,089.81. On her Schedule F, the Debtor listed the IRS and the SEC as holding contingent, unliquidated, disputed claims in an unknown amount and listed Security Capital as having contingent claims.

Twelve (12) Proofs of Claim were Filed against the Debtor in the aggregate amount of $1,290,663,449.66. Included in the twelve Proofs of Claim are the claims filed by (a) the IRS in the amount of $1,239,665,801; (b) the SEC in an unliquidated amount; and (3) the two Proofs of Claim filed by Security Capital in a combined amount of $37,093,172.60.

Besides Claims for Ad Valorem Taxes, the Debtor's only secured Creditor is BBVA Compass Bank.[4] In September 2010, BBVA Compass Bank made a loan to Charles and Dee secured by real property located at 955 Little Woody Creek Rd., Woody Creek, Aspen, CO 81656. BBVA Compass Bank filed a Proof of Claim against the Debtor in the amount of $13,563,283.55.

The Debtor reserves all rights regarding all Claims. **PURSUANT TO THE PLAN, THE DEBTOR OR THE LIQUIDATING TRUSTEE MAY OBJECT TO ANY CLAIM, LISTED ON THE DEBTOR'S BANKRUPTCY SCHEDULES, ANY PROOFS OF CLAIM, AS WELL AS ALL OTHER CLAIMS SUBSEQUENTLY FILED. THE DEBTOR OR LIQUIDATING TRUSTEE MAY ALSO OBJECT TO ANY CLAIM LISTED ON EXHIBIT B AS TEMPORARILY ALLOWED FOR VOTING PURPOSES.**

ARTICLE VI
DESCRIPTION OF PROPERTY

A. General Asset Description

The Debtor's assets generally consist of real and personal property. The Debtor's Bankruptcy Schedules, Schedules A (Real Property) and B (Personal Property), list property owned by the Debtor (ECF #351 and #352). The Bankruptcy Schedules are available electronically on the Public Access to Court Electronic Records ("**PACER**") website at https://www.pacer.gov/pcl.html. Creditors may also contact Debtor's counsel to obtain a copy of the Bankruptcy Schedules.

[4] Although the Debtor scheduled the Claim of Charles J. Wyly, III, as a secured Claim, the Plan proposes to treat the Claim as Unsecured.

Section 6.3 of the Plan provides that the Debtor will retain certain assets as described in the Plan and this Disclosure Statement, subject to payment of Creditors under the Plan.

1. The Debtor's Real Property

The Debtor's real property assets include:

(a) the real property located at 5906 DeLoache Avenue, Dallas, TX 75225 (the "**Homestead**") on which the Debtor resides;
(b) the real property known as "**Parcel D**" located in Woody Creek, Aspen, CO[5]; and
(c) a residence located at 955 Little Woody Creek Road, Woody Creek, Aspen, CO 81656 (the "**Aspen Property**").

The Homestead has a fair market value of $6,700,000, based on a 2010 appraisal. Although the fair market value of the Aspen Property is estimated at approximately $28,000,000, fifty percent (50%) of such property is owned as community property by the Charles Probate Estate. BBVA Compass Bank holds a lien on the Aspen Property, securing a claim of $13,563,283.55. Parcel D has an estimated fair market value of $3,700,000.[6]

2. The Debtor's Personal Property

In addition to real property, the Debtor owns personal property, including, among other things, household furnishings (located in both her Homestead and the Aspen Property), jewelry, art, collectibles, furs and automobiles. The Debtor owns certain property separately, but also had a 50% community property interest in property she owned jointly with Charles. Under Texas law, the community estate is severed upon the death of a spouse. Consequently, any community property is now owned 50% by Dee as separate property and 50% by the Charles Probate Estate. The furs and jewelry owned by the Debtor as both separate and community property are valued at approximately $4,000,000.[7] Household furnishing from both the Homestead and the Aspen Property were contemporaneously appraised as having a value of approximately $992,433.

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[5] Parcel D is not included in the Aspen Property that is subject to the lien of BBVA Compass Bank. The Debtor has been marketing both the Aspen Property and Parcel D together for a sale.
[6] Copies of appraisals of real and personal property are available upon request from Debtor's counsel.
[7] The fair market value of the assets described herein is based on Debtor's estimate of value based on the following sources: (a) appraisals completed to value the property of the Charles Probate Estate as of the date of his death; (b) purchase invoices; and (c) cost amounts from the Debtor's books and records. Resale or liquidation value of such property is likely to be materially lower.

The Debtor also owns a number of intangible and beneficial interests, including:

(a) a defined benefit retirement plan administered by Citco Fund Services valued at approximately $5,715,089;
(b) an annuity issued by Great Western Life and Annuity Company that is nontransferable and pays the Debtor $1,252.46 per month until her death (the "**Great Western Annuity**");
(c) her social security payments;
(d) an interest in Stargate Investments, Ltd. who is the assignee of that certain Private Annuity Agreement effective as of April 15, 1992 between Caroline D. Wyly and Roaring Fork Limited and valued at $10,994,451 (the "**Roaring Fork Annuity**");
(e) her rights and beneficial interests in the Charles Probate Estate; and
(f) her beneficial interests in two of the 94/95 Trusts (the Tyler Trust and the Red Mountain Trust).

THE PLAN CONTEMPLATES THAT PROPERTY OF THE 94/95 TRUSTS WILL BE USED TO FUND THE LIQUIDATING TRUST AND BE DISTRIBUTED TO HOLDERS OF ALLOWED CLAIMS AS PROVIDED FOR IN ARTICLE VI OF THE PLAN. IF THE PLAN IS CONFIRMED AS PROPOSED, THE DEBTOR'S BENEFICIAL INTERESTS IN THE 94/95 TRUSTS MAY WELL BE EXHAUSTED. FURTHER, THE PLAN CONTEMPLATES THAT THE TRUSTEES OF THE 92 TRUSTS WITH THE CONSENT OF THE BENEFICIARIES WILL CONTRIBUTE SOME FUNDS ON THEIR BEHALF TO THE SETTLEMENT WITH THE SEC.

In addition to the above described property, Debtor owns a ½ interest in Charles Wyly's right to be paid on some past due annuities that were due but not paid during his lifetime (defined in the Plan as the "**Annuity Contracts**"). The total amount of the past due annuities under the Annuity Contracts was approximately $4.236 million. The Debtor would be entitled to receive ½ of this amount if past due annuity payments were actually made.

B. Trust Property

Charles Wyly was the settlor or otherwise involved with the establishment of a number of trusts in the Isle of Man (the "**Isle of Man Trusts**" or "**IOMT**") between 1992 and 1995. The characterization of the IOMT was central in both the SEC and the IRS Litigation as well as the Relief Defendant Action. A list of the IOMT identified by name, trustees and beneficiaries is attached to the Plan as **Exhibit 1**.

The Debtor holds beneficial interests in certain of the IOMT in two separate ways. First, Dee Wyly is one of the beneficiaries of the 94/95 Trusts, the Red Mountain and the Tyler Trusts. Second, as a ninety percent (90%) beneficiary of the

Charles Probate Estate, Dee also holds secondary beneficial interest in those interests in the IOMT held by the Charles Probate Estate. The Debtor estimates that the total value of the assets held in the IOMT is approximately $300 million.[8]

The IOMT own a significant amount of personal property in the possession of the Debtor. Section 6.3 of the Plan provides that that such personal property owned by any IOMT will be returned to the trustee of the IOMT upon request of the relevant trustee.

PLEASE NOTE that no court, including the Bankruptcy Court or the SDNY Court, has made a determination that any property held in an IOMT is owned by Dee or the Charles Probate Estate or that such property constitutes property of Dee's Estate pursuant to section 541 of the Bankruptcy Code, and Dee has consistently maintained in her filings with the Bankruptcy Court that she does not own such property. All information provided herein regarding the IOMT is provided for informational purposes and out of an abundance of caution, and in no way constitutes an admission or statement that property held by the IOMT is owned or otherwise held by the Debtor, her Estate, or the Charles Probate Estate in any capacity other than as described above.

C. Causes of Action

In addition to the real and personal property otherwise described in this Disclosure Statement, the Debtor also owns Causes of Action that are provided for in the Plan.

1. Avoidance Actions

a. Avoidance Actions Generally

Pursuant to Bankruptcy Code §§ 547 and 550, a debtor may avoid and recover transfers of property made by the debtor, while insolvent, within ninety (90) days, and in the case of insiders within one (1) year, prior to the filing of the bankruptcy case, where such a transfer was made on account of an antecedent debt owing by the debtor and resulted in the transferee receiving more value than if the transfer had not been made, the debtor were liquidated under Chapter 7 of the Bankruptcy Code, and the transferee were limited to recovery on the debt through the Chapter 7 process. The recovery of such payments is subject to certain defenses that include the contemporaneous exchange of new value, subsequent advances of new value and payment in the ordinary course of business.

[8] The Debtor's estimate is based on financial information provided by the IOMT trustees. The Debtor is providing such estimate for information purposes only and is not attesting to the actual value of the property held by the IOMT.

Pursuant to Bankruptcy Code §§ 548 and 550, a debtor may also avoid and recover transfers of property made by the debtor within one (1) year prior to the filing of the bankruptcy case, if the debtor voluntarily or involuntarily (a) made such a transfer with actual intent to hinder, delay, or defraud an entity to which the debtor was or became, on or after the date that such transfer was made, indebted, or (b) received less than reasonably equivalent value in exchange for such transfer and (i) was insolvent on the date that such transfer was made, or became insolvent as a result of such transfer, (ii) was engaged in business or a transaction, or was about to engage in business or a transaction, for which any property remaining with the debtor was an unreasonably small capital, or (iii) intended to incur, or believed that the debtor would incur, debts that would be beyond the debtor's ability to pay as such debts matured.

Additionally, pursuant to Bankruptcy Code §§ 544(b) and 550, a debtor may avoid and recover transfers of property made by the debtor that are voidable under applicable non-bankruptcy law by a creditor holding an unsecured claim that is allowable under Bankruptcy Code § 502 or that is not allowable only under Bankruptcy Code § 502(e). In this regard, Chapter 24 of the Texas Business and Commerce Code sets out the provisions of the Uniform Fraudulent Transfer Act, as adopted in Texas (the "**TUFTA**"), which contain provisions similar to those set forth in Bankruptcy Code §§ 548 and 550, except that the provisions extend to transfers made within the prior four (4) years. *See, e.g.*, Tex. Bus. & Com. Code §§ 24.005, 24.006 and 24.008.

All of the claims and causes of action set forth above are intended to be included within the Plan's definition of Avoidance Actions.

b. Analysis of the Debtor's Potential Avoidance Actions

In her Bankruptcy Schedules the Debtor listed approximately $1,500,784.92 in transfers made to Creditors within ninety days of the Petition Date and approximately $1,169,175.93 in transfers made to insiders within one year of the Petition Date (collectively, the "**Transfers**"). A list of the Transfers as disclosed in her Bankruptcy Schedules in response to Question 3 is attached hereto as **Exhibit C** and incorporated herein for all purposes.

The Debtor (with the assistance of her advisors) has reviewed the Transfers. Based upon such review, the Debtor believes that the Transfers were made in the ordinary course of her affairs. The Debtor does not believe the Transfers are avoidable or that there would be any recovery from avoiding the Transfers.

Under the Plan, Section 7.11, any potential Avoidance Actions shall be deemed waived and released on the Effective Date. However, the Debtor expressly retains all other Causes of Action.

D. Other Potential Litigation

The Debtor may possess claims against third parties. For example:

1. the Debtor may have claims against Security Capital as described in Section V.F.3. of this Disclosure Statement;

2. the Debtor may have claims against the law firm Bickel and Brewer (believed now to be the firm "**Brewer, Attorneys & Counselors**") arising out of the firm's billing practices in connection with its representation related to the SEC Litigation; and

3. the Debtor may have claims against Michael French ("**French**") and the law firm Meadows, Owens, Collier, Reed, Cousins & Blau, LLP ("**Meadow Owens")**(believed now to be the firm Meadows, Collier, Reed, Cousins Crouch & Ungerman, LLP) arising out of their roles in connection with the events that underlie the courts' findings in the SEC Litigation and IRS Litigation including, but not limited to, claims for legal malpractice related to the structure of the IOMT and advice provided or not adequately provided in connection with the IOMT.

The Debtor's investigation into potential claims is ongoing. The Debtor or Liquidating Trustee may discover claims against other individuals or entities or additional claims against Security Capital, Bickel and Brewer, French, or Meadows Owens. Additionally, the Charles Probate Estate may have a 50% interest in Causes of Action depending on the nature of such claims including an interest in the Debtor's potential claims against Brewer, Attorneys, & Counselors, French or Meadow Owens related to the SEC Litigation or the IRS Litigation. As such, the Debtor can make no statement regarding a range of recovery relating to any Causes of Action.

Section 6.3 of the Plan provides that any Cause of Action held by the Debtor or her Estate will become Retained Property except for the potential Cause of Action against Security Capital. This means that upon the Effective Date the potential Cause of Action against Bickel and Brewer, French, and Meadows Owens (as well as any other Cause of Action against anyone except for Security Capital) will belong to Dee.

The Plan provides for the potential settlement of the Cause of Action against Security Capital, as more fully described in section VII of this Disclosure Statement. In the event that Security Capital does not accept the settlement option provide for in the Plan, the Cause of Action against Security Capital, if any, will be assigned to the Liquidating Trust.

Except as otherwise specifically provided for in the Plan, the Debtor and the Estate reserve and retain any and all Causes of Action including the claim against Security Capital, Bickel and Brewer, French, and Meadow Owens, if any. The

description of any Causes of Action is intended to give notice of potential claims that the Debtor is presently aware of and shall in no way act as a limitation on any other potential claims that may exist. Unless expressly provided for in the Plan, it is the Debtor's intention that each and every Cause of Action whether arising before or after the Petition Date, and whether arising under state law or the Bankruptcy Code, be preserved and retained under the Plan and be transferred to the Debtor (or, in the case of Causes of Action against Security Capital, the Liquidation Trust) on the Effective Date of the Plan. Unless a Cause of Action is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order, such Cause of Action (including any defenses, affirmative defenses, and counterclaims) is preserved and shall be retained by the Debtor or, as applicable, the Liquidation Trust.

The Debtor (and in the case of Causes of Action against Security Capital, the Liquidating Trustee) shall have the exclusive right to enforce, any claims, rights, and Causes of Action that the Debtor or the Estate holds. THIS MEANS THAT ANY CAUSE OF ACTION THE DEBTOR MAY HAVE AGAINST ANYONE (EXCEPT SECURITY CAPITAL) WILL REMAIN WITH THE DEBTOR AS A RETAINED ASSET AND SHE MAY PURSUE SUCH CAUSES OF ACTION POST-CONFIRMATION IF SHE SO ELECTS.

E. The Debtor's Exemptions

Federal and Texas law allow a debtor to exempt certain property from bankruptcy and collection by creditors. The Debtor's Bankruptcy Schedules, Schedule C (Property Claimed as Exempt), lists property that the Debtor claims as exempt. (ECF #351).[9] The Debtor's exempt property includes, among other things, her Homestead, the Great Western Annuity, the defined benefit retirement plan administered by Citco Fund Services valued at approximately $5,715,089, certain household goods and furnishings located in the Homestead and the Aspen Property, and certain art, jewelry, furs, and automobiles. The Debtor also claimed the Roaring Fork Annuity as exempt, but, as more fully discussed below, the Bankruptcy Court has ruled that the Roaring Fork Annuity is not eligible for exemption.

1. The Roaring Fork Annuity

In 1992, Charles settled the Pitkin Non-Grantor Trust ("**Pitkin IOM Trust**"). One of the IOM corporations owned by Pitkin IOM Trust was Roaring Fork Limited ("**Roaring Fork Limited**"). In 1992 and 1996, Charles indirectly transferred options and warrants that he had earned to IOM corporations in exchange for private annuities to either Dee or himself, including that certain Private Annuity Agreement

[9] The Bankruptcy Schedules are available electronically on the PACER website at https://www.pacer.gov/pcl.html. Creditors may also contact Debtor's counsel to obtain a copy of the Bankruptcy Schedules.

dated as of April 15, 1992 between Roaring Fork Limited and Dee ("**Roaring Fork Annuity**").

Effective October 15, 1999, Charles and Dee transferred to Stargate Investments, Ltd., a Texas limited partnership ("**Stargate Investments**") all the private annuities they had received including the Roaring Fork Annuity. Dee holds an indirect ownership interest in Stargate Investments via her revocable trust and receives from Stargate Investments a partnership distribution as a result of the Roaring Fork Annuity.

In Dee's Bankruptcy Schedules, Amended Schedule C (Property Claimed as Exempt), Dee listed "Roaring Fork Limited annuity as a result of ownership in Stargate Investments, Ltd." with an exempted value of $10,994,451 under Texas Insurance Code § 1108.051.

In the Bankruptcy Court's *Memorandum Opinion and Order* dated June 29, 2016 (ECF #1361), the Bankruptcy Court found that as a result of Dee's transfer of the Roaring Fork Annuity to Stargate Investments, Dee is no longer the legal owner of the Roaring Fork Annuity and, thus, is not able to exempt any payments she may receive from Stargate Investments, on account of the Roaring Fork Annuity.

ARTICLE VII
DESCRIPTION OF THE PLAN

A. Introduction

A summary of the principal provisions of the Plan and the treatment of Classes of Allowed Claims and Interests is set out below. This Disclosure Statement is only a summary of the terms of the Plan and is entirely qualified by the Plan; it is the Plan and not the Disclosure Statement that governs the rights and obligations of the parties. The Plan seeks to make Distributions to Creditors according to the priority scheme established by the Bankruptcy Code.

B. Identification of Claims and Interests

The following is a designation of the Classes of Claims and Interests under the Plan. Pursuant to Bankruptcy Code § 1122, a Claim or Interest is placed in a particular Class for purposes of voting on the Plan and receiving Distributions under the Plan only to the extent: (i) the Claim or Interest qualifies within the description of that Class; (ii) the Claim or Interest is an Allowed Claim or Allowed Interest in that Class; and (iii) the Claim or Interest has not been paid, released, or otherwise compromised before the Effective Date. In accordance with Bankruptcy Code § 1123(a)(1), all Claims and Interests except Allowed Administrative Claims and Allowed Priority Tax Claims are classified in the Classes set forth below.

Class	Class Description
Class 1:	all Allowed Secured Ad Valorem Tax Claims.
Class 2:	all Secured Claims of BBVA Compass Bank.
Class 3:	all Allowed nonpriority Unsecured Claims of all Creditors (excluding the Allowed Claims classified in Classes 4 and 5).
Class 4:	the Allowed nonpriority Unsecured Claim of the SEC.
Class 5:	the Allowed nonpriority Unsecured Claim of the IRS in the amount of $19,467,070.
Class 6:	the residual interest of the Debtor in this Case.

C. Treatment of Unclassified Claims

The Bankruptcy Code does not require classification of certain priority claims against a debtor. Administrative Claims and Priority Tax Claims shall not be classified for purposes of voting and shall be treated separately as unclassified claims and treated as set forth in Article II of the Plan.

1. Allowed Administrative Claims

Administrative Claims are Claims for costs and expenses of administration under §§ 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code and include (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate and managing the Debtor's affairs; (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under §§ 330(a) or 331 of the Bankruptcy Code; and (c) all fees and charges assessed against the Estate under chapter 123 of Title 28 United States Code, 28 U.S.C. §§ 1911-1930.

(a) **Treatment**. The Liquidating Trustee shall pay the holder of an Allowed Administrative Claim, in full satisfaction, settlement, release, and discharge of, and in exchange for such Claim, one Cash payment equal to the Allowed amount of the Claim on the later of (i) fifteen business days after the the Effective Date (or as soon as reasonably practicable thereafter) or (ii) fifteen Business Days following the date such Claim is Allowed by Final Order; or (b) receive such other less favorable treatment as may be agreed upon in writing by the Debtor or the Liquidating Trustee and such holder.

(b) **General Administrative Claims**. Except as otherwise set forth in the Plan and except for ordinary course of business vendors whose invoices have been approved through the case budgeting process, each holder of an Administrative

Claim, other than an Administrative Claim for U.S. Trustee Fees, shall be required to File and serve upon all parties required to receive notice, an application for allowance of such Administrative Claim on or before the Postconfirmation Bar Date or be forever barred and discharged from doing so. An Administrative Claim with respect to which an application has been properly and timely filed pursuant to the Plan shall be treated and paid as an Administrative Claim when allowed.

(c) **Professional Fee Claims**. Each Professional whose retention with respect to the Case has been approved by the Bankruptcy Court and who holds or asserts an Administrative Claim that is a Professional Fee Claim, and who has not previously filed and received a Final Order approving its final Fee Application, shall File and serve on all parties required to receive notice a final Fee Application on or before the Postconfirmation Bar Date. The failure to timely File the Fee Application shall result in the Professional Fee Claim being forever barred and discharged. A Professional Fee Claim with respect to which a Fee Application has been properly and timely Filed pursuant to Section 2.3 of the Plan shall be treated and paid as an Administrative Claim only to the extent allowed by Final Order. Professional Fee Claims will not be allowed on account of any services rendered by a Professional whose retention with respect to this Case has not been approved by the Bankruptcy Court.

(d) **U.S. Trustee Fees**. The Liquidating Trustee shall pay all unpaid U.S. Trustee Fees in Cash in full within fifteen days after the Effective Date (or as soon as reasonably practicable after such fees become due) from Liquidating Trust as set forth in Section 9.1 of the Plan. The Liquidating Trustee shall pay postconfirmation U.S. Trustee Fees when due and shall file and serve upon the U.S. Trustee quarterly operating reports until the Case is closed or until the Court enters an Order providing otherwise.

As a result of the Debtor paying its postpetition payments on an ongoing basis, including the fees and expenses incurred by its Approved Professionals, the Debtor does not anticipate needing a significant amount to pay the Allowed Administrative Claims (including Professional Fee Claims).

2. Priority Tax Claims

A Priority Tax Claim is a Claim for an unsecured pre-petition tax due a governmental unit, including, but not limited to, income taxes entitled to priority in accordance with § 507(a)(8) of the Bankruptcy Code. The IRS claim in the amount of $17,599,546 is the only Allowed Priority Tax Claim. The Liquidating Trustee shall pay the IRS in full satisfaction, settlement, release and discharge of, and, in exchange for such Claim $17,599,546 within fifteen business days after the Effective Data (or as soon as reasonably practical thereafter).

D. Treatment of Classified Claims

1. Treatment of Class 1: Allowed Secured Ad Valorem Tax Claims

Class 1 consists of all Allowed Secured Ad Valorem Tax Claims. The Plan provides that the Debtor will pay, through the Liquidating Trustee, the Allowed Secured Ad Valorem Tax Claims in full within thirty days of the Effective Date, and subject to prior payment in full of the Administrative Claims and Priority Claims. The Class 1 Claims consist of the Claim of Dallas County for unpaid taxes for the year 2014 in the amount of $116,632.25, plus accrued interest.

2. Class 2—Allowed Secured Claims of BBVA Compass Bank

Class 2 consists of the Allowed Secured Claim of BBVA Compass Bank. BBVA Compass Bank Filed a Proof of Claim against the Debtor asserting that it is owed $13,563,283.55, which amount includes the principal amount and accrued interest as of February 19, 2016. Unless another agreement is reached, the Debtor shall convey to BBVA Compass Bank the Aspen Property in satisfaction of all of its indebtedness.

3. Class 3—Allowed nonpriority Unsecured Claims

Class 3 consists of Unsecured Creditors who are not otherwise classified in Class 4 or 5. The Debtor, through the Liquidating Trustee, will pay the Allowed nonpriority Unsecured Claims in full within the earlier of (1) thirty days of the Effective Date, or (2) within ten days of allowance of any Disputed Claim that becomes an Allowed nonpriority Unsecured Claim, and subject to prior payment in full of the Allowed Administrative Claims and Priority Claims.

A list of all nonpriority Unsecured Claims that shall comprise Class 3 is attached hereto as Exhibit B and incorporated herein for all purposes. The claims of Stargate, Ltd, in the amount of $28,080,127.92 will not be treated as an Allowed Claim against the Estate.

4. Class 4—Allowed nonpriority Unsecured Claim of the SEC

Class 4 consists of the Allowed nonpriority Unsecured Claim of the SEC against Caroline D. Wyly as a relief defendant in the Relief Defendant Action. Subject to prior payment in full of the Allowed Administrative Claims and Priority Claims addressed in Article II of the Plan, the Debtor, through the Liquidating Trustee, will pay the allowed nonpriority Unsecured Claim of the SEC against Caroline D. Wyly as a relief defendant in the Relief Defendant Action in one of two ways. Either:

(a) The amount of $101,238,418.53 (which is the amount of the SEC's judgment against the Charles Probate Estate) less any amounts the

Other Relief Defendants have bonded, posted, pledged, or otherwise satisfied will be deposited into the Liquidating Trust. Within thirty days of the entry of the SEC Final Order, the Liquidating Trustee shall pay the amount owed to the SEC under the SEC Final Order; or

(b) An appellate surety bond or a reasonable equivalent will be posted by a surety entity in the amount of $101,238,418.53, (which is the amount of the SEC's judgment entered against the Charles Probate Estate) less any amounts the Other Relief Defendants have bonded, posted, pledged, or otherwise satisfied. Within thirty days of the entry of the SEC Final Order, this surety bond or equivalent shall be used to pay the amounts owed under the SEC Final Order, unless other mutually agreeable arrangements are made. In the event the Final Order related to the SEC Litigation finds no liability on the part of the Charles Probate Estate, then the bond will be extinguished and the SEC will be deemed to be paid in full by the Debtor's estate.

5. Class 5—Allowed nonpriority Unsecured Claim of the IRS

Class 5 consists of the Allowed nonpriority Unsecured Claim of the IRS. Subject to prior payment in full of the Administrative Claims and Priority Claims, the Debtor, through the Liquidating Trustee, will pay the Allowed Unsecured Claim of the IRS in the amount of $19,467,070 within thirty days of the Effective Date.

6. Class 6—Residual Interests of the Debtor

Class 6 consists of the residual interests of the Debtor. On and after the Effective Date, the Debtor shall receive and retain, under the Plan, the following properties (collectively, the "**Retained Assets**") in accordance with Section 1115 of the Bankruptcy Code: (a) her Homestead and all personal property and furnishings located at her Homestead; (b) all Causes of Action (with the exception of any cause of action against Security Capital in the event that Security Capital does not agree to the settlement proposed in Section 8.1 of the Plan); (c) all vehicles and other personal property listed on her Bankruptcy Schedules; (d) the defined benefit plan listed on her Bankruptcy Schedules; (e) all rights under the Great Western Annuity; (f) her social security payments; (g) her rights and beneficial interests in the Charles Probate Estate; and (h) the Administrative Reserve. Upon the Effective Date, the Retained Assets will vest in the Debtor free and clear of all Claims, Liens, and other interests.

E. Payment of Claims

Payment of the Claims provided for in Classes 1 through 5, inclusive, once completed, shall constitute full satisfaction and settlement of all such Claims against Debtor and the Reorganized Debtor and said Creditors are to promptly deliver to the Debtor, the Reorganized Debtor or other appropriate person, any necessary lien

cancellation(s). The Liquidating Trustee shall be entitled at any time to pay in full any balance owed to any Creditor, without penalty. The Liquidating Trustee may, in her sole discretion, also pay additional amounts that are less than the balance owed to any creditor without penalty.

Nothing contained in the Plan shall prohibit the Liquidating Trustee and any creditor from mutually agreeing to compromise the amount to be paid to that particular Creditor in full satisfaction of such Creditor's Claim so long as the Claims of other Creditors in that Class are not adversely affected.

F. Proposed Settlement with Security Capital

Pursuant to Bankruptcy Code § 1123(b)(3)(A) and Bankruptcy Rule 9019, the Plan proposes a settlement of the Security Capital Proofs of Claim and the Claims the Debtor has against Security Capital, if any. The Debtor has received preliminary indications of interest from the Joint Liquidators of Security Capital that its three creditor entities (including one of the IOMT's) will make an application to the Cayman court for approval to make a distribution of all assets held by Security Capital to its creditors and will wind up the Liquidation as appropriate once all assets are distributed.

If Security Capital accepts the settlement option, via ballot, the Proofs of Claim of Security Capital against the Debtor's estate will be Disallowed and the funds described above will be paid to the creditors of Security Capital within a reasonable time after approval of the transaction by the Cayman court. If Security Capital does not accept this settlement option, then the Liquidating Trust will reserve the right to object to the Security Capital's Proofs of Claim and the Estate's Cause of Action against Security Capital, if any, will be assigned to the Liquidating Trust.

G. Treatment of Executory Contract and Leases

The property of the Debtor's bankruptcy Estate, including real and personal property, is covered by a number of different insurance policies. The Plan explicitly provides that neither the confirmation nor consummation of the Plan shall affect the Debtor's insurance policies in which the Debtor is or was an insured party or any claims settled thereunder, and insurance companies may not deny, refuse, alter or delay coverage for the Debtor on any basis relating to or regarding, among other things, the Case, the Plan, or any treatment according to such insurance company's Claims under the Plan.

The Plan provides the Debtor's executory contracts and unexpired leases shall be deemed rejected on the Effective Date pursuant to Bankruptcy Code §§ 365 and 1123 except to the extent that: (a) the Debtor previously has assumed or rejected an executory contract or unexpired lease, (b) prior to the Effective Date, the Bankruptcy Court has entered an Order assuming an executory contract or unexpired lease, or

(c) at the Confirmation Hearing the Bankruptcy Court approves the assumption of any executory contracts or unexpired leases, the Debtor's executory contracts and unexpired leases shall be deemed rejected on the Effective Date pursuant to Bankruptcy Code §§ 365 and 1123.

Except for insurance policies, the Debtor has an executory contract with a private jet company, Jet Linx Aviation, LLC, for certain pricing and availability for aircraft flight hours with a balance of 9.4 hours as of the Petition Date. It is the Debtor's intention for her contract with Jet Linx Aviation, LLC to be rejected.

ARTICLE VIII
MEANS FOR IMPLEMENTING THE PLAN

A. The Creation of the Liquidating Trust

On the Effective Date, the Liquidating Trust shall be formed and created pursuant to the Confirmation of the Plan and the Liquidating Trust Agreement, and each holder of an Allowed Claim in Classes 1 through 6 shall hold Liquidating Trust Interests that are deemed to be in an amount equal to the amount of such holder's Allowed Claim. The Liquidating Trust shall operate under the provisions of the Liquidation Trust Agreement and be established for the purpose of: (a) collecting, receiving, holding, maintaining, administering, and liquidating the Liquidating Trust Assets; (b) resolving all Disputed Claims; (c) making all Distributions to holders of Allowed Claims in accordance with the terms of the Plan; (d) closing the Case; and (e) otherwise implementing the Plan and finally administering the Estate. The Debtor will provide necessary and reasonable cooperation and assistance requested by the Liquidating Trustee in respect of administering the Liquidating Trust.

B. Property of the Liquidating Trust

For the benefit of all Creditors and for the satisfaction of Claims under the Plan, the Plan provides that on the Effective Date the Debtor shall contribute to the Liquidating Trust, all of her and the Estate's property except the Retained Assets[10] and the Cash necessary to implement the Plan will be deposited. The Annuity Contracts and the Roaring Fork Annuity will be handled in the manner described in Article 6.1 of the Plan. Specifically, the Debtor will assign one-half of all past due amounts due and owing under the Annuity Contracts to the Liquidating Trust on the

[10] The Retained Assets include: (a) the Debtor's Homestead and all personal property as well as furnishings located at her Homestead; (b) all Causes of Action (with the exception of any cause of action against Security Capital in the event that Security Capital does not agree to the settlement proposed in Section 8.1 of the Plan); (c) all vehicles and other personal property listed on her Bankruptcy Schedules; (d) the defined benefit plan listed on her Bankruptcy Schedules; (e) all rights under the Great Western Annuity; (f) her social security payments; (g) her rights and beneficial interests in the Charles Probate Estate; and (h) the Administrative Reserve.

Effective Date of the Plan. Debtor will also assign all of her rights to receive future payments under the Roaring Fork Annuity through Stargate Investments, Ltd. to the Liquidating Trust. The real property known as "**Parcel D**" located in Woody Creek, Aspen, CO will be transferred to the Liquidating Trust to be sold.[11] The Aspen Property will also be conveyed to the Liquidating Trust if the Liquidating Trustee and BBVA Compass Bank agree to leave the Aspen Property in the Trust to be sold. In no event shall Debtor keep title to the Aspen Property.

The Plan provides that the Debtor will provide a copy of the Plan to the trustees of the IOMT, expressing her desire that the IOMT trustees make distributions for deposit into the Liquidating Trust for administration, monetization, and Distribution by the Liquidating Trustee according to the Plan. Finally, the Debtor has received indications of interest from all IOMT Beneficiaries that they will join the Debtor in making unanimous joint requests to the IOMT trustees and engage in such other actions as may be necessary or appropriate to attempt to persuade the IOMT trustees to make the distributions necessary to implement the Plan.

The Plan provides that the transfer and assignment of property to the Liquidating Trust be free and clear of any Liens and interests, subject only to the Allowed Claims, the Liquidating Trust's obligations under the Plan, and the Liquidating Trust Permitted Liens.

C. The Liquidating Trustee

The Liquidating Trustee shall have and retain all the rights, powers, and duties necessary to carry out her responsibilities under the Plan, the Liquidating Trust Agreement, and as otherwise provided in the Confirmation Order. The Liquidating Trustee shall be the exclusive trustee of the Liquidating Trust Assets as well as the representative of the Estate. Matters relating to the appointment, removal, and resignation of the Liquidating Trustee and the appointment of any successor Liquidating Trustee are set forth in the Liquidating Trust Agreement. After the Effective Date, the Liquidating Trustee shall be entitled to compensation, which may include a monthly fee, hourly compensation and an incentive fee, provided such compensation is agreed upon between the Liquidating Trustee and the Liquidating Trust Committee, and is approved by the Bankruptcy Court at Confirmation. Upon approval of the Bankruptcy Court of the Liquidating Trustee's compensation, the fees of the Liquidating Trustee shall be paid by the Liquidating Trust upon approval of the Liquidating Trust Committee and without further need to seek Court approval. The fees of the Liquidating Trustee and any expenses of the Liquidating Trust (including any professional fees) shall be paid as provided for in accordance with the Liquidating Trust Agreement upon approval by the Liquidating Trust Committee and without the need for Bankruptcy Court approval. The Liquidating Trustee shall have the right to retain the services of professionals, in her discretion, as necessary to

[11] Parcel D has an estimated fair market value of $3,700,000. The Debtor's conservative estimate is that the sale of Parcel D will net approximately $2.5 million for the Liquidating Trust.

assist the Liquidating Trustee in the performance of her duties. The reasonable fees and expenses of such professionals shall be paid by the Liquidating Trust. The Liquidating Trustee shall not be held liable and shall be indemnified by the Liquidating Trust for all acts or omissions taken with respect to the Liquidating Trust except those acts or omissions resulting from willful misconduct, gross negligence or fraud. The Plan provides that Dawn Ragan serve as the Liquidating Trustee.

D. The Liquidating Trust Committee

On the Effective Date, the Liquidating Trust Committee shall be formed and have the function, duties, and responsibilities as provided for in the Liquidating Trust Agreement. The Liquidating Trust Committee shall be constituted with one member to be designated by the SEC, one member to be designated by a general unsecured creditor (to be selected), and one member co-designated by the unsecured creditor and the SEC. If a member of the Liquidating Trust Committee resigns or is otherwise removed, a replacement Liquidating Trust Committee member may be appointed by the remaining members. Alternatively, the Liquidating Trustee may apply to the Bankruptcy Court for an Order directing the appointment, or not, of a replacement member. The members of the Liquidating Trust Committee will resign once (i) all Liquidating Trust Assets have been fully distributed to all Creditors with Allowed Claims; and (ii) after all Disputed Claims are either allowed or disallowed, at which point the Debtor, or a designee of the Debtor will become the sole member of the Liquidating Trust Committee. The members of the Liquidating Trust Committee may be reimbursed for their reasonable costs and expenses in amounts determined by the Liquidating Trustee without further need to seek Bankruptcy Court approval. The Liquidating Trust Committee shall not be held liable and shall be indemnified by the Liquidating Trust for all acts or omissions taken with respect to the Liquidating Trust except those acts or omissions resulting from willful misconduct, gross negligence or fraud.

E. Termination

The duties, responsibilities, and powers of the Liquidating Trustee shall terminate after (i) all Liquidating Trust Assets have been fully distributed to all creditors with Allowed Claims; (ii) after all Disputed Claims are either allowed or disallowed; (iii) all Liquidating Trust Expenses have been paid and (iv) the balance of the Liquidating Trust, if any, has been distributed to the Debtor. Except in the circumstances set forth below, the Liquidating Trust shall terminate no later than three years after the Effective Date. However, if warranted by the facts and circumstances, and subject to the approval of the Bankruptcy Court upon a finding that an extension is necessary for the purpose of the Liquidating Trust, the term of the Liquidating Trust may be extended, one or more times for finite periods, not to exceed one year each, based on the particular circumstances at issue. Each such extension must be approved by the Bankruptcy Court within one month prior to the beginning of the extended term with notice thereof to the Liquidating Trust

Beneficiaries. Upon the occurrence of the termination of the Liquidating Trust, the Liquidating Trustee shall File a report thereof, seeking an Order discharging the Liquidating Trustee.

F. Preservation of Rights of Action

The Liquidating Trustee may pursue any claims or recovery actions held by the Debtor that are not otherwise held as Retained Assets or waived under the terms of the Plan. The recovery from any actions, after payment of legal fees and expenses associated with such actions, shall be included in the Liquidating Trust Assets. In the event that Security Capital does not accept the compromise and settlement proposed in Section 8.1 of the Plan, such Cause of Action shall be preserved for the benefit of those beneficiaries of the Liquidating Trust. The Liquidating Trustee may abandon any claim it has against any third party if it determines that the claim is burdensome or of inconsequential value and benefit. The Liquidating Trustee is authorized to employ counsel to represent it in the litigation or any cause of action or claims that is included in the Liquidating Trust assets.

G. Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, the Liquidating Trustee shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. The Plan provides that for federal income tax purposes, all Persons (including, without limitation, the Debtor, the Liquidating Trustee, and the Liquidating Trust Beneficiaries) treat the transfer and assignment of the Liquidating Trust's Assets to the Liquidating Trust for the benefit of the Liquidating Trust Beneficiaries as a transfer of the Liquidating Trust Assets directly to the Liquidating Trust Beneficiaries followed by the transfer by the Liquidating Trust Beneficiaries to the Liquidating Trust of the Liquidating Trust Assets. The Liquidating Trust will be treated as a grantor trust for federal tax purposes and, to the extent permitted under applicable law, for state and local tax purposes. Article XIII of this Disclosure Statement provides more discussion about the potential tax consequences associated with the Plan.

ARTICLE IX
DISTRIBUTIONS

A. Distributions and Delivery

Except as otherwise provided by the Plan or ordered by the Bankruptcy Court, Distributions of payment in full shall be made on or as soon as practicable after the Effective Date pursuant to the Plan to or for U.S. Trustee Fees, Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Priority Claims (if any) and will be paid in full within 30 days of the Effective Date on account of such claims as have been Allowed in Classes 1-5.

The Liquidating Trustee shall make all Distributions to the holder of the applicable Claim. Distributions shall be made: (a) at the addresses set forth on the Proofs of Claim Filed by such holders (or at the last known address of such holders if no Proof of Claim is Filed or if the Debtor has been notified of a change of address); (b) at the addresses set forth in any written notices of address changes delivered to the Debtor and the Liquidating Trustee (as applicable) after the date of any related Proof of Claim; or (c) if no Proof of Claim has been Filed and the Debtor and the Liquidating Trustee (as applicable) have not received a written notice of a change of address, at the addresses reflected in the Bankruptcy Schedules. Each Distribution will be made only to Allowed Claims and only if the Liquidating Trustee, with approval of the Liquidating Trust Committee, shall have determined that sufficient Net Proceeds exist. Once all claims are paid in accordance with the Plan, including all Liquidating Trust Expenses, the Liquidating Trustee will disburse the balance of any funds remaining in the Liquidating Trust to the Debtor.

B. Undeliverable Reserve

The Plan provides for the Liquidating Trustee to establish the Undeliverable Distribution Reserve If a Distribution to any holder of an Allowed Claim is returned to the Liquidating Trustee as undeliverable or is otherwise unclaimed, such Distribution shall be deposited in a segregated account, designated as an "Undeliverable Distribution Reserve," for the benefit of such holder until such time as such Distribution (i) becomes deliverable; (ii) is claimed; or (iii) is deemed to have been forfeited in accordance with the Plan. Any holder of an Allowed Claim that does not assert a Claim pursuant to this Plan for an Undeliverable or Unclaimed Distribution within six months after the first Distribution is made or attempted to be made to such holder, such holder shall be deemed to have forfeited its claim for such Within fifteen Business Days after the holder of an Allowed Claim satisfies the requirements of this Plan, such that the distribution attributable to its Claim is no longer an Undeliverable or Unclaimed Distribution, the Liquidating Trustee shall distribute out of the Undeliverable Distribution Reserve the amount of the Undeliverable or Unclaimed Distribution attributable to such Claim, including the

interest that has accrued on such Undeliverable or Unclaimed Distribution while in the Undeliverable Distribution Reserve, to the General Account.

C. Claims Objection and Distribution Disputes

1. Objections

Pursuant to Article XI of the Plan, if she elects to do so, the Liquidating Trustee shall File objections to Claims no later than the first business day following 120 calendar days after the Effective Date (the "**Claim Objection Deadline**"), and shall serve such objections upon the holders of each of the Claims to which objections are made. Given the small number (in amount) of Unsecured Claims, the Liquidating Trustee is free to pay Unsecured Claims that are allowed because no objections have been filed at any time before the Claim Objection Deadline. If the Liquidating Trustee does not File an Objection to a Claim on or before the Claim Objection Deadline, such Claim shall be deemed to be an Allowed Claim. Nothing contained herein shall limit the Liquidating Trustee's right to object to or deem to Allow Claims, if any, Filed or amended after the Claim Objection Deadline. Subject to the limitations set forth in the Plan, the Liquidating Trustee shall be authorized to resolve all Disputed Claims by withdrawing or settling such objections thereto, or by litigating to judgment in the Bankruptcy Court or such other court having competent jurisdiction the validity, nature, or amount thereof. If the Liquidating Trustee and the holder of a Disputed Claim agree to compromise, settle, or resolve a Disputed Claim by granting such holder an Allowed Claim in an amount below $100,000 then the Liquidating Trustee may compromise, settle, or resolve such Disputed Claim with the consent of a majority of the Liquidating Trust Committee without further Bankruptcy Court approval; *provided, however*, the Liquidating Trustee shall File a notice advising that the Allowed Claim has been compromised, settled, or resolved. Otherwise, the Liquidating Trustee may only compromise, settle, or resolve such Disputed Claim with Bankruptcy Court approval.

Any Proofs of Claim that are Filed after the applicable Bar Date, including amendments to existing Proofs of Claim, or applications for the allowance of an Administrative Claim that are Filed after the Postconfirmation Bar Date shall be deemed invalid and Disallowed unless (a) consented to by the Liquidating Trustee and the Liquidation Trust Committee or (b) authorized by Order.

OBJECTIONS MAY BE FILED TO ANY CLAIM; NO HOLDER OF A CLAIM IS GUARANTEED ANY DISTRIBUTION OR A DISTRIBUTION BASED ON THE FACE AMOUNT OF A CLAIM.

2. No Distributions Pending Allowance

Notwithstanding any other provision of this Plan, no Distribution by the Liquidating Trustee shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled,

withdrawn, or determined by a Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

ARTICLE X
EFFECTS OF CONFIRMATION

The Plan provides that upon the Effective Date, the Retained Assets will vest in the Debtor free and clear of all Claims, Liens, and other interests. **If the Plan is confirmed, all holders of Claims and their respective successors and assigns, whether or not they accept the Plan, will be bound by the Plan. ON AND AFTER THE EFFECTIVE DATE, EXCEPT AS EXPRESSLY PROVIDED IN THIS PLAN, ALL HOLDERS OF CLAIMS AND LIENS SHALL BE PRECLUDED FROM ASSERTING ANY CLAIM, CAUSE OF ACTION, OR LIENS AGAINST THE DEBTOR, THE ESTATE, THE LIQUIDATING TRUST, OR THE LIQUIDATING TRUSTEE OR THEIR RESPECTIVE PROPERTY AND ASSETS BASED ON ANY ACT, OMISSION, EVENT, TRANSACTION, OR OTHER ACTIVITY OF ANY KIND THAT OCCURRED OR CAME INTO EXISTENCE PRIOR TO THE EFFECTIVE DATE.**

Article XIII of the Plan contains the following exculpation provision:

FROM AND AFTER THE EFFECTIVE DATE, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW, AND EXCEPT AS EXPRESSLY SET FORTH HEREIN, THE DEBTOR AND HER PROFESSIONALS SHALL HAVE OR INCUR NO LIABILITY WHATSOEVER TO ANY CREDITOR OR OTHER PERSON FOR ANY ACT OR OMISSION IN CONNECTION WITH, RELATING TO, OR ARISING OUT OF THE FILING OF THE CASE, THE PRECONFIRMATION MOTIONS AND PROCEDURES INITIATED, OR RESPONDED TO, BY THE DEBTOR, THE DEBTOR'S RESTRUCTURING AND REORGANIZATIONAL EFFORTS, THE FORMULATION, CONFIRMATION, AND EFFECTIVENESS OF THE PLAN, ALL ORDERS ENTERED IN THE CASE, ALL SETTLEMENTS REACHED IN THE CASE, AND ALL OTHER PROCEEDINGS IN AND WITH RESPECT TO THE CASE; HOWEVER, THE FOREGOING EXCULPATION SHALL NOT EXCLUDE LIABILITY, IF ANY, THAT WOULD RESULT FROM ANY ACT OR OMISSION TO THE EXTENT THAT SUCH ACT OR OMISSION IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

Article XIII of the Plan contains the following injunction provision:

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS PLAN, THE CONFIRMATION ORDER, OR ANY PRIOR ORDER OF THE BANKRUPTCY COURT IN THIS CASE, ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR ARE HEREBY PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS,

WHETHER DIRECTLY OR INDIRECTLY, AGAINST THE DEBTOR, OR ANY OF HER RETAINED ASSETS OR AGAINST THE LIQUIDATING TRUST AND THE LIQUIDATING TRUST ASSETS (OTHER THAN ACTIONS BROUGHT TO ENFORCE ANY RIGHTS OR OBLIGATIONS UNDER THIS PLAN):

(A) COMMENCING OR CONTINUING, IN ANY MANNER, ANY ACTION OR OTHER PROCEEDING OF ANY KIND;

(B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING, BY ANY MANNER OR MEANS, ANY JUDGMENT, AWARD, DECREE, OR ORDER;

(C) CREATING, PERFECTING, OR ENFORCING, IN ANY MANNER, ANY LIEN OF ANY KIND;

(D) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND (EXCEPT WITH RESPECT TO ANY VALID RIGHT OF SETOFF UNDER § 553 OF THE BANKRUPTCY CODE APPLICABLE TO ANY ALLOWED CLAIM THAT WAS PROPERLY AND TIMELY FILED WITH THE BANKRUPTCY COURT BY THE APPLICABLE BAR DATE;

(E) PROCEEDING IN ANY MANNER IN ANY PLACE, WHATSOEVER, THAT DOES NOT CONFORM TO OR COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THIS PLAN OR THE CONFIRMATION ORDER; AND

(*F) TAKING ANY ACTIONS TO INTERFERE WITH THE IMPLEMENTATION OR CONSUMMATION OF THIS PLAN.*

ARTICLE XI
MISCELLANEOUS PROVISIONS

A. Jurisdiction

The Plan provides that the Bankruptcy Court retain jurisdiction over matters arising out of, and related to, the Case, the Plan, and the Liquidating Trust to the fullest extent permitted by law. The Plan specifically provides that the Court shall retain jurisdiction over certain matters identified in Article XIV. These matters include, but are not limited to, (i) disputes relating to the allowance of compensation to professional persons for services performed prior to and after confirmation, (ii) objection to the allowance of claims, and (iii) resolution of all controversies and disputes arising under or in connection with the Plan.

B. Conditions Precedent to the Effective Date

Article XV of the Plan requires certain events to occur before the Effective Date. Specifically, the following events must occur: (1) the Confirmation Order, in a form and substance reasonably acceptable to the Plan Proponent, shall have been entered by the Bankruptcy Court, shall not be subject to a stay and shall have become a Final Order; (2) all documents, instruments, and agreements provided under, or necessary to implement, the Plan shall have been executed and delivered by the applicable parties; and (3) there are Cash and assets sufficient to pay all Claims asserted against the estate in full; or, (4) in the event that the SEC is to receive surety bonds or the equivalent to protect them, the amount of the surety bonds or the equivalent are sufficient to protect the SEC in the event their claims are ultimately allowed through a Final Order.

The Plan will not become effective if the above conditions are not met.

C. Revocation, Withdrawal or Nonconsummation, Alteration

The Plan Proponent reserves the right to revoke or withdraw the Plan prior to the Confirmation Date and may alter, amend, or modify the Plan or any Plan Documents under Bankruptcy Code § 1127(a) at any time prior to the Confirmation Date. The Plan Proponent may alter the Plan after confirmation but before completion of payments under the Plan in accordance with Bankruptcy Code 1127(e) of the Bankruptcy Code.

If Confirmation does not occur, or if the Effective Date does not occur on or prior to 180 days after the Confirmation Date, then: (a) the Plan shall be null and void in all respects; (b) any settlements or compromises embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Class of Claims), any assumptions or rejections of executory contracts or unexpired leases affected by this Plan, and any documents or agreements executed pursuant to this Plan, shall be deemed null and void; and (c) nothing contained in the Plan or the Disclosure Statement shall (i) constitute a waiver or release of any Claims by or against the Debtor or any other Person, (ii) prejudice in any manner the rights of the Debtor or any other Person, or (iii) constitute an admission of any sort by the Debtor or any other Person.

ARTICLE XI
RECOVERY ANALYSIS, FEASIBILITY AND RISK

A. Recovery Analysis and Feasibility

The Plan provides for the transfer of certain of the Debtor's property and other property to the Liquidating Trust to pay the Allowed Claims in full (except for the

Allowed Claims of BBVA Compass Bank who may recover its collateral in satisfaction of its claim unless the parties agree otherwise). The Debtor anticipates that the property she is contributing to the Liquidating Trust is insufficient to pay creditors. Accordingly, it is necessary for the Debtor to request that certain trustees of the IOMT contribute assets to the Plan.

Note that the Debtor does not own the IOMT property. There is no guarantee that the IOMT will honor the Debtor's request, or the timing in which the IOMT trustees may make a distribution. However, the IOMT trustees have historically honored Charles J. Wyly, Jr's requests. Moreover, the Debtor has received indications of interest from all IOMT Beneficiaries that they will join the Debtor in making unanimous joint requests to the IOMT trustees and engage in such other actions as may be necessary or appropriate to attempt to persuade the IOMT trustees to make the distributions necessary to implement this Plan,

B. Risk Factors

Both the Confirmation and consummation of the Plan are subject to a number of risks. Specifically, if certain standards set forth in the Bankruptcy Code are not met, the Bankruptcy Court will not confirm the Plan even if Creditors accept the Plan. Although the Debtor believes that the Plan meets such standards, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court were to determine that such requirements were not met, it could require the Debtor to re-solicit acceptances, which could delay and/or jeopardize Confirmation of the Plan. The Debtor believes that the solicitation of votes on the Plan will comply with Bankruptcy Code § 1126(b) and that the Bankruptcy Court will confirm the Plan. The Debtor, however, can provide no assurance that modifications of the Plan will not be required to obtain Confirmation of the Plan, or that any such modifications will not require a re-solicitation of acceptances. Even if the Plan is confirmed, as discussed herein, Article XV of the Plan provides that certain conditions precedent must be met prior to the occurrence of the Effective Date. There is no guarantee that the conditions will be met. In that event, the Plan would be deemed null and void and (i) the Debtor or any other party might propose or solicit votes on an alternative plan, (ii) the Chapter 11 Case might be dismissed, or (iii) the Chapter 11 Case might be converted to a case under Chapter 7 of the Bankruptcy Code.

ARTICLE XII
LIQUIDATION ANALYSIS

A plan of reorganization must provide a distribution to creditors with a present value greater than what creditors would receive under a chapter 7 liquidation. The Debtor believes her Plan meets this test.

The Debtor's Plan provides 100% recovery of all Claims through the potential liquidation of property owned by the Debtor as well as the liquidation of property owned by the IOMT. As discussed in this Disclosure Statement, no court has found that the property held in an IOMT is owned by Dee or the Charles Probate Estate or that such property constitutes property of Dee's bankruptcy estate. While certain consensus has been reached, or is expected, for the use of IOMT property to be used to fund the Debtor's proposed Plan, if the Debtor were to convert to chapter 7, the consensus will likely be lost. Significant time and litigation costs, over years, in a foreign jurisdiction, would be required in any attempt to gain access to the property held in an IOMT. There is significant costs and risk that creditors will not receive any value from the IOMT. Accordingly, liquidation value is expected to be substantially lower and result in a lower recovery to creditors than under the Debtor's proposed Plan.

ARTICLE XIII
TAX CONSEQUENCES OF THE PLAN

NOTHING STATED IN THE DISCUSSION WHICH FOLLOWS IS OR SHOULD BE CONSTRUED AS TAX ADVICE TO ANY CREDITOR OR HOLDER OF AN EQUITY INTEREST. ALL PARTIES SHOULD CONSULT WITH THEIR OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF THE PLAN.

WE INFORM YOU THAT ANY TAX ADVICE CONTAINED IN THIS COMMUNICATION (INCLUDING ANY ATTACHMENTS) WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF (1) AVOIDING TAX RELATED PENALTIES UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (2) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TAX-RELATED MATTERS ADDRESSED HEREIN.

The statements contained in this portion of the Disclosure Statement are based on existing provisions of the Code, Treasury Regulations promulgated thereunder, existing court decisions, published Revenue Rulings, Revenue Procedures and other technical releases from the IRS, and legislative history. Any changes in existing law may be retroactive, may affect transactions commenced or completed prior to the effective date of the changes, and may significantly modify this discussion.

Legislation may be introduced in future sessions of Congress that could eliminate or alter some of the anticipated tax results of the Plan. No attempt has been made to evaluate in any detail the impact, which may be substantial, of any proposed legislation of the Plan.

The following is intended to be only a summary of certain tax considerations under current law that may be relevant to Debtor's creditors. It is impractical to set

forth in this Disclosure Statement all aspects of federal, state, and local tax law that may have tax consequences to the Debtor and her creditors.

Most of the tax aspects discussed herein are complex and uncertain. Moreover, the discussion below is necessarily general, and the full tax impact of the Plan will vary depending upon each creditor's individual circumstances. Therefore, all the creditors should satisfy themselves as to the federal, state, and local tax consequences of the plan by obtaining advice solely from their own advisors.

CREDITORS SHOULD NOT CONSIDER THE DISCUSSION THAT FOLLOWS TO BE A SUBSTITUTE FOR CAREFUL, INDIVIDUAL TAX PLANNING AND ARE EXPRESSLY CAUTIONED THAT THE INCOME TAX CONSEQUENCES ARE COMPLEX AND UNCERTAIN AND MAY VARY CONSIDERABLY DEPENDING UPON EACH PARTY'S CIRCUMSTANCES.

IN ADDITION, THE TAX CONSEQUENCES DESCRIBED HEREIN ARE UNDER THE LAWS OF THE UNITED STATES OF AMERICA. NO ATTEMPT HAS BEEN MADE BY THE PLAN PROPONENT TO DESCRIBE OR IDENTIFY ANY TAX CONSEQUENCES UNDER THE LAWS OF ANY OTHER COUNTRY.

A. Federal Taxes

The terms of the Plan contemplate that Holders of Allowed Unsecured Claims may, if they so elect, be paid in full; however, this may not be the case. The Plan may have the following effect on creditors of the Debtor:

1. To the extent that creditors receive payments under the Plan as interest, such creditors will recognize interest income under Section 61(a)(4) of the Code.

2. The gain or loss to be recognized by such creditors will be either ordinary income or capital gain depending on, among other factors, the status of the creditor and nature of the Claim in the hands of the creditor.

3. Section 166 of the Code permits the deduction of debts which have become totally or partially worthless. Therefore, to the extent that certain creditors will receive less than full payment from the Debtor with respect to the debt owed such creditors, such creditors may be able to deduct such bad debts for federal income tax purposes. The nature of the deduction for a bad debt depends on its classification as either a business or non-business debt. For non-corporate taxpayers, non-business bad debts are debts other than a debt created or acquired in connection with a trade or business of the creditor or a debt the loss from the worthlessness of which is incurred in a creditor's trade or business. Non-business bad debts are deductible as short-term capital losses, and so are subject to the limitation on deductibility of capital losses under Sections 1211 and 1212 of the Code. Business bad debts and bad debts held by corporate taxpayers are deductible as ordinary losses. A bad debt is

deductible to a creditor at the time it becomes wholly or partially worthless determined under the particular facts and circumstances.

B. State and Local Taxes

In addition to the federal income tax consequences described above, creditors should consider potential state and local tax consequences that are not discussed herein.

C. Liquidating Trusts

Under Treasury Regulation Section 301.7701-4(d), a trust will constitute a liquidating trust if it is organized for the primary purpose of liquidating and distributing assets transferred to it and if its activities are all reasonably necessary to, and consistent with, the accomplishment of that purpose. A liquidating trust may be treated as a grantor trust for federal income tax purposes. In Rev. Rul. 63-228, 1963-2 C.B. 229, the IRS held that creditors holding interests in a liquidating trust which received assets from a bankruptcy trustee for distribution to the creditors were considered to be the grantors of the liquidating trust and thus were taxed on their allocable share of the income, deductions and credits attributable to the liquidating trust. In *Holywell Corp. v. Smith*, 503 U.S. 47 (1992), however, the Supreme Court held that the trustee of a liquidating trust, formed in connection with a Chapter 11 bankruptcy, was responsible for paying the tax on income earned by the trust; that is, the liquidating trust was effectively not a grantor trust under Code Sections 671 to 678 and that the debtor was not a grantor under those Code Sections because he didn't make any gratuitous transfers to the liquidating trust. *See Gould v. Commissioner,* 139 TC 17 (2012), aff'd per curium 552 Fed. Appx 250 (4th Cir., 2014). Neither the Supreme Court nor the Tax Court discussed whether creditors could be treated as grantors/owners under Rev. Rul. 63-228.

In Rev. Proc. 94-45, 1994-2 C.B. 684, the IRS indicated that the Supreme Court in *Holywell* did not address the tax consequences associated with the creation of a bankruptcy liquidating trust and provided that, to secure an advance private letter ruling as to whether a trust is classified as a liquidating trust, the transfer of assets to the liquidating trust will be deemed a direct transfer of assets to the beneficiary – creditors and then a re-transfer from the beneficiary – creditors to the trust. As a result, Rev. Proc. 94-45 would treat a liquidating trust as a grantor trust to the beneficiary-creditors with the result that such beneficiary-creditors are taxed on their allocable share of the trust income, deductions and credits. The Debtor's Plan does not provide for requesting an advance private letter ruling from the IRS, so there can be no assurance how the creditors will be taxed on the income, deductions and credits of the Liquidating Trust. The Debtor's Plan does treat the Liquidating Trust as a grantor trust to the beneficiary-creditors.

ARTICLE XIV
RECOMMENDATION

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors, including (i) the large proportion of Unsecured Claims to available assets in the Debtor's bankruptcy estate that might be used to pay creditors, and (ii) the likelihood that in a chapter 7 certain property the Plan contemplates be made available to creditors would not be available, the Debtor has determined that confirmation of the Debtor's Plan will provide holders of Allowed Unsecured Claims with substantially more than a Chapter 7 liquidation. The Plan provides unsecured creditors with 100% recovery of their Allowed Claims. Unsecured creditors would not receive any substantial recovery in a liquidation of the Debtor's property under chapter 7 of the Bankruptcy Code without expending significant sums of money in litigation costs.

In the opinion of the Debtor, the Plan is preferable to the alternative described herein because it provides for a greater distribution to the holders of Claims. Such holders would receive less in a liquidation under chapter 7 of the Bankruptcy Code. Accordingly, Debtor recommends that holders of Claims entitled to vote on the Plan support Confirmation of the Plan and vote to accept the Plan.

Dated this 27th day of July, 2016.

CAROLINE D. WYLY

By: /s/ Caroline D. Wyly
Caroline D. Wyly
Debtor and debtor-in-possession

APPROVED AS TO FORM:

LAW OFFICES OF JUDITH W. ROSS

By: /s/ Judith W. Ross

Judith W. Ross
State Bar No. 21010670
Eric Soderlund
State Bar No. 24037525
700 N. Pearl Street, Suite 1610
Dallas, Texas 75201
Telephone: 214-377-7879
Facsimile: 214-377-9409
Email: judith.ross@judithwross.com
eric.soderlund@judithwross.com

ATTORNEYS FOR DEBTOR AND DEBTOR IN POSSESSION CAROLINE D. WYLY