

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

IN RE:

SINOLA, LLC

Debtor.

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CASE NO. 15-20319-RLJ-11

FIRST DISCLOSURE STATEMENT OF SINOLA, LLC

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THIS FIRST DISCLOSURE STATEMENT OF DEBTOR NOT YET BEEN APPROVED BY THE COURT AS CONTAINING ADEQUATE INFORMATION UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE. ALL CREDITORS HAVE THE RIGHT TO OBJECT TO THIS DISCLOSURE STATEMENT AS NOT CONTAINING ADEQUATE INFORMATION AS REQUIRED UNDER SECTION 1125(b).

* * *

THIS FIRST DISCLOSURE STATEMENT OF DEBTOR IS SUBMITTED TO ALL CREDITORS OF DEBTOR ENTITLED TO VOTE ON THE DISCLOSURE STATEMENT HEREIN DESCRIBED AND CONTAINS INFORMATION THAT MAY AFFECT YOUR DECISION TO ACCEPT OR REJECT DEBTOR'S DISCLOSURE STATEMENT UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE. THIS DISCLOSURE STATEMENT IS INTENDED TO PROVIDE ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE AS TO DEBTOR'S DISCLOSURE STATEMENT. ALL CREDITORS AND INTEREST HOLDERS ARE URGED TO READ THIS DISCLOSURE STATEMENT AND ATTACHMENTS WITH CARE AND IN ITS ENTIRETY.

Pursuant to Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., Debtor and Debtor-in-Possession in the above-captioned and numbered cases hereby respectfully proposes the following Disclosure Statement of Debtor.

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I. INTRODUCTION AND DEFINITIONS

A. Introduction

The Plan is attached and incorporated herein as Exhibit "A."

B. Definitions

1.01 Administrative Expense Claims: Claims which arise from those expenses described in Section 503 of the Bankruptcy Code.

1.02 Allowed Claim: A claim with respect to which: (a) a proof of claim has been filed with the Court on or before the bar date fixed by the Court, or (b) Debtor has scheduled in a list of creditors prepared and filed with the Court pursuant to Rule 1007 and such claim not listed as disputed, contingent, or unliquidated as to amount; and in either case, a claim: (i) to which no objection has been timely filed by any party-in-interest, or (ii) that has been allowed by order of the Court that has become final and is no longer subject to appeal.

1.03 Allowed Priority Claim: An Allowed Claim for which the holder asserts and is determined to be entitled to priority under Section 507, *et seq.*, of the Bankruptcy Code in an amount allowed by final order of the Court. The 507 (a)(8) Priority Claim of IRS.

1.04 Allowed Secured Claim: A Secured Allowed Claim against Debtor held by a creditor that is secured by a lien on property of the Debtor. Herring Bank Class 1 and Poole Class 2 Claims.

1.05 Allowed Unsecured Claim of General Creditors: An Unsecured Allowed Claim against Debtor that is not an Allowed Priority Claim or an Allowed Unsecured Claim of a creditor. Class 3 claims.

1.06 Allowed Unsecured Claims of Insiders: An Unsecured Allowed Claim against Debtor that is held by an Insider. Class 4 Claims.

1.07 Bankruptcy Code: The United States Bankruptcy Code as codified at 11 U.S.C. § 101, *et seq.*

1.08 Causes of Action: Causes of action held by Debtor against third parties, including causes of action arising under Chapter 5 of the Bankruptcy Code.

1.09 Confirmation: Approval of the Plan by the Court, which shall occur the date upon which the Confirmation Order is entered.

1.10 Confirmation Order: The order of the Court confirming the Plan of Reorganization.

1.11 Consummation: The time when the last act required under the Plan has been completed.

1.12 Danny and Angela Poole: The holders of the arbitration award in the amount of \$1,595,566.30 obtained on November 24, 2015 against Sinola, LLC and confirmed by the 84th District Court of Dallam County, Texas on December 1, 2015.

1.13 Debtor: Sinola, LLC, a Texas Limited Liability Company.

1.14 Effective Date: Ten (10) days following the date of the hearing on Confirmation of Debtor's Plan.

1.15 Equity Holders: Holders of any common stock or other equity securities or interests (including without limitation any options, warrants, or LLC interests) issued pre-petition by Debtor, other than holders of any equity securities which have preference rights over general equity securities. The Class 5 Claim.

1.16 Herring Bank: Herring Bank - Amarillo, Texas, the Secured Creditor holding s secured interest in #14 Kingsridge, Amarillo, Potter County, Texas. The Class 1 Claim.

1.17 Insider: Insider is given the meaning set forth under Section 101(31) of the Bankruptcy Code.

1.18 Petition Date: The date on which Debtor filed its petition for relief - December 7, 2016.

1.19 Poole Claim: The arbitration award in the amount of \$1,595,566.30 obtained by Danny and Angela Poole on November 24, 2015 against Sinola, LLC and confirmed by the 84th District Court of Dallam County, Texas on December 1, 2015. The Class 2 Claim.

1.20 Reorganized Debtor: Debtor on and after the Effective Date.

1.21 Retained Assets: Any assets of Debtor which will revert in Debtor on the Effective Date, subject to the terms and provisions of the Plan.

1.22 Secured Claims: Allowed secured claims of any creditor whose claim is secured by a valid, perfected security interest in pre-petition property of Debtor. The Class 1 and Class 2 Claims.

1.23 Sinola Custom Homes: The DBA (doing business as) of Sinola, LLC.

1.24 Unclassified Claims: Claims which pursuant to Section 1123(a)(1) of the Bankruptcy Code are not classified and which includes collectively all claims accorded priority pursuant to Sections 507(a)(1), 507(a)(2), and 507(a)(8) of the Code.

1.25 Unsecured Insider Creditors: All Insider Creditors holding unsecured claims.

II. HISTORICAL BACKGROUND

A. Introduction

Debtor was created on 10/04/2011 as a Texas limited liability company to contract, design and build custom executive homes. Roger L. Hunter is the sole member and manager of the Debtor. Mr. Hunter has been designing luxury homes for over 30 years. At the time of the filing of Debtor's petition, Debtor was still actively engaged in the construction of a 6 plus million dollar custom executive home.

B. Circumstances Leading to the Bankruptcy

On 11/24/2015 after a lengthy and costly proceeding Danny and Angela Poole obtained an arbitration award in the amount of \$1,595,566.30 against the Debtor which was confirmed by the 84th District Court of Dallam County, Texas on December 1, 2015.

In order to protect its current home construction projects from disruption, Debtor filed for Chapter 11 protection. This was to allow for the marketing and sale of completed properties and the completion of a 6 plus million dollar custom executive home.

C. Activity in the Bankruptcy

12/07/15: Debtor filed its Chapter 11 Petition in Bankruptcy
12/31/15: Order granting application to employ Bill Kinkead as attorney for Sinola, LLC
01/04/16: Schedules and required documents filed
01/20/16: 4141, LLC filed motion to lift stay as to real property at #9 Kingsridge
01/20/16: December MOR filed
02/03/16: Pooles filed motion for 2004 examination of Debtor and Roger Hunter
02/03/16: Debtor and Pooles filed objections to 4141, LLC's motion to lift stay
02/12/16: Hearing held on 4141, LLC's motion to lift stay
02/20/16: Court granted 4141 LLC's motion to lift stay
02/22/16: January MOR filed
03/01/16: Roger Hunter and Hunter Custom Homes, LLC filed objection to Poole's 2004 motion
03/02/16: Debtor filed objection to Poole's 2004 motion
03/15/16: Hearing held on Poole's 2004 motion
03/21/16: Order entered granting Poole's 2004 motion
03/21/16: February MOR filed
04/20/16: March MOR filed
05/20/16: April MOR filed
06/27/16: May MOR filed
06/30/16: Pooles file motion to convert to chapter 7 or to grant Pooles derivative standing
07/01/16: Pooles requested to file and serve notice of hearing
07/01/16: Pooles file motion for expedited hearing
07/07/16: Order entered granting motion for expedited hearing for 07/14/16
07/08/16: Motion to continue hearing on Poole motion to convert et al. filed by Roger Hunter
07/10/16: Debtor filed motion to continue hearing on Poole motion to convert et al.
07/11/16: Hearing on Hunter's and Debtor's motion to continue set for 07/14/16
07/11/16: 4141, LLC withdraws its secured claim citing claim fully satisfied
07/11/16: Hunter files objection to Pooles motion to convert et al.
07/11/16: Debtor files objection to Pooles motion to convert et al.

D. Debtor's Current Status

The day-to-day operations of the Debtor are managed by Roger L. Hunter, who is the sole member and manager of the Debtor

Debtor currently is in the process of actively marketing the real property located at #14

Kingsridge, Amarillo, Potter County, Texas and is actively investigating potential preference claims and other avoidance actions in order to recover payments to the Estate made within the preference period and after the Petition date.

Debtor is filing its monthly operating reports and is paying its quarterly payments to the U.S. Trustee.

III. SUMMARY OF THE PLAN

Debtor will market and sell the property at #14 Kingsridge in Amarillo, Texas with the proceeds from the sale used to pay the secured note of Herring Bank and the balance to the Estate.

Debtor will actively investigate and pursue Chapter 5 actions after confirmation through declaratory judgment actions and apply proceeds from any recovery to pay administrative, secured and priority claims in full and apply the balance of proceeds to pro rata payment of allowed unsecured claims.

A. Methodology for Cash Flow Analysis

Debtor has analyzed payments made by the Debtor during the preference period and determined that it is possible to recover all or a large portion of a prepaid lease payment in the amount of \$90,000.00 and some payments made to creditors constituting non-defensible preferences.

B. Basic Concepts of the Plan

Debtor will sell its real property located at #14 Kingsridge, Amarillo, Potter County, Texas and through preference claims and other avoidance actions, where appropriate, to recover payments made during the preference period and post-petition for the benefit of the Estate and payment toward allowed claims. This will be done through declaratory judgment actions to save time and expense.

IV. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

The treatment of creditors holding claims against Debtor will be treated as follows:

A. Administrative and Priority Claims

4.01. Unclassified Administrative Claims. Administrative Expense Claims which are accorded priority pursuant to Section 507(a)(1) and Allowed Claims under 507(a)(2) are not impaired and shall receive cash in the full amount of each such claim on the later of: (i) the Effective Date, or (ii) ten days after such claim becomes an Allowed Claim, unless the holder of the claim agrees to less favorable treatment. It is not believed that there are any such claims in this category other than administrative claims owing Debtor's counsel and Debtor's other retained professionals, which claims will be paid subject to Court approval.

4.02. Unclassified Tax Claims. Allowed Priority Claims pursuant to Section 507(a)(8) are impaired and shall be paid as follows:

1. Except as may otherwise be agreed to by the parties, payment of such claims will commence on the effective date.

2. The **Allowed Priority Claim of the Internal Revenue Service** in the amount of \$34,000.00 under Section 507(a)(8) of the Bankruptcy Code shall be paid in full, without interest, in 12 equal monthly installments of \$2,833.33 beginning October 1, 2016.

3. Within sixty (60) days after the Effective Date, the Reorganized Debtors shall file objections to the allowance of any claim pursuant to Section 507(a)(8) that is disputed. On the tenth (10th) day after the entry of a final order allowing the amount, if any, of such claim, the allowed portion of all such disputed claims shall be paid over a period of twelve (12) months in equal monthly installments.

4. Notwithstanding the foregoing, if funds are available the IRS 507(a)(8) claim may be paid at the discretion of the Debtor in full at any time.

4.03 Allowed Priority Claims under Section 507(a)(3) to (a)(7) of the Bankruptcy Code shall be paid in cash in full on the Effective Date of the Plan, or as soon thereafter as reasonably practical, unless otherwise agreed by the applicable claimant. There are no claims in this category.

B. Secured Claims

4.04. Class 1. Treatment of Herring Banks Secured Claim. Herring Bank's interests and rights with respect to their collateral located at #14 Kingsridge in Amarillo will be governed and restricted according to the terms and provisions of the Plan, and any post-confirmation documentation required by the Plan. The Secured Creditor will retain its respective security interest in the collateral securing its claim. The Secured Claim of Herring Bank will be treated pursuant to the terms and conditions of its loan documents. The \$505,000.00 scheduled secured claim will be paid from the proceeds of the sale of the property at #14 Kingsridge. To the extent that there is a deficiency on the sale,

Herring Bank will be allowed a general unsecured claim in the amount of the deficiency. Class 1 is impaired.

4.05. Class 2. Treatment of the Poole Secured Claim. The Poole Claim in the amount of \$1,595,566.30 will be allowed as secured to the extent that the Pooles are determine to have a legal security interest in property of the Estate. To the extent that the claim is not fully secured, the unsecured portion will be allowed as a general unsecured claim. The Secured portion of the claim will be paid out of the proceeds of the property securing the claim. Any unsecured claim will be treated and paid as a general unsecured claim. Class 2 is impaired.

C. Unsecured Claims

4.06: Class 3. General Unsecured Claims. The Allowed Claims of Unsecured Creditors, if they are found to exist, are impaired and will be will be paid by Debtors pro rata, without interest, out of the proceeds of avoided transfers as such funds are recovered. Debtor must object to the claims of General Unsecured Creditors prior to sixty (60) days after the Effective Date. Class 3 is impaired under the Plan.

4.07. Class 4. Allowed Unsecured Claims of Insiders, if any, will be paid by Debtor pro rata only after all administrative, priority, secured and general unsecured claims are paid in full. Class 4 is impaired. Debtor is not aware of any claims at this time.

D. Equity Interests

4.08. Class 5. Equity Holder of Debtor will retain his interests. The Equity Holder of Debtor with his respective interest is: Roger Hunter – 100.00%. Class 5 is impaired under the Plan.

V. ACCEPTANCE OR REJECTION OF PLAN

The Bankruptcy Code requires Debtor to divide creditors into classes. That is, creditors with similar legal rights are put into the same class. All creditors and the classes they are in are shown in Section IV above.

A. Classes Entitled to Vote on the Plan

After reading this Plan and Disclosure Statement, Creditors will have the right to vote on whether the Bankruptcy Code should confirm this Plan.

Each creditor should read this Combined Plan and Disclosure Statement carefully, discuss it with a lawyer, and then fill out the ballot that is attached. Debtor will assemble the ballots and report to the Bankruptcy Judge on _____. The Court will conduct the “Confirmation Hearing” in this case to decide whether to confirm the Plan on _____ at the Bankruptcy Court, _____, Amarillo, Texas.

B. Right to Object to this Disclosure Statement

If a creditor believes this Disclosure Statement does not contain sufficient information to decide whether to vote for or against the Plan, the creditor may file a written objection with the Bankruptcy Court.

C. Right to Object to the Confirmation of the Plan

If a creditor believes that the Plan does not meet the requirements of the Bankruptcy Code, the creditor may file a written objection with the Bankruptcy Court. The deadline for objections has been set for _____.

D. The Court May Approve this Plan and Limit Creditor’s Legal Rights

The Court will consider only written objections that are timely filed and ballots that are timely filed. If no objections are filed (or if all objections are overruled by the Court) and at least one (1) class of creditors accepts the Plan, the Court may approve the Plan. If the Court approves the Plan, all creditors will be bound, even if a Creditor did not vote and even if a creditor voted against the Plan. This means that a creditor will not be allowed to collect its claim against Debtor except as provided in the Plan.

E. Requirement for Accepting Plan

Each class is considered separately. Only the creditors who vote are counted. The Court will conclude that the class “accepts” the Plan if two requirements are met: (a) more than 50% of the voting creditors vote in favor of the Plan; and (b) those creditors voting in favor of the Plan hold at least two-thirds (2/3) of the total amount of the debt that is voted.

F. Determining Creditor Treatment

The list of Debtor’s creditors and how Debtor proposes to classify them under the Plan is set forth in Section IV above. Debtor reserves the right to reclassify claims prior to Confirmation. Upon determining in which class Debtor has placed a creditor, the creditor should review Section IV of this Disclosure Statement to determine the proposed treatment of creditor’s claim. All claims that Debtor agrees to pay (or that are disputed) are listed in Section IV above. A creditor who is not listed and believes they should be should immediately seek legal assistance and should provide notice to Debtor’s counsel of their claim.

VI. EFFECT OF CONFIRMATION

A. Discharge

The rights afforded in the Plan and the treatment of all Claims and Interests shall be in exchange for and in complete satisfaction, discharge, and release of all Claims of any nature whatsoever against Debtor and any of its property, including the Retained Assets; and, except as otherwise provided in the Plan, upon the Effective Date, Debtor shall be deemed discharged and released to the extent permitted by § 1141 of the Bankruptcy Code from any and all Claims, including but not limited to demands and liabilities that arose before the Effective Date, and all debts of the kind specified in § 502(g), 502(h), or 502(i) of the Bankruptcy Code, whether or not: (a) a proof of Claim based upon such debt is filed or deemed filed under § 501 of the Bankruptcy Code; (b) a Claim based upon such debt is allowed under § 502 of the Bankruptcy Code; or (c) the holder of a Claim based upon such debt has accepted the Plan. Except as provided in the Plan, the Confirmation Order shall be a judicial determination of discharge of all liabilities of Debtor. As provided in § 524 of the Bankruptcy Code, such discharge shall void any judgment against Debtor at any time obtained to the extent it relates to a Claim discharged, and operates as an injunction against the prosecution of any action against Debtor, or its property, including the Retained Assets, to the extent it relates to a Claim discharged.

B. INJUNCTION AGAINST HOLDERS OF CLAIMS AGAINST DEBTOR

CERTAIN INDIVIDUALS AND ENTITIES MAY BE LIABLE FOR PAYMENT OF SOME OF THE DEBTS OF DEBTOR AS GUARANTORS OR CO-DEBTORS. PURSUANT TO THE PLAN, GUARANTORS SHALL REMAIN LIABLE IN THEIR CAPACITY AS GUARANTORS ON ANY DEBT FOR WHICH THEY WOULD BE LIABLE UNDER STATE LAW OR THE RELEVANT LOAN DOCUMENTS. HOWEVER, PER THE PROVISIONS OF THIS PLAN AND THE ORDER CONFIRMING THIS PLAN, ALL CREDITORS RECEIVING PAYMENT OF THEIR CLAIMS SHALL BE ENJOINED FROM DIRECTLY PURSUING THE GUARANTORS OR CO-DEBTORS FOR COLLECTION OF THE UNDERLYING CLAIMS SO LONG AS DEBTOR IS CURRENT WITH ITS PAYMENT OBLIGATIONS PURSUANT TO THE PLAN.

SPECIFICALLY, UPON CONFIRMATION OF THE PLAN, ALL CREDITORS OF DEBTOR HAVING AN ALLOWED CLAIM HEREIN SHALL BE TEMPORARILY ENJOINED, PURSUANT TO SECTION 105 OF THE CODE, FROM PROCEEDING AGAINST ANY OFFICER, DIRECTOR, SHAREHOLDER, EMPLOYEE, OR OTHER RESPONSIBLE PERSON OF DEBTOR, INDIVIDUALLY, INCLUDING, BUT NOT LIMITED TO, ROGER L. HUNTER, FOR THE COLLECTION OF ALL OR ANY PORTION OF THEIR ALLOWED CLAIM, SAID INJUNCTION TO REMAIN IN EFFECT ONLY FOR SO LONG AS DEBTOR COMPLIES WITH THE TERMS OF THE PLAN. ANY VIOLATION OF THE PLAN THAT REMAINS UNCURED FOR SIXTY (60) DAYS AFTER RECEIPT BY DEBTOR OF WRITTEN NOTICE FROM ANY PARTY AFFECTED BY SUCH VIOLATION, SHALL AUTOMATICALLY AND WITHOUT ORDER OF THE COURT RESULT IN THE DISSOLUTION OF THE INJUNCTION GRANTED HEREUNDER AS TO SAID AFFECTED PARTY.

ROGER L. HUNTER IS A MEMBER OF DEBTOR. HE SHARES AN IDENTITY AND INTERESTS SUCH THAT A SUIT AGAINST HIM IS ESSENTIALLY A SUIT AGAINST DEBTOR. A THIRD-PARTY ACTION AGAINST HIM OR OTHER OFFICERS OR DIRECTORS WILL HAVE AN ADVERSE IMPACT ON DEBTOR'S ABILITY TO

ACCOMPLISH REORGANIZATION. HIS EFFORTS ARE ESSENTIAL TO THE SUCCESSFUL COMPLETION OF THE PLAN AND THE PROTECTION OF THE INTERESTS OF ALL CREDITORS.

C. Vesting of Property in the Reorganized Debtor

On the Effective Date, all property of Debtor shall vest in the Reorganized Debtor free and clear of all liens, claims, interests, and charges arising on or before the confirmation of the Plan, except as provided in this Plan or in the confirmation order on the condition that the Reorganized Debtor comply with the terms of the Plan, including making all payments to creditors provided for in this Plan. If the Reorganized Debtor defaults in performing under the provisions of this Plan and this case is converted to a case under Chapter 7 prior to substantial consummation of this Plan, all property vested in the Reorganized Debtor and all subsequently acquired property owed as of or after the conversion date shall re-vest and constitute property of the bankruptcy estate in the converted case.

Further, the Plan provides the most inexpensive and expedient means to provide the maximum payment to creditors out of the Estate. To allow pursuit of guarantors on debts that are being paid in full pursuant to the Plan is counterproductive and an inefficient use of resources and is enjoined only so long as Debtor is in compliance with its confirmed Plan.

VII. CAUSES OF ACTION

A cause of action that arises against a party from conduct for which a Debtor is not jointly liable, and which is not provided for in this Plan, is not enjoined. This specifically includes Chapter 5 causes of action arising under the Bankruptcy Code, or state law, that will be reserved to Debtor upon confirmation.

On the Effective Date, all rights and Causes of Action under §§ 502, 542, 544, 545, 546, 548, 550, and 553 of the Bankruptcy Code, preference claims under § 547 of the Bankruptcy Code, fraudulent transfer claims under § 548 of the Bankruptcy Code, and all other claims and causes of action of Debtor's estate against any Person as of the Confirmation Date shall be preserved and transferred and assigned to the Reorganized Debtor. Such Causes of Action include, but are not limited to Debtor's rights to avoid and recover transfers of an interest in property of Debtor made by or on behalf of Debtor in the ninety (90) days prior to the Petition Date (or in the case of insiders, in the one year prior to the Petition Date). Such transfers will be identified in Debtor's Amended Statement of Financial Affairs.

On the Effective Date, the Reorganized Debtor shall be authorized and shall have the power to bring any and all such Causes of Action. All recoveries, if any, received from or in respect of the Causes of Action (whether by settlement, judgment or otherwise) shall become and be property of the Reorganized Debtor to be distributed in accordance with the Plan. To the extent permitted under law, all rights under § 363(h) of the Bankruptcy Code are also preserved for the benefit of Debtor's estate, and the Reorganized Debtor shall have the right to exercise those rights subject to Bankruptcy Court approval. The Reorganized Debtor may prosecute, settle or dismiss rights, claims, or causes of action as the Reorganized Debtor sees fit and all proceeds therefrom shall be the property of the Reorganized Debtor, except as expressly released within this Plan. Debtor, its management, attorneys, and other professional advisors shall have no liability to any entity or parties claiming through Debtor for pursuing or not pursuing any such rights, claims, or causes of action vested in the Reorganized Debtor pursuant to the Plan.

A. Preferences

Section 547 of the Bankruptcy Code allows a debtor to recover certain payments known as “voidable preferences.” A “voidable preference” is a payment made within ninety (90) days prior to bankruptcy (or within one year of the bankruptcy for insiders) on an antecedent debt while the debtor is insolvent which allows a creditor to recover more than it would have if the payment had not been made and the debtor’s assets were liquidated under Chapter 7. Certain payments are protected from recovery as preferences. These include payments made in the ordinary course of business and upon ordinary business terms, and payments representing a substantially contemporaneous exchange. Debtor made the payments identified in its Statement of Financial Affairs to certain creditors during the ninety (90) days for non-insiders and 365 days for insiders prior to bankruptcy. After the Confirmation Date, the Reorganized Debtor, in its sole discretion, will make decisions regarding pursuit of litigation to pursue recovery of such payments under 11 U.S.C. § 547.

B. Fraudulent Conveyances/Post-Petition Transfers

Provisions of the Bankruptcy Code allow a debtor to recover certain payments known as “fraudulent conveyances.” A fraudulent conveyance is a transfer made within two (2) years of bankruptcy (or up to four years under state law) while the debtor was insolvent, which either was made with fraudulent intent or was made without receiving reasonably equivalent value.

After the Confirmation Date, the Reorganized Debtor will make decisions regarding pursuit of these transfers under 11 U.S.C. § 548 and other applicable law.

Section 549 of the Bankruptcy Code allows a debtor to recover post-petition transfers which were made without court approval.

C. Other Litigation

As of the date of the filing of this Disclosure Statement, Debtor is not involved in any litigation, either as a plaintiff or as a defendant.

D. Potential Parties

Debtor reserves the right to pursue a Cause of Action described in this section against any liable party. Debtor is still in the process of investigating potential Causes of Action.

E. Disclaimer

Debtor has attempted to disclose all material Causes of Action, including avoidance and other actions under Chapter 5 of the Bankruptcy Code, that it may hold against third parties. However, Debtor has not performed an exhaustive investigation or analysis of potential claims against third parties. Additionally, any and all of the herein described Causes of Action may have defenses, partial or total, to recovery by Debtor and/or the Reorganized Debtor. Accordingly, the ultimate resolution of such claims may result in zero distributable assets being received by Debtor and/or the Reorganized Debtor. It is the contemplation of the Plan that such investigation and analysis will occur post-confirmation by the Reorganized Debtor. Debtor may hold other potential claims or causes of actions against third parties that Debtor has not disclosed herein. You should not rely on the omission of the disclosure of a claim to assume that Debtor holds no claim against any third party, including any creditor that may be reading this

Disclosure Statement and/or casting a ballot. Unless expressly released by the Plan, any and all such claims against third parties are specifically reserved and transferred to the Reorganized Debtor. Debtor's failure to identify a claim herein is specifically not a waiver of any claim or cause of action. Debtor will not ask the Court to rule or make findings with respect to the existence of any cause of action or the value of the entirety of Debtor's estate at the confirmation hearing; accordingly, except claims which are expressly released by the Plan, Debtor's failure to identify a claim herein shall not give rise to any defense of judicial estoppel or res judicata with respect to claims which could be asserted against third parties, including creditors of Debtor which may be reading this Disclosure Statement and/or casting a ballot. When casting your ballot, you should consider and take into account the possibility that Debtor may hold a claim against you that will be transferred to the Reorganized Debtor and, if the Reorganized Debtor deems advisable, fully pursued post-confirmation.

VIII. IMPLEMENTATION OF PLAN

Upon confirmation, on the Effective Date Debtor will take such actions, and execute such documents, as are necessary to implement the Plan. The claims of all creditors will be paid directly by Debtor as provided in this Plan. The Effective Date of the Plan shall be eleven (11) days following entry of an order confirming the Plan or such other date as Debtor may set.

A. Administrative Expenses and Fees

As of the date of Confirmation, Debtor anticipates that it will owe administrative professional fees to the United States Trustee and its attorneys totaling about \$30,000. Each person/professional asserting a fee claim for services rendered or expenses incurred during Debtor's Chapter 11 proceeding shall file with the Bankruptcy Court, and serve on the United States Trustee, Debtor and its counsel, a fee application within fifteen (15) days after confirmation of Debtor's Plan.

Debtor will have cash on hand as of the Effective Date that will be sufficient to pay any administrative claims.

Unless otherwise agreed by the holder of an administrative claim and his professionals, each shall receive from Debtor the amount of its allowed claim payable within ten (10) days from the latter of fifteen (15) days after confirmation of the Plan or after the Bankruptcy Court's approval of their respective fee applications.

B. Executory Contracts / Leases

Debtor will assume insurance contracts and all other executory contracts beneficial to the Estate.

C. Operating Reports Post-Confirmation

Debtor shall continue to file operating reports with the Court until the entry of a final decree closing its case. Debtor shall also continue to pay any and all United States Trustee fees imposed under the Bankruptcy Code as and when such fees become due until a final decree is entered in its case.

The Reorganized Debtor shall timely pay on the Effective Date all pre-confirmation quarterly fees owed to the United States Trustee. The Reorganized Debtor also shall timely pay post-confirmation quarterly fees assessed under 28 U.S.C. § 1930(a)(6) until such time as the Bankruptcy Court enters a final decree closing this Chapter 11 case, or enters an order either converting this case to a case under

Chapter 7 or dismissing this case. After Confirmation, the Reorganized Debtor shall timely file with the Bankruptcy Court and, shall transmit to the United States Trustee, a true and correct statement of all disbursements for each quarter, or portion thereof, that this Chapter 11 case remains open in a format prescribed by the United States Trustee.

IX. FEASIBILITY AND ALTERNATIVES TO CONFIRMATION

A. Feasibility

Debtor's Plan is feasible because Debtor will have sufficient cash on hand and sufficient cash from recovery on preference claims after confirmation to fund the obligations under the Plan. Secured Creditors holding claims against Debtor will get 100% of the secured value of their allowed secured claims. Administrative, Tax and Priority Claims will be paid in full. Unsecured Creditors will receive the balance of the funds in the Estate pro rata after the aforesaid Claims are paid in full.

B. Liquidation Analysis

There are generally two alternatives to confirmation of the Plan: liquidation or dismissal. Liquidation, however, can be achieved through either a Chapter 7 or a Chapter 11 Plan of Liquidation. If the case is converted to a Chapter 7 the fair market value of the real property located at #14 Kingsridge would not likely be realized with a resulting deficiency claim by the Secured Creditor. If the case is dismissed and the Secured Creditor is allowed to foreclose, Debtor does not believe there will be any equity realized to pay unsecured debts. The property needs to be sold in the Chapter 11 to garner the greatest number of capable and willing buyers, and to allow recovery of funds to the Estate through avoidance actions under the Bankruptcy Code.

X. TAX CONSEQUENCES

Debtor suffers no adverse tax effects because of the Plan. Creditors should consult their own tax advisors.

XI. SOLICITATION FOR APPROVAL

[IGNORE THIS PARAGRAPH UNTIL THIS DOCUMENT IS APPROVED AS A DISCLOSURE STATEMENT. NO PARTY IS AUTHORIZED OR ALLOWED TO SOLICIT SUPPORT FOR THIS PLAN ON BEHALF OF DEBTOR UNTIL THIS DISCLOSURE STATEMENT IS APPROVED.]

Please Vote for this Plan.

Debtor asks that the Creditors vote in favor of this Plan because it will allow Debtor to pay all of its creditors in full and still stay in business. Debtor thinks that this is more than the creditors will receive if the Plan is not confirmed. If the Plan is not confirmed, Debtor does not believe Junior Secured Creditors or Unsecured Creditors will receive any distribution.

REMEMBER THAT THE DEADLINE FOR BALLOTS IS _____

Mail your ballot to: KINKEAD LAW OFFICES
Attention: Bill Kinkead
6937 Bell, Suite G
Amarillo, Texas 79109

Creditors should talk to a lawyer about their rights and the responsibility in this case. Creditors should have their lawyers call the lawyer for Debtor. Debtor's lawyer is: Bill Kinkead; telephone: 806-206-6342, facsimile: 806-353-4370.

If a creditor does not have a lawyer, but still wants more information, that creditor can call Debtor's lawyer directly. HOWEVER, REMEMBER THAT DEBTOR'S LAWYER CANNOT GIVE CREDITORS LEGAL OR FINANCIAL ADVICE BECAUSE DEBTOR'S LAWYER REPRESENTS DEBTOR, NOT CREDITORS.

Dated: **July 13, 2016**

Respectfully submitted,

SINOLA, LLC. (Plan Proponent)

By: **/s/ Roger L. Hunter**
Roger L. Hunter, Managing Member
Sinola, LLC

Bill Kinkead, SBN 11477400
KINKEAD LAW OFFICES
6937 Bell St., Suite G
Amarillo, Texas 79109
(806) 206-6342; (806) 353-4370 Fax
bkinkead713@hotmail.com

By: **/s/ Bill Kinkead**
Bill Kinkead

Counsel for Sinola, LLC

**NOTICE OF RIGHT TO OBJECT AND HEARING
ON DEBTOR'S DISCLOSURE STATEMENT**

OBJECTIONS TO THE DEBTOR'S DISCLOSURE STATEMENT MAY BE FILED BY ANY PARTY-IN-INTEREST. THE DEADLINE FOR FILING OBJECTIONS TO THE DEBTOR'S DISCLOSURE STATEMENT IS **AUGUST 10, 2016**. ANY OBJECTIONS OR OTHER RESPONSE TO DEBTOR'S DISCLOSURE STATEMENT MUST BE FILED WITH THE U. S. BANKRUPTCY CLERK FOR THE NORTHERN DISTRICT OF TEXAS, AMARILLO DIVISION AT 205 EAST FIFTH STREET, ROOM 133, AMARILLO, TEXAS 79101-1559, AND ALSO SERVED UPON THE UNDERSIGNED ATTORNEY-OF-RECORD FOR DEBTOR.

NO HEARING WILL BE CONDUCTED ON DEBTOR'S DISCLOSURE STATEMENT IN THE FIRST DISCLOSURE STATEMENT OF SINOLA, LLC. - Page 13

ABSENCE OF A TIMELY FILED OBJECTION. IF NO OBJECTIONS ARE FILED IN A TIMELY MANNER, THE COURT MAY APPROVE DEBTOR'S DISCLOSURE STATEMENT WITHOUT FURTHER NOTICE OR HEARING. IF AN OBJECTION IS TIMELY FILED, THE MATTER WILL BE HEARD BY THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS, AMARILLO DIVISION, ON **AUGUST 11, 2016 AT 1:30 P.M. AT THE FOLLOWING ADDRESS: U.S. BANKRUPTCY COURT, THIRD FLOOR COURTROOM, 205 SOUTHEAST FIFTH AVENUE, AMARILLO, TEXAS 79101.**

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the above and foregoing document with attached exhibits was this **13th day of July, 2016** served electronically on all appropriate parties in accordance with Bankruptcy Rules through the court's CM/ECF filing system, by electronic mail or by U.S. first class mail, postage prepaid.

/s/ Bill Kinkead
Bill Kinkead, Attorney for Debtor