

St. Clair Newbern, III
THE LAW OFFICES OF
ST. CLAIR NEWBERN, III, P.C.
P.O. Box 101477
Fort Worth, Texas 76109
Telephone: (817) 870-2647
scniii@me.com
ATTORNEYS FOR DEBTORS
6888.12(b)

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

IN RE:)	IN PROCEEDINGS UNDER
)	
STEPHEN ELTON LEACH)	
aka STEVE LEACH; dba CEDAR HILL)	
STORAGEKING, LLC; dba)	CHAPTER 11
STORAGEKING USA, LLC; dba)	
SAGINAW STORAGEKING OLD)	
DECATUR RD., LP and)	
SHEILA KAY LEACH,)	
)	
DEBTORS)	CASE NO. 15-43307-RFN-11

SECOND AMENDED DISCLOSURE STATEMENT

(Dated: September 12, 2016)

INDEX TO SECOND AMENDED DISCLOSURE STATEMENT

	<u>Page</u>
I. General Information	4
II. Background Information	6
A. Pre-Petition Activity	6
B. Post-Petition Activity	8
C. Source of Information	11
III. The Plan of Reorganization	13
A. Classification of Creditors	13
B. Provisions for Satisfying Claims of Creditors and Interest Holders	16
C. Executory Contracts and Unexpired Leases	28
D. Confirmation Under Section 1129(a) and “Cram Down” Provisions of Section 1129(b)	28
1. Section 1129(a)	28
2. Section 1129(b)	29
3. Sections 1124, 1123(a)(5)(G), and 1126	29
E. Objection to Claims	30
F. Modification	30
G. Treatment Regarding Guarantors	31
H. Disclaimer	31
IV. Analysis Of Litigation, Preferences And Voidable Transfers, and Claims Against Insiders	32
A. Pending Litigation	32
B. Preferences and Voidable Transfers	32
C. Potential Litigation	33
V. Financial Information Respecting the Debtors	34
VI. Tax Consequences	35
VII. Funding Of The Plan	36
VIII. Execution Of And Distribution Under The Plan	37

	<u>Page</u>
IX. The Reorganized Debtors	38
X. Consideration In Voting, Alternatives, Risk And Liquidation Analysis	38
A. Consideration in Voting	38
B. Alternatives	38
C. Risk and Liquidation Analysis	39
XI. Recommendations	39
XIII. Financial Appendices:	
A. Financial Appendix 1 (FA-1) Schedule of Assets and Liabilities	
B. Financial Appendix 2 (FA-2) Summary of Claims	
C. Financial Appendix 3 (FA-3) Summary of Estimated Distribution	
D. Financial Appendix 4 (FA-4) Summary of Post-Petition Income and Expenses and Available Cash Flow to Fund Plan	
E. Financial Appendix 5 (FA-5) Summary of Post-Petition Monthly Operating Reports	
XIV. Exhibits:	
1. Letter of Intent dated July 14, 2016	

I.

GENERAL INFORMATION

Stephen Elton Leach and Sheila Kay Leach, (“Debtors”), Debtors and Debtors-In-Possession herein, provide this Amended Disclosure Statement (“Disclosure Statement”) pursuant to §1125 of the Bankruptcy Code to all of their known creditors, in order to disclose that information deemed by the Debtors to be material, important and necessary for their creditors to arrive at a reasonable, informed decision in exercising their right to vote for acceptance of the Debtors’ Third Amended and Restated Plan Of Reorganization or Debtors’ Modified Plan of Reorganization as may be filed in this case, hereinafter referred to as the “Plan” or “Plan of Reorganization,” filed on September 12, 2016 or after such date, with the United States Bankruptcy Court. The Third Amended and Restated Plan of Reorganization shall satisfy the requirements of Sections 1122, 1123 and 1125 of the Bankruptcy Code.

The Bankruptcy Court has determined that this Disclosure Statement is adequate and contains information sufficient for holders of claims and interests to make an informed judgment about the Plan.

A copy of the Debtors’ Plan and a ballot for voting accompanies this statement. The definitions found in Article I of the Plan are incorporated herein by reference and should be referred to in reading and analyzing the Plan and this Disclosure Statement.

The Court has set a hearing on acceptance of the Plan on the ___th day of _____, 2016, at _____ o'clock, ____M. All creditors will receive a notice of such hearing and may attend the hearing in person or through counsel. A ballot for voting upon such Plan will be transmitted to each class of creditors. The Plan Proponents take the position that certain creditors are impaired by this Plan. Pursuant to 11 U.S.C. § 1126(f), a class of creditors that is not impaired under 11

U.S.C. § 1124 is conclusively presumed to have accepted the Plan. In the event the Court were to determine that one or more Classes are impaired, in order for the Plan to be deemed accepted, creditors that hold at least two-thirds in amount and more than one-half in number of creditors voting in each impaired Class must vote for the Plan.

NO REPRESENTATIONS CONCERNING THE DEBTORS ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. ANY SUCH OTHER OR ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS, WHO, IN TURN, SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE DEBTORS' RECORDS HAVE BEEN AVAILABLE TO THE OFFICE OF THE UNITED STATES TRUSTEE BUT NO CERTIFIED AUDIT HAS BEEN PERFORMED FOR THE FOREGOING REASON, AS WELL AS BECAUSE OF THE GREAT COMPLEXITY OF THE DEBTORS' FINANCIAL MATTERS, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACIES, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

II.

BACKGROUND INFORMATION

A. Pre-Petition Activity

The Debtors are husband (Steve) and wife (Sheila), who have been married for thirty-four (34) years. Steve has flown for American Airlines for over thirty (30) years and is presently a Captain flying international routes on the Boeing 777 airplane. Steve will be taking mandatory retirement the third week of October 2017, when he reaches sixty-five (65). The employment opportunities at that point are not yet fully known, but Steve is in good health and will be exploring such opportunities in the time between now and when he reaches retirement age. Sheila works part-time as an interior decorator. Sheila's income has been sporadic and her contribution to future income is not likely to be meaningful.

Over the past twenty-five (25) years, Steve has invested in several businesses including real estate, commercial car washes and commercial storage facilities. The investments have not been particularly successful, primarily because of the timing of the investments as they related to a very cyclical economy and the demands of Steve's full time job of flying for American Airlines.

1. The car wash (located in Weatherford, Texas) (hereinafter the "Car Wash" and one of the storage facilities, located in Cedar Hill, Texas, (hereinafter "Cedar Hill") were either foreclosed, the "Car Wash", or the subject of a short sale (the Cedar Hill storage facility) leaving large deficiencies owing by the Debtors. The Car Wash deficiency is represented by a proof of claim filed by Point Bank in the amount of \$418,009.92, and is unsecured, making Point Bank the largest unsecured creditor. Wells Fargo has asserted it has larger unsecured claim, arising from the short sale of the Cedar Hill storage facility. Debtors deny such claim, because the Wells

Fargo claim based on the Cedar Hill obligation is secured, but in an amount less than \$500,000.

2. The Cedar Hill storage facility deficiency resulted from a “short sale” in February, 2012, and is represented by a proof of claim filed by Wells Fargo in the amount of \$1,162,209.14 as secured. After the short sale, Steve negotiated a discounted pay off agreement (the “DPO”) on or about February 20, 2013, which provided that by paying approximately \$475,000.00 and securing such payment by certain interests held by the Debtors, the \$1,162,209.14 would be satisfied by payment of an amount that was less than half of the original deficiency. The Plan proposes to cure the default under the Cedar Hill DPO to take advantage of the DPO’s favorable terms. Under the DPO, Wells Fargo agreed to reduce its claim to approximately \$475,000.00 which was to be secured by a lien on a percentage of Leach’s interest in the three investments referred to as North Dallas Holdings, LLC, Wildcat Canyon, LLC and Masterfiles, LLC. Of the three, only North Dallas Holdings, LLC has proven to be of any value to date. A post-petition distribution from North Dallas Holdings, LLC in the fall of 2015 yielded \$457,378.21 which was deposited directly into the Debtor’s attorney’s Trust Account, and held there pending further orders of the Court. The interpretation of what the DPO required of the Debtors has been subject to dispute between the Debtors and Wells Fargo and unless the Debtors and Wells Fargo are able to resolve the dispute, the Court will have to interpret the DPO. The Debtors have had great difficulty in getting Wells Fargo to identify exactly what will be necessary to cure the default under the DPO.

3. Saginaw StorageKing Warehouses. The Debtors, indirectly, through their ownership interest in a limited partnership, operate only one active business, a storage facility in North Fort Worth, Texas known as Saginaw StorageKing Old Decatur Rd., LP, hereinafter referred to as “Saginaw StorageKing”. The Debtors own an interest in the Saginaw StorageKing

by virtue of their 50% ownership of StorageKing USA, LLC which is the General Partner of Saginaw StorageKing Old Decatur Rd., LP and the Debtors own 62.227% of Saginaw StorageKing Old Decatur Rd., LP.

B. Post-Petition Activity

Debtors assert that they are current on most post-petition obligations to all secured creditors, such as their home mortgages, for the first and second (HELOC) mortgages, their car payments, and the payments made on the Saginaw StorageKing to Wells Fargo.

Wells Fargo asserts that it “may be” secured under the Cedar Hill DPO and related Stock Pledge Agreement. Debtors agree that Wells Fargo is secured under the Cedar Hill DPO but that such security is limited by the terms of the DPO, the interpretation of which the Debtors and Wells Fargo have been unable to agree upon. The Court entered an Adequate Protection Order on December 3, 2016 (Docket No. 84) and an Agreed Supplemental Order on December 18, 2015 (Docket No. 91), that requires certain reporting by the Debtors as to: 1) the operating performance of the Saginaw StorageKing facility (which reports are due by the 20th of each month following and that the Debtors assert are reasonably current); and, 2) that the Debtors report any distributions from certain “interests” owned by the Debtors of which there has been only one distribution, a payment of \$457,378.21, which was deposited into Debtors’ counsel’s Trust Account and disbursed only to provide for payment of a post-petition retainer relating to Debtors’ counsel’s attorney fees after an Order Granting Application for Payment of Post-Petition Retainer was entered on December 11, 2015 (Docket No. 90), where \$60,000.00 was set aside for the post-petition retainer. The Court approved \$50,000.00 as an additional post-petition retainer on July 27, 2016 and on August 4, 2016 an Order was entered (Docket No. 201) and a further disbursement from the Trust Account was made.

<u>Deposit Date</u>	<u>Amount</u>
09/16/15	\$ 457,378.21
Less:	\$ 60,000.00 (post-petition retainer)
	\$ 50,000.00 (additional post-petition retainer)
Total:	<u>\$ 347,378.21</u>

Although Wells Fargo is entitled to only one-half of the \$457,378.21 (or \$228,689.11), which is obviously available for distribution to Wells Fargo pursuant to the Debtors' Plan, Wells Fargo has, from time to time, insisted it has a lien on all the money and in so doing has incurred unnecessary attorney fees, causing the Debtors to incur unnecessary attorney fees, and is constantly harassing the Debtors and nitpicking about this or that and demanding reports of non-events, which the Court finally ruled that the Debtors were not required to provide.

To date, Steve Leach has not taken a salary or distribution from Saginaw StorageKing, but it is anticipated that, in order to fund the Plan, periodic distributions from Saginaw StorageKing will, at some point, after October, 2017, when Leach retires from American Airlines, become necessary, contemporaneous with distributions to other interest holders.

The Debtors have filed Monthly Operating Reports ("MORs"), as required by the Office of the United States Trustee. The MORs are summarized in Financial Appendix 5 (FA-5).

Prior to the filing of this Chapter 11, the Debtors began to explore the sale of various assets and explore sources of refinancing various of their assets, principally their interest in the Saginaw StorageKing, LP warehouses which are presently financed with Wells Fargo with the note coming due in August 2018, in order to preserve the value and be better able to perform the Plan of Reorganization that they propose to their creditors. Wells Fargo has constantly sought from the Debtors information as to whom the Debtors are discussing refinancing, but the Debtors have, until recently, declined to share that information on advice of counsel who has found the

sharing of that sort of information with lenders such as Wells Fargo to be a very bad idea.

The Debtors recently arranged for an unrelated entity, Advantage Storage (“Advantage”), to refinance the Wells Fargo secured claim for approximately \$2.36 - \$2.4 Million (The exact amount changing from day to day dependent on when the payoff occurs.) The underpinning of the refinance of the Wells Fargo obligation was outlined in a Letter of Intent, a copy of which is attached as Exhibit “1”, and which has reached the stage where a more formal agreement is coming together and should be fully developed prior to confirmation including acquisition of the general partner and the limited partners interest, other than the Debtors, and the refinance of the Wells Fargo \$2.3 Million note.

Prior to the entry into the Letter of Intent, in June of 2016, serious discussions were begun with Advantage to acquire the limited partnership known as Saginaw StorageKing Old Decatur Road, LP, including both the general and limited partnership interests. By mid-July, 2016, the Letter of Intent (“LOI”) was entered into between Steve Leach and the Investor. The LOI has led to further discussions between the Advantage and Wells Fargo. The Debtors are informed that Wells Fargo is comfortable with Advantage’s ability to refinance the note, but further verification of financing and other terms of the transaction are necessary for Wells Fargo to accept the proposed treatment of the Class 2 creditor as Wells Fargo is designated with regard to the Saginaw obligation. Debtors are informed that a payoff number been tentatively agreed to between Advantage and Wells Fargo, and that the number is less than \$2.4 Million.

The LOI contemplates that Advantage would be willing to provide refinancing in the amount of approximately \$2.4 Million or less to pay off the first lien position now held by Wells Fargo. In order to provide the financing, Advantage will have to acquire the interest of all limited partners with the exception of Leach. Advantage will also acquire the 1% General Partnership

interest held by Leach, in return for releasing Leach from his personal guarantee of the Wells Fargo note. It is believed that the current limited partners will be receptive to the buyout of their approximate 38% interest. The acquisition of the Limited Partners interest is underway and should be accomplished no later than the hearing on Confirmation.

Leach believes the Advantage will be able to develop the Saginaw property profitability and grow the property. Over three to five years, depending on many factors, not the least of which is the economy, to a considerably greater income potential by expanding the facility to utilize the underutilized land, expand existing improvements, and to increase rents and profits, something that had been otherwise impossible while Wells Fargo held the note. Under the proposed agreement, Leach will retain his limited partnership interest, but would cede operating control to Advantage. Leach expects the new General Partner to manage the property in a manner that will provide distributions to cover a significant portion of the reorganization plan payment, thereby assuring feasibility of the proposed Plan.

Advantage has vast industry expertise, presently operating over twenty (20) similar warehouse properties, and has shown flexibility in the structure of the deal and a willingness to make its return on investment on the back end, based on its ability to increase the value and cash flow of the property by refinancing the Wells Fargo debt, expanding the facility and by becoming the General Partner.

C. **Source Of Information**

The financial information contained herein was prepared by the Debtors with assistance from their CPA, David Geron. The historical financial information was obtained from Debtors' books and records, including tax returns and the monthly operating reports filed by the Debtors since their Chapter 11 case was filed on August 17, 2015. The pro-forma information was

prepared based upon the following criteria:

- a. Historical income and expenses, both personal and business;
- b. Debtors' knowledge of the current business environment; and,
- c. Projections of future income and expenses prepared by the Debtors in discussions with their financial advisors. The Debtors have limited future projections in Financial Appendix 4 (FA-4) to the period ending December 2017 because of the uncertainty of what the future will bring and the projections for 2018-2021 are purely speculative with modest adjustments for cost of living increases which cannot be reasonably anticipated that far into the future. The Debtors acknowledge that considerable "belt tightening" will be necessary after Steve Leach retires unless he is able to find work comparable to his pay levels as a 777 pilot at American Airlines, which seems highly unlikely.

Debtor Steve Leach has found part-time work training other pilots in simulators on an hourly basis, that will produce hourly income only in the range of \$50 to \$60 per hour. The hours per week or per month is hard to estimate until Steve reaches full retirement, but at least 20 to 40 hour weeks should be possible resulting in monthly income of a minimum of \$4,000 per month before taxes to be contributed to Steve's retirement income.

The estimated claims were determined from the Debtors' books and records, claims actually filed and discussions with various creditors and with creditors' counsel involved in pending litigation. The accounting method employed in preparing the financial information herein contained is the cash basis method based upon generally accepted accounting procedures.

III.

THE PLAN OF REORGANIZATION

A. Classification of Creditors

The Plan is based upon the Debtors' belief that such Plan is as fair and equitable to each class of creditors as the value of the Debtors' estate will permit.

Class 1 - All allowed administrative claims, including the quarterly fees due pursuant to 28 U.S.C. §1930(a)(6).

Class 2 - The allowed secured claim of Wells Fargo Bank, filed and docketed as Proof of Claim #7, whether arising before or after the filing of the Chapter 11 Petition. This consists of the claim against the Debtor, Steve Leach, as a Guarantor of the Debt of a Limited Partnership by the name of Saginaw StorageKing Old Decatur Road, LP. The debt is secured by property referred to as Saginaw StorageKing located in North Fort Worth, Texas. Wells Fargo has filed a secured claim against the Debtors in the amount of \$2,305,858.23.

Class 3 - The allowed secured claim of Wells Fargo Bank, filed and docketed as Proof of Claim #6, whether arising before or after the filing of the Chapter 11 Petition arising from the Agreement for Discounted Payoff (the "DPO") entered into between the Debtors and Wells Fargo arising from the Cedar Hill Loan made to Stephen Leach. This consists of the claim secured by Debtors' interests in three investments know as or commonly referred to between Leach and Wells Fargo as North Dallas Holdings, LLC, Masterfiles, LLC and Wildcat Canyon, LLC. The claim filed by Wells Fargo is filed as a secured claimed in the amount of \$1,162,209.14, but under the terms of the DPO, which terms the Debtors propose to cure and satisfy, is limited to a claim of less than \$475,000.00 based on the explicit terms of the "DPO."

Class 4 - The allowed secured claim of Frost Bank, whether arising before or

after the filing of the Chapter 11 Petition secured by furniture and equipment in The Point Restaurant located on Lake Worth on the West Side of Ft. Worth. The Point Restaurant is owned by Wildcat Canyon, LLC, of which 52.5% is owned by Stephen Leach and is an interest included in the DPO Agreement referred to in the treatment of the Class 3 Claim of Wells Fargo. The proof of claim filed by Frost Bank indicates a claim of \$13,491.91, and is docketed as Proof of Claim #5.

Class 5 - The allowed secured claim of Frost Bank, whether arising before or after the filing of the Chapter 11 Petition, secured by a second lien (HELOC) on Debtors' Homestead. The proof of claim filed by Frost Bank indicates a claim of \$206,693.19, and is docketed as Proof of Claim #4.

Class 6 - The allowed secured claim of BOKF, NA dba Bank of Texas, whether arising before or after the filing of the Chapter 11 Petition secured by two (2) residential lots in Tarrant County, Texas. The proof of claim, docketed as Proof of Claim #12, indicates a claim of \$164,114.84 (secured amount shows \$116,000.00) the non-secured portion of the claim is indicated to be \$48,114.84, and will be treated as a Class 16 Unsecured Creditor.

Class 7 - The allowed secured claim of BOKF, NA dba Bank of Texas, whether arising before or after the filing of the Chapter 11 Petition secured by The Point Restaurant Property owned by Wildcat Canyon, LLC, of which 52.5% is owned by Stephen Leach. The Proof of Claim #15 indicates a claim of \$322,198.38. Wildcat Canyon, LLC is one of the interests pledged to Wells Fargo in connection with the Class 3 Claim of Wells Fargo.

Class 8 - The allowed secured claim of Tax Ease, for ad valorem taxes, whether arising before or after the filing of the Chapter 11 Petition secured by a lien on Saginaw StorageKing. There has been no claim filed but Tax Ease was scheduled as a secured creditor in the amount of

\$100,000.00.

Class 9 - The allowed secured claim of Chase Home Finance, whether arising before or after the filing of the Chapter 11 Petition, is secured by the Debtors' homestead and is the first lien on the Debtor's homestead. The proof of claim, docketed as Proof of Claim #13, indicates a claim of \$75,309.41.

Class 10 – The allowed secured claim of Eagle Mountain ISD, ad valorem taxes, whether arising before or after the filing of the Chapter 11 Petition secured by real and personal business property. The proof of claim, docketed as Proof of Claim #3, indicates a claim of \$61,133.05.

Class 11 – The allowed claim of EECU, whether arising before or after the filing of the Chapter 11 Petition secured by a 2012 Cadillac CTS.

Class 12 – The allowed secured claim of Capital One Auto Finance, whether arising before or after the filing of the Chapter 11 Petition secured by a 2012 Mercedes Benz. The proof of claim, docketed as Proof of Claim #17, indicates a claim of \$29,688.99.

Class 13 - The allowed claims of governmental units to the extent they are entitled to secured status under § 506 or priority status under § 507(a)(8) of the Code.

Class 14 - All other allowed claims entitled to priority status under § 507(a)(1)-(7) and (9) of the Code.

Class 15 – The allowed secured claim of Tarrant County (ad valorem taxes), whether arising before or after the filing of the Chapter 11 Petition secured by Tarrant County real property. The amended proof of claim, docketed as Proof of Claim #1, indicates a claim of \$6,298.14.

Class 16 – The non-priority allowed unsecured claims. The proof of claims filed or scheduled indicates total claim of approximately \$472,469.25.

B. Provisions for Satisfying Claims of Creditors and Interest Holders

Classes 1, 2, 3, 9, 10, 11, 12 and 13 are not impaired under the Plan.

Classes 4, 5, 6, 7, 8, 14, 15 and 16 are impaired under the Plan.

The claims of the Creditors and Interest Holders of the Debtors will be satisfied as follows:

Class 1 - All Class 1 Administrative Claims, to the extent that same are finally allowed and approved by the Bankruptcy Court, shall be determined and paid in the following manner:

A. Administrative Claims. The allowed amount of an Administrative Claims shall be paid by the Debtors in full in cash, upon the later to occur of (i) the Effective Date of the Plan, (ii) thirty (30) days following the entry of an order determining the extent and allowability of such claims, (iii) pursuant to its contractual terms, or (iv) upon such other terms as may be agreed upon between the Trustee and the holders of such claims.

B. Time For Filing Administrative Claims. The holder of an Administrative Claim, other than a professional service expense must file with the Bankruptcy Court, and serve on the Debtors, its counsel, the U.S. Trustee, and any party filing a Notice of Appearance, the Purchaser and its counsel, a notice of such administrative claim (herein "Notice") within thirty (30) days of the Effective Date of the Plan. Such notice must include at a minimum (a) a statement of the date the liability for the claim was incurred; (b) the holder of the claim; (c) the amount of the claim; and (d) the basis of the claim. **Failure to file timely and properly serve the Notice required under this section of the Plan shall result in the administrative claim being forever barred, discharged and disallowed.**

C. Time For Filing Fee Claims. Each professional person who holds, or asserts, an Administrative Claim that is a claim for compensation for services rendered and reimbursement of expenses incurred in any transaction with the Debtors prior to the Effective Date of the Plan and whether or not such fees have been previously paid by the Debtors shall be required to file with the Bankruptcy Court and serve on all parties required to receive notice, a Fee Application within sixty (60) days of the Effective Date of the Plan. The failure to file timely the Fee Application as required under this section of the Plan shall result in the fee claim being forever barred and discharged. To the extent necessary, entry of the Confirmation Order shall amend and supersede any previously entered Order of the Bankruptcy Court regarding procedures of the payment of fee claims. Payment of a fee claim by the Debtors shall not waive the requirement of a Fee Application, nor shall payment of any fee claim or of any monies to any professional person waive the right of the Court, the Debtors, or any party in

interest to require a Fee Application and to thereafter object in whole or in part to the fee claim.

D. Allowance Of Administrative Claims And Fee Claims. An Administrative Claim with respect to which notice has been properly filed and served pursuant to this Article of the Plan, shall become an allowed administrative claim if no objection is filed within sixty (60) days after the Effective Date of the Plan. If an objection is filed within such sixty-day period, the Administrative Claim shall only become an allowed claim to the extent allowed by Order. An Administrative Claim that is a fee claim, and with respect to which a Fee Application has been properly and timely filed pursuant to the Plan, shall become an Allowed Claim only to the extent allowed by Order of the Bankruptcy Court notwithstanding prior payment by the Debtors or Trustee.

E. Payment Of Allowed Administrative Claims. Each holder of an allowed Administrative Claim against the Debtors shall receive the amount of such holder's Allowed Claim in one cash payment on the Effective Date of the Plan, or shall receive such other treatment as agreed upon in writing by the Debtors and such holder, provided however, that an Administrative Claim representing a liability incurred in the ordinary course of business by the Debtors, may be paid in the ordinary course of business by the Debtors, at the Debtors' option, or upon such terms as the Debtors and the holder of the Administrative Claim shall agree. As of the filing of this Disclosure Statement, the Debtors believe that the administrative claims will be less than \$50,000.00, and provision for payment of such on the Effective Date of the Confirmed Plan will be made and confirmed at the hearing on Confirmation of Debtors' Plan.

Class 2 - The allowed claim of the Class 2 creditor (Wells Fargo Bank) secured shall be satisfied by the refinance of the approximately \$2.36-2.4 Million to Wells Fargo by Advantage which will acquire control of Saginaw StorageKing Old Decatur Road, LP. Such payment shall take place within ninety (90) days or less of the Effective Date of the Plan. In the interim, the Debtors will pay or cause to be paid the monthly obligations currently being paid to Wells Fargo. Advantage will pay Wells Fargo by the refinance the Wells Fargo note and, as a part of the transaction, will acquire the general partner interest held by the Debtors in return releasing the Debtors as guarantors on the Wells Fargo note and will acquire the limited partners interest, other than that held by the Debtors, in Saginaw StorageKing Old Decatur Road, LP.

The Class 2 creditor shall at all times retain a lien on the property in amount equal to its

allowed secured claim. Upon payment in full of the allowed secured claim, with interest as provided under this Plan, the lien on the property that secures the claim of the Class 2 Creditor will be released. Debtors reserve the right to review the secured claim and to object to the allowance of same in the event the allowed claim and the cure of same cannot be agreed to. Upon the refinance of the \$2.36-2.4 Million (approximately), the Debtors will be released of any obligations to Wells Fargo on the original note, including, but not limited to the personal guarantee of such obligation by Steve Leach.

Class 3 - The allowed secured claim of the Class 3 creditor (Wells Fargo Bank) secured by the Debtors' interest in the following entities: North Dallas Holdings, LLC, Masterfiles, LLC and Wildcat Canyon, LLC, pursuant to the DPO executed on February 20, 2013, a copy of which is attached to Wells Fargo's Proof of Claim, and being the claim allowed in connection with the Cedar Hill Loan, which pursuant to the Proof of Claim filed by Wells Fargo, was, as of the Petition Date, the sum of \$1,162,209.14, but which claim the Debtors have objected to.

To cure the DPO obligation, as permitted by § 1123(a)(5)(G) and § 1124, the Debtors will have to make up the payments and any other obligations that were missed or are required to be made or performed under the DPO. According to the Debtors' records, the Debtors' paid directly or their bank account was drafted as follows:

Date	Payment	Date	Payment	Date	Payment
04/01/13	\$600.00*	12/03/13	\$300.00	08/04/14	\$500.00
05/21/13	\$300.00	01/02/14	\$300.00	09/03/14	\$500.00
06/02/13	\$300.00	02/20/14	\$300.00	10/03/14	\$500.00
07/07/13	\$300.00	03/04/14	\$500.00	11/04/14	\$500.00
08/02/13	\$300.00	04/01/14	\$500.00	12/02/14	\$500.00

09/06/13	\$300.00	05/01/14	\$500.00	01/02/15	\$500.00
10/22/13	\$300.00	06/02/14	\$500.00	02/02/15	\$500.00
11/06/13	\$300.00	07/02/14	\$500.00	03/02/15	\$700.00
TOTAL PAID			\$10,300.00 (prior to default)		

*The March and April 2013 payments were paid by a cash withdrawal to Wells Fargo. All other payments were drafted from the StorageKing USA GP Operating Account at Wells Fargo.

To cure the default amount to the present date: From April 2015 to February 2016 (\$700 x 11 months) = \$7,700.00; + March 2016 and April 2016 (\$900 x 2) = \$1,800.00. TOTAL CURE SUM = \$9,500.00. (As calculated by the Debtors based on their records.)

This sum, \$9,500.00, or such sum that the Court will determine, if not agreed to between the Debtors and Wells Fargo, will be paid on the Effective Date of the Plan along with any other amount determined by the Court after notice and hearing that is necessary to make Wells Fargo whole under the DPO.

The DPO states that if paid on or before August 1, 2015, the "Non-Contingent" sum of \$200,000.00 less the monthly principal payments made (\$300, \$500, \$700 etc.) will be deemed to be full and final satisfaction of the Non-Contingent Payment of the Discounted Payoff and Borrower's payment obligation. On or after August 2, 2015 but on or before August 1, 2016, the sum of \$220,000.00 less the payment satisfies the "Non-Contingent" obligation. The amount only goes to \$240,000.00 for the Non-Contingent Part 1 if it is not paid before August 1, 2016.

Such Claim will be allowed in the amount as set forth in the DPO, as determined by the Court, after determining the Debtors' interest pledged as collateral in the three entities identified above. The proceeds from North Dallas Holdings sits in Debtors' counsel's Trust Account and fifty (50%) percent of the original distribution, the sum of \$228,689.11, remains available for distribution to Wells Fargo, once determined by the Court. Such distribution will occur, sixty

(60) days after an Order confirming the Debtors' Plan has become final and is no longer appealable. Unless the Debtors and Wells Fargo are able to determine the amount necessary to cure any and all defaults in the DPO and satisfy Debtors' obligations under the DPO the Court will have to determine such, at which time the cure will be made within sixty (60) days of a final non-appealable Order entered by the Court determining what actions or payment by the Debtors is necessary to affect the "cure". The Class 3 creditor shall at all times retain a lien on the collateral securing the DPO obligation in an amount equal to its allowed secured claim. Upon payment in full of the allowed secured claim, with interest as provided under the DPO, the lien on the property (interests) that secures the claim of the Class 3 Creditor will be released. Debtors reserve the right to review the DPO secured claim and to object to the allowance of same in the event the allowed claim cannot be agreed to affect general areas:

- (a) the exact amount of missed monthly payments;
- (b) whether the Debtors intend to impair the Stock Pledge Agreement ("SPA") which secures the Debtors' obligations under the DPO; the Debtors recognize the SPA for what is, a security document supporting the DPO and not an agreement by which Wells Fargo can collect additional attorney fees and expenses from the Debtors (see (c) below);
- (c) failure to pay Wells Fargo \$168,000.00 in attorney fees which bear no relationship to the default of the DPO but is Wells Fargo's attempt to recover attorney fees under the DPO which itself has no provision for payment of attorney fees. Nor does the \$168,000.00 in asserted attorney fees bear any reasonable relationship to curing the default in the DPO. Nor or such asserted attorney fees reasonable or necessary;
- (d) Debtors failure to pay \$228,689.11 from the North Dallas Holdings distribution which is in Debtors' counsel's trust account and will be paid when the Plan is confirmed;

(e) failure to provide documents reflecting that the partition agreement entered into between the Debtors and then dissolved which have been provided to Wells Fargo.

In the event that the Debtors and Wells Fargo cannot come to an agreement as to what is necessary to cure the default under the DPO, the Court will have to make such determination.

Class 4 – The allowed secured claim of the Class 4 creditor (Frost Bank) in the amount of \$13,491.91 secured by furniture and equipment at The Point Restaurant, and is guaranteed by Steve Leach, who is a 52.5% owner of the maker of the note, Wildcat Canyon, LLC. The 47.5% owner of Wildcat Canyon, LLC is Carter Smith, who will be paying the obligation over thirty-six (36) months at prime + 2.5%, which at the current prime interest rate of 3.5 %, would be 6%. The collateral is owned by Wildcat Canyon, LLC, which will be acquired by Carter Smith under the terms set forth under the treatment of Class 7. So long as the Debtors are making timely payments to the Class 4 creditor, no efforts to collect or enforce any guaranty shall be undertaken by the Class 4 creditor. The Class 4 creditor shall at all times retain a lien on the property in amount equal to its allowed secured claim.

Class 5 - The allowed unsecured claim of the Class 5 creditor (Frost Bank), a HELOC 2nd lien on Debtors' homestead, shall be assumed and paid in accordance with its terms based on the claim of Frost Bank reflected in Proof of Claim #4 in the amount of \$206,693.19, which reflects an arrearage of \$2,133.00. Any default shall be cured over twelve (12) months at the note rate beginning on the Effective Date of the Plan or entry of a final non appealable Order determining the deficiency or default under the Note, whichever occurs last. The Class 5 creditor shall at all times retain a lien on the property in amount equal to its allowed secured claim. Upon payment in full of the allowed secured claim, with interest as provided under this Plan, the lien on the property that secures the claim of the Class 5 Creditor will be released. Debtors reserve the

right to review the secured claim and to object to the allowance of same in the event the allowed claim cannot be agreed to.

Class 6 – The allowed secured claim of the Class 6 creditor (BOKF, NA dba Bank of Texas) in the amount of \$164,114.84, \$116,000.00 of which is secured and the balance of \$48,114.84 is unsecured and treated as a Class 16 creditor. The Debtors will pay interest only on the allowed secured claim of \$116,000.00, over a period of two (2) years with a balloon payment in the twenty-fifth (25th) month, interest shall be paid at the note rate of six (6%) percent per annum, beginning on the Effective Date of the Plan. Upon payment in full of the allowed secured claim, with interest as provided under this Plan, the lien on the property that secures the claim of the Class 6 Creditor will be released. Debtors reserve the right to review the secured claim and to object to the allowance of same in the event the allowed claim cannot be agreed to. BOKF shall retain a lien on the collateral (two (2) lots) securing the debt until paid in full.

Class 7 - The allowed secured claim of the Class 7 creditor (BOKF, NA dba Bank of Texas), shall be allowed in the amount of \$322,198.38, and payments will continue per the terms of the Note. The Bank of Texas has a lien on assets of EC Development Corp., dba The Point Restaurant, Woods Inlet Corp. and Wildcat Canyon, LLC (which owns The Point Restaurant), of which Debtors own 52%. The value of property is in excess of \$500,000.00. The property will be put on the market and sold and the Class 7 Creditor paid from the net proceeds of the sale. The Class 7 creditor shall at all times retain a lien on the property in amount equal to its allowed secured claim. Carter Smith shall have twelve (12) months from the Effective Date of the Plan to purchase The Point Restaurant property at its appraised value provided it pays the monthly debt obligation to the Class 7 creditor during such period of time. For the first twelve (12) months after the Effective Date of the Plan, Carter Smith shall have the first right of refusal of any

bonafide offer to purchase the property or to match any bonafide offer to purchase the property. Upon payment in full of the allowed secured claim, with interest as provided under this Plan, the lien on the property that secures the claim of the Class 7 Creditor will be released. Debtors reserve the right to review the secured claim and to object to the allowance of same in the event the allowed claim cannot be agreed to in satisfying the claim under the DPO of Debtors' interest in North Dallas Holdings, LLC, Masterfiles, LLC and Wildcat Canyon, LLC. The Debtors' obligations under the DPO, as determined by the Bankruptcy Court, shall govern the distribution of the Debtors' share of any net proceeds from the sale of EC Development, dba The Point Restaurant, Woods Inlet Corp. and Wildcat Canyon, LLC (which owns The Point Restaurant).

Class 8 - The allowed secured claim of the Class 8 creditor (Tax Ease), which is represented to be \$100,000.00 and shall be allowed in the amount of the unpaid balance of such debt. The Debtors will make or cause Saginaw StorageKing to make monthly payments at the Note rate beginning thirty (30) days after the Effective Date of the Plan or allowance of the claim, whichever comes first, curing any default within sixty (60) days of the Effective Date of the Plan. The Class 8 creditor shall at all times retain a lien on the property in amount equal to its allowed secured claim. Upon payment in full of the allowed secured claim, with interest as provided under this Plan, the lien on the property that secures the claim of the Class 8 Creditor will be released. Debtors reserve the right to review the secured claim and to object to the allowance of same in the event the allowed claim cannot be agreed to. So long as the Debtors or Saginaw StorageKing are making timely payments to the Class 8 creditor, no efforts to collect or enforce any guaranty shall be undertaken by the Class 8 creditor.

Class 9 - The allowed secured claim of the Class 9 creditor (Chase Home Finance) shall be allowed in the amount of \$75,309.41 shall be paid according to its terms, as has been the case

both before and after the Petition Date. Any deficiency will be paid over sixty (60) months at the note rate. The collateral has an estimated value of \$475,000.00. The Class 9 creditor shall at all times retain a lien on the property in amount equal to its allowed secured claim. Upon payment in full of the allowed secured claim, with interest as provided under this Plan, the lien on the property that secures the claim of the Class 9 creditor will be released. Debtors reserve the right to review the secured claim and to object to the allowance of same in the event the allowed claim cannot be agreed to.

Class 10 - The secured claim of the Class 10 creditor (Eagle Mountain ISD) shall not be allowed as it is not a claim against the Debtors. The claim will be paid by the owner, Saginaw Storage King Old Decatur Rd., LP. The claim has been withdrawn by Eagle Mountain ISD.

Class 11 - The allowed secured claim of the Class 11 creditor (EECU) shall be assumed and paid per the contract terms. The Class 11 creditor shall at all times retain a lien on the property in amount equal to its allowed secured claim. Upon payment in full of the allowed secured claim, with interest as provided under this Plan, the lien on the property that secures the claim of the Class 11 Creditor will be released. Debtors reserve the right to review the secured claim and to object to the allowance of same in the event the allowed claim cannot be agreed to. So long as the Debtors are making timely payments to the Class 11 creditor, no efforts to collect or enforce any guaranty shall be undertaken by the Class 11 creditor.

Class 12 – The allowed secured claim of the Class 12 creditor (Capital One Auto Finance) in the amount of \$29,688.99, which is secured by the 2012 Mercedes-Benz GL Class Utility 4D G, shall assumed and be paid per the Contract between the Debtors and Capital One Auto Finance. Upon payment in full of the allowed secured claim, with interest as provided

under this Plan, the lien on the property that secures the claim of the Class 12 creditor will be released. Debtors reserve the right to review the secured claim and to object to the allowance of same in the event the allowed claim cannot be agreed to.

Class 13 - The tax claims of governmental units which are entitled to priority status under § 506 or priority status under § 507(a)(8) of the Code, which are not otherwise classified, to the extent that same are finally allowed and approved by the Bankruptcy Court, shall be paid in full, in deferred cash payments, consisting of principal and interest, payable monthly, over sixty (60) months, from the Petition Date, bearing interest at the Federal Judgment Rate, with the rate adjusted every twelve (12) months as of the first business day of such year. Payments will commence within sixty (60) days after the Effective Date of the Plan or entry of an Order allowing the claim or claims, whichever occurs last. So long as the allowed claim of Class 13 creditors are paid in accordance with the Plan confirmed by the Bankruptcy Court, no Class 13 creditor shall proceed against any other party or entity liable or responsible for said tax obligation. Upon payment in full of the allowed secured claim, with interest as provided under this Plan, the lien on the property that secures the claim of the Class 13 creditor will be released, and the Debtors will own said property free and clear of any and all liens, claims and encumbrances.

EVENTS OF DEFAULT; ACCELERATION

a. Events of Default. The occurrence of any of the following shall constitute an event of default under the Plan:

1) Failure to Make Payments. Failure on the part of Debtors to pay fully when due any payment required to be made in respect of the Plan Debt. However, due to the size and ongoing nature of the IRS's claim, upon a default under the plan, the administrative collection powers and the rights of the IRS shall be reinstated as they existed prior to the filing of the bankruptcy petition, including, but not limited to, the assessment of taxes, the filing of a notice of Federal (or State) tax lien and the powers of levy, seizure, and as provided under the Internal Revenue

Code. As to the IRS:

(A) If the Debtors or their successor in interest fails to make any plan payment, or deposits of any currently accruing employment or sales tax liability; or fails to make payment of any tax to the Internal Revenue Service within 10 days of the due date of such deposit or payment, or if the Debtors or their successor in interest failed to file any required federal or state tax return by the due date of such return, then the United States may declare that the Debtors are in default of the Plan. Failure to declare a default does not constitute a waiver by the United States of the right to declare that the successor in interest or Debtors are in default.

(B) If the United States declares the Debtors or the successor in interest to be in default of the Debtors' obligations under the Plan, then the entire imposed liability, together with any unpaid current liabilities, may become due and payable immediately upon written demand to the Debtors or the successor in interest.

(C) If full payment is not made within 14 days of such demand, then the Internal Revenue Service may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code. The IRS shall only be required to send two notices of default, and upon the third event of Default the IRS may proceed to collect on all amounts owed without recourse to the Bankruptcy Court and without further notice to the Bankruptcy Court and without further notice to the Debtors. The collection statute expiration date will be extended from the Petition Date until substantial default under the Plan. All payments will be sent to: IRS, 1100 Commerce Street, Mail Code 5026 DAL, Dallas, Texas 75252 attn: Helen Chambers.

(D) The Internal Revenue Service shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtors to the IRS. The Internal Revenue Service may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtors to the Internal Revenue Service; but the Internal Revenue Service shall not take action to actually collect from such persons unless and until there is a default under the Plan and as set forth above.

Class 14 - All other claims entitled to priority under 11 U.S.C. §507(a)(1)-(7) and (9), to the extent that same are finally allowed and approved by the Bankruptcy Court, shall be paid in full, in cash within ninety (90) days after the Effective Date of the Plan or entry of an Order allowing the claim, whichever occurs last.

Class 15 - The claims of the Class 15 creditor (Tarrant County) for ad valorem taxes attributable to the Debtors' homestead located on Collinwood Ave., Fort Worth, Texas, 76107, shall be objected to as being currently paid by the Debtors' mortgage company. The claims attributable to the two (2) lots (identified below) will be paid over sixty (60) months with interest at the statutory rates.

The two (2) lots are described as: 4301 and 4313 Estancia Way, Fort Worth, Texas.

Class 16 - All Class 16 unsecured claims, which consist of the following:

Creditor	Amount Scheduled	Amount Claimed on Proof of Claim
American Express (1014)	\$ 300.00	No Claim Filed
American Express (2004)	\$ 1,800.00	\$ 814.34
American Express (1000)	\$ 300.00	\$ 331.29
Comenity Bank (2244)	\$ 109.00	No Claim Filed
Quantum3 Group as agent for Comenity Bank (Ann Taylor Loft) (1580)	\$ 1,662.20	\$ 1,662.20
Capital One, N.A. (Kohl's)	\$ 172.36	\$ 172.36
Synchrony Bank – (Mastercard)	\$ 1,800.00	\$ 2,955.30
Point Bank (\$522,515.00)	\$ 400,000.00	\$ 418,009.92
BOKF		\$ 48,114.84
TOTAL	\$ 406,143.56	\$ 472,060.25

To the extent that the same are finally allowed and approved by the Bankruptcy Court, shall be paid fifty percent (50%) of their allowed claim over sixty (60) months beginning thirty (30) days after the Effective Date of the Plan or the entry of an Order (that has become final) allowing the

claim or claims, whichever occurs last. Interest at the Federal Judgment rate, determined on the later of the Effective Date or the entry of a final Order on the claim, shall be paid on each allowed Class 16 claims. Debtors reserve the right to review the scheduled but unfiled and filed unsecured claims and to object to the allowance of such in the event the Class 16 claim cannot be agreed to or move the Court for an Order allowing unfiled but scheduled claims.

Claims, except Administrative Claims which are separately treated in Paragraph III.B. Class 1, as filed or scheduled as non-contingent or unliquidated and not objected to within sixty (60) of the Effective Date of the Plan shall be deemed allowed without prejudice for the purpose of distribution under the Plan subject to reconsideration by the Court upon request of the Debtors or other party in interest and upon notice and hearing pursuant to Bankruptcy Rule 3008.

A summary of the claims in this case is attached as Financial Appendix 2 (FA-2).

C. **Executory Contracts And Unexpired Leases**

The Debtors intend to reject all executory contracts except those they expressly assume prior to the Effective Date of the Plan. There are no executory contracts or expired leases, but any that are discovered will be assumed or rejected prior to Confirmation. Any claim for pecuniary loss resulting from rejection of an executory contract must be filed within thirty (30) days of the Effective Date or such claim or claims will be time barred.

D. **Confirmation Under Section 1129(a) And "Cram Down" Provisions Of Section 1129(b)**

1. **Section 1129(a)**

In order to confirm a Plan under Chapter 11 of the Code, the proponents must satisfy the specific requirements of the thirteen (13) sub-sections of §1129(a) of the Code.

2. Section 1129(b)

In the event the Court cannot confirm the Plan because all requirements of 11 U.S.C. §1129(a) except §1129(a)(8) have been satisfied, the Debtors will seek to confirm the Plan pursuant to 11 U.S.C. §1129(b), the so called "cram down" provision of Chapter 11.

3. Sections 1124, 1123(a)(5)(G), and 1126

Because Classes 1, 2, 3, 5, 9, 10, 11, 12 and 13 are not impaired, within the meaning of 11 U.S.C. § 1124, it will not be necessary for creditors in those classes to vote on the Plan.

In the event a Class that the Debtors have designated as “not impaired” is determined to be “impaired” such class will be entitled to vote for or against the Plan. A class that is not entitled to vote but does not vote shall be deemed to have accepted its treatment under the Plan.

Section 1123(a)(5)(G) and Section 1124 provides that a Plan may cure any default. The courts have determined that to cure a default a Plan proponent must cure the default, reinstate the maturity of the obligation, compensate the holder of the obligation for damages and for non-monetary obligations, not alter the contractual rights of the hold of the obligation. The Debtors believe its proposed cure of their obligations to Wells Fargo satisfy the requirements of a “cure”, and that the Court will approve such treatment of Wells Fargo’s two claims because of Wells Fargo’s lack of cooperation in determining what is necessary to cure the defaults in the two obligations to Wells Fargo. It will likely be necessary to enlist the aid of the Court to determine what is necessary to cure the defaults.

11 U.S.C. § 1126(f) provides that a class of creditors that is not impaired is deemed to have accepted the Plan.

E. **Objection To Claims**

1. It shall be the Reorganized Debtors' obligation to object to the allowance of claims scheduled, asserted or filed against the Debtors with which the Debtors do not agree. It is the Debtors' intention to review all claims within forty five (45) days of the Effective Date of the Plan and either seek approval from the Bankruptcy Court for allowance of the claim or claims, or file objections hereto within sixty (60) days of the Effective Date of the Plan and thereafter seek a prompt hearing on the objections to claims.

2. Claims, as filed or scheduled as non-contingent or unliquidated and not objected to within sixty (60) days of the Effective Date of the Plan shall be deemed allowed without prejudice for the purpose of distribution under the Plan, but subject to reconsideration as provided by Bankruptcy Rule 3008.

F. **Modification**

The Debtors may propose amendments or modifications of this Plan at any time prior to confirmation, with leave of the Court and the United States Trustee. Minor amendments or modifications that make minor changes to the Plan will be made with notice to all parties and approval sought at the earliest possible time, but maybe announced as late as the hearing on Confirmation or at any continued hearing on Confirmation. After confirmation, the Debtors may, with the approval of the Court, modify the Plan, so long as such modification does not materially or adversely affect the interests of the creditors, to remedy any defect or omissions or reconcile any inconsistencies in the Plan or in the Order of Confirmation in such manner as may be necessary to carry out the purposes, effect and intent of this Plan.

Any modifications of the Plan shall comply with § 1127 of the Code.

The Debtors reserve the right to seek sort continuances of the hearing on Confirmation to

make such amendments or modifications to the Plan as they deem necessary and appropriate.

G. **Treatment Regarding Guarantors**

There are no guarantors on any of the Debtors' obligations.

However, Stephen Leach has guaranteed certain debts of entities in which he or he and his wife, Sheila, are owners, including the following: Wildcat Canyon, LLC, which is owned 52.5% by the Debtors and which owes approximately \$320,000.00 + \$13,000.00 to BOKF, which is secured by real estate and personal property, and (2) Saginaw StorageKing Old Decatur Rd., LP, in which the Debtors are 62.227% owners. The Wildcat Canyon obligations are treated in Class 7 which provides for a sale of the property and payoff of the loan to BOKF (aka Bank of Texas) and the Saginaw StorageKing claim (held by Wells Fargo) are treated in Class 2, which will be cured and the obligation paid off when the note matures in approximately three (3) years.

Once paid, any obligation guaranteed by the Debtors, or either of them, shall be deemed fully paid and the Debtors released from such obligation.

H. **Disclaimer**

THE FOREGOING IS A BRIEF SUMMARY OF THE PLAN AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. CREDITORS ARE URGED TO READ THE PLAN IN FULL AND TO READ ALL OTHER RELEVANT ORDERS AND DOCUMENTS ON FILE IN THIS PROCEEDING. CREDITORS ARE FURTHER URGED TO CONSULT WITH COUNSEL OR WITH EACH OTHER IN ORDER TO FULLY UNDERSTAND THE PLAN AND ITS RAMIFICATIONS TO THE AFFECTED CREDITORS. THE PLAN, IF ACCEPTED, WILL REPRESENT A LEGALLY BINDING AGREEMENT BETWEEN THE DEBTORS AND THEIR CREDITORS. AN INTELLIGENT JUDGMENT CONCERNING THE PLAN CANNOT BE MADE BY THE CREDITORS WITHOUT UNDERSTANDING AND REVIEWING THE ENCLOSED PLAN.

IV.

ANALYSIS OF LITIGATION, PREFERENCES AND VOIDABLE TRANSFERS, AND CLAIMS AGAINST INSIDERS

A. Pending Litigation

1. *Stephen E. Leach, Plaintiff and Counter Defendant v. Wells Fargo Bank, N.A. and Wells Fargo Financial Leasing, Inc., Defendants, Counter Plaintiffs and Third Party Plaintiffs v. Cedar Hill StorageKing South, LP, StorageKing USA, LLC and Sheila Leach, Third Party Defendants*, Cause No. 4:15-CV-00507-Y in the United States District Court for the Northern District of Texas, Fort Worth Division. On August 19, 2015, the District Court entered an order administratively closing the lawsuit due to the Debtors' bankruptcy filing.
2. *PointBank v. StorageKing Weatherford Carwash, LP and Stephen E. Leach*, Cause No. 2012-71081-431 pending in the 431st Judicial District Court of Denton County, Texas. A Receiver was appointed on May 28, 2014. The Receiver had collected nominal sums of money, less than \$1000.00, as of the Petition Date, and is not expected to be a factor in the Bankruptcy case.
3. *Facterra, Inc. v. Masterfiles, LLC and Dwayne E. Morton*, Cause No. DC-15-13186 pending in the 116th Judicial District Court of Dallas County, Texas. Debtors are not named parties to this cause of action but Steve Leach is an owner (40%) of Masterfiles and therefore has an interest in the outcome. Facterra entered into a contract to purchase the assets of Masterfiles but was unable to satisfy Experian in the "vetting" process required to give it access to sensitive financial and other information and was not allowed access to such information and was not able to operate the business. The suit is at a standstill at present in State District Court in Dallas and it set for trial in September, 2016. Defendant's counsel believes that the matter will ultimately be dismissed.

B. Preferences And Voidable Transfers

Generally speaking, a Debtor-In-Possession has the duties and powers of a Trustee. The Trustee's duties are to investigate transfers and conveyances made by the Debtors prior to the commencement of a proceeding in bankruptcy. §§ 544, 547 and 548 of the Bankruptcy Code are usually the source of the Trustee's ability to investigate and act to recover any claim or cause of action held by the estate. The Debtors have identified the following potential claims arising

under §§ 544, 547 or 548 of the Bankruptcy Code:

1. Son: Debtors pay the tuition and living expenses of their 23-year-old son who is working on his Ph.D. at Southern Methodist University. These expenses include a vehicle, apartment, rent, books, food, clothing, etc.

Debtors make payments on a 2012 Cadillac (value \$42,000.00) for their son. Debtors purchased a Cherokee 140 PA-28 (value approximately \$35,000.00) that was registered to their son two (2) years prior to filing this case.

Debtors, from time to time, transfer cash to their son to be held and saved for use for future expenses. Garrison Leach manages the funds for his parents. The account currently contains approximately \$2,850.00. In October 2015, \$17,225.32 was transferred to Garrison Leach's Scottrade account to cover books, tuition and school expenses. Garrison is currently a fulltime PhD. Student at Southern Methodist University.

Debtors do not intend to seek to recover transfers made to Garrison Leach.

2. The Debtors previously sold a 2007 Texas Chopper for \$11,000.00 in an arms length transaction with the sale price being the then fair market value of the Texas Chopper.

3. In 2012, the Debtors entered into a partition agreement of various property owned by the community estate because of the American Airlines bankruptcy and on advice of counsel. The partition agreement was cancelled and completely reversed in approximately July, 2014, more than two (2) years prior to the Petition Date, after Wells Fargo complained. Neither the partition agreement document nor the document cancelling the partition agreement were recorded, but true copies have been provided to Wells Fargo's counsel.

C. **Potential Litigation**

Debtors are not aware of any pending claims against third parties except as may be

necessary with regard to Wells Fargo for its handling of the Debtors' loans. Debtors assert that Wells Fargo has aggressively placed the Debtors in default by changing payment methods giving the Debtors notice of such changes by encrypted Email, and by not allowing the Debtors to cure a minor default, which any banking institution exercising good faith would have agreed to.

Debtors believe that Wells Fargo has acted in ways to intentionally harm the Debtors and force defaults for the benefit of Wells Fargo and its employees in ways that demonstrate a total lack of good faith on the part of Wells Fargo.

The Debtors may have claims against other creditors, not yet identified.

V.

FINANCIAL INFORMATION RESPECTING THE DEBTORS

The financial information hereinafter presented represents the Debtors' best information and belief as to the condition of the estate at the time of the filing of these proceedings, and as modified by these proceedings to the date hereof.

A schedule of all assets and liabilities of the Debtors as of the Petition Date of August 17, 2015, was filed with the Court on September 15, 2015 and should be inspected by all interested parties. On that date, the Debtors reflected assets of approximately Six Million Seven Hundred Fifty-One Thousand Four Hundred Fifty-One and 99/100 Dollars (\$6,751,451.99) and liabilities of approximately Four Million Two Hundred Thirteen Thousand Two Hundred Seventy-Six and 75/100 Dollars (\$4,213,276.75). A brief description of the assets and liabilities as of the Petition Date (August 17, 2015) is reflected on Financial Appendix 1 (FA-1) attached hereto.

At the time of the filing of this Disclosure Statement, the Debtors estimate that they will have the assets described on Financial Appendix 1 (FA-1) available to fund their Plan of Reorganization.

The actual value of the respective properties of the estate may be greater or less than as shown in the schedules or set forth above. All values as reflected in its schedules of assets and as set forth above represents the Debtors' best estimate of the fair market value of the assets at the time of the filing of the schedules and at the time of the filing of this Disclosure Statement. Fractional interest in partnerships and LLCs are always problematic to value.

The Debtors have disclosed in their statement of affairs and schedules of assets and liabilities or in documents filed with the papers of this case all payments made to any party as required by 11 U.S.C. §1129(a)(4). Any payments made after confirmation will be made only upon application, notice and hearing before the Court.

VI.

TAX CONSEQUENCES

Tax consequences of bankruptcy proceedings are complex matters. Many aspects of bankruptcy taxation are either unsettled or subject to varying interpretations.

The tax consequences of the Plan to creditors and interest holders of the Debtors will vary based on the individual circumstances of each creditor and/or interest holder. Moreover, since no ruling has been requested or obtained from the Internal Revenue Service with respect to any of the tax aspects of the Plan and no opinion of counsel has been obtained by the Debtors with respect thereto, each creditor and interest holder should consult with its own tax counsel or accountant with respect to the federal, state and local tax consequences or implications of the plan.

The Debtors believe this discussion of "tax consequences" satisfies the requirement of 11 U.S.C. § 1125(a)(1).

VII.

FUNDING OF THE PLAN

The funds necessary for the satisfaction of the claims shall be generated from the liquidation and refinance of certain assets, and from the Debtor future income.

A. **Assets to be liquidated.** The Debtors believe that the two lots on which the Bank of Texas has a lien can be liquidated and has proposed to market them and pay interest only on the debt until the lots are sold. The lots will be appraised and marketed. The Point Restaurant in West Fort Worth is also the subject of sale, hopefully to Steve Leach's partner, Carter Smith. In the event that the Debtors' non-exempt assets or income are not sufficient to fund the Plan or portions thereof the Debtors may choose to liquidate portions of their exempt IRA or Pension plans to fund their obligations under the Plan.

B. **Assets to be refinanced.** The Debtors intend to cause the acquisition of the debt owed to Wells Fargo on Saginaw StorageKing Old Decatur Rd, LP by Advantage for between \$2.36 - \$2.4 Million (approximately) within ninety (90) days or sooner of the Effective Date of the Plan.

C. **Debtors Income and Expenses Going Forward.** The Debtors income going forward is reflected in Financial Appendix 4 (FA-4), which will change dramatically in October of 2017 when Stephen Leach takes mandatory retirement from American Airlines and his monthly income drops substantially. The Debtors' projected disposable income over five (5) years pursuant to the requirements of § 1129(a)(15) are reflected in Financial Appendix 4 (FA-4). Debtors believe that their disposable income going forward will provide the funds to make the payments called for by the Plan, and that such payments satisfy the requirements of § 1129(a)(15), even if it is necessary for the Debtors to cut back on some of their living expenses

or liquidate exempt assets to satisfy the payment obligations under the proposed Plan. Debtors anticipate income before and after retirement as reflected in FA-4, which will include post-retirement income anticipated from Saginaw StorageKing Old Decatur Rd, LP and from Steve Leach working as an instructor in flight simulation for various Boeing and other heavy commercial aircraft which he is qualified and will remain qualified to fly.

D. A Summary of Debtors' Post-Petition operations is, as reported in Debtors' Monthly Operating Reports, reflected in Financial Appendix 5 (FA-5). A Pro Forma Summary of Income and Expenses for the balance of 2016 and through 2017 is provided as Financial Appendix 4 (FA-4). Beyond 2017 is far too speculative to project except in the most general fashion.

At present, Debtors' assets consist of the Assets and Liabilities reflected in Financial Appendix 1 (FA-1). The assets and their relative values are not likely to change between the time of the filing of this Disclosure Statement and the Effective Date of the Plan.

VIII.

EXECUTION OF AND DISTRIBUTION UNDER THE PLAN

Implementation of the Plan will be pursuant to the Bankruptcy Code and the provisions of the Plan as confirmed by the Bankruptcy Court. Section VII, which described the funding of the Plan, specifies the sources of funds and the prospective use thereof.

The proposed distribution to the various classes of creditors is as is set forth in Financial Appendix 3 (FA-3) attached hereto. Estimated administrative expenses, including professional fees, are reflected in Financial Appendix 3 (FA-3). These estimates are subject to change depending on the complexity of the confirmation of the Plan and subject to objections will be filed unless claims to which the Debtors object are not resolved timely.

Any conflict between the Plan and the Disclosure Statement shall be governed by the terms of the Plan as confirmed by the Court.

IX.

THE REORGANIZED DEBTORS

Upon final confirmation, the Debtors will continue to manage their affairs.

The Debtors believe the continuation of their present business activities is in the best interest of the Debtors, their estate and its creditors. Such activities shall include but not be limited to operating the Saginaw StorageKing warehouses.

X.

**CONSIDERATION IN VOTING, ALTERNATIVES,
RISK AND LIQUIDATION ANALYSIS**

A. Consideration In Voting

The Debtors would caution that, in order for it to fund this Plan, the Debtors will need to be successful in assuming and curing the defaults on the two (2) Wells Fargo obligations and having the projected income in the future after Steve Leach retires to fund the proposed Plan. The assets described on FA-1 are available to the Debtors. Funding for continuing obligations will be available from the sale of assets and Debtors' employment.

B. Alternatives

The only alternative to the proposed Plan would be the appointment of a Trustee under Chapter 11 or the conversion of this case to a case under Chapter 7. Appointment of a Chapter 11 or Chapter 7 Trustee would most assuredly result in the liquidation by the Trustee of Debtors' non-exempt assets on a forced sale basis. Liquidation would yield the values reflected in the liquidation values shown in Financial Appendix 1 (FA-1) and the dividends to creditors would be paid, but delayed by liquidation and would result in the demise of Debtors' business, and limited,

if any, dividends to unsecured creditors. Debtors do not believe that any of these alternatives would provide any greater recovery than the recovery to creditors provided for under the Plan herein proposed.

C. **Risk And Liquidation Analysis**

The risk to creditors of the proposed Plan are essentially those associated with the continuance of any business enterprise. The Debtors' analysis of the funds that would be available in the event of a liquidation of her current assets are reflected on Financial Appendix 1 (FA-1) attached hereto.

The Debtors believe that they will be able to use the cash on hand and generate sufficient cash flow going forward to pay the allowed secured and priority claims in full, and pay significant dividends to unsecured creditors.

The Debtors estimates of cash flow after Steve Leach retires are speculative for the reasons set forth herein and are dependent on a number of factors including but not limited to Steve Leach's health and the economy in general, and the demand for services that Steve Leach would be able to provide to the flying industry and to the management of the storage facilities.

XI.

RECOMMENDATIONS

The Debtors propose the Plan and recommend its acceptance.

The Debtors have negotiated with certain of their creditors in the formulation of their Plan.

Dated this the 12th day of September, 2016.

By: /s/ Stephen Elton Leach
Stephen Elton Leach

By: /s/ Sheila Kay Leach
Sheila Kay Leach

Respectfully submitted,

LAW OFFICES OF
ST. CLAIR NEWBERN, III
A Professional Corporation

By: /s/ St. Clair Newbern, III
ST. CLAIR NEWBERN, III

State Bar No. 14941000

P.O. Box 101477

Fort Worth, Texas 76109

Telephone: (817) 870-2647

scniii@me.com

ATTORNEYS FOR DEBTORS