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COUNSEL FOR THE DEBTOR

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

In re:	§	
	§	
Sophisticated Style, Inc.	§	Case No. 15-44258-RFN-11
d/b/a/ Import Designs, Inc.	§	
	§	
Debtor.	§	(Chapter 11)

**SECOND AMENDED DISCLOSURE STATEMENT IN CONNECTION
WITH DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION**

TO: ALL PARTIES-IN-INTEREST, THEIR ATTORNEYS OF RECORD AND TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Sophisticated Style, Inc. d/b/a Import Designs, Inc. (the “**Debtor**”) submits this Second Amended Disclosure Statement (the “**Disclosure Statement**”) pursuant to Section 1125 of the Bankruptcy Code¹ for the purpose of disclosing that information which the Bankruptcy Court has determined is material, important, and necessary for parties entitled to vote on the Debtor's First Amended Plan of Reorganization dated May 17, 2016 (the “**Plan**”) in order to arrive at an intelligent, reasonably informed decision in exercising the right to vote for acceptance or rejection of the Plan. This Disclosure Statement describes transactions contemplated under the Plan. You are urged to study the Plan in full and to consult with your counsel about the Plan and its impact upon your legal rights.

A. Explanation of Chapter 11 and the Confirmation Process.

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Upon the commencement of a chapter 11 case, or a case under any other chapter, section 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect upon claims against a

¹ Unless otherwise defined herein, capitalized terms have the meaning ascribed to such term in the Plan.

debtor that arose prior to the bankruptcy filing. Generally speaking, the automatic stay prohibits interference with a debtor's property or business.

Under chapter 11, a debtor attempts to reorganize for the benefit of the debtor and its creditors. A plan of reorganization sets forth the means for satisfying all claims against a debtor. Generally, a claim against a debtor arises from a normal debtor/creditor transaction, such as a promissory note or a trade credit relationship, but may also arise from other contractual arrangements or from alleged torts.

After a plan of reorganization has been filed with a bankruptcy court, it must be accepted by holders of impaired claims and interests against the debtor. Section 1125 of the Bankruptcy Code requires that a plan debtor fully disclose sufficient information about the debtor, its assets and the plan of reorganization to creditors before acceptances of that plan may be solicited. This Disclosure Statement is being provided to satisfy such requirements of section 1125 of the Bankruptcy Code.

The Bankruptcy Code provides that creditors and interests are to be grouped into "classes" under a plan and that they are to vote to accept or reject a plan by class. While courts have disagreed on the proper method to be used in classifying creditors, a general rule of thumb is that creditors with similar legal rights are placed together in the same class. For example, all creditors entitled to priority under the Bankruptcy Code might be placed in one class, while all creditors holding subordinated unsecured claims might be placed in a separate class. Generally, each secured creditor will be placed in a class by itself because each such creditor usually has a lien on distinct property and therefore has distinct legal rights. Holders of Equity Interests are also placed in their own class.

The Bankruptcy Code does not require that each claimant vote in favor of the Plan for the Bankruptcy Court to confirm the plan. Rather, the plan must be accepted by each class of claimants [subject to an exception discussed below]. A class of claimants accepts the plan if, of the claimants in the class who actually vote on the plan, such claimants holding at least two-thirds in dollar amount and more than one-half in number of allowed claims vote to accept the plan. For example, if a hypothetical class has ten creditors that vote and the total dollar amount of those ten creditors' claims is \$1,000,000, then for such class to have accepted the plan, six or more of those creditors must have voted to accept the plan [a simple majority], and the claims of the creditors voting to accept the plan must total at least \$666,667 [a two-thirds majority].

The Court may confirm a plan even though fewer than all classes of claims or interests accept it. In this instance, the Plan must be accepted by the holder of the Equity Interests in the debtor, or debtor is entitled to request that the Bankruptcy Court confirm the plan pursuant to the "cramdown" provisions of section 1129[b] of the Bankruptcy Code. These "cramdown" provisions permit the plan to be confirmed over the dissenting votes of classes of claims or interests if the Bankruptcy Court determines that the plan does not discriminate unfairly and is fair and equitable with respect to each impaired, dissenting class of interests.

Independent of the acceptance of the plan as described above, to confirm the plan, the Bankruptcy Court must determine that the requirements of section 1129[a] of the Bankruptcy Code have been satisfied.

The Court has set a hearing on confirmation of this Plan and final approval of this Disclosure Statement for **July 5, 2016 at 1:30 p.m.** in the courtroom of the Honorable Russell F. Nelms, United States Bankruptcy Judge for the Northern District of Texas, Fort Worth Division, Room 204, U.S. Courthouse, 501 W. Tenth Street, Fort Worth, Texas. The confirmation hearing may be adjourned by the Bankruptcy Court from time to time without further notice except for an announcement made in open court at the confirmation hearing or any continued hearing thereon.

Section 1128[b] of the Bankruptcy Code provides that any party in interest may object, in writing, to confirmation of a plan of reorganization or the Disclosure Statement. Written objections to confirmation of the Plan or the Disclosure Statement, if any, must be filed with the Bankruptcy Court *and* a copy of such written objections must be *actually* received by counsel for the Debtor at the following address on or before **June 30, 2016**:

SPECTOR & JOHNSON, PLLC
12770 COIT ROAD
BANNER PLACE, SUITE 1100
DALLAS, TEXAS 75251

B. Voting Procedures.

1. Designation of Impaired and Unimpaired Classes.

- a. Impaired Class. Classes 1, 2, 3, 4, 5, 6, 7, 8, and 9 are impaired under the Plan.
- b. Classes Entitled to Vote. Class 1, 2, 3, 4, 5, and 7 are entitled to vote on the Plan.

2. Ballots.

IT IS IMPORTANT THAT HOLDERS OF IMPAIRED CLAIMS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. All known holders of Claims entitled to vote on the Plan have been sent a ballot, together with instructions for voting, with this Disclosure Statement. In voting for or against the Plan, use only the ballot sent with this Disclosure Statement.

THE VOTING DEADLINE IS JUNE 30, 2016. ALL BALLOTS MUST BE RETURNED SO THAT THEY ARE RECEIVED BY THE BALLOTING AGENT PRIOR TO THE VOTING DEADLINE. THE NAME AND ADDRESS OF THE BALLOTING AGENT IS SET FORTH ON THE BALLOT.

C. Approval of Disclosure Statement.

This Disclosure Statement is provided pursuant to Section 1125 of the Bankruptcy Code in connection with the solicitation of acceptance of the Plan, as amended or modified. The purpose of this Disclosure Statement is to provide such information as will enable a hypothetical, reasonable investor, typical of the holders of Claims, to make an informed judgment in exercising its rights either to accept or reject the Plan. A copy of the Plan is attached hereto as "Exhibit A".

The Bankruptcy Court conditionally approved this Disclosure Statement as containing information of the kind and in sufficient detail adequate to enable a hypothetical, reasonable investor typical of the classes being solicited to make an informed judgment about the Plan.

NO REPRESENTATIONS CONCERNING THE PLAN ARE AUTHORIZED OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. THE DEBTOR RECOMMENDS THAT ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH IS NOT CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN REACHING YOUR DECISION ON HOW TO VOTE ON THE PLAN. ANY REPRESENTATION OR INDUCEMENT MADE TO YOU NOT CONTAINED HEREIN SHOULD BE REPORTED TO THE ATTORNEY FOR DEBTOR WHO SHALL DELIVER SUCH INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE APPROPRIATE

THE DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS CORRECT, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND HOLDER OF AN IMPAIRED CLAIM OR EQUITY INTEREST IS URGED TO CAREFULLY REVIEW THE PLAN PRIOR TO VOTING ON IT.

D. Assets and Liabilities of the Debtor.

1. Assets

The Debtor's assets consists largely of inventory acquired during the pendance of the Chapter 11 Case, as reflected on Exhibit C. On the Effective Date, all property of the estate of the Debtor, including but not limited to all causes of action of the Debtor, shall vest in the Reorganized Debtor; provided that upon any subsequent conversion to a case under chapter 7, all assets vesting in the Reorganized Debtor, shall pass to the chapter 7 trustee as property of the chapter 7 estate subject to those Claims, Liens, and encumbrances as Allowed and restructured in this Plan and as specified herein.

2. Secured Liabilities

The Debtor has three principal groups of secured creditors:

- a. *Ad Valorem Taxing Authorities*: delinquent and current ad valorem property taxes amount to approximately \$35,000.00;
- b. *Bank of America*: Bank of America has a secured line of credit extended to the Debtor in the approximate amount of \$46,000.00;
- c. *Rick Phelan*: Mr. Phelan extended a secured loan to the Debtor to finance inventory acquisitions in the approximate amount of \$300,000.00.

3. Unsecured Liabilities

- a. *Pre-Petition*: The Debtor has relatively little trade debt, other than obligations owed to insiders in the approximate amount of \$18,000.00 and contingent and unliquidated claims relating to the Copyright Action. The liability for and obligations under the Plan shall be assumed by and become obligations of the Reorganized Debtor.
- b. *Post-Petition*: The Debtor's primary post-petition obligations are the claims of its bankruptcy attorney, Spector & Johnson, PLLC. The Debtor anticipates that administrative claims [including Fee Claims] will not exceed \$40,000.00.

E. Background of the Debtor.

Since 2005, Import Designs has helped schools, bands and choirs raise funds for their schools & organizations by creating a jewelry brochure for the students to use. A portion of the profits are used by the schools and organizations to, among other things, buy computers, water fountains, playground equipment and books, as well as to fund choir and band competition expenses, educational field trips for students, special speakers during the school year, UIL student competition events, and uniforms & equipment. The Debtor was forced to seek bankruptcy relief because it could not afford a defense of the Copyright Action.

F. Summary of Major Developments During the Bankruptcy Case.

The Debtor filed a voluntary petition on October 23, 2015. During December 2015, the Bankruptcy Court approved the application of the Debtor to retain Spector & Johnson, PLLC as bankruptcy counsel. The Debtor has continued to operate its business as a debtor-in-possession and has filed all of its required monthly operating reports.

G. Summary of Plan of Reorganization.

The Plan divides creditors into nine (9) separate classes of Claims. Those Claims are treated as follows:

1. *Allowed Secured Claims of Ad Valorem Taxing Authorities (Class 1).*

The Plan provides that on the Effective Date, in full and final satisfaction of its Allowed Secured Claims in this Chapter 11 Case, each holder of an Allowed Secured Claim in Class 1 shall receive [i] as to Allowed Claims not exceeding \$500.00, a Cash payment equal to such Allowed Secured Claim; and [ii] otherwise a Plan Secured Note in the amount of such holder's Allowed Secured Claim [which includes all penalties that accrued pre-petition and all interest which accrued post-petition]. At the sole discretion of the Debtor, the Debtor may at any time after the Effective Date prepay any or all Allowed Secured Claims in Class 1 without penalty or interest, except the Debtor shall pay [i] penalties incurred prior to the Petition Date and [ii] post-petition interest pursuant to the Bankruptcy Code and this Plan. Allowed Secured Claims in Class 1 shall bear interest from the Petition Date through the Effective Date at the rate of 1% per month and shall bear interest after the Effective Date at the rate of 12% per annum. In the event of an objection to a Claim in this Class, the holder of such Claim shall receive plan payments while the objection is pending which will be applied to the undisputed amount of the Claim. Any Ad Valorem Taxing Authority shall retain its Liens as they existed on the Petition Date to secure its Allowed Class 1 Claim.

2. *Allowed Secured Claims of Rick Phelan (Class 2).*

The Plan provides that on December 31, 2016, the holder of an Allowed Class 2 Secured Claim shall receive, in full and final satisfaction thereof, (i) a Cash payment equal to 90% of his Allowed Class 2 Secured Claim and (ii) the New Common Stock.

3. *Allowed Secured Claims of Bank of America (Class 3).*

The Plan provides that the holder of the Allowed Secured Class 3 Claim, shall receive on the Distribution Date in full and final satisfaction of its Class 3 Allowed Secured Claim at the Debtor's option, either [i] a Plan Secured Note in the amount of its Allowed Secured Claim [in which case, the holder shall retain its Liens as they existed on the Petition Date to secure the Plan Secured Note], or [ii] the surrender to such holder of all Collateral securing such Allowed Secured Class 3 Claim in accordance with In re

Sandy Ridge Development Corp, 881 F.2d 1346 [5th Cir. 1989], in which case such Allowed Class 3 Claim shall be deemed paid in full and fully satisfied and any deficiency thereon shall be treated as a General Unsecured Claim.

4. *Allowed Secured Claims not Otherwise Classified (Class 4).*

The Plan provides that each holder of a Allowed Secured Claim against the Debtor, other than those classified in Class 1, Class 2 or Class 3, shall receive on the Distribution Date in full and final satisfaction of its Class 4 Allowed Secured Claim at the Debtor's option, either [i] payment pursuant to the agreements between such holder and the Debtor; [ii] a Plan Secured Note in the amount of its Allowed Secured Claim [in which case, the holder shall retain its Liens as they existed on the Petition Date to secure the Plan Secured Note], or [iii] the surrender to such holder of all Collateral securing such Allowed Secured Class 4 Claim in accordance with In re Sandy Ridge Development Corp, 881 F.2d 1346 [5th Cir. 1989], in which case such Allowed Class 4 Claim shall be deemed paid in full and fully satisfied and any deficiency thereon shall be treated as a General Unsecured Claim. For purposes of this case, each holder of an Allowed Claim in Class 4 shall be separately classified into a subclass [e.g., 4A, 4B].

5. *Allowed Priority Non-Tax Claims (Class 5).*

The Plan provides that from and after the Distribution Date, each holder of an Allowed Priority Non-Tax Claim shall receive, in full and final satisfaction of such Claim, 2 equal payments, each in the amount of 50% of the Allowed Priority Non-Tax Claim. The first payment shall occur on the first day of the month following the Effective Date, and the second payment shall occur [120] days following the Effective Date.

6. *Allowed Customer Claims (Class 6).*

The Plan provides that conditioned upon entry of the Third-Party Injunction, Customer Claims shall receive no distribution under the Plan. All Customers shall be deemed to have fully and finally released the Customer Claims, upon entry of a Confirmation Order confirming the Plan.

7. *Allowed General Unsecured Claims (Class 7).*

The Plan provides that from and after the Distribution Date, each holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction of such claim, 2 equal payments, each in the amount of 50% of the Allowed General Unsecured Claim. The first payment shall occur on the first day of the month following the Effective Date, and the second payment shall occur [120] days following the Effective Date. Provided however, that payments to holders of Allowed General Unsecured Claims who are Insiders shall receive payment of their Allowed General Unsecured Claim pursuant to the terms of a Plan Unsecured Note.

8. *Allowed Subordinated Claims (Class 8).*

The Plan provides that Subordinated Claims and Penalty Claims shall receive no distribution under the Plan.

9. *Interests in the Debtor (Class 9).*

The Plan provides that interests in the Debtor shall be extinguished on the Effective Date.

H. Executory Contracts.

The Plan constitutes a certain motion by the Debtor to assume, as of the Effective Date, the Contracts. Except as set forth in such motion, as to assumed Contracts, [a] no cure of such Contracts pursuant to Bankruptcy Code section 365[b][1][A] is necessary other than the Cure Payments; [b] no Bankruptcy Code section 365[b][1][B] compensation is owing or shall be owing upon the assumption of such Contracts; [c] confirmation of this Plan shall be deemed [i] adequate assurance of prompt cure of any default under such Contracts solely based upon the Debtor's obligation in the Plan to make the Cure Payments, [ii] adequate assurance of future performance under such Contracts, and [iii] consent by the party to such Executory Contract to the assignment or sublease of the property subject to the Executory Contract to any third party disclosed at the Confirmation Hearing.

I. Retention of Jurisdiction.

The Bankruptcy Court's jurisdiction shall be retained under the Plan as set forth in Article 11 of the Plan.

J. Management and Issuance of New Common Stock.

On the Effective Date, the Reorganized Debtor will issue New Common Stock subject to, inter alia, the following terms and conditions:

1. *Authorization.* The current charter of the Reorganized Debtor shall be amended to authorize the issuance of a total of up to 1,000,000 shares of New Common Stock.
2. *Par Value.* The New Common Stock shall have a par value of \$0.01 per share.
3. *Rights.* Holders of New Common Stock shall have one vote per share on all matters submitted to a vote of shareholders. The New Common Stock shall have such rights with respect to dividends, liquidation, and other matters as are set forth in the charter of the Reorganized Debtor and as are otherwise provided by Texas law and this Plan.

K. Alternatives to Plan Including Liquidation/Liquidation Analysis

With the exception of the holder of the Claim in Class 2, the Plan proposes to pay all creditors in full. Accordingly, all creditors other than the holder of the Class 2 Claim are receiving, by definition, at least as much as they would receive in a liquidation of the Debtor. A liquidation analysis which addresses the recovery that could be achieved by the Class 2 holder is attached hereto as “**Exhibit B**”.

L. Risks To Creditors Under The Plan.

The Plan is subject to a number of material risks, including those enumerated below. Prior to deciding how to vote on the Plan, each holder of an impaired Claim should carefully consider all of the information contained in this Disclosure Statement, especially the factors mentioned in the following paragraphs:

1. *Forward-Looking Information May Prove Inaccurate* – This Disclosure Statement contains various forward-looking statements and information that are based on the Debtor’s beliefs as well as assumptions made by and information currently available to the Debtor. If reality varies from these beliefs and assumptions, actual results may vary materially from those anticipated, estimated or projected.
2. *Dependence on Key Individuals* – The Debtor is dependent on its ability to retain the services of its manager, including Damon Roberts. The loss of this individual could have a material adverse effect on the Debtor.
3. *Certain Risks of Non-Confirmation* – There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Court will confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of the distributions to non-accepting creditors and interest holders will not be less than the value of the distributions that such creditors and interest holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtor believes that these requirements will be satisfied, there can be no assurance that the Court will concur. The confirmation and consummation of the Plan are also subject to certain other conditions, which are described in this Disclosure Statement. If the Plan were not to be confirmed and consummated, it is unclear whether a reorganization comparable to the reorganization contemplated hereby could be implemented in a timely manner and, if so, what distributions holders of Claims ultimately would receive with respect to its Claims. Moreover, if an alternative reorganization could not be implemented in a timely manner, it is possible the that Debtor would have to liquidate its assets, in which case it is

likely the holders of Claims would receive less than they would have received pursuant to the Plan.

4. *Risks Relating to the Projections* – The management of the Debtor has prepared certain yearly projections (the “Projections” attached hereto as “**Exhibit “C”**”) in connection with the development of the Plan to present the projected effects of the Plan and the transactions contemplated hereby. The Projections assume that the Plan and the transactions contemplated hereby will be implemented in accordance with their terms and are based upon numerous other assumptions and estimates. The assumptions and estimates underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those projected. Accordingly, the Projections are not necessarily indicative of the future financial condition or results of operations of the Reorganized Debtor, which condition and results may vary significantly from those set forth in the Projections. Consequently, the projected financial information contained in this Disclosure Statement should not be regarded as a representation by the Debtor, the Debtor’s advisors, or any other person that the projections can or will be achieved.

M. Tax Consequences to the Debtor.

Implementation of the Plan may result in federal income tax consequences to holders of Claims, Equity Interest holders. Tax consequences to a particular Creditor or holder of an Equity Interest may depend on the particular circumstances or facts regarding the Claim or the holder of the Equity Interest. **YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS.**

N. Exculpations.

Neither the Debtor, nor its respective members, officers, directors, employees, agents or attorneys shall have or incur any liability to any holder of a Claim for any act, event or omission in connection with, or arising out of, the Chapter 11 Case, the confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence.

O. Procedures For Resolving and Treating Contested Claims Under The Plan

1. *Establishment of Disputed Claims Reserve.* Notwithstanding any other provision of this Plan, no assets or property shall be distributed under this Plan on account of any Disputed Claim. For all Disputed Claims, the Reorganized Debtor shall establish and hold, in trust, distributions to be made on account of Plan Unsecured Note payable to the holders of Disputed Claims [each such reserve being herein called a “Disputed Claims Reserve”] with respect to each Class 1, 2, 3, 4, 5, and 7

Claim for which there exists a Disputed Claim, and shall place in each Disputed Claims Reserve the assets and property to be distributed on account of such Disputed Claims pursuant to this Plan, pending Allowance or Disallowance of such Claim. Pending Final Order concerning a Disputed Claim, the Reorganized Debtor shall pay into the Disputed Claims Reserve all payments provided for under this Plan pursuant to any Allowed Claim which would have been required to be delivered to the claimant absent a Disputed Claim. Cash held in any Disputed Claims Reserve shall be held in a segregated interest-bearing trust account. To the extent practicable, the Reorganized Debtor may invest the Cash in any Disputed Claims Reserve in a manner that will yield a reasonable net return, taking into account the safety of the investment.

2. *Determination of Disputed Claims Reserve.* The Bankruptcy Court may, at any time, determine for each Class 1, 2, 3, 4, 5, and 7 Claim, the amount of assets and property sufficient to fund each Disputed Claims Reserve established with respect to any such class. The Bankruptcy Court may estimate and determine by an Estimation Order the Estimated Amount of Claims in each class for which a Disputed Claims Reserve has been established. Any unsecured claimant holding a Disputed Claim so estimated will have recourse only to undistributed assets and property in the Disputed Claims Reserve for the class in which such Disputed Claim has been placed and not to the Reorganized Debtor or any other assets or property, should the Allowed Claim of such claimant, as finally determined by a Final Order, exceed such Estimated Amount.
3. *Return of Assets.* Except as otherwise provided herein, all assets and properties [and all interest payments and dividends previously paid in connection therewith] in any Disputed Claims Reserve for any class of Claims remaining after the resolution of all disputes relating thereto shall be returned to the Reorganized Debtor for distribution in accordance with this Plan.
4. *Withholding of Taxes.* The Reorganized Debtor shall withhold from any assets and property distributed under this Plan any assets and or property which must be withheld for federal, state and local taxes payable by the Entity entitled to such property to the extent required by applicable law.

P. Discharge of the Debtor.

Except as otherwise provided in this Plan, entry of the Confirmation Order shall discharge all existing debts and Claims of any kind, nature or description whatsoever against the Debtor or any of its assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code, including but not limited to Claims based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date and all debts of the kind specified in sections 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 section 501 of the Bankruptcy Code; [b] a Claim based upon such debt is allowed under section 502 of the Bankruptcy Code; or [c] the holder of a Claim has accepted the Plan. As provided in section 524

of the Bankruptcy Code, the discharge shall void any judgment against the 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 the Debtor or any of its property, to the extent it relates to a Claim discharged. Notwithstanding anything to the contrary, this Section 12.2 does not enjoin creditors from enforcing their rights under the Plan and does not apply to post-petition ad valorem taxes.

Q. Injunction

The Confirmation Order shall contain such injunctions as may be necessary and helpful to effectuate the discharge of the Debtor provided herein. Without limiting the generality of the foregoing, such injunction shall include an absolute prohibition from collecting Claims in any manner other than as provided for in the Plan. Such injunctions shall also include the following:

UPON THE EFFECTIVE DATE, NO HOLDER OF ANY CLAIM (WHETHER ALLOWED OR CONTESTED) OR EQUITY INTEREST, AND NONE OF ANY SUCH HOLDER'S HEIRS, SUCCESSORS, ASSIGNS, TRUSTEES, EXECUTORS, ADMINISTRATORS, CONTROLLED-AFFILIATES, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES, ATTORNEYS, BENEFICIARIES, AND/OR GUARDIANS (COLLECTIVELY, THE "REPRESENTATIVES") SHALL TAKE, OR CAUSE TO BE TAKEN, AND EACH SUCH HOLDER AND EACH OF ITS REPRESENTATIVES IS HEREBY PERMANENTLY ENJOINED FROM (I) TAKING, ANY ACTION THAT IS INTENDED OR IS REASONABLY LIKELY TO DIRECTLY OR INDIRECTLY PREVENT, IMPEDE, HINDER, ADVERSELY AFFECT, AND/OR DELAY ANY ACTIONS OR EFFORTS OF THE DEBTOR OR THE REORGANIZED DEBTOR, AS APPLICABLE, AND/OR ITS ABILITY TO IMPLEMENT THE PLAN; (II) PROSECUTING OR CONTINUING TO ASSERT ANY CLAIMS OR CAUSES OF ACTION FOR DAMAGES IN THE COPYRIGHT ACTION EITHER AGAINST ANY CUSTOMERS OR THE REORGANIZED DEBTOR.

R. Officers, Directors and Managers.

The Plan provides that the officers and directors of the Reorganized Debtor shall be those officers and directors as of the Petition Date until other officers or directors are elected pursuant to applicable non-bankruptcy law.

S. Conclusion.

Through confirmation of the Plan, the Debtor believes that it can resolve all claims that have been, or could be, asserted against it in a timely and cost effective manner. The Debtor believes that the Plan provides a mechanism to resolve and provide just compensation to all claimants. The Debtor believes that the Plan is fair to all parties-in-interest and should be approved by creditors.

THE DEBTOR URGES YOU TO VOTE TO ACCEPT THE PLAN.

Dated: June 2, 2016.

By: /s/ Howard Marc Spector
Howard Marc Spector
TBA #00785023

SPECTOR & JOHNSON, PLLC
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**IN THE UNITED STATES BANKRUPTCY COURT
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Sophisticated Style, Inc.	§	Case No. 15-44258-RFN-11
d/b/a/ Import Designs, Inc.	§	
	§	
Debtor.	§	(Chapter 11)

<p>First Amended Plan of Reorganization Filed by the Debtor Dated: May 17, 2016 Grapevine, Texas</p>
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The Debtor, as debtor-in-possession proposes this First Amended Plan of Reorganization under chapter 11 of the Bankruptcy Code.

ARTICLE 1: DEFINITIONS AND INTERPRETATION

1.1 *Definitions.*

The capitalized terms used herein shall have the respective meanings set forth below:

(a) “**Ad Valorem Taxing Authority**” shall mean any governmental entity entitled by law to assess taxes on property based upon the value of such property which taxes are secured by a statutory Lien to secure the payment of such taxes, penalties and interest accruing thereon.

(b) “**Administrative Claim**” shall mean a Claim entitled to priority under sections 503[b] and 507[a][1] of the Bankruptcy Code in the Chapter 11 Case of the Debtor.

(c) “**Allowed**” when used with respect to any Claim, except for a Claim that is an Administrative Claim, shall mean [1] such Claim to the extent it is not a Contested Claim; [2] such Claim to the extent it may be set forth pursuant to any stipulation or agreement that has been approved by Final Order; or [3] a Contested Claim, proof of which was filed timely with the Bankruptcy Court and [A] as to which no objection was filed by the Objection Deadline, unless such Claim is to be

determined in a forum other than the Bankruptcy Court, in which case such Claim shall not become Allowed until determined by Final Order of such other forum and Allowed by Final Order of the Bankruptcy Court; or [B] as to which an objection was filed by the Objection Deadline, to the extent Allowed by Final Order.

(d) “**Ballot**” shall mean the Ballot to be used by creditors to cast their votes to accept or reject the Plan.

(e) “**Balloting Agent**” shall mean the Debtor’s counsel, as agent for the Debtor.

(f) “**Bankruptcy Code**” shall mean the Bankruptcy Reform Act of 1978, as amended, and codified at title 11 of the United States Code.

(g) “**Bankruptcy Court**” shall mean the Bankruptcy Court unit of the United States District Court for the Northern District of Texas, Dallas Division, or such other court having jurisdiction over the Chapter 11 Case.

(h) “**Bankruptcy Rules**” shall mean the Federal Rules of Bankruptcy Procedure, as prescribed by the United States Supreme Court pursuant to section 2075 of title 28 of the United States Code.

(i) “**Bar Date**” shall mean March 3, 2016 for all claims, other than the claims of governmental authorities.

(j) “**Business Day**” shall mean any day on which commercial banks are open for business in Dallas, Texas.

(k) “**Cash**” shall mean legal tender of the United States of America or short-term liquid investments that are readily convertible to known amounts of legal tender of the United States of America and which present an insignificant risk of changes in value.

(l) “**Chapter 11 Case**” shall mean the case of the Debtor commenced under chapter 11 of the Bankruptcy Code on the Petition Date.

(m) “**Collateral**” shall mean any property of the Debtor subject to a valid, enforceable and non-avoidable Lien to secure the payment of a Claim.

(n) “**Confirmation Date**” shall mean the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order.

(o) “**Confirmation Hearing**” shall mean the date on which the Bankruptcy Court holds the hearing[s] on confirmation of the Plan.

(p) “**Confirmation Order**” shall mean the order of the Bankruptcy Court confirming the Plan.

(q) “**Contested**” when used with respect to a Claim, shall mean a Claim against the Debtor [1] that is listed in the Debtor’s Schedules as disputed, contingent or unliquidated; [2] that is listed in the Debtor’s Schedules as undisputed, liquidated and not contingent and as to which a proof of Claim has been filed with the Bankruptcy Court, to the extent the proof of Claim amount exceeds the scheduled amount; and [3] that is not listed in the Debtor’s Schedules, but as to which a proof of Claim has been filed with the Bankruptcy Court and to which an objection has been filed. Notwithstanding the foregoing, after the Objection Deadline, only Claims to which an Objection has been filed shall be deemed Contested Claims.

(r) “**Contracts**” shall mean all executory contracts and unexpired leases as such terms are used within Bankruptcy Code section 365 to which the Debtor was a party as of the Petition Date. The

identity of the Contracts is set forth on Schedule G.

(s) “**Copyright Action**” shall mean the civil case styled *Brighton Collectibles, LLC v. Lodwig Enterprises, Inc. d/b/a All American Fund Raising, et al.*; Case No. 15-CV -00580-PSG (PKAx) pending in the United States District Court, Central District of California, Western Division

(t) “**Customers**” shall mean Lodwig Enterprises, Inc. d/b/a All American Fund Raising, a Nebraska corporation; J.W. Pepper & Son, Inc. d/b/a Pepper Fundraising, a Pennsylvania corporation; Full Service Fundraising, Inc., a Texas corporation ; Ultimate Fundraising, Inc., a New York corporation; Music Resource, Inc. d/b/a Alpha Fundraising, an Ohio corporation; Custom Resources, LLC, a Missouri limited liability company; Scool Services, Inc., a Colorado corporation; The Candy Man, Inc., a North Carolina corporation; and Infinite Classic, Inc., a New York corporation.

(u) “**Customer Claims**” shall mean the claims of a Customer against the Debtor for indemnity, contribution, apportionment, joint liability, comparative negligence, contributory negligence, or any other theory of joint or several liability which arise out the operative facts that form the basis of the claims asserted in the Copyright Action, whether or not such claims have been asserted by a Customer against the Debtor.

(v) “**Cure Payment**” shall be the monetary payments required pursuant to Bankruptcy Code section 365[b][1][A] to cure defaults under Contracts to which the Debtor is a party and which will be assumed pursuant to the Plan. Such Cure Payment shall be conclusively determined and set for each such Contract at the Confirmation Hearing.

(w) “**Debtor**” shall mean Sophisticated Style, Inc. d/b/a Import Designs, Inc., a Texas corporation.

(x) “**Disallowed,**” when used with respect to a Claim, shall mean a Claim that has been disallowed by Final Order.

(y) “**Disputed Claim Reserve**” shall mean the reserve accounts established pursuant to this Plan for funding Disputed Claims if such Claims are ultimately allowed by Final Order and which are to be held pending resolution of Disputed Claims by the entry of a Final Order allowing or disallowing such Disputed Claim[s].

(z) “**Distribution Date**” shall mean a date selected by the Reorganized Debtor to occur as soon as practical after the Effective Date but no later than 60 days after the Effective Date.

(aa) “**Effective Date**” shall mean a Business Day selected by the Debtor or Reorganized Debtor, as the case may be, not to exceed sixty [60] days after the Confirmation Date.

(bb) “**Estimated Amount**” shall mean the maximum amount at which the Bankruptcy Court or, where required by applicable law, the District Court, estimates any Claim [or class of Claims] against Debtor which is contingent, unliquidated or disputed, including, for the purpose of: [a] distribution under § 502[c], Bankruptcy Code; [b] determining the feasibility of this Plan pursuant to § 1129[a][11], Bankruptcy Code for purposes of its Confirmation; or [c] voting to accept or reject this Plan pursuant to Bankruptcy Rule 3018[a].

(cc) “**Estimation Order**” means an Order of the Bankruptcy Court or, where required by applicable law, the District Court, that determines the Estimated Amount of any Claim [or class of Claims], against Debtor for any of the purposes as provided in this Plan.

(dd) “**Executory Contract Schedule**” shall mean that certain Executory Contract Schedule to be filed with the Bankruptcy Court as a Plan Document, which may be amended from time to time by the Debtor until the commencement of the Confirmation Hearing setting forth all Contracts to be

assumed pursuant to Section 10.1 and the Cure Payments associated with each such Contract.

(ee) “**Fee Application**” shall mean an application of a Professional Person under section 330 or 503 of the Bankruptcy Code for allowance of compensation and reimbursement of expenses in the Chapter 11 Case.

(ff) “**Fee Claim**” shall mean a Claim under section 330 or 503 of the Bankruptcy Code for allowance of compensation and reimbursement of expenses in the Chapter 11 Case.

(gg) “**Final Order**” shall mean [1] an order which has been entered and as to which the time to appeal, petition for certiorari or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari or other proceedings for reargument or rehearing shall then be pending or [2] in the event that an appeal, writ of certiorari, reargument or rehearing thereof has been sought, such order shall have been affirmed by the highest court to which such order was appealed, or certiorari has been denied or from which reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, however, that no order shall fail to be a Final Order solely because of the possibility that a motion pursuant to Rule 60 of the Federal Rules of Civil Procedure may be filed with respect to such order.

(hh) “**General Unsecured Claim**” shall mean any Claim against the Debtor that is not a Secured Claim, an Administrative Claim, a Priority Tax Claim, a Priority Non-Tax Claim, a Customer Claim, or a Subordinated Claim.

(ii) “**Interest**” shall mean any right in the Debtor represented by an “equity security,” as defined on section 101[16] of the Bankruptcy Code, or any right to acquire such an “equity security.”

(jj) “**IRS**” shall mean the United States Department of Treasury, Internal Revenue Service.

(kk) “**New Common Stock**” means stock in the Debtor representing 100% of the Interests in the Reorganized Debtor as of the Effective Date.

(ll) “**Objection Deadline**” shall mean the date by which objections to Claims shall be filed with the Bankruptcy Court and served upon the respective holders of each of the Claims as provided in Section 9.1 of the Plan.

(mm) “**Penalty Claims**” shall mean Claims for penalties or punitive damages, including Claims denominated as “interest” which the Bankruptcy Court determines to be punitive in nature.

(nn) “**Petition Date**” shall mean October 23, 2015.

(oo) “**Plan**” or “**Plan of Reorganization**” shall mean this First Amended Plan of Reorganization, either in its present form or as it may hereafter be altered, amended or modified from time to time, and which contains the Third-Party Injunction.

(pp) “**Plan Documents**” shall mean the documents that aid in effectuating the Plan as specifically identified as such herein, all other agreements contemplated therein, which will be substantially in the respective forms filed by the Debtor with the Bankruptcy Court.

(qq) “**Plan Secured Note**” shall mean a promissory note made payable in equal monthly installments by the Reorganized Debtor to holders of Allowed Secured Claims with the following terms:

	Amortization Term	Payments Begin	Annual Interest Rate	Note Term
Class 1	4 years	1 month following	12%	4 years

		Effective Date		
Class 3	4 years	1 month following Effective Date	5%	5 years
Class 4	4 years	1 month following Effective Date	5%	5 years

Except as otherwise provided in the Plan, the Reorganized Debtor’s installment payments shall commence thirty [30] days after the Distribution Date, and shall continue on the same day of each calendar month for a period of months thereafter until the Plan Secured Note is paid in full.

(rr) “**Plan Unsecured Note**” shall mean a promissory note made payable in equal monthly installments by the Reorganized Debtor to certain holders of Allowed General Unsecured Claims with the following terms:

	Amortization Term	Payments Begin	Annual Interest Rate	Note Term
Class 7	10 years	1 year following Effective Date	0%	10 years

Except as otherwise provided in the Plan, the Reorganized Debtor’s installment payments shall continue on the same day of each calendar month for a period of months thereafter until the Plan Unsecured Note is paid in full.

(ss) “**Priority Non-Tax Claim**” shall mean a Claim of the kind specified in section 507[a][2] – [a][10] of the Bankruptcy Code, other than a Claim which is a Priority Tax Claim.

(tt) “**Priority Tax Claim**” shall mean a Claim of a governmental unit of the kind specified in section 507[a][8] of the Bankruptcy Code, specifically including but not limited to claims for tax years ending on or before the Petition Date.

(uu) “**Professional Person**” shall mean a person retained or to be compensated pursuant to section 327, 328, 330, 503[b] or 1103 of the Bankruptcy Code.

(vv) “**Reorganized Debtor**” shall mean the Debtor, as reorganized, on and after the Effective Date.

(ww) “**Schedules**” shall mean the Schedules of assets and liabilities and the statements of financial affairs filed by the Debtor as required by section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such Schedules and statements have been or may be supplemented or amended.

(xx) “**Secured Claim**” shall mean a Claim secured by a Lien on property of the Debtor, which Lien is valid, perfected and enforceable under applicable law, is not subject to avoidance under the Bankruptcy Code or other applicable non-bankruptcy law and which is duly established in the Chapter 11 Case, but only to the extent of the value of the Collateral that secures payment of such Claim.

(yy) “**Subordinated Claim**” shall mean any Claim [1] subordinated by contract or by order of the Bankruptcy Court to the right of payment of General Unsecured Claims, including late filed claims, or [2] which would be paid pursuant to Bankruptcy Code section 726[a][2][c], [a][3], [a][4] or [a][5] if this Chapter 11 Case had originally been filed as a case under chapter 7 of the Bankruptcy Code but shall not include ad valorem property tax claims, penalties and interest that accrued thereon prior to the Petition Date.

(zz) “**Tax Liens**” shall mean any statutory Liens securing any Allowed Secured Claims of any Ad Valorem Taxing Authority. Tax Liens shall in all events include Liens which secure the payment of 2008 and prior years’ ad valorem taxes.

(aaa) “**Third-Party Injunction**” shall mean the Injunction against the Plaintiff in the Copyright Action provided under Section 12.3 of the Plan.

(bbb) “**Unclassified Claim**” shall mean any Priority Tax Claim or Administrative Claim.

(ccc) “**Unsecured Claim**” shall mean a Claim other than a Secured Claim.

(ddd) “**Voting Deadline**” shall mean the date set by the Bankruptcy Court by which Ballots for accepting or rejecting the Plan must be received by the Balloting Agent.

Words and terms defined in section 101 of the Bankruptcy Code shall have the same meaning when used in the Plan, unless a different definition is given in the Plan. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan.

1.2 Interpretation.

Unless otherwise specified, all section, article and exhibit references in the Plan are to the respective section in, article of or exhibit to the Plan, as the same may be amended, waived or modified from time to time. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions of the Plan. Words denoting the singular number shall include the plural number and vice versa, and words denoting one gender shall include the other gender. All exhibits and schedules attached to the Plan are incorporated herein by such attachment.

1.3 Reorganized Debtor.

The Plan shall be liberally construed for the benefit of the Debtor and Reorganized Debtor regarding the interchangeableness of the term “*Debtor*” with the term “*Reorganized Debtor*” and other instances of the use “*Reorganized*.”

ARTICLE 2: CLASSIFICATION OF CLAIMS

2.1 Claims Classified.

For purposes of organization, voting and all confirmation matters, except as otherwise provided herein, all Claims [except for Administrative Claims and Priority Tax Claims] shall be classified as set forth in this Article 2 of the Plan.

2.2 Administrative Claims and Priority Tax Claims.

Administrative Claims and Priority Tax Claims against the Debtor shall not be classified for purposes of voting or receiving distributions under the Plan. Rather, all such Claims shall be treated separately as Unclassified Claims on the terms set forth in Article 5 of the Plan.

2.3 Claims.

The Plan classifies the Claims against the Debtor as follows:

Secured Claims

[a] Class 1: Any Allowed Secured Claims of Ad Valorem Taxing Authorities.

- [b] Class 2: Any Allowed Secured Claim of Rick Phelan
- [c] Class 3: Any Allowed Secured Claim of Bank of America
- [d] Class 4: Any Allowed Secured Claims not otherwise classified.

Unsecured Claims

- [e] Class 5: Any Priority Non-Tax Claims
- [f] Class 6: Any Customer Claims
- [g] Class 7: Any Allowed General Unsecured Claims.
- [h] Class 8: Any Allowed Subordinated Claims.

Interests

- [i] Class 9: Any Interests in the Debtor.

ARTICLE 3: IDENTIFICATION OF IMPAIRED CLASSES OF CLAIMS

3.1 *Impaired Classes of Claims and Interests.*

All classes of Claims and Interests are impaired under the Plan.

3.2 *Impairment Controversies.*

If a controversy arises as to whether any Claim or any class of Claims is impaired under the Plan, the Bankruptcy Court shall, upon notice and a hearing, determine such controversy.

ARTICLE 4 : PROVISIONS FOR TREATMENT OF CLAIMS UNDER THE PLAN

4.1 *Treatment of Claims.*

The classes of Claims against the Debtor shall be treated under the Plan as follows:

Secured Claims

[a] *Class 1 – Any Allowed Secured Claims of Ad Valorem Taxing Authorities.* On the Effective Date, in full and final satisfaction of its Allowed Secured Claims in this Chapter 11 Case, each holder of an Allowed Secured Claim in Class 1 shall receive [i] as to Allowed Claims not exceeding \$500.00, a Cash payment equal to such Allowed Secured Claim; and [ii] otherwise a Plan Secured Note in the amount of such holder’s Allowed Secured Claim [which includes all penalties that accrued pre-petition and all interest which accrued post-petition]. At the sole discretion of the Debtor, the Debtor may at any time after the Effective Date prepay any or all Allowed Secured Claims in Class 1 without penalty or interest, except the Debtor shall pay [i] penalties incurred prior to the Petition Date and [ii] post-petition interest pursuant to the Bankruptcy Code and this Plan. Allowed Secured Claims in Class 1 shall bear interest from the Petition Date through the Effective Date at the rate of 1% per month and shall bear interest after the Effective Date at the rate of 12% per annum. In the event of an objection to a Claim in this Class, the holder of such Claim shall receive plan payments while the objection is pending which will be applied to the undisputed amount of the Claim. Any Ad Valorem Taxing Authority shall retain its Liens as they existed on the Petition Date to secure its Allowed Class 1 Claim.

[b] *Class 2 – Any Allowed Secured Claim of Rick Phelan.* On December 31, 2016, the holder of an Allowed Class 2 Secured Claim shall receive, in full and final satisfaction thereof, (i) a Cash payment equal to 90% of his Allowed Class 2 Secured Claim and (ii) the New Common Stock.

[c] *Class 3 – Any Allowed Secured Claims of Bank of America.* The holder of the Allowed Secured Class 3 Claim, shall receive on the Distribution Date in full and final satisfaction of its Class 3 Allowed Secured Claim at the Debtor's option, either [i] a Plan Secured Note in the amount of its Allowed Secured Claim [in which case, the holder shall retain its Liens as they existed on the Petition Date to secure the Plan Secured Note], or [ii] the surrender to such holder of all Collateral securing such Allowed Secured Class 3 Claim in accordance with *In re Sandy Ridge Development Corp*, 881 F.2d 1346 [5th Cir. 1989], in which case such Allowed Class 3 Claim shall be deemed paid in full and fully satisfied and any deficiency thereon shall be treated as a General Unsecured Claim.

[d] *Class 4A through 4Z – Any Allowed Secured Claims not Otherwise Classified.* Each holder of a Allowed Secured Claim against the Debtor, other than those classified in Class 1, Class 2 or Class 3, shall receive on the Distribution Date in full and final satisfaction of its Class 4 Allowed Secured Claim at the Debtor's option, either [i] payment pursuant to the agreements between such holder and the Debtor; [ii] a Plan Secured Note in the amount of its Allowed Secured Claim [in which case, the holder shall retain its Liens as they existed on the Petition Date to secure the Plan Secured Note], or [iii] the surrender to such holder of all Collateral securing such Allowed Secured Class 4 Claim in accordance with *In re Sandy Ridge Development Corp*, 881 F.2d 1346 [5th Cir. 1989], in which case such Allowed Class 4 Claim shall be deemed paid in full and fully satisfied and any deficiency thereon shall be treated as a General Unsecured Claim. For purposes of this case, each holder of an Allowed Claim in Class 4 shall be separately classified into a subclass [e.g., 4A, 4B].

[e] Notwithstanding the foregoing treatment specified above, the Debtor may, at its sole option, provide any holder of a Class 1 Claim, Class 2 Claim, Class 3 Claim or Class 4 Claim, treatment as provided under section 1124[2] or [3] of the Bankruptcy Code, with the Cash payments required by section 1124[2][A] and [C] of the Bankruptcy Code being made on the Distribution Date; or [b] such holder's Collateral. If such holder of an Allowed Secured Claim against the Debtor receives treatment as provided in [a] above, such holder shall retain any Liens securing the Allowed Secured Claim until paid in full.

[f] Notwithstanding the foregoing, the Debtor and any holder of a Allowed Secured Claim may agree to any alternate treatment of such Secured Claim, which treatment shall include preservation of such holder's Lien; provided, however, that such treatment shall not provide a return to such holder of an amount having a present value in excess of the amount of such holder's Allowed Secured Claim. Each such agreement shall be presented to the Bankruptcy Court before or within 90 days after the Effective Date and shall not materially and adversely impact the treatment of any other creditor under the Plan.

Unsecured Claims

[g] *Class 5 – Any Allowed Priority Non-Tax Claim.* From and after the Distribution Date, each holder of an Allowed Priority Non-Tax Claim shall receive, in full and final satisfaction of such Claim, 2 equal payments, each in the amount of 50% of the Allowed Priority Non-Tax Claim. The first payment shall occur on the first day of the month following the Effective Date, and the second payment shall occur [120] days following the Effective Date.

[h] *Class 6 – Any Allowed Customer Claim.* Conditioned upon entry of the Third-Party Injunction, Customer Claims shall receive no distribution under the Plan. All Customers shall be deemed to have fully and finally released the Customer Claims, upon entry of a Confirmation Order confirming the Plan.

[i] *Class 7 – Any Allowed General Unsecured Claim.* From and after the Distribution Date, each holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction of such claim, 2 equal payments, each in the amount of 50% of the Allowed General Unsecured Claim. The first payment shall occur on the first day of the month following the Effective Date, and the second payment shall occur [120] days following the Effective Date. Provided however, that payments to holders of Allowed General Unsecured Claims who are Insiders shall receive payment of their Allowed General Unsecured Claim pursuant to the terms of a Plan Unsecured Note.

[j] *Class 8 – Any Subordinated and Penalty Claim.* Subordinated Claims and Penalty Claims shall receive no distribution under the Plan.

Interests in the Debtor

[k] *Class 9 – Interests in the Debtor.* Interests in the Debtor shall be extinguished on the Effective Date.

ARTICLE 5 : PROVISIONS FOR TREATMENT OF UNCLASSIFIED CLAIMS UNDER THE PLAN

5.1 Treatment of Administrative Claims.

The holder of an Administrative Claim [including Fee Claims] incurred before the Effective Date shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice, notice of such Administrative Claim and, if applicable, a Fee Application within 60 days after the Effective Date. Failure to file and serve these documents timely and properly shall result in the Administrative Claim being forever barred and discharged. Each holder of an Allowed Administrative Claim against the Debtor shall receive on the Distribution Date [1] the amount of such holder's Allowed Claim in one Cash payment or [2] such other treatment as may be agreed upon in writing by the Debtor and such holder; provided, however, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Debtor or an ad valorem tax liability may be paid in the ordinary course of business by the Debtor without the need for filing any claim with the Court. Failure to pay ad valorem taxes for the 20016 and subsequent tax years prior to delinquency shall be and event of default under the Plan.

5.2 Treatment of Priority Tax Claims.

Each holder of an Allowed Priority Tax Claim shall receive in full satisfaction of such holder's Allowed Priority Tax Claim a Plan Unsecured Note.

- If the Debtor 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 IRS within 10 days of the due date of such deposit or payment, or if the Debtor fails to file any required federal or state tax return by the due date of such return, then the IRS may notify the Debtor in writing that the Debtor is in default of the Plan. Failure to declare a default does not constitute a waiver by the IRS of the right to declare that the Debtor is in default.

- If the Debtor does not cure the default within 14 days of such notice, then the entire imposed liability, together with any unpaid current liabilities, may become due and payable immediately, and 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 Debtor. The collection statute expiration date will be extended from the Petition Date until default under the Plan.

- All payments will be sent to: IRS, Attention: Leo Carey, 1100 Commerce Street, Mail Code 5024 DAL, Dallas, Texas 75242.

- The IRS shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtor to the IRS. The IRS may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtor to the IRS; but the IRS 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.

ARTICLE 6 : ACCEPTANCE OR REJECTION OF THE PLAN

6.1 *Classes Entitled to Vote.*

All Classes except Classes 8 and 9 shall be entitled to vote separately to accept or reject the Plan as provided in applicable Bankruptcy Court orders and the Bankruptcy Code. Classes 8 and 9 do not vote since they are deemed to reject the Plan.

6.2 *Class Acceptance Requirement.*

A class of Claims shall have accepted the Plan if it is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims in such class that have voted on the Plan.

6.3 *Cramdown.*

If any class of Claims shall fail to accept the Plan in accordance with section 1126[c] of the Bankruptcy Code, the Bankruptcy Court may still confirm the Plan in accordance with section 1129[b] of the Bankruptcy Code. In the event that confirmation is requested under section 1129[b] of the Bankruptcy Code, the Debtor reserves the right to amend or otherwise modify the Plan to eliminate distributions to holders of any Claims junior to any class of Claims that is impaired under and has not accepted the Plan in accordance with section 1129[b][2] of the Bankruptcy Code.

ARTICLE 7 : MEANS FOR IMPLEMENTATION OF THE PLAN

7.1 *Officers and Directors.*

The officers and directors of the Reorganized Debtor shall be those officers and directors as of the Petition Date until other officers or directors are elected pursuant to applicable non-bankruptcy law.

7.2 *Vesting of Assets.*

On the Effective Date, all real and personal property of the estate of the Debtor, including but not limited to all causes of action of the Debtor, shall vest in the Reorganized Debtor; provided that upon any subsequent conversion to a case under chapter 7, all assets vesting in the Reorganized Debtor, shall pass to the chapter 7 trustee as property of the chapter 7 estate subject to those Claims, Liens, and encumbrances as Allowed and restructured in this Plan and as specified herein.

7.3 Assumption of Liabilities.

The liability for and obligations under the Plan shall be assumed by and become obligations of the Reorganized Debtor.

7.4 Disputed Claims.

[a] Establishment of Disputed Claims Reserve. Notwithstanding any other provision of this Plan, no assets or property shall be distributed under this Plan on account of any Disputed Claim. For all Disputed Claims, the Reorganized Debtor shall establish and hold, in trust, distributions to be made on account of Plan Unsecured Note payable to the holders of Disputed Claims [each such reserve being herein called a “Disputed Claims Reserve”] with respect to each Class 1, 2, 3, 4, 5, and 7 Claim for which there exists a Disputed Claim, and shall place in each Disputed Claims Reserve the assets and property to be distributed on account of such Disputed Claims pursuant to this Plan, pending Allowance or Disallowance of such Claim. Pending Final Order concerning a Disputed Claim, the Reorganized Debtor shall pay into the Disputed Claims Reserve all payments provided for under this Plan pursuant to any Allowed Claim which would have been required to be delivered to the claimant absent a Disputed Claim. Cash held in any Disputed Claims Reserve shall be held in a segregated interest-bearing trust account. To the extent practicable, the Reorganized Debtor may invest the Cash in any Disputed Claims Reserve in a manner that will yield a reasonable net return, taking into account the safety of the investment.

[b] Determination of Disputed Claims Reserve. The Bankruptcy Court may, at any time, determine for each Class 1, 2, 3, 4, 5, and 7 Claim, the amount of assets and property sufficient to fund each Disputed Claims Reserve established with respect to any such class. The Bankruptcy Court may estimate and determine by an Estimation Order the Estimated Amount of Claims in each class for which a Disputed Claims Reserve has been established. Any unsecured claimant holding a Disputed Claim so estimated will have recourse only to undistributed assets and property in the Disputed Claims Reserve for the class in which such Disputed Claim has been placed and not to the Reorganized Debtor or any other assets or property, should the Allowed Claim of such claimant, as finally determined by a Final Order, exceed such Estimated Amount.

[c] Return of Assets. Except as otherwise provided herein, all assets and properties [and all interest payments and dividends previously paid in connection therewith] in any Disputed Claims Reserve for any class of Claims remaining after the resolution of all disputes relating thereto shall be returned to the Reorganized Debtor for distribution in accordance with this Plan.

[d] Withholding of Taxes. The Reorganized Debtor shall withhold from any assets and property distributed under this Plan any assets and or property which must be withheld for federal, state and local taxes payable by the Entity entitled to such property to the extent required by applicable law.

7.5 Estimated Claims.

Except as otherwise provided herein, the Court may estimate for purposes of allowance pursuant to § 502[c], Bankruptcy Code, [i] any Disputed Claim or unliquidated Claim, or [ii] any portion or part of an Claim that is, itself, unliquidated. Any Estimation Order, to the extent it becomes a Final Order, shall determine the amount of the Allowed Claim so estimated.

7.6 *Claims on File; No Allowance of Untimely Claims.*

The Debtor is relying on the formal proofs of Claims on file and the Debtor's Schedules currently on file in seeking confirmation of the Plan. No informal proof of claim shall be deemed to have been filed in this Chapter 11 Case.

7.7 *Issuance of New Common Stock.*

On the Effective Date, the Reorganized Debtor will issue New Common Stock subject to, inter alia, the following terms and conditions:

[a] Authorization. The current charter of the Reorganized Debtor shall be amended to authorize the issuance of a total of up to 1,000,000 shares of New Common Stock.

[b] Par Value. The New Common Stock shall have a par value of \$0.01 per share.

[c] Rights. Holders of New Common Stock shall have one vote per share on all matters submitted to a vote of shareholders. The New Common Stock shall have such rights with respect to dividends, liquidation, and other matters as are set forth in the charter of the Reorganized Debtor and as are otherwise provided by Texas law and this Plan.

ARTICLE 8 : PROVISIONS GOVERNING DISTRIBUTIONS

8.1 *Distributions.*

Except as otherwise provided in this Plan, any distributions and deliveries to be made under the Plan shall be made on the Distribution Date, as funds are available, or as the Bankruptcy Court may order.

8.2 *Delivery of Distributions.*

Subject to Bankruptcy Rule 9010, distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the proofs of Claim filed by such holders [or at the last known address of such a holder if no proof of Claim is filed or if the Debtor has been notified in writing of a change of address]. If any holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the Debtor is notified in writing of such holder's then current address, at which time all missed distributions shall be made to such holder without interest. After the first anniversary of the Effective Date, all unclaimed property shall revert to the Reorganized Debtor or any successor thereto, and the claim of any holder with respect to such property shall be discharged and forever barred.

8.3 *Time Bar to Cash Payments.*

Checks issued by Reorganized Debtor in respect of Allowed Claims shall be null and void if not negotiated within six months after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Reorganized Debtor by the holder of the Allowed Claim with respect to

which such check originally was issued. Any claim in respect of such a voided check shall be made on or before the later of [1] the first anniversary of the Effective Date or [2] 90 days after the date of reissuance of such check. After such date, all claims in respect of void checks shall be discharged and forever barred.

ARTICLE 9 :
PROCEDURES FOR RESOLVING AND TREATING CONTESTED AND
DISPUTED CLAIMS UNDER THE PLAN

9.1 *Objection Deadline.*

As soon as practicable, but in no event later than sixty [60] days after the Effective Date, unless otherwise ordered by the Bankruptcy Court, objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims to which objections are made. Notwithstanding the foregoing sentence, as to any Claim which is filed after the Effective Date, an objection to such Claim shall be filed on or before sixty [60] days after the date on which such Claim is filed.

9.2 *No Distributions Pending Allowance.*

Notwithstanding any other provision of the Plan, no payment or distribution shall be made with respect to the disputed portion of any Claim to the extent it is a Contested Claim unless and until such Contested Claim becomes an Allowed Claim. Payments and distributions to each holder of a Contested Claim, to the extent that such Claim ultimately becomes an Allowed Claim, shall be made in accordance with the provisions of the Plan governing the class of Claims to which the respective holder belongs.

ARTICLE 10:
PROVISIONS GOVERNING EXECUTORY CONTRACTS AND
UNEXPIRED LEASES UNDER THE PLAN

10.1 *Assumption of Certain Contracts; Rejected if Not Assumed.*

The Plan constitutes a certain motion by the Debtor to assume, as of the Effective Date, the Contracts. Except as set forth in such motion, as to assumed Contracts, [a] no cure of such Contracts pursuant to Bankruptcy Code section 365[b][1][A] is necessary other than the Cure Payments; [b] no Bankruptcy Code section 365[b][1][B] compensation is owing or shall be owing upon the assumption of such Contracts; [c] confirmation of this Plan shall be deemed [i] adequate assurance of prompt cure of any default under such Contracts solely based upon the Debtor's obligation in the Plan to make the Cure Payments, [ii] adequate assurance of future performance under such Contracts, and [iii] consent by the party to such Executory Contract to the assignment or sublease of the property subject to the Executory Contract to any third party disclosed at the Confirmation Hearing.

10.2 *Bar to Rejection Damages.*

If the rejection of a Contract by the Debtor pursuant to this Plan results in damages to the other party or parties to such Contract, a Claim for such damages, if not heretofore evidenced by a filed proof of Claim, shall be forever barred and shall not be enforceable against the Debtor, the Reorganized Debtor or its respective property or its agents, successors or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon counsel for the Debtor on or before sixty [60] days following the Effective Date.

10.3 *Insurance Policies.*

Notwithstanding anything in the Plan or Sections 10.1 and 10.2 of the Plan, all insurance policies under which the Debtor is the insured party shall be deemed assumed as of the Confirmation Date. All payments upon such policies are current; no cure payments are necessary.

ARTICLE 11 : RETENTION OF JURISDICTION

11.1 *Scope of Jurisdiction.*

Pursuant to sections 1334 and 157 of title 28 of the United States Code, until the time that an order is entered closing the Chapter 11 Case, the Bankruptcy Court shall retain and have jurisdiction over all matters arising in, arising under and related to the Chapter 11 Case and the Plan. Without limitation, the Bankruptcy Court shall retain jurisdiction for the following specific purposes after the Confirmation of this Plan:

- [a] to modify this Plan pursuant to the Bankruptcy Rules and the Bankruptcy Code;
- [b] to enforce and interpret the terms and conditions of this Plan;
- [c] to enter such orders, including injunctions, as are necessary to enforce the title, rights, and powers of the Reorganized Debtor;
- [d] to enter an order concluding and terminating the Chapter 11 Case;
- [e] to correct any defect, cure any omission, or reconcile any inconsistency in this Plan, or the Confirmation Order as may be necessary, consistent with the requirements of the Bankruptcy Code and Bankruptcy Rules to carry out the purposes and intent of this Plan, including the adjustment of the date[s] of performance under this Plan in the event the Effective Date does not occur as provided herein, so that the intended effect of this Plan may be substantially realized thereby;
- [f] to approve all Fee Claims;
- [g] to hear and determine any causes of action arising prior to the Effective Date or thereafter or in any way related to this Plan or the transactions contemplated hereby against Debtor;
- [h] to determine any and all applications pending on Confirmation for the rejection, assumption or assignment of Contracts and the allowance of any Claim resulting therefrom;
- [i] to determine such other matters and for such other purposes as may be provided in the Confirmation Order;
- [j] to hear and determine any and all adversary proceedings, applications, and contested matters, including any remands of appeals;
- [k] to ensure that distributions to holders of Allowed Claims are accomplished as provided herein;
- [l] to hear and determine any timely objections to or applications concerning Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim, or Interest;
- [m] to enter and implement such orders as may be necessary or appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed, or vacated;
- [n] to enter and implement such orders as may be necessary or appropriate to execute, interpret, implement, consummate, or enforce the Plan and the transactions contemplated thereunder;
- [o] to hear and determine matters concerning state, local, and federal taxes in accordance with §§ 346, 505, and 1146, Bankruptcy Code;
- [p] to enter Estimation Orders;
- [q] to enforce the injunctions in the Plan, including the Third-Party Injunction; and

[r] to determine claims under 11 U.S.C. § 506[c] against the holders of any Allowed Secured Claim.

11.2 *Failure of the Bankruptcy Court to Exercise Jurisdiction.*

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under or related to this Case, including the matters set forth in Section 11.1 of the Plan, this Article 11 shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

ARTICLE 12 : MISCELLANEOUS PROVISIONS

12.1 *Setoff Rights.*

In the event that the Debtor has a claim of any nature whatsoever, including but not limited to a 11 U.S.C. 506[c] claim, against the holder of a Claim, the Debtor may, but is not required to, setoff against the Claim [and any payments or other distributions to be made in respect of such Claim hereunder], subject to the provisions of section 553 of the Bankruptcy Code. Neither the failure to setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtor of any claim that the Debtor may have against the holder of a Claim.

12.2 *Discharge.*

Except as otherwise provided in this Plan, entry of the Confirmation Order shall discharge all existing debts and Claims of any kind, nature or description whatsoever against the Debtor or any of its assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code, including but not limited to Claims based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date and all debts of the kind specified in sections 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 section 501 of the Bankruptcy Code; [b] a Claim based upon such debt is allowed under section 502 of the Bankruptcy Code; or [c] the holder of a Claim has accepted the Plan. As provided in section 524 of the Bankruptcy Code, the discharge shall void any judgment against the 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 the Debtor or any of its property, to the extent it relates to a Claim discharged. Notwithstanding anything to the contrary, this Section 12.2 does not enjoin creditors from enforcing their rights under the Plan and does not apply to post-petition ad valorem taxes.

12.3 *Injunctions.*

The Confirmation Order shall contain such injunctions as may be necessary and helpful to effectuate the discharge of the Debtor provided herein. Without limiting the generality of the foregoing, such injunction shall include an absolute prohibition from collecting Claims in any manner other than as provided for in the Plan. Such injunctions shall also include the following:

**UPON THE EFFECTIVE DATE, NO HOLDER OF ANY CLAIM
(WHETHER ALLOWED OR CONTESTED) OR EQUITY
INTEREST, AND NONE OF ANY SUCH HOLDER'S HEIRS,**

SUCCESSORS, ASSIGNS, TRUSTEES, EXECUTORS, ADMINISTRATORS, CONTROLLED-AFFILIATES, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES, ATTORNEYS, BENEFICIARIES, AND/OR GUARDIANS (COLLECTIVELY, THE “REPRESENTATIVES”) SHALL TAKE, OR CAUSE TO BE TAKEN, AND EACH SUCH HOLDER AND EACH OF ITS REPRESENTATIVES IS HEREBY PERMANENTLY ENJOINED FROM (I) TAKING, ANY ACTION THAT IS INTENDED OR IS REASONABLY LIKELY TO DIRECTLY OR INDIRECTLY PREVENT, IMPEDE, HINDER, ADVERSELY AFFECT, AND/OR DELAY ANY ACTIONS OR EFFORTS OF THE DEBTOR OR THE REORGANIZED DEBTOR, AS APPLICABLE, AND/OR ITS ABILITY TO IMPLEMENT THE PLAN; (II) PROSECUTING OR CONTINUING TO ASSERT ANY CLAIMS OR CAUSES OF ACTION FOR DAMAGES IN THE COPYRIGHT ACTION EITHER AGAINST ANY CUSTOMERS OR THE REORGANIZED DEBTOR.

12.4 *Pre-Petition Date Lawsuits/Insurance.*

On the Effective Date, all pre-Petition Date lawsuits, litigations, administrative actions or other proceedings, judicial or administrative, in connection with the assertion of a Claim shall be dismissed as to the Reorganized Debtor; provided however, if the appeal of any such matter is pending as of the Confirmation Date, the Claim shall be determined by the appellate court[s] in which such case is pending; provided further that if such case is reversed or remanded to the trial court, the Claim shall be asserted and finally determined by the Bankruptcy Court.

Dismissals of proceedings provided herein shall be with prejudice to the assertion of such Claim in any manner other than as prescribed by the Plan. All parties to any such action shall be enjoined by the Bankruptcy Court in the Confirmation Order from taking any action to impede the immediate and unconditional dismissal of such actions. Confirmation and consummation of the Plan shall have no effect on insurance policies of the Debtor in which the Debtor is or was the insured party; the Reorganized Debtor shall become the insured party under any such policies. Each insurance company is prohibited from, and the Confirmation Order shall include an injunction against, denying, refusing, altering or delaying coverage on any basis regarding or related to the Debtor's bankruptcy, the Plan or any provision within the Plan, including the treatment or means of liquidation set out within the Plan.

12.5 *De Minimis Distributions.*

No distribution of less than \$25.00 shall be made to any holder of an Allowed Claim. Such undistributed amount will be retained by Reorganized Debtor.

12.6 *Payment of Statutory Fees.*

The Reorganized Debtor shall be responsible for the timely payment of fees incurred pursuant to 28 U.S.C. § 1930[a][6] until the clerk of the Bankruptcy Court closes the case. The Reorganized Debtor shall file with the Court and serve upon the U.S. Trustee a quarterly financial report for each quarter [or portion thereof] that the case remains open in a format prescribed by the U.S. Trustee.

12.7 *Post-Effective Date Fees and Expenses of Professional Persons.*

Except as provided in this Plan, after the Effective Date, the Reorganized Debtor shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of the Professional Persons employed by the Reorganized Debtor, related to the implementation and consummation of the Plan, provided, however, that no such fees and expenses shall be paid except upon receipt by the Reorganized Debtor of a written invoice, which invoice shall also be served upon counsel for the Debtor, and the United States Trustee, by the Professional Person seeking fees and expense reimbursement and provided, further, however, that the Reorganized Debtor may, within 10 days after receipt of an invoice for fees and expenses, request the Bankruptcy Court to determine any such request and the Bankruptcy Court shall have jurisdiction to do so. In such event, the Bankruptcy Court shall apply the same standard for approval of fees and expenses as applied throughout this Case.

12.8 *Bankruptcy Restrictions.*

From and after the Effective Date, the Reorganized Debtor shall no longer be subject to the restrictions and controls provided by the Bankruptcy Code [*e.g.*, section 363 or 364]. The Reorganized Debtor may conduct its affairs in such manner as is consistent with individuals not in bankruptcy without the need of seeking Bankruptcy Court approval. No monthly operating reports will be filed after the Effective Date; however, the Reorganized Debtor shall provide the U.S. Trustee such financial reports as the U.S. Trustee may reasonably request until the entry of a final decree.

12.9 *Disallowance and Subordination of Subordinated Claims and Penalty Claims.*

The filing of this Plan and its submission to the holders of Subordinated Claims and Penalty Claims shall constitute an action seeking to subordinate all Subordinated Claims and Penalty Claims pursuant to section 510 of the Bankruptcy Code. The Confirmation Order, except as otherwise provided herein, shall constitute an order subordinating such Claims to all other Claims pursuant to section 510 of the Bankruptcy Code. Notwithstanding the foregoing, this Section 12.9 shall not apply to Allowed Claims of Ad Valorem Taxing Authorities.

12.10 *Binding Effect.*

The Plan shall be binding upon and inure to the benefit of the Debtor, the holders of Claims and their respective successors and assigns; provided, however, that if the Plan is not confirmed, the Plan shall be deemed null and void and nothing contained herein shall be deemed [i] to constitute a waiver or release of any Claims by the Debtor, or any other Person, [ii] to prejudice in any manner the rights of the Debtor, or any other Person, or [iii] to constitute any admission by the Debtor, or any other Person.

12.11 *Governing Law.*

Unless a rule of law or procedure is supplied by federal law [including the Bankruptcy Code and Bankruptcy Rules], the internal laws of the State of Texas shall govern the construction and implementation of the Plan and any agreements, documents and instruments executed in connection

with the Plan or the Chapter 11 Case, except as may otherwise be provided in such agreements, documents and instruments.

12.12 *Modification of Plan.*

Modifications of the Plan may be proposed in writing by the Debtor at any time before the Confirmation Date, provided that [a] the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and [b] the Debtor shall have complied with section 1125 of the Bankruptcy Code. The Plan may be modified at any time after the Confirmation Date and before substantial consummation by the Debtor, provided that [i] the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, [ii] the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code and [iii] the circumstances warrant such modifications. A holder of a Claim that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or rejection.

12.13 *Creditor Defaults.*

Any act or omission by a creditor in contravention of a provision within this Plan shall be deemed an event of default under this Plan. In the event the Debtor asserts that a holder of an Allowed Claim is in default under the Plan, the Debtor must provide such holder of an Allowed Claim with written notice ["Notice to Creditor"] of such default via overnight mail or similar same-day or express delivery to the address of such holder as set forth on the proof[s] of Claim filed by such holder [or at the last known address of such a holder if no proof of Claim is filed or if the Debtor has been notified in writing of a change of address]. If the default asserted in the Notice to Creditor remains uncured on the fifteenth [15th] day from the date on which such Notice to Creditor is sent, the Debtor may pursue any rights or remedies it may have under applicable bankruptcy or non-bankruptcy law, whether state, federal or otherwise, including seeking to hold the defaulting party in contempt of the Confirmation Order. If such creditor is found to be in default under the Plan, such party may be ordered to pay the reasonable attorneys' fees and costs of the Reorganized Debtor in pursuing such matter, at the Bankruptcy Court's discretion. Furthermore, upon the finding of such a default by a creditor, the Bankruptcy Court may [a] designate a party to appear, sign and/or accept the documents required under the Plan on behalf of the defaulting party, in accordance with Federal Rule of Civil Procedure 70 or [b] make such other order as may be equitable which does not materially alter the terms of the Plan as confirmed. Upon the payment in full of any Allowed Secured Claim as provided under this Plan, with the exception of Allowed Claims of Ad Valorem Taxing Authorities, the holder of such Allowed Secured Claim shall execute, deliver and file a release of all liens and security interests securing its Allowed Secured Claim within forty-five [45] days of such payment.

12.14 *Debtor's Default.*

Except as otherwise provided in this Plan, in the event that the holder of an Allowed Claim asserts that a default under the Plan has occurred, such creditor must provide the Reorganized Debtor with written notice ["Notice"] of such default to the following addresses: c/o Howard Marc Spector, 12770 Coit Road, Suite 1100, Dallas, TX 75251 and 1220 Texan Trail # 205, Grapevine, Texas 76051 via certified mail, overnight mail or similar same-day or express delivery. If the default asserted in the Notice remains uncured on the fifteenth [15th] day from the date on which such Notice is sent, the holder of such Allowed Claim may pursue any rights or remedies it may have under applicable non-bankruptcy law, whether state, federal or otherwise. Notwithstanding the foregoing, if an Ad Valorem Taxing Authority provides Notice in accordance with this Section 12.14 with respect to two separate

defaults, the occurrence of any subsequent [i.e. third] default shall entitle any such Ad Valorem Taxing Authority to pursue any rights or remedies it may have under applicable non-bankruptcy law, whether state, federal or otherwise without further Notice.

12.15 Severability.

SHOULD THE BANKRUPTCY COURT DETERMINE THAT ANY PROVISION OF THE PLAN IS UNENFORCEABLE EITHER ON ITS FACE OR AS APPLIED TO ANY CLAIM OR TRANSACTION, THE DEBTOR MAY MODIFY THE PLAN IN ACCORDANCE WITH SECTION 12.12 OF THE PLAN SO THAT SUCH PROVISION SHALL NOT BE APPLICABLE TO THE HOLDER OF ANY CLAIM. SUCH A DETERMINATION OF UNENFORCEABILITY SHALL NOT [1] LIMIT OR AFFECT THE ENFORCEABILITY AND OPERATIVE EFFECT OF ANY OTHER PROVISION OF THE PLAN OR [2] REQUIRE THE RESOLICITATION OF ANY ACCEPTANCE OR REJECTION OF THE PLAN.

12.16 Substantial Consummation/Closing the Case.

Upon initiating payments or distributions on Allowed Claims required to be paid pursuant to Article 5, the Plan shall be deemed substantially consummated and, upon motion by the Reorganized Debtor, the Chapter 11 Case shall be closed. Upon such motion, the Bankruptcy Court shall issue a final decree containing such provisions as may be equitable.

12.17 Releases.

ON THE EFFECTIVE DATE, EFFECTIVE AS OF THE CONFIRMATION DATE, AND EXCEPT AS OTHERWISE PROVIDED HEREIN OR IN THE CONFIRMATION ORDER, THE DEBTOR, ITS PRESENT OFFICERS, DIRECTORS, AGENTS, FINANCIAL ADVISORS, ATTORNEYS, EMPLOYEES, AND REPRESENTATIVES SHALL BE RELEASED FROM ANY AND ALL CLAIMS, OBLIGATIONS, RIGHTS, CAUSES OF ACTION, AND LIABILITIES WHICH THE DEBTOR, THE REORGANIZED DEBTOR, OR ANY HOLDER OF A CLAIM AGAINST OR INTEREST IN THE DEBTOR MAY BE ENTITLED TO ASSERT, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS, OR OTHERWISE, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION, OR OTHER OCCURRENCE TAKING PLACE FROM THE PETITION DATE TO THE CONFIRMATION DATE.

12.18 Integration Clause.

This Plan is a complete, whole, and integrated statement of the binding agreement between the Debtor, creditors, and the parties-in-interest upon the matters herein.

12.19 Officers, Directors and Managers.

The officers and directors of the Reorganized Debtor shall be those officers and directors as of the Petition Date until other officers or directors are elected pursuant to applicable non-bankruptcy law.

DATED: May 17, 2016.

By: /s/ Howard Marc Spector
Howard Marc Spector
TBA #00785023

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COUNSEL FOR THE DEBTOR

Liquidation Analysis - Class 2

Assets	Current Value	Chapter 7 Value	
Cash	\$ 10,528.00	\$ 10,528.00	(@ 100%)
Receivables	\$ 86,792.00	\$ 43,396.00	(@ 50%)
Inventory	\$ 435,391.00	\$ 217,695.50	(@ 50%)
Machinery, FF&E	\$ 13,150.00	\$ 3,287.50	(@ 25%)

TOTAL \$ 274,907.00

Ad Valorem Taxes	\$ (35,000.00)	\$ 239,907.00	
Bank of America	\$ (46,000.00)	\$ 193,907.00	
Rick Phelan	\$ (300,000.00)	\$ (106,093.00)	<=== 64% recovery to Class 2

Projections Based on Cash Flow Through Plan Year 1

	Oct. 2015	Mar. 2016
Cash	\$2,643.23	\$10,528.56
Receivables	\$217,731.78	\$86,792.36
Inventory @ 90%	\$60,066.10	\$370,082.35
Fixed Assets	\$13,150.00	\$13,150.00

Net Cash Flow	\$186,962.16
Monthly Cash Flow	\$26,708.88
Yearly Annualized Cash Flow	\$320,506.56

Plan Payment Schedule

	9/1/2016	10/1/2016	11/1/2016	12/1/2016	1/1/2017	2/1/2017	3/1/2017	4/1/2017	5/1/2017	6/1/2017	7/1/2017	8/1/2017
Class 1	\$ (921.68)	\$ (921.68)	\$ (921.68)	\$ (921.68)	\$ (921.68)	\$ (921.68)	\$ (921.68)	\$ (921.68)	\$ (921.68)	\$ (921.68)	\$ (921.68)	\$ (921.68)
Class 2	\$ (905.82)	\$ (905.82)	\$ (905.82)	\$ (905.82)	\$ (905.82)	\$ (905.82)	\$ (905.82)	\$ (905.82)	\$ (905.82)	\$ (905.82)	\$ (905.82)	\$ (905.82)
Class 3	\$ -	\$ -	\$ -	\$ -	\$ (270,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Class 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Class 7	\$ -	\$ (7,000.00)	\$ -	\$ -	\$ (7,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Class 7 - Insiders	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Priority Tax	\$ (2,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly Cash Flow Required	\$ (3,827.50)	\$ (8,827.50)	\$ (1,827.50)	\$ (1,827.50)	\$ (278,827.50)	\$ (1,827.50)	\$ (3,827.50)	\$ (1,827.50)	\$ (1,827.50)	\$ (1,827.50)	\$ (1,827.50)	\$ (1,827.50)

Total Cash Flow Required - Year 1	\$ 309,930.04
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