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

In re: §
§
BAILEY TOOL & MANUFACTURING § **Case No. 16-30503**
COMPANY, et al., § **Chapter 11**
§ **(Jointly Administered)**
Debtors. §

**DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT
OF THE PLAN OF REORGANIZATION FOR: (I) BAILEY TOOL &
MANUFACTURING COMPANY; (II) HUNT HINGES, INC.; (III)
CAFARELLI METALS, INC.; AND (IV) BAILEY SHELTER, LP**

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED BY (I) BAILEY TOOL & MANUFACTURING COMPANY; (II) HUNT HINGES, INC.; (III) CAFARELLI METALS, INC.; AND (IV) BAILEY SHELTER, LP (COLLECTIVELY, THE “DEBTORS”) AND DESCRIBES THE TERMS AND PROVISIONS OF THE DEBTORS’ PLAN OF REORGANIZATION (THE “PLAN”). ANY TERM USED IN THIS DISCLOSURE STATEMENT THAT IS NOT DEFINED HEREIN HAS THE MEANING ASCRIBED TO THAT TERM IN THE PLAN. A COPY OF THE PLAN IS INCLUDED HEREIN FOLLOWING THIS DISCLOSURE STATEMENT.

IF YOU ARE A CREDITOR OF ANY OF THE DEBTORS, PLEASE DO NOT DISCARD THESE DOCUMENTS. REVIEW THEM IN FULL, AS YOUR CLAIM IS LIKELY BEING TREATED IN THE DEBTORS’ PLAN.

Dated: November 30, 2016

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ALL HOLDERS OF CLAIMS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ALL SUMMARIES OF THE PLAN AND OTHER STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS ANNEXED TO THE PLAN, ANY SUPPLEMENTS TO THE PLAN AND THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS AS OF THE DATE HEREOF, UNLESS OTHERWISE STATED HEREIN, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN SINCE THE DATE HEREOF. MOREOVER, THERE MAY BE ERRORS IN THE STATEMENTS AND/OR FINANCIAL INFORMATION CONTAINED HEREIN AND/OR ASSUMPTIONS UNDERLYING SUCH STATEMENTS AND/OR FINANCIAL INFORMATION. THE DEBTORS AND THEIR ADVISORS EXPRESSLY DISCLAIM ANY OBLIGATION TO UPDATE OR CORRECT ANY SUCH FINANCIAL INFORMATION OR ASSUMPTIONS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT AND THE PLAN DESCRIBED HEREIN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. TO THE EXTENT ANY RIGHTS, NOTES, OR INTERESTS ISSUED PURSUANT TO THE PLAN ARE DEEMED SECURITIES, NEITHER THE OFFER NOR THE ISSUANCE OF ANY SUCH SECURITIES PURSUANT TO THE PLAN HAS BEEN REGISTERED UNDER THE 1933 ACT OR ANY SIMILAR STATE SECURITIES OR "BLUE SKY" LAWS. ANY SUCH OFFER OR ISSUANCE IS BEING MADE IN RELIANCE ON THE EXEMPTIONS FROM REGISTRATION SPECIFIED IN SECTION 1145 OF THE BANKRUPTCY CODE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS, THIS DISCLOSURE STATEMENT AND THE EXHIBITS HERETO DO NOT CONSTITUTE AND MAY NOT BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS AND SHALL BE INADMISSIBLE FOR ANY PURPOSE ABSENT THE EXPRESS WRITTEN CONSENT OF THE DEBTORS AND THE PARTY AGAINST WHOM SUCH INFORMATION IS SOUGHT TO BE ADMITTED.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY OTHER PARTY, NOR WILL IT BE CONSTRUED TO CONSTITUTE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Disclosure Statement includes information regarding certain “forward-looking statements” within the meaning of Section 27A of the 1933 Act and Section 21E of the Securities Exchange Act of 1934, as amended, all of which are based upon various estimates and assumptions that the Debtors believe to be reasonable as of the date hereof. These statements involve risks and uncertainties that could cause actual future outcomes to differ materially from those set forth in this Disclosure Statement. Such risks and uncertainties include, but are not limited to:

- litigation risks and uncertainties;
- costs associated with the Debtors’ restructuring efforts, including its chapter 11 filing; and
- Claim and liability estimates.

You should understand that the foregoing as well as other risk factors discussed in this Disclosure Statement could cause future outcomes to differ materially from those expressed in such forward looking statements. Given the uncertainties, you are cautioned not to place undue reliance on any forward-looking statements in determining whether to vote in favor of the Plan or to take any other action. The Debtors undertake no obligation to update or revise information concerning the Debtors’ restructuring efforts or their cash positions or any forward-looking statements to reflect events or circumstances that may arise after the date of this Disclosure Statement, except as required by law.

I.
SUMMARY OF THE PLAN

The Debtors' Plan generally provides for the payment in full of all Priority Claims and Secured Claims. Unsecured Claims will receive a Pro-Rata Share of the RBC Litigation Proceeds Carve-Out to the extent that the Debtors receive a recovery in the RBC Litigation, which is discussed in detail in this Disclosure Statement.

The funds to be used for the payment of Claims or other Distributions to be made under the Plan will be provided by the New Equity Infusion, any available funds or property which the Reorganized Debtors may otherwise possess on or after the Effective Date as set forth herein, proceeds from the RBC Litigation, if any, and the proceeds of any sale, refinancing, or other disposition of any Asset.

The perfected liens and security interests held by any Secured Creditor will be continued, preserved and retained to secure the unpaid balance of such lender's Allowed Secured Claim.

The New Equity Holder will obtain 100% of the equity interests in the Reorganized Bailey, Cafarelli, and Hunt Debtors. The Shelter Equity Holders shall retain 100% of the partnership interests in the Reorganized Shelter Debtor.

II.
**CONSIDERATIONS IN PREPARATION OF THE DISCLOSURE
STATEMENT AND PLAN; DISCLAIMERS**

BECAUSE ACCEPTANCE OF THE PLAN WILL CONSTITUTE ACCEPTANCE OF ALL THE PROVISIONS THEREOF, HOLDERS OF CLAIMS ARE URGED TO CONSIDER CAREFULLY THE INFORMATION REGARDING TREATMENT OF THEIR CLAIMS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT. THERE CAN BE NO ASSURANCE THAT THOSE CONDITIONS WILL BE SATISFIED.

THE DEBTORS PRESENTLY INTEND TO SEEK TO CONSUMMATE THE PLAN AND TO CAUSE THE EFFECTIVE DATE TO OCCUR PROMPTLY AFTER CONFIRMATION OF THE PLAN. THERE CAN BE NO ASSURANCE, HOWEVER, AS TO WHEN AND WHETHER CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE ACTUALLY WILL OCCUR.

TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND ACTUALLY RECEIVED BY THE VOTING DEADLINE. HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, ANTICIPATED EVENTS IN THE BANKRUPTCY CASE, AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THE SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE PLAN OR CERTAIN DOCUMENTS (AND HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD REFER TO THE PLAN AND SPECIFIED DOCUMENTS IN THEIR ENTIRETY AS ATTACHED HERETO), STATUTORY PROVISIONS, EVENTS, OR INFORMATION. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE URGED TO REVIEW THE ENTIRE PLAN. IN THE EVENT ANY PROVISION OF THIS DISCLOSURE STATEMENT IS FOUND TO BE INCONSISTENT WITH A PROVISION OF THE PLAN, THE PROVISION OF THE PLAN SHALL CONTROL.

IN DETERMINING WHETHER TO VOTE TO ACCEPT THE PLAN, HOLDERS OF CLAIMS MUST RELY UPON THEIR OWN EXAMINATION OF THE DEBTORS AND THE TERMS OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH SUCH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

EXCEPT AS SET FORTH HEREIN, NO PERSON HAS BEEN AUTHORIZED BY THE DEBTORS IN CONNECTION WITH THE PLAN OR THE SOLICITATION TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTORS. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN, IN THE EVENT ANY RIGHTS OR INTERESTS ISSUED PURSUANT TO THE PLAN ARE DEEMED SECURITIES, SUCH SECURITIES TO WHICH IT RELATES, OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS AS OF THE DATE HEREOF, UNLESS OTHERWISE STATED HEREIN, AND NEITHER THE DELIVERY OF THIS DISCLOSURE STATEMENT NOR, IN THE EVENT ANY RIGHTS OR INTERESTS ISSUED PURSUANT TO THE PLAN

ARE DEEMED SECURITIES, THE DISTRIBUTION OF ANY SECURITIES PURSUANT TO THE PLAN WILL, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF, OR SUCH OTHER DATE AS DESCRIBED HEREIN. ANY ESTIMATES OF CLAIMS OR EQUITY INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS OR EQUITY INTERESTS DETERMINED BY THE DEBTORS OR ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT, AND AN ESTIMATE SHALL NOT BE CONSTRUED AS AN ADMISSION OF THE AMOUNT OF SUCH CLAIM.

INFORMATION INCORPORATED BY REFERENCE INTO THIS DISCLOSURE STATEMENT SPEAKS AS OF THE DATE OF SUCH INFORMATION OR THE DATE OF THE REPORT OR DOCUMENT IN WHICH SUCH INFORMATION IS CONTAINED OR AS OF A PRIOR DATE AS MAY BE SPECIFIED IN SUCH REPORT OR DOCUMENT. ANY STATEMENT CONTAINED IN A DOCUMENT INCORPORATED BY REFERENCE HEREIN SHALL BE DEEMED TO BE MODIFIED OR SUPERSEDED FOR ALL PURPOSES TO THE EXTENT THAT A STATEMENT CONTAINED IN THIS DISCLOSURE STATEMENT OR IN ANY OTHER SUBSEQUENTLY FILED DOCUMENT WHICH IS ALSO INCORPORATED OR DEEMED TO BE INCORPORATED BY REFERENCE, MODIFIES OR SUPERSEDES SUCH STATEMENT. ANY STATEMENT SO MODIFIED OR SUPERSEDED SHALL NOT BE DEEMED, EXCEPT AS SO MODIFIED OR SUPERSEDED, TO CONSTITUTE A PART OF THIS DISCLOSURE STATEMENT.

A. Disclosure Statement; Construction

This Disclosure Statement has been prepared to comply with section 1125 of the Bankruptcy Code and is hereby transmitted by the Debtors to holders of Claims and Equity Interests for use in the solicitation of acceptances from the holders of Claims (the “Solicitation”) of the Plan. **Unless otherwise defined in this Disclosure Statement, capitalized terms used herein have the meanings ascribed to them in the Plan.**

For purposes of this Disclosure Statement, the following rules of interpretation shall apply: (i) whenever the words “include,” “includes” or “including” are used, they shall be deemed to be followed by the words “without limitation,” (ii) the words “hereof,” “herein,” “hereby” and “hereunder” and words of similar import shall refer to this Disclosure Statement as a whole and not to any particular provision, and (iii) article, section and exhibit references are to this Disclosure Statement unless otherwise specified.

The purpose of this Disclosure Statement is to provide “adequate information” to Persons who hold Claims to enable them to make an informed decision before exercising their right to vote to accept or reject the Plan. By order of the Bankruptcy Court (the “Disclosure Statement Order”), this Disclosure Statement was approved and held to contain adequate information. A true and correct copy of the Disclosure Statement Order is attached hereto as **Exhibit B**.

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

CONTAINED HEREIN IS INTENDED SOLELY FOR THE USE BY HOLDERS OF CLAIMS AND EQUITY INTERESTS IN EVALUATING THE PLAN AND BY HOLDERS OF CLAIMS IN VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES, AND THERE CAN BE NO ASSURANCE THAT THE PLAN, IF CONFIRMED, WILL BE EFFECTUATED.

B. Sources of Information

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtors, their businesses, properties and management, and the Plan have been prepared from information furnished by the Debtors. Unless an information source is otherwise noted, the statement was derived from information provided by such parties. **The Debtors' management have prepared financial projections that are attached as exhibits to this Disclosure Statement and a large portion of the assumptions in those financial projections are based solely upon management's industry experience, judgment, and expectations. The assumptions used to derive any of the pro forma operating results are based on the Debtors' historical experience, industry information available to management, and management's experience in owning, operating, and rehabilitating similar properties.**

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECTED TO A CERTIFIED AUDIT AND IS BASED, IN PART, UPON INFORMATION PREPARED BY PARTIES OTHER THAN THE DEBTORS. THEREFORE, ALTHOUGH THE DEBTORS HAVE MADE EVERY REASONABLE EFFORT TO BE ACCURATE IN ALL MATERIAL MATTERS, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT ALL THE INFORMATION CONTAINED HEREIN IS COMPLETELY ACCURATE.

Certain of the materials contained in this Disclosure Statement may have been taken directly from other readily accessible documents or are digests of other documents. While the Debtors have made every effort to retain the meaning of such other documents or portions that have been summarized, the Debtors urge that any reliance on the contents of such other documents should depend on a thorough review of the documents themselves. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of such document shall control.

The Debtors have compiled information from the Debtors without professional comment, opinion or verification and do not suggest comprehensive treatment has been given to matters identified herein. Each creditor and holder of an Interest is urged to independently investigate any such matters prior to reliance.

No statements concerning the Debtors, the value of their property, or the value of any benefit offered to the holder of a Claim or Interest in connection with the Plan should be relied upon other than as set forth in this Disclosure Statement. In arriving at your decision, you should not rely on any representation or inducement made to secure your acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional

representations or inducements should be reported to counsel for the Debtors, Melissa S. Hayward, Franklin Hayward, LLP, 10501 N. Central Expy, Suite 106, Dallas, Texas 75231, (972) 755-7100.

III. **INTRODUCTION**

A. Filing of the Debtors' Chapter 11 Reorganization Cases

On February 1, 2016 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (the "Bankruptcy Code"), commencing the above-styled bankruptcy cases. On February 5, 2016, the Bankruptcy Court entered an order jointly administering all four bankruptcy cases into the above-captioned case.

Since the filing of these cases, the Debtors have remained in possession of their property and continued their business as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtors file their Plan to reorganize their financial affairs and hope that the Plan, as it may hereafter be amended, modified, or restated in whole or in part, will be confirmed on a consensual basis through acceptance by all classes of creditors entitled to vote on the Plan. In the event that one or more of the Debtors' creditor classes fails to accept the Plan, the Debtors will request the Court to confirm the Plan under section 1129(b) of the Bankruptcy Code.

B. Purpose of Disclosure Statement

This Disclosure Statement is submitted in accordance with section 1125 of the Bankruptcy Code for the purpose of soliciting acceptances of the Plan from holders of certain Classes of Claims. The only Creditors whose acceptances of the Plan are sought are those whose Claims are "impaired" by the Plan, as that term is defined in section 1124 of the Bankruptcy Code and who are receiving distributions under the Plan. Holders of Claims that are not "impaired" are deemed to have accepted the Plan.

The Debtors have prepared this Disclosure Statement pursuant to the provisions of section 1125 of the Bankruptcy Code, which requires that a copy of the Plan, or a summary thereof, be submitted to all holders of Claims against, and Interests in, the Debtors, along with a written Disclosure Statement containing adequate information about the Debtors of a kind, and in sufficient detail, as far as is reasonably practicable, that would enable a hypothetical, reasonable investor typical of Creditors and holders of Interests to make an informed judgment in exercising their right to vote on the Plan.

Section 1125 of the Bankruptcy Code provides, in pertinent part:

(b) An acceptance or rejection of a plan may not be solicited after the commencement of the case under this title from a holder of a claim or interest with respect to such claim or interest, unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing

adequate information. The court may approve a disclosure statement without a valuation of the Debtors or an appraisal of the Debtors' assets.

* * *

(d) Whether a disclosure statement required under subsection (b) of this section contains adequate information is not governed by any otherwise applicable non-bankruptcy law, rule, or regulation, but an agency or official whose duty is to administer or enforce such a law, rule, or regulation may be heard on the issue of whether a disclosure statement contains adequate information. Such an agency or official may not appeal from, or otherwise seek review of, an order approving a disclosure statement.

(e) A person that solicits acceptance or rejection of a plan, in good faith and in compliance with the applicable provisions of this title, or that participates, in good faith and in compliance with the applicable provisions of this title, in the offer, issuance, sale, or purchase of a security, offered or sold under the plan, of the Debtors, of an affiliate participating in a joint plan with the Debtors, or of a newly organized successor to the Debtors under the plan, is not liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing solicitation of acceptance or rejection of a plan or the offer, issuance, sale, or purchase of securities.

Approval of this Disclosure Statement is required by the Bankruptcy Code and does not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan, or as to the value or suitability of any consideration offered thereunder. Such approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement meets the requirements of section 1125 of the Bankruptcy Code and contains adequate information to permit the holders of Allowed Claims, whose acceptance of the Plan is solicited, to make an informed judgment regarding acceptance or rejection of the Plan.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL HEREIN CONTAINED IS INTENDED SOLELY FOR THE USE OF CREDITORS AND HOLDERS OF INTERESTS OF THE DEBTORS IN EVALUATING THE PLAN AND VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. THE DEBTORS' REORGANIZATION PURSUANT TO THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES AND THERE CAN BE NO ABSOLUTE ASSURANCE THAT THE PLAN, AS CONTEMPLATED, WILL BE EFFECTUATED.

THE DEBTORS BELIEVE THAT THE PLAN AND THE TREATMENT OF CLAIMS THEREUNDER ARE IN THE BEST INTERESTS OF CREDITORS AND URGE THAT YOU VOTE TO ACCEPT THE PLAN.

This Disclosure Statement Has Not Been Approved Or Disapproved By The Securities and Exchange Commission, Nor Has The Commission Passed Upon The Accuracy Or Adequacy Of The Statements Contained Herein. Any Representation To The Contrary Is Unlawful.

This Disclosure Statement And The Appendices To It Contain Forward-Looking Statements Relating To Business Expectations, Asset Sales And Liquidation Analysis. Business Plans May Change As Circumstances Warrant. Actual Results May Differ Materially As A Result Of Many Factors, Some Of Which The Debtors have No Control Over.

C. Hearing on Confirmation of the Plan

The Bankruptcy Court has set _____, 2017, at _____ .m. Dallas, Texas Time, as the time and date for the hearing (the “Confirmation Hearing”) to determine whether the Plan has been accepted by the requisite number of Creditors and whether the other requirements for Confirmation of the Plan have been satisfied. Once commenced, the Confirmation Hearing may be adjourned or continued by announcement in open court with no further notice. Holders of Claims against the Debtors may vote on the Plan by completing and delivering the enclosed Ballot to: Melissa S. Hayward, Franklin Hayward, LLP, 10501 N. Central Expy, Suite 106, Dallas, Texas 75231 (for more information, call Telephone No. 972-755-7100). **Ballots must be actually received on or before 5:00 p.m. Dallas, Texas time on _____, 2017.** If the Plan is rejected by one or more impaired Classes of creditors or holders of Interests, the Plan, or a modification thereof, may still be confirmed by the Bankruptcy Court under section 1129(b) of the Bankruptcy Code (commonly referred to as a “cramdown”) if the Bankruptcy Court determines, among other things, that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class or Classes of creditors or holders of Interests impaired by the Plan. The procedures and requirements for voting on the Plan are described in more detail below.

D. Sources of Information

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtors, their businesses, properties and management, and the Plan have been prepared from information furnished by the Debtors. Unless an information source is otherwise noted, the statement was derived from information provided by such parties. **The Debtors’ management may have prepared financial projections that are attached as an appendix or exhibit to this Disclosure Statement and, if so, a large portion of the assumptions in those financial projections are based solely upon management’s industry experience, judgment, and expectations. The assumptions used to derive any of the pro forma operating results are based on the Debtors’ historical experience, industry information available to management, and management’s experience in owning and operating Bailey, Hunt, and Cafarelli.**

The Information Contained Herein Has Not Been Subjected To A Certified Audit And Is Based, In Part, Upon Information Prepared By Parties Other Than The Debtors. Therefore, Although The Debtors have Made Every Reasonable Effort To Be Accurate In All Material Matters, The Debtors Are Unable To Warrant Or Represent That All The Information Contained Herein Is Completely Accurate.

Certain of the materials contained in this Disclosure Statement may have been taken directly from other readily accessible documents or are digests of other documents. While the Debtors have made every effort to retain the meaning of such other documents or portions that have been summarized, the Debtors urge that any reliance on the contents of such other documents should depend on a thorough review of the documents themselves. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of such document shall control.

The authors of the Disclosure Statement have compiled information from the Debtors without professional comment, opinion or verification and do not suggest comprehensive treatment has been given to matters identified herein. Each creditor and holder of an Interest is urged to independently investigate any such matters prior to reliance.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified, and neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with it shall, under any circumstances, create an implication that there has been no change in the facts set forth herein since the date hereof.

No statements concerning the Debtors, the value of their property, or the value of any benefit offered to the holder of a Claim or Interest in connection with the Plan should be relied upon other than as set forth in this Disclosure Statement. In arriving at your decision, you should not rely on any representation or inducement made to secure your acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be reported to counsel for the Debtors, Melissa S. Hayward, Franklin Hayward, LLP, 10501 N. Central Expy, Suite 106, Dallas, Texas 75231, (972) 755-7100.

IV. **EXPLANATION OF CHAPTER 11**

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, a debtor-in-possession attempts to reorganize its business and financial affairs for the benefit of the debtor, its creditors, and other parties-in-interest.

The commencement of a Chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the petition is filed. Unless the Bankruptcy Court orders the appointment of a trustee, sections 1101, 1107 and 1108 of the

Bankruptcy Code provide that a Chapter 11 debtor may continue to operate its business and control the assets of its estate as a “debtor-in-possession”, as the Debtors have since the Petition Date.

The filing of a Chapter 11 petition also triggers the automatic stay, which is set forth in section 362 of the Bankruptcy Code. The automatic stay essentially halts all attempts to collect pre-petition claims from the Debtors or to otherwise interfere with the Debtors’ businesses or their estate.

Formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan sets forth the means for satisfying the claims of creditors against and interests of equity holders in the debtor.

A. Plan of Reorganization

A plan of reorganization provides the manner in which a debtor will satisfy the claims of its creditors. After the plan of reorganization has been filed, the holders of claims against or interests in a debtor are permitted to vote on whether to accept or reject the plan. Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the plan to be confirmed. At a minimum, however, a plan of reorganization must be accepted by a majority in number and two-thirds in amount of those claims actually voting from at least one class of claims impaired under the plan. The Bankruptcy Code also defines acceptance of a plan of reorganization by a class of interests (equity securities) as acceptance by holders of two-thirds of the number of shares actually voted.

Classes of claims or interests that are not “impaired” under a plan of reorganization are conclusively presumed to have accepted the plan and, thus, are not entitled to vote. Acceptances of the Plan in this case are being solicited only from those persons who hold Claims in an impaired Class (other than Classes of Claims that are not receiving any distribution under the Plan). A Class is “impaired” if the legal, equitable, or contractual rights attaching to the Claims or Interests of that Class are modified. Modification does not include curing defaults and reinstating maturity or payment in full in cash.

Even if all classes of claims and interests accept a plan of reorganization, the Bankruptcy Court may nonetheless still deny confirmation. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and, among other things, the Bankruptcy Code requires that a plan of reorganization be in the “best interests” of creditors and shareholders and that the plan of reorganization be feasible. The “best interests” test generally requires that the value of the consideration to be distributed to claimants and interest holders under a plan may not be less than those parties would receive if that debtor were liquidated under a hypothetical liquidation occurring under Chapter 7 of the Bankruptcy Code. A plan of reorganization must also be determined to be “feasible”, which generally requires a finding that there is a reasonable probability that the debtor will be able to perform the obligations incurred under the plan of reorganization and that the debtor will be able to continue operations without the need for further financial reorganization.

The Bankruptcy Court may confirm a plan of reorganization even though fewer than all of the classes of impaired claims and interests accept it. In order for a plan of reorganization to be confirmed despite the rejection of a class of impaired claims or interests, the proponent of the plan must show, among other things, that the plan of reorganization does not discriminate unfairly and that the plan is fair and equitable with respect to each impaired class of claims or interests that has not accepted the plan of reorganization.

Under section 1129(b) of the Bankruptcy Code, a plan is “fair and equitable” as to a class if, among other things, the plan provides: (a) that each holder of a claim included in the rejecting class will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

The Bankruptcy Court must further find that the economic terms of the plan of reorganization meet the specific requirements of section 1129(b) of the Bankruptcy Code with respect to the particular objecting class. The proponent of the plan of reorganization must also meet all applicable requirements of section 1129(a) of the Bankruptcy Code (except section 1129(a)(8) if the proponent proposes to seek confirmation of the plan under the provisions of section 1129(b)). These requirements include the requirement that the plan comply with applicable provisions of the Bankruptcy Code and other applicable law, that the plan be proposed in good faith, and that at least one impaired class of creditors has voted to accept the plan.

V.

VOTING PROCEDURES AND REQUIREMENTS FOR CONFIRMATION

If you are in one of the Classes of Claims whose rights are affected by the Plan (*see* “Summary of the Plan” below), it is important that you vote. **If you fail to vote, your rights may be jeopardized.**

A. “Voting Claims” -- Parties Entitled to Vote

Pursuant to the provisions of section 1126 of the Bankruptcy Code, holders of Claims or Interests that are (i) allowed, (ii) impaired, and (iii) that are receiving or retaining property on account of such Claims or Interests pursuant to the Plan, are entitled to vote either for or against the Plan (hereinafter, “Voting Claims”). Accordingly, in this Bankruptcy Case, any holder of a Claim classified in Bailey Classes 4, 5, 6, 7, 8, 9, 10, 11, and 13, Cafarelli Classes 3, 4, and 6, and Shelter Classes 3, 4, and 5 may have a Voting Claim and should have received a ballot for voting (with return envelope) in these Disclosure Statement and Plan materials (hereinafter, the “Solicitation Package”) since these are the Classes consisting of impaired Claims that are receiving property. Holders of Claims in Bailey Classes 1, 2, 3, and 12, Hunt Classes 1, 2, 3, and 6, Cafarelli Classes 1, 2, and 5, and Shelter Classes 1, 2, and 6 are unimpaired and are deemed to accept the Plan. Bailey Class 14 Interests, Hunt Class 8 Interests, and Cafarelli Class 7 Interests will not receive any distributions under the Plan and are deemed to reject the Plan.

As referenced in the preceding paragraph, a Claim must be allowed to be a Voting Claim. Each of the Debtors filed schedules in this Bankruptcy Case listing Claims against each respective Debtor. To the extent a creditor's Claim was listed in one of the Debtor's schedules, and was not listed as disputed, contingent, or unliquidated, it is deemed "allowed", although the Debtors reserve their rights to object to any Claim. Any creditor whose Claim was not scheduled, or was listed as disputed, contingent or unliquidated, must have timely filed a proof of Claim in order to have an "allowed" Claim. Absent an objection to that proof of Claim, it is deemed "allowed". In the event that any proof of Claim is subject to an objection by one or more of the Debtors as of or during the Plan voting period ("Objected-to Claim"), then, by definition, it is not "allowed" for purposes of section 1126 of the Bankruptcy Code, and is not to be considered a Voting Claim entitled to cast a ballot. Nevertheless, pursuant to Bankruptcy Rule 3018(a), the holder of an Objected-to Claim may petition the Bankruptcy Court, after notice and hearing, to allow the Claim temporarily for voting purposes in an amount that the Bankruptcy Court deems proper. Allowance of a Claim for voting purposes, and disallowance for voting purposes, does not necessarily mean that all or a portion of the Claim will be allowed or disallowed for distribution purposes.

By Enclosing a Ballot, The Debtors Are Not Representing That You Are Entitled To Vote On The Plan.

B. Return of Ballots

If you are a holder of a Voting Claim, your vote on the Plan is important. Completed ballots should either be returned in the enclosed envelope or sent to counsel for the Debtors by mail at the following address. Ballots may also be faxed or email to counsel at the fax number/email address below:

Melissa S. Hayward
Franklin Hayward LLP
10501 N. Central Expy., Suite 106
Dallas, Texas 75231
Email: MHayward@FranklinHayward.com
Fax: (972) 755-7114

- Deadline for Submission of Ballots. Ballots must actually be received by any of those persons, whether by mail, hand-delivery, fax, or email, by _____, 2017, at 5:00 P.M. Dallas, Texas Time (The "Ballot Return Date"). Any Ballots received after that time will not be counted. Any Ballot that is not executed by a person authorized to sign such Ballot will not be counted. If you have any questions regarding the procedures for voting on the Plan, contact Counsel for the Debtors, Melissa S. Hayward, Franklin Hayward, LLP, 10501 N. Central Expy., Suite 106, Dallas, Texas 75231, Telephone (972) 755-7100, Telecopy (972) 755-7110.**

THE DEBTORS URGE ALL HOLDERS OF VOTING CLAIMS TO VOTE IN FAVOR OF THE PLAN.

C. Confirmation of Plan

1. **Solicitation of Acceptances.** The Debtors are soliciting your vote. The cost of any solicitation by the Debtors will be borne by the Debtors. No other additional compensation shall be received by any party for any solicitation other than as disclosed to the Bankruptcy Court.

No Representations Or Assurances, If Any, Concerning The Debtors (Including, Without Limitation, their Future Business Operations) Or The Plan Are Authorized By The Debtors Other Than As Set Forth In This Disclosure Statement. Any Representations Or Inducements Made By Any Person To Secure Your Vote That Are Other Than Herein Contained Should Not Be Relied Upon By You In Arriving At Your Decision, And Such Additional Representations Or Inducements Should Be Reported To Counsel For The Debtors For Such Action As May Be Deemed Appropriate.

This Is A Solicitation Solely By The Debtors And Is Not A Solicitation By Any Shareholder, Attorney, Or Accountant For The Debtors. The Representations, If Any, Made Herein Are Those Of The Debtors And Not Of Such Shareholders, Attorneys, Or Accountants, Except As May Be Otherwise Specifically And Expressly Indicated.

Under the Bankruptcy Code, a vote for acceptance or rejection of a plan may not be solicited unless the claimant has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by section 1125(b) of the Bankruptcy Code. Violation of section 1125(b) of the Bankruptcy Code may result in sanctions by the Bankruptcy Court, including disallowance of any improperly solicited vote.

2. **Requirements for Confirmation of the Plan.** At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court shall enter an Order confirming the Plan. For the Plan to be confirmed, section 1129 requires that:
 - (i) The Plan complies with the applicable provisions of the Bankruptcy Code;
 - (ii) The Debtors have complied with the applicable provisions of the Bankruptcy Code;
 - (iii) The Plan has been proposed in good faith and not by any means forbidden by law;
 - (iv) Any payment or distribution made or promised by the Debtors or by a person issuing securities or acquiring property under the Plan for services or for costs and expense

in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

(v) The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of the Debtors, an affiliate of the Debtors participating in a joint plan with the Debtors, or a successor to the Debtors under the Plan; the appointment to, or continuance in, such office of such individual is consistent with the interests of Creditors and holders of Interests and with public policy; and the Debtors have disclosed the identity of any insider that will be employed or retained by the Reorganized Debtors and the nature of any compensation for such insider;

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

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

(viii) Each Class of Claims or Interests has either accepted the Plan or is not impaired under the Plan;

(ix) Except to the extent that the holder of a particular Administrative Claim or Priority Claim has agreed to or the Bankruptcy Code authorizes a different treatment of its Claim, the Plan provides that Administrative Claims and Priority Claims shall be paid in full on the Effective Date or the date on which it is Allowed;

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

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

The Debtors believe that the Plan satisfies all of the statutory requirements of the Bankruptcy Code and that the Plan was proposed in good faith. The Debtors believe they have complied or will have complied with all the requirements of the Bankruptcy Code.

3. **Acceptances Necessary to Confirm the Plan.** Voting on the Plan by each holder of a Claim or Interest is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim or Interest vote in favor of the Plan in order for the Court to confirm the Plan. Generally, to be confirmed under the acceptance provisions of Section 1126(a) of the Bankruptcy Code, the Plan must be accepted by each Class of Claims that is impaired under the Plan by Class members holding at least two thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class actually voting in connection with the Plan; in connection with a Class of Interests, more than two-thirds (2/3) of the shares actually voted must accept to bind that Class. A Class of Interests that is impaired under the Plan accepts the Plan if more than two-thirds (2/3) in amount actually voting vote to accept the Plan. Even if all Classes of Claims and Interests accept the Plan, the Bankruptcy Court may refuse to confirm the Plan.
4. **Cramdown.** In the event that any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired Class that has not accepted the Plan, the Plan “does not discriminate unfairly” and is “fair and equitable”. A plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interests. “Fair and equitable” has different meanings for holders of secured and unsecured claims and equity interests.

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

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

With respect to equity interests, “fair and equitable” means either (i) each impaired equity interest receives or retains, on account of that equity interest, property of a value equal to the greater of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of the equity interest; or

(ii) the holder of any equity interest that is junior to the equity interest of that class will not receive or retain under the plan, on account of that junior equity interest, any property.

In the event one or more Classes of impaired Claims or Interests rejects or is deemed to have rejected the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired Class of Claims or Interests.

The Debtors believe that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims and Interests that is impaired.

VI. **BACKGROUND OF THE DEBTORS**

A. Nature of the Debtors' Businesses.

Generally speaking, the Debtors are in the business of metal fabrication. Bailey operates a steel stamping facility and possesses fully integrated, state-of-the-art tooling production capabilities. Bailey's business focuses primarily on the manufacturing of stamped and fabricated metal components used in the automotive, truck, defense, munitions, industrial, and transportation industries, as well as machine, tool, and die building. Bailey is based in Lancaster, Texas where it operates out of a 105,000 square foot facility located at 600 W. Beltline Rd., Lancaster, TX 75146 (the "Lancaster Property") that houses engineering, heavy forming, machining, welding, assembly and shipping operations.

Historically, Bailey's core customer group has been Tier One and Tier Two automotive and truck suppliers that supply OEM and aftermarket parts in the U.S. to automobile manufacturers. However, in light of the economic downturn that particularly struck the automotive industry, Bailey began to diversify its customer base beyond the automotive industry into the oil and gas, defense and transportation, and munitions equipment and production industries. In 2012, the Department of Defense contracted with Bailey to build a bullet assembly machine ("BAM"). Bailey has since developed the capability for producing bullet and bullet-component products and is currently creating the capacity to fill multiple BAM orders. Bailey expects that the munitions industry may ultimately become its largest customer group, and Bailey has already built several different machines to manufacture bullet projectiles and is receiving orders for projectile production for small caliber arms.

Hunt is a wholly owned subsidiary of Bailey that manufactures continuous hinges in stainless steel, aluminum, steel, galvanized steel, and galvanized steel. Hunt can modify and customize any of its continuous steel hinges to suit any purpose, and Hunt collaborates with Bailey to offer a versatile stamping facility and a state-of-the-art tool and die facility, which allows Hunt to offer complete and quick turnaround on custom stamping products to complement its hinges. Cafarelli is also a wholly owned subsidiary of Bailey that provides metal slitting services, which is a shearing operation that cuts a large roll of metal into narrower rolls. Cafarelli offers slitting to precision widths and can slit coiled metals of various widths and even make use of old material by

slitting unused coils, thereby turning them into productive stock. Finally, Shelter owns the Lancaster Property, which it leases to Bailey.

B. The Debtors' Indebtedness and Creditors

As a going concern, the Debtors have always required working capital (*i.e.*, cash) to fund their continued operations, including, *inter alia*, fixed overhead expenses, equipment rental, material purchases, payroll, rent, utility expenses, and other critical expenses. Debtors Bailey, Hunt, and Cafarelli have fixed overhead expenses that they must pay on a regular basis, including their weekly payroll. However, because the Debtors receive payment only after reaching certain milestones on their projects, and because such payments can depend on the progress of work completed, the Debtors' cash flow is highly irregular, leading to irregular cash positions.

1. The Debtors' Pre-Petition Loan with Comerica Bank

Comerica is the Debtors' primary pre-petition secured creditor pursuant to that certain loan (the "Comerica Loan") provided to the Debtors and evidenced by, *inter alia*: (i) a Master Revolving Note executed by Bailey and dated August 17, 2012, along with all amendments and restatements; (ii) an Installment Note executed by Bailey and dated September 14, 2012, along with all amendments and restatements; (iii) an Advance Formula Agreement executed by Bailey and dated August 17, 2012, along with all amendments and restatements; (iv) a Security Agreement executed by Bailey and dated August 17, 2012, along with all amendments and restatements; (v) a Guarantee executed by Cafarelli and dated August 17, 2012, along with all amendments and restatements; (v) a Guarantee executed by Hunt and dated August 17, 2012, along with all amendments and restatements; and (v) a Guarantee executed by John Buttles and dated August 17, 2012, along with all amendments and restatements (collectively, the "Comerica Loan Documents"). Comerica canceled the Debtors' line of credit near the end of 2014. The Comerica Loan is secured by various instruments, including a deed of trust with respect to the Duncanville Property and UCC-1 financing statements, and Comerica's liens extend to substantially all of the Debtors' assets with the sole exception of the Lancaster Property.

2. The Debtors' Relationship with Republic Business Credit, LLC

In the beginning of 2015, after losing their Comerica line of credit, the Debtors entered into a purported factoring and inventory financing arrangement with Republic Business Credit, LLC ("RBC") using the Debtors' accounts receivable and inventory to finance their working capital needs. At the same time, Comerica entered into a subordination agreement with RBC in which Comerica agreed to subordinate its liens on the Debtors' accounts receivable and inventory to RBC.

Under the Factoring Agreement, the Debtors would assign accounts receivable to RBC by submitting a schedule of such accounts to RBC via RBC's online portal, and then RBC would sometimes advance funds based on the amount of those accounts. After about three months, however, the relationship between RBC and the Debtors soured when RBC began to claim that the Debtors were overextended on their inventory line of credit. RBC also made allegations at the time that the Debtors' accounts receivable were uncollectable and ineligible for factoring under

the Factoring Agreement. The Debtors believe that such allegations were made in bad faith because the allegedly ineligible accounts were collectable, and, in fact, RBC actually collected such accounts.

Upon making such allegations, RBC began to reduce funding to the Debtors, thereby constricting operations and cash flow and making it impossible for the Debtors to buy materials and deliver customers' orders on time. Later, the relationship between RBC and the Debtors turned hostile, and, in the Debtors' view, RBC began to engage in a concerted effort to take control of their business, including by, *inter alia*, controlling the Debtors' accounts payable and vendor payments, refusing to make or fund the Debtors' payroll, installing armed security guards and cameras at the Debtors' facility, fabricating alleged "thefts" of materials, sending police to the Debtors' facility in an effort to manipulate and intimidate the Debtors' employees and management, paying the Debtors' utilities directly, and otherwise dealing directly with the Debtors' customers and vendors.

RBC insisted on paying all of the Debtors' suppliers, including utilities, and having direct contact with customers, vendors, etc. RBC even required the Debtors and various vendors to enter into Three Party Payment Agreements under which RBC imposed terms on the vendors and would pay the vendors directly from the accounts it was collecting, thereby taking control away from the Debtors. RBC would also decide which vendors would be paid and which would not be paid, effectively controlling the Debtors' business operations. In addition, RBC controlled which of the Debtors' employees would be paid and which would not.

When dealing directly with the Debtors' vendors, RBC would promise to issue payment on a cash-on-delivery basis for materials and then later refuse to pay when the vendors delivered the material. RBC even coerced the Debtors' principal, John Buttles, into granting RBC a lien on his homestead and wrongfully collected amounts from the proceeds of the sale of the homestead in direct violation of the Texas Constitution and other applicable law.

RBC's exercise of control over the Debtors, regardless of whether it was authorized under the Factoring Agreement or other controlling documents, was exercised under constant threat of withholding funding and initiating foreclosure, which would have destroyed the Debtors' business and put more than forty individuals out of work. RBC's actions caused and continue to cause the Debtors significant financial harm, damaged the Debtors' reputation and credibility with their vendors and customers, and even forced the Debtors to shut down operations and miss payroll on several occasions. Large customers stopped doing business with the Debtors because they were unable to get their orders filled in a timely fashion.

At some point in August 2015, RBC stopped advancing money to the Debtors altogether. In late September 2015, the Debtors had no choice but to seek funding from one of their customers, and that customer provided funding to the Debtors up to the Petition Date by paying in advance for its orders. In late September and early October, the Debtors and RBC engaged in settlement discussions in an effort to resolve the outstanding issues between them. Such settlement discussions ultimately fell apart on October 2, 2014. Notwithstanding, on or about October 2, 2015, unbeknownst to the Debtors at the time, RBC applied a \$75,000 termination fee against money RBC had collected from the Debtors' accounts receivable.

The Debtors purportedly assigned the last set of invoices to RBC on or about November 5, 2015 by submitting a schedule of such invoices via RBC's online portal. RBC never advanced funds with respect to any of the invoices purportedly assigned between the cessation of funding in August 2015 and the last submission of invoices on or about November 5, 2015. When RBC ceased funding, it put incredible strain on the Debtors' business operations and jeopardized their ability to continue operating, including the Debtors' ability to pay their forty-plus employees.

Based on information available from RBC's online portal, on the other hand, RBC has collected such invoices and other allegedly uncollectable invoices in full, despite never advancing funds in exchange for the purported assignment of such invoices. Indeed, by November 20, 2015, RBC had collected all accounts receivable that RBC previously deemed uncollectable, which satisfied the outstanding balance owed to RBC in full. Nevertheless, RBC continued to collect the Debtors' accounts receivable and refused to turn over such funds. RBC even collected accounts receivable that the Debtors never submitted to RBC for factoring.

Upon information and belief, RBC is, at present, wrongfully holding no less than \$300,000 of the Debtors' cash, and possibly much more (the "Funds"), notwithstanding that the credit facility it provided has been paid in full since November 20, 2015, notwithstanding that many of the accounts receivable that RBC has since collected were never assigned to RBC in the first place, notwithstanding that RBC never provided funding on many of those invoices, and notwithstanding the fact that RBC paid itself a termination fee from the Debtors' account more than one year ago. Accordingly, the Debtors initiated an adversary proceeding (*i.e.*, a lawsuit) in the Bankruptcy Court styled *Bailey Tool & Manufacturing Company, et al. v. Republic Business Credit, LLC*, Adv. No. 16-03025-bjh (Bankr. N.D. Tex.), on February 19, 2016, seeking damages for RBC's wrongful conduct.

3. The Debtors' Post-Petition DIP Financing

Shortly after it filed for bankruptcy, Debtors Bailey, Hunt, and Cafarelli entered into a factoring arrangement with Sterling Commercial Credit, LLC ("Sterling") whereby Sterling agreed to factor the Debtors' accounts receivable as needed during the Bankruptcy Case. Such agreement was necessary to provide the Debtors with immediate cash for use as working capital so that the Debtors could continue operating their businesses. Accordingly, on March 8, 2016, Bailey, Hunt, and Cafarelli filed their *Amended Motion for Interim and Final Orders Authorizing Debtor to Factor Accounts Receivable and Use Cash Collateral, Granting Security Interests and Adequate Protection, and for Other Relief*, and the Court entered a final order approving the post-petition financing arrangement between the Debtors and Sterling on March 16, 2016. No problems have arisen with Sterling like those that arose with RBC, and the Debtors are currently in good standing with Sterling.

C. Other Bailey Creditors

In addition to its debts to Comerica, Bailey is indebted to the US Small Business Administration, Ally Bank, and multiple equipment lessors¹ and lenders, including Financial Pacific Leasing, TCF Equipment Finance, and XMI Financial Services. Bailey's remaining debt is generally comprised of (a) past-due wages owed to various employees and former employees, (b) suppliers of goods and services to Bailey and (c) claims of taxing authorities for *ad valorem* property and similar taxes.

D. Other Hunt Creditors.

Debtor Hunt's remaining debt is generally comprised of (a) claims of taxing authorities for *ad valorem* property and similar taxes; (b) suppliers of goods and services to Hunt; and (c) past-due wages owed to various employees and former employees. Along with the other Debtors, Hunt is also jointly and severally liable for the claims of Comerica and RBC.

E. Other Cafarelli Creditors

Debtor Cafarelli's remaining debt is generally comprised of (a) claims of taxing authorities for *ad valorem* property and similar taxes; and (b) suppliers of goods and services to Cafarelli. Along with the other Debtors, Cafarelli is also jointly and severally liable for the claims of Comerica and RBC.

F. Other Shelter Creditors

Debtor Shelter's principal debt consists of mortgages against the Lancaster property, which are held by First National Bank of Evant and the U.S. Small Business Administration. Other claims against Shelter include claims of local taxing authorities for *ad valorem* property taxes. Shelter also guaranteed the Comerica debt.

G. Existing and Potential Litigation.

1. The RBC Litigation.

As discussed above, the Debtors brought litigation against RBC in the Bankruptcy Court in February 2016, and that litigation is ongoing. The Debtors believe the RBC litigation is one of their most valuable assets, and they intend to pursue it vigorously. The claims the Debtors have asserted against RBC are: (1) violation of the automatic stay / contempt of court; (2) turnover of property of the estate; (3) declaratory relief; (4) conversion; (5) Texas Theft Liability Act; (6) tortious interference with contract / business relations; (7) fraudulent transfer; (8) breach of contract; (9) breach of duty of good faith and fair dealing; (10) liability to creditors as partner; (11)

¹ The Debtors believes that most of the equipment leases are actually disguised financing arrangements rather than true leases and may pursue litigation on that issue if necessary.

breach of fiduciary duty; (12) exemplary damages; (13) preliminary and permanent injunction; and (14) temporary restraining order.

Very early in the litigation, on March 3, 2016, the Court entered a temporary restraining order against RBC providing that RBC is:

- i. restrained and enjoined from initiating contact with the Debtors' customers, except for the sole purpose of determining, to the extent it is not apparent under the circumstances, to which invoice a payment received applies;
- ii. restrained and enjoined from collecting the Debtors' invoices dated after November 6, 2015, and, to the extent RBC receives payment on any such invoices after the date of this Order, RBC is commanded to forward such payment(s) to the Debtors;
- iii. to the extent that any of the Debtors' customers contact RBC, commanded to instruct such customers that, pursuant to this Order, such customers shall pay invoices dated after November 6, 2015, to the Debtors and not to RBC; and
- iv. restrained and enjoined from dissipating any funds in which the Debtors claim an interest, including, without limitation, all funds being held by RBC from the collection of invoices attributable to goods or services provided by the Debtors to third parties.

Going forward, the most valuable claim the Debtors have asserted against RBC is their claim for liability to creditors as a partner. Under this theory of liability, the Debtors are requesting that the Court hold RBC liable as a general partner of the Debtors based on the level of control that RBC exercised over the Debtors' business. If the Court ultimately holds RBC liable under this theory, then RBC will be liable for the total amount of claims that existed against the Debtors on the Petition Date.

1. Potential Litigation.

During these bankruptcy cases, the Debtors utilized a temp agency to employ a bookkeeper. The Debtors later realized that the bookkeeper the agency provided was embezzling funds from the Debtors, and the Debtors immediately terminated her employment. The Debtors are investigating potential causes of action against the bookkeeper and the temp agency.

The Debtors are also investigating potential causes of action under chapter 5 of the Bankruptcy Code, other than those they already asserted against RBC. Chapter 5 causes of action include, *inter alia*, the avoidance and recovery of preferential and fraudulent transfers.

Other than these claims, the Debtors are not aware of any potential litigation with any significant value, and they have no immediate or definite plans to file any further litigation. The

Debtors nevertheless retain the right to pursue post-confirmation all causes of action, including but not limited to the above listed causes of action, under the Plan.

VII. **EVENTS LEADING TO BANKRUPTCY**

A. The Debtors' Bankruptcy Filing.

Historically, as discussed above, the Debtors' core customer group has been Tier One and Tier Two automotive and truck suppliers that supply OEM and aftermarket parts in the United States to auto manufacturers. However, in light of the economic downturn that particularly struck the automotive industry, the Debtors began to diversify their customer base beyond the automotive industry into the oil and gas, defense, transportation, and munitions equipment and production industries. The Debtors accordingly began a sales and marketing push to provide stamped and fabricated metal components to the government contracting and oil & gas markets, and the Debtors had some initial success winning bids for government contracting projects, most of which were defense munitions metal-stamped and fabricated components.

Unfortunately, however, the Debtors' attempts to diversify required them to spend significant amounts on research and development, while at the same time certain of the Debtors' automotive customers lost their contracts with the end-user automotive companies. This caused a significant loss to the Debtors' cash flow and profitability, and it caused the Debtors' primary secured lender, Comerica, to terminate the Debtors' line of credit at the end of 2014. As discussed in greater detail above, it was at that point that the Debtors turned to RBC for financing, and RBC's conduct, including its bad-faith refusal to fund the Debtors' operations and its continued collection of the Debtors' accounts receivable after its debt facility had been paid in full, ultimately led to the Debtors seeking bankruptcy protection.

B. Events Transpiring After Bankruptcy

The Debtors filed for bankruptcy protection under Chapter 11 in order to protect and preserve their businesses and their ability to pay their creditors by enabling them to reorganize and restructure their financial affairs to fund operations and payments to creditors.

1. Professionals Being Paid by the Debtors and Fees to Date

- a. Professionals employed by the Debtors. The Debtors have employed the following professionals during their bankruptcy cases:
 - i. The law firm of Franklin Hayward LLP as their Chapter 11 bankruptcy counsel;
 - ii. Attorney Kathy Van Every as their special counsel for procurement and negotiation of government contracts;

- iii. Merritt Advisors Group, LLC (and Jeffrey C. Merritt) as their chief restructuring officer;
 - iv. Western States Realty Partners as their real estate broker for selling the Duncanville Property; and
 - v. Rosen Systems, Inc. as their auctioneer for conducting an auction of their surplus assets.
- b. Fees to Date. The Debtors' professionals have been paid the following fees during these bankruptcy cases:
- i. Franklin Hayward LLP not filed fee a application seeking approval of any fees and expenses incurred in this case through the date of this Disclosure Statement. The Debtors estimate that Franklin Hayward LLP's fees through the end of November 2016 total approximately \$300,000.00.
 - ii. Attorney Kathy Van Every has requested and has been paid approximately \$5,000 during these bankruptcy cases for services rendered and expenses incurred.
 - iii. Merritt Advisors Group has been paid \$66,236.98 during these bankruptcy cases for services as chief restructuring officer.
 - iv. Western States Realty Partners has not been paid any fees during these bankruptcy cases, as the sale of the Duncanville Property has not closed.
 - v. Rosen Systems completed the auction of the Debtors' surplus assets in May 2016. Buyers at the auction paid Rosen a buyer's premium, and the Debtors reimbursed Rosen expenses totaling \$17,563.58.

2. Operations of the Debtors during the Pendency of the Case.

The Debtors have continued to operate their businesses during the pendency of the case. Copies of operating reports, which are filed with the Bankruptcy Court pursuant to Bankruptcy Rule 2015(a)(3), are available from the Bankruptcy Court and/or the U.S. Trustee's office. In addition, the Debtors have entered into agreed DIP financing and cash collateral orders with Comerica, Sterling, and RBC. Copies of the DIP financing and cash collateral orders are available from the Clerk of the Bankruptcy Court or, upon request made in writing to Debtors' counsel, Melissa S. Hayward, Franklin Hayward LLP, 10501 N. Central Expy., Ste. 106, Dallas, Texas 75231.

The Debtors filed their Bankruptcy Cases hopeful that the breathing spell and preservation of the status quo provided by the Bankruptcy Code would allow the Debtors to focus on their ongoing business operations and return them to the profitable status they enjoyed for many years. The Debtors have made a number of changes to streamline and downsize their operations that have already made them more profitable and will make this Plan likely to succeed in reorganizing the Debtors. For example, the Debtors sold all of their surplus assets, thereby reducing their monthly service costs. The Debtors also reduced the number of their employees, raised prices on certain products, vacated the Duncanville Property, and consolidated their operations at the Lancaster Property.

3. Significant Post-Petition Events.

The bankruptcy cases were filed on February 1, 2016 as business reorganizations under chapter 11 of the Bankruptcy Code.

On February 10, 2016, the Debtors filed an application to employ Franklin Hayward LLP to serve as their bankruptcy counsel in this case, and the Court granted the application by an order entered March 11, 2016.

On February 5, 2016, the Court entered an Order authorizing the Debtors to pay the pre-petition wage and employee-benefit Claims of its current employees, thereby satisfying in full all such pre-petition Claims.

On February 5, March 9, April 5, July 28, August 30, and November 29, 2016, the Court entered Orders and supplements thereto permitting the Debtors to utilize cash collateral, subject to the conditions stated in those Orders.

On March 25, 2016, the Debtors filed a motion seeking authorization to conduct an auction to sell the Debtors' surplus assets, and the Court entered an order approving such sale on May 4, 2016. The Debtors held an auction of their surplus assets on May 5 and May 12, 2016, and on August 30, 2016, the Court entered an order that allowed the Debtors to disburse the proceeds from the auction to the creditors with an interest in such proceeds.

On April 8, 2016, the Court entered an Order authorizing the Debtors to enter into a financing transaction with Sterling Commercial Credit, LLC, subject to the conditions stated in the Order.

On August 8, 2016, Bailey filed a motion seeking approval of its compromise with Cape Fear Arsenal, Inc., and the Court entered an Order on September 22, 2016, approving the agreement. The compromise resolved litigation that Cape Fear had filed against Bailey at little to no cost to the Debtors' estates.

VIII. **DESCRIPTION OF THE PLAN**

A. Introduction

A summary of the principal provisions of the Plan and the treatment of Allowed Claims and Interests is set forth in the first part of this Disclosure Statement. The summary is qualified in its entirety by the Plan.

B. Designation of Claims and Interests

The following is a designation of the classes of Claims and Interests under this Plan. A Claim or Interest is classified in a particular class only to the extent that the Claim or Interest qualifies within the description of that class and is classified in another class or classes to the extent that any remainder of the Claim or Interest qualifies within the description of such other class or classes. A Claim or Interest is classified in a particular class only to the extent that the Claim or Interest is an Allowed Claim or Allowed Interest in that class and has not been paid, released or otherwise satisfied before the Effective Date; a Claim or Interest which is not an Allowed Claim or Interest is not in any Class. Notwithstanding anything to the contrary contained in this Plan, no distribution shall be made on account of any Claim or Interest which is not an Allowed Claim or Allowed Interest.

Bailey.

<u>Class</u>	<u>Status</u>
<u>1. Bailey Priority Claims</u>	
Class 1: Priority Wage Claims	Unimpaired – deemed to accept
Class 2: Certain Priority Claims	Unimpaired – deemed to accept
<u>2. Bailey Secured Claims</u>	
Class 3: Secured Claims of Taxing Authorities	Unimpaired – deemed to accept
Class 4: Secured Claim of Financial Pacific Leasing	Impaired – entitled to vote
Class 5: Secured Claim of Ally Bank	Impaired – entitled to vote
Class 6: Secured Claim of XMI Financial Services	Impaired – entitled to vote
Class 7: Secured Claim of TCF Equipment Finance	Impaired – entitled to vote
Class 8: Secured Claim of Comerica	Impaired – entitled to vote
Class 12: Secured Claim of RBC	Unimpaired – deemed to accept
Class 13: Secured Claim of AILCO Equipment Finance	Impaired – entitled to vote

3. Bailey Unsecured Claims

Class 9: Guarantee Claim of Evant	Impaired – entitled to vote
Class 10: Guarantee Claim of the SBA	Impaired – entitled to vote
Class 11: General Unsecured Claims	Impaired – entitled to vote

4. Bailey Interests

Class 14: Bailey Equity Holders	Impaired-deemed to reject
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Hunt.

<u>Class</u>	<u>Status</u>
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1. Hunt Priority Claims

Class 1: Priority Wage Claims	Unimpaired – deemed to accept
Class 2: Certain Priority Claims	Unimpaired – deemed to accept

2. Hunt Secured Claims

Class 3: Secured Claims of Taxing Authorities	Unimpaired – deemed to accept
Class 4: Secured Claim of Comerica	Impaired – entitled to vote
Class 6: Secured Claim of RBC	Unimpaired – deemed to accept

3. Hunt Unsecured Claims

Class 5: Guarantee Claim of the SBA	Impaired – entitled to vote
Class 7: General Unsecured Claims	Impaired – entitled to vote

4. Hunt Interests

Class 8: Hunt Equity Holders	Impaired-deemed to reject
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Cafarelli.

<u>Class</u>	<u>Status</u>
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1. Cafarelli Priority Claims

Class 1: Certain Priority Claims	Unimpaired – deemed to accept
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2. Cafarelli Secured Claims

Class 2: Secured Claims of Taxing Authorities	Unimpaired – deemed to accept
Class 3: Secured Claim of Comerica	Impaired – entitled to vote
Class 5: Secured Claim of RBC	Unimpaired – deemed to accept

3. Cafarelli Unsecured Claims

Class 4: Guarantee Claim of the SBA Impaired – entitled to vote
 Class 6: General Unsecured Claims Impaired – entitled to vote

4. Cafarelli Interests

Class 7: Hunt Equity Holders Impaired-deemed to reject

Shelter.

Class Status

1. Shelter Priority Claims

Class 1: Certain Priority Claims Unimpaired – deemed to accept

2. Shelter Secured Claims

Class 2: Secured Claims of Taxing Authorities Impaired – entitled to vote
 Class 4: Secured Claim of the SBA Impaired – entitled to vote
 Class 5: Secured Claim of Evant Impaired – entitled to vote

3. Shelter Unsecured Claims

Class 3: Guarantee Claim of Comerica Impaired – entitled to vote
 Class 6: General Unsecured Claims Impaired – entitled to vote

4. Shelter Interests

Class 7: Shelter Equity Holders Unimpaired – deemed to accept

C. Treatment of Claims and Interests

<u>Class</u>	<u>Impairment</u>	<u>Treatment</u>
<u>Bailey Class 1 Claims:</u> <u>Priority Wage Claims</u>	<u>Unimpaired</u>	Allowed Priority Wage Claims entitled to priority treatment pursuant to Section 507(a)(4) and (a)(5) of the Bankruptcy Code shall receive, at the Reorganized Bailey Debtor’s option: (i) payment in full in cash on account of such Priority Claim without interest when such Claim is Allowed; or (ii) the amount of such holder’s Allowed Claim in accordance with the ordinary business terms of such expense or cost, or (iii) such other treatment as may be agreed to in writing by such priority

		Creditor and the Reorganized Bailey Debtor or as ordered by the Bankruptcy Court.
<u>Bailey Class 2 Claims: Certain Priority Claims.</u>	<u>Unimpaired</u>	Allowed Priority Claims entitled to priority treatment pursuant to Section 507(a)(1), (a)(6), (a)(7), (a)(8), (a)(9), and (a)(10) of the Bankruptcy Code shall receive, at the Reorganized Bailey Debtor's option: (i) payment in full in cash on account of such Priority Claim without interest when such Claim is Allowed; or (ii) the amount of such holder's Allowed Claim in accordance with the ordinary business terms of such expense or cost, or (iii) such other treatment as may be agreed to in writing by such priority Creditor and the Reorganized Bailey Debtor or as ordered by the Bankruptcy Court.
<u>Bailey Class 3 Claims: Allowed Secured Claims of Taxing Authorities.</u>	<u>Unimpaired</u>	<p>Except to the extent that the holder of a Secured Tax Claim agrees to different treatment, the Allowed Secured Claim of all Tax Claims shall be paid in full within five (5) days of the Effective Date from the proceeds of the New Equity Infusion.</p> <p>All Tax Claims shall remain subject to section 505 of the Bankruptcy Code. The Reorganized Bailey Debtor shall retain the right to a determination of the amount or legality of any tax pursuant to section 505 of the Bankruptcy Code as to any Tax Claim. The Reorganized Bailey Debtor may seek relief pursuant to section 505 of the Bankruptcy Code and/or title 1, subtitle F, chapter 42 of the Texas Tax Code as a part of, and in conjunction with, any objection to any Tax Claim.</p> <p>With respect to Allowed Secured Tax Claims, the interest rate paid upon such Claims shall be the rate of interest determined under applicable non-bankruptcy law from the Petition Date.</p> <p>Post-petition property taxes will be paid when such taxes become due and payable under the laws of the applicable taxing jurisdiction.</p> <p>Any perfected liens or security interests securing a Tax Claim of a Taxing Authority will be preserved and continued from and after the Effective Date. A Taxing Authority shall, upon payment and satisfaction of its Allowed Secured Claim in full in accordance with this Plan, execute releases of any remaining encumbrances upon the respective Property securing its Allowed Secured Claim in a form satisfactory to the Reorganized Bailey Debtor and shall deliver same to the Reorganized Bailey Debtor or its designee.</p> <p>Nothing herein shall prohibit Bailey or the Reorganized Bailey Debtor from selling property secured by a Tax Claim at any time provided that the remaining unpaid portion of the Allowed Secured Claim of a Taxing Authority holding an interest in the property and allocable to such property shall be paid in full at such time.</p>
<u>Bailey Class 4 Claim: the Allowed Secured Claim of Financial Pacific Leasing</u>	<u>Impaired</u>	<p>Claims Register 10 Claim Amount: \$1,708.86 Collateral Value: \$44,000.00</p>

<p><u>against the following Collateral:</u></p> <p>Okuma Model LB-25 CNC Turning Center s/n 9403, OSP-5020L CNC Control, 10 in 3-Jaw Chuck, Chip Conveyor, Tool Presetter, 2.75 in Cap., 18.9 in Max Swing Over Saddle, 49.21 in Max Turning Length</p>	<p>Financial Pacific Leasing’s Allowed Secured Claim shall be paid through sixty (60) consecutive monthly payments along with interest at a rate of 5% per annum. The first monthly payment will be due and payable on the first Business Day of the first month that is more than 30 days after the Effective Date and on the first Business Day of each respective month thereafter. To the extent that Bailey misses any payment due to Financial Pacific Leasing on account of its Allowed Secured Claim as provided herein, Financial Pacific Leasing shall send written notice of such missed payment to Bailey and its counsel, and Bailey shall have five business days from the date of its receipt of such notice to cure such missed payment before a default hereunder will occur.</p> <p>Financial Pacific Leasing’s Allowed Secured Claim will be determined by the value as of the Petition Date of the perfected Collateral securing such Allowed Claim, which value will be determined by agreement of the parties or by the Bankruptcy Court following a valuation proceeding in accordance with the Bankruptcy Code.</p> <p>Any perfected liens or security interests securing Financial Pacific Leasing’s Allowed Secured Claim will be preserved and continued. Financial Pacific Leasing shall, upon payment and satisfaction of its Allowed Secured Claim in full as provided herein, transfer any and all titles for the Collateral listed herein and any other Collateral securing such Allowed Secured Claim to Bailey and shall execute releases of any remaining encumbrances upon all of such Collateral in a form satisfactory to the Reorganized Bailey Debtor and deliver same to the Reorganized Bailey Debtor or its designee.</p> <p>The written agreements by and between Financial Pacific Leasing and Bailey will remain the same, except to the extent that the terms therein are modified by this Plan, and such agreements will be deemed to be modified to comport with this Plan. All defaults and events of default existing as of the Petition Date and as of the Effective Date shall be deemed cured and waived, and all amounts owed will be deaccelerated and paid in accordance with the terms of this Plan. Except as provided by this Plan, no default interest, late charges, or other penalties arising or accruing after the Petition Date shall be required to be paid to Financial Pacific Leasing, provided, however, that Financial Pacific Leasing shall be entitled to charge, collect, and receive late charges and other amounts provided by the written agreements between Bailey and Financial Pacific Leasing in the event of Bailey’s failure to timely make a payment to Financial Pacific Leasing on its Allowed Secured Claim under this Plan after Confirmation.</p> <p>Nothing herein shall prohibit the Reorganized Bailey Debtor from refinancing, selling, or otherwise disposing of the Collateral at any time, provided that the remaining unpaid portion of Financial Pacific Leasing’s Allowed Secured Claim shall be paid in full at such time. No prepayment penalty will be due with respect to any prepayment of Financial Pacific Leasing’s Allowed Secured Claim.</p>
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<p><u>Bailey Class 5 Claims:</u> <u>Allowed Secured Claim of</u> <u>Ally Bank against the</u> <u>following Collateral:</u></p> <p>Chevrolet Silverado 2500 3/4 ton flat bed truck <u>(VIN1GC0CVCG5CF138311)</u></p>	<p><u>Impaired</u></p>	<p>Claims Register 20 Claim Amount: \$9,552.79 Collateral Value: \$10,000.00</p> <p>Ally Bank’s Allowed Secured Claim shall be paid through sixty (60) consecutive monthly payments along with interest at a rate of 5.0% per annum. The first monthly payment will be due and payable on the first Business Day of the first month that is more than 30 days after the Effective Date and on the first Business Day of each respective month thereafter. To the extent that Bailey misses any payment due to Ally Bank on account of its Allowed Secured Claim as provided herein, Ally Bank shall send written notice of such missed payment to Bailey and its counsel, and Bailey shall have five business days from the date of its receipt of such notice to cure such missed payment before a default hereunder will occur.</p> <p>Ally Bank’s Allowed Secured Claim will be determined by the value as of the Petition Date of the perfected Collateral securing such Allowed Claim, which value will be determined by agreement of the parties or by the Bankruptcy Court following a valuation proceeding in accordance with the Bankruptcy Code.</p> <p>Any perfected liens or security interests securing Ally Bank’s Allowed Secured Claim will be preserved and continued. Ally Bank shall, upon payment and satisfaction of its Allowed Secured Claim in full as provided herein, transfer any and all titles for the Collateral listed herein and any other Collateral securing such Allowed Secured Claim to Bailey and shall execute releases of any remaining encumbrances upon all of such Collateral in a form satisfactory to the Reorganized Bailey Debtor and deliver same to the Reorganized Bailey Debtor or its designee.</p> <p>The written agreements by and between Ally Bank and Bailey will remain the same, except to the extent that the terms therein are modified by this Plan, and such agreements will be deemed to be modified to comport with this Plan. All defaults and events of default existing as of the Petition Date and as of the Effective Date shall be deemed cured and waived, and all amounts owed will be deaccelerated and paid in accordance with the terms of this Plan. Except as provided by this Plan, no default interest, late charges, or other penalties arising or accruing after the Petition Date shall be required to be paid to Ally Bank, provided, however, that Ally Bank shall be entitled to charge, collect, and receive late charges and other amounts provided by the written agreements between Bailey and Ally Bank in the event of Bailey’s failure to timely make a payment to Ally Bank on its Allowed Secured Claim under this Plan after Confirmation.</p> <p>Nothing herein shall prohibit the Reorganized Bailey Debtor from refinancing, selling, or otherwise disposing of the Collateral at any time, provided that the remaining unpaid portion of Ally Bank’s Allowed Secured Claim shall be paid in full at such time. No prepayment penalty will be due with respect to any prepayment of Ally Bank’s Allowed Secured Claim.</p>
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<p><u>Bailey Class 6 Claim: Allowed Secured Claim of XMI Financial Services against the following Collateral:</u></p> <p><u>Doosan Infacore model Puma 400LMC CNC Turning Center (S/N ML0137-00464)</u></p>	<p><u>Impaired</u></p>	<p>Claims Register 36 Claim Amount: \$45,204.00 Collateral Value: \$100,000.00</p> <p>XMI Financial Services' Allowed Secured Claim shall be paid through sixty (60) consecutive monthly payments along with interest at a rate of 5% per annum. The first monthly payment will be due and payable on the first Business Day of the first month that is more than 30 days after the Effective Date and on the first Business Day of each respective month thereafter. To the extent that Bailey misses any payment due to XMI Financial Services on account of its Allowed Secured Claim as provided herein, XMI Financial Services shall send written notice of such missed payment to Bailey and its counsel, and Bailey shall have five business days from the date of its receipt of such notice to cure such missed payment before a default hereunder will occur.</p> <p>XMI Financial Services' Allowed Secured Claim will be determined by the value as of the Petition Date of the perfected Collateral securing such Allowed Claim, which value will be determined by agreement of the parties or by the Bankruptcy Court following a valuation proceeding in accordance with the Bankruptcy Code.</p> <p>Any perfected liens or security interests securing XMI Financial Services' Allowed Secured Claim will be preserved and continued. XMI Financial Services shall, upon payment and satisfaction of its Allowed Secured Claim in full as provided herein, transfer any and all titles for the Collateral listed herein and any other Collateral securing such Allowed Secured Claim to Bailey and shall execute releases of any remaining encumbrances upon all of such Collateral in a form satisfactory to the Reorganized Bailey Debtor and deliver same to the Reorganized Bailey Debtor or its designee.</p> <p>The written agreements by and between XMI Financial Services and Bailey will remain the same, except to the extent that the terms therein are modified by this Plan, and such agreements will be deemed to be modified to comport with this Plan. All defaults and events of default existing as of the Petition Date and as of the Effective Date shall be deemed cured and waived, and all amounts owed will be deaccelerated and paid in accordance with the terms of this Plan. Except as provided by this Plan, no default interest, late charges, or other penalties arising or accruing after the Petition Date shall be required to be paid to XMI Financial Services, provided, however, that XMI Financial Services shall be entitled to charge, collect, and receive late charges and other amounts provided by the written agreements between Bailey and XMI Financial Services in the event of Bailey's failure to timely make a payment to XMI Financial Services on its Allowed Secured Claim under this Plan after Confirmation.</p> <p>Nothing herein shall prohibit the Reorganized Bailey Debtor from refinancing, selling, or otherwise disposing of the Collateral at any time, provided that the remaining unpaid portion of XMI Financial Services' Allowed Secured Claim shall be paid in full at such time. No prepayment</p>
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		penalty will be due with respect to any prepayment of XMI Financial Services' Allowed Secured Claim.
<p><u>Bailey Class 7 Claim: Allowed Claim of TCF Equipment Finance Inc. against the following Collateral:</u></p> <p><u>Bridgeport vertical mill, Model PTS RL31949200SXP and accessories; Hwacheon CNC turning center S/N 01135B1FB plus all attachments and accessories</u></p>	<p><u>Impaired</u></p>	<p>Claims Register 29 Claim Amount: \$64,341.74 (Original claim amount of \$82,587.59 less \$18,245.85 distributed from proceeds of sale of certain Collateral) Collateral Value: \$38,000.00</p> <p>TCF Equipment Finance Inc.'s claim shall be bifurcated into: (i) an Allowed Secured Claim, which Allowed Secured Claim shall be treated as the Class 7 Allowed Secured Claim as provided herein; and (ii) an Allowed Unsecured Claim in the amount of any deficiency remaining from TCF Equipment Finance Inc.'s Proof of Claim, after any and all applicable offsets, which shall be treated as a Bailey Class 11 General Unsecured Claim.</p> <p>TCF Equipment Finance Inc.'s Allowed Secured Claim will be determined by the value as of the Petition Date of the perfected Collateral securing such Allowed Claim, which value will be determined by agreement of the parties or by the Bankruptcy Court following a valuation proceeding in accordance with the Bankruptcy Code. The amount of TCF Equipment Finance Inc.'s Class 11 unsecured deficiency claim shall be determined by agreement of the parties, and if the parties are unable to agree on the amount of such deficiency claim, then the Bankruptcy Court shall determine the amount of such deficiency claim after notice to TCF Equipment Finance Inc. and Bailey and an opportunity for hearing.</p> <p>TCF Equipment Finance Inc.'s Allowed Secured Claim shall be paid through sixty (60) consecutive monthly payments along with interest at a rate of 5% per annum. The first monthly payment will be due and payable on the first Business Day of the first month that is more than 30 days after the Effective Date and on the first Business Day of each respective month thereafter. To the extent that Bailey misses any payment due to TCF Equipment Finance Inc. on account of its Allowed Secured Claim as provided herein, TCF Equipment Finance Inc. shall send written notice of such missed payment to Bailey and its counsel, and Bailey shall have five business days from the date of its receipt of such notice to cure such missed payment before a default hereunder will occur.</p> <p>Any perfected liens or security interests securing TCF Equipment Finance Inc.'s Allowed Secured Claim will be preserved and continued. TCF Equipment Finance Inc. shall, upon payment and satisfaction of its Allowed Secured Claim in full as provided herein, transfer any and all titles for the Collateral listed herein and any other Collateral securing such Allowed Secured Claim to Bailey and shall execute releases of any remaining encumbrances upon all of such Collateral in a form satisfactory to the Reorganized Bailey Debtor and deliver same to the Reorganized Bailey Debtor or its designee.</p> <p>The written agreements by and between TCF Equipment Finance Inc. and Bailey will remain the same, except to the extent that the terms therein are modified by this Plan, and such agreements will be deemed to be modified to comport with this Plan. All defaults and events of default</p>

		<p>existing as of the Petition Date and as of the Effective Date shall be deemed cured and waived, and all amounts owed will be deaccelerated and paid in accordance with the terms of this Plan. Except as provided by this Plan, no default interest, late charges, or other penalties arising or accruing after the Petition Date shall be required to be paid to TCF Equipment Finance Inc., provided, however, that TCF Equipment Finance Inc. shall be entitled to charge, collect, and receive late charges and other amounts provided by the written agreements between Bailey and TCF Equipment Finance Inc. in the event of Bailey’s failure to timely make a payment to TCF Equipment Finance Inc. on its Allowed Secured Claim under this Plan after Confirmation.</p> <p>Nothing herein shall prohibit the Reorganized Bailey Debtor from refinancing, selling, or otherwise disposing of the Collateral at any time, provided that the remaining unpaid portion of TCF Equipment Finance Inc.’s Allowed Secured Claim shall be paid in full at such time. No prepayment penalty will be due with respect to any prepayment of TCF Equipment Finance Inc.’s Allowed Secured Claim.</p>
<p><u>Bailey Class 8 Claim: Allowed Secured Claim of Comerica against the following Collateral:</u></p> <p>Duncanville Property; the “Collateral,” as that term is defined in the Security Agreements attached to Comerica’s Proof of Claim (No. 17) as Exhibit G.</p>	<p><u>Impaired</u></p>	<p>Claims Register 17 Claim Amount: \$2,018,628.08 Collateral Value: \$2,300,000.00 (combined value of Bailey, Hunt, and Cafarelli Collateral)</p> <p>The Allowed Secured Claim of Comerica shall be treated as follows:</p> <p><u>Option A:</u> Comerica may elect to receive treatment under this Option A. To the extent that Comerica elects treatment under this Option A, Comerica shall receive: (i) a one-time cash payment in the amount of \$1,500,000.00 within five (5) business days of the Effective Date; and (ii) the net proceeds, after payment of commissions and customary closing costs, from the sale of the Duncanville Property. Such payments shall be in full and final satisfaction of any claim, debt, obligation, or liability that Comerica holds or may hold against any of the Debtors and any guarantor of the Comerica Class 8 Claim.</p> <p><u>Option B:</u> To the extent that Comerica does not elect the treatment in Option A above, the Allowed Secured Claim of Comerica shall be paid in full by the refinancing of the remaining unpaid portion of its Allowed Secured Claim within five years of the Effective Date. Until such time as the remaining unpaid portion of Comerica’s Allowed Secured Claim is refinanced, which shall occur by no later than sixty (60) months from the Effective Date, the Reorganized Bailey Debtor shall make monthly payments to Comerica comprised of: (i) interest at a rate of 5.0% per annum; and (ii) principal amortized over a twenty-five year term.</p> <p>The first monthly payment will be due and payable on the first Business Day of the first month that is more than 30 days after the Effective Date and on the first Business Day of each respective month thereafter.</p> <p>Comerica’s Allowed Secured Claim will be determined by the value as of the Petition Date of the perfected Collateral securing such Allowed Claim, which value will be determined by agreement of the parties or by the Bankruptcy Court following a valuation proceeding in accordance with the Bankruptcy Code. The Debtors maintain that the value of the</p>

		<p>perfected Collateral is less than the amount of Comerica's Allowed Claim. As such, the Debtors contend that is not entitled to include as part of its Allowed Secured Claim post-petition interest, reasonable fees, costs, or charges provided for under the Comerica Loan Documents pursuant to section 506(b) of the Bankruptcy Code. To the extent that Comerica's Claim is not fully secured, then the amount of Comerica's Allowed Secured Claim shall be reduced by the amount of any payments that Comerica has received during the course of the Bankruptcy Case. To the extent that the Court determines that Comerica's Allowed Claim is fully secured, and to the extent that the Debtors and Comerica are unable to reach an agreement on the Allowed amount of such interest, fees, costs and charges by the applicable deadline provided in Article 8.7 of the Plan, then Comerica shall file an application for the approval of any amounts it asserts are owed under Section 506(b) pursuant to Article 8.7 of the Plan.</p> <p>The Comerica Loan Documents will remain the same, except to the extent that the terms therein are modified by the Plan, and the Comerica Loan Documents will be deemed to be modified to comport with this Plan.</p> <p>Any perfected liens or security interests securing Comerica's Allowed Secured Claim will be preserved and continued. Comerica shall, upon payment and satisfaction of its Allowed Secured Claim, execute releases of any remaining encumbrances upon the Debtors assets in a form satisfactory to the Reorganized Debtors and shall deliver same to the Reorganized Debtors or their designee. No prepayment penalty or yield maintenance fee will be due with respect to any prepayment of Comerica's Allowed Secured Claim.</p>
<u>Bailey Class 9 Claim: Allowed Guarantee Claim of Evant</u>	<u>Impaired</u>	<p>Claims Register 19 Claim Amount: \$316,450.10</p> <p>The Allowed Guarantee Claim of Evant shall be paid in accordance with the treatment provided in the Shelter Class 5 Claim below.</p>
<u>Bailey Class 10 Claim: Allowed Guarantee Claim of the SBA</u>	<u>Impaired</u>	<p>Claims Register 42 Claim Amount: \$303,625.04</p> <p>The Allowed Guarantee Claim of the SBA shall be paid in accordance with the treatment provided in the Shelter Class 4 Claim below.</p>
<u>Bailey Class 11 Claims: Allowed General Unsecured Claims</u>	<u>Impaired</u>	<p>Holders of Bailey Class 11, Hunt Class 7, and Cafarelli Class 6 Allowed General Unsecured Claims shall receive a Pro Rata Share of the RBC Litigation Proceeds Carve-Out. Allowed General Unsecured Claims may or may not receive a distribution under this Plan depending upon the outcome of the RBC Litigation.</p>
<u>Bailey Class 12 Claim: The Disputed Allowed Secured</u>	<u>Unimpaired</u>	<p>Claims Register 37 Claim Amount: No Amount Stated</p> <p>To the extent that RBC holds an Allowed Secured Claim, upon the Allowance of such Claim, the Debtors shall surrender the Collateral</p>

<p><u>Claim of RBC against the following Collateral:</u></p> <p><u>Certain accounts receivable</u></p>		<p>securing such Allowed Secured Claim to RBC in full and final satisfaction of RBC's Allowed Secured Claim.</p>
<p><u>Bailey Class 13 Claim: Allowed Secured Claim of AILCO Equipment Finance Group, Inc. secured by the following Collateral:</u></p> <p>The equipment listed in Equipment Schedule A No. 01349-002, attached to AILCO's Proof of Claim at page 6 of 12</p>	<p><u>Impaired</u></p>	<p>Claims Register 25 Claim Amount: \$26,178.54 Collateral Value: \$26,178.54</p> <p>AILCO Equipment Finance Group, Inc. may elect to be treated in this Class 13. To the extent that AILCO Equipment Finance Group, Inc. so elects, AILCO Equipment Finance Group, Inc.'s Claim shall be re-characterized as an Allowed Secured Claim and shall be paid through thirty six (36) consecutive monthly payments along with interest at a rate of 5% per annum. The first monthly payment will be due and payable on the first Business Day of the first month that is more than 30 days after the Effective Date and on the first Business Day of each respective month thereafter. To the extent that Bailey misses any payment due to AILCO Equipment Finance Group, Inc. on account of its Allowed Secured Claim as provided herein, AILCO Equipment Finance Group, Inc. shall send written notice of such missed payment to Bailey and its counsel, and Bailey shall have five business days from the date of its receipt of such notice to cure such missed payment before a default hereunder will occur.</p> <p>At the conclusion of the thirty-six month term, the Reorganized Bailey Debtor shall be entitled to purchase the Collateral at a price of \$1.00.</p> <p>Any perfected liens or security interests securing AILCO Equipment Finance Group, Inc.'s Allowed Secured Claim will be preserved and continued. AILCO Equipment Finance Group, Inc. shall, upon payment and satisfaction of its Allowed Secured Claim in full as provided herein, transfer any and all titles for the Collateral listed herein and any other Collateral securing such Allowed Secured Claim to Bailey and shall execute releases of any remaining encumbrances upon all of such Collateral in a form satisfactory to the Reorganized Bailey Debtor and deliver same to the Reorganized Bailey Debtor or its designee.</p> <p>The written agreements by and between AILCO Equipment Finance Group, Inc. and Bailey will remain the same, except to the extent that the terms therein are modified by this Plan, and such agreements will be deemed to be modified to comport with this Plan. All defaults and events of default existing as of the Petition Date and as of the Effective Date shall be deemed cured and waived, and all amounts owed will be deaccelerated and paid in accordance with the terms of this Plan. Except as provided by this Plan, no default interest, late charges, or other penalties arising or accruing after the Petition Date shall be required to be paid to AILCO Equipment Finance Group, Inc., provided, however, that AILCO Equipment Finance Group, Inc. shall be entitled to charge, collect, and receive late charges and other amounts provided by the written agreements between Bailey and AILCO Equipment Finance Group, Inc. in the event of Bailey's failure to timely make a payment to</p>

		<p>AILCO Equipment Finance Group, Inc., on its Allowed Secured Claim under this Plan after Confirmation.</p> <p>Nothing herein shall prohibit the Reorganized Bailey Debtor from refinancing, selling, or otherwise disposing of the Collateral at any time, provided that the remaining unpaid portion of AILCO Equipment Finance Group, Inc.'s Allowed Secured Claim shall be paid in full at such time. No prepayment penalty will be due with respect to any prepayment of AILCO Equipment Finance Group, Inc.'s Allowed Secured Claim.</p> <p>To the extent that AILCO Equipment Finance Group, Inc. does not elect to be treated as provided above, and to the extent that the written agreements by and between AILCO Equipment Finance Group, Inc. and Bailey are in fact true leases, then such lease shall be rejected under the Plan and AILCO Equipment Finance Group, Inc. may retrieve its equipment from the Lancaster Property at a mutually agreeable time.</p>
<u>Bailey Class 14 Claims: Bailey Equity Holders</u>	<u>Impaired</u>	The Allowed Interests of the Bailey Equity Holder shall be cancelled and terminated, and all equity Interests in the Reorganized Bailey Debtor shall be held by the New Equity Holder on and after the Effective Date. Allowed Interests of the Bailey Equity Holder will not receive anything under the Plan.
<u>Hunt Class 1: Priority Wage Claims.</u>	<u>Unimpaired</u>	Allowed Priority Wage Claims entitled to priority treatment pursuant to Section 507(a)(4) and (a)(5) of the Bankruptcy Code shall receive, at the Reorganized Hunt Debtor's option: (i) payment in full in cash on account of such Priority Claim without interest when such Claim is Allowed; or (ii) the amount of such holder's Allowed Claim in accordance with the ordinary business terms of such expense or cost, or (iii) such other treatment as may be agreed to in writing by such priority Creditor and the Reorganized Hunt Debtor or as ordered by the Bankruptcy Court.
<u>Hunt Class 2 Claims: Certain Priority Claims</u>	<u>Unimpaired</u>	Allowed Priority Claims entitled to priority treatment pursuant to Section 507(a)(1), (a)(6), (a)(7), (a)(8), (a)(9), and (a)(10) of the Bankruptcy Code shall receive, at the Reorganized Hunt Debtor's option: (i) payment in full in cash on account of such Priority Claim without interest when such Claim is Allowed; or (ii) the amount of such holder's Allowed Claim in accordance with the ordinary business terms of such expense or cost, or (iii) such other treatment as may be agreed to in writing by such priority Creditor and the Reorganized Hunt Debtor or as ordered by the Bankruptcy Court.
<u>Hunt Class 3: Allowed Secured Claims of Taxing Authorities.</u>	<u>Unimpaired</u>	Except to the extent that the holder of a Secured Tax Claim agrees to different treatment, the Allowed Secured Claim of all Tax Claims shall be paid in full within five (5) days of the Effective Date from the proceeds of the New Equity Infusion.

		<p>All Tax Claims shall remain subject to section 505 of the Bankruptcy Code. The Reorganized Hunt Debtor shall retain the right to a determination of the amount or legality of any tax pursuant to section 505 of the Bankruptcy Code as to any Tax Claim. The Reorganized Hunt Debtor may seek relief pursuant to section 505 of the Bankruptcy Code and/or title 1, subtitle F, chapter 42 of the Texas Tax Code as a part of, and in conjunction with, any objection to any Tax Claim.</p> <p>With respect to Allowed Secured Tax Claims, the interest rate paid upon such Claims shall be the rate of interest determined under applicable non-bankruptcy law from the Petition Date.</p> <p>Post-petition property taxes will be paid when such taxes become due and payable under the laws of the applicable taxing jurisdiction.</p> <p>Any perfected liens or security interests securing a Tax Claim of a Taxing Authority will be preserved and continued from and after the Effective Date. A Taxing Authority shall, upon payment and satisfaction of its Allowed Secured Claim in full in accordance with this Plan, execute releases of any remaining encumbrances upon the respective Property securing its Allowed Secured Claim in a form satisfactory to the Reorganized Hunt Debtor and shall deliver same to the Reorganized Hunt Debtor or its designee.</p> <p>Nothing herein shall prohibit Hunt or the Reorganized Hunt Debtor from selling property secured by a Tax Claim at any time provided that the remaining unpaid portion of the Allowed Secured Claim of a Taxing Authority holding an interest in the property and allocable to such property shall be paid in full at such time.</p>
<p><u>Hunt Class 4: Allowed Secured Claim of Comerica against the following Collateral:</u></p> <p><u>The “Collateral,” as that term is defined in the Security Agreements attached to Comerica’s Proof of Claim (No. 8) as Exhibit G</u></p>	<p><u>Impaired</u></p>	<p>Claims Register 8 Claim Amount: \$2,018,628.08 Collateral Value: \$2,300,000.00 (combined value of Bailey, Hunt, and Cafarelli Collateral)</p> <p>The Hunt Class 4 Allowed Secured Claim of Comerica shall be paid in accordance with the treatment provided in the Bailey Class 8 Claim above.</p>
<p><u>Hunt Class 5: Allowed Guarantee Claim of the SBA</u></p>	<p><u>Impaired</u></p>	<p>Claims Register 15 Claim Amount: \$303,625.04</p> <p>The Hunt Class 5 Allowed Guarantee Claim of the SBA shall be paid in accordance with the treatment provided in the Shelter Class 5 Claim below.</p>
<p><u>Hunt Class 6: Disputed Allowed Secured Claim of</u></p>	<p><u>Unimpaired</u></p>	<p>Claims Register 14 Claim Amount: No Amount Stated</p>

<u>RBC against the following Collateral:</u> <u>certain Accounts Receivable</u>		To the extent that RBC holds an Allowed Secured Claim, upon the Allowance of such Claim, the Debtors shall surrender the Collateral securing such Allowed Secured Claim to RBC in full and final satisfaction of RBC's Allowed Secured Claim.
<u>Hunt Class 7: Allowed General Unsecured Claims</u>	<u>Impaired</u>	Holders of Bailey Class 11, Hunt Class 7, and Cafarelli Class 6 Allowed General Unsecured Claims shall receive a Pro Rata Share of the RBC Litigation Proceeds Carve-Out. Allowed General Unsecured Claims may or may not receive a distribution under this Plan depending upon the outcome of the RBC Litigation.
<u>Hunt Class 8: Hunt Equity Holder</u>	<u>Impaired</u>	The Class 8 Allowed Interests of the Hunt Equity Holder shall be cancelled and terminated, and all equity Interests in the Reorganized Hunt Debtor shall be held by the New Equity Holder. The Hunt Class 8 Allowed Interests will not receive anything under the Plan.
<u>Cafarelli Class 1 Claims: Certain Priority Claims</u>	<u>Unimpaired</u>	Allowed Priority Claims entitled to priority treatment pursuant to Section 507(a)(1), (a)(6), (a)(7), (a)(8), (a)(9), and (a)(10) of the Bankruptcy Code shall receive, at the Reorganized Cafarelli Debtor's option: (i) payment in full in cash on account of such Priority Claim without interest when such Claim is Allowed; or (ii) the amount of such holder's Allowed Claim in accordance with the ordinary business terms of such expense or cost, or (iii) such other treatment as may be agreed to in writing by such priority Creditor and the Reorganized Cafarelli Debtor or as ordered by the Bankruptcy Court.
<u>Cafarelli Class 2 Claims: Allowed Secured Claims of Taxing Authorities</u>	<u>Unimpaired</u>	<p>Except to the extent that the holder of a Secured Tax Claim agrees to different treatment, the Allowed Secured Claim of all Tax Claims shall be paid in full within five (5) days of the Effective Date from the proceeds of the New Equity Infusion.</p> <p>All Tax Claims shall remain subject to section 505 of the Bankruptcy Code. The Reorganized Cafarelli Debtor shall retain the right to a determination of the amount or legality of any tax pursuant to section 505 of the Bankruptcy Code as to any Tax Claim. The Reorganized Cafarelli Debtor may seek relief pursuant to section 505 of the Bankruptcy Code and/or title 1, subtitle F, chapter 42 of the Texas Tax Code as a part of, and in conjunction with, any objection to any Tax Claim.</p> <p>With respect to Allowed Secured Tax Claims, the interest rate paid upon such Claims shall be the rate of interest determined under applicable non-bankruptcy law from the Petition Date.</p> <p>Post-petition property taxes will be paid when such taxes become due and payable under the laws of the applicable taxing jurisdiction.</p> <p>Any perfected liens or security interests securing a Tax Claim of a Taxing Authority will be preserved and continued from and after the Effective</p>

		<p>Date. A Taxing Authority shall, upon payment and satisfaction of its Allowed Secured Claim in full in accordance with this Plan, execute releases of any remaining encumbrances upon the respective Property securing its Allowed Secured Claim in a form satisfactory to the Reorganized Cafarelli Debtor and shall deliver same to the Reorganized Cafarelli Debtor or its designee.</p> <p>Nothing herein shall prohibit Cafarelli or the Reorganized Cafarelli Debtor from selling property secured by a Tax Claim at any time provided that the remaining unpaid portion of the Allowed Secured Claim of a Taxing Authority holding an interest in the property and allocable to such property shall be paid in full at such time.</p>
<p><u>Cafarelli Class 3: Allowed Secured Claim of Comerica against the following Collateral:</u></p> <p><u>The “Collateral,” as that term is defined in the Security Agreements attached to Comerica’s Proof of Claim (No. 2) as Exhibit G</u></p>	<u>Impaired</u>	<p>Claims Register 2 Claim Amount: \$2,020,655.17 Collateral Value: \$2,300,000.00 (combined value of Bailey, Hunt, and Cafarelli Collateral)</p> <p>The Cafarelli Class 3 Allowed Secured Claim of Comerica shall be paid in accordance with the treatment provided in the Bailey Class 8 Claim above.</p>
<p><u>Cafarelli Class4: Allowed Guarantee Claim of the SBA</u></p>	<u>Impaired</u>	<p>Claims Register 4 Claim Amount: \$303,625.04</p> <p>The Cafarelli Class 4 Allowed Guarantee Claim of the SBA shall be paid in accordance with the treatment provided in the Shelter Class 4 Claim below.</p>
<p><u>Cafarelli Class 5: Disputed Allowed Secured Claim of RBC against the following Collateral:</u></p> <p><u>Certain accounts receivable</u></p>	<u>Unimpaired</u>	<p>Claims Register 3 Claim Amount: No Amount Stated</p> <p>To the extent that RBC holds an Allowed Secured Claim, upon the Allowance of such Claim, the Debtors shall surrender the Collateral securing such Allowed Secured Claim to RBC in full and final satisfaction of RBC’s Allowed Secured Claim.</p>
<p><u>Cafarelli Class 6: Allowed General Unsecured Claims</u></p>	<u>Impaired</u>	<p>Holders of Bailey Class 11, Hunt Class 7, and Cafarelli Class 6 Allowed General Unsecured Claims shall receive a Pro Rata Share of the RBC Litigation Proceeds Carve-Out. Allowed General Unsecured Claims may or may not receive a distribution under this Plan depending upon the outcome of the RBC Litigation.</p>
<p><u>Cafarelli Class 7: Cafarelli Equity Holder</u></p>	<u>Impaired</u>	<p>The Class 7 Allowed Interests of the Cafarelli Equity Holder shall be cancelled and terminated, and all equity Interests in the Reorganized</p>

		Cafarelli Debtor shall be held by the New Equity Holder. The Cafarelli Class 7 Allowed Interests will not receive anything under the Plan.
<p><u>Shelter Class 1 Claims:</u> <u>Priority Claims</u></p>	<p><u>Unimpaired</u></p>	<p>Allowed Priority Claims entitled to priority treatment pursuant to Section 507(a)(1), (a)(6), (a)(7), (a)(8), (a)(9), and (a)(10) of the Bankruptcy Code shall receive, at the Reorganized Shelter Debtor’s option: (i) payment in full in cash on account of such Priority Claim without interest when such Claim is Allowed; or (ii) the amount of such holder’s Allowed Claim in accordance with the ordinary business terms of such expense or cost, or (iii) such other treatment as may be agreed to in writing by such priority Creditor and the Reorganized Shelter Debtor or as ordered by the Bankruptcy Court. No known Shelter Class 1 claims exist.</p>
<p><u>Shelter Class 2 Claims:</u> <u>Allowed Secured Claims of Taxing Authorities</u></p>	<p><u>Impaired</u></p>	<p>Except to the extent that the holder of a Secured Tax Claim agrees to different treatment, the Allowed Secured Claim of all Tax Claims shall be paid in accordance with 11 U.S.C. § 1129(a)(9)(c) with the first payment due and payable on the fifth Business Day of the first month that is more than 30 days after the Effective Date. The Reorganized Shelter Debtor, in its sole discretion, will either pay such Claims: (i) on the Effective Date; or (ii) when such taxes become due and payable under the laws of the applicable taxing jurisdiction; or (iii) with quarterly deferred cash payments including applicable interest over a period not exceeding five years from the Petition Date of a value, as of the Effective Date, equal to the Allowed Claim.</p> <p>All Tax Claims shall remain subject to section 505 of the Bankruptcy Code. The Reorganized Shelter Debtor shall retain the right to a determination of the amount or legality of any tax pursuant to section 505 of the Bankruptcy Code as to any Tax Claim. The Reorganized Shelter Debtor may seek relief pursuant to section 505 of the Bankruptcy Code and/or title 1, subtitle F, chapter 42 of the Texas Tax Code as a part of, and in conjunction with, any objection to any Tax Claim.</p> <p>With respect to Allowed Secured Tax Claims, the interest rate paid upon such Claims shall be the rate of interest determined under applicable non-bankruptcy law from the Petition Date.</p> <p>Post-petition property taxes will be paid when such taxes become due and payable under the laws of the applicable taxing jurisdiction.</p> <p>Any perfected liens or security interests securing a Tax Claim of a Taxing Authority will be preserved and continued from and after the Effective Date. A Taxing Authority shall, upon payment and satisfaction of its Allowed Secured Claim in full in accordance with this Plan, execute releases of any remaining encumbrances upon the respective Property securing its Allowed Secured Claim in a form satisfactory to the Reorganized Shelter Debtor and shall deliver same to the Reorganized Shelter Debtor or its designee.</p>

		Nothing herein shall prohibit Shelter or the Reorganized Shelter Debtor from selling property secured by a Tax Claim at any time provided that the remaining unpaid portion of the Allowed Secured Claim of a Taxing Authority holding an interest in the property and allocable to such property shall be paid in full at such time.
<u>Shelter Class 3: Allowed Guarantee Claim of Comerica</u>	<u>Impaired</u>	<p>Claims Register 3 Claim Amount: \$1,826,442.13</p> <p>The Shelter Class 3 Allowed Guarantee Claim of Comerica shall be paid in accordance with the treatment provided in the Bailey Class 8 Claim above.</p>
<p><u>Shelter Class 4 Claim: Allowed Secured Claim of the SBA</u> against the following Collateral:</p> <p>Lancaster Property</p>	<u>Impaired</u>	<p>Claims Register 4 Claim Amount: \$303,625.04 Collateral Value: \$1,700,000.00</p> <p>The Allowed Secured Claim of the SBA shall be paid in within ten years of the Effective Date. The Reorganized Shelter Debtor shall make monthly payments to the SBA comprised of: (i) interest at a rate of 5.0% per annum; and (ii) principal amortized over a ten year term.</p> <p>The first monthly payment will be due and payable on the first Business Day of the first month that is more than 30 days after the Effective Date and on the first Business Day of each respective month thereafter.</p> <p>The SBA's Allowed Secured Claim will be determined by the value as of the Petition Date of the perfected Collateral securing such Allowed Claim, which value will be determined by agreement of the parties or by the Bankruptcy Court following a valuation proceeding in accordance with the Bankruptcy Code. Shelter maintains that the value of the Lancaster Property is greater than the amount of the <u>SBA's</u> Allowed Claim. As such, the SBA may be entitled to include as part of its Allowed Secured Claim post-petition interest, reasonable fees, costs, or charges provided for under the pertinent loan documents pursuant to section 506(b) of the Bankruptcy Code. To the extent that Shelter and the SBA are unable to reach an agreement on the Allowed amount of such interest, fees, costs and charges by the applicable deadline pursuant to Article 8.7 of the Plan, then the SBA shall file an application for the approval of any amounts it asserts are owed under Section 506(b) pursuant to Article 8.7 of the Plan.</p> <p>The underlying loan documents by and between the Debtors and the <u>SBA</u> will remain the same, except to the extent that the terms therein are modified by the Plan, and such documents will be deemed to be modified to comport with this Plan.</p> <p>Any perfected liens or security interests securing the SBA's Allowed Secured Claim will be preserved and continued. The SBA shall, upon payment and satisfaction of its Allowed Secured Claim, execute releases of any remaining encumbrances upon Shelter's Assets in a form satisfactory to the Shelter and shall deliver same to Shelter or its</p>

		designee. No prepayment penalty or yield maintenance fee will be due with respect to any prepayment of the SBA's Allowed Secured Claim.
<p><u>Shelter Class 5 Claim:</u> <u>Allowed Secured Claim of</u> <u>Evant against the following</u> <u>Collateral:</u></p> <p><u>Lancaster Property</u></p>	<u>Impaired</u>	<p>Claims Register 2 Claim Amount: \$316,450.10 Collateral Value: \$1,700,000.00</p> <p>The Allowed Secured Claim of Evant shall be paid in full within ten years of the Effective Date. The Reorganized Shelter Debtor shall make monthly payments to Evant comprised of: (i) interest at a rate of 5.0% per annum; and (ii) principal amortized over a ten year term.</p> <p>The first monthly payment will be due and payable on the first Business Day of the first month that is more than 30 days after the Effective Date and on the first Business Day of each respective month thereafter.</p> <p>Evant's Allowed Secured Claim will be determined by the value as of the Petition Date of the perfected Collateral securing such Allowed Claim, which value will be determined by agreement of the parties or by the Bankruptcy Court following a valuation proceeding in accordance with the Bankruptcy Code. Shelter maintains that the value of the Lancaster Property is greater than the amount of Evant's Allowed Claim. As such, Evant may be entitled to include as part of its Allowed Secured Claim post-petition interest, reasonable fees, costs, or charges provided for under the pertinent loan documents pursuant to section 506(b) of the Bankruptcy Code. To the extent that Shelter and Evant are unable to reach an agreement on the Allowed amount of such interest, fees, costs and charges by the applicable deadline pursuant to Article 8.7 of the Plan, then Evant shall file an application for the approval of any amounts it asserts are owed under Section 506(b) pursuant to Article 8.7 of the Plan.</p> <p>The underlying loan documents by and between the Debtors and Evant will remain the same, except to the extent that the terms therein are modified by the Plan, and such documents will be deemed to be modified to comport with this Plan.</p> <p>Any perfected liens or security interests securing Evant's Allowed Secured Claim will be preserved and continued. Evant shall, upon payment and satisfaction of its Allowed Secured Claim, execute releases of any remaining encumbrances upon Shelter's Assets in a form satisfactory to the Shelter and shall deliver same to Shelter or its designee. No prepayment penalty or yield maintenance fee will be due with respect to any prepayment of Evant's Allowed Secured Claim.</p>
<p><u>Shelter Class 6 Claims:</u> <u>Shelter Equity Holders</u></p>	<u>Unimpaired</u>	<p>The Shelter Class 6 Allowed Interests of the Equity Holders shall retain their respective Interests in the Reorganized Shelter Debtor.</p>

D. Manner of Distribution of Property under the Plan

- 1. Funding of Plan.** On or before the Effective Date, the New Equity Holder shall turn over the New Equity Infusion to the Reorganized Bailey Debtor.

The funds to be used for the payment of Claims or other Distributions to be made under the Plan will come from the New Equity Infusion, cash on hand as set forth herein, any available funds or property which the Reorganized Debtors may receive or possess on or after the Effective Date, certain proceeds from the RBC Litigation, and the net proceeds of any sale, refinancing, or other disposition of the Debtors' Assets.

2. **Distribution Procedures and Distribution Agent.** Except as otherwise provided in the Plan, all distributions of Cash and other property shall be made by the Reorganized Debtors on the later of the Effective Date or the Allowance Date, or as soon thereafter as practicable. Distributions required to be made on a particular date shall be deemed to have been made on such date if actually made on such date or as soon thereafter as practicable. No payments or other distributions of property shall be made on account of any Claim or portion thereof unless and until such Claim or portion thereof is Allowed.

The Distribution Agent for payments to be made under the Plan shall be the Reorganized Debtors. No compensation will be received for serving as Distribution Agent under the Plan. If any party in interest objects to the Reorganized Debtors serving as Distribution Agent under the Confirmed Plan, and if the Debtors and such objecting party cannot agree to a substitute Distribution Agent or the compensation or other terms of such agent's engagement, the Debtors will file a motion or take other appropriate action to have a Distribution Agent and the terms of such agent's engagement appointed and approved by the Court.

The Distribution Agent will serve until all distributions required under the Plan have been made, whereupon any Distribution Account will be closed, and no further actions are required to consummate the Plan. Appointment of the Distribution Agent herein is in a manner consistent with the interests of the holders of Claims and Interests and public policy. All documents, writings, authorizations or matters requiring the consent of, execution by, or signature of the Debtors or Reorganized Debtors may be consented to, executed by, or signed by the Distribution Agent, whose signature, execution, or consent is hereby deemed authorized, enforceable and binding without further order of the Court. A certified copy of the Confirmation Order may be filed in any deed record, government or public record keeping place as authentication of the signature and authority of the Distribution Agent to consent to, execute, or sign any writing or document of the Debtors and Reorganized Debtors herein.

3. **Disputed Claims.** Notwithstanding any other provisions of the Plan, no payments or distributions shall be made on account of any Disputed Claim until such Claim becomes an Allowed Claim, and then only to the extent that it becomes an Allowed Claim.
4. **Manner of Payment Under the Plan.** Cash payments made pursuant to the Plan shall be in U.S. dollars by checks drawn on a domestic bank selected by the Reorganized Debtors, or by wire transfer from a domestic bank, at the Reorganized Debtors' option.
5. **Delivery of Distributions and Undeliverable or Unclaimed Distributions.**

a. Delivery of Distributions in General. Except as provided below for holders of undeliverable distributions, distributions to holders of Allowed Claims shall be distributed by mail as follows: (1) at the addresses set forth on the respective proofs of claim filed by such holders; (2) at the addresses set forth in any written notices of address changes delivered to the Distribution Agent or Reorganized Debtors after the date of any related proof of claim; or (3) at the address reflected on the Schedule of Assets and Liabilities filed by the respective Debtor if no proof of claim or proof of interest is filed and the Distribution Agent and the Reorganized Debtors have not received a written notice of a change of address.

b. Undeliverable Distributions.

1) *Holding and Investment of Undeliverable Property.* If the distribution to the holder of any Claim is returned to the Distribution Agent or Reorganized Debtors as undeliverable, no further distribution shall be made to such holder unless and until the Reorganized Debtors or the Distribution Agent is notified in writing of such holder's then current address.

2) *Distribution of Undeliverable Property After it Becomes Deliverable and Failure to Claim Undeliverable Property.* Any holder of an Allowed Claim who does not assert a claim for an undeliverable distribution held by the Distribution Agent or the Reorganized Debtors within one (1) year after the Effective Date shall no longer have any claim to or interest in such undeliverable distribution, and shall be forever barred from receiving any distributions under the Plan.

6. **Failure to Negotiate Checks.** Checks issued in respect of distributions under the Plan shall be null and void if not negotiated within 60 days after the date of issuance. Any amounts returned to the Distribution Agent or the Reorganized Debtors in respect of such checks shall be held in reserve by the Distribution Agent or the Reorganized Debtors. Requests for reissuance of any such check may be made directly to the Distribution Agent by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such voided check is required to be made before the second anniversary of the Effective Date. All Claims in respect of void checks and the underlying distributions shall be discharged and forever barred from assertion against the Reorganized Debtors and their property.

7. **Compliance with Tax Requirements.** In connection with the Plan, to the extent applicable, the Reorganized Debtors and the Distribution Agent shall comply with all withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements.

8. **Setoffs.** Unless otherwise provided in a Final Order or in the Plan, the Debtors may, but shall not be required to, set off against any Claim and the payments to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever the Debtors may have against the holder thereof or its predecessor, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors of any such Claims the Debtors may have against such holder or its predecessor.

E. Treatment of Executory Contracts and Unexpired Leases.

1. **Motion to Assume.** The Plan shall constitute a motion to assume the executory contracts and unexpired leases listed in **Exhibit A** attached to the Plan and the vesting of such contracts in the Reorganized Debtors as of the Effective Date. The Plan shall also constitute a motion to reject all executory contracts and unexpired leases of the Debtors not listed on **Exhibit A** attached to the Plan, and all executory contracts and unexpired leases not listed on **Exhibit A** attached to the Plan shall be rejected on the Effective Date pursuant to section 365(a) of the Bankruptcy Code. Except as otherwise set by Order of the Bankruptcy Court, any objection to the assumption and vesting of, or the proposed cure amount under, the executory contracts and unexpired leases listed in **Exhibit A** attached to the Plan must be made as an objection to confirmation of this Plan. If no objection to the assumption and vesting of, or the proposed cure amount under, any particular executory contract and unexpired lease listed on **Exhibit A** attached to the Plan and timely served, an Order (which may be Confirmation Order) that approves the assumption and vesting of, and the proposed cure amount under, each respective executory contract and unexpired lease listed on **Exhibit A** attached to the Plan may be entered by the Bankruptcy Court. If any such objections are filed and timely served, a hearing with respect to the assumption and vesting or cure of any of executory contract and unexpired lease listed on **Exhibit A** attached to the Plan, and the objections thereto, shall be scheduled by the Bankruptcy Court, which hearing may, but is not required to, coincide with the Confirmation Hearing.
2. **Notice of Assumption.** On or as soon as reasonably practicable after the entry of the order approving the Disclosure Statement, the Debtors shall serve a notice to parties to the executory contracts and unexpired leases listed on **Exhibit A** attached to the Plan whose agreements may be assumed by the Debtors and vested in the Reorganized Debtors under this Plan. That notice shall include the proposed cure payment to be paid to the non-Debtor parties or any other third parties necessary to cure all defaults and arrearages under the executory contracts and unexpired leases listed on **Exhibit A** attached to the Plan and the means by which such parties may receive information regarding the providing of adequate assurance.
3. **Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases.** Entry of the Confirmation Order, and subject to any provisions therein related to notice being provided to counterparties subsequently added to Exhibit A, shall constitute the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the (i) assumption of the

executory contracts and unexpired leases to be assumed pursuant to this Article of the Plan, and (ii) rejection of the executory contracts and unexpired leases to be rejected pursuant to this Article of the Plan.

4. **Effect of Assumption.** If the Bankruptcy Court approves the assumption and vesting of one or more executory contracts and unexpired leases listed on Exhibit A attached to the Plan, each executory contract and unexpired lease listed on Exhibit A attached to the Plan shall be deemed an assumed contract, and such contracts shall be assumed by the Debtors effective as of the Effective Date, and they shall vest in the Reorganized Debtors on the Effective Date. In the event of a dispute concerning the assumption of an executory contract and unexpired lease listed on Exhibit A attached to the Plan, the dispute shall be resolved by the Bankruptcy Court. To the extent that a counterparty to an executory contract or unexpired lease has Claims that are not set forth on Exhibit A that relate to the executory contracts and unexpired leases set forth on Exhibit A of the Plan, as of the Effective Date such counterparty shall be barred from asserting such Claims.
5. **Cure Claims.** Any Cure Claim owed under any assumed executory contract or lease will be paid by the Reorganized Debtors in the amount set forth in Exhibit A of the Plan through twelve equal monthly payments, the first of which will be due and payable on the fifth Business Day of the first month that is more than 30 days after the Effective Date and the remainder of which will be due on the fifth Business Day of each respective month thereafter. The Debtors estimate that Cure Claims will total less than \$10,000.00.

6. **Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan.** Claims arising out of the rejection of an executory contract or unexpired lease pursuant to this Article of the Plan must be filed with the Court by no later than thirty (30) days after notice of entry of the Confirmation Order. Any Claims not filed within such time will be forever barred from assertion against the Debtors and their Estates and the Reorganized Debtors and their property. Unless otherwise Ordered by the Bankruptcy Court, all Claims arising from the rejection of executory contracts and unexpired leases shall be treated as General Unsecured Claims under the Plan.

7. **Treatment of Executory Leases between Bailey and Shelter.** The existing leases by and between Bailey and Shelter shall be rejected upon confirmation of the Plan, and new leases will be entered into whereby Bailey will pay to Shelter funds sufficient for Shelter to perform and pay its creditors pursuant to this Plan.

F. Means for Execution and Implementation of the Plan

1. **Board of Directors of the Reorganized Debtors.** The board of directors and officers of the Reorganized Bailey, Cafarelli, and Hunt Debtors shall be:

John Buttles, President

A designee of the New Equity Holder

The Board of Directors of the Reorganized Shelter Debtor shall be:

John Buttles, President

2. **Post-Confirmation Management.** The officers of the Reorganized Bailey, Cafarelli, and Hunt Debtors shall be:

John Buttles – President

A designee of the New Equity Holder – Vice President

The partners of the Reorganized Shelter Debtor will not change and shall be the same as listed in Debtor Shelter's Statement of Financial Affairs.

On the Effective Date, the Reorganized Debtors shall be authorized and directed to take all necessary and appropriate actions to effectuate the transactions contemplated by the Plan and the Disclosure Statement.

3. **Preservation of Rights of Action.** Except as otherwise provided in the Plan, or in any contract, instrument, release, or other agreement entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, all rights pursuant to Sections 502, 510, 544, 545, and 546 of the Code, all preference claims under Section 547 of the Code, all fraudulent transfer claims pursuant to Section 548 of the Code, all claims relating to post-petition transactions under Section 549 of the Code, all claims recoverable under Section 550 of the Code, and all claims and causes of action asserted in current litigation, whether commenced pre- or post-petition, including the RBC Litigation, and all potential litigation referenced in this Disclosure Statement and in the Debtors' Schedules and Statements of Financial Affairs are hereby preserved and retained for enforcement by the Reorganized Debtors, in their sole and absolute discretion, subsequent to the Effective Date. In addition, all claims and causes of action that the Debtors may hold against a current or previous customer or vendor with respect to any contract or purchase order are hereby preserved and retained for enforcement by the Reorganized Debtors, in their sole and absolute discretion, subsequent to the Effective Date. The Reorganized Debtors shall also be vested with and retain all rights of offset or recoupment and all counterclaims against any Claimant. The Reorganized Debtors shall retain and may enforce the rights of the Debtors to object to Claims on any basis. The Reorganized Debtors may pursue any and all rights, remedies, actions, proceedings, and similar actions against any of the judgment debtors obligated and liable in respect of the judgment. The Reorganized Debtors may pursue those rights of action, as appropriate, in accordance with what is in the best interests of the Reorganized Debtors.
4. **Objections to Claims.** Except as otherwise provided for with respect to Administrative Claims and applications of professionals for compensation and

reimbursement of expenses, or as otherwise ordered by the Bankruptcy Court after notice and a hearing, all objections to Claims shall be served and filed by the Objection Date, if one is set by the Bankruptcy Court, although nothing contained herein shall require the fixing of an Objection Deadline; provided, however, the Objection Date shall not apply to Claims which are not reflected in the claims register, including any alleged informal proofs of claim. If an Objection Deadline is fixed, it may be extended one or more times by the Bankruptcy Court pursuant to a motion filed on or before the then applicable Objection Date. Any Contested Claims may be litigated to Final Order. The Reorganized Debtors may compromise and settle any Contested Claim without the necessity of any further notice or approval of the Bankruptcy Court. Bankruptcy Rule 9019 shall not apply to any settlement of a Contested Claim after the Effective Date.

G. Conditions to Effectiveness of the Plan

1. **Conditions to Effectiveness.** Except as expressly waived by the Debtors, the following conditions must occur and be satisfied on or before the Effective Date:

(a) the Confirmation Order, in a form and substance reasonably acceptable to the Debtors, shall have become a Final Order and shall, among other things (i) confirm this Plan, (ii) find that the Debtors and their respective current employees, officers, and directors, agents, and professionals have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code as set forth in Bankruptcy Code § 1125(e), and (iii) find that the Debtors are authorized to take all actions and consummate all transactions contemplated under this Plan; and

b. the New Equity Infusion is funded by the New Equity Holder to the Reorganized Bailey Debtor in good funds.

2. **No Requirement of Final Order.** So long as no stay is in effect, the Effective Date of the Plan will occur notwithstanding the pendency of an appeal of the Confirmation Order or any Order related thereto. In that event, the Debtors or Reorganized Debtors may seek dismissal of any such appeal as moot following the Effective Date of the Plan.

H. Effects of Plan Confirmation

1. **Binding Effect.** The Plan shall be binding upon all present and former holders of Claims and Equity Interests, and their respective successors and assigns, including the Reorganized Debtors.

2. **Moratorium, Injunction and Limitation of Recourse For Payment.** Except as otherwise provided in the Plan or by subsequent order of the Bankruptcy Court, the Confirmation Order shall provide, among other things, that from and after the Confirmation Date, all Persons or entities who have held, hold, or may hold Claims against or Equity Interests in the Debtors are permanently enjoined from taking any

of the following actions against the Estate, the Reorganized Debtors, or any of their property on account of any such Claims or Equity Interests: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting or enforcing any lien or encumbrance; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the other than through a proof of claim or adversary proceeding; and (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; *provided, however*, that nothing contained herein shall preclude such persons from exercising their rights pursuant to and consistent with the terms of this Plan. This provision enjoins the enumerated actions against the Debtors on claims that have been discharged or treated pursuant to Section 1141 of the Bankruptcy Code.

Confirmation of the Plan shall also discharge the Debtors from all claims that arose before the Confirmation Date. After Confirmation, the rights and remedies of any Creditor or equity holder shall be governed and limited by the Plan, which shall be binding upon the Debtors, their estates, the Reorganized Debtors, Creditors, equity holders, and all other parties in interest, regardless of whether any such Person voted to accept the Plan, and any pre-petition agreements or arrangements shall be deemed to have been amended to comport with the treatment being accorded to such respective creditor herein. All defaults and events of default existing as of the Petition Date and as of the Effective Date shall be deemed cured, and any defaults and events of default resulting from the confirmation of the Plan, the occurrence of the Effective Date, and/or the actions and transactions contemplated by the Plan, including the payments to be made under the Plan and changes in ownership and control effectuated by the Plan, shall be waived and of no effect.

From and after the Effective Date, all holders of Claims shall be and are hereby permanently restrained and enjoined from: (a) commencing or continuing in any manner, any action or other proceeding of any kind with respect to any such Claim against the Reorganized Debtors or the Assets; (b) enforcing, attaching, collecting, or recovering on account of any Claim by any manner or means, any judgment, award, decree, or order against the Reorganized Debtors or the Assets except pursuant to and in accordance with this Plan; (c) creating, perfecting, or enforcing any encumbrance of any kind against either the Assets or the Reorganized Debtors; (d) asserting any control over, interest, rights or title in or to any of the Assets except as provided in this Plan; (e) asserting any setoff, or recoupment of any kind against any obligation due the Reorganized Debtors as assignee, except upon leave of the Bankruptcy Court or except as authorized by section 553 of the Bankruptcy Code; and (f) performing any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan; provided, however, that this injunction shall not bar any Creditor from asserting any right granted pursuant to this Plan; provided, further, however, that each holder of a Contested Claim shall be entitled to enforce its rights under the Plan, including seeking Allowance of such Contested Claim pursuant to the Plan.

The automatic stay pursuant to section 362 of the Bankruptcy Code, except as previously modified by the Bankruptcy Court, shall remain in effect until the Effective Date of the Plan as to

the Debtors and all Assets. As of the Effective Date, the discharge and injunction in paragraphs 12.1 and 12.2 of the Plan shall become effective.

Nothing in the plan shall affect the setoff rights held by the Texas Comptroller of Public Accounts and the Texas Workforce Commission

3. **Revesting.** On the Effective Date, the Reorganized Debtors will be vested with all the property of their estates free and clear of all Claims and other interests of creditors and equity holders, except as provided herein and in the Plan; provided, however, that the Debtors shall continue as Debtors in Possession under the Bankruptcy Code until the Effective Date, and, thereafter, the Reorganized Debtors may conduct their business free of any restrictions imposed by the Bankruptcy Code or the Court.
4. **Other Documents and Actions.** The Debtors and Reorganized Debtors may execute such documents and take such other action as is necessary to effectuate the transactions provided for in the Plan.
5. **Term of Injunctions or Stays.** Unless otherwise provided, all injunctions or stays provided for in the Debtors' Chapter 11 Bankruptcy Case pursuant to sections 105 or 362 of the Bankruptcy Code or otherwise and in effect on the Confirmation Date shall remain in full force and effect until the Effective Date.

I. Confirmability of Plan and Cramdown.

The Debtors request Confirmation under section 1129(b) of the Bankruptcy Code if any impaired class does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. In that event, the Debtors reserve the right to modify the Plan to the extent, if any, that Confirmation of the Plan under section 1129(b) of the Bankruptcy Code requires modification.

J. Retention of Jurisdiction.

The Plan provides for the Bankruptcy Court to retain the broadest jurisdiction over the Bankruptcy Case as is legally permissible so that the Bankruptcy Court can hear all matters related to the consummation of the Plan and the claims resolution process. Under sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, and except as otherwise ordered by the Bankruptcy Court, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, this Bankruptcy Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

- (a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured, or unsecured status of any Claim not otherwise Allowed under the Plan, including the resolution of any request for payment of any Administrative Expense Claim and the resolution of any objections to the allowance or priority of Claims;

- (b) hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 327, 328, 330, 331, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code;
- (c) hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which the Debtors are a party or with respect to which the Debtors may be liable, including, if necessary, the nature or amount of any required Cure or the liquidation or allowance of any Claims arising therefrom;
- (d) effectuate performance of and payments under the provisions of the Plan and enforce remedies upon any default under the Plan;
- (e) hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters arising out of, under, or related to, the Bankruptcy Cases, or the causes of action retained by the Debtors in Article 9.10 of this Plan;
- (f) enter such orders as may be necessary or appropriate to execute, enforce, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;
- (g) hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Plan, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;
- (h) consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in the Plan or in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- (i) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with the implementation, consummation, or enforcement of the Plan or the Confirmation Order;
- (j) enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified, or vacated;
- (k) hear and determine any matters arising in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;
- (l) enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Bankruptcy Cases (whether or not the Bankruptcy Cases have been closed);
- (m) except as otherwise limited herein, recover all Assets of the Debtors and property of the Estates, wherever located;

- (n) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- (o) hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge;
- (p) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code; and
- (q) enter a final decree closing the Bankruptcy Cases.

K. No Requirement of Final Order

So long as no stay is in effect, the Effective Date of the Plan will occur notwithstanding the pendency of an appeal of the Confirmation Order or any Order related thereto. In that event, the Debtors or Reorganized Debtors may seek dismissal of any such appeal as moot following the Effective Date of the Plan.

L. Assumption of Allowed Claims

The Reorganized Debtors assume the liability for and obligation to perform and make all distributions or payments on account of all Allowed Claims in the manner provided in the Plan.

M. Attorneys' Fees and Costs under Section 506(b) of the Bankruptcy Code

To the extent any holder of a Secured Claim asserts a right to attorneys' fees and costs pursuant to section 506(b) of the Bankruptcy Code, unless otherwise agreed between the Debtors or Reorganized Debtors and such Secured Creditor, the allowance of such fees and expenses shall be handled as set forth in this paragraph. Within twenty four (24) days after the Effective Date, the Secured Creditor shall file an application with the Bankruptcy Court for allowance of such fees and expenses. Within twenty four (24) days after such application is filed, the Reorganized Debtors may file any objections thereto, and the Secured Creditor shall file any response within fourteen (14) days thereafter. If the Secured Creditor and the Reorganized Debtors are unable to reach agreement, the matter shall then be submitted to the Bankruptcy Court for determination.

N. Exemption from Transfer Taxes and Recording Fees

In accordance with Bankruptcy Code § 1146(a), none of the issuance, transfer or exchange of any securities under the Plan, the release of any mortgage, deed of trust or other Lien, the making, assignment, filing or recording of any lease or sublease, the vesting or transfer of title to or ownership of any of the Debtors' interests in any property, or the making or delivery of any deed, bill of sale or other instrument of transfer under, in furtherance of, or in connection with the Plan, including the releases of Liens contemplated under the Plan, shall be subject to any document recording tax, stamp tax, conveyance fee, sales or use tax, bulk sale tax, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee or other similar tax or governmental assessment in the United States. The Confirmation Order shall direct the appropriate federal, state and/or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

O. Modification of Plan

The Debtors may alter, amend, or modify the Plan under Bankruptcy Code § 1127(a) at any time prior to the Confirmation Date. After the Confirmation Date and prior to the Effective Date, the Debtors may, under Bankruptcy Code § 1127(b), (i) amend the Plan so long as such amendment shall not materially and adversely affect the treatment of any holder of a Claim, (ii) institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, and (iii) amend the Plan as may be necessary to carry out the purposes and effects of the Plan so long as such amendment does not materially or adversely affect the treatment of holders of Claims or Equity Interests under the Plan; provided, however, prior notice of any amendment shall be served in accordance with the Bankruptcy Rules or Order of the Bankruptcy Court.

P. Waiver of Stay

Notwithstanding Bankruptcy Rules 3002(e), 6004(h), and 6006(d), the Debtors shall be authorized to consummate the Plan and the transactions and transfers contemplated thereby immediately after entry of the Confirmation Order.

**IX.
FEASIBILITY OF THE PLAN**

A. Feasibility

The Debtors believe that the Plan is feasible based upon the projected revenue of the Debtors' business, the financial condition of the Debtors, and the equity investment that the New Equity Holder will make under the Plan.

1. **Projections.** The Debtors believe that the market and economic situation surrounding the operation of their business is highly competitive, volatile, speculative, and uncertain. For such reasons, the Debtors' management also

believes that it is very difficult to predict and project the financial performance of the Debtors. Consequently, the financial projections for the Debtors attached to this Disclosure Statement represent management's best estimation of the anticipated results of future operations based upon management's experience in the industry and its familiarity with the metal fabrication markets due to having operated the Debtors for a significant number of years previously. Notwithstanding, there can be no assurance or guaranty that such projections will be realized or achieved, and any reliance upon such financial projections must be qualified by such matters. The Debtors' financial projections for the next 5 years are attached to this disclosure statement as Exhibit A.

B. Alternatives to Confirmation of the Plan

There are three possible consequences if the Plan is rejected or if the Bankruptcy Court refuses to confirm the Plan: (a) the Bankruptcy Court could dismiss the Debtors' Chapter 11 bankruptcy cases, (b) the Debtors' Chapter 11 bankruptcy cases could be converted to a liquidation case under Chapter 7 of the Bankruptcy Code, or (c) the Bankruptcy Court could consider an alternative plan of reorganization proposed by some other party.

1. **Dismissal.** If the Debtors' bankruptcy cases were to be dismissed, the Debtors would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. Comerica, First National Bank of Evansville, the SBA, and the taxing authorities would then have the right to exercise their rights as secured creditors to foreclose and liquidate all of the Debtors' assets, and the Debtors' lenders and lessors could repossess the equipment that the Debtors need to continue their operations. Dismissal would negatively impact the Debtors' ability to continue operating, and it would force a race among other creditors to take over and dispose of any remaining assets. In such event, even the most diligent unsecured creditors would almost certainly fail to realize any recovery on their claims.
2. **Chapter 7 Liquidation.** If the Plan is not confirmed, it is possible that the Debtors' Chapter 11 cases will be converted to cases under Chapter 7 of the Bankruptcy Code, in which case a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. Whether a bankruptcy case is one under Chapter 7 or Chapter 11, secured creditors, Administrative Claims, and Priority Claims are entitled to be paid in cash and in full before unsecured creditors receive any funds. If the Debtors' Chapter 11 case was converted to Chapter 7, however, the present Administrative and Priority Claims may have a priority lower than administrative and priority claims generated by the Chapter 7 cases, such as the Chapter 7 trustee's fees and the fees and expenses of attorneys, accountants and other professionals engaged by the trustee.

Bailey's, Hunt's, and Cafarelli's real and arguably exclusive value is as a going-concern business. As such, these debtors believe that liquidation under Chapter 7 would result in

significantly lower distributions to their unsecured creditors and to Administrative and Priority Claimants. In the event that their assets were liquidated, and if a receiver or trustee were appointed to supervise the liquidation of their assets, there would be significant costs associated with such liquidation, and such costs would increase due to fees and charges incurred by such persons. It is unlikely that Bailey's, Hunt's, and Cafarelli's remaining property would be sufficient to enable the Debtors or a Trustee to make any distribution to unsecured creditors because, after paying secured tax claims, there would likely be insufficient funds even to pay Comerica, the Debtors' senior secured creditor, in full. Administrative Claims, Priority Claims, and the Secured Claims of the Debtors' equipment lessors and lenders would probably not receive a distribution in Chapter 7.

The best evidence that a Chapter 7 liquidation would be disastrous for unsecured creditors are the results of the auction that took place in May 2016. The machinery market is currently extremely depressed. As discussed above, the Debtors auctioned off their surplus equipment in mid-2016, 214 lots in total. In exchange for those 214 lots of equipment, the Debtors only received \$147,359.91 after paying minimal auction expenses. These results were lower than anyone expected. For example, the Debtors sold a Modine ceiling mount 200,000 BTU gas heater, which sold for \$116.00. The replacement cost for that item is \$1,303.56. Similarly, the Debtors sold a Bridgeport vertical mill and accessories for \$1,850.00, whereas the cost to purchase it only four years earlier was \$18,570.33. If a Chapter 7 trustee were to auction off the Debtors' remaining assets, especially while the machinery market remains depressed, it is unlikely that the results would be any different. In fact, much of the Debtors' remaining equipment is so large that the cost to move it may be prohibitive.

The only way unsecured creditors would receive a distribution in a converted Chapter 7 case would be if the Trustee continued to pursue the RBC litigation and hit an absolute home run. The Debtors are confident they have asserted viable, valuable claims against RBC, but litigation is always uncertain. In reality, however, a Chapter 7 trustee would most likely settle the RBC litigation fairly quickly for pennies on the dollar. Instead, unsecured creditors of Bailey, Hunt, and Cafarelli have the best hope of receiving a distribution in this Bankruptcy Case if the Debtors reorganize and continue to operate under the Plan.

With respect to Shelter, its only asset is the Lancaster Property, in which Shelter has significant equity. In a Chapter 7 liquidation, and due to the stigma of bankruptcy, a Trustee may not be able to sell the Lancaster property for as high of a price as the Lancaster Property could be sold outside of bankruptcy. Any equity realized from a liquidation of the Lancaster Property would first go to any deficiency claim of Comerica, and then the remaining proceeds would go to Shelter's ownership, ultimately John Buttles. Under the Plan, all Shelter creditors are being paid in full, and the Reorganized Bailey, Cafarelli, and Hunt Debtors will have ongoing use of the Lancaster Property to operate their business for the benefit of all creditors.

The following represents the likely outcome of a chapter 7 liquidation with respect to the principal assets of Bailey, Hunt, and Cafarelli:

Asset	Disposition	Liquidation Value
Equipment	A Chapter 7 trustee would likely retain an auctioneer to sell the remaining equipment in a fire sale.	\$1,750,000.00
Inventory	The inventory consists primarily of raw metals. A Chapter 7 trustee would likely include the inventory in the equipment auction, resulting in returns of pennies on the dollar. Otherwise, the inventory would be sold for scrap value.	\$100,000.00
Accounts Receivable	A Chapter 7 trustee would attempt to collect the A/R. But a trustee would also cease operating the business, which could give rise to offset claims by customers. Most of the Debtors' A/R has been factored, so it may or may not be collectable by a trustee. As of the date of this Disclosure Statement, Bailey, Hunt, and Cafarelli have total outstanding A/R of approximately \$1 million, approximately \$750,000.00 of which is more than 90 days past due, and the rest of which has been factored. Finally, approximately \$300,000.00 of the outstanding A/R is being held by RBC pending the outcome of the RBC litigation.	\$150,000.00
RBC Litigation	A Chapter 7 trustee would likely settle the litigation quickly for pennies on the dollar compared to the potential upside of continued litigation.	\$350,000.00
TOTAL		\$2,350,000.00

In this scenario, the proceeds from the equipment and inventory would first go to pay secured tax claims, which by that point would likely total approximately \$900,000.00, leaving a \$950,000.00 balance. Along with the proceeds of the A/R and the RBC litigation, there would therefore be \$1,350,000.00 for the trustee to distribute. Comerica's claim, which is secured by the A/R and arguably any A/R collected as part of the RBC litigation, exceeds this amount. Accordingly, there would be no funds left to distribute to any unsecured creditors. There probably would not even be funds available to pay the Chapter 7 trustee's commission, in which case he or

she may simply permit the taxing authorities and Comerica to foreclose. If that happened, there would be no hope whatsoever of a return to unsecured creditors.

3. **Confirmation of an Alternative Plan.** If the Plan is not confirmed, it is possible that a creditor or third party would file and pursue confirmation of an alternative plan. The Debtors do not believe that any creditor or third party is likely to propose an alternative reorganization plan. The Debtors believe the Plan provides the best prospect for reorganizing the Debtors and maximizing creditor recoveries that can be achieved quickly. The Debtors believe that any material delay in the Debtors' exit from bankruptcy will harm their business and lessen creditor recoveries. By exiting bankruptcy, the Debtors will eliminate the expense of being in bankruptcy.

X. RISK FACTORS

A risk factor is the continued downturn in the metal fabrication industry, which could affect the Reorganized Debtors' business and their ability to meet their projections over the next five years.

Creditors may not receive distributions to the extent that the Reorganized Debtors' business is unsuccessful.

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

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

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

The Debtors' ability to propose and confirm an alternative plan is uncertain. Confirmation of any alternative plan under chapter 11 of the Bankruptcy Code would likely take significantly more time and result in delays in the ultimate distributions to the holders of Claims. If confirmation

of an alternative plan is not possible, the Debtors would likely be liquidated under chapter 7. Based upon the Debtors' analysis, liquidation under chapter 7 would result in distributions of reduced value, if any, to holders of Claims and Equity Interests against the Debtors.

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

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

XI. **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

A. General

Under the Internal Revenue Code of 1986, as amended (the "Tax Code"), there could be certain significant federal income tax consequences associated with the Plan described in this Disclosure Statement. Certain of these consequences are discussed below. Due to the unsettled nature of certain of the tax issues presented by the Plan, the differences in the nature of Claims of the various creditors, their taxpayer status, residence and methods of accounting (including creditors within the same creditor class) and prior actions taken by creditors with respect to their Claims, as well as the possibility that events or legislation subsequent to the date hereof could change the federal tax consequences of the transactions, the tax consequences described below are subject to significant considerations applicable to each creditor.

HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS RESPECTING THE INDIVIDUAL TAX CONSEQUENCES OF THE TRANSACTIONS, CONTEMPLATED UNDER OR IN CONNECTION WITH THE PLAN, INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.

B. Tax Consequences to the Debtors

To the extent any of their debts are discharged under the Plan, the Debtors do not believe such discharge will result in any "discharge of indebtedness" income, although other tax attributes of the Debtors, such as the amount of their net operating loss carrybacks or carryovers may be reduced or affected thereby.

C. Tax Consequences to Creditors.

The tax consequences of the implementation of the Plan to a creditor will depend in part upon whether the creditor's present debt constitutes a "security" for federal income tax purposes, the type of consideration received by the creditor in exchange for its Allowed Claim, whether the creditor reports income on the accrual or cash basis, whether the creditor receives consideration in more than one tax year of the creditor, whether the creditor is a resident of the United States, and

whether all the consideration received by the creditor is deemed to be received by that creditor in an integrated transaction.

D. Creditors Receiving Solely Cash

A creditor who receives cash in full satisfaction of its Claim will be required to recognize gain or loss on the exchange. The creditor will recognize gain or loss equal to the difference between the amount realized in respect of such Claim and the creditor's tax basis in the Claim.

E. Backup Withholding

Under the Tax Code, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding". Withholding generally applies if the holder: (a) fails to furnish his social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding.

**XII.
CONCLUSION**

This Disclosure Statement has attempted to provide information regarding the Debtors' estates and the potential benefits that might accrue to holders of Claims against and Interests in the Debtors under the Plan as proposed. The Plan is the result of the effort of the Debtors and their advisors and management to pay allowed claims against them. The Debtors believe that the Plan is feasible and will provide each holder of a Claim against the Debtors with an opportunity to receive more than such holder of a Claim would receive if the Debtors' business was shut down and their assets were liquidated, or by any alternative plan. The Debtors, therefore, hereby urge you to vote in favor of the Plan.

Whether or not you expect to attend the Confirmation Hearing, which is scheduled to commence on _____, 2017, at _____ .m. Dallas, Texas Time, you must sign, date, and mail, email, or fax your ballot as soon as possible for the purpose of having your vote count at such hearing. All ballots must be returned to: Melissa Hayward, Counsel for the Debtors, Franklin Hayward LLP, 10501 N. Central Expy., Suite 106, Dallas, Texas 75231; Fax (972) 755-7114; email: MHayward@FranklinHayward.com. All ballots must be returned on or before 5:00 p.m. Dallas, Texas Time on _____, 2017. Any ballot which is illegible or which fails to designate an acceptance or rejection of the Plan will not be counted.

DATED: NOVEMBER 30, 2016

BAILEY TOOL & MANUFACTURING COMPANY; HUNT HINGES, INC.; CAFARELLI METALS, INC.; AND BAILEY SHELTER, LP.

By: /s/ John Buttles
PRESIDENT OF BAILEY TOOL & MANUFACTURING COMPANY.

By: /s/ John Buttles
PRESIDENT OF HUNT HINGES, INC.

By: /s/ John Buttles
PRESIDENT OF CAFARELLI METALS, INC.

By: /s/ John Buttles
PRESIDENT OF BAILEY REAL PROPERTY, LLC, GENERAL PARTNER TO BAILEY SHELTER, LP

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