

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

IN RE:	§	
	§	CASE NO. 17-42389-MXM-11
ROSEDALE/LAKE STREET, LLC,	§	
	§	CHAPTER 11
DEBTOR.	§	
	§	

**DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT OF DEBTOR'S
CHAPTER 11 PLAN OF REORGANIZATION
FOR ROSEDALE/LAKE STREET, LLC**

THIS DISCLOSURE STATEMENT IS SUBMITTED TO ALL CREDITORS AND EQUITY INTEREST HOLDERS OF THE DEBTOR ENTITLED TO VOTE ON THE CHAPTER 11 PLAN OF REORGANIZATION SUBMITTED BY ROSEDALE/LAKE STREET, LLC, WHICH IS HEREIN DESCRIBED AND CONTAINS INFORMATION THAT MAY AFFECT YOUR DECISION TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT IS INTENDED TO PROVIDE ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE, CONCERNING THE PLAN. ALL CREDITORS AND EQUITY INTEREST HOLDERS ARE URGED TO READ THE ENTIRE DISCLOSURE STATEMENT AND PLAN WITH CARE.

ON JANUARY __, 2018, THE BANKRUPTCY COURT APPROVED THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE. SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN HEREIN DESCRIBED IS BEING SOUGHT FROM CREDITORS AND EQUITY INTEREST HOLDERS WHO'S CLAIMS AGAINST, AND INTERESTS IN, THE DEBTOR ARE IMPAIRED UNDER THE PLAN. CREDITORS AND EQUITY INTEREST HOLDERS ENTITLED TO VOTE ON THE PLAN ARE URGED TO VOTE IN FAVOR OF THE PLAN AND TO RETURN THE COMPLETED BALLOT INCLUDED WITH THIS DISCLOSURE STATEMENT IN THE ACCOMPANYING ENVELOPE ADDRESSED TO WHITAKER CHALK SWINDLE & SCHWARTZ, PLLC, ATTENTION: ROBERT A SIMON, 301 COMMERCE STREET, SUITE 3500 FORT WORTH, TEXAS 76102, NOT LATER THAN 5:30 P.M. (PREVAILING CENTRAL TIME) ON FEBRUARY __, 2018.

**WHITAKER CHALK SWINDLE &
SCHWARTZ, PLLC**
Robert A. Simon
301 Commerce Street, Suite 3500
Fort Worth, Texas 76102
Telephone: (817) 878-0543
Facsimile: (817) 878-0501
rsimon@whitakerchalk.com
**COUNSEL FOR ROSEDALE/LAKE
STREET, LLC**

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ARTICLE 1
INTRODUCTION

1.1 General Information Concerning Disclosure Statement and Plan.

Rosedale/Lake Street, LLC (the “Debtor”) submits this Disclosure Statement, as it may be amended from time to time (the “Disclosure Statement”), under § 1125 of the Bankruptcy Code and Rule 3016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) to all of the Debtor’s known Creditors and Equity Interest Holders entitled to vote on the Debtor’s Chapter 11 Plan of Reorganization, as it may be modified or amended (the “Plan”). The purpose of this Disclosure Statement is to provide adequate information to enable Creditors and Equity Interest Holders who are entitled to vote on the Plan to arrive at a reasonably informed decision in exercising their respective right to vote on the Plan. A copy of the Plan is attached as **Exhibit “A”** to this Disclosure Statement. Capitalized terms used but not defined in this Disclosure Statement shall have the meanings assigned to them in the Plan or in the Bankruptcy Code and Bankruptcy Rules. All section references in this Disclosure Statement are to the Bankruptcy Code unless otherwise indicated.

The Debtor has proposed the Plan consistent with the provisions of the Bankruptcy Code. The purpose of the Plan is to facilitate the reorganization of the Debtor and the distribution of payments to Creditors and Equity Interest Holders in accordance with the Bankruptcy Code. The Debtor believes that the Plan provides for the best option for a substantial recovery on Creditor Claims and successful reorganization.

This Disclosure Statement is not intended to replace a careful review and analysis of the Plan, including the specific treatment of Claims and Equity Interests under the Plan. It is submitted as an aid and supplement to your review of the Plan and to explain the terms of the Plan. Every effort has been made to fairly summarize the Plan and to inform Creditors and Equity Interest Holders how various aspects of the Plan affect their respective positions. If any questions arise, the Debtor urges you to contact its counsel named on the cover page of this Disclosure Statement and the Plan. These attorneys will attempt to resolve your questions. You are also encouraged to consult with your own counsel. The Debtor’s counsel is likewise available to answer any questions that your counsel may have regarding the Plan and this Disclosure Statement.

1.2 Disclaimers.

NO SOLICITATION OF VOTES HAS BEEN OR MAY BE MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT AND § 1125 OF THE BANKRUPTCY CODE. THE INFORMATION CONCERNING THE DEBTOR THAT IS CONTAINED IN THIS DISCLOSURE STATEMENT AND USED IN CONNECTION WITH SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN IS PUBLICALLY AVAILABLE. CREDITORS AND EQUITY INTEREST HOLDERS ENTITLED TO VOTE ON THE PLAN ARE FREE TO CONDUCT THEIR OWN DUE DILIGENCE WITH REGARD TO ANY REPRESENTATION MADE IN THIS DISCLOSURE STATEMENT.

EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT, NO REPRESENTATION CONCERNING THE DEBTOR, ITS ASSETS, ITS LIABILITIES,

UNLESS ANOTHER TIME IS SPECIFIED, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE OF THIS DISCLOSURE STATEMENT. NEITHER THE DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE CONCERNING THE DISCLOSURE STATEMENT AND THE PLAN SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN: (I) THE FACTS SET FORTH HEREIN SINCE THE DATE OF THE DISCLOSURE STATEMENT; AND (II) THE MATERIALS RELIED UPON IN PREPARATION OF THE DISCLOSURE STATEMENT.

THE INFORMATION PROVIDED HEREIN WAS OBTAINED FROM A VARIETY OF SOURCES AND IS BELIEVED TO BE RELIABLE. HOWEVER, THE DEBTOR HAS NOT BEEN ABLE TO INDEPENDENTLY VERIFY EACH AND EVERY STATEMENT CONTAINED HEREIN. ACCORDINGLY, THE DEBTOR AND ITS PROFESSIONALS CANNOT MAKE ANY REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

WHILE THE DEBTOR'S BUSINESS AFFAIRS ARE NOT OVERLY COMPLEX, IT IS POSSIBLE THAT THE TRANSACTIONS CONTEMPLATED UNDER THE PLAN COULD HAVE NEGATIVE TAX AND OTHER ECONOMIC CONSEQUENCES. THE DEBTOR MAKES NO REPRESENTATIONS REGARDING THE TAX IMPLICATIONS OF ANY TRANSACTION CONTEMPLATED UNDER THE PLAN. IT IS NOT UNCOMMON FOR PARTIES TO RETAIN THEIR OWN TAX ADVISORS TO ANALYZE THE PLAN. THE DEBTOR ENCOURAGES ALL PERSONS THAT MIGHT BE AFFECTED TO SEEK INDEPENDENT ADVICE REGARDING THE TAX EFFECTS OF THE PLAN.

DISTRIBUTION OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS ANY REPRESENTATION OR WARRANTY AT ALL, EITHER EXPRESS OR IMPLIED, BY THE DEBTOR OR ITS PROFESSIONALS THAT: (I) THE PLAN IS FREE FROM RISK; (II) THAT THE ACCEPTANCE OF THE PLAN WILL RESULT IN A SUCCESSFUL REORGANIZATION OF THE DEBTOR; OR (III) THAT ALL POTENTIAL ADVERSE EVENTS HAVE BEEN ANTICIPATED.

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

THIS DISCLOSURE STATEMENT AND THE PLAN SHOULD BE READ IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN. FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS, THE TERMS OF THE PLAN ARE SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN, WHICH CONTROLS IN CASE OF ANY INCONSISTENCY.

1.3 Answers to Commonly Asked Questions.

As part of the Debtor's efforts to inform Creditors and Equity Interest Holders regarding the Plan and the Plan confirmation process, the following summary provides answers to questions which parties who receive a disclosure statement often ask.

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE PLAN, WHICH CONTROLS IN CASE OF ANY INCONSISTENCY.

1.3.1 Who is the Debtor?

The Debtor is Rosedale/Lake Street, LLC, a Texas limited liability company formed for the purpose of developing a mixed used medical office and apartment building (the "Building") at the southwest corner of Rosedale Avenue and Lake Street on the near south side of Fort Worth. The Debtor is owned Dr. M. David Tillman, DDS, whose dental practice will be the principal tenant on the ground floor of the Building. The Debtor will lease the balance of the ground floor to another office or medical/office tenant. The Debtor will lease the upstairs space, consisting of four (4) apartments, to residential tenants.

1.3.2 What is a Chapter 11 bankruptcy?

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code that allows financially distressed businesses to reorganize their debts or to liquidate their assets in a controlled fashion. The Debtor is proposing to rehabilitate and reorganize the Debtor. The commencement of a chapter 11 case creates an "estate" containing all of the legal and equitable interests of the debtor in property as of the date the bankruptcy case is filed. During a chapter 11 bankruptcy case, the debtor remains in possession of its assets unless the Bankruptcy Court orders the appointment of a trustee. A trustee has not been appointed in this case and a trustee is not expected at this time.

1.3.3 If the Plan governs how my Claim or Equity Interest is treated, what is the purpose of this Disclosure Statement?

The Bankruptcy Code requires that in order to solicit votes on a bankruptcy plan, the proponent of the Plan must first prepare a disclosure statement that provides sufficient information to allow creditors and equity interest holders to make an informed decision about the plan. The disclosure statement and plan are distributed to creditors and equity interest holders only after the Bankruptcy Court has approved the disclosure statement and determined that the disclosure statement contains information adequate to allow creditors and equity interest holders to make an informed judgment about the plan. At that time, creditors and equity interest holders whose claims and equity interests are impaired under the Plan also receive a voting ballot and other materials.

1.3.4 Has this Disclosure Statement been approved by the Bankruptcy Court?

Yes. On January __, 2018, the Bankruptcy Court approved this Disclosure Statement as containing adequate information. "Adequate information" means information of a kind, and in sufficient detail, as far as is practicable considering the nature and history of the Debtor and the condition of the Debtor's books and records, to enable a hypothetical investor typical of holders of

claims or equity interests of the relevant classes to make an informed judgment whether to vote to accept or reject the Plan. The Bankruptcy Court's approval of this Disclosure Statement does not constitute an endorsement of any of the representations contained in either the Disclosure Statement or the Plan.

1.3.5 How do I determine how my Claim or Equity Interest is classified?

To determine the classification of your Claim or Equity Interest, you must determine the nature of your Claim or Equity Interest. Under the Plan, Claims and Equity Interests are classified into a series of classes. The pertinent articles and sections of the Disclosure Statement and Plan disclose, among other things, the treatment that each class of Claims or Equity Interests will receive if the Plan is confirmed.

1.3.6 Why is confirmation of the Plan important?

The Bankruptcy Court's confirmation of the Plan is a condition to the Debtor carrying out the treatment of Creditor Claims under the Plan. Unless the Plan is confirmed, and any other conditions to confirmation or to the effectiveness of the Plan are satisfied, the Debtor is legally prohibited from satisfying Creditor Claims as provided in the Plan. Put more simply, confirmation of a plan in chapter 11 is required before the Debtor can begin making payments to pre-petition unsecured creditors.

1.3.7 What is necessary to confirm the Plan?

Under applicable provisions of the Bankruptcy Code, confirmation of the Plan requires that, among other things, at least one class of impaired Claims vote to accept the Plan. Acceptance by a class of claims means that at least two-thirds in the total dollar amount and more than one-half in number of the allowed Claims in a class have voted in favor of the Plan. Because only those claims who vote on a plan will be counted for purposes of determining acceptance or rejection of a plan by an impaired class, a plan can be approved with the affirmative vote of members of an impaired class who own less than two-thirds in amount and one-half in number of the claims. Besides acceptance of the Plan by a class of impaired creditors, a bankruptcy court also must find that the Plan meets a number of statutory tests before it may confirm the Plan. These requirements and statutory tests generally are designed to protect the interests of holders of impaired claims who do not vote to accept the Plan but who will nonetheless be bound by the Plan's provisions if the bankruptcy court confirms the Plan.

If one or more classes vote to reject the Plan, the Debtor may still request that the Bankruptcy Court confirm the Plan under § 1129(b) of the Bankruptcy Code. To confirm a plan not accepted by all classes, the plan proponent must demonstrate that (i) at least one class of impaired claims has accepted the plan, not counting votes cast by insiders, (ii) the plan does not discriminate unfairly, and (iii) the plan is fair and equitable with respect to each class of claims or equity interests that is impaired under, and that has not accepted, the plan. This method of confirming a plan is commonly called a "cramdown." In addition to the statutory requirements imposed by the Bankruptcy Code, the Plan itself also provides for certain conditions that must be satisfied as conditions to confirmation.

1.3.8 Is there a Committee in this case?

No, the Office of the United States Trustee has not appointed an official committee of unsecured creditors in this case.

1.3.9 When is the deadline for returning my ballot?

The Bankruptcy Court has directed that, to be counted for voting purposes, your ballot must be received by the Debtor's counsel by February __, 2018 at 5:30 p.m.

IT IS IMPORTANT THAT ALL HOLDERS OF IMPAIRED CLAIMS VOTE ON THE PLAN. THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST OPTIONS FOR SUBSTANTIAL RECOVERY ON CREDITOR CLAIMS, AND FOR A SUCCESSFUL REORGANIZATION. THE DEBTOR, THEREFORE, BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF CREDITORS AND RECOMMENDS THAT ALL HOLDERS OF IMPAIRED CLAIMS VOTE TO ACCEPT THE PLAN.

ARTICLE 2 OVERVIEW OF PLAN

An overview of the Plan is set forth below. This overview is qualified in its entirety by reference to the Plan. If the Bankruptcy Court confirms the Plan and, in the absence of any applicable stay, all other conditions set forth in the Plan are satisfied, the Plan will take effect on the Effective Date.

Through the Plan, the Debtor proposes to refinance its secured indebtedness by obtaining a new loan from Pinnacle Bank, which has issued a loan commitment, subject to Court approval. Pinnacle has committed to lend the Debtor up to \$1,500,000 (the "Exit Financing") to pay off the pre-petition indebtedness to First Financial Bank and to fund completion of the Debtor's building. The interest rate will be 5.75%, fixed for 60 months, thereafter adjustable every 36 months to a fixed rate equal to The Wall Street Journal Floating Prime Rate, plus 1.75%. Dr. M. David Tillman will guarantee the loan. A true and correct copy of the loan commitment for the Exit Financing is attached hereto, incorporated herein by this reference, and marked as **Exhibit "B."** The Debtor will provide a full set of unexecuted loan documents for the Exit Financing by the date of final hearing on approval of this Disclosure Statement. Once the Building is completed, Dr. Tillman will move his dental practice into the building and pay rent to the Debtor. The Debtor will lease the remaining commercial and residential space in the Building to third-party tenants.

The Debtor will pay 100% of the Allowed Claims of unsecured creditors, though the Debtor intends to assert all appropriate objections to the allowance of such Claims, including objections based upon the untimeliness of any proofs of claim. All Allowed Claims will bear 5% simple annual interest, from the Petition Date, until paid in full. The Debtor has received an insurance check from Zurich of America in the amount of approximately \$48,300 (the "Insurance Check") for pre-petition damage to the building caused by theft and vandalism. The Debtor intends to use the proceeds of the Insurance Check to help satisfy the Allowed Claims of unsecured creditors. The Plan will require First Financial Bank (which will be paid through the Exit Financing) and any contractors or subcontractors who claim an interest in the Insurance Check or the proceeds to release their interests in the Insurance Check to the Debtor, which will use the proceeds to the

extent necessary to pay their Allowed Claims. To the extent that proceeds of the Insurance Check are not sufficient to pay the Allowed Claims of any unsecured creditors, the Debtor will pay the balance to the holders of such Allowed Claims in four (4) equal quarterly installments, beginning on the first day of the calendar quarter that is at least 60 days after the Effective Date of the Plan or 60 days after the entry of a Final Order that results in the creditor's unsecured claim becoming an Allowed Claim, whichever is later.

ARTICLE 3 **THE DEBTOR**

3.1 The Debtor's Business and Capital Structure.

3.1.1 The Debtor's Pre-Petition Business.

The Debtor is a Texas limited liability company, formed on October 7, 2011. It is qualified to do business in Texas. The Debtor's principal place of business is in Fort Worth, Tarrant County, Texas. The Debtor is managed and owned 100% by its member, M. David Tillman, DDS. The Debtor was formed to develop the Building, which is located at 1100 South Lake Street, Fort Worth Texas 76104, on the near south side of Fort Worth (the "Property"). The Debtor intends to lease most of the ground floor of the Building to Dr. Tillman's dental practice, which will relocate to the building from nearby leasehold space on Eighth Avenue. The Debtor and/or Dr. Tillman contributed approximately \$300,000 in equity capital and entered into a loan agreement with First Financial Bank, N.A. ("First Financial"), to finance construction of the Building. Construction began but was unreasonably delayed by the inefficiencies and poor management of the general contractor and by acts of theft and vandalism by copper thieves, which caused significant damage to the Building. The long delays caused the loan term to expire before completion. First Financial asked the general contractor to commit to firm completion date, which he declined to do so. The contractor completed the shell of the Building but not the interior before First Financial Bank lost confidence and called the loan due. The Building was approximately 53% complete when construction halted.¹ First Financial posted the Building for foreclose on June 6, 2017.

On June 5, 2017 (the "Petition Date"), the Debtor filed a voluntary petition under Chapter 11, Case No. 17-42389-mxm-11) (the "Bankruptcy Case"), in the United States Bankruptcy Court for the Northern District of Texas-Fort Worth Division (the "Bankruptcy Court")

3.1.2 The Debtor's Capital Structure.

The Debtor owes approximately \$662,143.23 to First Financial, secured by a first lien Deed of Trust. The Plan proposes to pay off the first lien Deed of Trust debt to First Financial and replace it with a first lien Deed of Trust in favor of Pinnacle Bank. The Debtor's Schedules reflect unsecured Claims of \$322,580, some of which clearly are duplication of the same debt, which happened when the general contractor and his unpaid subcontractors claimed the same debt twice. The Debtor owes an undisputed debt to Chambers Brick Sales, Inc. for \$7,580, which it will pay in full. The rest of the Debtor's unsecured debt is disputed. The Debtor will object to allowance of such Claims and estimates the Allowed Claims of unsecured creditors will be in the range of

¹ The general contractor installed the roof incorrectly, and it will have to replace at a cost of greater than \$80,000. The Debtor will object to any Claim by the general contract for that reason as well.

\$100,000 when all objections to Claims are settled or resolved.

3.1.3 Debtor's Financial Information.

The Debtor files monthly operating reports with the Bankruptcy Court which reflect current financial information and are publicly available for inspection at the office of the Clerk of the Court. Attached hereto as **Exhibit "C"** is a copy of the latest monthly operating report.

3.1.4 Events Leading to Bankruptcy.

On May 11, 2017, First Financial sent the Debtor notice that the Debtor was in default under the Deed of Trust and posted the Property for foreclosure on June 6, 2017. The Debtor has significant equity in the Property and the Building, but lacked the cash to repay First Financial in full in time to prevent foreclosure. The Debtor filed the Bankruptcy Case to save its equity in the Building and the Property while it looked for new financing.

3.1.5 The Debtor's Assets.

The Debtor's principal asset is the Property. When the Building is complete, the Property will be worth at least \$1,875,000. The Debtor also owns an interest in the Insurance Check in the amount of \$48,300. On June 5, 2017, the Debtor filed with the Bankruptcy Court its Schedules of Assets and Liabilities [Docket No. 1]. On June 9, 2017, Debtor filed an Amended Petition [Docket No. 6], along with its Statement of Financial Affairs [Docket No. 7]. On June 12, 2017, Debtor Amended Schedules A/B [Docket No. 8]. On July 20, 2017, the Debtor Amended Schedules E/F [Docket No. 16]. The Schedules contain a detailed listing of the Debtor's assets and the amounts owed to its Creditors based on the Debtor's books and records. In connection with this Disclosure Statement, Creditors and Equity Interest Holders are referred to in the Schedules. A copy of the Schedules is available from the Clerk's office or from the Debtor upon request.

3.1.6 Liabilities and Claims against the Debtor.

The Debtor's Schedules contain a detailed listing of Creditors and Equity Interest Holders, together with the estimated amount of Claims. The Schedules generally organize Creditors into three general groupings: (i) Schedule D, listing the Debtor's Secured Claims, (ii) Schedule E, listing under secured Priority Claims; and (iii) Schedule F, listing the Debtor's Unsecured Non-priority Claims. In addition, proofs of claim have been filed in the Bankruptcy Cases, one the Tarrant County taxing authorities in the amount of \$9,196.27, and one by First Financial in the amount of \$669,665.22. As Dr. Tillman has personally guaranteed the indebtedness to First Financial Bank, he has continued to make the monthly payments, which payments have reduced the mortgage balance slightly. The deadline for filing proofs of claim expired on October 12, 2017. The Debtor will object to the Allowance of any late-filed or unfiled Claim, unless such Claim was scheduled by the Debtor and was not designated as "Disputed."

3.1.7 Estimated Administrative Claims

The Debtor will owe certain administrative expenses on the Effective Date. The Debtor

expects to owe approximately \$35,000 to Debtor's counsel for professional fees, which are partially offset by the retainer currently held by Debtor's counsel. The retainer balance is \$3,555.90. The Debtor expects to owe U.S. Trustee's fees in the amount of \$975. The Debtor also expects miscellaneous administrative expenses for copies, postage, and other ancillary costs in the amount of \$5,000.

3.1.8 Secured Claims.

The Debtor owes secured claims to First Financial and Tarrant County Tax Assessor-Collector as reflected above. The Debtor does not dispute those claims, though the property taxes may be paid before Plan confirmation, and the balance of indebtedness owed to First Financial may decline due to regular monthly payment from Dr. Tillman, who has personally guaranteed that debt.

3.1.9 Priority Claims.

The Debtor owes no priority claims.

3.1.10 General Unsecured Claims.

The Debtor believes that the Allowed Claims of general unsecured claims will total approximately \$100,000. This figure reflects the anticipated results of claims objection litigation and/or compromises with holders of disputed Claims. The Debtor and/or other creditors Agent may file objections to certain unsecured proofs of claims. Should additional or amended proofs of claim be filed, the Debtor will review such claims and may file additional objections. The Plan provides a mechanism for specified parties to object to claims under certain circumstances. The Debtor is unable to predict the outcome of any anticipated claim objections that may be filed.

THE RIGHT OF ALL PARTIES, INCLUDING THE DEBTOR, TO OBJECT TO ANY CLAIM FILED IN THIS CASE IS EXPRESSLY RESERVED. THE INCLUSION OF A CLAIM OR CLAIMS WITHIN THIS DISCLOSURE STATEMENT IS NOT AN ADMISSION REGARDING THE VALIDITY OR ALLOWANCE OF ANY CLAIM. YOU SHOULD NOT ASSUME THAT A VOTE FOR OR AGAINST THE PLAN WILL HAVE ANY AFFECT ON THE STATUS OF YOUR CLAIM. IF ANYONE SUGGESTS THAT THE STATUS OF YOUR CLAIM MAY BE AFFECTED BY YOUR VOTE, YOU SHOULD REPORT SUCH INCIDENT TO COUNSEL FOR THE DEBTOR IMMEDIATELY AS ANY SUCH SUGGESTION MAY VIOLATE TITLE 18.

3.2 Significant Events during the Chapter 11 Case.

3.2.1 The Voluntary Petition Filed.

On June 5, 2017 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

3.2.2 Post-Petition Financing and Cash Collateral.

The Debtor has not obtained post-petition financing or sought permission to use cash

collateral. Dr. Tillman has directly paid the Debtor's monthly mortgage installments to First Financial from his own funds as he is co-obligor on that debt. The Debtor has obtained a loan commitment from Pinnacle Bank for a \$1,500,000 loan to be used as Exit Financing.

3.2.3 Retention and Termination of Professionals.

Shortly after the Petition Date, the Debtor filed an application to employ Whitaker Chalk Swindle & Schwartz, PLLC as Debtor's counsel. The Application was granted by an Order dated July 19, 2017. The Debtor has not employed other professionals.

3.2.4 Litigation and Claims against Current and Former Management.

The Debtor has filed no litigation against any other person. The Debtor has a Claim against First Financial and the general contractor for release of their interest in the Insurance Check. The Debtor anticipates that First Financial will voluntarily release its interest in the Insurance Check when it is repaid through the Exit Financing. The Plan will require the general contractor to release his interest in the Insurance Check. Alternatively, the Debtor may sue the general contractor to force such a release.

ARTICLE 4

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN

The Claims against and Equity Interests in the Debtor are classified as set forth in this Article.

4.1 Administrative Claims and Priority Tax Claims.

In accordance with § 1123(a)(1) of the Bankruptcy Code, certain Administrative Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Equity Interests set forth in Article 3 of the Plan. These unclassified Claims are treated as follows.

4.1.1 Administrative Claims. Allowed Administrative Claims arising under 11 U.S.C. § 503(b) will be paid in Cash and in full by the Debtor from Available Cash on the Effective Date or after Allowance by Court, whichever is later. By way of illustration, administrative claims shall include all post-petition taxes, U.S. Trustee's fees, and Bankruptcy Court- approved compensation for the Debtor's professionals. If necessary to allow for Plan confirmation, Debtor's counsel will agree to a reasonable pay-out of Allowed professional fees over time.

4.1.2 Priority Tax Claims. The Debtor is not aware of any priority tax claims.

4.2 Classified Claims Against and Equity Interests in the Debtor.

The Claims against and Equity Interests in the Debtor are classified as follows:

4.2.1 Class 1 –Secured Ad Valorem Tax Claims. Class 1 comprises all Allowed Secured Tax Claims or Ad Valorem Taxing Authorities, if any, against the Debtor.

4.2.2 Class 2 – First Financial Bank Secured Claim. Class 2 comprises the Allowed Secured Claim of First Financial Bank against Debtor.

4.2.3 Class 3 – General Unsecured Claims. Class 3 comprises the Allowed general unsecured claims against the Debtor.

4.2.4 Class 4 – Equity Interests. Class 4 comprises all allowed Interests in the Debtor.

ARTICLE 5

IMPAIRMENT OF CLASSES AND RESOLUTION OF CLAIM CONTROVERSIES

5.1 Impaired Classes.

Only holders of Claims that are in impaired Classes may vote on the Plan. The following Classes of Claims and Equity Interests are impaired under the Plan and entitled to vote:

5.1.1 Class 2 – First Financial Bank Secured Claim

5.1.2 Class 3 – General Unsecured Claims

5.2 Unimpaired Classes.

Holders of Claims that are in unimpaired Classes are deemed to have accepted the Plan and are not entitled to vote on the Plan. The following Classes of Claims are not impaired under the Plan.

5.2.1 Class 1 – Secured Ad Valorem Tax Claims

5.2.2 Class 4 – Equity Interests

5.3 Controversy Concerning Classification, Impairment or Voting Rights.

In the event a controversy or dispute should arise involving issues related to the classification, impairment or voting rights of any Creditor or Equity Interest Holder under the Plan, prior to the Confirmation Date, the Bankruptcy Court may, after Notice and a Hearing, determine such controversy. Without limiting the foregoing, the Bankruptcy Court may estimate for voting purposes the amount of any contingent or unliquidated Claim, the fixing or liquidation of which, as the case may be, would unduly delay the administration of the Chapter 11 Case.

ARTICLE 6

TREATMENT OF CLAIMS AND EQUITY INTERESTS

6.1 Treatment of Impaired Classes.

6.1.1 Class 1. Not Impaired.

6.1.2 Class 2. First Financial Bank, N.A. Secured Claim

The value of First Financial's collateral is greater than the amount of its Claim

(including interest on the claim, and reasonable fees, costs and other charges incurred by First Financial Bank). Thus, First Financial Bank is entitled to recover its principal, plus contractual interest, and any reasonable fees incurred by First Financial Bank. The amount of attorneys' fees must be approved by the Bankruptcy Court, after notice and hearing, except as stated below.

The Debtor will pay the principal and interest in full on the Effective Date, or as soon thereafter as practicable, from the proceeds of the Exit Financing provided by Pinnacle Bank. Upon such payment the Deed of Trust will be satisfied and released. First Financial may then seek allowance of its reasonable and necessary attorneys' fees. First Financial will be requested to submit its request for attorneys' fees to the Debtor before filing a formal fee application. If the requested amount of attorneys' fees is less than \$10,000, or is reduced to \$10,000, the Debtor may agree to the attorneys' fees without the need for formal fee application. In that event, the Debtor shall file a notice indicating that it has agreed to the attorney fee request and shall pay the agreed amount within 45 days of the filing of the notice. If the amount of the requested attorneys' fees is greater than \$10,000, First Financial shall file a fee application, which the Debtor may contest. The Debtor shall pay the Allowed amount of First Financial's attorneys' fee no later than 60 days after entry of an Order allowing the amount of such fees.

6.1.3 Class 3. General Unsecured Creditors.

The Debtor will pay 100% of the Allowed Claims of unsecured creditors, though the Debtor intends to assert all appropriate objections to such Claims, including objections to untimeliness. All such Allowed Claims will bear simple interest at 5% per year, from the Petition Date, until paid. The Debtor has received an insurance check from Zurich of America in the amount of approximately \$48,300 (the "Insurance Check") for pre-petition damage to the building caused by theft and vandalism. The Debtor intends to use the proceeds of that check to help satisfy the Allowed Claims of unsecured creditors. The Plan will require First Financial (which will be paid through the Exit Financing) and any contractors or subcontractors to release their interest in the Insurance Check to the Debtor, which will use the proceeds to the extent necessary pay their Allowed Claims. The Debtor will make a pro rata distribution of the proceeds of the Insurance Check to the holders of Allowed unsecured Claims on the first business day of the first full month after the Effective Date of the Plan or on the first business day of the first full month after all objections to unsecured Claims have been resolved, whichever comes later. To the extent that proceeds of the Insurance Check are not sufficient to pay the Allowed Claims of any unsecured creditors, the Debtor will pay the balance to such creditors in four (4) equal quarterly installments, beginning on the first day of the calendar quarter that is at least 60 days after the Effective Date of the Plan. The Debtor may pre-pay all or part of any such Claims at any time without penalty.

6.2 Treatment of Unimpaired Classes.

The Unimpaired Classes will be treated as follows:

6.2.1 Class 2. Allowed secured claims of *ad valorem* taxing authorities will be paid in full on the Effective Date or when due in accordance with applicable non-bankruptcy law. Taxing authorities shall retain their statutory Liens until Allowed Claims are paid in full.

6.2.2 Class 4. The holder of the Debtor's Equity Interest shall retain it.

ARTICLE 7

MEANS OF IMPLEMENTATION

7.1 Rehabilitation

The Debtor will resume operations and finish construction and finish out of the Building. Dr. Tillman will move his dental practice into the Building for a period of at least five (5) years. The Debtor will work to lease the remaining ground floor space to other commercial or professional tenants. The Debtor will finish out the second floor of the Building and lease the four (4) apartments to residential tenants.

7.2 Refinancing of Indebtedness

The Debtor will borrow up to \$1,500,000 from Pinnacle Bank pursuant to the Exit Financing, pay off the debt to First Financial Bank, and use the remaining proceeds to complete the Building and finish out the tenant spaces. With Pinnacle Bank's permission, the Debtor may use proceeds of the Exit Financing to pay administrative expenses of the Chapter 11 case or other payments required to be made under the Plan.

7.3 Additional Capital

To the extent that the Debtor needs additional funding, not provided by the Exit Financing, and/or the proceeds of the Insurance Check, Dr. Tillman shall provide that funding to the Debtor either in the form of a capital contribution or unsecured lending, subordinate to the Exit Financing.

7.4 Vesting of Property of the Estate in the Reorganized Debtor.

On the Effective Date of the Plan, all remaining property of the Debtor and of the Estate, including the Insurance Check, and all rights to object to Claims, all avoidance actions, causes of action, alter-ego rights, derivative claims, breach of fiduciary duty claims, veil piercing rights, the right to pursue such claims and all other remaining property of the Estate as defined in § 541 of the Bankruptcy Code, all cause of action under Chapter 5 of the Bankruptcy Code shall vest in the Debtor, as reorganized, free and clear of all liens, claims and encumbrances on such property and/or rights except as otherwise expressly provided in the Plan.

7.5 Continued Company Existence.

From and after the Effective Date of the Plan, the Debtor shall continue to exist in accordance with the applicable laws of the State of Texas and the existing equity will be retained by Dr. Tillman.

7.6 Continuation of Operations.

From and after the Effective Date of the Plan, the Debtor is authorized to (i) take such action as is necessary to operate is business; (ii) file claim objections; (iii) make distributions; (iv)

prosecute causes of action owned by the Estate, including all claims and causes of action arising under the Bankruptcy Code; (v) pursue, liquidate and administer Estate property; (vi) file tax returns and respond to any audits; and (vii) take such other action as provided for under the Plan.

7.7 Powers of the Reorganized Debtor.

Subject to any express limitations, the reorganized Debtor shall have all of the rights, powers, and privileges set forth in the Plan and the Confirmation Order. The Debtor is authorized and shall have the obligation to take all such actions as in its judgment are necessary and appropriate to effectuate the purposes of the Plan, including, but not limited to, the following:

7.7.1 Operate the Debtor's business as an ongoing enterprise and complete construction of the Building;

7.7.2 Lease, purchase or sell assets outside the ordinary course of business;

7.7.3 Make all Distributions contemplated under the Plan in accordance with the Plan.

7.7.4 Open bank accounts in the name of the Debtor, invest in time or demand deposits, including certificates of deposit issued by any bank approved as a depository institution by the United States Trustee's office, United States Treasury bonds and other securities guaranteed by the full faith and credit of the United States of America or any agency thereof;

7.7.5 Supervise and administer the resolution, settlement and payment of Claims and Equity Interests and the distributions to the holders of Allowed Claims and Allowed Interests in accordance with the Plan;

7.7.6 Enter into any agreement on behalf of the Debtor required by or consistent with the Plan and perform all of the obligations required of the Debtor under the Plan;

7.7.7 Receive, collect, and maintain proceeds from the prosecution or settlement of Causes of Action or Rights of Action;

7.7.8 Participate in or initiate any proceeding before the Bankruptcy Court or any other court of appropriate jurisdiction; participate as a party or otherwise in any administrative, arbitral or other non-judicial proceeding; litigate claims on behalf of the Debtor, including, without limitation, all state and federal causes of action or any other litigation which constitutes an asset of the Debtor; and pursue to settlement or judgment such actions;

7.7.9 File and prosecute any Rights of Action, Claims, and Causes of Action on behalf of the Debtor, including all derivative Causes of Action, in accordance with the Plan;

7.7.10 Participate as a party in interest in any proceeding before the United States Bankruptcy Court involving the Bankruptcy Case;

7.7.11 Participate in any action before the Bankruptcy Court or any other judicial or administrative body;

7.7.12 Take actions and exercise remedies against any entity that owes money to the Debtor, including, without limitation, the remedies available under any deed of trust, security agreement, promissory note, bond, guarantee or other instrument or document; make compromises regarding any deed of trust, security agreement, promissory note, bond, guarantee or other instrument or document; and declare or waive defaults regarding any deed of trust, security agreement, promissory note, bond, guarantee or other instrument or document;

7.7.13 Select and employ attorneys, accountants, brokers, advisors, consultants, agents or employees as may be necessary to assist in the administration of the affairs of the Debtor and compensate such Persons and compensate such persons on customary and commercially reasonable terms without Bankruptcy Court approval;

7.7.14 Hold any unclaimed distribution or payment to the holder of an Allowed Claim in accordance with the Plan;

7.7.15 Propose any amendment, modification or supplement to the Plan;

7.7.16 Intentionally Omitted;

7.7.17 Pay all taxes, make all tax withholdings, file tax returns and tax information returns, and make tax elections by and on behalf of the Debtor;

7.7.18 Pay all lawful expenses, debts, charges and liabilities of the Debtor;

7.7.19 Enforce all provisions of the Plan;

7.7.20 Protect, perfect and defend the title to any of the assets of the Debtor and enforce any bonds, mortgages or other obligations or liens owned by the Debtor;

7.7.21 Purchase and carry insurance coverage;

7.7.22 Establish such reserves for taxes, assessments and other expenses of administration of the Debtor (including, without limitation, the Disputed Claims Reserve) as may be necessary and appropriate for the proper operation of matters incident to the affairs of the Debtor; and

7.7.23 Exercise such other powers and duties as are necessary or appropriate in the Debtor's reasonable discretion to accomplish the purposes of the Plan.

ARTICLE 8
CLAIM/EQUITY INTEREST OBJECTION PROCEDURES,
TREATMENT OF DISPUTED CLAIMS/EQUITY INTERESTS
AND PROCEDURE FOR ASSERTING CLAIMS

8.1 Objection Process.

The Debtor shall have the non-exclusive right to object to the allowance of any Claims provided for under the Plan. The Debtor may object to any or all Claims, whether scheduled or not. The scheduling of a Claim as undisputed, non-contingent and/or liquidated shall have no preclusive effect on the Debtor. All objections shall be litigated to Final Order or resolved by Court-approved settlement; provided, however, the Debtor shall have the authority to compromise, settle or otherwise resolve all objections for any Claims scheduled or filed in the amount of \$50,000 or less, or voluntarily reduced to such amount, without approval of the Bankruptcy Court. Otherwise, Bankruptcy Court approval shall be required after Notice and a Hearing. Unless otherwise ordered by the Bankruptcy Court, all objections to Claims filed by any party in interest must be filed and served no later than (i) 60 days after the later of (a) the Effective Date or (b) the date on which a proof of claim, proof of interest or request for payment is filed with the Bankruptcy Court; or (ii) such other date as may be approved by the Bankruptcy Court after Notice and a Hearing. Any objections to Claims and Equity Interests not filed within the time periods set forth herein are subject to being overruled as untimely.

8.2 Filing of Claims and Causes of Action.

The Debtor shall have the exclusive right to file and prosecute any Claims, Rights of Action, and/or Causes of Action on behalf of the Debtor, including all derivative Causes of Action. All such Claims, Rights of Action, and/or Causes of Action must be filed within one hundred and eighty (180) days of the Effective Date. Any Claims, Rights of Action, and/or Causes of Action which the Debtor may have filed which are not filed within the time periods set forth herein are deemed waived and forever barred. The Debtor shall have the authority to compromise, settle or otherwise resolve all Claims, Rights of Action, and/or Causes of Action filed or asserted by the Debtor in the amount of \$50,000 or less, or voluntarily reduced to such amount, without approval of the Bankruptcy Court. Otherwise, Bankruptcy Court approval shall be required after Notice and a Hearing.

8.3 Disputed Claims Reserve.

The Debtor may establish a Disputed Claims Reserve for the treatment of Disputed Claims. If so, the Debtor may begin payment on Allowed Claims before all objections to Dispute Claims are resolved. In that event, the Debtor shall deposit into a Disputed Claims Reserve an amount equal to the Pro Rata share of the Distribution allocable to such Disputed Claims, in accordance with the distribution scheme contemplated in the Plan, as if such Claims were Allowed Claims. Amounts deposited into the Disputed Claims Reserve shall be held in trust for the benefit of the holders of Disputed Claims pending a determination of their entitlement thereto under the terms of the Plan. Once such Disputed Claim is determined by Final Order or settlement to be an Allowed Claim, the Debtor is authorized to pay the Allowed Amount of such Claim without further approval from or notice to any Person or entity.

8.4 Distributions to Holders of Disputed Claims.

If the Debtor establishes a Disputed Claims Reserve, then within thirty (30) days after such time as a Disputed Claim becomes an Allowed Claim, any Distributions reserved for such Allowed Claim shall be released from the Disputed Claims Reserve, if any, and delivered to the holder of such Allowed Claim in an amount proportionate to the Allowed Amount of any such Claim. In the event that the Disputed Claim is disallowed in whole or in part, or otherwise settled in amount less than the Disputed Claim amount, the disallowed or reduced portion of such Claim shall be distributed from the Disputed Claim Reserve to holders of Allowed Claims as Available Cash on the next Interim Distribution Date in accordance with the Plan without further approval from or notice to any Person or entity.

8.5 Provisions Governing Distributions.

8.5.1 Record Date for Claims and Equity Interests.

The record date for Distributions to holders of Allowed Claims and Allowed Interests under the Plan shall be the date the Bankruptcy Court enters its order approving the Disclosure Statement. For purposes of Distributions to holders of Allowed Claims, the Debtor will rely on the claims register maintained by the Clerk for proofs of claim filed in the Chapter 11 Case except to the extent a notice of transfer of Claim or Equity Interest has been filed with the Bankruptcy Court prior to the record date pursuant to Bankruptcy Rule 3001. For purposes of Distributions on account of Equity Interests, the Debtor will rely on the relevant proofs of interest filed in the claims register maintained by the Clerk, and any official records of the Debtor reflecting ownership or transfers of Equity Interests.

8.5.2 Delivery of Distributions to Holders of Allowed Claims.

Subject to Bankruptcy Rule 9010, Distributions to holders of Allowed Claims will be made at the address of each such holder as set forth on the proofs of claim filed by such holders, or at the last known address of such holder if no proof of claim is filed, unless the holder of the Allowed Claim has otherwise notified the Debtor in writing of a change of address. If any holder's Distribution is returned as undeliverable, it will be treated in accordance with Article 8.6.4 of the Plan. The Debtor may, but shall not be required to make any Distribution of less than \$25.00.

8.5.3 Delivery of Distributions to Holders of Allowed Interests.

Distributions to holders of Allowed Interests, to the extent they are entitled to distributions under the Plan, will be made at the address of the registered holder of each such Equity Interest as set forth in the relevant proof of interest filed in the claims register maintained by the Clerk or the address shown in the Debtor's Schedules, unless the holder of the Allowed Interest has otherwise notified the Debtor in writing of a change of address. If any holder's distribution is returned as undeliverable, it will be treated in accordance with Article 8.6.4 of the Plan. The Debtor may, but shall not be required to, make any Distribution of less than \$25.00.

8.5.4 Unclaimed Distributions.

The Debtor shall file a Notice of Distribution within 14 days of the date on which Distributions are made under the Plan, other than the repayment of the indebtedness owed to First Financial. All claims for undeliverable Distributions must be made no later than the 60th day following the date that the Notice of Distribution is filed. After such date, all unclaimed Distributions will revert to the Debtor for distribution in accordance with the Plan and the remaining Claim or Equity Interest of any holder with respect to such Distribution will be discharged and forever barred.

8.5.5 Uncashed Checks.

Checks issued in respect of Allowed Claims and/or Equity Interests will be null and void if not negotiated within ninety (90) days after the date of issuance thereof. Distributions with respect to such un-negotiated checks will revert to the Debtor for distribution in accordance with the Plan and the remaining Claim or Equity Interest of any holder with respect to such Distribution will be discharged and forever barred.

ARTICLE 9 **EFFECT OF CONFIRMATION**

9.1 Legally Binding Effect.

The provisions of the Plan shall bind all Creditors and Equity Interest Holders, whether or not they accept the Plan. On and after the Effective Date, all holders of Claims shall be precluded and enjoined from (i) asserting any Claim against the Debtor, the Debtor or their assets or properties based on any transaction or other activity of any kind that occurred prior to the Confirmation Date except as permitted under the Plan; (ii) asserting any derivative claims, including claims against third parties asserting alter ego claims, breach of fiduciary duty claims, fraudulent transfer claims or any other type of successor liability; and (iii) otherwise interfering with the Debtor's administration of assets and claims under the Plan. The entry of the Confirmation Order will operate as a general resolution with prejudice, as of the Effective Date, of all Claims dealt with under the Plan and all pending legal proceedings, if any, against the Debtor and its assets and properties and any proceedings not yet instituted against the Debtor or its assets and properties, except as otherwise provided in the Plan, concerning Claims and Equity Interests dealt with under the Plan.

9.2 Discharge.

Pursuant to 11 U.S.C. § 1141(d), except as otherwise provided herein, the Debtor will receive a discharge all of debts that arose before confirmation of the Plan, and any debt of a kind specified in 11 U.S.C. § 502(g), (h), or (j), whether or not a proof of claim was filed or deemed filed, such claim is allowed under 11 U.S.C. § 502, or the holder of such claim has accepted the Plan. However, confirmation of the Plan will does not discharge any claim for unpaid U.S. Trustee's fees, post-petition taxes, or for professional compensation or reimbursement of expenses of any Court-appointed professionals.

9.3 Limited Protection for Certain Parties in Interest.

Except as specifically limited herein, the Debtor and the Estate shall release each Professional for the Debtor and any of their employees, officers, directors, agents, representatives, affiliates, attorneys, financial advisors, and any other professional persons employed by any of them from any and all liability under any theory of liability for any act or omission occurring on or after the Petition Date in connection or related to the Debtor, the Chapter 11 Case, or the Estate, including, but not limited to, (i) formulating, preparing disseminating, implementing, confirming, consummating or administering the Plan (including soliciting acceptances or rejections thereof); or (ii) formulating, preparing or disseminating the Disclosure Statement or any contract, instrument, release or other agreement or document entered into or any action taken or omitted to be taken in connection with the Plan, except for acts constituting willful misconduct, gross negligence, or *ultra vires* activity, and in all respects such Protected Persons shall be entitled to rely in good faith upon the advice of counsel. In any action, suit or proceeding by any Person contesting any action by, or non-action of, any Protected Person as constituting willful misconduct, gross negligence, or *ultra vires* activity or not being in good faith, the reasonable attorneys' fees and costs of the prevailing party will be paid by the losing party. As a condition to going forward with such action, suit, or proceeding at the outset thereof, all parties thereto will be required to provide appropriate proof and assurances of their capacity to make such payments of reasonable attorneys' fees and costs in the event they fail to prevail. The Professionals, including Whitaker Chalk Swindle & Schwartz, PLLC and Robert A. Simon shall be "Protected Persons." Notwithstanding anything to the contrary herein, any and all Claims, Causes of Action, and Rights of Action against non-released Parties, or any of their employees, officers, directors, agents, representatives, affiliates, attorneys, financial advisors, or any other professional persons employed by any them, shall be fully preserved for the benefit of the Debtor's Estate, and the right to prosecute and settle any such Claims, Causes of Action, and Rights of Action shall be vested in the Debtor, who shall be appointed as the sole and exclusive representative of the Estate for that purpose.

9.4 Indemnification.

The reorganized Debtor shall indemnify each Person identified as a Protected Person against any and all costs and expenses (including attorneys' fees) incurred by any of them in defending against post-Confirmation Date claims released pursuant to Article 10.2 of the Plan; provided, however, that no Protected Person shall be entitled to indemnification under the Plan for the costs and expenses of defending a cause of action in which it is ultimately judicially determined that such Protected Person was grossly negligent or acted fraudulently or with willful misconduct in performing such Protected Person's duties hereunder or under any Final Order of the Bankruptcy Court or applicable law, or *ultra vires* activity. Any Protected Person entitled to indemnification under this section shall have a priority distribution right that is senior to the holders of Allowed General Unsecured Claims against the Debtor. The Debtor may, in his sole discretion, use the Debtor's assets (as an expense of consummating the Plan) to purchase indemnification insurance to satisfy any potential indemnification claims that may arise under this section.

9.5 Continuation of Anti-Discrimination Provisions of the Bankruptcy Code.

A Governmental Unit may not deny, revoke, suspend, or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such a grant to, or discriminate with respect to such a grant against, the Debtor, or another Person with whom the Debtor has been or are associated or affiliated, solely because of the commencement, continuation, or termination of the case or because of any provision of the Plan or the legal effect of the Plan, and the Confirmation Order will constitute an express injunction against any such discriminatory treatment by a Governmental Unit. All licenses, permits, charters, franchises, or other similar grants to the Debtor shall be transferred and assigned on the Effective Date (which transfer and assignment is without the assumption of any liabilities arising prior to the Effective Date which liabilities arise out of such license, permit, charter, franchise or similar grant) to the Debtor.

9.6 Preservation of Claims and Rights.

Confirmation of the Plan effects no settlement, compromise, waiver or release of any Claim, Cause of Action, Right of Action or claim for relief by the Debtor unless the Plan or the Confirmation Order specifically and unambiguously so provides. The non-disclosure or non-discussion of any particular Claim by the Debtor, Cause of Action, Right of Action or claim for relief is not and shall not be construed as a settlement, compromise, waiver, or release of any such Claim, Cause of Action, Right of Action or claim for relief. Unless specifically and unambiguously compromised, settled or released herein, all Claims, Causes of Action, and Rights of Action belonging to the Debtor on the date before confirmation of the Plan shall be preserved for the benefit of the Estate.

The Debtor reserves any and all Claims and rights against any and all third parties, whether such claims and rights arose before, on or after the Petition Date, the Confirmation Date, the Effective Date, the Record Date and/or any Distribution date, including, without limitation, any and all Causes of Action, Rights of Action and/or claims for relief that the Debtor has against (i) any insurer and/or insurance policies in which either the Debtor and/or their current or former personnel have an insurable or other interest in or right to make a claim against, any other of the Debtor's insurers; and (ii) any recipient of a transfer identified in the Debtor's statements of financial affairs, including any amendments thereto, filed in this Chapter 11 Case; and (iii) any person for claims of breach of fiduciary duty, breach of contract, fraudulent transfer, preferential transfer, unauthorized post-petition transfer under 11 U.S.C. § 549, turnover under 11 U.S.C. §§ 542 and 543, subordination, re-characterization of debt to equity, malpractice, constructive trust, disgorgement, counter-claims, claims to determine the extent and validity of liens under 11 U.S.C. § 506, and any other claims that the Estate may have against anyone. In particular, the Debtor has counterclaims or defenses to the Claims of Ed Ronk, the general contractor based up his repeated failures to administer the contract and complete the Building. The entry of the Confirmation Order shall not constitute *res judicata* or otherwise bar, estop or inhibit any actions by the reorganized Debtor, acting on behalf of the Debtor or the Estate relating to any Claims, Causes of Action or Rights of Action referred to herein. Except as specifically set forth in the Plan, the reorganized Debtor shall be appointed as and shall constitute the sole and exclusive representative of the Estate for purposes of retaining,

asserting and/or enforcing any Causes of Action or Rights of Action under § 1123(b)(3)(B) of the Bankruptcy Code. On the Effective Date, the reorganized Debtor shall be substituted as a party of record in all pending litigation brought by or against the Debtor without need for further order of the Bankruptcy Court.

ARTICLE 10
CONFIRMATION OF THE PLAN

10.1 Confirmation Hearing.

Section 1128(a) requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan (“Confirmation Hearing”). The Confirmation Hearing will be scheduled before the Honorable Mark X. Mullin, United States Bankruptcy Judge for the Northern District of Texas, at a date and time determined by the Bankruptcy Court. Notice of the Confirmation Hearing will be provided to Creditors and parties in interest in accordance with the applicable service rules. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except an announcement made at the Confirmation Hearing or any adjournment thereof.

Section 1128(b) provides that any party in interest may object to confirmation of the Plan. However, an impaired Creditor, who votes to accept the Plan, may not have standing to object to the Plan. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014 and any applicable Local Rules of the Bankruptcy Court. The deadline for filing objections to confirmation of the Plan will be determined once the Confirmation Hearing is set by the Bankruptcy Court. Objections to confirmation must be filed with the Clerk of Court.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY FILED AND SERVED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

10.2 Statutory Requirements for Confirmation of the Plan.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Bankruptcy Code’s requirements for confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. As set forth in § 1129 of the Bankruptcy Code, the requirements are as follows:

10.2.1 The Plan complies with the applicable provisions of the Bankruptcy Code.

10.2.2 The proponent of the Plan complies with the applicable provisions of the Bankruptcy Code.

10.2.3 The Plan has been proposed in good faith and not by any means forbidden by law.

10.2.4 Any payment made or to be made by the Plan proponent, or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the case, or in connection with the Plan and incident to the case, has been approved by, or is subject to the approval of, the Court as reasonable.

10.2.5 The proponent of the Plan has 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 Debtor, an affiliate of the Debtor participating in a joint Plan with the Debtor, or a successor to the Debtor under the Plan; and the appointment to, or continuance in, such office of such individual, is consistent with the interests of Creditors and with public policy; and the proponent of the Plan has disclosed the identity of any insider that will be employed or retained by the Debtor, and the nature of any compensation for such insider.

10.2.6 Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtor, has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval.

10.2.7 With respect to each class of impaired claims or equity interests:

10.2.7.1 each holder of a claim or interest of such class:

(i) has accepted the Plan; or

(ii) will receive or retain under the Plan on account of such 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 Debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date; or

10.2.7.2 if § 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the Plan on account of such claim property of a value, as of the effective date of the Plan, that is not less than the value of such holder's interest in the estate's interest in the property that secured such claims.

10.2.8 With respect to each class of claims or interests:

10.2.8.1 such class has accepted the Plan; or

10.2.8.2 such class is not impaired under the Plan;

10.2.9 Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan provides that:

10.2.9.1 with respect to a claim of a kind specified in § 507(a)(1) or § 507(a)(2) of the Bankruptcy Code, on the effective date of the Plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

10.2.9.2 with respect to a class of claims of a kind specified in §§ 507(a)(3), 507(a)(4), 507(a)(5) or 507(a)(6) of the Bankruptcy Code, each holder of a claim of such class will receive:

(i) if such class has accepted the Plan, deferred cash payments of a value, as of the effective date of the Plan, equal to the allowed amount of such claim; or

(ii) if such class has not accepted the Plan, cash on the effective date of the Plan equal to the allowed amount of such claim; and

10.2.9.3 with respect to a claim of a kind specified in § 507(a)(8) of the Bankruptcy Code, the holder of a claim will receive on account of such claim deferred cash payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the effective date of the Plan, equal to the allowed amount of such claim.

10.2.10 If a class is impaired under the Plan, at least one class of claims that is impaired has accepted the Plan, determined without including any acceptance of the Plan by any insider.

10.2.11 Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the plan proponent or any successor to the plan proponent under the Plan, unless such liquidation or reorganization is proposed in the Plan.

The Debtor believes that the Plan satisfies all the statutory requirements of Chapter 11 of the Bankruptcy Code, that the Debtor has complied or will have complied with all of the requirements of Chapter 11, and that the proposal of the Plan is made in good faith.

The Debtor further believes that the holders of all Claims impaired under the Plan will receive payments or distributions under the Plan having a present value as of the Effective Date in amounts not less than the amounts likely to be received by such holders if the Debtor were liquidated in a case under Chapter 7 of the Bankruptcy Code.

Finally, the Debtor does not believe that the confirmation of the Plan will likely be followed by the need for further financial reorganization of the Debtor.

10.3 Cramdown.

In the event that any impaired class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan if, as to each impaired class which 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 with respect to the treatment of secured and unsecured claims. As set forth in § 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

10.3.1 With respect to a class of secured claims, the Plan provides:

10.3.1.1 (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the Plan Proponent or transferred to another entity, to the extent of the allowed amount of such claims; and

(ii) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the Plan, of at least the value of such holder's interest in the estate's interest in such property;

10.3.1.2 for the sale, subject to § 363(k) of the Bankruptcy Code, of any property that is subject to the Liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) and (b) of this subparagraph; or

10.3.1.3 for the realization by such holders of the indubitable equivalent of such claims.

10.3.2 With respect to a class of unsecured claims, the Plan provides:

10.3.2.1 that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the Plan, equal to the allowed amount of such claim; or

10.3.2.2 the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or interest any property.

10.3.3 With respect to a class of interests, the Plan provides:

10.3.3.1 that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the effective date of the Plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or

10.3.3.2 the holder of any interest that is junior to the interests of such class will not receive or retain under the Plan on account of such junior interest any property.

The Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any rejecting impaired class of Claims. The Debtor believes that the Bankruptcy Court will find these requirements satisfactory and will confirm the Plan.

10.4 Conditions Precedent to Effective Date.

The following are conditions precedent to the occurrence of the Effective Date: (i) the Confirmation Order shall have been entered by the Bankruptcy Court; (ii) the form of all documents necessary or appropriate to give effect to the transactions contemplated under the Plan, if any, have been approved and executed; (iii) all required consents, approvals, and authorizations, if any, have been obtained; (iv) there shall be no stay of the Confirmation Order in effect; (v) the Debtor shall have determined that the Debtor is holding good and available funds for payment of Claims under the Plan; and (vi) all other actions, documents and agreements necessary to implement the Plan shall have been effected or executed.

The Effective Date is defined in the Plan as the day selected by the Debtor that is no earlier than the first Business Day after (i) the date the Confirmation Order has been entered; and (ii) all conditions specified in Article 12 of the Plan have been satisfied or waived.

10.5 Annulment of Plan if Conditions Not Waived or Satisfied.

The Debtor reserves the right to waive any of the conditions precedent to the Effective Date. If any of the conditions precedent are not waived, and are not satisfied within six months of the Confirmation Date or can no longer occur, the Debtor shall convert the Chapter 11 Case to Chapter 7 and remaining property shall be administered by a Chapter 7 trustee.

10.6 Retention of Jurisdiction by Bankruptcy Court.

The Court shall retain and have exclusive jurisdiction over this Chapter 11 Case to the maximum extent provided by law for the following purposes following the Confirmation Date: (a) to determine any and all objections to the allowance and classification of Claims or Equity Interests; (b) to determine the validity and priority of any Lien; (c) to determine the Allowed Amount of any Claim, whether secured or unsecured; (d) to allow any and all applications for allowances of compensation and reimbursement of expenses payable from the Estate; (e) to determine any and all applications or motions pending before the Bankruptcy Court on the Effective Date of the Plan; (f) to consider and approve any modification of the Plan, remedy any defect or omission, or reconcile any inconsistency in the Plan or any order of the Court, including the Confirmation Order; (g) to hear and determine all controversies, suits and disputes that may arise in connection with the interpretation, enforcement or consummation of the Plan, the Confirmation Order, any transactions or payments contemplated thereby or any agreement, instrument or other document governing or related to any of the foregoing; (h) to hear and adjudicate, subject to applicable law, and enter a final judgment resolving, any Avoidance Actions initiated by the Debtor, if necessary, proposed findings of fact and conclusions of law; (i) to consider and act on the compromise and settlement of any claim or cause of action by or against the Debtor, subject to the limitations on amount in controversy set forth in Article 8 of the Plan; (j) to issue orders in aid of execution and implementation of the Plan and the Confirmation Order, to the extent authorized by 11 U.S.C. § 1142 or provided by the terms of the Plan; (k) to hear and determine matters concerning federal, state or local taxes in accordance with §§ 346, 505 or 1146 of the Bankruptcy Code; and (m) to grant a final decree or enter an order closing the Chapter 11 Case and discharging the Debtor.

In no event shall the provisions of the Plan be deemed to confer in the Bankruptcy Court jurisdiction greater than that established by the provisions of 28 U.S.C. §§ 157 and 1334.

ARTICLE 11
COMPROMISES AND SETTLEMENTS

11.1 Effect of Confirmation Order.

Pursuant to Bankruptcy Rule 9019 and applicable provisions of the Bankruptcy Code, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all controversies resolved pursuant to the Plan. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtor, the Estate, Creditors and other parties in interest, and are fair, equitable and within the range of reasonableness. However, confirmation of the Plan does not compromise or settle any claims, Causes of Action, or Rights of Action held by the Debtor, except as expressly provided by the Plan. Nor does confirmation of the Plan affect the allowance or disallowance of Claims or Equity Interests, except as expressly provided by the Plan.

ARTICLE 12
MISCELLANEOUS PROVISIONS

12.1 Rejection of Executory Contracts and Unexpired Leases.

All executory contracts and unexpired leases are deemed to be rejected as of the Effective Date except with respect to any executory contract or unexpired lease as to which the Debtor has filed a Motion to Assume such executory contract or unexpired lease no later than twenty-one (21) calendar days before the commencement of a hearing to consider confirmation of the Plan. The Debtor may file a single motion listing multiple executory contracts and unexpired leases to be assumed. As to an executory contract or unexpired lease that is assumed, the Debtor shall be deemed to have made any required cure payments unless a written objection is filed before at least seven (7) days before the commencement of the confirmation hearing. If such executory contract or unexpired lease is rejected, the counterparty shall have thirty days from the effective date of rejection to file a proof of claim for rejection damages.

12.2 Bar Date for Administrative Claims.

No Administrative Claim, other than Professional Fees and United States Trustee fees, will be paid unless the holder of such Administrative Claim has filed an application for payment of such Administrative Claim on or before the Administrative Claim Bar Date. Upon the filing of any application for payment, the entity seeking payment of an Administrative Claim shall provide notice by United States Mail in accordance with the Bankruptcy Rules. Any Administrative Claim, other than Professional Fees and United States Trustee fees, not filed in accordance with this section shall be barred and the Debtor, the Debtor and the Debtor shall have

no liability for payment of any such Administrative Claim.

12.3 Objections to Administrative Claims.

Objections to Applications for payment of Administrative Claims may be filed by any party in interest. In order to be considered, such objections must be filed on or before the 24th day following the date on which the application was filed. Any objections will be determined by the Bankruptcy Court.

12.4 Payment of Professional Fees.

Each holder of a Professional Fee Claim shall be paid in respect of such Professional Fee Claim in Cash, in full, on the Effective Date, or, if such Claim has not been approved by the Bankruptcy Court on or before the Effective Date, promptly after Bankruptcy Court approval of the Professional Fee Claim by a Final Order. Final fee applications for any Professional Fee Claim that have not been approved as of the Effective Date shall be filed within 45 days of the Effective Date and such applications and objections thereto (if any) shall be filed in accordance with and comply in all respects with the Bankruptcy Code, the Bankruptcy Rules, and any applicable Orders of the Bankruptcy Court. The failure to file an application by the foregoing deadline shall constitute a waiver of all such Professional Fee Claim. The Debtor and the holder of an Allowed Professional Fee Claim may mutually agree to different payment terms, such a payout over time.

12.5 Payment of United States Trustee Fees.

Within 30 days of the date that such payments are due, the Debtor shall pay all amounts owing to the United States Trustee as fees and costs imposed in connection with this Chapter 11 Case.

12.6 Directive to State Agencies.

The Confirmation Order may be filed in the real property records of Dallas County, Tarrant County, and/or Henderson County as evidence of the Debtor's interest in leasehold estates.

12.7 Satisfaction of Liabilities.

The rights afforded in the Plan and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction and release of all Claims and Equity Interests of any nature whatsoever against the Debtor and/or the Estate, as well as assets, properties, and interests in property of the Debtor and/or the Estate. The Debtor shall not be responsible for any pre-Effective Date obligations of the Debtor except those expressly assumed by the Debtor.

12.8 Warranty of Transfers from Debtor.

All property, whether real or personal, to be transferred by the Debtor on behalf of the Debtor to any Person or entity under the Plan, is transferred "as is, where is," with no representation or warranty of any kind except that the Debtor holds indefeasible title to

such property and all transfers shall be transferred free and clear of all liens, claims and encumbrances pursuant to 11 U.S.C. § 363(f) and 11 U.S.C. § 1123(a)(5).

12.9 Compliance with Tax Requirements.

In connection with each distribution with respect to which the filing of an information return (such as an Internal Revenue Service Form 1099 or 1042) or withholding is required, the Debtor shall file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such distribution or effect any such withholding and deposit all moneys so withheld as required by law. With respect to any Person from whom a tax identification number, certified tax identification number or other tax information required by law to avoid withholding has not been received by the Debtor within thirty (30) days from the date of such request, the Debtor may, at his option, withhold the amount required and distribute the balance to such Person or decline to make such distribution until the information is received.

12.10 Amendment of the Plan.

The Plan may be amended or modified by the Debtor before, or by the Debtor after, the Effective Date, as provided in § 1127 of the Bankruptcy Code.

12.11 Timing of Distributions.

No payment required by the Plan shall be considered late or otherwise result in a default unless the Debtor has failed to make the payment after the passage of 30 days following the receipt by the Debtor of a written notice advising that a payment has not been received in accordance with the times set forth in this paragraph.

12.12 Enforcement of Subordination Agreements/Settlement Agreements.

Any written (i) subordination agreement between holders of Allowed Claims and (ii) settlements approved by the Bankruptcy Court during this Chapter 11 Case will be honored according to their terms for the purposes of distribution under the Plan.

12.13 Filing of Documents in Public Records.

Pursuant to § 1146 of the Bankruptcy Code, the issuance, transfer or exchange of a security or the making of an instrument of transfer under the Plan (including, without limitation, the filing of any mortgage, deed of trust, security agreement, uniform commercial code financing statement or other similar document) shall not be taxed under any law imposing a stamp tax or similar tax. Under the Plan, all state or local governmental officials or agents are directed to forego 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.

12.14 Right to Seek Further Orders.

The Debtor, if, and to the extent necessary, will seek such orders, judgments, injunctions,

regulatory approvals, and rulings that may be required to carry out and further the intentions and purposes, and give full effect to the provisions, of the Plan.

12.15 Regulatory Approvals.

As the Plan is not intended to modify or supplant any regulatory authority over the Debtor, all regulatory approvals required in connection with the Plan will be sought and obtained.

12.16 Withdrawal of Plan.

The Debtor reserves the right to withdraw the Plan at any time prior to the Confirmation Date.

12.17 Filing of Additional Documentation.

On or before the Effective Date, the Debtor may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

12.18 Implementation.

The Debtor shall be authorized to perform all reasonable, necessary and authorized acts to consummate the terms and conditions of the Plan.

12.19 Substantial Consummation.

On the Effective Date, the Plan shall be deemed to be substantially consummated under Bankruptcy Code §§ 1101 and 1127(b).

12.20 Further Effect of Confirmation.

Intentionally Omitted.

12.21 Dates.

The provisions of Bankruptcy Rule 9006 shall govern the calculation of any dates or deadlines referenced in the Plan.

12.22 Governing Law.

Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, without giving effect to any conflicts of law principles.

12.23 Conflict.

Except as otherwise provided in the Plan, to the extent the Confirmation Order and/or the Plan are inconsistent with the Disclosure Statement or any other agreement entered into between the Debtor and any third party, the Plan and Confirmation Order control over any inconsistent language the Disclosure Statement.

12.24 Severability.

The provisions of the Plan shall not be severable unless such severance is agreed to by the Debtor and such severance would constitute a permissible modification of the Plan pursuant to § 1127 of the Bankruptcy Code.

12.25 Setoffs.

The Debtor may, but shall not be required to, set off against any Claims and the payments or Distributions to be made pursuant to the Plan in respect of such Claims, any and all debts, liabilities and claims of every type and nature whatsoever that the Estate or the Debtor may have against the Holder of any Claim, but neither the failure to do so nor the Allowance of any such Claims, whether pursuant to the Plan or otherwise, shall constitute a waiver or release by the Debtor or the Debtor of any such Claims they may have against such Holder of any Claim, and all such claims shall be reserved for and retained by the Debtor.

12.26 Other Considerations.

The Plan affords holders of Claims the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interests of such holders. If the Plan is not confirmed, however, the theoretical alternatives include: (a) continuation of the Chapter 11 Case; (b) alternative plans of reorganization/liquidation; (c) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code; and (d) dismissal of the Chapter 11 Case.

12.27 Feasibility of the Plan.

The Debtor projects that it will be able to make payments required by the Plan and that further financial reorganization will be unnecessary. The Debtor has prepared projections showing its ability to do so.

12.28 Alternative Plans of Liquidation.

If the Plan is not confirmed, the Debtor or another party in interest in the case could attempt to formulate and propose a different plan or plans. Such plans might, theoretically, involve some other form of reorganization or liquidation of the Debtor's operations and assets. Any alternative plans, however, would likely result in additional administrative expenses to the estate and would provide little or no benefit. The Plan proposed by the Debtor is straightforward, meets the requirements of § 1129, and provides the best outcome for Creditors.

12.29 Liquidation under Chapter 7.

The Debtor does not believe that the case should be converted to Chapter 7. Conversion to Chapter 7 would prevent the completion of the Building and result additional administrative expenses attributable to statutory trustee fees and professional fees for the Chapter 7 trustee's professionals. The Debtor has no unencumbered assets. The Property is worth \$1,875,000 once the Building is completed. Until the Building is completed, the property is worth no more than \$700,000. The completion of the Building would create a valuable asset and provide the economic basis to pay Allowed Claims in full. In a Chapter 7 liquidation, First Financial would eventually obtain relief from the automatic stay and foreclose on the uncompleted Building, whose value would be far less than the value of the completed Building. First Financial would likely recover less than the full balance of the secured debt. The Debtor's unsecured Creditors would receive nothing. Under the Plan, First Financial and the holders of Allowed General Unsecured Claims will be paid in full. The Plan is far superior to a liquidation in Chapter 7.

12.30 Risk Factors.

Both confirmation of the Plan, and consummation of the Plan, are subject to certain risks. The Debtor cannot predict all of the factors that may influence the Debtor future operations. There is always some risk involved in the operation of a business and success cannot be guaranteed. In addition, there are certain risks inherent in the administration process under the Bankruptcy Code. If certain standards set forth in the Bankruptcy Code are not met, the Bankruptcy Court will not confirm the Plan even if Creditors and Equity Interest holders accept the Plan. Although the Debtor believes that the Plan meets such standards, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court were to determine that such requirements were not met, it could require the Debtor to re-solicit acceptances, which could delay and/or jeopardize confirmation of the Plan. The Debtor believes that the solicitation of votes on the Plan will comply with § 1126(b) and that the Bankruptcy Court will confirm the Plan. The Debtor cannot, however, provide assurance that modifications of the Plan will not be required to obtain confirmation of the Plan, or that such modifications will not require a re-solicitation of acceptances.

12.31 Taxation.

NOTHING STATED HEREIN SHALL BE CONSIDERED TAX ADVICE. HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR ARE THEREFORE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

12.31.1 Introduction.

The following discussion summarizes certain federal income tax consequences of the transactions described herein and in the Plan. This discussion is for informational purposes only and does not constitute tax advice. This summary is based upon the Internal Revenue Code and the Treasury Regulations promulgated thereunder, including judicial authority and current administrative rulings and practice as of the date of this Disclosure Statement and will not be updated for subsequent tax or factual developments. Neither the impact on foreign holders of

claims and equity interests nor the tax consequences of these transactions under state and local law is discussed. Also, special tax considerations not discussed herein may be applicable to certain classes of taxpayers, such as financial institutions, broker-dealers, insurance companies, mutual funds, regulated investment companies, real estate investment trusts, trusts, S corporations, dealers and traders in securities and currencies, partnerships and other entities classified as partnerships for federal tax purposes and tax-exempt organizations. Furthermore, due to the complexity of the transactions contemplated in the Plan, and the unsettled status of many of the tax issues involved, the tax consequences described below are subject to significant uncertainties including subsequent legislative and other tax changes. No opinion of counsel has been obtained and no ruling has been requested from the Internal Revenue Service (“IRS”) on these or any other tax issues. There can be no assurance that the IRS will not challenge any or all of the tax consequences of the Plan, or that such a challenge, if asserted, would not be sustained.

12.31.2 Tax Consequences to Creditors.

In General. The federal income tax consequences of the implementation of the Plan to a holder of a Claim will depend, among other things, on: (a) whether its Claim constitutes a debt or security for federal income tax purposes, (b) whether the Claimant receives consideration in more than one tax year, (c) whether the Claimant is a resident of the United States, (d) whether all the consideration by the Claimant is deemed to be received by that Claimant as part of an integrated transaction, (e) whether the Claimant utilizes the accrual or cash method of accounting for tax purposes, and (f) whether the holder has previously taken a bad debt deduction or worthless security deduction with respect to the Claim.

Gain or Loss on Exchange. Generally, a holder of an Allowed Claim will realize a gain or loss on the exchange under the Plan of his Allowed Claim for cash and other property in an amount equal to the difference between (i) the sum of the amount of any cash and the fair market value on the date of the exchange of any other property received by the holder (other than any consideration attributable to accrued but unpaid interest on the Allowed Claim), and (ii) the adjusted basis of the Allowed Claim exchanged therefore (other than basis attributable to accrued but unpaid interest previously included in the holder’s taxable income). Any gain recognized generally will be a capital gain (except to the extent the gain is attributable to accrued but unpaid interest or accrued market discount, as described below) if the Claim was a capital asset in the hand of an exchanging holder, and such gain would be a long-term capital gain if the holder’s holding period for the Claim surrendered exceeded one (1) year at the time of the exchange.

The tax treatment of an Allowed Claim for accrued unpaid interest will depend on the Claimant’s tax basis in such Claim, which primarily depends on whether the Claimant has previously recognized income for the accrual of such interest and/or recognized a loss with respect to same. Any such holders should consult with their tax advisors regarding the tax treatment of any such accrued unpaid interest.

Any loss recognized by a holder of an Allowed Claim will be a capital loss if the Claim constitutes a “security” for federal income tax purposes or is otherwise held as a capital asset. For this purpose, a “security” is a debt instrument with interest coupons or in registered form.

12.31.3 Information Reporting and Backup Withholding.

Under the backup withholding rules of the Internal Revenue Code, holders of Claims and Equity Interest Holders may be subject to backup withholding with respect to payments made pursuant to the Plan unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a correct taxpayer identification number and certifies under penalties of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividends and interest income. Any amount withheld under these rules will be credited against the holder's federal income tax liability. Holders of Claims and Equity Interests may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

12.31.4 Importance of Obtaining Professional Assistance.

THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT, THE PLAN OR ANY RELATED MATERIALS, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY YOU, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON YOU UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; AND (B) ANY SUCH DISCUSSIONS ARE BEING USED ONLY IN CONNECTION WITH SATISFYING THE REQUIREMENTS IMPOSED UNDER THE BANKRUPTCY CODE FOR DISCLOSURE STATEMENTS, AND (C) YOU SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR WITH RESPECT TO YOUR FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES BASED ON YOUR PARTICULAR CIRCUMSTANCES.

ARTICLE 13 CAUSES OF ACTION

13.1 Preferences.

Under the Bankruptcy Code, the Debtor may recover certain preferential transfers of property, including cash, made while insolvent during the 90 days immediately prior to the filing of its bankruptcy petition with respect to pre-existing debts, to the extent the transferee received more than it would have in respect of the pre-existing debt had the Debtor been liquidated under Chapter 7 of the Bankruptcy Code. In the case of "insiders," the Bankruptcy Code provides for a one-year preference period. There are certain defenses to such recoveries. Transfers made in the ordinary course of the Debtor's and transferee's business according to the ordinary business terms in respect of debts less than 90 days before the filing of a bankruptcy are not recoverable. Additionally, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension of credit may constitute a defense to recovery, to the extent of any new value, against an otherwise recoverable transfer of

property. If a transfer is recovered by the Debtor, the transferee has an Unsecured Claim to the extent of the recovery. The Debtor reserves the right to bring preferential transfer claims against any transferee of a preferential transfer, including, but not limited to, the Non-Released Parties. However, the Debtor is not aware of any preferential transfers.

13.2 Fraudulent Transfers.

Under the Bankruptcy Code and various state laws, the Debtor may recover certain transfers of property, including the grant of a security interest in property, made while insolvent or which rendered the Debtor insolvent. The Debtor reserves the right to bring fraudulent conveyance claims.

The Debtor has conducted a limited analysis of potential recoveries under Chapter 5 of the Bankruptcy Code. The Debtor is not currently aware of any Chapter 5 Causes of Action but reserves the right to pursue such Actions if they exist. Creditors are advised that if they received a voidable transfer, they may be sued whether or not they vote to accept the Plan. All avoidance actions and rights pursuant to §§ 506(c), 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552(b), 553 and 724 of the Bankruptcy Code and all causes of action under state, federal or other applicable law shall be retained and may be prosecuted or settled by the Debtor in his/her sole discretion. To the extent that material amounts are recovered, it will enhance the returns to the holders of Allowed Claims or Equity Interests.

ARTICLE 14 **VOTING PROCEDURES AND REQUIREMENTS**

14.1 Ballots and Voting Deadline.

A ballot to be used to vote to accept or reject the Plan is enclosed with this Disclosure Statement. A Creditor who is voting must (1) carefully review the ballot and instructions thereon, (2) complete and execute the ballot indicating the Creditor's vote to either accept or reject the Plan, and (3) return the executed ballot to the address indicated thereon by the deadline specified by the Bankruptcy Court.

The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received by the Debtor no later than February __ 2018 at 5:30 P.M.

If you hold an impaired Claim against the Debtor, return your ballot to:

ROBERT A. SIMON
WHITAKER CHALK SWINDLE &
SCHWARTZ, PLLC
301 COMMERCE STREET, SUITE 3500
FORT WORTH, TEXAS 76107
PHONE: 817-878-0543
FAX: 817-878-0501
Email: rsimon@whitakerchalk.com

TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:30 P.M. (PREVAILING CENTRAL TIME) ON FEBRUARY __, 2018.

14.2 Creditors Entitled to Vote.

Any Creditor whose Claim is impaired under the Plan is entitled to vote, if either (i) the Debtor has scheduled its Claim on its Statement of Liabilities and such Claim is not scheduled as disputed, contingent or unliquidated, or (ii) such Creditor has filed a Proof of Claim on or before the last date set by the Bankruptcy Court for filing Proofs of Claim and no objection has been filed to such Claim.

Holdings of Disputed Claims are not entitled to vote on the Plan. Any Claim to which an objection has been filed and remains pending is not entitled to vote unless the Bankruptcy Court, upon motion by the Creditor who holds a Disputed Claim, temporarily allows the Claim in an amount that it deems proper for accepting or rejecting the Plan. Any such motion must be heard and determined by the Bankruptcy Court before the date established by the Bankruptcy Court as the final date to vote on the Plan. In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection of the Plan by the Creditor was not solicited or obtained in good faith or according to the provisions of the Bankruptcy Code.

Classes of Claims that are not impaired are deemed to have accepted a plan of reorganization pursuant to § 1126(f) and, therefore, are not entitled to vote on a plan. Pursuant to § 1126, only classes of claims or equity interests that are “impaired” are entitled to vote on a plan of reorganization. Generally, a claim is impaired if the plan of reorganization alters the legal, equitable, or contractual rights to which the holder of such claim is otherwise entitled.

14.3 Voting Procedures.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, revocation, or withdrawal of Ballots will be determined by the Debtor, in its sole discretion, and the Debtor’s determination will be final and binding. The Debtor also reserves the right to reject any Ballot not in proper form, the acceptance of which would, in the opinion of the Debtor or its counsel, be unlawful. The Debtor further reserves the right to waive any defects or irregularities or conditions or delivery as to any particular Ballot. The interpretation by the Debtor of the provisions of this Disclosure Statement and the Ballots will be final and binding on all parties in interest unless otherwise directed by the Bankruptcy Court. Unless waived, any defects or irregularities concerning deliveries of Ballots must be cured within such time as the Debtor (or the Bankruptcy Court) determine. Neither the Debtor nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liability for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of Ballots will not be deemed to have been made and will be invalidated unless or until all defects and irregularities have been timely cured or waived.

14.4 Vote Required for Class Acceptance.

The Bankruptcy Code defines acceptance of a chapter 11 plan by a class of Claims as the acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half in

number of the allowed Claims of the class actually voting to accept or reject the proposed plan.

The Bankruptcy Code defines acceptance of a Chapter 11 plan by a class of Equity Interests as the acceptance by holders of at least two-thirds (2/3) in amount of the Allowed Interests in the class actually voting to accept or reject the proposed plan.

14.5 Cramdown and Withdrawal of the Plan.

If the Plan is not accepted by all classes of impaired Creditors, the Debtor reserves the right to withdraw the Plan. If the Plan is accepted by one or more Classes of impaired Creditors of the Debtor, the Debtor reserves the right to request the Bankruptcy Court to approve the Plan under 11 U.S.C. § 1129(b).

THE DEBTOR STRONGLY URGES ALL IMPAIRED CREDITORS TO VOTE TO ACCEPT THE PLAN.

Dated: December 8, 2017.

ROSEDALE/LAKE STREET, LLC
Debtor in Possession

By: /s/ R. David Tillman
R. David Tillman