

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE: §
§
K4M Construction & Devel., LLC § **CASE NO. 16-30646-H1-11**
§ **(Chapter 11)**
§
DEBTOR §

DEBTOR'S AMENDED DISCLOSURE STATEMENT

K4M Construction & Development, LLC, the Debtor in this Bankruptcy Case, files this Disclosure Statement pursuant to the provisions of 11 U.S.C. § 1125.

NEITHER THIS DISCLOSURE STATEMENT NOR THE CHAPTER 11 PLAN HAS BEEN APPROVED BY THE COURT AS CONTAINING ADEQUATE INFORMATION UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE. ALL CREDITORS HAVE THE RIGHT TO OBJECT TO THIS DISCLOSURE STATEMENT AS NOT CONTAINING ADEQUATE INFORMATION AS REQUIRED BY SECTION 1125(b).

**I.
INTRODUCTION**

"Plan" means the accompanying Chapter 11 Plan of Reorganization. Information contained in this Disclosure Statement summarizes the Plan and should not be solely relied upon for voting purposes. Creditors and Interest Holders are urged to read the Plan carefully and are further urged to consult with their counsel in order to understand the Plan fully. The Plan is a legally binding document.

IN THE OPINION OF THE DEBTOR, THE TREATMENT OF CREDITORS AND THE INTEREST HOLDERS UNDER THE PLAN PROVIDES A GREATER CHANCE OF RECOVERY THAN THAT WHICH IS LIKELY TO BE ACHIEVED UNDER OTHER ALTERNATIVES REGARDING THE REORGANIZATION OR LIQUIDATION OF THE DEBTOR. ACCORDINGLY, THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN WOULD BE IN THE BEST INTERESTS OF CREDITORS, AND RECOMMENDS ACCEPTANCE OF THE PLAN.

1.01 REPRESENTATIONS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF CREDITORS AND INTEREST HOLDERS OF THE DEBTOR. NO REPRESENTATIONS CONCERNING THE PLAN ARE AUTHORIZED OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION OR INDUCEMENT THAT IS NOT CONTAINED HEREIN SHOULD BE REPORTED TO THE ATTORNEYS FOR THE DEBTOR, WHO WILL INFORM THE COURT, AND THE COURT WILL TAKE SUCH ACTION AS IT DEEMS APPROPRIATE.

THE PLAN PROPONENT DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS CORRECT, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

THIS STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THE PLAN THAT ACCOMPANIES THIS DISCLOSURE STATEMENT IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND EACH CREDITOR AND INTEREST HOLDER IS URGED TO REVIEW THE PLAN.

THE PLAN PROPONENT MAKES NO REPRESENTATIONS WITH RESPECT TO THE EFFECTS OF TAXATION (STATE OR FEDERAL) ON THE CREDITORS WITH RESPECT TO THE TREATMENT OF THEIR CLAIMS UNDER THE PLAN, AND NO SUCH REPRESENTATIONS ARE AUTHORIZED. ANY TAX INFORMATION CONTAINED HEREIN IS MADE FOR INFORMATION PURPOSES ONLY. PARTIES-IN-INTEREST ARE URGED TO SEEK THE ADVICE OF THEIR OWN PROFESSIONAL ADVISORS SHOULD THEY HAVE ANY QUESTIONS WITH RESPECT TO ANY BANKRUPTCY OR TAX RELATED ISSUES.

THE CONFIRMATION OF THE PLAN DISCHARGES THE DEBTOR FROM ALL DISCHARGEABLE PRE-FILING DEBTS BY VIRTUE OF THE ORDER OF CONFIRMATION OR SECTION 1141(d) OF THE BANKRUPTCY CODE. IN ADDITION, OTHER RIGHTS OF CREDITORS MAY BE ALTERED BY THE PLAN. CONFIRMATION MAKES THE PLAN BINDING UPON ALL CREDITORS AND OTHER PARTIES-IN-INTEREST, REGARDLESS OF WHETHER OR NOT THEY HAVE ACCEPTED THE PLAN.

ALL INITIALLY CAPITALIZED WORDS USED IN THIS

DISCLOSURE STATEMENT HAVE THE SAME DEFINITIONS SET OUT IN ARTICLE I OF THE PLAN.

1.02 Source of Information and Accounting Method. The financial information contained in this Disclosure Statement was compiled primarily from information provided by disclosures previously made by the Debtor. Accounting is on a cash basis. The Debtor has and continues to maintain its books and records. In addition, some factual allegations and statements contained in this Disclosure Statement have been provided by third-parties, and are so designated. That party has also included statements and factual background regarding Kirt McGhee who is not the Debtor, and therefore may have no relation to this bankruptcy case. The Debtor cannot, and does not make any representations as to the accuracy of those statements.

1.03 Explanation of Chapter 11. Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Upon filing of a Chapter 11 petition, Section 362 of the Bankruptcy Code provides for a temporary automatic stay of all attempts to collect claims that arose prior to the Filing Date, or otherwise to interfere with the Debtor's property or business, in order to permit the Debtor to attempt to reorganize.

Formulation of a Plan of Reorganization is the primary purpose of a Chapter 11 Reorganization Case. A Plan of Reorganization sets forth the means for satisfying the holders of all claims against, and interests in, a debtor. Confirmation of a Chapter 11 Plan of Reorganization requires that either (i) all classes of claims and interests entitled to vote accept the plan or (ii) that the plan be accepted by the holders of at least one impaired class of claims not counting the votes of claims held by "insiders" as that term is defined by the Bankruptcy Code and, that the Plan be confirmed as to each objecting class pursuant to section 1129(b) of the Bankruptcy Code (the so called "cramdown" provisions). In addition to the acceptance requirements of at least one impaired class, Section 1129 of the Bankruptcy Code contains additional criteria that must be satisfied before a Bankruptcy Court may confirm a Plan of Reorganization. **See "Confirmation Standards and Procedures."**

Confirmation makes the Plan binding upon the Debtor and all Creditors, whether or not they have accepted the Plan.

1.04 Procedure for Filing Proofs of Claim. The Plan provides that Claims will be recognized only if evidenced by a filed proof of claim that has not been objected to or disallowed by the Court, or if the Claim appears on the Debtor's schedules filed with the Court and is not listed as disputed, contingent or

unliquidated. In addition, the Bankruptcy Code permits the Debtor to ask the Court to reject unexpired leases and executory contracts. The Plan provides that the party to any such lease or contract which is rejected must file a proof of claim for damages no later than thirty days after the entry of the Order authorizing rejection of the lease or contract. However, a previously unrecognized claim may be subsequently allowed and ordered paid by the Court. Debtor's schedules may be reviewed in the Office of the Clerk of the Bankruptcy Court during regular business hours.

1.05 Voting. In submitting this Disclosure Statement, The Plan Proponent is not seeking the acceptance of the Plan by the Creditors in Classes which are unimpaired by the Plan. Unimpaired Creditors are not entitled to vote on the Plan. Members of Classes which hold impaired claims are entitled to vote to accept or reject the Plan. If any Class elects to reject the Plan, Claims in that Class may be treated according to the cram-down provisions of section 1129(b) of the Bankruptcy code.

1.06 Classes Impaired Under the Plan. Classes 1, 2, and 3, under the Plan are impaired and are eligible to vote to accept or reject the Plan subject to the limitations set forth in the Plan.

II.

THE CHAPTER 11 DEBTOR

2.01 The Plan Proponent. The Plan is proposed by the Debtor. The Debtor believes that the Plan as proposed is in the best interests of the creditors.

2.02 The Debtor, Business Background and Events leading to Chapter 11 Filing. K4M Construction & Development, LLC ("K4M" or "Debtor") was created in December of 2011. Based upon a short history with Michael Mauck, and his companies M2 Investments and MPM Capital (collectively referred to as "MPM"), in buying, refurbishing and selling houses, Kirt McGhee incorporated K4M in order to continue the real estate investment and construction business formerly done between Kirt McGhee individually, and MPM.

K4M did its first deal in June, 2011, a purchase and remodel of a home located at 1306 Chamboard. K4M partnered with MPM on a 50/50 split of profits, with MPM supplying the capital. This first deal for the Debtor had multiple problems, including the contractor taking a \$50,000 payment and failing to pay his laborers or complete the work. Most of the labor was ultimately performed by Mr. McGhee, and the project ended up at a profit. Accounting issues with MPM began with this

very first project. MPM indicated that the Chamboard project didn't make much money, however the HUD Settlement Statement at the closing of the sale of the property indicated that the Seller's received \$30,578.89. K4M was not distributed its portion of the proceeds.

After completion of the first Chamboard house, a neighbor across the street approached Mr. McGhee, and asked him to remodel her home at 1309 Chamboard as well. K4M completed the second Chamboard remodel, and made a small profit of around \$20,000.

Then, a third resident approached Mr. McGhee, and ask if K4M would be interested in buying his lot (1305 Chamboard). MPM agreed to fund the purchase and construction of 1305 Chamboard, and the project began approximately February of 2012. The demolition of the existing home, construction of a new home and the sale of the completed project was closed by November 6, 2012. MPM invested \$165,000 for the purchase of the land, and \$193,925 for the demolition/new construction (\$358,925.00 total). At closing, MPM received \$465,952.02 as payoff on the \$358,925 loan. After payment of all claims and liens, including the MPM lien, the third Chamboard property netted a \$68,633.45 profit. MPM claimed ½ of the \$68,633.45. During the demolition/construction of this 3rd Chamboard property, K4M also provided construction services to Turnkey Investments, LLC, an entity owned by Kirt McGhee.

On 8/3/2012, McGhee took MPM a 14 lot deal in Missouri City, TX. McGhee and MPM entered into a 12-month, 50/50 joint venture, with K4M receiving an additional \$7,500.00/month management fee. The lots closed for a purchase price of \$285,000.00. Just as in the earlier Chamboard projects, this was not in reality a joint venture or an investment by MPM. Each advance was credited on a line of credit signed by K4M and McGhee. The accounting and the advances were controlled by MPM, and in effect, controlling the pace of development and closings, by controlling the funding. Approximately half the lots were improved, and sold, profiting more than the cost of all 14 lots. The remaining 7 lots were sold in 2015, with MPM taking the proceeds.

An additional lot in the Missouri City deal was purchased, which is currently owned by the Debtor. MPM stalled and defaulted on timely funding for improvements, which resulted in an increase in construction costs and a decrease in profits. Due to delay and refusal to fund, only 7 of the 15 lots were improved and sold over a 3 year period.

On November 6, 2012, MPM made a note for \$37,000 to K4M. This was done at the request of Mauck, allegedly to help him with his self-directed IRA. MPM wired the money to McGhee, and on December 2, 2012, McGhee wrote him a check (#1232) for \$30,000.00. It was agreed that the remaining \$7,000 would be paid back out of the next two houses “dirt work” being built in Missouri City. MPM eventually received \$9,000.00 in payments for the remaining funds due.

There remains significant accounting discrepancies between the Debtor and MPM, which has resulted in the current financial condition of the Debtor.

STATEMENT BY MICHAEL MAUCK¹

The relationship between K4M, Turnkey Investments (TKI) and Kirt McGhee dates back to the fall of 2006. MPM had formed M2 Investments LLC in July 2007 to invest in single family homes to repair and resell. Mr. McGhee was soliciting home buyers and/or renters as well as investors to purchase properties where he would find buyers and/or renters for the investor. Mr. McGhee asked MPM to help support and grow his mortgage brokerage business for the Denver metropolitan area in the fall of 2006. In December 2006, Mr. McGhee had requested a business loan from MPM to expand his business and pay bills for his operations. MPM agreed. The initial loan amount was for \$20,000 with additional funds being requested between December 2006 and July 2007.

In March 2011, Mr. McGhee approached Mr. Mauck about a business proposition to fix & flip properties in the Houston area. Mr. McGhee suggested a (50/50) profit split where: (a) MPM would supply the capital to buy low cost homes and the funds for improvements and (b) Mr. McGhee would subcontract all of the necessary repair work so that the home could be resold for a profit. As part the new business venture with Mr. McGhee, MPM agreed to eliminate the interest due from the loan in 2007 with the intent that Mr. McGhee would be repaying MPM for the principal balance of loan from any profit split of projects completed.

On April 21, 2011, M2 Investments purchased a property at 16335 Maplemont Dr. Houston, TX 77095. The property was refurbished by K4M using funds provided by M2 Investments and resold on June 27, 2011. The 1306 Chamboard Property identified by K4M was the 2nd property. There was a loss on the project above what was paid to the contractor who didn't complete the project. K4M's statement that accounting issues began with the first project are correct. However, the accounting problems were caused by K4M's failure to provide the

¹ Mr. Mauck/MPM believes that this section of the Disclosure Statement should contain this additional in order to be complete. The Debtor does not adopt, nor does it agree with all of the factual allegations or the characterizations contained in Mr. Mauck's statement

required receipts and documentation in a timely manner. The HUD statement referenced by K4M did indicate that the Seller (M2 Investments) received \$30,578. However, the HUD did not show actual costs/expenses incurred plus interest paid by M2 Investments on the project over and above the refurbishing loan which was paid off at closing.

The total amount invested by MPM as a secured basis to K4M for the 1305 Chamboard project was a purchase price of \$166,578 (not 165,000) plus \$193,925 for demolition and construction. At the request of K4M, MPM loaned an additional \$27,000 to K4M because K4M was over budget. K4M also borrowed another \$25,000 from M2 Investments on August 16, 2012, plus another \$5,000 on October 5, 2012 from M2 Investments to complete the 1305 project. The total amount invested by MPM was \$387,503. The total amount invested by M2 Investments was \$30,000. Check #1232 for \$30,000 referenced by K4M was a repayment of the \$30K loan owed to M2 Investments; not the \$37K unsecured note mentioned by K4M.

K4M wanted to purchase a backhoe and trailer for use on the Oak Pointe project and other K4M projects. K4M requested a loan from MPM for the funds necessary to purchase this equipment. MPM agreed to make the \$37,000 loan and funded the loan by writing check #2101, dated November 12, 2012, payable to K4M for \$37,000. The funds were not wired, as stated by K4M.

On November 6, 2012, K4M signed a \$37,000 unsecured note providing for full payment on or before August 6, 2013. Only 1 payment for \$3,000 (check #1652 dated January 7, 2014) was made by K4M to MPM on the \$37K note.

MPM disagrees with K4M's allegation that check #1232 was made payable to MPM in payment of the \$37K note. In fact, check #1232, dated December 2, 2012, for \$30K, was made payable to M2 Investments to repay the additional funds needed by K4M to complete the 1305 Chamboard project. It was not tendered in partial payment of the \$37K note, as suggested by K4M.

In July 2011, Mr. McGhee found another opportunity to get into the laminate business using a very unique wood from a Hawaii (KOA tree). He requested another loan of \$15,000 from MPM for this project with the intent to pay back the loan to MPM plus a 10% fee within 120 days. Mr. McGhee was over budget on this project and requested additional funds from MPM to pay for expenses. MPM provided another \$4,000 to Mr. McGhee for a total loan amount of \$19K. Unfortunately, this project failed and Mr. McGhee was unable to sell the laminate material for the profit as planned.

The Debtor's Assets.

On the Petition Date, the Debtor's assets included improved real property (single family home) located at 2919 Oak Pointe, Missouri City, Texas 77459. The

Debtor scheduled a value for the Property of \$500,000.00, however the Property is currently being marketed at an asking price of \$540,000.00. The Property's listing price was set independently by the retained real estate agent. The explanation of the higher listing price by the agent, Ms. Nancy Benevides is as follows: "I do think the home is priced high, but after viewing the home, it is truly a unique property with more features and custom upgrades than any other homes sold in the area. I was never given any clear instructions on pricing the home. I requested to list the home 3% over the appraisal, but saw several issues with the report given. The appraiser did not have the correct square footage, he had in incorrect year built, sale 3 is from 1993 and the home was outdated and larger, sale 5 is in the same neighborhood, but not a golf course or water lot, sale 8 is much smaller (1200 sq ft) by the apartments.

My suggestion, that went unanswered was to start the price on the higher side and then have regular reductions in price every 30 days to respond to market conditions."

No other real property is owned by the Debtor.

Personal property as of the petition date consists of²:

- a. Cash (Prosperity Bank checking account) \$6,000.00(approximate)
- b. Receivables \$458,600.00
 - a. Receivable From MPM Capital/Michael Mauck \$450,000.00 for development fees and sales commissions.
 - b. Michael Krmar
- c. 16' Utility Trailer \$500.00
- d. Domain Name – k4mbuilds.com \$(no real value)
- e. K4M Construction & Development Facebook Page
- f. Unliquidated Claims (Mr. Mauck believes the claims against the accountant and Mauck are worthless):
 - a. Accounting malpractice and wrongful disclosure claims against Brendan Doran, and Doran & Johnston, CPA;
 - b. Breach of contract, warranty and related claims for failure to install equipment correctly, and for sub-standard work against Vazquez Plumbing, Gold Plumbing, and against the individuals performing the work;
 - c. Claims against Michael Mauck, MPM Capital, LLC, and related entities and individuals, related to the claims filed in this case by MPM Capital, LLC, including breach of contract;
 - d. Claims against Michael Krmar for work performed, and not paid for;

² See Debtor's last three (3) months of Operating Reports attached hereto.

- e. Claim against Arnulfo Ponce for defective work on the improved real property, and for improperly filing a mechanic's and materialman's lien.

On February 2, 2016, the Debtor filed with the Bankruptcy Court its Schedules of Assets and Liabilities and Statements of Financial Affairs (collectively, the "Schedules"). Schedule A/B was Amended May 9, 2016. 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 Interest Holders are referred to the Schedules. Copies of the Schedules are available from the Clerk's office, or from the Debtor upon request.

Post-Petition Events.

Since the filing of the bankruptcy case, the following has occurred:

- The United States Trustee was unable to appoint a creditors committee;
- The Debtor attended its Initial Debtor Interview and 341 meeting of creditors;
- Debtor resolved, by compromise, a dispute as to ownership of the improved real property and the applicability of the automatic stay;
- Debtor has requested the employment of a real estate professional to market and sell the improved real property;
- An appraisal of the improved real property was obtained by MPM Capital, LLC, the entity asserting a secured claim against the improved real property;
- The Debtor filed its Plan and Disclosure Statement for consideration by the creditors.

2.03 Debtor's Liabilities. At the time the Debtor entered into the Bankruptcy, it had secured debt, had priority tax debt to the IRS and Harris County, and had

unsecured debt. The Debtor had debts as follows at the time of filing the petition³:

<u>Debt</u>	
Secured – Improved Real Property	\$425,472.28
Fort Bend County – Ad Valorem 2015 – 2016	\$8,440.06
Fort Bend ISD – Ad Valorem 2015 - 2016	\$10,467.80
Harris County – Personal Property	\$1,032.44
National Funding – Personal Property	\$156,689.03
IRS – Priority Claim ⁴	\$157,119.94
General Unsecured	\$509,684.19
TOTAL	\$1,255,834.40

2.04 Anticipated Future and Management of Debtor. The Debtor's Plan of Reorganization calls for

- The creation of a liquidating trust;
- The transfer of all assets to the liquidating trust, including claims, causes of action, and pending lawsuits/adversaries;
- Transfers of interests in the liquidating trust to creditors;
- Liquidation of all assets for the benefit of the creditors of the Debtor.

III. **SUMMARY OF THE PLAN**

The following is a brief summary of certain provisions of the proposed Plan of Reorganization provided to assure that the creditors affected by the Plan understand its provisions. This summary should not be considered a solicitation for acceptance of that Plan. Additionally, creditors should not rely on this summary to decide

³ The totals include filed proofs of claim by creditors. By listing and including the amounts and creditors filing claims, the Debtor is not waiving its right to object to any or all of the filed claims, or the claims listed in its schedules.

⁴ Debtor believes that the IRS Claim should be reduced to \$0.00 as it claims amounts for wages and withholding, for which no liability should exist.

whether or not to vote in favor of or against the Plan, but are expressly referred to the Plan itself since it contains many provisions which will not be summarized herein.

3.01 Classification and Treatment of Creditors. The Plan of Reorganization will provide for classification of creditors in accordance with the United States Bankruptcy Code.⁵

Administrative Claims and Priority Tax Claims. In accordance with § 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims and Interests.

Allowed Administrative Claims arising under 11 U.S.C. § 503(b) will be paid in Cash and in full by the Liquidation Trust on the later of (a) the Distribution Date, (b) the date on which such Administrative Claim becomes an Allowed Claim; or (c) such other date as the Trustee for the K4M Liquidation Trust and the holder of the Allowed Administrative Claim shall agree.

Allowed Priority Tax Claims against the Debtor will be paid in Cash by the Liquidation Trust within 30 days of the liquidation of the Property on the later of (a) the Distribution Date; (b) the date on which such Priority Tax Claim becomes an Allowed Claim; or (c) thirty (30) days after the closing of the sale of the Property by the Liquidation Trust. The Debtor believes that the IRS proof of claim is incorrect since it is based on employee withholding taxes, and the Debtor has not had any employees. The IRS claim will be objected to.

Class 1 – Secured Claims. Class 1 is impaired. Each holder of an allowed Secured Claim shall receive payment upon the liquidation and sale of their respective collateral. If the proceeds of the specific collateral are insufficient to satisfy the respective allowed secured claim, the remaining amounts owed shall be immediately and automatically converted to a Class 2 – General Unsecured Claim, with each receiving a pro-rata share of the Class A Liquidating Trust Beneficial Interests. If a holder of a Class 1 – Secured Claim receives funds equal to its Allowed Secured Claim, the holder shall receive no further distributions, nor shall it have a claim against the Debtor or the Liquidating Trust. The secured claims

⁵ The right to dispute or object to any/all of the claims listed in this Disclosure Statement is not waived by the listing, description, identification or other references. Debtor's listing of claim amounts is for informational purposes only and is not binding in future claim objection proceedings. The listed claim amounts are either from filed proofs of claim or Debtor's estimate of the claim as reflected in the Debtor's Schedules.

included in Class 1 are:

<i>Asserted Collateral - 2919 Oak Pointe</i>		<i>Lien Priority</i>
Fort Bend ISD	\$10,467.80	1 st
Fort Bend County	\$8,440.06	1 st
MPM Capital, LLC	\$425,472.286	2 nd
<i>Asserted Collateral – Personal Property</i>		
Harris County	\$1,032.44	1 st
National Funding, Inc.	\$156,889.03	2 nd

Class 2 – General Unsecured Claims - Class 2 is impaired. Each holder of an allowed General Unsecured Claim shall receive, on the Plan Distribution Date, its Pro-Rata Share of the Class A Liquidation Trust Beneficial Interests. Pursuant to the terms of the Liquidating Trust, distributions from the Trust shall be made at least annually.

<u>General Unsecured Creditor</u>	<u>Estimated Amount</u>	<u>Estimated Pro-Rata Share</u>
1st Global Capital, LLC	\$40,000.00	7.85%
Ascentium Capital	\$0.00	0.00%
Ashlli Delgado	\$0.00	0.00%
Bobby Bonds	\$280,000.00	54.93%
Debbie Harper	\$0.00	0.00%
Hidalgo Framing	\$40,000.00	7.85%
Master Tile	\$41,894.36	8.22%
Michael Krcmar	\$15,000.00	2.94%
Mohammad Tamoozi	\$0.00	0.00%
MPM Capital, LLC	\$55,966.94	10.98%
Windset Capital	\$36,822.89	7.23%
TOTAL	\$509,684.19	100.00%

6 MPM believes its secured claim is \$442,822.00

Class 3 – Equity. Class 3 is impaired. Each holder of equity in the Debtor shall receive, on the Plan Distribution Date, its Pro-Rata Share of the Class B Liquidation Trust Beneficial Interests. Entities having claims in Class 3 include Kirt McGhee. Pursuant to the terms of the Liquidating Trust, distributions from the Trust shall be made at least annually.

Executory Contracts. All executory contracts of the Debtor will be rejected.

3.02 Retention of Jurisdiction. Notwithstanding confirmation of the Plan, The Bankruptcy Court shall retain the exclusive jurisdiction over the Reorganization Case for the following purposes:

- (a) to determine any and all objections to the allowance of Claims and Equity Security Interests;
- (b) to determine any and all pending applications for the rejection or assumption of executory contracts or unexpired leases to which the Debtor is a party or with respect to which the Debtor may be liable, and to hear and determine, and if necessary to liquidate, any and all Claims arising therefrom;
- (c) to determine any and all applications, adversary proceedings and contested or litigated matters that may be pending on the Effective Date, or instituted by the Debtor or the Liquidation Trust after the Effective Date, including, without limitation, any Claims arising under the Bankruptcy Code to avoid any preferences, fraudulent conveyances or other voidable transfers;
- (d) to consider any modifications of the Plan, any defect or omission or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- (e) to determine all controversies, suits and disputes that may arise in connection with the interpretation, enforcement or consummation of the Plan or the execution and delivery of any Plan exhibit;
- (f) to issue such orders in aid of execution of the Plan to the extent authorized by Section 1142 of the Bankruptcy Code;
- (g) to determine such other matters which may be set forth in the

Confirmation Order or which may arise in connection with the Plan or the Confirmation Order, including the operation and management of the Liquidation Trust;

(h) to determine any and all pre-confirmation applications for allowances of compensation, entitled to priority under §507(a)(1) of the Code; and reimbursement of expenses and any other pre-confirmation fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan; and

(i) to determine if a default by the Liquidation Trust has occurred under the Plan as Ordered by the Court and if default has occurred, to enter such Orders as are necessary and appropriate to ensure compliance with the Plan as confirmed and/or subsequently modified.

3.03 [Blank]

3.04 Title to Assets: Discharge of Liabilities. Except as otherwise provided in the Plan, on the Effective Date, title to all assets and properties dealt with by the Plan shall vest in the K4M Construction & Development Liquidation Trust, free and clear of all liens, claims and encumbrances except as provided in the Plan; and the Confirmation Order shall be a judicial determination of the liabilities of the Debtor. The Secured Claims of Class 1 shall remain in force and effect to the same extent they existed as of the Petition Date against the assets after transfer to the Liquidation Trust.

3.05 Liquidation Trust. Pursuant to section 1123(a)(5) of the Bankruptcy Code, on the Effective Date, the Liquidation Trust shall be created pursuant to the Liquidation Trust Declaration. The Liquidation Trust Declaration shall constitute a Plan Document and shall only contain terms and conditions consistent with the Plan. Without limiting the generality of the foregoing, the Liquidation Trust Declaration shall require that all Liquidation Trust Property, including Net Liquidation Proceeds, be distributed subject to the following waterfall:

- a. First, to satisfy in full any outstanding expenses arising from the administration of the Chapter 11 proceeding and the Liquidation Trust;
- b. Second, allowed secured claims upon the sale/liquidation of collateral in an amount not to exceed the allowed amount of the secured claim;

c. Third, ratably, to the holders of Class A Liquidation Trust Beneficial Interests until such holders have received, in the aggregate, an amount equal to the Allowed amount of claims;

d. Fourth, ratably, to the holders of Class B Liquidation Trust Beneficial Interests.

The Liquidation Trust shall be administered by the Liquidation Trustee. The appointment of the initial Liquidation Trustee and the terms of his compensation shall be subject to the approval of the Bankruptcy Court. Kirt McGhee has agreed to act as Liquidating Trustee for \$0.00 in compensation.

On the Effective Date, the Debtor shall transfer all assets, including claims and causes of action to the Liquidation Trust. Such transfers shall be free and clear of Liens, Claims and other encumbrances (except as to Class 1 Secured Claims) and shall be administered for the benefit of the holders of the Beneficial Interests.

The Liquidation Trust shall be established for the primary purpose of liquidating its assets in accordance with Treas. Reg. § 301.7701-4(d) with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidation Trust. Accordingly, the Liquidation Trustee shall, in an expeditious but orderly manner, liquidate and convert to Cash the non-Cash Liquidation Trust Property, make timely distributions to the holders of Liquidation Trust Beneficial Interests, and not unduly prolong the duration of the Liquidation Trust. The Liquidation Trust shall not be deemed a successor-in-interest of the Debtor for any purpose other than as specifically set forth herein or in the Liquidation Trust Declaration. The Liquidation Trust is intended to qualify as a “grantor trust” for federal income tax purposes with the holders of Liquidation Trust Interests treated as grantors and owners of the Liquidation Trust. As soon as practicable after the Effective Date, the Liquidation Trustee (to the extent that the Liquidation Trustee deems it necessary or appropriate in his or her sole discretion) shall value the assets of the Liquidation Trust based on the good faith determination of the Liquidation Trustee. The valuation shall be used consistently by all parties for all federal income tax purposes. The Bankruptcy Court shall resolve any dispute regarding such valuation.

The Liquidation Trustee shall have the power to administer the assets of the Liquidation Trust in a manner consistent with the Liquidation Trust Declaration and the Liquidation Trustee shall be the Estate representative designated to prosecute

any and all Transferred Causes of Actions. Without limiting the generality of the foregoing, the Liquidation Trustee shall (i) hold and administer, the assets of the Liquidation Trust; (ii) have the sole power and authority to evaluate and determine strategy with respect to the Transferred Causes of Action and to litigate, settle, transfer, release or abandon any such Transferred Causes of Action on behalf of the Liquidation Trust; (iii) have authority to pay all out of pocket expenses incurred in connection with the prosecution of the Transferred Causes of Action from assets of the Liquidation Trust; (iv) have the power and authority to retain, as an expense of the Liquidation Trust, such attorneys, advisors, other professionals and employees as may be appropriate to perform the duties required of the Liquidation Trustee hereunder or in the Liquidation Trust Declaration; (vi) make distributions as provided in the Liquidation Trust Declaration and this Plan; and (vii) provide periodic reports and updates regarding the status of the administration of the Liquidation Trust. The Liquidation Trustee shall be deemed a Disbursing Agent under the Plan when making distributions to holders of Liquidation Trust Interests pursuant to the Liquidation Trust Declaration.

The Liquidation Trust will terminate as soon as practicable, but not later than the third (3rd) anniversary of the Effective Date; provided, however, that, on or prior to the third (3rd) anniversary of the Effective Date, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Liquidation Trust for a finite period, if such an extension is necessary to liquidate the assets of the Liquidation Trust or for other good cause. Multiple extensions of the termination of the Liquidation Trust may be obtained so long as Bankruptcy Court approval is obtained prior to the expiration of each extended term and the Liquidation Trustee receives an opinion of counsel or a favorable ruling from the Internal Revenue Service that any further extension would not adversely affect the status of the Liquidation Trust as a grantor trust for federal income tax purposes.

The Debtor and its representative (collectively the “Debtor”) shall cooperate in a commercially reasonable manner and in good faith with the Liquidation Trustee to assure that the Liquidation Trust has full and complete access to the Debtor’s books and records in connection with its duty to prosecute the Transferred Causes of Action. Without limiting the generality of the foregoing, the Debtor shall (i) preserve all records and documents (including any electronic records and documents) related to the Transferred Causes of Action until the third (3rd) anniversary of the Effective Date, or if actions related to the Transferred Causes of Action remain pending as of such date, until the Liquidation Trustee notifies the Debtor that such records are no longer required to be preserved; and (ii) provide the Liquidation Trustee with reasonable access to review and copy such records and

documents.

The Liquidation Trustee, together with its agents and representatives, are exculpated pursuant to the Plan by all Persons, holders of Claims and other parties in interest, from any and all Causes of Action, arising out of the discharge of the powers and duties conferred upon the Liquidation Trustee by the Liquidation Trust Declaration, the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in the furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Liquidation Trustee's gross negligence or willful misconduct.

3.06 Bar Dates For Filing Proofs of Claim. The Debtor has filed as a part of its schedules a list of all creditors, setting forth the identity of each such creditor and an indication of the amount due each such creditor. Unless a claim is listed as disputed, contingent or unliquidated, each creditor's claim will be allowed in the amount and status stated on the schedules in absence of filing of a proof of claim in a different amount or status on June 6, 2016. Claims listed as disputed, contingent, or unliquidated will not be allowed unless a proof of claim with all supporting documents is filed prior to June 6, 2016. In the event a creditor has filed a proof of claim in these proceedings with which the Debtor or the Trustee of the Liquidation Trust disagrees, the Debtor or the Trustee of the Liquidation Trust shall file an objection to said claim.

Any proof of claim which is not timely filed shall be of no force and effect. No distribution will be made to any creditor that has not timely complied with this provision.

IV. CONFIRMATION PROCEDURES AND STANDARDS

In order for the Plan to be confirmed, various statutory conditions must be satisfied, including (i) a finding by the Court that the Plan is feasible, (ii) the acceptance of the Plan by at least one impaired class entitled to vote on the Plan not counting insiders, and (iii) provision for payment or distribution to each claimant under the Plan of money and/or other property equal in value to at least what the claimant would have received in liquidation or, with respect to each Class, either acceptance by the Class or a finding by the Court that the Plan is "fair and equitable" and does not "discriminate unfairly" against the Class.

4.01 Who May Vote. Distributed along with the Disclosure Statement is a ballot on which Creditors and interest holders will vote to accept or reject the Plan.

Only classes that are impaired under the Plan are entitled to vote on acceptance or rejection of the Plan. Generally, section 1124 of the Bankruptcy Code provides that a class of claims or interests is considered impaired unless a plan does not alter the legal, equitable, and contractual rights of the holder of the claim or interest. In addition, these classes are impaired unless all outstanding defaults, other than defaults relating to the insolvency or financial condition of the Debtor or the commencement of the Chapter 11 case, have been cured and the holders of the claims or interests in these classes have been compensated for any damages incurred as a result of any reasonable reliance or any contractual provisions or applicable law to demand accelerated payment.

Classes not impaired under the Plan, pursuant to section 1126(f) of the Bankruptcy Code, are deemed to have accepted the Plan without voting. All impaired classes under the Plan are entitled to vote to accept or reject the Plan. The classes of creditors impaired under the Plan are Classes 1, 2, and 3. As a result of the Debtor's proposed Plan, there are three (3) impaired classes.

4.02 Requirements for Confirmation of the Plan. At the Confirmation Hearing, the Court will determine whether the requirements of Section 1129 of the Bankruptcy Code have been satisfied, in which event the Court will enter an order confirming the Plan. These requirements are as follows:

- (a) **Feasibility of the Plan.** In order for the Plan to be confirmed, the Court must determine that a further reorganization or subsequent liquidation of the Debtor is not likely to result following confirmation of the Plan. The Plan Proponent believes that the Plan is feasible. All payments under the Plan are to be made out of assets already on hand and reasonably anticipated from continued operation. The Debtor believes that there is significant equity in the Property, with the Property having a reasonable market value in excess of the approximately \$260,000 that MPM actually advanced on the note secured by the Property. MPM produced an appraisal of the Property of \$465,000.00, with the Debtor's opinion of value at or above \$500,000. MPM has asserted a secured claim against the Property for \$443,000.00 (approx.). The Debtor has objected to MPM's secured claim, challenging the validity of the lien and amount of the claim. If the litigation regarding the amount of the secured claim is unsuccessful, and the Property sells for less than \$475,000.00, the return to the unsecured creditors would be small. If the Property does not sell for more than the secured claim of

MPM, the Liquidation Trust would have to rely on litigation proceeds to fund any distribution to unsecured creditors. The Debtor believes that the claims regarding the validity of the lien and the amount of the secured claim are meritorious, and that the proposed Plan is feasible. The only major source of funding for the Plan is the Property, with the described litigation additional, although speculative in nature. The Debtor must also be successful in objecting to the Priority Tax Claim of the IRS, as the IRS has asserted a Priority Tax Claim of \$157,119.94, for unpaid employment taxes. There is a pending examination of the Debtor's return for 2013, for which the IRS has estimated liability of \$135,560.00. K4M has never had any employees, and therefore believes that the claim will be reduced to \$0.00.

- a. **Risk Inherent In This Plan.** The inherent risks in this Plan centers around the fact that the Debtor may not be able to collect on the litigation claims and the payout to the unsecured class will be minimal or zero. If the Property is not sold for sufficient funds to pay the Secured Claims, and there is no recovery on the litigation claims, there will be no distribution to the unsecured creditors. Such an outcome would not be altered by a conversion to chapter 7. Even with this risk, it is believed that the lower administrative costs than a chapter 7 will make this plan preferable to a chapter 7.

(b) Best Interests Test. With respect to each impaired class contemplated by Section 1129(a)(7)(A), each member must either (a) accept the Plan or (b) receive or retain under the Plan, on account of its Claim or Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount the holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

To determine what the holders in each impaired class of Claims and Interests would receive if the Debtor were liquidated, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in a context of Chapter 7 liquidation case. The cash amount that would be available would consist of the proceeds resulting from the disposition of the improved real property and the related personal property, reduced by the costs and expenses of the liquidation and by such additional administration and priority expenses that may result from the use of Chapter 7 for the purposes of liquidation.

The costs of liquidation under Chapter 7 would include the fees payable to the

trustee appointed in the Chapter 7 case, as well as those that might be payable to additional attorneys and other professionals that the trustee might engage. Costs of liquidation would also include any unpaid expenses incurred by the Debtor during the Chapter 11 case, such as compensation for attorneys, financial advisors, and accountants and costs and expenses of any committee, that are allowed in the Chapter 7 case. In addition, Claims may arise by reason of the breach of or rejection of obligations incurred and executory contracts entered into by the Debtor during the pendency of the Chapter 11 case.

To determine if the Plan is in the best interests of each impaired class, the present value of the distributions from the proceeds of the liquidation of the Proponent's assets and properties (after subtracting the amounts attributable to the claims described above) are then compared with the present value offered to each of the classes of Allowed Claims and Allowed Interests under the Plan.

In applying the "best interests" test, it is necessary to consider that Claims and Interests in a Chapter 7 case might not be classified in the same manner as provided in the Plan. In the absence of a contrary determination by the Bankruptcy Court, all allowed unsecured claims which have the same rights upon liquidation would be treated as one class for the purposes of determining the potential distribution of the liquidation proceeds resulting from a Chapter 7 case of the Proponent. The distribution of the liquidation proceeds would be calculated pro rata according to the amount of the allowed unsecured claim held by each Creditor in the class. The Plan Proponent believes that the most likely outcome of liquidation proceedings under Chapter 7 would be the application of the rule of absolute priority of distributions. Under that rule, no junior class of Creditors would receive any distribution until all senior classes of Creditors were paid in full with interest, and no Interest Holder would receive any distribution until all Creditors were paid in full with interest. Consequently, the Plan Proponent believes that in any Chapter 7 case, holders of Claims in all of the Classes would receive less than under the Plan.

(c) Acceptance by Impaired Classes. Section 1129(a)(8) of the Bankruptcy Code requires that, subject to the "cram-down" exception contained in section 1129(b), each impaired class must accept the Plan by the requisite votes for confirmation to occur. A class of impaired claims will have accepted the Plan if at least two-thirds in amount and more than one-half in number of Allowed Claims in the class voting to accept or reject the Plan have voted in favor of acceptance. A class of impaired Interests will have accepted the Plan if at least two-thirds in amount of the Allowed Interests in the class voting to accept or reject the Plan have voted in favor of acceptance. In addition, regardless of whether recourse is had to the

cram-down provisions of section 1129(b), at least one impaired class must accept the Plan, without counting the votes of any "insiders" contained in the class, as defined in Section 101(31) of the Bankruptcy Code.

(d) Cram-down. If any impaired class of claims or interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Proponent pursuant to the cramdown provisions of Section 1129(b) if, as to such impaired class, the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to that class. A Plan does not discriminate unfairly if no class receives more than it is legally entitled to receive for its claims or equity interests. "Fair and equitable" has different meanings for secured claims, unsecured claims and interests.

With respect to a secured claim, "fair and equitable" means that either (i) the impaired secured creditor retains its liens to the extent of its allowed secured claims and receives deferred cash payments at least equal to the allowed amount of its claim with a present value as of the Effective Date of the Plan at least equal to the value of the creditor's interest in the property securing its liens, (ii) property subject to the lien of an impaired secured creditor is sold free and clear of the lien, with the lien attaching to the proceeds of the sale, or (iii) the impaired secured creditor realizes the "indubitable equivalent" of its claim under the Plan. With respect to an unsecured claim, "fair and equitable" means that either (i) each impaired unsecured creditor receives or retains property of a value equal to the amount of its Allowed Claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive or retain any property under the Plan.

With respect to an interest, "fair and equitable" means that either (i) each holder of an impaired interest in the class receives or retains property of a value equal to the greatest of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of that interest or (ii) the holders of all interests that are junior to the interest of the dissenting class will not receive any property under the Plan.

The Bankruptcy Court must determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any impaired class of Claims or Interests. The Plan Proponent believes that each holder of a Claim impaired under the Plan will receive payments under the Plan having a present value as of the Effective Date of an amount not less than the amount likely to be received if the Debtor were liquidated in a case under Chapter 7 of the Bankruptcy Code. The Plan Proponent believes that the likely distribution to creditors through a Chapter 7

liquidation would be substantially less than as proposed under this Plan. At the Confirmation Hearing, the Bankruptcy Court will determine whether Creditors would receive greater distributions in a liquidation under Chapter 7 than they would under the Plan.

V.SOURCE OF INFORMATION FOR THIS DISCLOSURE STATEMENT

The information contained herein has not been subject to a certified audit. Most of the information, descriptions, values and facts contained herein are derived from disclosure made by the Debtor during this bankruptcy proceeding. In addition, this Disclosure Statement contains statements from third parties for which the Debtor cannot make representations regarding the accuracy, and in fact the Debtor disagrees with many of those statements. That party has also included statements and factual background regarding Kirt McGhee who is not the Debtor, and therefore may have no relation to this bankruptcy case. The Debtor cannot, and does not make any representations as to the accuracy of those statements. Accordingly, the Debtor does not warrant or represent that the information contained herein is correct, although great effort has been made to be accurate. This Disclosure Statement does not contain the Plan in its entirety, the Plan itself is controlling in the event of any inconsistencies. Each creditor is urged to review the Plan prior to voting.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified herein and the delivery of this Disclosure Statement shall not under any circumstances create an implication that there has not been any change in the facts as set forth herein since the date hereof. All the terms herein have the same meanings as in the Plan unless the context requires otherwise.

VI.PROFESSIONAL FEES

It is estimated that, as of the filing of this Disclosure statement and Plan, the amount of accrued professional fees is \$50,000.00. No requests have been made to the Court by any professional requesting allowance of fees or costs.

VII. LITIGATION

7.01 General and Chapter 5 Causes of Action, Including But Not Limited to, Fraudulent and Preferential Transfers

Any avoidance power actions will be retained by the Debtor and transferred to the Liquidation Trust under the Plan. Pursuant to the terms of the Plan, the Liquidation Trust will be transferred the exclusive right to enforce any and all causes of action owned by the Debtor, including any causes of action which may exist under the Bankruptcy Code or state law. Any recoveries made from Avoidance Actions will be distributed to creditors as provided under the Liquidation Trust. The Debtor believes that it may have fraudulent transfer claims and/or preference claims against MPM Capital and National Funding, Inc. However, all currently known and unknown claims, including the claims and causes of action listed in the Debtor's Schedules and Statement of Financial Affairs will be transferred to the Liquidation Trust for prosecution. All claims and causes of actions are specifically retained, and may be pursued by the Debtor or the Liquidation Trust as may be provided in the Confirmed Plan or Confirmation Order.

The Debtor also specifically retains the claims disclosed above in paragraph 2.02(f)(a)-(e), and each may be pursued by the Debtor or the Liquidation Trust as may be provided in the Confirmed Plan or Confirmation Order.

VIII. ALTERNATIVES TO THE PLAN

The Debtor expects that this Plan will realize the most benefits for all of its creditors.

CONVERSION/LIQUIDATION ANALYSIS: In the event no suitable alternative could be found, the Debtor would be compelled, as well as obligated, to recommend the conversion of the Chapter 11 case to a case under Chapter 7, and a subsequent liquidation by a duly appointed or elected Chapter 7 trustee or dismissal of the bankruptcy case. Although the Debtor is of the opinion that a straight liquidation of the assets would not be in the best interest of the creditors generally, the following is likely to occur:

(a) The newly appointed Chapter 7 trustee would have to become familiar with the Debtor's operations in order to evaluate all the Debtor's assets and liabilities, including the numerous claims which are the subject of pre-petition litigation and all transactions which will serve as a basis for future litigation;

(b) In addition to the duplication of efforts that would transpire as a result of the Chapter 7 trustee having to review documents and interview persons in order to become sufficiently acquainted with Debtor's business, the Chapter 7 trustee would likely retain professionals to aid in administering the estate;

(c) An additional tier of administrative expenses entitled to priority over general unsecured claims would be incurred. Such administrative expenses would include Chapter 7 trustee's commissions and fees for the professionals likely to be retained; and

(d) There would likely be no distribution at all to the creditors until the case was ready to be closed. The Debtor will allow the creditors and parties-in-interest to draw their own conclusions with respect to the delay associated with such detriment. It is certain that the above factors would result in an additional dilution to the projected dividend. The Debtor believes that such a speculative projection should be made by the creditors themselves. The Debtor believes if the assets of the Debtor were liquidated through a Chapter 7 trustee there would be insufficient funds to result in any payment to unsecured creditors.

Conversion and liquidation in a chapter 7 proceeding would not result in a significantly different value for the assets of the Debtor. The liquidation in a chapter 7 does result in significant increase in administrative expenses and a decrease in actual disbursements to creditors. The increase in administrative expenses results in the chapter 7 trustee being unfamiliar with the Debtor, its line of business or the components of the assets (receivables and the fraudulent transfer claim) that results in higher professional costs to the estate.

Dismissal of the proceeding would, in the judgment of Debtor, lead to an unsatisfactory result. Dismissal would result in numerous lawsuits to collect debts which would cause the Debtor to incur more expenses in the form of attorneys fees, etc., including the potential for the foreclosure of the Debtor's property.

The Debtor has attempted to set forth possible alternatives to the proposed Plan. Accordingly, one should recognize that a vote against the Plan and the ultimate rejection of the Plan would not alter the present status of the Debtor. The vote on the Plan does not include a vote on alternatives to the Plan. There is no assurance what turn the proceedings will take if the Plan is rejected. If you believe one of the alternatives referred to above is preferable to the Plan and you wish to urge it upon the Court, you should consult your counsel.

IX. FEDERAL INCOME TAX CONSEQUENCES

The Debtor believes that the following discussion generally sets forth the Federal income tax consequences to Creditors upon confirmation and consummation of the Plan. No ruling has been sought or obtained by the Debtor

from the Internal Revenue Service ("IRS") with respect to any of these matters. The following discussion of Federal income tax consequences is not binding on the IRS and is general in nature. No statement can be made herein with respect to the particular Federal income tax consequences to any Creditor.

AS A RESULT OF THE COMPLEXITY OF THE APPLICABLE PROVISIONS OF THE INTERNAL REVENUE CODE, EACH CREDITOR IS URGED TO CONSULT ITS OWN TAX ADVISOR IN ORDER TO ASCERTAIN THE ACTUAL TAX CONSEQUENCES TO IT, UNDER FEDERAL AND APPLICABLE STATE AND LOCAL LAWS, OF CONFIRMATION AND CONSUMMATION OF THE PLAN.

Creditors may be taxed on distributions they receive from the Estate. The amount of the income or gain, and its character as ordinary income or capital gain or loss, as the case may be, will depend upon the nature of the Claim of each particular Creditor. The method of accounting utilized by a Creditor for Federal income tax purposes may also affect the tax consequences of a distribution. In general, the amount of gain (or loss) recognized by any such Creditor distributes will be the difference between (i) the Creditor's basis for Federal income tax purposes, if any, in the Claim and (ii) the amount of the distribution received. Whether the distribution will generate ordinary income or capital gain will depend upon whether the distribution is in payment of a Claim or an item which would otherwise generate ordinary income on the one hand or in payment of a Claim which would constitute a return of capital.

X.

MODIFICATION OF DISCLOSURE STATEMENT

After confirmation, the proponent may, with the approval of the Court, so long as it does not materially or adversely affect the interests of the creditors or other parties-in-interest as set forth herein, remedy any defect or omission, reconcile any inconsistencies in this Disclosure Statement, or in the Order Approving Disclosure Statement, in such a manner as may be necessary to carry out the purposes and intent of this Disclosure Statement.

XI. OTHER BANKRUPTCIES

The Debtor has not filed a prior bankruptcy proceeding.

XII.

CONCLUSION

The Debtor believes that approval of its Plan will provide an opportunity for creditors to receive more through the proposed Plan on account of their claims than would be received in a straight liquidation by a trustee in a Chapter 7 case or from a distress sale of all the assets. If the Plan is not approved, the Debtor will continue to seek other reorganization alternatives, but liquidation might ensue, with the consequences as discussed above in relation to the liquidation alternative.

This Disclosure Statement is subject to the approval by the Bankruptcy Court.

THE APPROVAL BY THE UNITED STATES BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT WILL NOT CONSTITUTE AN ENDORSEMENT BY THE COURT OF THE DEBTOR'S PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

Respectfully submitted this 3rd day of October, 2016.

/s/ Kirt McGhee

K4M Construction & Development, LLC

By: Kirt McGhee

Its: Managing Member

/s/ Johnie Patterson

Walker & Patterson, P.C.

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:

K4M Construction & Development, LLC

DEBTOR

§
§
§
§
§
§

**CASE NO. 16-30646
(Chapter 11)**

**K4M CONSTRUCTION & DEVELOPMENT
LIQUIDATION TRUST DECLARATION**

This Liquidation Trust Declaration (the “Liquidation Trust Declaration”), executed as of _____, 2016 and made effective as of the Effective Date¹, is made by and among K4M Construction & Development, LLC (the “Debtor”), and the Person identified as the Trustee on the signature page hereof and appointed by order of the Bankruptcy Court (the “Liquidation Trustee”) pursuant to the Plan.

WHEREAS the Plan calls for, among other things, the creation of the Liquidation Trust, for the primary purpose of liquidating the Liquidation Trust Property in an expeditious but orderly manner for the benefit of the holders of Liquidation Trust Beneficial Interests (the “Beneficiaries”), with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to and consistent with the liquidating purpose of the Liquidation Trust and the Plan; and

WHEREAS the Liquidation Trust is intended to qualify as a “grantor trust” for U.S. federal income tax purposes, pursuant to sections 671-677 of the IRC, with the Beneficiaries to be treated as the grantors of the Liquidation Trust and deemed to be the owners of the Liquidation Trust Property (subject to the rights of creditors of the Liquidation), and, consequently, the transfer of the Liquidation Trust assets to the Liquidation Trust shall be treated as a deemed transfer of those assets from the Debtor to the Beneficiaries followed by a deemed transfer by such Beneficiaries to the Liquidation Trust for federal income tax purposes.

NOW, THEREFORE, pursuant to the Plan and the Confirmation Order, in

¹ Where the context requires, each capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Chapter 11 Plan of Reorganization of K4M Construction & Development, LLC (as may be amended, modified or supplemented from time to time, including, but not limited to, pursuant to the Confirmation Order, the “Plan”).

consideration of the premises, the mutual agreements of the Debtor, and the Liquidation Trustee contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and affirmed, intending to be legally bound, the Debtor and the Liquidation Trustee hereby agree:

ARTICLE 1

DECLARATION OF TRUST

1. **Creation and Name.** The Debtor and the Liquidation Trustee hereby create a trust known as the “K4M Liquidation Trust,” which trust is the Liquidation Trust called for and referred to in the Plan.
2. **Purpose.** The primary purpose of the Liquidation Trust is to (i) in accordance with Treasury Regulation § 301.7701-4(d), liquidate the Liquidation Trust Property with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidation Trust; and (ii) distribute the proceeds of the Liquidation Trust Property to the Beneficiaries in accordance with their respective entitlements, if any, under the Plan. Accordingly, the Liquidation Trust shall, in an expeditious but orderly manner, liquidate and convert to Cash the Liquidation Trust Property, make timely distributions to the Beneficiaries in accordance with the terms of the Plan, and not unduly prolong the duration of the Liquidation Trust. The Liquidation Trust shall not be deemed a successor-in-interest of the Debtor for any purpose other than as specifically set forth herein or in the Plan. The Liquidation Trust is intended to qualify as a “grantor trust” for federal income tax purposes with the Beneficiaries treated as grantors and owners of the Liquidation Trust.
3. **Declaration of Trust.** In order to declare the terms and conditions hereof, and in consideration of the confirmation of the Plan, the Debtor and the Liquidation Trustee have executed this Liquidation Trust Declaration and, effective on the Effective Date, hereby irrevocably transfer, assign and deliver to the Liquidation Trust, without recourse, all of the right, title, and interest of the Debtor in and to the assets of the Reorganized Debtor, including all claims and causes of action, to have and to hold unto the Liquidation Trust and its successors and assigns forever, under and subject to the terms of the Plan and the Confirmation Order, for the benefit of the Beneficiaries (to the

extent of their respective legal entitlements) and their successors and assigns as provided for in this Liquidation Trust Declaration, and in the Plan and Confirmation Order. Any such transfer shall be treated for U.S. federal income tax purposes as described in Article 6 herein.

4. **Vesting of Estate Assets.** On the Effective Date, pursuant to and subject to the terms of the Plan, all of the assets of the Reorganized Debtor, including all claims and causes of Action (the “Transferred Causes of Action”) shall be vested in the Liquidation Trust, which also shall be authorized to pursue all of the Transferred Causes of Action.

5. **Acceptance of Assets and Obligations.**

(a) In furtherance of the purposes of the Liquidation Trust, the Liquidation Trustee, on behalf of the Liquidation Trust, hereby expressly accepts the transfer of the Transferred Causes of Action (to the extent required by the Plan) to the Liquidation Trust in the time and manner as contemplated in the Plan.

(b) The Liquidation Trustee hereby accepts the obligations imposed upon the trustee by this Liquidation Trust Declaration and agrees to observe and perform such obligations subject to the terms and conditions set forth in this Liquidation Trust Declaration, the Plan, and the Confirmation Order.

ARTICLE 2

POWERS OF THE LITIGATION TRUSTEE AND TRUST ADMINISTRATION

6. **Powers.**

(a) The Liquidation Trustee shall have the power to administer the Liquidation Trust Property in a manner consistent with this Liquidation Trust Declaration and shall be the Estate representative designated to prosecute any and all Transferred Causes of Actions. Without limiting the generality of the foregoing, the Liquidation Trustee shall (i) hold and administer, the assets of the Liquidation Trust; (ii) have the sole power and authority to evaluate and determine strategy with respect to the Transferred Causes of Action and to litigate, settle, transfer, release or abandon any such Transferred Causes of Action on behalf of the Liquidation Trust; (iii) have the power and authority to prosecute and/or settle objections to, or other actions seeking modified treatment or classification of, Secured Claims, General Unsecured Claims, Litigation Claims and Property Tax Claims in

accordance with the provisions of the Bankruptcy Code and other applicable law; (iv) have authority to pay all out of pocket expenses incurred in connection with the prosecution of the Transferred Causes of Action from assets of the Liquidation Trust; (v) have the power and authority to retain, as an expense of the Liquidation Trust, such attorneys, advisors, other professionals and employees as may be appropriate to perform the duties required of the Liquidation Trustee hereunder or in the Liquidation Trust Declaration; (vi) make distributions as provided in the Liquidation Trust Declaration and this Plan; and (vii) provide periodic reports and updates regarding the status of the administration of the Liquidation Trust.

(b) Subject to the limitations set forth in this Liquidation Trust Declaration, the Liquidation Trustee shall have the power to take any and all actions that, in the judgment of the Liquidation Trustee, are necessary or proper to fulfill the purposes of the Liquidation Trust, including, without limitation, each power expressly granted in this Section 6, any power reasonably incidental thereto, and any trust power now or hereafter permitted under the laws of the State of Texas.

(c) Except as otherwise specified herein or in the Plan, the Liquidation Trustee need not obtain the order or approval of any court in the exercise of any power or discretion conferred hereunder or in the Plan.

(d) Without limiting the generality of Subsection 6(a) of this Litigation Trust Declaration, and except as otherwise limited herein, the Litigation Trustee shall have the power to:

(i) receive and hold the Liquidation Trust Property, and exercise all rights with respect to (including sale of) any or all such assets;

(ii) subject to the limitations of Section 7 of this Liquidation Trust Declaration, invest the monies held from time to time by the Liquidation Trust in a manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own affairs;

(iii) sell, transfer or exchange any or all of the Liquidation Trust Property at such prices and upon such terms as the trustee may consider proper, consistent with the other terms of this Liquidation Trust Declaration and the Plan;

(iv) enter into leasing and financing agreements with third parties to the

extent such agreements are reasonably necessary to permit the Liquidation Trust to operate;

(v) pay liabilities and expenses of the Liquidation Trust;

(vi) establish such funds, reserves, and accounts within the Liquidation Trust estate, as deemed by the Liquidation Trustee to be useful in carrying out the purposes of the Liquidation Trust;

(vii) sue and be sued and participate, as a party or otherwise, in any judicial, administrative, arbitrative or other proceeding;

(viii) supervise and administer the Liquidation Trust in accordance with the provisions of the Plan;

(ix) appoint such officers and hire such employees and engage such legal, financial, accounting, investment, auditing and forecasting and other consultants or alternative dispute resolution panelists and agents as the business of the Liquidation Trust requires, and to delegate to such persons such powers and authorities as the fiduciary duties of the Liquidation Trustee permit and as the Liquidation Trustee, in the trustee's discretion, deems advisable or necessary in order to carry out the terms of this Liquidation Trust;

(x) pay employees, legal, financial, accounting, investment, auditing and forecasting, and other consultants, advisors and agents reasonable compensation, including without limitation, compensation at rates approved by the Liquidation Trustee for services rendered prior to the execution hereof;

(xi) compensate the Liquidation Trustee, and the trustee's agents, and reimburse to them all reasonable out-of-pocket costs and expenses incurred by such Persons in connection with the performance of their duties hereunder, including without limitation, costs and expenses incurred prior to the execution hereof;

(xii) execute and deliver such instruments as the Liquidation Trustee considers proper in administering the Liquidation Trust;

(xiii) enter into such other arrangements with third parties as are deemed by the Liquidation Trustee to be useful in carrying out the purposes of the Liquidation Trust, provided such arrangements do not conflict with any other provision of this Liquidation Trust Declaration;

(xiv) indemnify (and purchase insurance indemnifying) the Liquidation Trustee, and the Debtor, and the respective agents of the Liquidation Trust and the Debtor, to the fullest extent that a corporation or trust organized under the law of the Liquidation Trust's *situs* is from time to time entitled to indemnify and/or insure such agents;

(xv) delegate any or all of the authority herein conferred with respect to the investment of all or any portion of the assets of the Liquidation Trust to any one or more reputable individuals or recognized institutional investment advisors or investment managers without liability for any action taken or omission made because of any such delegation;

(xvi) consult with the Reorganized Debtor at such times and with respect to such issues relating to the conduct of the Liquidation Trust as the Liquidation Trustee considers desirable; and

(xvii) take all other actions consistent with the provisions of the Plan.

(e) Notwithstanding anything else set forth in this Liquidation Trust Declaration, the Liquidation Trustee shall not have the power to guarantee any debt of other persons.

7. **Limitations on Powers.** Notwithstanding anything under applicable law or this Liquidation Trust Declaration to the contrary, the Liquidation Trustee shall not do or undertake any of the following:

(a) Take any action that would jeopardize treatment of the Liquidation Trust as a "liquidating trust" for federal income tax purposes.

(b) Receive transfers of any listed stocks or securities, or any readily marketable securities, except as is absolutely necessary or required under the Plan and the Confirmation Order; provided, however, that in no event shall the Liquidation Trustee receive any such investment that would jeopardize treatment of the Liquidation Trust as a "liquidating trust" for federal income tax purposes.

(c) Receive or retain Cash or Cash equivalents in excess of a reasonable amount necessary to make distributions to Beneficiaries and satisfy any liabilities of the Litigation Trust (including any operating expenses of the Liquidation Trust) and to establish and maintain any appropriate reserves.

(d) Exercise any investment power other than the power to invest in demand and time deposits in banks or savings institutions, or other temporary liquid investments, such as short term certificates of deposit or Treasury bills or other investments that a “liquidating trust” within the meaning of Treasury Regulation Section 301.7701-4(d) may be permitted to hold, pursuant to the Treasury Regulations or any Internal Revenue Service (“IRS”) guidelines, whether set forth in IRS rulings, revenue procedures, other IRS pronouncements or otherwise.

(e) Receive or retain any operating assets of a going business, a partnership interest in a partnership that holds operating assets, or fifty percent (50%) or more of the stock of a corporation with operating assets; provided, however, that in no event shall the Liquidation Trustee receive or retain any such asset or interest that would jeopardize treatment of the Liquidation Trust as a “liquidating trust” for federal income tax purposes.

(f) Take any action prohibited by the Plan, Confirmation Order or this Liquidation Trust Declaration.

8. General Administration.

(a) The Liquidation Trustee is and shall act as a fiduciary to the Liquidation Trust in accordance with the provisions of this Liquidation Trust Declaration and the Plan.

(b) The Liquidation Trustee shall, at all times, administer the Liquidation Trust and the Liquidation Trust Property in accordance with this Liquidation Trust Declaration and the Plan. Without limiting the generality of the foregoing, the Liquidation Trustee shall make disbursements or distributions of the Liquidation Trust Property from time to time in accordance with the following payment waterfall (the “Distribution Procedures”):

- (i) *First*, to satisfy in full any outstanding expenses arising from the administration of the Chapter 11 proceeding and the Liquidation Trust;
- (ii) *Second*, to allowed secured claims upon the sale/liquidation of collateral in an amount not to exceed the allowed amount of the allowed secured claim;
- (iii) *Third*, ratably, to the holders of Class A Liquidation Trust Beneficial Interests until such holders have received, in the aggregate, an amount equal to the Allowed amount of Unsecured Claims;
- (iv) *Fourth*, ratably, to the holders of Class B Liquidation Trust Beneficial Interests.

The Liquidation Trustee shall make distributions of net income plus proceeds from the liquidation of Liquidation Trust Property to Beneficiaries not less frequently than once annually, unless the Liquidation Trustee determines, in the trustee's reasonable discretion, that making such a distribution is impracticable in light of the anticipated Cash needs of the Liquidation Trust going forward, or that, in light of the Cash available for distribution, making a distribution to one or more classes of Liquidation Trust Beneficial Interests would not warrant the incurrence of costs in making the distribution.

(c) The Liquidation Trustee shall maintain in respect of the Liquidation Trust and the Beneficiaries books and records relating to the Liquidation Trust Property and income realized therefrom and the payment of expenses of and claims against or assumed by the Liquidation Trust in such detail and for such period of time as may be necessary to enable it to make full and proper reports in respect thereof. Except as expressly provided in this Liquidation Trust Declaration, the Plan or the Confirmation Order, or as may be required by applicable law, nothing in this Liquidation Trust Declaration is intended to require the Liquidation Trust to file any accounting or seek approval of any court with respect to the administration of the Liquidation Trust, or as a condition for making any payment or distribution out of the Liquidation Trust Property.

(d) To the extent that the Liquidation Trust Beneficial Interests are deemed securities, the issuance of Liquidation Trust Beneficial Interests under the Plan shall be exempt from registration under the Securities Act of 1933, as amended, and applicable state and local laws requiring registration of securities pursuant to Section 1145 of the Bankruptcy Code. If the Liquidation Trustee determines, with the advice of counsel, that the Liquidation Trustee is required to comply with the registration and reporting requirements of the Securities Exchange Act of 1934, as amended, or the Investment Company Act of 1940, as amended, then the Liquidation Trustee shall take commercially reasonable efforts to comply with such reporting requirements and file periodic reports with the Securities and Exchange Commission.

ARTICLE 3

LIQUIDATION TRUST BENEFICIAL INTERESTS

9. **Register of Liquidation Trust Beneficial Interests.** Liquidation Trust Beneficial

Interests will be represented by book entries on the books and records of the Liquidation Trust.

10. **Allocation of Liquidation Trust Beneficial Interests.** The allocation and distribution of the Liquidation Trust Beneficial Interests shall be accomplished as set forth in the Plan.
11. **Interests Beneficial Only.** The ownership of a Liquidation Trust Beneficial Interest shall not entitle any Beneficiary to any title in or to the Liquidation Trust Property as such (which title shall be vested in the Liquidation Trust) or to any right to call for a partition or division of the Liquidation Trust Property or to require an accounting.
12. **Transfers of Beneficial Interests.** No transfer, assignment, pledge or hypothecation of any Liquidation Trust Beneficial Interest, either in whole or in part, shall be effective except upon death of the interest holder or by operation of law. The Liquidation Trust shall not have any obligation to recognize any transfer of Claims or Interests occurring after the Effective Date, except as provided for in this Liquidation Trust Declaration.
13. **Absolute Owners.** The Liquidation Trustee may deem and treat the Beneficiary reflected as the owner of a beneficial interest on the Register as the absolute owner thereof for the purposes of receiving distributions and payments on account thereof for federal and state income tax purposes and for all other purposes whatsoever.
14. **Exemption from Registration.** The parties hereto intend that the rights of the Beneficiaries arising under this Liquidation Trust shall not be “securities” under applicable laws, but none of the parties hereto represent or warrant that such rights shall not be securities or shall be entitled to exemption from registration under applicable securities laws. If such rights constitute securities, the parties hereto intend for the exemption from registration provided by section 1145 of the Bankruptcy Code and under applicable securities laws to apply to their issuance under the Plan.
15. **Effect of Death, Dissolution, Incapacity or Bankruptcy of Beneficiary.** The death, dissolution, incapacity or bankruptcy of a Beneficiary during the term of the Liquidation Trust shall not operate to terminate the Liquidation Trust during the term of the Liquidation Trust, nor shall it entitle the representative or creditors of the deceased, incapacitated, or bankrupt Beneficiary to an accounting or to take any action in any court or elsewhere for the Distribution of the Liquidation Trust Property or for a

partition thereof, nor shall it otherwise affect the rights and obligations of the Beneficiary under this Liquidation Trust Declaration or in the Liquidation Trust.

16. **Tax Identification Number.** The Liquidation Trustee may require any Beneficiary to furnish such Beneficiary's social security number or employer or taxpayer identification number as assigned by the IRS and complete any related documentation (including but not limited to a Form W-8 or Form W-9), and the Liquidation Trustee may condition any distribution to any Beneficiary upon the receipt of such information and the receipt of such other documents as the Liquidation Trustee reasonably requests.

ARTICLE 4

ACCOUNTS AND PAYMENTS

17. **Accounts.** The Liquidation Trustee may, from time to time, create such accounts and reserves within the Liquidation Trust estate as the trustee may deem necessary, prudent, or useful in order to make appropriate payments and distributions in accordance with the Distribution Procedures and may, with respect to any such account or reserve, restrict the use of monies therein.
18. **Source of Payments.** All Liquidation Trust expenses and all liabilities with respect to Beneficiaries shall be payable solely by the Liquidation Trust from the Liquidation Trust Property. Except as otherwise set forth in the Plan, none of the Debtor, any successor in interest, the Liquidation Trustee, nor any of their officers, agents, advisors, or employees, shall be liable for the payment of any Liquidation Trust expense or any other liability of the Liquidation Trust.

ARTICLE 5

TRUSTEE

19. **Number.** There shall be one Liquidation Trustee. The initial Liquidation Trustee shall be that person named on the signature page hereof. The appointment of the Liquidation Trustee and the terms of the trustee's compensation are subject to approval of the Bankruptcy Court.
20. **Term of Service.**

(a) The Liquidation Trustee named pursuant to Section 19 of this Liquidation Trust Declaration, and any successor thereto appointed pursuant to Section 21 of this Liquidation Trust Declaration, shall serve from the Effective Date until the earlier of (i)

such trustee's death or dissolution, as applicable; (ii) such trustee's resignation pursuant to Subsection 20(b) of this Liquidation Trust Declaration; (iii) such trustee's removal pursuant to Subsection 20(c) of this Liquidation Trust Declaration; or (iv) the termination of the Liquidation Trust pursuant to this Liquidation Trust Declaration, or as otherwise required by the Plan.

(b) Any Liquidation Trustee may resign at any time by written notice to the Reorganized Debtor. Such notice shall specify a date when such resignation shall take effect, which shall not be fewer than 90 days after the date such notice is given, where practicable.

(c) Any Liquidation Trustee may be removed in the event that such Liquidation Trustee becomes unable to discharge the duties described herein due to accident or physical or mental deterioration, or for other good cause. "Good cause" shall be deemed to include, without limitation, any substantial failure to comply with Section 8 of this Liquidation Trust Declaration or a consistent pattern of neglect and failure to perform or participate in performing the duties of the Liquidation Trustee hereunder. Such removal shall require an order of the Bankruptcy Court, on the motion of one or more Beneficiaries, determining that "good cause" is shown for the removal of the Liquidation Trustee in accordance with this Subsection 20(c). Such removal shall take effect upon entry of the Bankruptcy Court's order or such other time as may be specified in such order.

21. Appointment of Successor Litigation Trustee.

(a) In the event of a vacancy in the position of the Liquidation Trustee, the vacancy shall be filled by order of the Bankruptcy Court on application of one or more of the Plan Proponents (or their successors or assigns). If no such application has been made within 60 days of the vacancy, the vacancy shall be filled by order of the Bankruptcy Court on application of any Beneficiary.

(b) Immediately upon the appointment of any successor Liquidation Trustee, all rights, titles, duties, powers and authority of the predecessor Liquidation Trustee hereunder shall be vested in, and undertaken by, the successor Liquidation Trustee without any further act. No successor Liquidation Trustee shall be liable personally for any act or omission of any predecessor Liquidation Trustee.

22. Liability of Liquidation Trustee, Officers and Employees. Neither the Liquidation

Trustee, nor any of the employees, attorneys, agents, or other professionals of the Liquidation Trustee or the Liquidation Trust (each, an “Agent”) shall be liable to the Liquidation Trust, to any Beneficiary, or to any other Person, except for the Liquidation Trustee’s or an Agent’s own breach of trust committed in bad faith or willful misappropriation. Neither the Liquidation Trustee, nor any Agent, shall be liable for any act or omission of any Agent, unless the Liquidation Trustee acted with bad faith in the selection or retention of such Agent. In addition to the foregoing, the Liquidation Trustee and the Agents shall have the benefit of each of the applicable exculpations set forth in the Plan.

23. Compensation and Expenses of the Litigation Trustee.

(a) The Liquidation Trustee shall receive compensation from the Liquidation Trust for his or her services as Liquidation Trustee in the amount of \$[0.00] per month. Such amount shall be approved by the Bankruptcy Court.

(b) During the period from the Confirmation Date to the Effective Date, the Debtor shall reimburse the Liquidation Trustee for actual and necessary out-of-pocket expenses incurred by the trustee in preparing to assume the responsibilities of the Liquidation Trustee under this Liquidation Trust Declaration in an aggregate amount not to exceed \$5,000.

(c) On and after the Effective Date, the Liquidation Trust shall promptly reimburse the Liquidation Trustee for all reasonable out-of-pocket costs and expenses incurred by the Liquidation Trustee in connection with the performance of the trustee’s duties hereunder.

24. Indemnification of the Liquidation Trustee and Additional Indemnitees.

(a) The Liquidation Trust shall indemnify and defend the Liquidation Trustee and the Agents to the fullest extent that a corporation or trust organized under the laws of the Liquidation Trust’s *situs* is from time to time entitled to indemnify and defend its directors, trustees, officers and employees against any and all liabilities, expenses, claims, damages or losses incurred by them in the performance of their duties hereunder. Notwithstanding the foregoing, neither the Liquidation Trustee nor any of the Agents shall be indemnified or defended in any way for any liability, expense, claim, damage or loss for which they are liable under Section 22 of this Liquidation Trust Declaration.

(b) Reasonable expenses, costs and fees (including attorneys' fees and costs) incurred by or on behalf of a Liquidation Trustee and any Agents in connection with any action, suit or proceeding, whether civil, administrative or arbitrative, from which they are indemnified by the Trust pursuant to Subsection 24(a) of this Liquidation Trust Declaration, shall be paid by the Liquidation Trust in advance of the final disposition thereof upon receipt of an undertaking, by or on behalf of such Liquidation Trustee and/or any Agents, to repay such amount in the event that it shall be determined ultimately by Final Order that such Liquidation Trustee and/or Agents are not entitled to be indemnified by the Liquidation Trust.

(c) The Liquidation Trustee shall have the power, generally or in specific cases, to cause the Liquidation Trust to indemnify the Agents to the same extent as provided in this Section 24 of this Liquidation Trust Declaration with respect to the Liquidation Trustee.

(d) Any indemnification of an Agent under Subsection 24(c) of this Liquidation Trust Declaration shall be made by the Liquidation Trust upon a determination by the Liquidation Trustee that indemnification of such Agent is proper in the circumstances.

(e) The Liquidation Trustee may purchase and maintain reasonable amounts and types of insurance on behalf of any individual who is or was a Liquidation Trustee, an Agent, or their respective agents, against liability asserted against or incurred by such individual in that capacity or arising from his or her status as such.

25. **Liquidation Trustee's Lien.** The Liquidation Trustee and the trustee's Agents shall have a first priority lien upon the Liquidation Trust Property to secure the payment of any amounts payable to them pursuant to Sections 23 or 24 hereof.

26. **Liquidation Trustee's Employment of Experts.** The Liquidation Trustee may, but shall not be required to, retain or consult with counsel, accountants, appraisers, auditors and forecasters, and other parties deemed by the Liquidation Trustee to be qualified as experts on the matters submitted to them and the opinion of any such parties on any matters submitted to them by the Liquidation Trustee shall be full and complete authorization and protection in respect of any action taken or not taken by the Liquidation Trustee hereunder in good faith and in accordance with the written opinion of any such party.

27. **Bond.** The Liquidation Trustee shall not be required to post any bond or other form of surety or security unless otherwise ordered by the Bankruptcy Court.

ARTICLE 6

TAXES

28. **Income Tax Status.** Consistent with Revenue Procedure 94-45, 1994-2 C. B. 684, the Liquidation Trust, except with respect to any contested claims reserves, shall be treated as a liquidating trust pursuant to Treasury Regulation Section 301.7701-4(d) and as a grantor trust pursuant to IRC Sections 671-677. As such, the Beneficiaries will be treated as both the grantors and the deemed owners of the Liquidation Trust. Any items of income, deduction, credit, and loss of the Liquidation Trust shall be allocated for federal income tax purposes to the Beneficiaries.
29. **Tax Treatment of Transfer of Assets to the Liquidation Trust.** For all federal income tax purposes, all parties (including, without limitation, the Debtor, the Liquidation Trustee, and the Beneficiaries) shall treat the transfer of Transferred Causes of Action to the Liquidation Trust, except with respect to any contested claims reserve, as a transfer of such Liquidation Trust Property (net of any applicable liabilities) to the Beneficiaries (to the extent of the value of their respective interests in such Liquidation Trust Property) and a transfer of such Liquidation Trust Property (net of any applicable liabilities) by the Beneficiaries (to the extent of the value of their respective interests in such Assets) to the Liquidation Trust.
30. **Tax Returns.** In accordance with Treasury Regulation Section 1.671-4(a), the Liquidation Trustee shall file with the IRS annual tax returns for the Liquidation Trust as a grantor trust on IRS Form 1041. In addition, the Liquidation Trustee shall file in a timely manner such other tax returns, including any state and local tax returns, as are required by applicable law and pay any taxes shown as due thereon. Within a reasonable time following the end of the taxable year, the Litigation Trustee shall send to each holder of a Liquidation Trust Beneficial Interest appearing on its record during such year, a separate statement setting forth such holder's share of items of income, gain, loss, deduction or credit and each such holder shall report such items on its federal income tax returns; provided, however, that no such statement need be sent to any Beneficiary that is not expected to receive any distribution from the Liquidation Trust.

The Liquidation Trustee may provide each such holder of a Liquidation Trust Beneficial Interest with a copy of the Form 1041 for the Liquidation Trust (without attaching any other holder's Schedule K-1 or other applicable information form) along with such holder's Schedule K-1 or other applicable information form in order to satisfy the foregoing requirement.

31. **Tax Allocation.** The Liquidation Trust shall allocate the taxable income, gain, loss, deduction or credit of the Litigation Trust with respect to each holder of a Liquidation Trust Beneficial Interest to the extent required by applicable law.
32. **Withholding of Taxes and Reporting Related to Liquidation Trust Operations.** In connection with the Plan and all distributions thereunder, the Liquidation Trustee shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any federal, state, provincial, local, or foreign taxing authority, and all distributions thereunder shall be subject to any such withholding and reporting requirements. The Liquidation Trustee is authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements.
33. **Valuations.** As soon as possible after the Effective Date, the Liquidation Trustee, in consultation with any financial advisors it deems appropriate, shall make a good faith valuation of the Liquidation Trust Property, and such valuation shall be used consistently by all parties (including, without limitation, the Liquidation Trust and the Beneficiaries) for all federal income tax purposes. The Liquidation Trust also shall file (or cause to be filed) any other statements, returns or disclosures relating to the Liquidation Trust that are required by any governmental unit.
34. **Treatment of Disputed Claims Reserves.** The Liquidation Trust shall file all income tax returns with respect to any income attributable to any contested claims reserves it may deem appropriate to establish, and shall pay the federal, state and local income taxes attributable to such contested claims reserves based on the items of income, deduction, credit or loss allocable thereto. All Beneficiaries shall report, for income tax purposes, consistent with the foregoing. The Liquidation Trustee may, at the Liquidation Trustee's sole discretion, file a tax election to treat any such contested claims reserve as a Disputed Ownership Fund ("DOF") within the meaning of Treasury

Regulation Section 1.468B-9 for United States federal income tax purposes rather than to tax such reserve as part of the Liquidation Trust. If such an election is made, the Liquidation Trust shall comply with all United States federal and state tax reporting and tax compliance requirements as may be applicable to the DOF, including, but not limited to, the filing of a separate United States federal income tax return for the DOF and the payment of United States federal and/or state income tax due.

35. **Expedited Determination of Taxes.** The Liquidation Trust may request an expedited determination of taxes of the Liquidation Trust under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of the Litigation Trust for all taxable periods through the termination of the Liquidation Trust.

ARTICLE 7

GENERAL PROVISIONS

36. **Irrevocability.** The Liquidation Trust is irrevocable.

37. **Termination.**

(a) The Liquidation Trust will terminate as soon as practicable, but not later than the third (3rd) anniversary of the Effective Date; provided, that, the termination date may be delayed if, within the six months prior to the scheduled termination date, the Bankruptcy Court, on motion by a party in interest, enters an order extending the term of the Liquidation Trust for a finite term not to exceed three (3) years upon the finding that such an extension is necessary to liquidate the Liquidation Trust Property. Multiple extensions of the termination of the Liquidation Trust may be obtained so long as Bankruptcy Court approval is obtained prior to the expiration of each extended term and the Liquidation Trustee receives an opinion of counsel or a favorable ruling from the Internal Revenue Service that any further extension would not adversely affect the status of the Liquidation Trust as a grantor trust for federal income tax purposes.

(b) On the Termination Date, after payment of all the Liquidation Trust's liabilities have been provided for, all Cash remaining in the Liquidation Trust estate, if any, shall be distributed to the Beneficiaries in accordance with the Distribution Procedures.

38. **Amendments.** The Liquidation Trustee, after consultation with the Reorganized Debtor, may modify or amend this Liquidation Trust Declaration or any document annexed to it; provided that such amendment must be consistent with the Liquidation

Trustee's fiduciary duties to the Liquidation Trust; and provided further that any modification or amendment made pursuant to this Section 38 must be done in writing and filed with the Bankruptcy Court; and provided further that neither this Liquidation Trust Declaration nor any document annexed hereto shall be modified or amended in any way that could jeopardize, impair or modify the treatment of the Liquidation Trust as a "liquidating trust" for federal income tax purposes. Notwithstanding anything else set forth herein, Section 39 of this Liquidation Trust Declaration may not be amended absent order of the Bankruptcy Court.

39. **Litigation Trust Declaration Subject to the Plan.** Notwithstanding anything else herein contained, to the extent any provision of this Liquidation Trust Declaration is inconsistent with any provision of the Plan, the Plan shall control.
40. **Severability.** Should any provision in this Liquidation Trust Declaration be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of this Liquidation Trust Declaration.
41. **Notices and Distribution Addresses.** Notices and distributions to a Beneficiary shall be given and made (a) at the address of such Beneficiary as it appears in the books and records of the Debtor as of the Effective Date; or else (b) if a different notice address appears on the Beneficiary's proof of claim filed in the Chapter 11 Case (if any), at such address; or else (c) to such other address or addresses as may hereafter be furnished to the Liquidation Trustee by such Beneficiary.

Any notices or other communications to the Liquidation Trust, the Liquidation Trustee, or the Debtor required or permitted hereunder shall be in writing and delivered at the addresses designated below, or sent by telex, telecopy or facsimile pursuant to the instructions listed below, or mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows, or to such other address or addresses as may hereafter be furnished by any of the Liquidation Trust, the Liquidation Trustee, or the Debtor:

To the Liquidation Trust and/or the Liquidation Trustee:

[address]

To the Debtor:

[address]

With a copy to:

Walker & Patterson, P.C.

P.O. Box 61301

Houston, TX 77208

All such notices and communications if mailed shall be effective when physically delivered at the designated addresses or, if electronically transmitted, when the communication is received at the designated addresses and confirmed by the recipient by return electronic transmission.

42. **Successors and Assigns.** The provisions of this Liquidation Trust Declaration shall be binding upon and inure to the benefit of the Beneficiaries, the Liquidation Trust, and the Liquidation Trustee, and each of their respective successors and assigns, except that none of the Beneficiaries, the Liquidation Trust, nor the Liquidation Trustee may assign or otherwise transfer any of its, his or her rights or obligations under this Liquidation Trust Declaration except, in the case of the Liquidation Trust and the Liquidation Trustee, as contemplated by Section 6 hereof.

43. **Entire Agreement; No Waiver.** The entire agreement of the parties relating to the subject matter of this Liquidation Trust Declaration is contained herein and in the documents referred to herein, and this Liquidation Trust Declaration and such documents supersede any prior oral or written agreements concerning the subject matter hereof. No failure to exercise or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of rights under law or in equity.

44. **Headings.** The headings used in this Liquidation Trust Declaration are inserted for convenience only and do not constitute a portion of this Liquidation Trust Declaration, nor in any manner affect the construction of the provisions of this Liquidation Trust Declaration.

45. **Governing Law.** This Liquidation Trust Declaration shall be governed by, and construed in accordance with, the laws of the State of Texas without regard to the

conflict of laws principles thereof. The Liquidation Trust is subject to the continuing jurisdiction of the Bankruptcy Court.

46. **Dispute Resolution.** Any disputes that arise under this Liquidation Trust Declaration or under any annexes hereto shall be resolved by the Bankruptcy Court or any other court of competent jurisdiction pursuant to the Plan, except as otherwise provided herein or in the annexes hereto.
47. **Enforcement and Administration.** The provisions of this Liquidation Trust Declaration and the annexes hereto shall be enforced by the Bankruptcy Court or any other court of competent jurisdiction pursuant to the Plan. The parties hereby further acknowledge and agree that the Bankruptcy Court shall have jurisdiction over the settlement of the accounts of the Liquidation Trustee.
48. **Effectiveness.** This Liquidation Trust Declaration shall not become effective until it has been executed and delivered by all the parties hereto and the Effective Date has occurred.
49. **Counterpart Signatures.** This Liquidation Trust Declaration may be executed in any number of counterparts, each of which shall constitute an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Liquidation Trust Declaration this ____ day of _____, 2016.

By:

By:

Authorized Representative

TRUSTEE OF THE K4M LIQUIDATION TRUST

B 25C (Official Form 25C) (12/08)

UNITED STATES BANKRUPTCY COURT

Southern District of Texas

In re K4M Construction & Development,
Debtor

Case No. 16-30646-H1-11

Small Business Case under Chapter 11

SMALL BUSINESS MONTHLY OPERATING REPORT

Month: June

Date filed: 7/19/16

Line of Business: Construction

NAISC Code: _____

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING SMALL BUSINESS MONTHLY OPERATING REPORT AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE.

RESPONSIBLE PARTY:

 Original Signature of Responsible Party

Kirt McGhee
 Printed Name of Responsible Party

Questionnaire: *(All questions to be answered on behalf of the debtor.)*

	Yes	No
1. IS THE BUSINESS STILL OPERATING?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. HAVE YOU PAID ALL YOUR BILLS ON TIME THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. DID YOU PAY YOUR EMPLOYEES ON TIME?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. HAVE YOU DEPOSITED ALL THE RECEIPTS FOR YOUR BUSINESS INTO THE DIP ACCOUNT THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. HAVE YOU FILED ALL OF YOUR TAX RETURNS AND PAID ALL OF YOUR TAXES THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6. HAVE YOU TIMELY FILED ALL OTHER REQUIRED GOVERNMENT FILINGS?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. HAVE YOU PAID ALL OF YOUR INSURANCE PREMIUMS THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. DO YOU PLAN TO CONTINUE TO OPERATE THE BUSINESS NEXT MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9. ARE YOU CURRENT ON YOUR QUARTERLY FEE PAYMENT TO THE U.S. TRUSTEE?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. HAVE YOU PAID ANYTHING TO YOUR ATTORNEY OR OTHER PROFESSIONALS THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11. DID YOU HAVE ANY UNUSUAL OR SIGNIFICANT UNANTICIPATED EXPENSES THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
12. HAS THE BUSINESS SOLD ANY GOODS OR PROVIDED SERVICES OR TRANSFERRED ANY ASSETS TO ANY BUSINESS RELATED TO THE DIP IN ANY WAY?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
13. DO YOU HAVE ANY BANK ACCOUNTS OPEN OTHER THAN THE DIP ACCOUNT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

B 25C (Official Form 25C) (12/08)

- 14. HAVE YOU SOLD ANY ASSETS OTHER THAN INVENTORY THIS MONTH?
- 15. DID ANY INSURANCE COMPANY CANCEL YOUR POLICY THIS MONTH?
- 16. HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?
- 17. HAS ANYONE MADE AN INVESTMENT IN YOUR BUSINESS THIS MONTH?
- 18. HAVE YOU PAID ANY BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?

TAXES

DO YOU HAVE ANY PAST DUE TAX RETURNS OR PAST DUE POST-PETITION TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED, OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

(Exhibit A)

INCOME

PLEASE SEPARATELY LIST ALL OF THE INCOME YOU RECEIVED FOR THE MONTH. THE LIST SHOULD INCLUDE ALL INCOME FROM CASH AND CREDIT TRANSACTIONS. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL INCOME \$ 1250

SUMMARY OF CASH ON HAND

Cash on Hand at Start of Month \$ 5134.81

Cash on Hand at End of Month \$ 6384.81

PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU **TOTAL** \$ 6384.81

(Exhibit B)

EXPENSES

PLEASE SEPARATELY LIST ALL EXPENSES PAID BY CASH OR BY CHECK FROM YOUR BANK ACCOUNTS THIS MONTH. INCLUDE THE DATE PAID, WHO WAS PAID THE MONEY, THE PURPOSE AND THE AMOUNT. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL EXPENSES \$ _____

(Exhibit C)

CASH PROFIT

INCOME FOR THE MONTH *(TOTAL FROM EXHIBIT B)* \$ 1250

EXPENSES FOR THE MONTH *(TOTAL FROM EXHIBIT C)* \$ _____

(Subtract Line C from Line B) **CASH PROFIT FOR THE MONTH** \$ 1250

B 25C (Official Form 25C) (12/08)

UNPAID BILLS

PLEASE ATTACH A LIST OF ALL DEBTS (INCLUDING TAXES) WHICH YOU HAVE INCURRED SINCE THE DATE YOU FILED BANKRUPTCY BUT HAVE NOT PAID. THE LIST MUST INCLUDE THE DATE THE DEBT WAS INCURRED, WHO IS OWED THE MONEY, THE PURPOSE OF THE DEBT AND WHEN THE DEBT IS DUE. (THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)

TOTAL PAYABLES \$ _____

(Exhibit D)

MONEY OWED TO YOU

PLEASE ATTACH A LIST OF ALL AMOUNTS OWED TO YOU BY YOUR CUSTOMERS FOR WORK YOU HAVE DONE OR THE MERCHANDISE YOU HAVE SOLD. YOU SHOULD INCLUDE WHO OWES YOU MONEY, HOW MUCH IS OWED AND WHEN IS PAYMENT DUE. (THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)

TOTAL RECEIVABLES \$ _____

(Exhibit E)

BANKING INFORMATION

PLEASE ATTACH A COPY OF YOUR LATEST BANK STATEMENT FOR EVERY ACCOUNT YOU HAVE AS OF THE DATE OF THIS FINANCIAL REPORT OR HAD DURING THE PERIOD COVERED BY THIS REPORT.

(Exhibit F)

EMPLOYEES

NUMBER OF EMPLOYEES WHEN THE CASE WAS FILED?	1
NUMBER OF EMPLOYEES AS OF THE DATE OF THIS MONTHLY REPORT?	1

PROFESSIONAL FEES

BANKRUPTCY RELATED:

PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD? \$ _____

TOTAL PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE? \$ 30,000

NON-BANKRUPTCY RELATED:

PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD? \$ _____

TOTAL PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE? \$ _____

B 25C (Official Form 25C) (12/08)

PROJECTIONS

COMPARE YOUR ACTUAL INCOME AND EXPENSES TO THE PROJECTIONS FOR THE FIRST 180 DAYS OF YOUR CASE PROVIDED AT THE INITIAL DEBTOR INTERVIEW.

	Projected	Actual	Difference
INCOME	\$ <u>1250</u>	\$ _____	\$ _____
EXPENSES	\$ _____	\$ _____	\$ _____
CASH PROFIT	\$ _____	\$ _____	\$ _____

TOTAL PROJECTED INCOME FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED EXPENSES FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED CASH PROFIT FOR THE NEXT MONTH: \$ _____

ADDITIONAL INFORMATION

PLEASE ATTACH ALL FINANCIAL REPORTS INCLUDING AN INCOME STATEMENT AND BALANCE SHEET WHICH YOU PREPARE INTERNALLY.

Wells Fargo Simple Business Checking

Account number: **1187087042** ■ June 8, 2016 - July 8, 2016 ■ Page 1 of 3



K4M CONSTRUCTION & DEVELOPMENT LLC
 DEBTOR IN POSSESSION
 CH 11 CASE # 16-30646-H1-11 (STX)
 2919 OAK POINTE BLVD
 MISSOURI CITY TX 77459-4671

Questions?

Available by phone 24 hours a day, 7 days a week:
 Telecommunications Relay Services calls accepted

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (808)
 P.O. Box 6995
 Portland, OR 97228-6995

Your Business and Wells Fargo

The plans you establish today will shape your business far into the future. The heart of the planning process is your business plan. Take the time now to build a strong foundation. Find out more at wellsfargoworks.com/plan.

Account options

A check mark in the box indicates you have these convenient services with your account(s). Go to wellsfargo.com/biz or call the number above if you have questions or if you would like to add new services.

- Business Online Banking
- Online Statements
- Business Bill Pay
- Business Spending Report
- Overdraft Protection

Activity summary

Beginning balance on 6/8	\$5,134.81
Deposits/Credits	1,250.00
Withdrawals/Debits	- 0.00
Ending balance on 7/8	\$6,384.81
Average ledger balance this period	\$5,739.64

Account number: **1187087042**

K4M CONSTRUCTION & DEVELOPMENT LLC
DEBTOR IN POSSESSION
CH 11 CASE # 16-30646-H1-11 (STX)

Texas/Arkansas account terms and conditions apply

For Direct Deposit use
 Routing Number (RTN): 111900659

For Wire Transfers use
 Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed on your statement or visit your Wells Fargo store.



Transaction history

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
6/24		Deposit	1,250.00		6,384.81
Ending balance on 7/8					6,384.81
Totals			\$1,250.00	\$0.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Monthly service fee summary

For a complete list of fees and detailed account information, please see the Wells Fargo Fee and Information Schedule and Account Agreement applicable to your account or talk to a banker. Go to wells Fargo.com/feefaq to find answers to common questions about the monthly service fee on your account.

Fee period 06/08/2016 - 07/08/2016	Standard monthly service fee \$10.00	You paid \$0.00
How to avoid the monthly service fee	Minimum required	This fee period
Have any ONE of the following account requirements		
· Average ledger balance	\$500.00	\$5,740.00 <input checked="" type="checkbox"/>

C1/C1

Account transaction fees summary

Service charge description	Units used	Units included	Excess units	Service charge per excess units (\$)	Total service charge (\$)
Cash Deposited (\$)	0	3,000	0	0.0030	0.00
Transactions	2	50	0	0.50	0.00
Total service charges					\$0.00

B 25C (Official Form 25C) (12/08)

UNITED STATES BANKRUPTCY COURT

Southern District of Texas

In re K4M Construction & Development,
Debtor

Case No. 16-30646-H1-11

Small Business Case under Chapter 11

SMALL BUSINESS MONTHLY OPERATING REPORT

Month: July

Date filed: 8/18/16

Line of Business: Construction

NAISC Code: _____

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING SMALL BUSINESS MONTHLY OPERATING REPORT AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE.

RESPONSIBLE PARTY:

 Original Signature of Responsible Party

Kirt McGhee
 Printed Name of Responsible Party

Questionnaire: *(All questions to be answered on behalf of the debtor.)*

	Yes	No
1. IS THE BUSINESS STILL OPERATING?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. HAVE YOU PAID ALL YOUR BILLS ON TIME THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. DID YOU PAY YOUR EMPLOYEES ON TIME?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. HAVE YOU DEPOSITED ALL THE RECEIPTS FOR YOUR BUSINESS INTO THE DIP ACCOUNT THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. HAVE YOU FILED ALL OF YOUR TAX RETURNS AND PAID ALL OF YOUR TAXES THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6. HAVE YOU TIMELY FILED ALL OTHER REQUIRED GOVERNMENT FILINGS?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. HAVE YOU PAID ALL OF YOUR INSURANCE PREMIUMS THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. DO YOU PLAN TO CONTINUE TO OPERATE THE BUSINESS NEXT MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9. ARE YOU CURRENT ON YOUR QUARTERLY FEE PAYMENT TO THE U.S. TRUSTEE?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. HAVE YOU PAID ANYTHING TO YOUR ATTORNEY OR OTHER PROFESSIONALS THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11. DID YOU HAVE ANY UNUSUAL OR SIGNIFICANT UNANTICIPATED EXPENSES THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
12. HAS THE BUSINESS SOLD ANY GOODS OR PROVIDED SERVICES OR TRANSFERRED ANY ASSETS TO ANY BUSINESS RELATED TO THE DIP IN ANY WAY?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
13. DO YOU HAVE ANY BANK ACCOUNTS OPEN OTHER THAN THE DIP ACCOUNT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

B 25C (Official Form 25C) (12/08)

- 14. HAVE YOU SOLD ANY ASSETS OTHER THAN INVENTORY THIS MONTH?
- 15. DID ANY INSURANCE COMPANY CANCEL YOUR POLICY THIS MONTH?
- 16. HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?
- 17. HAS ANYONE MADE AN INVESTMENT IN YOUR BUSINESS THIS MONTH?
- 18. HAVE YOU PAID ANY BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?

TAXES

DO YOU HAVE ANY PAST DUE TAX RETURNS OR PAST DUE POST-PETITION TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED, OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

(Exhibit A)

INCOME

PLEASE SEPARATELY LIST ALL OF THE INCOME YOU RECEIVED FOR THE MONTH. THE LIST SHOULD INCLUDE ALL INCOME FROM CASH AND CREDIT TRANSACTIONS. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL INCOME \$ 0

SUMMARY OF CASH ON HAND

Cash on Hand at Start of Month \$ 6334.81

Cash on Hand at End of Month \$ 5979.81

PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU **TOTAL** \$ 5979.81

(Exhibit B)

EXPENSES

PLEASE SEPARATELY LIST ALL EXPENSES PAID BY CASH OR BY CHECK FROM YOUR BANK ACCOUNTS THIS MONTH. INCLUDE THE DATE PAID, WHO WAS PAID THE MONEY, THE PURPOSE AND THE AMOUNT. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL EXPENSES \$ 405.00

(Exhibit C)

CASH PROFIT

INCOME FOR THE MONTH *(TOTAL FROM EXHIBIT B)* \$ 0

EXPENSES FOR THE MONTH *(TOTAL FROM EXHIBIT C)* \$ 405.00

(Subtract Line C from Line B) **CASH PROFIT FOR THE MONTH** \$ 0

B 25C (Official Form 25C) (12/08)

UNPAID BILLS

PLEASE ATTACH A LIST OF ALL DEBTS (INCLUDING TAXES) WHICH YOU HAVE INCURRED SINCE THE DATE YOU FILED BANKRUPTCY BUT HAVE NOT PAID. THE LIST MUST INCLUDE THE DATE THE DEBT WAS INCURRED, WHO IS OWED THE MONEY, THE PURPOSE OF THE DEBT AND WHEN THE DEBT IS DUE. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL PAYABLES \$ _____

(Exhibit D)

MONEY OWED TO YOU

PLEASE ATTACH A LIST OF ALL AMOUNTS OWED TO YOU BY YOUR CUSTOMERS FOR WORK YOU HAVE DONE OR THE MERCHANDISE YOU HAVE SOLD. YOU SHOULD INCLUDE WHO OWES YOU MONEY, HOW MUCH IS OWED AND WHEN IS PAYMENT DUE. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL RECEIVABLES \$ _____

(Exhibit E)

BANKING INFORMATION

PLEASE ATTACH A COPY OF YOUR LATEST BANK STATEMENT FOR EVERY ACCOUNT YOU HAVE AS OF THE DATE OF THIS FINANCIAL REPORT OR HAD DURING THE PERIOD COVERED BY THIS REPORT.

(Exhibit F)

EMPLOYEES

NUMBER OF EMPLOYEES WHEN THE CASE WAS FILED?	1
NUMBER OF EMPLOYEES AS OF THE DATE OF THIS MONTHLY REPORT?	1

PROFESSIONAL FEES

BANKRUPTCY RELATED:

PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD?	\$ _____
TOTAL PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE?	\$ 30,000

NON-BANKRUPTCY RELATED:

PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD?	\$ _____
TOTAL PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE?	\$ _____

B 25C (Official Form 25C) (12/08)

PROJECTIONS

COMPARE YOUR ACTUAL INCOME AND EXPENSES TO THE PROJECTIONS FOR THE FIRST 180 DAYS OF YOUR CASE PROVIDED AT THE INITIAL DEBTOR INTERVIEW.

	Projected	Actual	Difference
INCOME	\$ _____	\$ _____	\$ _____
EXPENSES	\$ _____	\$ _____	\$ _____
CASH PROFIT	\$ _____	\$ _____	\$ _____

TOTAL PROJECTED INCOME FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED EXPENSES FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED CASH PROFIT FOR THE NEXT MONTH: \$ _____

ADDITIONAL INFORMATION

PLEASE ATTACH ALL FINANCIAL REPORTS INCLUDING AN INCOME STATEMENT AND BALANCE SHEET WHICH YOU PREPARE INTERNALLY.

Wells Fargo Simple Business Checking

Account number: **1187087042** ■ July 9, 2016 - August 5, 2016 ■ Page 1 of 4



K4M CONSTRUCTION & DEVELOPMENT LLC
 DEBTOR IN POSSESSION
 CH 11 CASE # 16-30646-H1-11 (STX)
 2919 OAK POINTE BLVD
 MISSOURI CITY TX 77459-4671

Questions?

Available by phone 24 hours a day, 7 days a week:
 Telecommunications Relay Services calls accepted

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (808)
 P.O. Box 6995
 Portland, OR 97228-6995

Your Business and Wells Fargo

The plans you establish today will shape your business far into the future. The heart of the planning process is your business plan. Take the time now to build a strong foundation. Find out more at wellsfargoworks.com/plan.

Account options

A check mark in the box indicates you have these convenient services with your account(s). Go to wellsfargo.com/biz or call the number above if you have questions or if you would like to add new services.

- Business Online Banking
- Online Statements
- Business Bill Pay
- Business Spending Report
- Overdraft Protection

Activity summary

Beginning balance on 7/9	\$6,384.81
Deposits/Credits	0.00
Withdrawals/Debits	- 405.00
Ending balance on 8/5	\$5,979.81
Average ledger balance this period	\$6,252.48

Account number: **1187087042**

K4M CONSTRUCTION & DEVELOPMENT LLC
DEBTOR IN POSSESSION
CH 11 CASE # 16-30646-H1-11 (STX)

Texas/Arkansas account terms and conditions apply

For Direct Deposit use
 Routing Number (RTN): 111900659

For Wire Transfers use
 Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed on your statement or visit your Wells Fargo store.



Transaction history

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
7/11	1002	Check		80.00	6,304.81
8/1	1003	Check		325.00	5,979.81
Ending balance on 8/5					5,979.81
Totals			\$0.00	\$405.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Summary of checks written (checks listed are also displayed in the preceding Transaction history)

Number	Date	Amount	Number	Date	Amount
1002	7/11	80.00	1003	8/1	325.00

Monthly service fee summary

For a complete list of fees and detailed account information, please see the Wells Fargo Fee and Information Schedule and Account Agreement applicable to your account or talk to a banker. Go to wells Fargo.com/feefaq to find answers to common questions about the monthly service fee on your account.

Fee period 07/09/2016 - 08/05/2016	Standard monthly service fee \$10.00	You paid \$0.00
How to avoid the monthly service fee	Minimum required	This fee period
Have any ONE of the following account requirements		
· Average ledger balance	\$500.00	\$6,252.00 <input checked="" type="checkbox"/>

C1/C1

Account transaction fees summary

Service charge description	Units used	Units included	Excess units	Service charge per excess units (\$)	Total service charge (\$)
Cash Deposited (\$)	0	3,000	0	0.0030	0.00
Transactions	2	50	0	0.50	0.00
Total service charges					\$0.00

 **IMPORTANT ACCOUNT INFORMATION**

Here's some clarifying information on when your account could become dormant and what could happen.

When does my account become dormant?

Generally, your account becomes dormant if you do not initiate an account-related activity for 12 months for a checking account, 34 months for a savings account, or 34 months after the first renewal for a Time Account (CD). An account-related activity is determined by the laws governing your account. Examples of account-related activity are depositing or withdrawing funds at a banking location or ATM, or writing a check which is paid from the account. Automatic transactions (including recurring and one-time), such as

pre-authorized transfers/payments and electronic deposits, set up on the account may not qualify as account-related activity that you initiated.

What happens to a dormant account?

We put safeguards in place to protect a dormant account which may include restricting the following: transfers between your Wells Fargo accounts using your ATM/debit card; transfers by phone using our automated banking service; transfers or payments through online, mobile, and text banking (including Bill Pay); or wire transfers (incoming and outgoing).

Normal monthly service and other fees continue to apply (except where prohibited by law). Your account funds may be transferred to the appropriate state if no activity occurs in the account within the time period as specified by state law. This transfer is known as "escheat." After transferring your account funds to the state, we will close your account and any interest will stop accruing. To recover your account funds, you must file a claim with the state.

For more information, please see your Business Account Agreement, speak with a local banker, or call the phone number on the top of your statement.

We would like to remind you of the following:

Under the ACH Rules, the Bank can return any non-consumer ACH debit entry as unauthorized until midnight of the business day following the business day the Bank posts the entry to your account. In order for the Bank to meet this deadline, you are required to notify us to return any non-consumer ACH debit entry as unauthorized by the cutoff time we separately disclose. The cutoff time is currently 3:00 PM Central Time. If you do not timely notify us of the unauthorized non-consumer ACH debit entry, we will not be able to return it without the cooperation and agreement of the originating bank and the originator of the debit entry. Any other effort to recover the funds must occur solely between you and the originator of the entry.

B 25C (Official Form 25C) (12/08)

UNITED STATES BANKRUPTCY COURT

Southern District of Texas

In re K4M Construction & Development,
Debtor

Case No. 16-30646-H1-11

Small Business Case under Chapter 11

SMALL BUSINESS MONTHLY OPERATING REPORT

Month: August

Date filed: 9/13/2016

Line of Business: Construction

NAISC Code: _____

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING SMALL BUSINESS MONTHLY OPERATING REPORT AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE.

RESPONSIBLE PARTY:

 Original Signature of Responsible Party

Kirt McGhee
 Printed Name of Responsible Party

Questionnaire: *(All questions to be answered on behalf of the debtor.)*

	Yes	No
1. IS THE BUSINESS STILL OPERATING?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. HAVE YOU PAID ALL YOUR BILLS ON TIME THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. DID YOU PAY YOUR EMPLOYEES ON TIME?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. HAVE YOU DEPOSITED ALL THE RECEIPTS FOR YOUR BUSINESS INTO THE DIP ACCOUNT THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5. HAVE YOU FILED ALL OF YOUR TAX RETURNS AND PAID ALL OF YOUR TAXES THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6. HAVE YOU TIMELY FILED ALL OTHER REQUIRED GOVERNMENT FILINGS?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. HAVE YOU PAID ALL OF YOUR INSURANCE PREMIUMS THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. DO YOU PLAN TO CONTINUE TO OPERATE THE BUSINESS NEXT MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9. ARE YOU CURRENT ON YOUR QUARTERLY FEE PAYMENT TO THE U.S. TRUSTEE?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. HAVE YOU PAID ANYTHING TO YOUR ATTORNEY OR OTHER PROFESSIONALS THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11. DID YOU HAVE ANY UNUSUAL OR SIGNIFICANT UNANTICIPATED EXPENSES THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
12. HAS THE BUSINESS SOLD ANY GOODS OR PROVIDED SERVICES OR TRANSFERRED ANY ASSETS TO ANY BUSINESS RELATED TO THE DIP IN ANY WAY?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
13. DO YOU HAVE ANY BANK ACCOUNTS OPEN OTHER THAN THE DIP ACCOUNT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

B 25C (Official Form 25C) (12/08)

- 14. HAVE YOU SOLD ANY ASSETS OTHER THAN INVENTORY THIS MONTH?
- 15. DID ANY INSURANCE COMPANY CANCEL YOUR POLICY THIS MONTH?
- 16. HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?
- 17. HAS ANYONE MADE AN INVESTMENT IN YOUR BUSINESS THIS MONTH?
- 18. HAVE YOU PAID ANY BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?

TAXES

DO YOU HAVE ANY PAST DUE TAX RETURNS OR PAST DUE POST-PETITION TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED, OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

(Exhibit A)

INCOME

PLEASE SEPARATELY LIST ALL OF THE INCOME YOU RECEIVED FOR THE MONTH. THE LIST SHOULD INCLUDE ALL INCOME FROM CASH AND CREDIT TRANSACTIONS. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL INCOME \$ 2500

SUMMARY OF CASH ON HAND

Cash on Hand at Start of Month \$ 5979.81
 Cash on Hand at End of Month \$ 5479.81

PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU **TOTAL** \$ 9.81

(Exhibit B)

EXPENSES

PLEASE SEPARATELY LIST ALL EXPENSES PAID BY CASH OR BY CHECK FROM YOUR BANK ACCOUNTS THIS MONTH. INCLUDE THE DATE PAID, WHO WAS PAID THE MONEY, THE PURPOSE AND THE AMOUNT. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL EXPENSES \$ _____

(Exhibit C)

CASH PROFIT

INCOME FOR THE MONTH *(TOTAL FROM EXHIBIT B)* \$ 0
 EXPENSES FOR THE MONTH *(TOTAL FROM EXHIBIT C)* \$ _____
(Subtract Line C from Line B) **CASH PROFIT FOR THE MONTH** \$ 0

B 25C (Official Form 25C) (12/08)

UNPAID BILLS

PLEASE ATTACH A LIST OF ALL DEBTS (INCLUDING TAXES) WHICH YOU HAVE INCURRED SINCE THE DATE YOU FILED BANKRUPTCY BUT HAVE NOT PAID. THE LIST MUST INCLUDE THE DATE THE DEBT WAS INCURRED, WHO IS OWED THE MONEY, THE PURPOSE OF THE DEBT AND WHEN THE DEBT IS DUE. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL PAYABLES \$ _____

(Exhibit D)

MONEY OWED TO YOU

PLEASE ATTACH A LIST OF ALL AMOUNTS OWED TO YOU BY YOUR CUSTOMERS FOR WORK YOU HAVE DONE OR THE MERCHANDISE YOU HAVE SOLD. YOU SHOULD INCLUDE WHO OWES YOU MONEY, HOW MUCH IS OWED AND WHEN IS PAYMENT DUE. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

TOTAL RECEIVABLES \$ _____

(Exhibit E)

BANKING INFORMATION

PLEASE ATTACH A COPY OF YOUR LATEST BANK STATEMENT FOR EVERY ACCOUNT YOU HAVE AS OF THE DATE OF THIS FINANCIAL REPORT OR HAD DURING THE PERIOD COVERED BY THIS REPORT.

(Exhibit F)

EMPLOYEES

NUMBER OF EMPLOYEES WHEN THE CASE WAS FILED?	1
NUMBER OF EMPLOYEES AS OF THE DATE OF THIS MONTHLY REPORT?	1

PROFESSIONAL FEES

BANKRUPTCY RELATED:

PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD?	\$ _____
TOTAL PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE?	\$ 30,000

NON-BANKRUPTCY RELATED:

PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD?	\$ _____
TOTAL PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE?	\$ _____

B 25C (Official Form 25C) (12/08)

PROJECTIONS

COMPARE YOUR ACTUAL INCOME AND EXPENSES TO THE PROJECTIONS FOR THE FIRST 180 DAYS OF YOUR CASE PROVIDED AT THE INITIAL DEBTOR INTERVIEW.

	Projected	Actual	Difference
INCOME	\$ _____	\$ _____	\$ _____
EXPENSES	\$ _____	\$ _____	\$ _____
CASH PROFIT	\$ _____	\$ _____	\$ _____

TOTAL PROJECTED INCOME FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED EXPENSES FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED CASH PROFIT FOR THE NEXT MONTH: \$ _____

ADDITIONAL INFORMATION

PLEASE ATTACH ALL FINANCIAL REPORTS INCLUDING AN INCOME STATEMENT AND BALANCE SHEET WHICH YOU PREPARE INTERNALLY.

Wells Fargo Simple Business Checking

Account number: **1187087042** ■ August 6, 2016 - September 8, 2016 ■ Page 1 of 3



K4M CONSTRUCTION & DEVELOPMENT LLC
 DEBTOR IN POSSESSION
 CH 11 CASE # 16-30646-H1-11 (STX)
 2919 OAK POINTE BLVD
 MISSOURI CITY TX 77459-4671

Questions?

Available by phone 24 hours a day, 7 days a week:
 Telecommunications Relay Services calls accepted

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wells Fargo.com/biz

Write: Wells Fargo Bank, N.A. (808)
 P.O. Box 6995
 Portland, OR 97228-6995

Your Business and Wells Fargo

Get a clear look at the business financing process to decide if and when business credit is right for you. Visit wells Fargo.com/credit to find out more.

Credit decisions subject to credit qualification.

Account options

A check mark in the box indicates you have these convenient services with your account(s). Go to wells Fargo.com/biz or call the number above if you have questions or if you would like to add new services.

- Business Online Banking
- Online Statements
- Business Bill Pay
- Business Spending Report
- Overdraft Protection

Activity summary

Beginning balance on 8/6	\$5,979.81
Deposits/Credits	2,500.00
Withdrawals/Debits	- 3,000.00
Ending balance on 9/8	\$5,479.81
Average ledger balance this period	\$3,376.86

Account number: **1187087042**

K4M CONSTRUCTION & DEVELOPMENT LLC
DEBTOR IN POSSESSION
CH 11 CASE # 16-30646-H1-11 (STX)

Texas/Arkansas account terms and conditions apply

For Direct Deposit use
 Routing Number (RTN): 111900659

For Wire Transfers use
 Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed on your statement or visit your Wells Fargo store.



Transaction history

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
8/8		Withdrawal Made In A Branch/Store		3,000.00	2,979.81
9/6		Deposit	2,500.00		5,479.81
Ending balance on 9/8					5,479.81
Totals			\$2,500.00	\$3,000.00	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Monthly service fee summary

For a complete list of fees and detailed account information, please see the Wells Fargo Fee and Information Schedule and Account Agreement applicable to your account or talk to a banker. Go to wells Fargo.com/feefaq to find answers to common questions about the monthly service fee on your account.

Fee period 08/06/2016 - 09/08/2016	Standard monthly service fee \$10.00	You paid \$0.00
How to avoid the monthly service fee	Minimum required	This fee period
Have any ONE of the following account requirements		
· Average ledger balance	\$500.00	\$3,377.00 <input checked="" type="checkbox"/>

C1/C1

Account transaction fees summary

Service charge description	Units used	Units included	Excess units	Service charge per excess units (\$)	Total service charge (\$)
Cash Deposited (\$)	0	3,000	0	0.0030	0.00
Transactions	2	50	0	0.50	0.00
Total service charges					\$0.00



IMPORTANT ACCOUNT INFORMATION

To verify your identity when you contact us, we may use a service that compares information your mobile or wireless operator has with information you have provided us. Please refer to our Privacy Policy for how we treat your data.

Is your wireless operator authorized to provide information to assist in verifying your identity?

Yes, and we may rely on this information to assist in verifying your identity.

You authorize your wireless operator (AT&T, Sprint, T-Mobile, US Cellular, Verizon, or any other branded wireless operator) to use your mobile number, name, address, email, network status, customer type, customer role, billing type, mobile device identifiers (IMSI and IMEI) and other subscriber status details, if available, solely to allow verification of your identity and to compare information you have provided to Wells Fargo with your wireless operator account profile information for the duration of the business relationship.

You may opt out by contacting your mobile or wireless operator directly.

