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. Pursuant to § 1126(g) Class 3 is deemed to have rejected 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 MPM CAPITAL[1]

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. The total amount due was $33,372 after applying all credits. Mr. McGhee did not repay any of the debt.

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. To date this unsecured debt has not been paid by Mr. McGhee.

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

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

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 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. In 2014, Mr. McGhee used this KOA laminate material to build custom cabinets in the Oak Pointe Property. Mr. McGhee never repaid this loan.

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 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 of[2]:

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 Krcmar
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

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

MPM Capital, LLC, including breach of contract;

d. Claims against Michael Krcmar for work performed, and not paid for;
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 petition[3]:

Debt	
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

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.

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 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)(l) 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

[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.

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 included in Class 1 are:

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

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.

General Unsecured Creditor	Estimated Amount	Estimated Pro-Rata Share
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 pre-confirmation 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)(l) 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 expenses arising from the administration of the Chapter 11 proceeding and the Liquidation Trust. Administrative Claims shall not be paid out of collateral proceeds from Allowed Secured Claims without

further order of the Court;

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. The Liquidation Trustee shall be independent and shall be approved by the Court at confirmation. The Liquidation Trustee shall be compensated at no greater rate than a chapter 7 trustee.

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 a party in interest or the Trustee of the Liquidation Trust disagrees, any party in interest 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. The votes of insiders shall not be counted. Therefore, there will be no eligible votes for class 3. Class 3 is deemed to have rejected the plan under 11 U.S.C. § 1126(g).

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 (prior to confirmation) or the Liquidation Trust (post confirmation) as 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 (prior to confirmation) or the Liquidation Trust (post confirmation) as 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 24th day of October, 2016.

/s/ Kirt McGhee
K4M Construction & Development, LLC
By: Kirt McGhee
Its: Managing Member

/s/ Johnie Patterson
Walker & Patterson, P.C.
Johnie Patterson Texas Bar #15601700
P.O. Box 61301
Houston, Texas 77208-1301
Telephone (713) 956-5577
Facsimile (713) 956-5570
jjp@walkerandpatterson.com