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

IN RE:	§	
	§	
ROBERT L. PENDERGRAFT,	§	
	§	**Case No. 16-33506**
	§	**(Chapter 11)**
Debtor	§	

DEBTOR ROBERT L. PENDERGRAFT'S DISCLOSURE STATEMENT FOR ROBERT L. PENDERGRAFT'S PLAN OF REORGANIZATION

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Pursuant to Section 1125 of Chapter 11 of Title 11 of the United States Code, Robert L. Pendergraft, Debtor-in-Possession, (hereinafter the "Debtor" or "RLP") hereby submits this his Disclosure Statement for Robert L. Pendergraft's Plan of Reorganization for approval by the Court and distribution to its creditors.

Respectfully submitted this the 11th day of November 2016.

By: */s/ Robert L. Pendergraft*
Robert L. Pendergraft,
Debtor-in-Possession

By: */s/ Matthew Hoffman*
Matthew Hoffman
State Bar No. 09779500
S.D. Bar No. 3454
Alan B. Saweris
State Bar No. 24075022
S.D. Bar Number: 1850547
HOFFMAN & SAWERIS, P.C.
2777 Allen Parkway, Suite 1000
Houston, Texas 77019
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ATTORNEYS FOR ROBERT L. PENDERGRAFT,
DEBTOR-IN-POSSESSION

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I.

INTRODUCTION

Robert L. Pendergraft (hereinafter referred to as "Debtor" or "RLP") filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. Section 101 et. seq. in the United States Bankruptcy Court for the Southern District of Texas on July 12, 2016 (the "Petition Date"). The Chapter 11 case commenced thereby was assigned to the Honorable Marvin Isgur, United States Bankruptcy Judge, under Case Number 16-33506. The Debtor has operated his affairs as Debtor-in-Possession pursuant to Section 1108 of the Bankruptcy Code since the date of filing.

This Disclosure Statement ("Disclosure Statement") is provided pursuant to Section 1125 of the Bankruptcy Code to all of Debtor's known creditors, holders of interest and other parties in interest, including the United States Trustee. The purpose of this Disclosure Statement is to provide such information as will enable a hypothetical reasonable investor, typical of holders of claims or interests to make an informed judgment in exercising his, her or its rights either to accept or reject the Plan. A copy of the Plan is attached to this Disclosure Statement as Exhibit "A".

This Disclosure Statement will be submitted to the Court after notice to all creditors. After a hearing, of which each creditor and party-in-interest will be notified, the Court may approve this Disclosure Statement as containing information of a kind and in sufficient detail as to enable a hypothetical creditor or party-in-interest typical of the classes being solicited to make an informed judgment about the Plan. Because of the unavoidable time lapse between this mailing and the conclusion of the hearing, the information and analysis set forth herein is as

current as possible as of the date of filing of this Disclosure Statement, but may not be current on the date of a hearing on this Disclosure Statement.

The Debtor provides this Disclosure Statement to all of its known creditors and parties-in-interest in order to disclose information deemed to be material, important and necessary for any creditor or party-in-interest to make a reasonably informed decision in exercising the right to vote for acceptance of the Plan of Reorganization.

In addition to this Disclosure Statement and a copy of the Plan, each creditor or party-in-interest affected by the Plan will be provided with a ballot for acceptance or rejection of the Plan. The form should be completed and returned to counsel for the Debtor prior to a hearing before the Court regarding the approval of the Plan. The time and date of the hearing is to be determined, and will be subsequently noticed, accordingly.

YOUR ACCEPTANCE OF THE PLAN IS IMPORTANT. In order for the Plan to be deemed "accepted" by creditors, at least 66-2/3% in dollar amount of the holders of claims or interests in the class actually voting, and more than 50% in number of the holders of claims or interests in the class actually voting, must accept the Plan. IN THE EVENT THE REQUISITE ACCEPTANCES ARE NOT OBTAINED, THE COURT MAY NEVERTHELESS CONFIRM THE PLAN PURSUANT TO SECTION 1129 OF THE BANKRUPTCY CODE IF THE COURT FINDS THE PLAN ACCORDS FAIR AND EQUITABLE TREATMENT TO ANY CLASS REJECTING IT. Whether or not you expect to be present at the hearing on acceptance of the Plan, each creditor is urged to fill in, date, sign and promptly mail the ballot form to the United States Bankruptcy Court, 515 Rusk Avenue, Houston, Texas 77002, with copies to

Hoffman & Saweris, p.c., Attorneys for Debtor, 2777 Allen Parkway, Suite 1000, Houston, Texas 77019.

II.

REPRESENTATIONS

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

THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN OBTAINED FROM THE RECORDS OF THE DEBTOR, UNLESS SPECIFICALLY STATED TO BE FROM OTHER SOURCES. DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS CORRECT ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN INDEPENDENTLY AUDITED. TO A GREAT EXTENT, THE ACCURACY OF DEBTOR'S RECORDS ARE

DEPENDENT UPON PARTIES OVER WHOM THE DEBTOR HAS NO CONTROL. FOR THE FOREGOING REASONS, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY AND ONLY THAT EVERY REASONABLE EFFORT HAS BEEN MADE TO BE ACCURATE. THE FINANCIAL INFORMATION PROVIDED HEREIN IS CURRENT AS OF THE DATE OF THE FILING OF THIS DISCLOSURE STATEMENT.

THIS STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. EACH CREDITOR IS URGED TO REVIEW THE PLAN PRIOR TO VOTING ON IT. CONFIRMATION MAKES THE PLAN BINDING UPON THE REORGANIZED DEBTOR AND ALL CREDITORS, HOLDERS OF INTERESTS AND OTHER PARTIES-IN-INTEREST, REGARDLESS OF WHETHER THEY HAVE ACCEPTED 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. PARTIES-IN-INTEREST ARE URGED TO SEEK THE ADVICE OF THEIR OWN PROFESSIONAL ADVISORS SHOULD THEY HAVE ANY QUESTIONS WITH RESPECT TO ANY TAXATION ISSUES.

III.

EXPLANATION OF CHAPTER 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Upon filing of a Chapter 11 petition, section 362(a) of the Bankruptcy Code provides for a temporary automatic stay of all attempts to collect claims that arose prior to the Petition 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 claims against, and interest in, a Debtor. A Debtor's Disclosure Statement must provide adequate information as required by 11 U.S.C. § 1125(a) for a hypothetical reasonable investor typical of holders of claims or interests of the relevant classes to make an informed judgment about the Debtor's proposed plan, including the following:

a. Source of information for the Disclosure Statement.

b. Incidents that led to the filing of the Chapter 11.

c. Present condition of the Debtor while in Chapter 11.

d. Description of the available assets and their value.

e. Estimated return to the creditors if the estate were to be liquidated.

f. Anticipated future of the Debtor.

g. Identity and experience of the proposed management of the Debtor's business.

h. Accounting process used and the identity of the person who furnished the information.

i. The plan.

j. Description of all pending litigation involving the Debtor.

k. Tax information.

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 held by "insiders" within the meaning of the Bankruptcy Code and that the plan be confirmed as to each objecting class pursuant to section 1129(b) of the Bankruptcy Code.

In addition to the acceptance requirements, section 1129 of the Bankruptcy Code contains additional criteria that must be satisfied before a bankruptcy court may confirm a plan of reorganization. Among other things, section 1129 requires that a plan of reorganization be in the best interests of creditors and interest holders, which means that the cash or other property to be distributed to creditors and interest holders may not be less that the creditors would receive if all the Debtor's assets were liquidated under Chapter 7 of the Bankruptcy Code.

Acceptance of a plan of reorganization by a class requires that, of the holders of claims or interests in the class actually voting, more than one-half in number and at least two-thirds in amount of the total allowed claims vote in favor of the plan. Section 1125 of the Bankruptcy Code requires full disclosure of all relevant material information relating to a debtor and a plan of reorganization before acceptance or rejection of the plan may be solicited from any party-in-interest.

So long as one class of non-insider impaired claims or interests accepts a plan, it need not be accepted by all classes. A plan proponent may request that the Bankruptcy Court confirm a plan pursuant to its "cramdown" powers under section 1129(b) of the Bankruptcy Code. A plan may be "crammed down" if it does not "discriminate unfairly" and is "fair and equitable" with respect to each impaired, dissenting class.

The Claims of Creditors in Classes 2, 3, 4, 5, 6 and 7 are impaired under the Plan and their votes are hereby solicited.

Confirmation makes the Plan binding upon the Debtor and all creditors, whether or not they have accepted the Plan. Section 1141(d) of the Bankruptcy Code provides, in pertinent part, as follows:

1) Except as otherwise provided in this subsection, in the plan, or in the order confirming the plan, the confirmation of a plan –
   A) discharges the debtor from any debt that arose before the date of such confirmation, and any debt of a kind specified in section 502(g), 502(h), or 502(i) of this title, whether or not –
      (i) a proof of the claim based on such debt is filed or deemed filed under section 501 of this title;
      (ii) such claim is allowed under section 502 of this title; or
      (iii) the holder of such claim has accepted the plan; and
   B) terminates all rights and interests of equity security holders and general partners provided for by the plan.

2) ….

3) The confirmation of a plan does not discharge a debtor if –
   A) the plan provides for the liquidation of all or substantially all of the property of the estate;
   B) the debtor does not engage in business after consummation of the plan; and
   C) the debtor would be denied a discharge under section 727(a) of this title if the case were a case under chapter 7 of this title.

4) The court may approve a written waiver of discharge executed by the debtor after the order for relief under this chapter.

5) ….

6) Notwithstanding paragraph (1), the confirmation of a plan does not discharge a debtor that is a corporation from any debt –
   A) of a kind specified in paragraph (2)(A) or (2)(B) of section 523(a) that is owed to a domestic governmental unit, or owed to a person as the result of an action filed under subchapter III of chapter 37 of title 31 or any similar State statute; or
   B) for a tax or customs duty with respect to which the debtor –
      (i) made a fraudulent return; or
      (ii) willfully attempted in any manner to evade or to defeat such tax or such customs duty.

A. Procedure for Filing Proofs of Claim

To participate in the payments and other distributions under the Plan, a Creditor must have an Allowed Claim against the Debtor. The first step in obtaining an allowed claim or an allowed interest is generally filing a Proof of Claim.

A Proof of Claim is deemed filed for any Claim that appears in the Schedules which were filed in the Chapter 11 Case, except a Claim that is scheduled as disputed, contingent, unliquidated or in an unknown amount. In other words, if a Creditor agrees with the amount of the Claim as scheduled by the Debtor, and that Claim is not listed in the Schedules as being disputed, contingent or unliquidated, it is not necessary that a separate Proof of Claim be filed.

Claims that are unscheduled, or which are scheduled as disputed, contingent or unliquidated, or which are scheduled in an amount that varies from the amount claimed by the Creditor holder shall be recognized and allowed only if a Proof of Claim was timely filed. The deadline for the filing of Claims against the Debtor has been set by the Court as November 14, 2016 (the "Bar Date").

B. Executory Contracts and Unexpired Leases

Claims allegedly arising from lease rejections made prior to the Bar Date should be filed on or before the Bar Date. The Debtor intends to file Motions to Assume Executory Contract relative to the following entities:

- **The Briar Club (for use in Debtor's business);**

prior to the date of confirmation of the Debtor's Plan of Reorganization, as required by section 365(d)(2) of the Bankruptcy Code. The Plan constitutes a motion by the Debtor to reject, as of

the Effective Date, all executory contracts and unexpired leases of the Debtor that were not assumed prior, or were not assumed and assigned to a purchaser as part of the Plan, or were not the subject of a motion to assume pending on the Confirmation Date.

If the rejection of an executory contract or unexpired lease results in a claim for damages by the other party or parties thereto, a Claim for such damages, if not heretofore evidenced by a filed proof of Claim, shall be forever barred and shall not be enforceable against the Debtor, the reorganized Debtor or their respective properties or their agents, successors or assigns, unless a Proof of Claim is filed with the Bankruptcy Court and served upon counsel for the Debtor on or before thirty (30) days after the Effective Date.

C. Voting

Persons Entitled to Vote. Classes 2, 3, 4, 5, 6 and 7 may vote to accept or reject the Plan. Claimants in Classes 1, 8 and 9 are unimpaired, are conclusively deemed to accept the Plan, and cannot vote. Any Claim as to which an objection is filed before voting has concluded is not entitled to vote, unless the Court, upon application or motion of the holder whose Claim has been objected to, temporarily allows the Claim in an amount that the Court deems proper for the purpose of voting to accept or reject the Plan. A vote may be disregarded or disallowed if the Court determines that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

D. Voting Instructions

Ballots. IT IS IMPORTANT THAT CREDITORS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. All known Creditors entitled to vote on the Plan have been/will be sent a ballot with this Disclosure Statement. Creditors should read the ballot

carefully and follow the instructions contained therein. In voting for or against the Plan, use only the ballot or ballots sent with this Disclosure Statement.

Returning Ballots. **THE VOTING DEADLINE IS TO BE DETERMINED. ALL BALLOTS MUST BE RETURNED SO THAT THE PERSON DESIGNATED BY THE COURT (the "BALLOTING AGENT") RECEIVES THEM PRIOR TO THE VOTING DEADLINE.**

THE BALLOTING AGENT'S NAME AND ADDRESS IS PROVIDED ON THE BALLOT. UNLESS OTHERWISE ORDERED, THE CHAPTER 11 TRUSTEE INTENDS TO DESIGNATE ITS COUNSEL TO SERVE AS BALLOTING AGENT.

IN ORDER TO BE COUNTED, BALLOTS MUST BE SIGNED BY A PERSON HAVING AUTHORITY TO ACT ON BEHALF OF THE PERSON OR ENTITY VOTING, AND MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT ON OR BEFORE THE VOTING DEADLINE.

Incomplete or Irregular Ballots. Ballots that fail to provide the information to determine the Class to which they apply shall be counted, subject only to contrary determinations by the Court, in the Class determined by the Chapter 11 Debtor. Ballots that are signed and returned but not expressly voted either to accept or reject the Plan will be counted as a vote to accept the Plan.

E. Approval of Disclosure Statement

The Court has set a hearing for the provisional approval of the Disclosure Statement for **December 7, 2016 at 3:00 p.m. (CST)**, in the courtroom of the Honorable Marvin Isgur, in the United States Bankruptcy Court for the Southern District of Texas, 515 Rusk, Courtroom 404, Fourth Floor, Houston, Texas .

F. Confirmation Hearing

The Court has set the Confirmation Hearing for [TO BE DETERMINED], in the courtroom of the Honorable Marvin Isgur, in the United States Bankruptcy Court for the

Southern District of Texas, 515 Rusk, Courtroom 404, Fourth Floor, Houston, Texas. The Court may adjourn the Confirmation Hearing from time to time without further notice except for an announcement made in open court at the Confirmation Hearing or any continued hearing thereon.

G. Objections

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object, in writing, to confirmation of a plan of reorganization. Written objections to confirmation of the Plan, if any, must be filed with the Court and a copy of such written objections must be actually received by counsel for the Debtor at the following address on or before [DATE TO BE DETERMINED].

Matthew Hoffman
Hoffman & Saweris, p.c.
2777 Allen Parkway, Suite 1000
Houston, Texas 77019
Attorney for Robert L. Pendergraft
Debtor-in-Possession

Objections not timely filed and actually received by either counsel at the above address will not be considered by the Court.

IV.

THE PLAN PROPONENT

This Plan is proposed by the Debtor-in-Possession, Robert L. Pendergraft.

V.

SOURCE OF INFORMATION

The sources of information for this Disclosure Statement are the books and records of the Debtor, unless specifically stated to be from other sources. The source of information concerning assets is taken from the Debtor's schedules and supplemented with current information available to the Debtor. The valuations stated in the Disclosure Statement are those of Robert L. Pendergraft.

VI.

THE CHAPTER 11 DEBTOR

A. Background and Events Leading to Chapter 11 Filing

The Debtor is an individual residing in the State of Texas. The Debtor has accrued income tax liability to the IRS for the tax years 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015. As a result of the outstanding tax liability, the IRS began enforcement activities against the Debtor, including levying the Debtor's distributions from Pendergraft & Simon, LLP and Rodeo Investments, Inc., two entities which Debtor owns a 50% interest, as well as reducing the Debtor's monthly social security income by almost 75%. As a result of the IRS levies, the Debtor's take home income was reduced significantly, and the Debtor began experiencing difficulty in meeting his ongoing obligations to his creditors.

Robert L. Pendergraft filed his Chapter 11 bankruptcy petition on July 12, 2016, in order to: (i) prevent further levies and enforcement activity by the IRS; (ii) compromise and settle the income tax liability owing to the IRS pursuant to a plan of reorganization; (iii) pay his allowed unsecured (non-insider) creditors pursuant to a plan of reorganization; (iv) protect the value of his assets; and (v) facilitate the implementation of various strategies to reorganize his affairs and maximize the value of the estate.

B. The Operation and Present Condition of the Debtor While in Chapter 11

The Debtor entered the Bankruptcy Court having debt exposure as follows:

(1)	Secured debt	$2,059,638.91
(2)	Unsecured priority debt	$305,804.82
(3)	Unsecured non-priority debt	$1,880,735.52

Debtor has filed his Statement of Financial Affairs, Schedules of Assets and Liabilities and Summary of Debts.

At the Debtor's Section 341(a) Meeting of Creditors, which was held on August 15, 2016, and concluded on August 15, 2016, no Creditors' Committee was appointed. Accordingly, there has been no Unsecured Creditors' Committee in these proceedings.

The Debtor has experienced significant improvement in overall income over the past few months - due to the following factors:

- The cessation of IRS levies and enforcement action has allowed the Debtor to receive his full regular distributions from Pendergraft & Simon, LLP in the amount of approximately $16,000 per month (gross).
- The IRS releasing its levy on the Debtor's social security income has allowed Debtor's monthly social security income to increase from $862.50 to $3,077.
- Pendergraft & Simon, LLP has experienced an increase in hourly fee legal work, leading to an additional $20,000 to $30,000 per month, resulting in larger distributions to the Debtor in connection with his 50% interest in the firm.
- Certain funds held in the Pendergraft & Simon, LLP IOLTA/Trust account for legal fees are expected to be approved and paid to the firm in the amount of approximately $150,000 in connection with a Federal Bankruptcy Case.
- A contingency fee from a settlement of a Pendergraft & Simon, LLP legal case in the amount of approximately $220,000 is expected to fund by the end of October 2016.
- Pendergraft & Simon, LLP is also expecting to receive approval and funding for legal fees in the amount of approximately $300,000 in connection with a Federal Bankruptcy Case.

Since the Filing Date, Debtor has filed Monthly Operating Reports (with the Bankruptcy Court). The details of these and all monthly operating reports are made available to creditors each month when the Debtor files its monthly operating reports with the Office of the United States Bankruptcy Clerk at 515 Rusk Ave., Houston, TX 77002.

THE ABOVE COURT PAPERS, IN DEBTOR'S OPINION, REFLECT THE MORE IMPORTANT MATTERS WHICH HAVE BEEN PRESENTED TO THE COURT FOR CONSIDERATION DURING THE COURSE OF DEBTOR'S CHAPTER 11 CASE. YOU MAY REVIEW THE FULL RECORD BETWEEN THE HOURS OF 9:00 A.M. AND 4:30 P.M., MONDAYS THROUGH FRIDAYS, IN THE BANKRUPTCY COURT FILE ROOM ON THE FIFTH (5TH) FLOOR OF THE UNITED STATES COURTHOUSE, 515 RUSK, HOUSTON, TEXAS 77002.

C. Description of Assets and Value

The value of the Debtor's assets is as reflected in the Debtor's Schedules of Assets A and B. As of the filing date (7/12/2016), Schedule A (Real Property) reflected an amount of $1,155,760 in real estate owned by the Debtor, and Schedule B (Personal Property) reflected an amount of $85,017.43 (vehicles - $9,220; personal and household items - $29,229; financial assets - $33,453.43; business related property - $13,115).

Since the filing date, on 9/20/2016, and in connection with the divorce between the Debtor and his spouse, Jane Pendergraft, an Agreed Order Dividing Community Property, Recognizing Separate Property, Dividing Community Debts and Obligations and Severing Jointly Administered Case [Doc. 49-1] was filed with the Bankruptcy Court. In pertinent part, the proposed Agreed Order will award Jane Pendergraft two vehicles (valued at $5,847), household and office contents, and two retirement accounts (valued at $32,210.05), among other marital property. The proposed Agreed Order will award the Debtor, Robert L. Pendergraft, in pertinent part, mineral interests valued at $760, one vehicle (valued at $3,373) certain household

and office contents, and two retirement accounts (valued at $24.38), among other marital property.

The proposed Agreed Order also identifies and divides the following obligations and liabilities, which are addressed and treated in the Debtor's Chapter 11 Plan of Reorganization:

Creditor	**Total Debt**	**Percentage of Debt as Separate Debt of RLP**	**Amount of Debt as Separate Debt of RLP**
Internal Revenue Service	Not yet fully determined	100%	To Be Determined
American Express	$15,462.74	50%	$7,731.37
Discover Financial Services	$16,609.08	50%	$8,304.54
Chevron	$497.54	50%	$248.77
St. John's School	$159,790.99	100%	$159,790.99
Steve Jenkins	$1,243.26	50%	$621.63
Western Systems, Inc.	$456.83	50%	$228.42

Creditor	Amount of Debt as Separate Debt of RLP
Bank of America	$4,598.85
Chase Bank	$1,653.94
Emtel, Inc.	$12,500.00
Engineered Construction Specialists, Inc.	$9,000.00
Simon, Herbert & McClelland, LLP	$33,033.42
Chamberlin, Hrdlicka, White, Williams & Aughtry	$22,033.48
The Briar Club	$304.28

Recovery of Preferential or Otherwise Voidable Transfer (11 U.S.C. § 547, 548, 549 and 550 – Avoidable Transfers). The Debtor's review of its pre-petition transactions as reflected in its Statement of Financial Affairs indicates no preferences or fraudulent conveyances which could be recovered for the benefit of its creditors. As reflected in the Debtor's Statement of Financial Affairs, in addition to assorted gifts given by the Debtor and his spouse at Christmas, birthdays, and other occasions to his children, cash advances from Rodeo Investments, Inc. (now a payable from the Debtor to Rodeo Investments Inc. - Schedule E/F has been amended, accordingly) were given to Debtor's daughter in 2016. Also, in 2015 and 2016, cash was given from the Debtor's spouse to the Debtor, who then gifted the cash to their son for his education and living expenses in 2015 and 2016.

Similarly, the Debtor is unaware of any avoidable post-petition transfers.

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D. Estimated Return to the Creditors if the Estate were Liquidated

Liquidation Analysis. In light of the Debtor only having insignificant non-exempt or unencumbered assets (as reflected on the Debtor's Schedules), the value of the Debtor stems from his ability to continue his ongoing business operations with Pendergraft & Simon, LLP, reach maximum profitability, and pay his IRS obligations and his debts, as they become due. Due to the limited tangible assets owned by Debtor, the return to creditors in the event the Bankruptcy Estate is liquidated would be nominal, at best.

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PREPETITION LIABILITIES AS OF THE PETITION DATE AND NOW (11/1/2016)

Secured Claims (as of 7/12/2016) **Secured Claims (as of 11/1/2016)**	$2,059,638.91 $2,059,638.91
Unsecured Priority Claims (as of 7/12/2016) **Unsecured Priority Claims (as of 11/1/2016)**	$272,726.99 $305,804.82
Unsecured Nonpriority Claims (as of 7/12/2016) **Unsecured Nonpriority Claims (as of 11/1/2016)**	$1,880,735.52 $1,855,604.22
TOTAL LIABILITIES (as of 7/12/2016) **TOTAL LIABILITIES (as of 11/1/2016)**	**$4,213,101.42** **$4,221,047.95**

E. Anticipated Future of the Debtor

The Debtor believes that reorganization, rather than liquidation, is in the best interest of the Debtor and the creditors of its estate, as continuing his operations will enable the Debtor to pay the maximum amount possible to his secured and unsecured creditors.

Projected Income and Expenses After Plan

A monthly budget and payment projections for a 90 day time period is attached hereto as Exhibit "B." Projected payments to creditors by class under the Plan are set forth in Exhibit "C", attached hereto.

F. Affiliated Persons and Entities

As reflected in the Debtors Schedules of Assets and Liabilities, the Debtor has a 50% partnership interest in Pendergraft & Simon, LLP, and a 50% ownership interest in Rodeo Investments, Inc.

VII.

PROFESSIONAL FEES

The Debtor paid to Hoffman & Saweris, p.c. ("H&S") $5,000 on August 10, 2016 as an initial retainer to represent the Debtor in this Chapter 11 case. An additional retainer in the amount of $25,000 has also been agreed to, and will also be held in the Firm's Trust Account to be applied against future fees, subject to approval by the Court in this Chapter 11 case. The source of the $5,000 and the further $25,000[1] retainer payment is Pendergraft & Simon, LLP, a Texas Limited Liability Partnership, and was paid/is being paid on behalf of the Debtor. The Debtor holds a 50% partnership interest in Pendergraft & Simon, LLP. Hoffman & Saweris, p.c. does not represent, and has not represented, Pendergraft & Simon, LLP. After the withdrawal of the Debtor's original Chapter 11 counsel, Matthew Hoffman and Alan Brian Saweris of H&S undertook representation of the Debtor, with the approval of the Bankruptcy Court (approved September 9, 2016). The total retainer amount is expected to be earned and drawn down pursuant to (duly served) monthly Notices of Distribution of Retainer, subject to Court approval, and interim fees to be paid to H&S for all time spent and expenses incurred, going forward.

Legal fees for the month of August, 2016 amounted to $22,650.32, and were partially distributed from the retainer amount without objection. Legal fees and expenses for the month of September, 2016 amounted to $13,906.58, and will be partially distributed from the remaining retainer pursuant to a Notice of Distribution of Retainer, and subject to Court approval. Legal

[1] $5,000 to be paid by September 1, 2016.
$10,000 to be paid by October 1, 2016.
$10,000 to be paid by November 1, 2016.

fees and expenses for the month of October, 2016 amounted to $11,572.64, and will be partially distributed from the remaining retainer pursuant to a Notice of Distribution of Retainer, and subject to Court approval. Legal fees for the months of November, 2016 through December, 2016 are projected in the range of $12,000 for each month, subject to Bankruptcy Court approval. The source of funds to pay the projected administrative expenses for fees (beyond fees and retainer already paid) for attorneys and other professionals is from the Debtor's business operations at Pendergraft & Simon, LLP. Pursuant to §§ 503(b)(2) and 507(a)(2) of the Bankruptcy Code, administrative claims must be paid in full at the time of confirmation, unless other arrangements have been made. At this point in time, no other arrangements have been made.

VIII.

UNITED STATES TRUSTEE FEES

Provision for payment of pre-confirmation and post-confirmation quarterly fees and submission of statements of disbursements to the United States Trustee. The reorganized Debtor shall timely pay its quarterly fees to the U.S. Trustee, as follows:

- U.S. Trustee fees for the third quarter (ending September 30, 2016), in the amount of $650.00 will be paid on or before October 31, 2016 from Debtor's income (as will be reflected on Debtor's Monthly Operating Report).

- U.S. Trustee Fees for the fourth quarter (ending December 31, 2016), in the amount of $650.00 will be paid on or before January 31, 2017 from Debtor's income (as will be reflected on Debtor's Monthly Operating Report).

After confirmation, the reorganized Debtor shall file with the Bankruptcy Court and shall transmit to the United States Trustee a true and correct statement of all disbursements for each

quarter, or portion thereof, that this chapter 11 case remains open, in a format prescribed by the United States Trustee.

IX.

ACCOUNTING PROCESS USED

The Debtor's projections contained in this Disclosure Statement and accompanying financial information are based on the accrual method of accounting. The information from which those statements are prepared comes from the Debtor's books and records.

X.

SUMMARY OF THE PLAN OF REORGANIZATION

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN. CREDITORS ARE URGED TO READ THE PLAN IN FULL.

A. Means for Execution of the Plan

The Debtor is in the process of arranging to fund the Plan of Reorganization out of the Debtor's significant improvement in overall income over the past few months - due to the following factors:

- The cessation of IRS levies and enforcement action has allowed the Debtor to receive his full regular distributions from Pendergraft & Simon, LLP in the amount of approximately $16,000 per month (gross).
- The IRS releasing its levy on the Debtor's social security income has allowed Debtor's monthly social security income to increase from $862.50 to $3,077.

- Pendergraft & Simon, LLP has experienced an increase in hourly fee legal work, leading to an additional $20,000 to $30,000 per month, resulting in larger distributions to the Debtor in connection with his 50% interest in the firm.
- Certain funds held in the Pendergraft & Simon, LLP IOLTA/Trust account for legal fees are expected to be approved and paid to the firm in the amount of approximately $150,000 in connection with a Federal Bankruptcy Case.
- A contingency fee from a settlement of a Pendergraft & Simon, LLP legal case in the amount of approximately $220,000 is expected to fund by the end of October 2016.
- Pendergraft & Simon, LLP is also expecting to receive approval and funding for legal fees in the amount of approximately $300,000 in connection with a Federal Bankruptcy Case.

The Debtor may propose amendments or modifications of the Plan at any time prior to Confirmation, upon notice to all parties-in-interest. After Confirmation, the Debtor may, with approval of the Court and so long as it does not materially or adversely affect the interest of creditors, remedy any defect or omission or reconcile any inconsistencies in the Order of Confirmation in such manner as may be necessary to carry out the purposes and effect of this Plan.

B. Classification of Claims

The Plan provides for the division of claims of creditors into nine (9) classes.

Class 1 - Claims of attorneys and other professionals entitled to "priority," as such term is defined 11 U.S.C. § 507, as well as administrative expenses, as such term is defined in 11 U.S.C. § 503(b)(1), as the same are allowed, approved and ordered paid by the Bankruptcy Court and the Bankruptcy Code. There are three (3) creditors in this class, as follows: 1) Hoffman & Saweris, p.c., Debtor's Bankruptcy Counsel; 2) Viebig, McCommon & Associates, P.C., the Debtor's Accountants; and 3) United States Trustee.

Class 2 - Claims of taxing authorities entitled to "priority," as such term is defined in 11 U.S.C. § 507, as the same are allowed, approved and ordered paid by the Bankruptcy Court. There is one known creditor in this class, as follows: 1) Internal Revenue Services.

Class 3 - Allowed Secured Claim of the IRS.

Class 4 - Claims secured by a lien or security interest in property owned by the Debtor or its estate. There are four (4) known creditors in this class.

Class 5 – Indemnification Obligations of the Debtor. There is one (1) known creditor in this class.

Class 6 - Claims not secured by a lien, security interest, encumbrance or right of set-off, as the same are allowed, approved and ordered paid by the Bankruptcy Court. There are at least eleven (11) known creditors in this class, exclusive of those (smaller) Class 7 creditors holding unsecured claims of $1,000 or less.

Class 7 - Allowed, Unsecured Claims of $1,000.00 or less, and those Allowed Unsecured Claims in excess of $1,000.00 which are voluntarily reduced by the holders thereof to $1,000.00 with the amount in excess of $1,000.00 being waived, as the same are allowed, approved and ordered paid by the Bankruptcy Court. There are at least four (4) known creditors in this class.

Class 8 - Claims not secured by a lien, security interest, encumbrance or right of set-off, as the same are allowed, approved and ordered paid by the Bankruptcy Court. There are no known creditors in this class.

Class 9 - Allowed Equity Interest Holders. There are no known creditors in this class.

CLASS 1 (Claims of Attorneys and Other Professionals)

Each creditor holding an allowed Class 1 Claim shall be paid in cash in full (unless such Claimant has agreed to other treatment) on the Effective Date or when such claim is allowed or ordered paid by Final Order of the Court, whichever date is later, with the exception of the United States Trustee Fees, which shall be paid, as follows:

- U.S. Trustee fees for the third quarter (ending September 30, 2016), in the amount of $650.00 will be paid on or before October 31, 2016 from Debtor's income (as will be reflected on Debtor's Monthly Operating Report).
- U.S. Trustee Fees for the fourth quarter (ending December 31, 2016), in the amount of $650.00 will be paid on or before January 31, 2017 from Debtor's income (as will be reflected on Debtor's Monthly Operating Report).

Class 1 claims are not impaired.

CLASS 2 (Claims of Taxing Authorities)

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
Internal Revenue Service	$305,804.82	2013-2015	Pmt interval = 35 mos. Monthly payment = $8,737.28 Begin date = 1/2017 End date = 7/2019 Interest Rate 0% Total Payout Amount = $305,804.82

Class 2 claims are impaired.

CLASS 3 (Allowed Secured Claim of the IRS)

Class 3 shall consist of the Allowed Secured Claim of the IRS. The IRS' lien claims arise from Federal Tax Lien Notices filed by the IRS in the real property records of Harris County, Texas from January of 2008 through January of 2016 to secure alleged federal income taxes of the Joint Debtors, Robert L. Pendergraft and Jane M. Pendergraft. Debtor Jane M. Pendergraft ("JMP") has disputed the Class 3 Claim. JMP contends that she does not owe taxes, penalties and interest to the IRS, except for tax year 2015, because she is entitled to "innocent spouse" status under 26 U.S.C. sec. 6015. JMP also claims a lien senior to the IRS lien against RLP's one-half separate property interest in the residence located at 3603 Overbrook Lane, Houston, Texas 77027 (the "Residence").

The Debtor estimates the fair market value of the Residence to be $1,155,000.00. The actual fair market value of the Residence will be determined at confirmation on the motion for

valuation filed by JMP. JMP owns a one-half separate property interest in the Residence and RLP owns a one-half separate property interest in the Residence. After accounting for the alleged first lien of Citimortgage, Inc. of approximately $522,265.00, if allowed in that amount, the Debtor estimates the equity available to be approximately $632,735.00. Because JMP is claiming "innocent spouse" status with respect to the tax claims alleged by the IRS, if she succeeds, JMP's one-half separate property interest in the Residence would not be subject to the lien of the IRS at all; only RLP's one-half separate property interest would be subject to the lien. This would reduce the equity potentially available to the IRS to RLP's one half of the $632,735.00 in equity, or $316,367.50. JMP holds a lien against RLP's one-half separate interest in the Residence securing a promissory note that has a balance in excess of the value of the interest. This lien arises from a deed of trust filed back in June of 1988, long before any of the IRS' Federal Tax Lien Notices and long prior to any of the taxes forming the basis of those lien notices. Thus, if JMP is successful in her innocent spouse defense, there will be no Allowed Secured Claim against JMP's interest or RLP's interest in the Residence, as no Allowed Claim will attach to JMP's one-half separate property interest in the Residence, and there will be no equity for any of the IRS' secured claim to attach to RLP's one-half separate property interest in the Residence. The IRS will, therefore, be required to release its lien claims against the Residence.

If JMP is not successful in her innocent spouse defense to the IRS' alleged tax claims, the Allowed Secured Claim of the IRS will be approximately $316,367.50 against JMP's one-half separate property interest in the Residence, but there will be no Allowed Secured Claim of the IRS against RLP's one-half interest in the Residence, because JMP's lien is prior in time and right, and therefore senior, to the IRS' lien claims. In that event, the IRS shall retain whatever

lien rights it has under Title 26 of the United States Code based on the Federal Tax Lien Notices filed with the real property records of Harris County, Texas against JMP's one-half separate property interest in the Residence and be satisfied from any such existing tax liens upon the voluntary sale of the Residence or the required sale after the death of JMP. The IRS should not be permitted to force a sale of the Residence, for so long as JMP survives and is residing in the (homestead) Residence.

Class 3 claims are impaired.

CLASS 4 (Allowed Secured Claim)

Each creditor holding an Allowed Secured Claim shall be allowed to retain its lien claim against the residential real property (valued at approx. $1,155,760) located at 3603 Overbrook Lane, Houston, Texas 77027 (the "Residence"). Upon the closing of a future (possible) sale of the Residence, each creditor holding an Allowed Secured Claim shall receive such portion of the net sales proceeds as is appropriate to pay its Allowed Secured Claim, in full.

. **Class 4 claims are impaired.**

CLASS 5 (Indemnification Obligations)

Pursuant to the pending proposed Agreed Order Dividing Community Property, Recognizing Separate Property, Dividing Community Debts and Obligations and Severing Jointly Administered Case [Doc. 49-1] (incorporated herein by reference for all purposes) the Debtor shall indemnify and hold harmless Jane M. Pendergraft for any payment of debts and obligations that are assigned to the Debtor in the Agreed Order, including any Allowed Secured Claim held by the Internal Revenue Service. The amount of the IRS' allowed secured claim shall be determined from the amount of the proof of claim of the IRS as amended, by order of the

bankruptcy court if an objection to claim is filed, and/or by resolution through offer in compromise with the IRS. The holder of the Class 5 claim, Jane M. Pendergraft, shall be paid 100% of any amounts paid or incurred by Jane M. Pendergraft toward the IRS' allowed secured claim (or other obligation assigned to the Debtor in the Agreed Order) to be paid out by the Debtor to Jane M. Pendergraft in equal monthly installments over 60 months, commencing on the 20th day of the first month after the date such amount is paid or incurred by Jane M. Pendergraft, or when such claim is allowed or ordered paid by Final Order of the Court, whichever date is later. **Class 5 claims are impaired.**

CLASS 6 (Claims Not Secured by a Lien or Security Interest)

Claims not secured by a lien, security interest, encumbrance or right of set-off, as the same are allowed, approved and ordered paid by the Bankruptcy Court. There are at least eleven (11) known creditors in this class, exclusive of those (smaller) Class 7 creditors holding unsecured claims of $1,000 or less. Each creditor holding a Class 6 Claim shall be paid 10% (or a sum equal to the amount remaining of his disposable income as determined by the bankruptcy court, whichever is greater) of its Allowed Claim, paid out in equal monthly installments over 51 months, commencing on the 20th day of the first month after the Effective Date or when such claim is allowed or ordered paid by Final Order of the Court, whichever date is later. **Class 6 claims are impaired.**

CLASS 7 (Allowed, Unsecured Claims of $1,000 or less, and in Excess of $1,000)

Each creditor holding an Allowed Class 7 Claim shall receive 70% of the amount of its claim, in cash, on the Effective Date or when such claim is allowed or ordered paid by Final Order of the Court, whichever date is later. **Class 7 claims are impaired.**

CLASS 8 (Claims not Secured by a Lien or Security Interest and not subject to setoff)

Each creditor holding a Class 8 Claim shall be paid 100% of such Allowed Claim and shall be paid in cash and in full on the Effective Date or when such claim is allowed or ordered paid by Final Order of the Court, whichever date is later. **Class 8 claims are not impaired.**

CLASS 9 (Allowed Equity Interest Holders)

Each equity interest holder in Class 9 shall retain such interest held. Upon confirmation of the Plan, the property of the estate will be free and clear of any and all claims and interests of all entities, except as provided in the Plan, and shall re-vest in the reorganized Debtor.

Class 9 interests are not impaired.

XI.

PENDING LITIGATION

The Debtor is aware of the following pending litigation, in which it is a party:

- In The Matter of the Marriage of Jane M. Pendergraft and Robert L. Pendergraft, filed on November 3, 2016 in Harris County, Texas. A cause number and court have not yet been assigned.

XII.

FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Statutory Overview

The purpose of this provision to provide a discussion of the potential material Federal income tax consequences of the plan to Debtor and a hypothetical of the holders of claims or interests in the case that would enable such a hypothetical investor to make an informed judgment about the Plan, as contemplated in 11 U.S.C. § 1125(a)(1). The Federal income tax consequences discussed herein are those arising under the Internal Revenue Code of 1986, as

amended (the "Tax Code") and the income tax regulations promulgated thereunder (the "Regulations"), and case law, revenue rulings, revenue procedure and other authority interpreting the relevant sections of the Tax Code and the Regulations.

This summary does not address foreign, state or local tax law, or any estate or gift tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as taxpayers who are not United States domestic corporations or citizens or residents of the United States, S corporations, banks, mutual funds, insurance companies, financial institutions, regulated investment companies, broker-dealers, non-profit entities or foundations, small business investment companies, persons that hold Claims or Equity Interests as part of a straddle or conversion transaction and tax-exempt organizations).

No administrative rulings will be sought from the Internal Revenue Service ("IRS") with respect to any of the federal income tax aspects of the Plan. Consequently, there can be no assurance that the treatment described in this Disclosure Statement will be accepted by the IRS. No opinion of counsel has either been sought or obtained with respect to the federal income tax aspects of the Plan.

THE DISCUSSION SET FORTH IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR GENERAL INFORMATION ONLY. ALL CREDITORS AND EQUITY HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL INCOME TAX CONSEQUENCES CONTEMPLATED UNDER OR IN CONNECTION WITH THE PLAN, AS WELL AS STATE AND LOCAL TAX CONSEQUENCES AND FEDERAL ESTATE AND GIFT TAXES.

B. Federal Income Tax Consequences to Debtor

The Plan contemplates that all known creditors of Debtor will be paid at least in part, if not in full. Therefore, the federal income tax issues associated with the cancellation of debt are subject to the provisions of the 1980 Bankruptcy Tax Act as set forth in Section 108 of the Internal Revenue Code.

Debtor files Form 1065 (U.S. Return of Partnership Income) for Federal income tax purposes. This means each partner of the Debtor receives a Schedule K-1. Debtor files returns of income, but is not liable for federal income tax. Instead, the equity owners report all items of income, gain, loss, deduction and credit on their individual returns and that Debtor has no federal income tax.

Debtor did not incur any tax liability for taxable income. Net Income or Loss is passed through to the partners of the Debtor on a Schedule K.

C. Federal Income Tax Consequences to Creditors

General. As to all debts being paid in full and in cash and since none of the Creditors, in its or their capacity as a Creditor are receiving any security in Debtor, a Creditor who receives cash in full satisfaction of a Claim will classify the payment in the same way it would have classified that payment had it been made by Debtor if it were not in bankruptcy. Therefore, each Creditor should consult its own tax advisor.

Backup Withholding. Under current tax law, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding" taxes. Withholding generally applies if the holder: (i) fails to furnish his social security number or other taxpayer identification number (hereinafter "TIN"), (ii) furnishes an incorrect TIN, (iii) fails

properly to report interest or dividends, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is his correct number and that he is not subject to backup withholding.

XIII.

RISK FACTORS

Certain substantial risk factors are inherent in most Chapter 11 cases. There are risks, which all creditors should be aware of with respect to this Plan.

First, there is a risk that the market in which the Debtor operates will decline, thereby increasing Debtor's inability to pay its creditors pursuant to the confirmed Plan of Reorganization. While the Debtor does not believe that its market will decline, this possibility must be recognized.

All creditors should be aware that the inability to confirm this Plan might be detrimental to all creditors of the Debtor's estate. If this Plan is not confirmed, and the case is converted to Chapter 7, it is highly likely that the unsecured creditors would receive no distributions out of the Debtor's estate. In light of the Debtor only having insignificant non-exempt or unencumbered assets (as reflected on the Debtor's Schedules), the value of the Debtor stems from his ability to continue his ongoing business operations with Pendergraft & Simon, LLP, reach maximum profitability, and pay his IRS obligations and his debts, as they become due. Due to the limited tangible assets owned by Debtor, the return to creditors in the event the Bankruptcy Estate is liquidated would be nominal, at best. In the event of conversion to Chapter 7, the assets would be significantly diminished and there would be additional Trustee's fees (unknown amount), plus Trustee's professionals' fees (unknown amount).

XIV.

FINANCIAL INFORMATION

Debtor has filed monthly operating reports with the Clerk of the Bankruptcy Court, which have been incorporated herein by reference.

XV.

CRAMDOWN

Upon rejection of this Plan by any impaired class of claims, the Plan Proponent intends to, and hereby does, invoke the cramdown provisions of section 1129(b) of the Bankruptcy Code to obtain confirmation of the Plan.

XVI.

EFFECT OF CONFIRMATION

If the Plan is confirmed, its provisions will bind the Debtor and each creditor, whether or not the claim is impaired under the Plan and whether or not the creditor has accepted the Plan. Upon confirmation of the Plan, the property of the estate will be free and clear of any and all claims and interests of all entities, except as provided in the Plan, and shall re-vest in the reorganized Debtor.

XVII.

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 and (iii) provision for payment or

distribution under the Plan to each claimant 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 that Class or a finding by the Court that the Plan is "fair and equitable" and does not "discriminate unfairly" against the Class.

A. Who May Vote

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 claims 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 on any contractual provisions or applicable law to demand accelerated payment.

Any claim that is subject to an unresolved objection may not vote unless an order is obtained from the Court temporarily allowing the Claim for the purpose of voting.

Class 1 and 8 are not impaired under the Plan and, pursuant to section 1126(f) of the Bankruptcy Code, are deemed to have accepted the Plan without voting. All other Classes, except Class 9, are impaired under the Plan and are entitled to vote to accept or reject the Plan.

B. Confirmation of the Plan

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

Confirmation Hearing. Section 1128(a) of the Bankruptcy Code requires the Court, after notice, to hold a hearing on confirmation of the Plan (the "Confirmation Hearing"). The Court will schedule the Confirmation Hearing, set deadlines and require notice to all creditors. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan, regardless of whether it is entitled to vote. If the Plan is not confirmed, however, the theoretical alternatives include: (a) alternative plans of reorganization; or (b) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

Alternative Plans of Reorganization. If the Plan is not confirmed, the Debtor or some other party in interest in the Bankruptcy case could attempt to formulate and propose a different plan or plans. After a thorough review and analysis of the course of action set forth in the proposed Plan, the Debtor has concluded that the Plan as proposed provides the Holders of impaired claims and equity interests with the optimal opportunity for the maximum recovery such that the interests of each will thereby be best served.

Objections to Confirmation. The Court will schedule a hearing to consider objections by parties in interest to confirmation of the Plan. The hearing may be adjourned from time to time by the Court without further notice except for an announcement made at the hearing. While the Plan Proponent expects that any hearing to consider objections to the confirmation of the Plan will be held in conjunction with the Confirmation Hearing, there can be no assurance that such will be the case.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY MADE IT MAY NOT BE CONSIDERED BY THE COURT.

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:

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.

Best Interests Test. With respect to each impaired class contemplated by section 1129(a)(7)(A), each member either (a) has accepted the Plan or (b) will 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. Only Classes 2, 3, 4, 5, 6 and 7 are affected by the best interests test, since all other classes are receiving payment in full under the Plan. Of course, no class may receive more than payment in full in either Chapter 7 or Chapter 11.

To determine what the holders in Classes 2, 3, 4, 5, 6 and 7 would receive if the Debtor was liquidated, the Bankruptcy Court must determine that the dollar amount which would be generated from the liquidation of the assets in the context of Chapter 7 liquidation is not more than the present value of the funds to be distributed under the Plan. The cash amount that would be available would consist of the proceeds resulting from the disposition of the unencumbered assets of the Debtor, reduced by the costs and expenses of the liquidation and by such additional administrative and priority expenses that may result.

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, appraisers, and accountants and costs and expenses of operations, which remained unpaid. In addition, Claims may arise by reason of the rejection of obligations incurred and contracts entered into by the Debtor in Possession during the pendency of the Chapter 11 case.

To determine if the Plan is in the best interests of the members of Classes 2, 3, 4, 5, 6 and 7, the present value of the distributions from the proceeds of the liquidation of all the Debtor'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 members of Classes 2, 3, 4, 5, 6 and 7 under the Plan. It is the Debtor's opinion that if a Chapter 7 liquidation were to occur, no allowed unsecured creditor or interest holder would receive any distribution nor would the (priority) taxing entities' allowed, undisputed claims be paid in full.

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 on-half in number of Allowed Claims 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.

Fair and Equitable Test. If any impaired class of claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Proponent pursuant to the cram-down 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 claims 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 any property under the Plan in exchange for such claims or interest held prior to the filing.

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.

The Debtor 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 was liquidated in a case under Chapter 7 of the Bankruptcy Code. The Debtor believes that each holder of a Claim impaired under the Plan will receive substantially greater payments under the proposed Plan of Reorganization.

Absolute Priority Rule. Section 1129(b)(2)(B)(ii) controls the payment of senior and junior classes of claims or interests in the event that all of the applicable requirements of Section 1129(a), other than paragraph (8), are met with respect to a plan. Under the Debtor's Plan, no junior classes of claims or interests are to receive more than senior classes of claims. Moreover, since creditors are entitled to be paid in full before junior classes of claims or interests receive any payments, the Debtor's Plan provides that no holder of any claim or equity interest that is junior to the claims of such senior claimants shall receive any payment on account of such junior claim or interest.

New Value Exception. In the event that any impaired class (that is not an "insider", as defined in 11 U.S.C. § 101(31)) rejects the Plan, the equity interest holders (or other interests junior to unsecured creditors) may retain their interest in the reorganized Debtor in return for capital contributions received by the reorganized Debtor so long as the contribution is: (1) new; (2) substantial; (3) reasonably equivalent to the value received by the equity interest holder; (4) necessary to the effective reorganization of the Debtor; and (5) in the form of money or money's worth. *Bank of Am. Nat. Trust & Sav. Ass'n v. 203 N. LaSalle St. P'ship*, 526 U.S. 434, 445 (1999). The assessment of the required capital contribution amounts for the equity interest

holders (or other interests junior to unsecured creditors) is to be made in the event that any impaired class (that is not an "insider") rejects the Plan.

C. Voting Procedures

Counting Votes. In order to be counted a ballot must be RECEIVED at the following address no later than the date set by the Bankruptcy Court:

Hoffman & Saweris, p.c.
2777 Allen Parkway, Suite 1000
Houston, Texas 77019
Attorneys for Gordon Communications, Inc.
Debtor-in-Possession

Solicitation of Votes. The Ballot included herewith will serve as the ballot for indicating acceptance of the Plan pursuant to the requirements of sections 1125 and 1126 of the Bankruptcy Code and Bankruptcy Rule 3018(c). Section 1125(b) of the Bankruptcy Code and Bankruptcy Rule 3018 govern the solicitation and the binding effect of acceptances. Any holder of a contested Claim may ask the Bankruptcy Court pursuant to Bankruptcy Rule 3018, to have its Claims allowed for the purpose of accepting or rejecting the Plan.

[SIGNATURE PAGE TO FOLLOW]

Respectfully submitted this the 11th day of November, 2016.

Robert L. Pendergraft
Debtor-in-Possession

By: */s/ Matthew Hoffman*

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