

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

In re:	§	
	§	
399 Lone Oak, Ltd.	§	BANKRUPTCY NO. 16-36117-H1-11
	§	Chapter 11
Debtor	§	

DEBTOR'S DISCLOSURE STATEMENT

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the small business chapter 11 case of 399 LONE OAK, LTD. (the Debtor). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization (the "Plan") filed by the Debtor. A full copy of the Plan is attached to this Disclosure Statement as Exhibit "A". ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed in this Disclosure Statement.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan*

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place on _____ at _____.m., in Courtroom 404 at the United States Courthouse, 515 Rusk Avenue, Houston, Texas 77002.

2. *Deadline for Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot by mail to counsel for the Debtor, Margaret M. McClure, Attorney at Law, 909 Fannin, Suite 3810, Houston, Texas 77010, by email to counsel, margaret@mmmccclurelaw.com, or by facsimile to counsel, (713) 658-0334.

Your ballot must be received by _____, 2017 or it will not be counted.

3. *Deadline for Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the Debtor and its counsel by _____, 2017

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact Margaret M. McClure, Attorney at Law, 909 Fannin, Suite 3810, Houston, Texas 77010.

C. Disclaimer

The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms.

The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until _____, 2017.

II. BACKGROUND

A. Description and History of the Debtor's Business

See the Debtor's Business Plan, which is attached as Exhibit "B" for a discussion of the description and history of the Debtor's business.

B. Management of the Debtor before and During the Bankruptcy

The Debtor is a limited partnership and the president of its general partner is Joe Fogarty.

During the two years prior to the date on which the bankruptcy petition was filed, the partners were the same as they are presently. After the effective date of the order confirming the Plan, they will remain the same.

C. Events Leading to Chapter 11 Filing and Significant Events during the Bankruptcy Case

See the Debtor's Business Plan, which is attached as Exhibit "B" for a discussion of the events leading to the Chapter 11 filing and significant events during the bankruptcy case.

D. Absolute Priority Rule

The "absolute priority rule" is the rule that states that the holder of any claim or interest that is junior to the claims of an impaired unsecured class of creditors will not receive or retain under the plan on account of their junior claim or interest any property unless the allowed claims in the impaired unsecured class of creditors support the Plan. The Debtor is confident that Watearth, Inc., the only unsecured creditor, who has a claim in the amount of \$77,804.00 will vote for the plan.

E. Projected Recovery of Avoidable Transfers and Lawsuits

The Debtor does not believe there are any preference actions or fraudulent transfer actions to pursue.

F. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in the Plan. If necessary, objections to claims will be filed within 60 days after the Effective Date of the Plan.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code.

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment. The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Margaret M. McClure – Ms. McClure holds a retainer in the amount of \$23,283.00. Ms. McClure is owed approximately \$30,000.

U.S. Trustee – fees will stay current until this case is closed.

2. Priority Unsecured Tax Claims

None

3. Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to set-off) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim. The following chart lists all classes containing Debtor's secured pre-petition claims and their proposed treatment under the Plan:

(3)(a) – Ad valorem Property Taxes

Harris County, et al – This claim is \$13,147.50. It will be paid in full once funding has been received at the same time as all other secured creditors. It will be paid the applicable non-bankruptcy rate of interest as provided under 11 U.S.C. 511, if required. This creditor shall retain all liens it currently holds, whether for pre-petition tax years or for the current tax year, on any property of the Debtor until it receives payment in full of all taxes, and interest owed to it under the provisions of this Plan, and its

lien position shall not be diminished or primed by any Exit Financing approved by the Court in conjunction with the confirmation of this Plan.

Aldine ISD – This claim is \$19,708.03. It will be paid in full once funding has been received at the same time as all other secured creditors. It will be paid the applicable non-bankruptcy rate of interest as provided under 11 U.S.C. 511, if required. This creditor shall retain all liens it currently holds, whether for pre-petition tax years or for the current tax year, on any property of the Debtor until it receives payment in full of all taxes, and interest owed to it under the provisions of this Plan, and its lien position shall not be diminished or primed by any Exit Financing approved by the Court in conjunction with the confirmation of this Plan.

These claims are impaired

(3)(b) – Lender

Camcorp Interests, Ltd. – Camcorp has filed a claim in the amount of \$3,441,329.29. It will be paid in full the amount it is owed once funding has been received at the same time as all other secured creditors.

This claim is impaired

4. *General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. The General Unsecured Creditors will be paid 100% of their claims with no interest at the same time as the secured creditors are paid once funding has been received at the same time as the secured creditors.

5. *Insider Claims*

No insider will receive any distributions until after all creditors are paid in full pursuant to the plan.

7. *Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a partnership, persons holding partnership interests in the partnership are equity interest holders.

A. **Means of Implementing the Plan**

1. *Source of Payments*

Payments and distributions under the Plan will be funded by receipt of funding from either an investor or a line of credit of an insider.

2. *Post-confirmation Management*

The Post-Confirmation Management of the Debtor will be the same as before and during the bankruptcy proceeding.

3. *Disbursing Agent*

The Reorganized Debtor will be the disbursing agent under the plan.

B. **Executory Contracts and Unexpired Leases**

The Plan lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is 60 days after the contract or lease is (or was by operation of law) rejected.

Any claim based on the rejection of a contract or lease will be disallowed or discharged if the proof of claim is (or was) not timely filed, unless the Court orders otherwise.

C. **Tax Consequences of Plan**

Creditors Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors. The Debtor believes that there will be no tax consequences of the Plan that will impact the Debtor.

IV. **CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the

Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met. Any insider's vote will not be counted.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Debtor believes that classes 3 and 4 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Debtor believes that class 1 is unimpaired and that holders of claims in this class, therefore, do not have the right to vote to accept or reject the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was April 24, 2017.

The deadline for filing objections to claims is 60 days after confirmation of the Plan.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

The holders of the following six types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;

- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- holders of administrative claims.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise holds claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by a cram down on non-accepting classes, as discussed later in Section B.2.

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Non-Accepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a cram down plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for

consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not discriminate unfairly, and is fair and equitable toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a cram down confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. Under a liquidation analysis the one unsecured creditor, Watearth, Inc. would receive nothing on its claim.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

Exhibit “C” is the schedules listing the assets of the Debtor, and Exhibit “D” is the schedules showing the liabilities of the Debtor.

E. Plan Default - In the event of any failure of the Reorganized Debtor to timely make its required plan payments to one or more of these creditors, they shall send notice of such default to the Reorganized Debtor. If the default is not cured within thirty (30) days of the date of such notice, the creditors may proceed to collect all amounts owed pursuant to state law without further recourse to the Bankruptcy Court

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor

On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code. However, the Debtor shall not be discharged from any debt imposed by the Plan. After the effective date of the Plan your claims against the Debtor will be limited to the debts imposed by the Plan.

B. Vesting of Property in the Reorganized Debtor. On the Effective Date, title to all assets and properties dealt with by the Plan shall vest in the Reorganized Debtor, free and clear of all Claims and Interests other than any contractual secured claims granted under any lending agreement, on the condition that the Reorganized Debtor complies with the terms of the Plan, including the making of all payments to creditors provided for in such Plan. If the Reorganized Debtor defaults in performing under the provisions of the Plan and this case is converted to a case under chapter 7, all

property vested in the Reorganized Debtor and all subsequently acquired property owned as of or after the conversion date shall re-vest and constitute property of the bankruptcy estate in the converted case.

C. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or re-voting on the Plan. The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

D. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

Dated: June 6, 2017.

/s/ Margaret M. McClure

Margaret M. McClure, Attorney for Debtor

EXHIBIT A

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

In re:	§	
	§	
399 Lone Oak, Ltd.	§	CASE NO. 16-36117-H1-11
	§	Chapter 11
Debtor	§	

DEBTOR'S PLAN OF REORGANIZATION

ARTICLE I

SUMMARY

This Plan of Reorganization (the "Plan") under chapter 11 of the Bankruptcy Code (the "Code") proposes to pay creditors of 399 LONE OAK, LTD. (the "Debtor") from future either an investor or an insider's line of credit. This Plan provides for a class of secured creditors and a class of general unsecured claims; and a class of equity security holders. Unsecured creditors holding allowed claims will paid 100% of their claims. This Plan also provides for the payment of administrative claims. All creditors and equity security holders should refer to the provisions of this Plan for information regarding the precise treatment of their claim. A disclosure statement that provides more detailed information regarding this Plan and the rights of creditors and equity security holders has been circulated with this Plan. **Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. If you do not have an attorney, you may wish to consult one.**

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment. The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Margaret M. McClure – Ms. McClure holds a retainer in the amount of \$23,283.00. Ms. McClure is owed approximately \$30,000.

U.S. Trustee – fees will stay current until this case is closed.

2. *Priority Unsecured Tax Claims*

None

3. *Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to set-off) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim. The following chart lists all classes containing Debtor's secured pre-petition claims and their proposed treatment under the Plan:

(3)(a) – Ad valorem Property Taxes

Harris County, et al – This claim is \$13,147.50. It will be paid in full once funding has been received at the same time as all other secured creditors. It will be paid the applicable non-bankruptcy rate of interest as provided under 11 U.S.C. 511, if required. This creditor shall retain all liens it currently holds, whether for pre-petition tax years or for the current tax year, on any property of the Debtor until it receives payment in full of all taxes, and interest owed to it under the provisions of this Plan, and its lien position shall not be diminished or primed by any Exit Financing approved by the Court in conjunction with the confirmation of this Plan.

Aldine ISD – This claim is \$19,708.03. It will be paid in full once funding has been received at the same time as all other secured creditors. It will be paid the applicable non-bankruptcy rate of interest as provided under 11 U.S.C. 511, if required. This creditor shall retain all liens it currently holds, whether for pre-petition tax years or for the current tax year, on any property of the Debtor until it receives payment in full of all taxes, and interest owed to it under the provisions of this Plan, and its lien position shall not be diminished or primed by any Exit Financing approved by the Court in conjunction with the confirmation of this Plan.

These claims are impaired

(3)(b) – Lender

Camcorp Interests, Ltd. – Camcorp has filed a claim in the amount of \$3,441,329.29. It will be paid in full the amount it is owed once funding has been received at the same time as all other secured creditors.

This claim is impaired

4. *General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. The General Unsecured Creditors will be paid 100% of their claims with no interest at the same time as the secured creditors are paid once funding has been received at the same time as the secured creditors.

5. *Insider Claims*

No insider will receive any distributions until after all creditors are paid in full pursuant to the plan.

7. *Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a partnership, persons holding partnership interests in the partnership are equity interest holders.

ARTICLE III

ALLOWANCE AND DISALLOWANCE OF CLAIMS

Disputed Claim. A disputed claim is a claim that has not been allowed or disallowed by a final non-appealable order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or unliquidated.

Delay of Distribution on a Disputed Claim. No distribution will be made on account of a disputed claim unless such claim is allowed by a final non-appealable order.

Settlement of Disputed Claims. The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

Claim Objections. The Debtor shall have 60 days from the Effective Date of the Plan to file objections to claims.

Vesting of Property On the Effective Date, title to all assets and properties dealt with by the Plan shall vest in Reorganized Debtor, free and clear of all claims and interests other than any contractual secured claims granted under any lending agreement, on the condition that Reorganized Debtor complies with the terms of the Plan, including the making of all payments to creditors provided for in such Plan. If Reorganized Debtor defaults in performing under the provisions of this Plan and this case is converted to a case under chapter 7, all property vested in Reorganized Debtor and all subsequently acquired property owned as of or after the conversion date shall re-vest and constitute property of the bankruptcy estate in the converted case.

Default – Any creditor remedies allowed by 11 U.S.C. § 1112(b)(4)(N) shall be preserved to the extent otherwise available at law. In addition to any rights specifically provided to a claimant treated pursuant to this Plan, a failure by the Reorganized Debtor to make a payment to a creditor pursuant to the terms of this Plan shall be an event of default as to such payments if the payment is not cured within twenty-one (21) days after mailing written notice of default from such creditor to the Reorganized Debtor. If a Payment is not timely received by a creditor after the Debtor has already cured three untimely payments, the creditor may exercise any and all rights and remedies under applicable non-bankruptcy law to collect such claims or seek such relief as may be appropriate in the United States Bankruptcy Court.

ARTICLE IV

PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Assumed Executory Contracts and Unexpired Leases.

The Debtor assumes the following executory contracts and/or unexpired leases effective upon the “effective date of this Plan.” LGL. The Debtor will be conclusively deemed to have rejected all executory contracts and/or unexpired leases not expressly assumed above, or before the date of the order confirming this Plan, upon the “effective date of this Plan.” A proof of a claim arising from the rejection of an executory contract or unexpired lease under this section must be filed no later than sixty (60) days after the date of the order confirming this Plan.

ARTICLE V

MEANS FOR IMPLEMENTATION OF THE PLAN

This Plan of Reorganization will be funded by the Reorganized Debtor through an investor or from an insider’s line of credit. The current management, Mr. Joe Fogarty, will remain in control.

ARTICLE VI

GENERAL PROVISIONS

Definitions and Rules of Construction. The definitions and rules of construction set forth in §§ 101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Plan.

Effective Date of Plan. The effective date of this Plan is the fifteenth business day following the date of the entry of the order of confirmation. But if a stay of the confirmation order is in effect on that date, the effective date will be the first business day after that date on which no stay of the confirmation order is in effect, provided that the confirmation order has not been vacated.

Severability. If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

Binding Effect. The rights and obligations of any entity named or referred to in this Plan will be binding upon, and will inure to the benefit of the successors or assigns of such entity.

Captions. The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

Controlling Effect. Unless a rule of law or procedure is supplied by federal law (including the Code or the Federal Rules of Bankruptcy Procedure), the laws of the State of Texas govern this Plan and any agreements, documents, and instruments executed in connection with this Plan, except as otherwise provided in this Plan.

ARTICLE VII

DISCHARGE

On the confirmation date of this Plan, the debtor will be discharged from any debt that arose before confirmation of this Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor will not be discharged of any debt: (i) imposed by this Plan; (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure; or (iii) of a kind specified in § 1141(d)(6)(B).

Dated June 6, 2017.

/s/ Margaret M. McClure

Margaret M. McClure, Attorney for Debtor

EXHIBIT B

**399 Lone Oak, LTD.
Bankruptcy Workout Plan**

1. This plan includes the payment of all debts including that to Com Corp.
2. This plan requires a new loan with a maximum outstanding balance of \$4,630,964. That equates to a 45% loan to value.
3. The loan will be provided by CRE, a New Jersey lender as part of a Line of Credit. A Term Sheet is attached. The loan closing is expected before July 31, 2017.
4. The current value of the property according to an appraisal by CBRE is \$7,000,000. The appraisal is attached.
5. The projected cash flow over four years is a net of \$11,546,436. That is based on a cash flow projection attached.
6. 100% of the lots to be developed are subject of a Contract of Sale to LGI. The contract is attached. LGI has deposited \$250,000 to be released to the developer upon initial funding by the lender.
7. The property has been annexed into Harris County Improvement District #17. The District has agreed to engage directly with the lender to facilitate the development of the property. A copy of that agreement is attached.
8. Arete Real Estate & Development Company has agreed to provide additional equity if required up to \$3,000,000 from the refinance of its interest in the El Tesoro Development (a similar project). That transaction is currently scheduled to occur before June 30, 2017. A Lender Term Sheet is attached.
9. The overall development will proceed according to the property Development Plan. A copy of that plan is attached.

#9

PROPERTY DEVELOPMENT PLAN

**"LONE OAK", HUMBLE, HOUSTON, TEXAS
(508) LOT SINGLE FAMILY HOUSING ESTATE**

SECTION 1 SUBDIVISION WORKS (103 LOTS)

SENIOR DEBT REQUIREMENT- \$8,100,000

Prepared by:

Arete Real Estate and Development Co.

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ATTACHMENTS

- 1.** Public Private Partnership

1/. SYNOPSIS

In 2014, Areté purchased in partnership with Houston based builders, the Legend / Princeton Homes group a **98 acre parcel** of land in the North Houston suburb of Humble.

The original intention of the partnership was to develop and build out a rental housing community of circa 500 homes. Each partner injected cash equity towards the purchase with Legend providing a loan to finance the balance (Current balance \$3.10m+).

It was the partnerships strategy that Areté would manage develop the land infrastructure and subdivided lots for the Partnership. A project specific LLC owned by Legend, would purchase the Lots at a discounted \$19,000 per, then build the houses. The LLC would then rent and manage the complex.

With the downward movement in the price of crude oil in 2015, Legend have been required to refocus their activities and liquidate positions in land holdings. As such, Legend and their financial partners have deemed the Lone Oak project "non core". They have now requested that the Partnership be dissolved and their Loan monies repaid.

We now seek to refinance Legend's position and proceed with the development. We have redesigned the proposed development targeting the growing and active first home buyer market and **pre sold 100% of the project** to Woodlands based and **Nasdaq listed builder, LGI Homes** (code:LGIH) at a **commencing \$32,000 per lot**, which is a 68% premium to the Legend sale price.

The property is well suited to the proposed development being generally level in contour, not heavily vegetated; neighbours are primarily single family residential. The site is in close proximity to the George Bush International airport which provides employment opportunities although is not directly affected by runway traffic. The property is within short distance to extensive retail shopping, public reserves and public schools.

Since settlement we have;

- Undertaken the required site investigations, (environmental, wetlands and water ways etc.) and obtained required permits. Total expended \$1.200m +/-.
- Re designed our Master Plan concept to generate a **total circa 508 Lots, with an average lot size of 40x110' (4,400 sq ft).**
- **Annexed the property** into the Harris County Improvement District 17 ("HCID17"), which will allow us to seek **re imbusement of 100% of infrastructure and design costs. A contract is in place for Reimbursement.**

- As mentioned above, successfully **pre sold** 100% of the development to National home builders, **LGI Homes at a starting price of \$32,000 per lot.**
- Completed clearing and grubbing and constructed detention pond for initial sections.
- We have a commitment from Areté to bring additional equity from the sale of their El Tesoro project. The expected closing is within two weeks.

We are now finalizing working drawings with the program to commence works on the initial 103 Lots in Section One by 30th July 2017. The works will be publicly bid and awarded to the most suitable independent contractor. The Contractor will be required to provide a **Performance Bond issued by a recognised insurer underwriting the value of the works contract** in the event of financial collapse of the Contractor. Physical works will be supervised by experienced civil engineers on our behalf providing certification of the value of works completed to support progress payment requests.

The completion of the project is subject to a **Loan Facility of \$8.100m** to payoff the Legend Homes (\$3.100m incl costs), finance the development of Section One with a contingency allowance for financing Section Two works. The **initial Land Advance of \$4.100m will be a LVR of 57%** current land valuation of \$7.000m (CBRE Houston 8th December 2016).

With the benefit of the presales on hand to LGI, and reimbursements available via HCID17, we have **locked in revenues for Section One of \$6.518m (Net costs).**

We forecast that we will drawdown **\$8.112m for Land refinance and Section One works.** Upon completion of Section One works, settlement of the (103) lots and receipt of the reimbursements, we forecast that the **Loan balance will reduce to \$1.594m** in Q2 2018 which will result in a **LVR of 29%** against the residue land for future stages (405 lots x \$14k).

We have received a terms sheet from CRE Finance of Eatontown NJ . We have competed the submittal of requested documentation and expect a full commitment within 3 weeks and a scheduled closing within 45 days.

2/. TRANSACTION SUMMARY**Applicant:** 399 Lone Oak, Ltd**Limit:** **\$8,100,000** Monies will be disbursed as follows;**Section One**

Land Refinance		\$4,000,000
Loan Closing Costs	Establishment, Legal, Title Ins etc.	\$350,000
Design Fees	Progressively drawn for design, inspections, Platt recordation etc.	\$320,000
Taxes etc		\$120,000
Construction	Progressively drawn against value of works completed. Incl. Landscape and Monuments	\$2,968,000
Interest	Capitalised under Loan Limit	\$354,000
Section One Total		\$8,112,000

Section Two

Design and Construction	Progressively drawn for design documentation and construction works completed.	<u>\$1,888,000</u>
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TOTAL	\$10,000,000
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Type: Development loan with ability to progressively draw down to finance project related expenses.**Purpose:** To refinance existing Lien, and subsequently finance the development of Section One (1) of (103) lots which are 100% pre sold to LGI Homes**Repayment:** Interest – Capitalised under Limit proposed.
Principal – Repaid via sale proceed of individual lots.**Term:** Eighteen (18) Months (Mar 17– Sept 18)**Security Offered:** 1/. Registered First Lien over 98 acre parcel of land, generally known as “Lone Oak”, located Cypresswood Drive, Humble, Houston, Texas

Note: First Lien holder will be required to consent to Second Lien over property to LGI Homes to secure their pre commitment.

2/. Assignment over Applicants interest in Re- imbursement Agreements with HCID17.

Attorney: Woodrow A. Holland, Managing Member
Holland Law PLLC, Houston

3/. APPLICANT

The Applicant will be a Texas incorporated General Partnership to develop the project for the owner, 399 Lone Oak, Ltd.

The applicant will represent the interests of two (2) primary groups;

60%	General Partner	Arete / Fogarty Family interests - General Partner Project Manager
40%	Passive Investors	

Day to day operations of the Project are the responsibility of the General Partner, Arete Real Estate and Development Co. Arete is a Houston based property developer owned by family interests of Joe Fogarty. Joe started his development career in the mid 1960's and has successfully completed many housing developments during that period that have included the recessions of the 1980's and recent 2008. A sample of past projects is included in our web page, www.aretetx.com.

Current Projects include;

Black Oak, Woodlands	365 Lot single family housing estate, developed in partnership with Singapore interests. Fully funded via Singapore. Phase 1 completed	Total revenues \$65m
Colony at Pinehurst	488 Lot, single family housing estate. 100% Pre sold to Lennar Homes and David Weekley Homes Section One works to commence Jan 17.	Total Revenues \$29m
Mostyn Community, Montgomery	367 lot single family lots developed in partnership with Nevada interests. Fully funded by Nevada partners. Phase One works commenced	Total Revenues \$40m
Willow Creek, Tomball	Purchase 230 acres industrial land, development of stormwater detention system, sale of detention	Total Revenues \$18m

rights. Developed in Partnership. External Finance.

Arete contracts engineering design works to a panel of established consultants. We employ Development Managers to oversee each Project as well as support staff that include senior management, Land Sales, Secretarial, Book keeping etc. A Management Fee is charged to each project to finance the day to day operations of the company.

4/. PROJECT

The 98 acre parcel of land to be known as Lone Oak, is situated in the suburb of Humble, approximately 25 miles North East of the Houston CBD.

The property is well serviced via the extensive road network available to this locality, with US69 Freeway offering direct access into the Houston CBD and Sam Houston Tollway providing ring road access to circumnavigate the CBD.

Within 5 miles of the property is the Humble town centre which offers a wide range of retail shopping and restaurants including the Deerbrook Mall, Walmart, Sam's Club, JC Penny, Academy Sports, numerous restaurants, and speciality retail outlets. Community facilities within close proximity include well regarded junior and secondary schools, public parkland and golf courses.

Majority of surrounding properties are single and multiple family housing. The largest representation of housing is in the \$150- \$300,000 range with Owner Occupiers in this bracket representing 54% of the Humble catchment. 2016 Population estimates within five mile radius of site is 113,000 (2010 - 96,000), with typical demographic being young families, with an average household income \$70,000 per annum.

The land is basically level in contour and abuts existing residential communities so the availability of services (water, electricity, gas, telecommunications, sewer etc) is readily available. An electricity easement dissects the property and the rear section is within a flood plane, however we have allowed for such with the creation of addition drainage abatement measures including detention ponds.

Our project master plan will see the development of (508) housing lots in seven (7) stages, together with parkland reserves that will incorporate detention ponds, waste water treatment plant. We have intentionally designed that the majority of lots within the estate will be 40x110' in size (4,400 sq ft) as this will enable us to deliver land in the \$32,000 bracket and our builder's house and land packages at a competitive \$170 - \$230,000 range.

This sub \$300,000 has showed the most resilience to the drop in crude oil in 2015 that has effected the \$500,000 + market in Houston. This market continues to attract the most demand from builders and ultimately owners, with our estates in Pinehurst, Mostyn Springs

and Dobbin enjoying pre purchase competition from builders seeking stock to service this sector of the market.

Infrastructure will include main ingress / egress from Cypresswood Point Drive dual carriageway concrete roadways; concrete kerb, channel, crossovers and pathways; underground electricity, gas, communications cabling, water and sewer. A feature entrance wall incorporating the community name will be located at the main entrance with the detention pond that we have already constructed to be landscaped and to become an entrance feature.

In our Feasibility analysis we have allowed for Section One development costs of \$28,800 per lot that incorporates costs for the establishment of the community including sewer plant, entrance monuments, landscaping etc. Future stages reduce to \$15,000 per lot. These costs have been estimated based upon our industry experience and current Projects on hand.

Upon settlement of the restructure, we will engage independent engineers to prepare full working drawings in preparation for a public bid process for the Stage One works. We have allowed six (6) months for this process. The Head Works contract will be awarded to the independent qualified Contractor with the most competitive Tender.

Harris County Improvement District 17.

Lone Oak was Annexed into the HCID17 in February 2016.

Joe Fogarty has close business connections with three (3) of the five (5) board members of the District.

By annexation into HCID17, we will be able to claim reimbursement for key project infrastructure post completion of each phase and settlement of 25% of the respective lots, with proceeds to be used as principal debt reduction. In order to raise the capital for the reimbursement, the District requires 25% of the Lots have capital improvements against which the District will levy an ad valorem tax against land owners, (1.25%), with income generated by same pledged for servicing Bonds that are subsequently raised and proceeds used to reimburse infrastructure costs incurred by private developers.

With the Annexation of Lone Oak, we are able to seek reimbursement for infrastructure land and costs, associated design fees and cost of carry. We have allowed for reimbursement for Phase One costs of \$4.596m in our finance cashflow.

Water Utilities

HCID17 has reimbursement agreements with a water infrastructure provide. This agreement permits the operator access to properties within the District requiring water

supply and sewer treatment and in return the providers agree to pay for certain design costs associated with the sewer as well reimburse the developer of each property.

We have allowed for the receipt of \$5,000 per lot in water infrastructure reimbursements in our feasibility.

Presales

We have reached Agreement to sell effectively 100% of the lots in our development to National home builder, LGI Homes. This not only underwrites our revenues, but allows us to fast track the development program as there is no layoff time waiting for sales to be generated.

LGI is based in The Woodlands, Houston and we have had a successful history in the past where they have purchased land in our projects. Details of LGI and our Contract is as follows:

LGI Homes Texas LLC

- www.lgihomes.com. Established 2003, listed Nasdaq ("LGIH") has agreed to purchase (499) lots (an earlier scheme) at minimum \$32,000 per lot with a 6% escalation clause for subsequent stages.
- The Contract has been executed in December 2016 and is subject to a sixty (60) day Feasibility / Due Diligence period. Upon satisfaction of this time, if LGI elects to proceed, it will pay a \$250,000 Earnst payment towards the Contract.
- The Contract provides for full (100% with stage one 104 lots), settlement of each stage, (15) days from receipt notice of Substantial Completion.
- LGI requires us and our lender to enter an Inter Creditor Deed whereby the lender acknowledges the \$250,000 payment and that same will be reduced pro rata as each lot under the total parcel settles. Under the Deed, LGI can register a second Lien against the whole property to protect its interest under the Deed.
- LGI have in December 2016 been announced as Professional Builder Magazine, "Builder of the Year". The company has enjoyed consistent growth since inception and now is recognised as the 25th largest builder of single family homes in the US in terms of starts. The group is currently building in ten (10) States on mainland US.
- The company has a core focus on entry level housing with sales for (9) months to 9/30/16 of \$601m (3,024 house closes at average price \$199k) with Net Income before Tax of \$77.8m. Cash on hand 09/30 \$46m, Total Assets \$769m with Net Equity of \$330m.

Feasibility

Below is a summary of our Project Feasibility;

		\$	\$
Revenue	Lots Sales	17,525,000	
	x \$32k per incl. 6% esc.		
	Re imbursement – Water & HCID17	13,312,000	30,837,000
Expenditure	Land at Valuation	7,000,000	
	Hard Costs incl. 5% Contingency	9,584,000	
	Design and Certification	1,629,000	
	Misc. Costs	100,000	
	Finance (Set Up & Interest)	950,000	
	Taxes	215,000	
	Selling Costs	354,000	19,832,000
Surplus			11,005,000

As we have highlighted the business model for this feasibility is underwritten, with Revenues locked in with financially sound independent third parties, and construction works to be undertaken again by third parties under contract, (it is worthy to note that Construction cost over runs do not impact of financial returns as all infrastructure works, provided they are certified and audited, are reimbursable by HCID17).

5/. Finance Requirement

Attached to this submission is a Financing Budget for the development of Phase One.

In preparing this budget we have utilised the following data;

- Land sales at the contracted \$32,000 per lot with allowance for selling costs.
- \$250,000 in Ernst monies to be credited against debt once Contract is unconditional.
- Interest at 11% per annum, capitalised.
- Builder settlements to occur a conservative 2 months after completion each stage.

Progress claims will be submitted with supporting certification for payments due and confirmation of works completed by our project Engine

The Civil Works contractor awarded the Contract under Tender will be required to provide a Performance Bond for the value of Stage One works by an Insurer to the satisfaction of the Lender.

A Title Insurance Policy will be held in favour of the Lender.

6/. Loan to Security Ratio's

The proposed Facility structure will result in the following Loan ratios

Assumptions

- Englobe Land Value \$7,000,000 (CBRE Houston \$13,780 per lot raw).
- Retail value completed lots - \$32,000 per increasing by 6% per subsequent stage.
- 100% re imbursement of Design and Construction costs.
- \$4,000,000 Senior Land Debt.

Phase One.

Loan		Security		LVR
Land Advance	\$4,000,000	Land Valuation	\$7,000,000	57%
<u>On completion</u>				
		103 lots @\$32k per	\$3,296,000	
		Remaining land		
		405 lots x \$ 13,780per	\$5,581,000	
		Total Freehold	\$8,877,000	
		Add Stage 1 re	\$3,288,000	
		imbursements due		
Stage 1 Limit	\$8,112,000	Total Security Phase 1	\$12,165,000	67%
(incl Interest)				
Less Stage One	\$3,230,000		\$3,296,000	
net Proceeds*				
	\$4,882,000		\$8,869,000	55%
*15 days after				
completion				
Less				
Reimbursements	\$3,288,000		\$3,288,000	
due				
Residue	\$1,594,000		\$5,581,000	29%

Note: We have not included the Section Two allowance of \$1,888,000 in this calculation as we anticipate that the drawdown of this contingency allowance will require performance hurdles nominated by the.

7/. Risks and Mitigants

We consider that the project and its lenders will not be exposed to significant risk to endanger the success of the project for the following reasons;

Risk - Reduction in or loss of Revenues

Mitigant_- Lot Sales - are effectively 100% presold to established National Builder with broad exposure to numerous housing markets in the US. The primary counter party, LGI Homes are listed on Nasdaq and are aiming at an annual turnover for 2016 of \$800 million with an annual construction target of over 4,000 homes. Their commitment of 499 lots or 120 per annum, is less than 3% of current annual output,

We consider the likely hood of default under our Contract of Sale to be minimal.

Mitigant_- Re Imbursements – HCID17 is an incorporated District under Texas State law. MUD's or Improvements Districts are common throughout Texas and many enjoy sound corporate ratings for their Bonds, due to the strength of the Texas housing markets. HCID17 has an expanding Tax base and is capably managed. Board Approval is held for the issuance of \$850m in Bonds, which are awaiting for the completion of infrastructure projects on properties annexed into its boundaries.

We are comfortable with our association with and the strength of our counterparties to this component of our transaction.

Risk – Increase in Project Expenditure

Mitigant - Construction – Principal project expense is construction activities. For this reason, we have and will continue to seek Public Bids from independent contractors who will enter Fixed Price Contracts to undertake required works. Progress payments to be paid on a cost to complete basis to ensure sufficient monies are always withheld to complete the project. Appropriate Contract Insurances and Bonding will be held to enable appointment of replacement contractor under the original contract sum in the event of financial failure of the Contractor.

It is to be highlighted that under the Re imbursement Agreement with HCID17, we are able to claim reimbursement for all approved infrastructure costs. Provided the Bid process is public and transparent, works are certified and accounts Audited, we can seek re imbursement for all costs incurred in the development of the nominated infrastructure. This effectively means that if cost overruns are incurred, there is no impact on our feasibility or lenders security position (with exception of cash flow), as the expenditure can be claimed for re imburseme

8/. Summary.

The suburb of Humble is an established residential community with high quality infrastructure to encourage and support a growing population.

We have been working on this property / project for over two years now and have considerable time and resources invested in its success. After the withdrawal of our original partners, we have reviewed our development strategy and re designed the project to offer cost efficient serviced lots enabling a National builder to market competitive house and land packages targeting first home buyers.

Our company, Areté is well experienced in subdivision development having undertaking numerous projects of this size over our 40 year history. We have engaged experienced engineers to administer the development process. Works will be undertaken by independent contractors who will be paid on a cost to complete basis. Appropriate Bonds and Contractors Insurance policies will be in place.

**Proposed Public / Private Partnership
Between
Harris County Improvement District #17 &
Areté Real Estate and Development Company**

Joe Fogarty, a Houston area developer with over 40 years experience in the Houston market, has arranged a public/private partnership between Arété real Estate and Harris County Improvement District #17 (The District) to further detached single family lot development in the greater Houston market. The District was created by the Texas State Legislature at the request of Mr. Fogarty and was given broad powers to facilitate subdivision development including the authority to reimburse the cost of water, sewer, drainage and streets through the sale of tax exempt bonds. The District has unlimited authority to levy ad valorem taxes (property taxes) as well as sales tax authority and motel/hotel tax authority.

The District has authority to annex non-contiguous land tracts into the district and provide the benefit of this agreement to other developers and land owners. A development team led by Mr. Fogarty with the equity provided by local and foreign investors has agreed to create twenty new communities along the soon to be completed outer belt between Interstate 10 West and Interstate 45 North. The total investment by the development partnership will equal \$100 million.

Arête Real Estate and Development Co. has agreed to be the lead for the development entity. The proposed structure of the development entity will be a master limited partnership with each individual community owned by a single asset entity (also a limited partnership) which will roll up into the master limited partnership.

Arête has created two new identical districts with another in the works in the current legislature. Each of the four districts will have the ability to serve an area of 10,000 acres. The expected average development size will be less than 200 acres. At ultimate development, the combined districts have the ability to provide water and sewer for an area equal to the Houston-The Woodlands-Sugarland metropolitan area (10,000 square miles).

With four districts in place we will have the ability to develop land anywhere in the greater Houston area by annexing tracts in one of the districts. Upon annexation which takes on 60 days the new parcels are fully entitled to the benefits of the district.

The development process begins with the identification of a suitable development tract. Typically 50 to 150 acres in size. The developer then enters into an agreement with the districts engineer (Tejas Engineering Services LLC) to perform all due diligence for the

parcel. That includes land surveys, environmental site assessment, wetlands determination, soil test, preliminary land plan and an estimate of development cost. After due diligence is completed the project is submitted to the lender for consideration. Upon their acceptance we will enter into contracts with local , regional and national builders for the sale of all lots to be developed. We will at that time also have approval by the board of directors for the annexation of the property into the district. As part of the annexation the developer and the district enter into a contract under which the district agrees to reimburse the developer for all development cost. This contract become part of the lender collateral by assignment from the developer.

The district engineer under a continuation of the engineering services contract will begin the final engineering design of the phase one development. Phase one is generally approximately 25 acres. With aggressive pursuit the final plans will be approved by all state and local authorities in 10 months. After approval the engineer will publish for bids. The publication time is required to be three weeks. After receipt of bids the engineer will tabulate those bids and submit the results to the district's board of directors for approval of the low bidder. The successful bidder will provide a payment and performance bond issued by a surety acceptable to the district. That bond guarantees that the project will be built on time and on budget and that all subcontractors and suppliers are paid.

A contract will be drafted for approval by the district's board. The contract will be between the district and the successful bidder. The engineers will administer the contract on behalf of the district. All draws will be submitted to the engineer who will inspect all work, certify the values and accept the work on behalf of the district. The approved invoice will be submitted to the district for payment. The district will approve payment and forward the invoice to the lender who will pay the invoice less 10% retainage. The payment represents a receivable under the reimbursement contract between the developer and the district.

The district agrees to use its best efforts to sell bond or bond anticipation notes to reimburse the developer at the earliest possible time. This is generally possible when 25% of the homes in each section are complete. That is projected to occur within six months of initial lot delivery. Initial lot delivery is scheduled to be 14 months after land closing.

Streets, drainage, parks and common areas will be reimbursed through the sale of tax exempt bonds which are amortized by the collection of property taxes collected on all real estate in the district. The cost of water and sewer will be paid from the income stream produced by the sale by the district of water and sewer services to all residence of the district.

#5

LONE OAK

Proforma and Financial Projections
As of January 2,2016

	Total	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Control
SALES & REVENUE																		
\$/Lot	\$ 34,460			32,000	32,400	32,805	33,215	33,630	34,051	34,476	34,907	35,344	35,785	36,233	36,686	37,144	37,608	
#Lots	502			103			95		65		65		65		65		44	502
Total Sales	17,299,073			3,296,000	-	-	3,155,431	-	2,213,291	-	2,268,969	-	2,326,048	-	2,384,562	-	1,654,772	17,299,073
Closing Costs	(349,481)			(66,420)			(63,609)		(44,766)		(45,879)		(47,021)		(48,191)		(33,595)	(349,481)
Net Lot sales	16,949,591			3,229,580	-	-	3,091,822	-	2,168,525	-	2,223,090	-	2,279,027	-	2,336,371	-	1,621,176	16,949,591
Total Lots Sold				103	103	103	198	198	263	263	328	328	393	393	458	458	502	
District Reimbursements	12,684,515				2,600,000			3,600,000				3,600,000				2,884,515		12,684,515
Tax Base				9,000,000	15,270,000	21,540,000	27,810,000	34,080,000	40,350,000	46,620,000	52,890,000	59,180,000	65,430,000	71,700,000	77,970,000	84,240,000	90,510,000	
SALES & REVENUE - CASH FLOW	\$ 29,634,106	\$ -		\$3,229,580	\$2,600,000	\$ -	\$3,091,822	\$3,600,000	\$2,168,525	\$ -	\$2,223,090	\$3,600,000	\$2,279,027	\$ -	\$2,336,371	\$2,884,515	\$1,621,176	29,634,106
HARD, SOFT, & LAND COSTS																		
Hard Costs																		
Section 1	103	3,473,400																3,473,400
Section2	95	979,033	1,061,314	2,157,086	255,000													979,033
Section3	65	979,033			244,758.00	636,371.00	97,904.00											979,033
Section4	65	979,033					244,758	636,371	979,04									979,033
Section5	65	979,033							244,758	636,371	979,04							979,033
Section6	65	979,033								244,758	636,371	979,04						979,033
Section7	44	1,115,950											244,758	636,371	979,04	360,806	1,196,95	1,115,950
	502														635,649			
Total Development Hard Costs	\$ 9,484,515	\$ -	\$ -	\$1,061,314	\$2,157,086	\$ 499,758	\$ 636,371	\$ 342,662	\$ 636,371	\$ 342,662	\$ 636,371	\$ 342,662	\$ 636,371	\$ 342,662	\$ 733,553	\$ 360,606	\$ 119,695	9,484,515
Soft Costs																		
Interest Expense 6% bank	\$ 621,576		127,500.00	164,664.42	138,929.53	83,690.16	106,791.99											621,576
Engineering	\$ 1,100,000																	1,100,000
Ad Valorem Taxes	\$ 165,000				70,000				50,000				45,000			16,579		165,000
Management Fee	800,000		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	800,000
Total Development Soft Costs	\$ 2,686,576	\$ -	50,000	177,500	214,664	258,930	133,690	156,792	50,000	100,000	50,000	50,000	95,000	50,000	50,000	66,579	50,000	1,603,155
Land Cost	\$ 7,000,000																	
DEVELOPMENT & LAND COST - CASH FLOW	\$ 19,171,091	\$ -	\$ 50,000	\$1,238,814	\$2,371,750	\$ 758,688	\$ 770,061	\$ 499,454	\$ 686,371	\$ 442,662	\$ 686,371	\$ 392,662	\$ 686,371	\$ 437,662	\$ 686,371	\$ 783,553	\$ 427,185	\$ 169,695
NET CASH FLOW BEFORE FINANCING ACTIVITIES & CASH FLOW AVAILABLE FOR DIST.	10,463,015	-	(50,000)	(1,238,814)	857,830	1,841,312	(770,061)	2,592,368	2,913,629	1,725,863	(686,371)	1,830,428	2,913,629	1,841,365	(686,371)	1,552,818	2,457,330	1,451,481
CASH FLOW FROM FINANCING ACTIVITIES:																		
Developer deposit				250,000					(250,000)									
Partnership Equity	\$ 2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000									
Acquisition and Development Loan draws	\$ 10,575,138	\$4,250,000	\$1,238,814	\$2,371,750	\$758,688	\$770,061	\$499,454	\$686,371										
Development Loan Activity:																		
Loan Balance		4,250,000	5,488,814	4,630,984	2,789,672	3,559,733	967,365	(0)										
Loan to Value(land plus recievable from District)		50%	56%	45%	37%	35%	10%											
Payment on Loan Principal	\$ 10,575,138			3,229,580	2,600,000	-	3,091,822	1,653,736										
Repayment of Equity									2,800,000									
Cash Flow Available for Distribution					-	-	-	1,946,264	1,725,863	(686,371)	1,830,428	2,913,629	1,841,365	(686,371)	1,552,818	2,457,330	1,451,481	
TOTAL CASH FLOW					-	-	-	1,946,264	872,127	185,756	2,016,184	4,929,813	6,771,177	6,084,806	7,637,625	10,094,955	11,546,436	



1 Industrial Way West Building A, Suite A Eatontown, NJ
07724

Term Sheet

April 11, 2017

Loan Number: 170000040
Fogarty Family Revocable Trust III
340 N Sam Houston Pkwy. E., Suite 140
Houston, Texas 77060
C/O: Joe Fogarty

Dear Managing Members,

Attached please find the proposed Term Sheet on behalf of CRE-Finance (CRE). Upon your execution and return of this Term Sheet along with the Due Diligence Fee, CRE will immediately begin its due diligence process.

This Term Sheet is for discussion purposes only and is subject to Lender's satisfactory completion of its due diligence, internal credit approvals and satisfactory legal review (all of which shall be at the Lender's sole and absolute discretion).

This Term Sheet shall expire April 17, 2017

Borrower: Fogarty Family Revocable Trust III
The borrowing entity ("Borrower") shall be a single asset, bankruptcy remote entity satisfactory to lender.

Lender: CRE – Finance, LLC. or any affiliate or trustee.

Purpose: Line of Credit

Property: Project Name: Greater Houston Lot Development Plan

Loan Amount: The lesser of \$100,000,000 up to 80% Loan To Cost

Security: A first mortgage security lien on the subject property ("Property"). In addition, an assignment of, and security interest in, all current and future leases, rents and other income related to the Property. The mortgage and security interest shall constitute valid first liens, subject to no other liens or encumbrances. The sale, transfer, pledge or encumbrance of all or any portion of the Property or interest therein shall be prohibited without the prior written consent of the Lender.



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- Loan Term:** 36 months
- Interest Rate:** The Interest rate shall be 5.50 percent
- Amortization:** 25 years
- Property Releases:** Individual releases will be allowed as long as there is no event of default. A release of an individual property/lot will be permitted. To be explained in great detail in the business plan. (See condition #5)
- Due Diligence:** Due diligence will commence upon receipt of the executed Term Sheet and simultaneous payment of the Due Diligence fee described below. Whether or not the transaction contemplated herein closes, Borrower and the Sponsor shall be jointly and severally obligated to pay all Lender out-of-pocket fees, costs and expenses related to this transaction, including, without limitation, the reasonable fees and expenses of Lender's outside counsel, title report fees and costs, survey costs, and costs incurred in obtaining and / or reviewing due diligence materials, including, without limitation, appraisals, environmental and engineering reports and travel costs of Lender's personnel or representatives (collectively, "Lender's Expenses"). Borrower and/or Sponsor shall wire a **\$24,500** Due Diligence Fee to Lender, for Lender's Expenses. Such Due Diligence Fee shall be refundable except as herein expressly stated otherwise. All reports shall be satisfactory to CRE in all respects in its reasonable judgment. All fees listed above are non- refundable if Borrower violates Sponsor Good Faith Provision. At time of commitment CRE shall provide the Borrower and/or Sponsor with a full accounting of all due- diligence money spent. Any balance of the Due Diligence Fee remaining will be credited to Borrower and/or Sponsor at closing. In the event of a decline by CRE to provide the Loan to Borrower, a full accounting of the Due Diligence Fee spent will be provided and refund made to Borrower of any unspent portion of the Due Diligence Fee. The Due Diligence fee is for underwriting and review of the entities or sponsors listed on this Term Sheet. Any additional sponsor or entity name not provided or listed on this Term Sheet prior to execution, will increase the DD fee by \$2,000 for each added entity and each added sponsor.
- Lender Fee:** 1.50% on each draw amount. At least 25% of the Credit Line must be used in the first year or there will be a 1.50% Origination Charge.
- Insurance:** The Borrower shall maintain at all times, at the Borrower's sole cost and expense, policies of liability and property (including business income coverage) insurance, and other insurance coverage required by the Lender according to the loan documents. All insurance policies shall be issued by insurance companies satisfactory to CRE having an A.M. Best Key Rating of at least A/IX. One year prepaid insurance must be paid prior to or at closing. The policy must remain active and in effect throughout the life of the loan.



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Survey / Title Insurance: The Borrower must provide the Lender with a current ALTA/ACSM "as-built" survey of the Property certified to the Lender, the title insurer and all other parties designated by the Lender. The survey can be provided at closing. The Borrower shall purchase a lender's title insurance policy for the Lender in the amount of the loan, containing such endorsements as CRE may require.

Personal Guaranty: No

Environmental: CRE-Finance will not lend on environmentally impaired property.

Representation: Borrower represents that there are no environmental issues current or past associated with the property. Lender reserves the right to not consummate the transaction should they conclude otherwise.

Information Sharing: CRE – Finance shall be authorized to disseminate any and all information it obtains in connection with this request for financing, including, without limitation, any credit and other information with respect to the Loan Parties, and their respective affiliates and the Property, to any counselor, accountant, advisor, assignee, investor or prospective assignee or investor, any rating agency or any affiliate of Lender, any regulatory entity having jurisdiction over Lender and to any other parties Lender deems necessary or appropriate in connection with the closing of the Loan and any Secondary market Transaction related thereto. CRE-Finance shall additionally be permitted to publicize the Loan and any Secondary Market Transaction related thereto.

Exclusivity and Borrower / Sponsor Good Faith: For a period of 60 days following execution of this Letter of Intent, Lender shall have the exclusive right to provide the loan to the borrower. Borrower acknowledges that they are able to deliver marketable title to the Property.

Borrower also agrees to provide all required document and/or environmental reports requested by the Lender within a reasonable time from (two weeks or a mutually acknowledged time frame) of the request. If this Exclusivity / Good Faith provision is violated, Lender is entitled to the 1.50% origination fee as listed on page 1.

This Agreement, including any exhibits hereto, shall be construed and interpreted in accordance with and governed by the laws of the State of New Jersey.

Arbitration. The parties further agree that any dispute arising under or in any way related to this Agreement shall be submitted to binding arbitration before the American Arbitration Association in accordance with the Association's commercial rules then in effect. The arbitration shall be conducted in the State of New Jersey. The arbitration shall be binding on the parties and the arbitration award may be confirmed by any court of competent jurisdiction.



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Required Conditions

1.	Conditions 2-7 are REQUIRED for Operators and Key Principals with Ownership of 10% or more of the entity or entities.	Sponsor Responsibility	OPEN
2.	Operators and each Key Principals of the entity Bio and Resume	Sponsor Responsibility	OPEN
3.	Fully completed Personal Financial Statement on lender s form for all Key Principals	Sponsor Responsibility	OPEN
4.	Please provide the 2013-2015 Business and personal tax returns all schedules K1s & W2s.	Sponsor Responsibility	OPEN
5.	Professional Business Plan to include detailed explanation of individual lot or lots sale.	Sponsor Responsibility	OPEN
6.	Schedule of Real Estate Owned and Track Record completed on Lenders form for each entity.	Sponsor Responsibility	OPEN
7.	Complete bank statements for the past 3 months for entity and Key Principals showing sufficient funds for closing.	Sponsor Responsibility	OPEN
8.	Please provide an interim 2016 Profit and Loss and balance sheet statements	Sponsor Responsibility	OPEN
9.	Settlement Statements or HUD for the land	Sponsor Responsibility	OPEN
10.	Entity documents to include Articles of Formation/Organization and Operating Agreement	Sponsor Responsibility	OPEN
11.	Detailed Organizational chart for Borrowing Entity and it must include the names and the percentage of ownership for each party	Sponsor Responsibility	OPEN
12.	Sources and Uses Document	Sponsor Responsibility	OPEN
13.	Environmental questionnaire	Sponsor Responsibility	OPEN
14.	Pro-forma 3 year	Sponsor Responsibility	OPEN
15.	Complete Trust Agreement		
16.	Complete Documentation on Bond Anticipation Note. CRE to work with the Borrower Municipality and Stifel to answer any questions.		
17.	Plans and design specifications, builder/contractor profile. Please provide details of work to be completed, including the timeline (Preliminary Draw Schedule) and detailed Construction hard and soft cost estimates. Only needed for building not for individual lots.	Sponsor Responsibility	OPEN
18.	Complete exhibits B C & D in their entirety for each applicant/sponsor	Sponsor Responsibility	OPEN
	Satisfaction of any other closing conditions customary for loans similar to this loan		
Lender Expenses			
	Under Writing Analysis	Lender to request information	OPEN
	Property Valuation- CBRE Appraisal will be certified to CRE	Lender to order upon Underwriting Approval of Items 1-18	OPEN
	Property Conditions Assessments	Lender to request information	OPEN
	Lender KYC reports	Lender to request information	OPEN



Credit Reports	Lender to request information	OPEN
Lexis Nexis Searches	Lender to request information	OPEN
OF AC Searches	Lender to request information	OPEN
UCC Judgment Searches	Lender to request information	OPEN

Documents required for a full application package. Submit via electronically via Dropbox to mw@cre-finance.com on or before 5.1.17

All documentation submitted to CRE will become the property of CRE and at the conclusion of the loan application, no documents will be returned.

Please acknowledge your acceptance of the terms and conditions described herein by e-mailing an executed copy of this letter and wiring CRE the due diligence fee by **April 17, 2017**. Once receipt is confirmed, CRE will immediately start the due diligence process. This Term Sheet does not impose any obligation on the Lender to make the loan.

Handwritten changes to the agreement are not binding.

Sincerely,
CRE, LLC.

By: Todd Tretsky
Todd Tretsky
CEO

4-19-2017

Accepted and Agreed:

By: Jane Fogarty
Date: 4-18-2017
Fogarty Family Revocable Trust III
Managing Member



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Exhibit A

WIRING INSTRUCTIONS

Commercial Real Estate Finance

Bank: Bank of America
8 Industrial Way
Eatontown, NJ 07724
732-389-6066

ABA Routing number: 026009593

Account number: 381033230304

PLEASE REFERENCE FILE NUMBER 170000040

ON THE WIRE AND ALL DOCUMENTS SENT IN REFERENCE TO THIS FILE



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Exhibit B

Contact information – must be complete

Project name _____

Owning Entity Name _____

Owning Entity address _____

Sponsor's Name _____

Sponsor's Address _____

Sponsor's phone number: _____

Sponsor's fax number: _____

Sponsor's email address: _____

Broker's Name: _____

Office Phone number: _____

Cell Phone number: _____

E-mail Address: _____

Who shall the appraiser contact for entry to the property?

Name: _____

Phone Number: _____

Email Address: _____

Who shall the appraiser contact for documentation?

Name: _____

Phone Number: _____

Email Address: _____



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Exhibit C

CREDIT AUTHORIZATION FORM FOR SPONSOR / MANAGING MEMBER

Date: _____

By signing below, I hereby authorize Commercial Real Estate Finance LLC and or its assigns., its affiliates and/or agents (collectively and as applicable, "Lender") to obtain any credit reports, mortgage verifications, and income and asset verifications including, but not limited to, earnings statements, bank accounts, stock holdings, and any other income and asset holdings, necessary or desirable to proceed with the processing of a mortgage loan. In addition, I further authorize Lender to secure any other documents and information, to conduct additional verifications and investigations, as may be required in order to comply with the USA PATRIOT Act, as well as any other relevant sanction programs, anti-terrorism, and anti-money laundering laws, rules, and requirements. I agree to cooperate with Lender to secure such documents and information and to deliver the same to Lender upon request.

RELEASE AND RE-VERIFICATION AUTHORIZATION:

I hereby authorize release of information to Lender by my employer, bank(s), mortgage lenders, and any other lenders or creditors which lender shall request.

Facsimile copies of the signature should also be deemed acceptable.

Name of Individual Printed: _____

Signature of Individual: _____

Address: _____

City _____ ST _____ ZIP _____

Phone Number: _____

Social Security #&DOB: _____

Email Address: _____

Previous Home Address over the last ten (10) years (add additional page if needed):

Address: _____

City _____ ST _____ ZIP _____

A handwritten blue checkmark in the bottom right corner of the page.



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Exhibit D
CREDIT AUTHORIZATION FORM FOR OWNING ENTITY

Date: _____

By signing below, I hereby authorize Commercial Real Estate Finance LLC and or its assigns., its affiliates and/or agents (collectively and as applicable, "Lender") to obtain any credit reports, mortgage verifications, and income and asset verifications including, but not limited to, earnings statements, bank accounts, stock holdings, and any other income and asset holdings, necessary or desirable to proceed with the processing of a mortgage loan. In addition, I further authorize Lender to secure any other documents and information, to conduct additional verifications and investigations, as may be required in order to comply with the USA PATRIOT Act, as well as any other relevant sanction programs, anti-terrorism, and anti-money laundering laws, rules, and requirements. I agree to cooperate with Lender to secure such documents and information and to deliver the same to Lender upon request.

RELEASE AND RE-VERIFICATION AUTHORIZATION:

I hereby authorize release of information to Lender by my employer, bank(s), mortgage lenders, and any other lenders or creditors which lender shall request.

Facsimile copies of the signature should also be deemed acceptable.

Name of Business Printed: _____

Name of Managing Member: _____

Signature of Managing Member: _____

Address: _____

City _____ ST _____ ZIP _____

Phone Number: _____

Business TIN: _____

Previous Business Address over the last ten (10) years (add additional page if needed):

Address: _____

City _____ ST _____ ZIP _____

A handwritten signature in blue ink, consisting of a stylized 'C' followed by a checkmark-like flourish.



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A handwritten signature in blue ink, located in the bottom right corner of the page. It appears to be a stylized, cursive signature.



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Exhibit E

BORROWER CERTIFICATION FOR SPONSOR

Certification: I/We certify that the information provided in this application is true and correct as of the date set forth opposite my/our signature(s) on this application and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this application may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, Unites States Code, Section 1001, et seq. and liability for monetary damages to the Lender, its agents, successors and assigns, insurers and any other person who may suffer any loss due to reliance upon any misrepresentation which I/we have made on this application.

Facsimile copies of the signature should also be deemed acceptable.

Name of Individual Printed: _____

Signature of Individual: _____

Date: _____

#7

DEVELOPMENT FINANCING AGREEMENT

THE STATE OF TEXAS §
 §
 COUNTY OF HARRIS §

THIS DEVELOPMENT FINANCING AGREEMENT (the "Agreement") is made and entered into as of the 30th day of May, 2017, between and among 399 Lone Oak LTD, ("Developer"), CRE, a New Jersey Corporation ("CRE" [LENDER]), and HARRIS COUNTY MANAGEMENT DISTRICT NO. 17 (the "District"), a political subdivision of the State of Texas, operating under the provisions of Chapters 49 and 54, Texas Water Code, as amended and Chapter 375, Texas Local Government Code, as amended. Developer, CRE and the District may be individually referred to as a "Party" or collectively as the "Parties."

RECITALS:

WHEREAS, the District was organized, created and established pursuant to the economic development statutes cited above to enable the development of land in the district into mixed use commercial and residential developments, with supporting roads, drainage, detention, wet utilities, and public amenities; and

WHEREAS, at elections held on behalf of the District, the District obtained voter authorization to issue unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer, drainage and park facilities and certain roads to serve the land within its boundaries; and

WHEREAS, Developer is the owner or developer of real property located within the District, as more fully described on Exhibit "A" attached hereto and incorporated herein ("Developer's Land"); and

WHEREAS, Developer wishes the District to finance the construction or other acquisition of the water, sanitary sewer and drainage facilities or capacities and roads necessary to serve Developer's Land (collectively, the "Facilities"); and

WHEREAS, the District wishes Developer to proceed with the development of Developer's Land, but the District does not have any funds which could be used to construct the Facilities, nor does the District have the ability, at this time, to issue its bonds ("Bonds") to construct such Facilities; and

WHEREAS, the Developer desires to purchase the goods and proceed with the construction of the Facilities prior to the sale by the District of Bonds to pay therefor and is willing to provide, purchase and/or arrange for the necessary services, personnel, goods, equipment and administration to design, construct, supervise, inspect and finance the Facilities or portions thereof, provided that the District agrees to pay the Developer for said goods and services out of proceeds from the future sale of Bonds as set forth herein; and

WHEREAS, the Developer has agreed to acquire from private sources all of the capital necessary to finance the costs of development, desires to advance all the necessary funds to finance construction of the Facilities, and is requesting the District serve as the conduit for construction of the Facilities;

WHEREAS, the Developer and the District agree that the provisions of this Agreement and the goods and services to be provided to the District by the Developer hereunder substantially advance the legitimate interests of the District; and

WHEREAS, pursuant to the laws of the State of Texas, including Texas Water Code, Section 49.213, and Sub-Chapter E, Chapter 375, Texas Local Government Code, the District is authorized to enter into agreements whereby a developer constructs certain facilities on behalf of the District so that land in the District can be served with the facilities being provided by the District.

AGREEMENT:

FOR AND IN CONSIDERATION of the mutual promises, covenants, benefits and obligations hereinafter set forth, the receipt and sufficiency of which is hereby acknowledged by the Parties, the District, CRE and Developer hereby agree and contract as follows:

- A. The District, shall, from time to time as Developer's development schedule dictates, purchase, construct or otherwise cause the construction or acquisition of the Facilities or capacities needed for development of Developer's Land in the manner provided by the general law for municipal utility districts, municipal management districts and in full compliance with the applicable rules and regulations of the TCEQ, the provisions of the Texas Water Code, the provisions of the Texas Local Government Code, the regulations of Harris or Montgomery County, Texas, the City of Houston or the City of Tomball, and all other regulatory bodies having jurisdiction over such construction or acquisition.
- B. The District's engineer shall serve as Project Engineer for the construction of the Facilities. The Project Engineer shall prepare plans and specifications for the Facilities; advise and make recommendations to the Board of Directors of the District (the "Board") upon the award of construction contracts on the Project; shall make monthly reports, if requested, to the Board and Developer on the progress of construction; approve all pay estimates and change orders and shall submit the same to the Board and Developer for approval; and provide the appropriate level of inspection and observation during the construction of the Facilities to assure construction in substantial compliance with the approved plans, and shall recommend final acceptance of the Facilities to the Board when appropriate. No changes to the plans and specifications or change orders to any construction contracts shall be made without approval by the Board and Developer, which approvals shall not be unreasonably withheld.
- C. The Board shall review all bids received for the construction of the Project and shall authorize the award of the construction contracts in accordance with state laws related to competitive bidding requirements for municipal utility districts and municipal management districts. Construction contracts shall require the contractor to provide payment and performance bonds and one-year maintenance guarantees after completion, all as required by law.
- D. Prior to award of any construction contract for the Facilities, the Developer shall provide a proof of funding letter to the District and the contractor indicating that CRE has funds available, on behalf of the Developer, to make payments to the contractor as they become due. CRE shall, within five days of request by the District, provide or otherwise pay to or deposit with the District the funds necessary to pay each pay estimate, as submitted to the Engineer by the contractor, and subsequently recommended by the Engineer for payment. Thereafter, the District shall make, in a timely fashion,

all payments on the contracts awarded by the District for the construction or other acquisition of the Facilities. Notwithstanding anything herein, such contracts shall provide that the contractor shall look solely to the Developer, or CRE as appropriate, for payment of all amounts due thereunder.

E. Subject to the assignment in Paragraph R of this Agreement, the District shall pay Developer for the cost of the Facilities (the "Payment Amount") with the proceeds of its Bonds in accordance with the terms of this Agreement. The Payment Amount shall be an amount equal to the maximum amount allowed by law, and, if applicable, the TCEQ under its then current rules, including, but not limited to, land, engineering fees, reports, studies and interest on the monies expended by Developer through the date such monies are repaid to Developer at the interest rate of the bonds sold to finance the Facilities. Developer shall provide the District with such information and documentation as the District may reasonably request to enable it to calculate interest and verify payments. The District's obligation to repay Developer for the Facilities is subject to the following:

- 1) Developer shall cause to be dedicated to the District, Harris County, Montgomery County, the City of Houston, the City of Tomball, the public, or any other applicable governmental entity all easements, sites and rights-of-way necessary for the installation of the Facilities in accordance with the rules of the TCEQ, and the District shall pay the Developer for same in accordance with the rules of the TCEQ.
- 2) Developer agrees and accepts that the District will cause all roads to be constructed within the boundaries of the District which are necessary to serve the taxable improvements to be constructed within Developer's Land and which are part of the drainage system, in accordance with the applicable rules and regulations of any regulatory bodies having jurisdiction over such construction.
- 3)

The Developer shall convey and sell or cause to be conveyed and sold to the District all necessary easements, rights-of-way, sites, licenses, franchises and permits required for the District's ownership, operation and/or maintenance of the Facilities (hereinafter, the "Sites"), where such Sites have not been dedicated to the public or another governmental agency, together with the necessary rights-of-way thereto, where such Sites are not directly accessible to a dedicated public street. The Developer shall also assign in writing all of its rights in and under any contractor's and materialmen's warranties and guarantees relating to the Facilities.

- 4) Upon the execution of this Agreement, Developer and all holders of a lien on Developer's Land shall enter into an agreement whereby, as to taxes levied by the District, Developer and any subsequent owner of all or any portion of Developer's Land permanently waive the right to claim agricultural, open space, wildlife management, timberland, or inventory valuations for any land, homes, or buildings owned by Developer within the District, unless such exemptions are in effect at the time of TCEQ approval of the Bonds (as defined below) and the tax rate calculations contain such exemptions. Nothing herein shall prevent (a) Developer from maintaining an exemption over Developer's Land for any taxing jurisdiction other than the District, or (b) a residential homeowner from qualifying for any lawfully available exemption from any taxing jurisdiction, including the District.

- 5) Approval by the TCEQ (if required) of the issuance and sale by the District of Bonds for the purchase of, or payment to Developer for, the Facilities and repayment of the Developer Advances. Road bonds do not require TCEQ approval.
- 6) Approval of the Bonds by the Attorney General of the State of Texas.
- 7) Registration of the Bonds by the Comptroller of Public Accounts of the State.
- 8) The receipt of a bid and awarding of sale of the Bonds by the District, and the receipt of the proceeds from the sale of such Bonds.

F. Unless otherwise agreed by the District and Developer, the District shall include in its bond application the first monies expended by Developer pursuant to this Agreement and shall thereafter proceed to pay Developer for monies owed hereunder on a first in/first out basis. In the event there is a disagreement between the Developer and the District as to whether an expenditure or advance of money by Developer is owed hereunder or eligible to be paid under state law or the rules of the TCEQ, the District shall include such amount in the bond application and shall provide Developer with the opportunity to submit information and appear before the TCEQ in support of the payment. The District and the Developer shall be bound by the decision of the TCEQ.

G. The District shall use its reasonable best efforts to apply to the TCEQ for approval of the issuance of the Bonds, if required, at such time as Developer requests, and upon the District's financial advisor determining that the assessed valuation within Developer's Land is feasible for the District to issue its Bonds to repay Developer (provided, however, that the District agrees to use the taxable value of other developers' land in the District to support bonds to pay the Developer, but only after such other developer(s) has been fully paid for all amounts due under its reimbursement agreement with the District). For purposes hereof, a bond issue will be considered "feasible" if the assessed valuation on Developer's Land (and other land in the District if the developer of such land has been fully paid for all amounts due under its reimbursement agreement with the District), inclusive of all land and taxable improvements constructed or to be constructed thereon would independently support the issuance of bonds to pay Developer for the construction of the Facilities at a tax rate not to exceed \$1.25 per \$100 valuation (including the District's debt service tax rate and operations and maintenance tax rate). All taxable valuations shall be determined by the Harris County Appraisal District or the Montgomery Central Appraisal District, as applicable, and applying such valuations to the land and improvements then existing on Developer's Land (and other land in the District if the developer of such land has been fully paid for all amounts due under its reimbursement agreement with the District), and projections of future value, as allowed under the TCEQ rules. Upon request by Developer, the District shall request the Harris County Appraisal District or the Montgomery Central Appraisal District, as applicable, to provide an estimate of such taxable value. The District will notify Developer that the District intends to request an estimate of value in order that the District and the Developer cooperate with respect to the obtaining of the estimate of value and the accuracy of information reflected therein with respect to the estimate of value of Developer's Land. Unless otherwise agreed by Developer, in no event shall the District file its application for the issuance of its Bonds at a date later than eight (8) months prior to the date Developer projects that the tax rate necessary to retire the District's outstanding indebtedness, including the Bonds, will be feasible. In addition, Developer may request that the Bonds be issued in more than one series, provided that the District shall not be required to issue any series of bonds in an initial principal amount of less than \$750,000, unless it is the last series of bonds to be issued by the District.

- H. In the event Developer requests the District to issue Bonds to pay Developer pursuant to the terms hereof and for any reason the District is unable to issue such Bonds, then, upon Developer's request, the District shall levy its ad valorem operations and maintenance tax to pay Developer for monies owed hereunder; provided, however, that the combined annual ad valorem tax levied by the District to make payments on its bonded indebtedness and the operations and maintenance tax levy shall not collectively exceed \$1.40 per \$100 valuation. The District's obligation to levy such operations and maintenance tax shall continue from year to year until all monies have been paid hereunder or until Developer otherwise requests.
- I. In the absence of proper documentation of costs of Facilities heretofore constructed, said Facilities shall be appraised under TCEQ rules. The District shall be obligated to pay for the cost of said Facilities based on the final amount approved by the TCEQ. The Developer shall pay the cost of the appraisal which shall be reimbursable by the District.
- J. This Agreement and the obligations of the Parties hereunder are subject to all rules, regulations and laws which may be applicable by the United States, the State of Texas, or any regulatory agency having jurisdiction, including the applicable rules of the TCEQ. Venue shall lie solely in Harris County, Texas.
- K. This Agreement shall be for the sole and exclusive benefit of the District, Developer and CRE and shall not be construed to confer any benefit or right upon any other party.
- L. This Agreement shall be subject to change or modification only with the mutual written consent of Developer, the District and CRE; provided, however, the term "Developer's Land" shall automatically be amended to include any land subsequently purchased by Developer within the District or annexed into the District.
- M. This Agreement, constitutes the entire Agreement between the Parties relative to the subject matter hereof. There have not been and are no agreements, covenants, representations or warranties between the Parties other than those expressly stated or provided for herein.
- N. The Parties agree to use good faith in the performance of their respective duties and obligations under this Agreement such that the intent of the Parties shall be fulfilled. The Parties further agree to take such additional actions, from time to time, as may be necessary to fully carry out the purposes and intent of this Agreement including, but not limited to, the execution of further documentation.
- O. In enforcing the performance of the provisions of this Agreement both parties shall have the right to the exercise of all procedures available under the law including, but without limiting the generality thereof, Developer's right to obtain a writ of mandamus to command performance of any of District obligations, including particularly (i) the District's obligation to issue its bonds from time to time to pay Developer, and (ii) the District's obligation to levy its ad valorem maintenance tax to pay Developer. No waiver of any breach or default of any provision of this Agreement shall be deemed a waiver of any subsequent waiver or default. If any party hereto is the prevailing party in any legal proceedings against the other brought under or with relation to this Agreement, such prevailing party shall additionally be entitled to recover court costs and reasonable attorney's fees from the non-prevailing party to such proceedings, including any fees paid to the TCEQ to review and claims made pursuant to this Agreement.

P. The District acknowledges that this Agreement is for the providing of goods and services which is subject to the provisions of Chapter 271 of the Texas Local Government Code. In accordance with Sections 271.151, 271.152 and 271.153 of the Texas Local Government Code, to the extent limited, however, by the provisions thereof, the District hereby waives any constitutional, statutory or common law right to sovereign or governmental immunity from liability or suit and expressly consents to be sued and liable to the extent necessary for the Developer to enforce this Agreement, but only as to the Developer and this Agreement.

Q. In the event the District should consolidate or otherwise merge with another utility district or another public entity, such merger shall not act in any way impair or diminish Developer's rights hereunder.

R. Notwithstanding the provisions of Paragraph E of this Agreement, the Developer irrevocably and unconditionally assigns to CRE all of its rights and interests in any monies to be paid to Developer pursuant to this Agreement. Developer is prohibited from assigning any of its duties, rights, obligations or interests under this Agreement to any party other than CRE without prior written consent of CRE. CRE shall have the right to assign, in whole or in part, its rights and interests in monies assigned by Developer to CRE pursuant to this Agreement provided written notice of such assignment by CRE is provided to the District, including a copy of the fully executed assignment.

S. The provisions of this Agreement are severable, and if any word, phrase, clause, sentence, paragraph, section, or other part of this Agreement, or the application thereof to any person or circumstance, shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Agreement to other persons or circumstances shall be not be affected thereby.

T. Each Party hereto hereby finds, determines and represents that the benefits provided to it and the obligations hereunder are binding upon it constitute due consideration for its execution of this Agreement. In particular, Developer's commitment to advance monies to the District results in certain material benefits being provided to the District and constitute adequate consideration for the District's obligations to issue bonds from time to time, impose an ad valorem operation and maintenance tax, or otherwise pay Developer. Developer hereby represents that the District's commitment to pay it for monies expended pursuant to this Agreement constitutes adequate consideration for its commitment to perform its obligations hereunder.

U. If a Party is prevented from performing, in whole or in part, its obligations under this Agreement by reason of "force majeure" that could not have been avoided by the exercise of due diligence by such Party, then performance by such Party may be suspended to the limited extent and during the limited period that performance is made impossible by the force majeure; provided, however, such Party must use its best efforts to diligently and continuously pursue a course of action that will eliminate the force majeure and allow such Party to resume full performance at the earliest possible time. As an express condition precedent to suspending performance, however, immediately after the occurrence of any force majeure, the Party whose performance is rendered impossible shall give notice and full details of the force majeure to the other Party. For purposes of this Agreement, "force majeure" means any of the following: floods; earthquakes; acts of God; acts of war; acts of terrorism; acts of public enemies; insurrection; riot; labor strikes; the inability to procure labor or

materials in the open market; the interruption of utility services by an entity other than the District; the issuance of a restraining order by any court having jurisdiction; and no other.

V. All notices provided or permitted to be given under this Agreement must be in writing and may be served by depositing same in the United States mail, addressed to the Party to be notified, postage prepaid and registered or certified with return receipt requested; by delivering the same in person to such Party; or by facsimile copy transmission. Notice given by mail shall be effective upon deposit in the United States mail. Notice given in any other manner shall be effective upon receipt at the address of the addressee. For purposes of notice, the addresses of the Parties shall be as follows:

If to the District: Harris County Management District No. 17
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Boulevard, Suite 1380
Houston, Texas 77056
Telephone: (713) 850-9000
Facsimile: (713) 850-1330

And: Hawes Hill & Associates, LLP
District Executive Director
9610 Longpoint, Suite 150
Houston, Texas 77055
713-595-1200

If to Developer: Joe Fogarty President of Corporate general partner
340 North Sam Houston Parkway East #140
Houston Texas 77060 :

With Copy to

Either Party hereto may change its address for notice by giving three (3) days prior written notice to the other Party.

X. In the event that any controversy or uncertainty should arise with respect to rights to any sum due or to become due under this Agreement, the District shall have the right, at its sole and absolute discretion, to institute a bill of interpleader in any court of competent jurisdiction to determine the rights of the parties.

Y. _____ is a party to this Agreement for the limited purposes set forth herein. The status of _____ as a party, and as an assignee of the rights and interests in monies to be paid to the Developer pursuant to this Agreement, does not obligate _____ to perform any of the duties and obligations of the Developer under this Agreement; and the Developer and the District irrevocably and unconditionally release _____ from any and all such duties and obligations.

Z. This Agreement shall remain in effect for a term of forty (40) years.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first written above.

DISTRICT:

HARRIS COUNTY MANAGEMENT
DISTRICT NO. 17

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

(DISTRICT SEAL)

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me, on the ____ day of _____, _____, by _____,
President of Harris County Management District No. 17, on behalf of said managemet district.

Notary Public in and for the
State of T E X A S

Name Printed or Typed
My Commission Expires: _____

(SEAL)

DEVELOPER:

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me, on the _____ day of _____, _____, by _____, _____ of _____, a _____, General Partner of _____, a Texas limited partnership, on behalf of said limited partnership.

Notary Public in and for the
State of T E X A S

Name Printed or Typed
My Commission Expires: _____

(SEAL)

_____:

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me, on the _____ day of _____, _____,
by _____

Notary Public in and for the
State of T E X A S

Name Printed or Typed
My Commission Expires: _____

(SEAL)

**Proposed Public / Private Partnership
Between
Harris County Improvement District #17 &
Areté Real Estate and Development Company**

Joe Fogarty, a Houston area developer with over 40 years experience in the Houston market, has arranged a public/private partnership between Arété real Estate and Harris County Improvement District #17 (The District) to further detached single family lot development in the greater Houston market. The District was created by the Texas State Legislature at the request of Mr. Fogarty and was given broad powers to facilitate subdivision development including the authority to reimburse the cost of water, sewer, drainage and streets through the sale of tax exempt bonds. The District has unlimited authority to levy ad valorem taxes (property taxes) as well as sales tax authority and motel/hotel tax authority.

The District has authority to annex non-contiguous land tracts into the district and provide the benefit of this agreement to other developers and land owners. A development team led by Mr. Fogarty with the equity provided by local and foreign investors has agreed to create twenty new communities along the soon to be completed outer belt between Interstate 10 West and Interstate 45 North. The total investment by the development partnership will equal \$100 million.

Arête Real Estate and Development Co. has agreed to be the lead for the development entity. The proposed structure of the development entity will be a master limited partnership with each individual community owned by a single asset entity (also a limited partnership) which will roll up into the master limited partnership.

Arête has created two new identical districts with another in the works in the current legislature. Each of the four districts will have the ability to serve an area of 10,000 acres. The expected average development size will be less than 200 acres. At ultimate development, the combined districts have the ability to provide water and sewer for an area equal to the Houston-The Woodlands-Sugarland metropolitan area (10,000 square miles).

With four districts in place we will have the ability to develop land anywhere in the greater Houston area by annexing tracts in one of the districts. Upon annexation which takes on 60 days the new parcels are fully entitled to the benefits of the district.

The development process begins with the identification of a suitable development tract. Typically 50 to 150 acres in size. The developer then enters into an agreement with the districts engineer (Tejas Engineering Services LLC) to perform all due diligence for the

parcel. That includes land surveys, environmental site assessment, wetlands determination, soil test, preliminary land plan and an estimate of development cost. After due diligence is completed the project is submitted to the lender for consideration. Upon their acceptance we will enter into contracts with local , regional and national builders for the sale of all lots to be developed. We will at that time also have approval by the board of directors for the annexation of the property into the district. As part of the annexation the developer and the district enter into a contract under which the district agrees to reimburse the developer for all development cost. This contract become part of the lender collateral by assignment from the developer.

The district engineer under a continuation of the engineering services contract will begin the final engineering design of the phase one development. Phase one is generally approximately 25 acres. With aggressive pursuit the final plans will be approved by all state and local authorities in 10 months. After approval the engineer will publish for bids. The publication time is required to be three weeks. After receipt of bids the engineer will tabulate those bids and submit the results to the district's board of directors for approval of the low bidder. The successful bidder will provide a payment and performance bond issued by a surety acceptable to the district. That bond guarantees that the project will be built on time and on budget and that all subcontractors and suppliers are paid.

A contract will be drafted for approval by the district's board. The contract will be between the district and the successful bidder. The engineers will administer the contract on behalf of the district. All draws will be submitted to the engineer who will inspect all work, certify the values and accept the work on behalf of the district. The approved invoice will be submitted to the district for payment. The district will approve payment and forward the invoice to the lender who will pay the invoice less 10% retainage. The payment represents a receivable under the reimbursement contract between the developer and the district.

The district agrees to use its best efforts to sell bond or bond anticipation notes to reimburse the developer at the earliest possible time. This is generally possible when 25% of the homes in each section are complete. That is projected to occur within six months of initial lot delivery. Initial lot delivery is scheduled to be 14 months after land closing.

Streets, drainage, parks and common areas will be reimbursed through the sale of tax exempt bonds which are amortized by the collection of property taxes collected on all real estate in the district. The cost of water and sewer will be paid from the income stream produced by the sale by the district of water and sewer services to all residence of the district.

March 17, 2017

#8

Mr. Joseph H. Fogarty, President
El Tesoro Development, Ltd.
Arete Real Estate & Development Co., ("Arete"),
340 North Sam Houston Pkwy E # 100,
Houston, TX 77060

C/O: Mr. Yameen Khan
Via Email: Yameen Khan. <yameenk38@gmail.com>

Re: FINANCING for the development of El Tesoro residential development located on the west side of Mykawa Road between Selinsky Road and Madden Lane Houston, Harris County, Texas 77048.

Dear Mr. Fogarty and respected officers & directors;

Thank you for allowing Infrastructure Development Fund, Ltd or its assigns. the opportunity to facilitate in the development of El Tesoro residential development located on the west side of Mykawa Road between Selinsky Road and Madden Lane Houston, Harris County, Texas 77048. Infrastructure Development Fund, Ltd. (referred hereinafter as "IDF") and/or its assigns, or Investors or Lender's, is pleased to submit the following financing Proposal to El Tesoro Development, Ltd. or Arete Real Estate & Development Co., ("Arete") or Investment group or to be formed Special Purpose Corporation ("SPC") (hereinafter referred to as "Borrower", "Company" or "SPC"). IDF is pleased to provide this letter of intent to provide the Financing that will be in the form, but not limited to debt, equity, convertible loan, participation loan, investment and is subject to the terms, provisions, and conditions contained in this Proposal Letter (hereinafter referred to as "Proposal"). Borrower acknowledges that IDF may assign the proposed Financing, Loan, investment and that IDF has the right to disclose to the Investor, Purchaser or Lender, such information concerning the Proposed Transaction, Borrower, the Principals, as IDF deems necessary. This is not a commitment to lend, but rather, this is to be used to ensure that our understanding of the terms as set forth below are consistent with yours and as an outline of the transaction should you choose to proceed towards closing.

TERMS OF THIS PROPOSAL

Borrower /Company: El Tesoro Development, Ltd., Texas limited partnership,
Assignee/or to be formed Special Purpose Corporation
("SPC") or known as "Company".

Sponsor(s) / Principal(s): Arete Real Estate & Development Co. ("Arete"), Mr.
Joseph H. Fogarty, et al

Type of Financing: Bond Offering

Investor: IDF and/or assign(s)

Financing Amount: USD\$10,000,000.00 (Ten Million USD)

"progress one step at a time."

✓

Interest Rate: The interest rate shall be fixed at 11% for the term of the loan.

Equity & ownership structure:

For proving financing /loan of USD\$10,000,000USD Loan, IDF and/or its assign shall receive Forty percentage (40%) of the Texas Limited Partnership Shares. (owner of El Tesoro Development) and all intellectual property including but not limited to all oil, gas & mineral rights, MUD agreements, all reimbursements, pre-sales, engineering drawing, title to the property, copy rights, intellectual properties, rights, patents (applied, received or pending), tradenames, trademarks, software (all previous versions, current version & all future versions), hardware current & all future hardware), cash, accounts receivable, tax refunds, all refunds, rebates, exemptions, write-offs, equity, and all other FF&E.

Term/Amortization:

The Loan Term shall be fully amortized over 36 months.

Repayment of Loan:

The Current Board of Directors & Shareholders agree that IDF, lender or bond holders shall recover or be repaid its initial investment first, including any & all outstanding interest payments, fees, management fees, fines, penalties, legal fees, etc. and then the balance shall be split or divided according to the above share structure.

Closing Title Company:

IDF or the closing attorneys will select & appoint a title Company for closing the loan.

Prepayment Penalty:

No prepayment penalty for early repayment for part or whole loan amount.

Non-Dilution:

Non-Dilution Clause for all limited partnership or shareholders from this point forward without 100% unanimous consent of board.

Board Seats:

IDF shall receive two (2) Board of Directors ("BOD") Seats out five (5) BOD.

Current Management:

Current Management of SPC shall remain in place as deemed necessary by SPC board deems necessary. Need of copy of current Management contract.



Finder's Fee (2.0%):

The Company shall be responsible to pay all broker fee or commission including but not limited to Yameen Khan 2.0% or \$200,000 in cash upon closing/funding.

Closing:

The Closing shall occur on or before April 30, 2017 or as determined by IDF.

**Directors and
Shareholders consent:**

All current directors & shareholders have hereby consented and agreed to this agreement and that the intent for the company is to sell to a larger entity at a significant profit quickly.

Use of Proceeds:

Borrower shall use proceeds for the development of El Tesoro Development, construction, development, third party reports & working capital, marketing, closing cost, operating expenses and other lawful & legal manner. No comingling of fund IDF shall have an exclusive right to finance, purchase or refinance any transactions including additional Arete development projects.

Exclusive Right:

Security:

The Loan facility shall be secured by a first lien on company, project, El Tesoro Development, including but not limited to all "Assets" being acquired, all developed & undeveloped properties, software, hardware, cash, cash equivalent and all FF&E and all other assets.

**IDF Merchant
Banking Fee:**

A Merchant Banking Fee of 2% of the gross amount of the Loan Amount. The Merchant Banking Fee, placement fee & Loan fee. The amount is earned and due to IDF at closing from the Loan amount.

Loan Fee:

A Loan Fee of 2.00% of the gross amount of the Loan Amount. The Loan Fee shall include, origination fee, underwriting fee, placement fee & Loan fee. The amount is earned and due to IDF at closing from the Loan amount

Expenses:

All reasonable legal, filing, closing costs, expenses incurred by IDF are to be paid by the Borrower at time of closing/funding from the Loan proceeds all of which shall be provided at closing to SPC.

Conditions:

1. Copy of any Executive summary, detailed Business Plan or prospectus and power point presentation ("ppt").
2. Copy of all feasibility study, appraisal, and Environmental impact Assessment ("EIA") or Environmental Study, Topography & Survey.
3. Copy of current and last 3 year audited financial statement (balance sheet & income statement) on the Borrowing entity and each Sponsor, Principal.
4. Copy of current and last 3 year monthly Seller percentage of occupancy and ADR.
5. Proforma & projection of development.
6. Need Corporate structure with resumes or bios on each officer & director and ownership structure of Company, GP & LP;
7. detailed construction & development breakdown
8. Need [copies of all PUD & MUD reimbursements.
9. Copies of all current governmental approvals, licenses, Permits, certifications, etc.
10. Need Copies pre-sale agreements, purchase contracts or Earnest Money contract with copy of earnest money deposits / receipt for the purchase of 100% of the lots.
11. The financing is conditional upon IDF obtaining acceptable credit worthy, investment grade credit wrap insurance policy.
12. Copies of all Architectural Designs, elevations, engineering plans.
13. Other conditions as IDF or its counsel may need or require.

Proposal

Expiration Date:

This Proposal will expire on March 26, 2017 if it is not signed by the Borrower and returned with the Deposit, if requested to IDF by such date.

SPECIAL CONDITIONS OF THIS PROPOSAL

This Proposal shall be conditional upon the following:

Deposit: No Deposit has been Requested or Paid to cover all due diligence, underwriting, bond offering, marketing, publishing cost, placement cost, Credit Wrap insurance policy, selling of bonds, legal. However, any unused amount would be reimbursed back to the Borrower or credited towards closing cost as exclusively determined by IDF. Principals and Sponsors are required & responsible to unconditionally pay for all other cost, expenses, and payables over & beyond the deposit amount to cover all of cost & expenses associated with this transaction, all reports have been completely paid & provided by Company to IDF. Balance of any unused amount will be credited towards closing cost & closing expenses.

Legal and Taxation Issues:

IDF must receive satisfactory resolutions concerning all legal and taxation issues, if any. If for any reason satisfactory resolutions are not obtained, this Proposal may be withdrawn. If withdrawn, all amounts paid by Borrower shall be immediately refunded, without interest, less documentation fee and out of pocket expenses incurred by IDF.

Credit wrap Insurance Policy:

IDF shall obtain a credit worthy, investment grade Insurance credit wrap and all of its cost & expense shall be added to the loan amount and paid from the loan at closing/funding. The financing is subject to IDF obtaining acceptable credit worthy, investment grade credit wrap insurance policy.

Business Insurance:

Borrower, if necessary, at its own expense, must maintain property insurance of no less than the Loan Amount or as determined by IDF, and have loss-payable rider issued reflecting IDF as loss payee and Beneficiary. Other Insurance required:

Natural Disaster Insurance

1. Business interruption insurance
2. Termination of or default on contracts
3. Property, casualty, fire insurance
4. All other insurance as needed or required by IDF or its counsel

Covenants & Conditions:

Company will be restricted from placing additional debt and mortgage/liens on the subject collateral, and will be required to provide financial information on a periodic basis.

Adverse Change:

It is understood and agreed that IDF's issuance of this Proposal is based upon, among other things, the accuracy of (i) the representations and statements of Company, Borrower & Principal(s), or made on behalf of Company, Borrower and



Principal(s), (ii) all additional information, representations, exhibits and other matter submitted to IDF and that IDF shall have the option, in addition to other options elsewhere specified, to terminate its Proposal by written notice if there has been any material misrepresentation or any material error in the factual data, or, if, prior to disbursement of the IDF's funds (i) there has been a material adverse change in the state of facts indicated therein, or (ii) there has been substantial damage to the Property, or the improvements to the Property, or (iii) Company or Borrower or Principal(s) has become insolvent, bankrupt or incapacitated.

Assignment:

Borrower, Company acknowledges that IDF has the option to assign, syndicate and/or sell, the proposed transaction and that IDF has the right to disclose to the investor/purchaser/Lender, such information concerning the Loan/Lease, Borrower, Principal(s), Guarantor, as IDF deems necessary, and by execution of this Proposal, Borrower, Company and Principal(s) authorizes IDF to release such information as it deems necessary. Borrower, Company and Principal(s) acknowledge(s) that IDF may not be the actual lender, investor or bond holder in this transaction.

Exclusive Agreement:

The Company, Borrower & Principal(s) confirm & agree that this Agreement shall be an Exclusive Agreement with IDF after signing and funding of this proposal with respect to the loan, funding or financing of Company. Company, Borrower & Principal(s) agrees that it/they shall cause its/their respective Representatives to comply with the term(s) and provision(s) of this paragraph and this Agreement. If not closed by closing date, then it shall be void and all parties released.

No Shop Provision:

The Company, Borrower & Principal(s) confirm & agree that this Agreement shall be an Exclusive Agreement for 6 months otherwise void with IDF after signing this proposal with IDF related to this project and/or any other similar projects or opportunities. Borrower & Principal(s) agrees that it/they shall not shop directly or indirectly for financing (debt, equity, lease, etc.) with any other investor, lender, fund, group, individual or entity. Company, Borrower & Principal(s) agrees that it/they shall cause its/their respective agents, consultants, advisory & Representatives to comply with the same term(s), condition(s) and provision(s) of this paragraph and this Agreement with respect to Company

Final Documentation:

Final Agreements and security documentation must be satisfactory in form and content to IDF and its counsels. It is expected that such documentation will contain representations and covenants, which are customary for Loans of this type. All



items to be submitted by Company, Borrower or Principal(s), including but not limited to insurance certificates/policies (as applicable) must be satisfactory in form and content to IDF, if necessary.

Documentation:

IDF will require the following documentation to proceed:

- a) Signed proposal letter.
- b) Copy of corporate documents on Company.
- c) Management structure and ownership breakdown of the Company, GP & LP.
- d) Need complete breakdown of all Construction & development budget.
- e) Copy of current and last 3 year Copies of all Architectural Designs and engineering plans.
- f) Current financial statement (balance sheet & income statement) of Company, GP & LP.
- g) Copy of
- h) proforma & projection of El Tesoro Development, Ltd.,
- i) Corporate structure with resumes or bios on each officer & director;
- j) Copies of all detailed construction & development budget.
- k) Copies of all licenses, permits & certifications
- l) Copies of all general contractor ("GC") contract, agreements & information on the GC, their company & bonding capacity.
- m) Copies of all Architectural Designs, elevations, engineering plans.
- n) Copies of all valuation, appraisal, business plan, feasibility or marketing study, EIA, etc.
- o) Copies of all License, permits, certifications, patents (filed or pending), trade names, trademarks and all copyrights.
- p) Acceptable Sources & Uses of proceeds of USD \$10Million ("Break down of funds").
- q) Other documents as directed by IDF or its counsel.

Confidentiality:

This Proposal is delivered to Borrower, shareholders, officers, directors & Principal(s) with the understanding that neither it, nor its substance, will be disclosed to any third party except those persons who have a contractual and confidential relationship with you in relation to this transaction or where disclosure is required by law. Borrower & Principal(s) and its/their Representatives must keep confidential and not disclose, in whole or part, in any manner whatsoever, without the prior written consent of IDF, the Confidential Information furnished to it in connection with financing this Project or any other project(s). Additionally, Borrower & Principal(s) agrees to transmit Confidential Information only to the

representatives who need to know the information for the provision of this agreement and the completion of the Project. The Borrower & Principal(s) shall not provide access to IDF'S Confidential Information and IDF'S Contacts to any third parties under any circumstances, without IDF'S express prior written consent. Borrower & Principal(s) must inform its/their respective Representatives in writing of this Agreement and its restrictions and to the extent a Representative does not have a duty to maintain the confidentiality of the Confidential Information and Confidential Contacts, obtain from each such Representative a written agreement to be bound by the confidentiality provisions of this Agreement as if such Representative were a party to this Agreement. Borrower & Principal(s) is/are liable for any breach of this agreement by its/their respective Representatives and agrees not to use IDF Confidential Information and/or IDF Confidential Contacts, as applicable, for any purpose other than as permitted under this Agreement. Company, Borrower, Sponsor(s) & Principal(s) must take reasonable measures, (including court proceedings), at its sole expense, to restrain its/their agents, brokers, consultants, directors, officers, directors & Representatives from prohibited or unauthorized disclosure or use of IDF


Confidential Information and/or IDF Confidential Contacts, as applicable. Borrower & Principal(s) agrees that it/they shall cause its/their respective Representatives to comply with the term(s) and provision(s) of this paragraph and this Agreement.

Non-Circumvention:

Borrower & Principal(s) shall not, and shall prohibit all of its agents, brokers, consultants, directors, officers, directors & Representatives from, directly or indirectly circumventing or attempting to circumvent directly or indirectly the intent of this Agreement or any other agreement or to subrogate the position of IDF or its assigns with respect to the fees, interests, share/stock or partnership holding, remuneration and consideration regarding this Project or any other project(s) or transaction(s). Furthermore, the Borrower, Principal(s) and its Representatives will not directly or indirectly make any effort to circumvent IDF or IDF Contacts regarding this Project or any other projects or transactions during the term of this Agreement and three (3) year after closing or termination. Borrower & Principal(s) agrees that it/they shall cause its/their respective Representatives to comply with the term(s) and provision(s) of this paragraph and this Agreement. The Borrower and Principal(s) agree that this paragraph shall automatically survive for 5 year after termination of this agreement.

Non-Compete:

Company, Borrower, agents, brokers, consultants, directors, officers, directors & Sponsor(s) & Principal(s) shall not, directly or indirectly, structure, refer, advise and/or otherwise assist itself and/or any third party with business applications, business concepts, management methods, project financing, construction, development, business relationships, finance structures, and/or any other business scenarios, whether express or implied, where such applications were inspired by IDF and/or IDF'S documents, financial structures, reports, summaries, concepts,



ideas, development approaches, performance and/or proposals, without the express written consent of IDF. Borrower & Principal(s), agents, brokers, consultants, directors, officers, directors agrees that it/they shall cause its/their respective Representatives to comply with the term(s) and provision(s) of this paragraph and this Agreement.

Disclaimer of No Brokerage: Company, sponsors & principals acknowledge that IDF is not a "broker" or "dealer" or "broker/dealer" within the meaning of Section 3(a)(4) of the Securities Exchange Act of 1934, as amended (the "1934 Act") and is not required, nor by entering into this Agreement or performing hereunder shall be required, to register as a broker or dealer under Section 15 of the 1934 Act. Any sales of any securities shall be undertaken directly by Company and/or through registered broker/dealers.

The Company, all sponsors & principals waive all rights to make any claim under this broker/dealer disclaimer.

Indemnification:

Company, Borrower, Sponsor(s) and Principal(s) agree to indemnify IDF and hold them harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind (including, without limitation, the fees and expenses of IDF's counsel in connection with an investigative, administrative or judicial proceeding, whether or not IDF shall be a named party thereto) which may be incurred by IDF relating to or arising out of this Proposal or termination thereof, or any actual or proposed use of the proceeds of the Credit Facility. Borrower, agents, brokers, consultants, directors, officers, directors & and Principal(s) agree(s) and acknowledge(s) that any dispute between IDF and Borrower and Principal(s) arising in connection with this Proposal shall be resolved by binding Arbitration under the rules of the American Arbitration Association as of the date hereof. The parties agree that the venue for this agreement regarding any disputes shall be specifically enforceable only in the District Court of Harris County, Texas, USA.

This is not a commitment to lend, but rather to be used as a basis for the agreed loan documents and gives IDF the authorization to proceed towards finalizing and Closing and to ensure that our understanding of the terms and conditions as set forth herein is consistent with yours, should you choose to proceed. Final terms and conditions are subject to change after due diligence and underwriting.

Each Party acknowledges that they have full authority to negotiate, sign / seal and enter into agreement for this project.

Please sign, date, and return the enclosed copy of this Proposal indicating your authorization for IDF to proceed with its investigation of the proposed Financing.

[SIGNATURES ON THE FOLLOWING PAGE]



Sincerely,



Shahed Lateef

Managing Director

Agreed and accepted on this 20th day of March, 2017.

Arete Real Estate & Development Co.

By: Joe Fogarty
Name:
Title:
Date

COMPANY SEAL

El Tesoro Development, Ltd., Texas limited partnership:

By: Joe Fogarty
Name:
Title:
Date

COMPANY SEAL

PRINCIPAL: Joseph H. Fogarty,

By: Joe Fogarty
Name:
Title:
Date:

PRINCIPAL

By: _____
Name:
Title:
Date:

EXHIBIT C

Fill in this information to identify the case:

Debtor name 399 Loan Oak, Ltd.

United States Bankruptcy Court for the: Southern District of Texas

Case number (if known): 16-36117-H1-11

☐ Check if this is an amended filing

Official Form 206Sum

Summary of Assets and Liabilities for Non-Individuals

12/15

Part 1: Summary of Assets1. **Schedule A/B: Assets—Real and Personal Property** (Official Form 206A/B)1a. **Real property:**Copy line 88 from *Schedule A/B*\$ 7,000,000.001b. **Total personal property:**Copy line 91A from *Schedule A/B*\$ 222.001c. **Total of all property:**Copy line 92 from *Schedule A/B*\$ 7,000,222.00**Part 2: Summary of Liabilities**2. **Schedule D: Creditors Who Hold Claims Secured by Property** (Official Form 206D)Copy the total dollar amount listed in Column A, *Amount of claim*, at the bottom of page 1 of *Schedule D*\$ 4,130,461.903. **Schedule E/F: Creditors Who Have Unsecured Claims** (Official Form 206E/F)3a. **Total claim amounts of priority unsecured claims:**Copy the total claims from Part 1 from line 6a of *Schedule E/F*\$ 0.003b. **Total amount of claims of non-priority amount of unsecured claims:**Copy the total of the amount of claims from Part 2 from line 6b of *Schedule E/F*+ \$ 0.00

4. **Total liabilities**

Lines 2 + 3a + 3b

\$ 4,130,461.90

Fill in this information to identify the case:Debtor name 399 Loan Oak, Ltd.United States Bankruptcy Court for the: Southern District of TexasCase number (if known): 16-36117-H1-11☐ Check if this is an amended filing**Official Form 206A/B****Schedule A/B: Assets — Real and Personal Property**

12/15

Disclose all property, real and personal, which the debtor owns or in which the debtor has any other legal, equitable, or future interest. Include all property in which the debtor holds rights and powers exercisable for the debtor's own benefit. Also include assets and properties which have no book value, such as fully depreciated assets or assets that were not capitalized. In Schedule A/B, list any executory contracts or unexpired leases. Also list them on *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G).

Be as complete and accurate as possible. If more space is needed, attach a separate sheet to this form. At the top of any pages added, write the debtor's name and case number (if known). Also identify the form and line number to which the additional information applies. If an additional sheet is attached, include the amounts from the attachment in the total for the pertinent part.

For Part 1 through Part 11, list each asset under the appropriate category or attach separate supporting schedules, such as a fixed asset schedule or depreciation schedule, that gives the details for each asset in a particular category. List each asset only once. In valuing the debtor's interest, do not deduct the value of secured claims. See the instructions to understand the terms used in this form.

Part 1: Cash and cash equivalents**1. Does the debtor have any cash or cash equivalents?**

- ☐ No. Go to Part 2.
- ☒ Yes. Fill in the information below.

All cash or cash equivalents owned or controlled by the debtor**Current value of debtor's interest****2. Cash on hand**\$ 0.00**3. Checking, savings, money market, or financial brokerage accounts (Identify all)**

Name of institution (bank or brokerage firm)

Type of account

Last 4 digits of account number

3.1. Independent BankChecking Account7 0 7 5\$ 222.00

3.2. _____

\$ _____

4. Other cash equivalents (Identify all)

4.1. _____

\$ _____

4.2. _____

\$ _____

5. Total of Part 1\$ 222.00

Add lines 2 through 4 (including amounts on any additional sheets). Copy the total to line 80.

Part 2: Deposits and prepayments**6. Does the debtor have any deposits or prepayments?**

- ☒ No. Go to Part 3.
- ☐ Yes. Fill in the information below.

Current value of debtor's interest**7. Deposits, including security deposits and utility deposits**

Description, including name of holder of deposit

7.1. _____

\$ _____

7.2. _____

\$ _____

8. Prepayments, including prepayments on executory contracts, leases, insurance, taxes, and rent

Description, including name of holder of prepayment

8.1. _____ \$ _____

8.2. _____ \$ _____

9. Total of Part 2.

Add lines 7 through 8. Copy the total to line 81.

\$ _____

Part 3: Accounts receivable**10. Does the debtor have any accounts receivable?**☒ No. Go to Part 4.☐ Yes. Fill in the information below.**Current value of debtor's interest****11. Accounts receivable**11a. 90 days old or less: _____ - _____ = →
face amount doubtful or uncollectible accounts \$ _____11b. Over 90 days old: _____ - _____ = →
face amount doubtful or uncollectible accounts \$ _____**12. Total of Part 3**

Current value on lines 11a + 11b = line 12. Copy the total to line 82.

\$ _____

Part 4: Investments**13. Does the debtor own any investments?**☒ No. Go to Part 5.☐ Yes. Fill in the information below.**Valuation method used for current value****Current value of debtor's interest****14. Mutual funds or publicly traded stocks not included in Part 1**

Name of fund or stock:

14.1. _____ \$ _____

14.2. _____ \$ _____

15. Non-publicly traded stock and interests in incorporated and unincorporated businesses, including any interest in an LLC, partnership, or joint venture

Name of entity:

% of ownership:

15.1. _____ % _____ \$ _____

15.2. _____ % _____ \$ _____

16. Government bonds, corporate bonds, and other negotiable and non-negotiable instruments not included in Part 1

Describe:

16.1. _____ \$ _____

16.2. _____ \$ _____

17. Total of Part 4

Add lines 14 through 16. Copy the total to line 83.

\$ _____

Part 5: Inventory, excluding agriculture assets

18. Does the debtor own any inventory (excluding agriculture assets)?

- ☒ No. Go to Part 6.
- ☐ Yes. Fill in the information below.

General description	Date of the last physical inventory	Net book value of debtor's interest (Where available)	Valuation method used for current value	Current value of debtor's interest
19. Raw materials	MM / DD / YYYY	\$		\$
20. Work in progress	MM / DD / YYYY	\$		\$
21. Finished goods, including goods held for resale	MM / DD / YYYY	\$		\$
22. Other inventory or supplies	MM / DD / YYYY	\$		\$
23. Total of Part 5				\$

Add lines 19 through 22. Copy the total to line 84.

24. Is any of the property listed in Part 5 perishable?

- ☐ No
- ☐ Yes

25. Has any of the property listed in Part 5 been purchased within 20 days before the bankruptcy was filed?

- ☐ No
- ☐ Yes. Book value Valuation method Current value

26. Has any of the property listed in Part 5 been appraised by a professional within the last year?

- ☐ No
- ☐ Yes

Part 6: Farming and fishing-related assets (other than titled motor vehicles and land)

27. Does the debtor own or lease any farming and fishing-related assets (other than titled motor vehicles and land)?

- ☒ No. Go to Part 7.
- ☐ Yes. Fill in the information below.

General description	Net book value of debtor's interest (Where available)	Valuation method used for current value	Current value of debtor's interest
28. Crops—either planted or harvested	\$		\$
29. Farm animals <i>Examples:</i> Livestock, poultry, farm-raised fish	\$		\$
30. Farm machinery and equipment (Other than titled motor vehicles)	\$		\$
31. Farm and fishing supplies, chemicals, and feed	\$		\$
32. Other farming and fishing-related property not already listed in Part 6	\$		\$

33. **Total of Part 6.**

Add lines 28 through 32. Copy the total to line 85.

\$ _____

34. **Is the debtor a member of an agricultural cooperative?**

- ☐ No
- ☐ Yes. Is any of the debtor's property stored at the cooperative?
- ☐ No
- ☐ Yes

35. **Has any of the property listed in Part 6 been purchased within 20 days before the bankruptcy was filed?**

- ☐ No
- ☐ Yes. Book value \$ _____ Valuation method _____ Current value \$ _____

36. **Is a depreciation schedule available for any of the property listed in Part 6?**

- ☐ No
- ☐ Yes

37. **Has any of the property listed in Part 6 been appraised by a professional within the last year?**

- ☐ No
- ☐ Yes

Part 7: Office furniture, fixtures, and equipment; and collectibles38. **Does the debtor own or lease any office furniture, fixtures, equipment, or collectibles?**

- ☒ No. Go to Part 8.
- ☐ Yes. Fill in the information below.

General description	Net book value of debtor's interest (Where available)	Valuation method used for current value	Current value of debtor's interest
39. Office furniture			
_____	\$ _____	_____	\$ _____
40. Office fixtures			
_____	\$ _____	_____	\$ _____
41. Office equipment, including all computer equipment and communication systems equipment and software			
_____	\$ _____	_____	\$ _____
42. Collectibles <i>Examples:</i> Antiques and figurines; paintings, prints, or other artwork; books, pictures, or other art objects; china and crystal; stamp, coin, or baseball card collections; other collections, memorabilia, or collectibles			
42.1 _____	\$ _____	_____	\$ _____
42.2 _____	\$ _____	_____	\$ _____
42.3 _____	\$ _____	_____	\$ _____

43. **Total of Part 7.**

Add lines 39 through 42. Copy the total to line 86.

\$ _____

44. **Is a depreciation schedule available for any of the property listed in Part 7?**

- ☐ No
- ☐ Yes

45. **Has any of the property listed in Part 7 been appraised by a professional within the last year?**

- ☐ No
- ☐ Yes

Part 8: Machinery, equipment, and vehicles**46. Does the debtor own or lease any machinery, equipment, or vehicles?**

- ☒ No. Go to Part 9.
- ☐ Yes. Fill in the information below.

General description Include year, make, model, and identification numbers (i.e., VIN, HIN, or N-number)	Net book value of debtor's interest (Where available)	Valuation method used for current value	Current value of debtor's interest
47. Automobiles, vans, trucks, motorcycles, trailers, and titled farm vehicles			
47.1 _____	\$ _____	_____	\$ _____
47.2 _____	\$ _____	_____	\$ _____
47.3 _____	\$ _____	_____	\$ _____
47.4 _____	\$ _____	_____	\$ _____
48. Watercraft, trailers, motors, and related accessories Examples: Boats, trailers, motors, floating homes, personal watercraft, and fishing vessels			
48.1 _____	\$ _____	_____	\$ _____
48.2 _____	\$ _____	_____	\$ _____
49. Aircraft and accessories			
49.1 _____	\$ _____	_____	\$ _____
49.2 _____	\$ _____	_____	\$ _____
50. Other machinery, fixtures, and equipment (excluding farm machinery and equipment)			
_____	\$ _____	_____	\$ _____
51. Total of Part 8. Add lines 47 through 50. Copy the total to line 87.			\$ _____

52. Is a depreciation schedule available for any of the property listed in Part 8?

- ☐ No
- ☐ Yes

53. Has any of the property listed in Part 8 been appraised by a professional within the last year?

- ☐ No
- ☐ Yes

Part 9: Real property

54. Does the debtor own or lease any real property?

- ☐ No. Go to Part 10.
- ☒ Yes. Fill in the information below.

55. Any building, other improved real estate, or land which the debtor owns or in which the debtor has an interest

Description and location of property Include street address or other description such as Assessor Parcel Number (APN), and type of property (for example, acreage, factory, warehouse, apartment or office building), if available.	Nature and extent of debtor's interest in property	Net book value of debtor's interest (Where available)	Valuation method used for current value	Current value of debtor's interest
55.1 Lone Oak Subdivision-98.14367 acres	Owner	\$ 7,000,000.00	As is	\$ 7,000,000.00
55.2		\$		\$
55.3		\$		\$
55.4		\$		\$
55.5		\$		\$
55.6		\$		\$

56. Total of Part 9.

Add the current value on lines 55.1 through 55.6 and entries from any additional sheets. Copy the total to line 88.

\$ 7,000,000.00

57. Is a depreciation schedule available for any of the property listed in Part 9?

- ☒ No
- ☐ Yes

58. Has any of the property listed in Part 9 been appraised by a professional within the last year?

- ☐ No
- ☒ Yes

Part 10: Intangibles and Intellectual Property

59. Does the debtor have any interests in intangibles or intellectual property?

- ☒ No. Go to Part 11.
- ☐ Yes. Fill in the information below.

General description	Net book value of debtor's interest (Where available)	Valuation method used for current value	Current value of debtor's interest
60. Patents, copyrights, trademarks, and trade secrets	\$		\$
61. Internet domain names and websites	\$		\$
62. Licenses, franchises, and royalties	\$		\$
63. Customer lists, mailing lists, or other compilations	\$		\$
64. Other intangibles, or intellectual property	\$		\$
65. Goodwill	\$		\$

66. Total of Part 10.

Add lines 60 through 65. Copy the total to line 89.

\$

67. Do your lists or records include personally identifiable information of customers (as defined in 11 U.S.C. §§ 101(41A) and 107)?

- ☐ No
☐ Yes

68. Is there an amortization or other similar schedule available for any of the property listed in Part 10?

- ☐ No
☐ Yes

69. Has any of the property listed in Part 10 been appraised by a professional within the last year?

- ☐ No
☐ Yes

Part 11: All other assets

70. Does the debtor own any other assets that have not yet been reported on this form?

Include all interests in executory contracts and unexpired leases not previously reported on this form.

- ☒ No. Go to Part 12.
☐ Yes. Fill in the information below.

Current value of
debtor's interest

71. Notes receivable

Description (include name of obligor)

_____ — _____ = → \$ _____
Total face amount doubtful or uncollectible amount

72. Tax refunds and unused net operating losses (NOLs)

Description (for example, federal, state, local)

_____	Tax year _____	\$ _____
_____	Tax year _____	\$ _____
_____	Tax year _____	\$ _____

73. Interests in insurance policies or annuities

_____ \$ _____

74. Causes of action against third parties (whether or not a lawsuit has been filed)

_____ \$ _____

Nature of claim _____

Amount requested \$ _____

75. Other contingent and unliquidated claims or causes of action of every nature, including counterclaims of the debtor and rights to set off claims

_____ \$ _____

Nature of claim _____

Amount requested \$ _____

76. Trusts, equitable or future interests in property

_____ \$ _____

77. Other property of any kind not already listed Examples: Season tickets, country club membership

_____ \$ _____

_____ \$ _____

78. Total of Part 11.

Add lines 71 through 77. Copy the total to line 90.

\$ _____

79. Has any of the property listed in Part 11 been appraised by a professional within the last year?

- ☐ No
☐ Yes

Part 12: Summary

In Part 12 copy all of the totals from the earlier parts of the form.

Type of property	Current value of personal property	Current value of real property
80. Cash, cash equivalents, and financial assets. <i>Copy line 5, Part 1.</i>	\$ 222.00	
81. Deposits and prepayments. <i>Copy line 9, Part 2.</i>	\$ 0.00	
82. Accounts receivable. <i>Copy line 12, Part 3.</i>	\$ 0.00	
83. Investments. <i>Copy line 17, Part 4.</i>	\$ 0.00	
84. Inventory. <i>Copy line 23, Part 5.</i>	\$ 0.00	
85. Farming and fishing-related assets. <i>Copy line 33, Part 6.</i>	\$ 0.00	
86. Office furniture, fixtures, and equipment, and collectibles. <i>Copy line 43, Part 7.</i>	\$ 0.00	
87. Machinery, equipment, and vehicles. <i>Copy line 51, Part 8.</i>	\$ 0.00	
88. Real property. <i>Copy line 56, Part 9.</i>	→	\$ 7,000,000.00
89. Intangibles and intellectual property. <i>Copy line 66, Part 10.</i>	\$ 0.00	
90. All other assets. <i>Copy line 78, Part 11.</i>	+ \$ 0.00	
91. Total. Add lines 80 through 90 for each column. 91a.	\$ 222.00	+ 91b. \$ 7,000,000.00
92. Total of all property on Schedule A/B. Lines 91a + 91b = 92.		\$ 7,000,222.00

EXHIBIT D

Fill in this information to identify the case:

Debtor name 399 Loan Oak, Ltd.
 United States Bankruptcy Court for the: Southern District of Texas
 Case number (if known): 16-36117-H1-11

☐ Check if this is an amended filing

Official Form 206D

Schedule D: Creditors Who Have Claims Secured by Property

12/15

Be as complete and accurate as possible.

1. Do any creditors have claims secured by debtor's property?

- ☐ No. Check this box and submit page 1 of this form to the court with debtor's other schedules. Debtor has nothing else to report on this form.
☒ Yes. Fill in all of the information below.

Part 1: List Creditors Who Have Secured Claims

2. List in alphabetical order all creditors who have secured claims. If a creditor has more than one secured claim, list the creditor separately for each claim.

Column A Amount of claim Do not deduct the value of collateral.	Column B Value of collateral that supports this claim
---	--

2.1 Creditor's name <u>Aldine ISD</u> Creditor's mailing address <u>P.O. Box 203989</u> <u>Houston, TX 77216</u> Creditor's email address, if known _____ Date debt was incurred _____ Last 4 digits of account number <u>0 0 1 2</u> Do multiple creditors have an interest in the same property? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Specify each creditor, including this creditor, and its relative priority. _____ _____	Describe debtor's property that is subject to a lien <u>Ad valorem taxes on Lone Oak</u> <u>Subdivision-98.14367 acres</u> Describe the lien _____ Is the creditor an insider or related party? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes Is anyone else liable on this claim? <input type="checkbox"/> No <input type="checkbox"/> Yes. Fill out <i>Schedule H: Codebtors</i> (Official Form 206H). As of the petition filing date, the claim is: Check all that apply. <input type="checkbox"/> Contingent <input type="checkbox"/> Unliquidated <input type="checkbox"/> Disputed	<u>\$19,708.03</u>	<u>\$7,000,000.00</u>
2.2 Creditor's name <u>Camcorp Interests, Ltd. (M. Haselden)</u> Creditor's mailing address <u>5051 Westheimer, Suite 1200</u> <u>Houston, TX 77056</u> Creditor's email address, if known _____ Date debt was incurred <u>5/14/2014</u> Last 4 digits of account number <u>9 8 8 3</u> Do multiple creditors have an interest in the same property? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Have you already specified the relative priority? <input type="checkbox"/> No. Specify each creditor, including this creditor, and its relative priority. _____ <input type="checkbox"/> Yes. The relative priority of creditors is specified on lines _____	Describe debtor's property that is subject to a lien <u>Mortgage on Lone Oak</u> <u>Subdivision-98.14367 acres</u> Describe the lien _____ Is the creditor an insider or related party? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes Is anyone else liable on this claim? <input type="checkbox"/> No <input type="checkbox"/> Yes. Fill out <i>Schedule H: Codebtors</i> (Official Form 206H). As of the petition filing date, the claim is: Check all that apply. <input type="checkbox"/> Contingent <input type="checkbox"/> Unliquidated <input type="checkbox"/> Disputed	<u>\$4,000,000.00</u>	<u>\$7,000,000.00</u>
3. Total of the dollar amounts from Part 1, Column A, including the amounts from the Additional Page, if any.		<u>\$4,130,461.90</u>	

Part 1: Additional Page

Column A

Amount of claim

Do not deduct the value of collateral.

Column B

Value of collateral that supports this claim

Copy this page only if more space is needed. Continue numbering the lines sequentially from the previous page.

2.3 Creditor's name <u>City of Houston (John Dillman)</u> Creditor's mailing address <u>P.O. Box 3064</u> <u>Houston, TX 77253</u> Creditor's email address, if known _____ Date debt was incurred _____ Last 4 digits of account number <u>1 4 6 6</u> Do multiple creditors have an interest in the same property? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes. Have you already specified the relative priority? <input checked="" type="checkbox"/> No. Specify each creditor, including this creditor, and its relative priority. <u>1:City of Houston (John Dillman); 2:Harris County, et al (T. Grundemeier)</u> <input type="checkbox"/> Yes. The relative priority of creditors is specified on lines _____	Describe debtor's property that is subject to a lien <u>Property taxes on Lone Oak</u> \$ <u>7,104.70</u> <u>Subdivision-98.14367 acres</u> \$ <u>7,000,000.00</u> _____ Describe the lien _____ Is the creditor an insider or related party? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes Is anyone else liable on this claim? <input type="checkbox"/> No <input type="checkbox"/> Yes. Fill out <i>Schedule H: Codebtors</i> (Official Form 206H). As of the petition filing date, the claim is: Check all that apply. <input type="checkbox"/> Contingent <input type="checkbox"/> Unliquidated <input type="checkbox"/> Disputed
2.4 Creditor's name <u>Harris County, et al (T. Grundemeier)</u> Creditor's mailing address <u>P.O. Box 3064</u> <u>Houston, TX 77253</u> Creditor's email address, if known _____ Date debt was incurred <u>ans:0033/32/03</u> Last 4 digits of account number <u>0 1 2 4</u> Do multiple creditors have an interest in the same property? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes. Have you already specified the relative priority? <input type="checkbox"/> No. Specify each creditor, including this creditor, and its relative priority. _____ _____ _____ <input checked="" type="checkbox"/> Yes. The relative priority of creditors is specified on lines <u>2.3</u>	Describe debtor's property that is subject to a lien <u>Property taxes on Lone Oak</u> \$ <u>13,147.50</u> <u>Subdivision-98.14367 acres</u> \$ <u>7,000,000.00</u> _____ Describe the lien _____ Is the creditor an insider or related party? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes Is anyone else liable on this claim? <input type="checkbox"/> No <input type="checkbox"/> Yes. Fill out <i>Schedule H: Codebtors</i> (Official Form 206H). As of the petition filing date, the claim is: Check all that apply. <input type="checkbox"/> Contingent <input type="checkbox"/> Unliquidated <input type="checkbox"/> Disputed

Debtor 399 Lone Oak, Ltd.
NameCase number (if known) 16-36117-H1-11**Part 2: List Others to Be Notified for a Debt Already Listed in Part 1**

List in alphabetical order any others who must be notified for a debt already listed in Part 1. Examples of entities that may be listed are collection agencies, assignees of claims listed above, and attorneys for secured creditors.

If no others need to be notified for the debts listed in Part 1, do not fill out or submit this page. If additional pages are needed, copy this page.

Name and address	On which line in Part 1 did you enter the related creditor?	Last 4 digits of account number for this entity
Aldine ISD 14909 Aldine-Westfield Road Houston, TX 77032	Line 2. <u>1</u>	<u>0</u> <u>0</u> <u>1</u> <u>2</u>
Camcorp Interests, Ltd. 10410 Windamere Lakes Blvd. Houston, TX 77065	Line 2. <u>2</u>	<u>9</u> <u>8</u> <u>8</u> <u>3</u>
Camcorp Interests, Ltd. (V. Marino) 600 Travis Street, Suite 100 (Winstead) Houston, TX 77002	Line 2. <u>2</u>	<u>9</u> <u>8</u> <u>8</u> <u>3</u>
City of Houston P.O. Box 4622 Houston, TX 77210	Line 2. <u>3</u>	<u>1</u> <u>4</u> <u>6</u> <u>6</u>
Harris County, et al P.O. Box 3547 Houston, TX 77253	Line 2. <u>4</u>	<u>0</u> <u>1</u> <u>2</u> <u>4</u>
Harris County, et al Tax Collector/Assessor, P.O. Box 4622 Houston, Texas 77210-4622	Line 2. <u>4</u>	<u>0</u> <u>1</u> <u>2</u> <u>4</u>
	Line 2. <u> </u>	<u> </u> <u> </u> <u> </u> <u> </u>
	Line 2. <u> </u>	<u> </u> <u> </u> <u> </u> <u> </u>
	Line 2. <u> </u>	<u> </u> <u> </u> <u> </u> <u> </u>
	Line 2. <u> </u>	<u> </u> <u> </u> <u> </u> <u> </u>
	Line 2. <u> </u>	<u> </u> <u> </u> <u> </u> <u> </u>
	Line 2. <u> </u>	<u> </u> <u> </u> <u> </u> <u> </u>
	Line 2. <u> </u>	<u> </u> <u> </u> <u> </u> <u> </u>
	Line 2. <u> </u>	<u> </u> <u> </u> <u> </u> <u> </u>
	Line 2. <u> </u>	<u> </u> <u> </u> <u> </u> <u> </u>

Fill in this information to identify the case:

Debtor 399 Loan Oak, Ltd.

United States Bankruptcy Court for the: Southern District of Texas

Case number 16-36117-H1-11
(If known)

☐ Check if this is an amended filing

Official Form 206E/F

Schedule E/F: Creditors Who Have Unsecured Claims

12/15

Be as complete and accurate as possible. Use Part 1 for creditors with PRIORITY unsecured claims and Part 2 for creditors with NONPRIORITY unsecured claims. List the other party to any executory contracts or unexpired leases that could result in a claim. Also list executory contracts on *Schedule A/B: Assets - Real and Personal Property* (Official Form 206A/B) and on *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G). Number the entries in Parts 1 and 2 in the boxes on the left. If more space is needed for Part 1 or Part 2, fill out and attach the Additional Page of that Part included in this form.

Part 1: List All Creditors with PRIORITY Unsecured Claims

1. Do any creditors have priority unsecured claims? (See 11 U.S.C. § 507).

- ☒ No. Go to Part 2.
☐ Yes. Go to line 2.

2. List in alphabetical order all creditors who have unsecured claims that are entitled to priority in whole or in part. If the debtor has more than 3 creditors with priority unsecured claims, fill out and attach the Additional Page of Part 1.

2.1 Priority creditor's name and mailing address

As of the petition filing date, the claim is: \$ _____

Total claim

Priority amount

Check all that apply.

- ☐ Contingent
☐ Unliquidated
☐ Disputed

Date or dates debt was incurred

Basis for the claim:

Last 4 digits of account number

Is the claim subject to offset?

- ☐ No
☐ Yes

Specify Code subsection of PRIORITY unsecured claim: 11 U.S.C. § 507(a) (____)

2.2 Priority creditor's name and mailing address

As of the petition filing date, the claim is: \$ _____

Check all that apply.

- ☐ Contingent
☐ Unliquidated
☐ Disputed

Date or dates debt was incurred

Basis for the claim:

Last 4 digits of account number

Is the claim subject to offset?

- ☐ No
☐ Yes

Specify Code subsection of PRIORITY unsecured claim: 11 U.S.C. § 507(a) (____)

2.3 Priority creditor's name and mailing address

As of the petition filing date, the claim is: \$ _____

Check all that apply.

- ☐ Contingent
☐ Unliquidated
☐ Disputed

Date or dates debt was incurred

Basis for the claim:

Last 4 digits of account number

Is the claim subject to offset?

- ☐ No
☐ Yes

Specify Code subsection of PRIORITY unsecured claim: 11 U.S.C. § 507(a) (____)

Part 2: List All Creditors with NONPRIORITY Unsecured Claims

3. List in alphabetical order all of the creditors with nonpriority unsecured claims. If the debtor has more than 4 creditors with nonpriority unsecured claims, fill out and attach the Additional Page of Part 2.

Amount of claim

3.1 Nonpriority creditor's name and mailing address

As of the petition filing date, the claim is:

Check all that apply.

\$ _____

- ☐ Contingent
☐ Unliquidated
☐ Disputed

Basis for the claim: _____

Date or dates debt was incurred _____

Is the claim subject to offset?

Last 4 digits of account number _____

- ☐ No
☐ Yes

3.2 Nonpriority creditor's name and mailing address

As of the petition filing date, the claim is:

Check all that apply.

\$ _____

- ☐ Contingent
☐ Unliquidated
☐ Disputed

Basis for the claim: _____

Date or dates debt was incurred _____

Is the claim subject to offset?

Last 4 digits of account number _____

- ☐ No
☐ Yes

3.3 Nonpriority creditor's name and mailing address

As of the petition filing date, the claim is:

Check all that apply.

\$ _____

- ☐ Contingent
☐ Unliquidated
☐ Disputed

Basis for the claim: _____

Date or dates debt was incurred _____

Is the claim subject to offset?

Last 4 digits of account number _____

- ☐ No
☐ Yes

3.4 Nonpriority creditor's name and mailing address

As of the petition filing date, the claim is:

Check all that apply.

\$ _____

- ☐ Contingent
☐ Unliquidated
☐ Disputed

Basis for the claim: _____

Date or dates debt was incurred _____

Is the claim subject to offset?

Last 4 digits of account number _____

- ☐ No
☐ Yes

3.5 Nonpriority creditor's name and mailing address

As of the petition filing date, the claim is:

Check all that apply.

\$ _____

- ☐ Contingent
☐ Unliquidated
☐ Disputed

Basis for the claim: _____

Date or dates debt was incurred _____

Is the claim subject to offset?

Last 4 digits of account number _____

- ☐ No
☐ Yes

3.6 Nonpriority creditor's name and mailing address

As of the petition filing date, the claim is:

Check all that apply.

\$ _____

- ☐ Contingent
☐ Unliquidated
☐ Disputed

Basis for the claim: _____

Date or dates debt was incurred _____

Is the claim subject to offset?

Last 4 digits of account number _____

- ☐ No
☐ Yes

Part 3:**List Others to Be Notified About Unsecured Claims**

4. List in alphabetical order any others who must be notified for claims listed in Parts 1 and 2. Examples of entities that may be listed are collection agencies, assignees of claims listed above, and attorneys for unsecured creditors.

If no others need to be notified for the debts listed in Parts 1 and 2, do not fill out or submit this page. If additional pages are needed, copy the next page.

Name and mailing address	On which line in Part 1 or Part 2 is the related creditor (if any) listed?	Last 4 digits of account number, if any
4.1. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.2. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.3. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.4. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.5. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.6. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.7. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.8. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.9. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.10. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.11. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _
4.12. _____ _____ _____	Line _____ <input type="checkbox"/> Not listed. Explain _____	____ _

Part 4: Total Amounts of the Priority and Nonpriority Unsecured Claims**5. Add the amounts of priority and nonpriority unsecured claims.**

Total of claim amounts

5a. Total claims from Part 1

5a. \$ 0.00

5b. Total claims from Part 2

5b. + \$ 0.00

5c. Total of Parts 1 and 2
Lines 5a + 5b = 5c.

5c. \$ 0.00