

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

<b>IN RE</b>	§	
	§	
<b>CLASSICAL DEVELOPMENT, LTD.</b>	§	<b>CASE NO. 17-31113-H5-11</b>
<b>Debtor</b>	§	<b>(Chapter 11)</b>
	§	<b>JUDGE BROWN</b>

---

**Debtor's First Amended Plan of Liquidation**

---

**Classical Development, Ltd.**, Debtor herein, files this First Amended Plan of Liquidation.

**Table of Contents**

Topic	Page
Definitions.....	2
Classes of Creditors and Specific Treatment of Claims .....	5
Specification of All Claims Impaired and Not Impaired under the Plan .....	8
Modification of Plan .....	8
Means for Implementing and Effectuating the Plan .....	9
Reservation of Rights.....	9
Rejection of Executory Contracts .....	9
Bar Dates for Filing Proofs of Claim.....	10
Transfer of Claims .....	11
Specific Consideration in Voting.....	11
Effect of Confirmation.....	12

Jurisdiction of the Court.....12  
Miscellaneous Provisions.....13  
Interim Operations .....14

**I.  
Definitions**

The following terms, when used in the Plan, shall unless the context otherwise requires, have the following meanings, respectively:

1. "Allowed Amount" shall mean the dollar amount of a claim not listed as disputed, contingent or unliquidated on the Debtor's Schedules or through a timely proof of claim that, if objected to by the Debtor was approved and allowed by final order of the Bankruptcy Court.

2. "Bankruptcy Code" is the Bankruptcy Code of 1978 as contained in Title 11 U.S.C. Section 101 et seq. and amendments thereto.

3. "Bar Date" is the deadline previously established by the court, after which any proof of claim filed will have no effect on this Plan and no right to participate with other creditors under the Plan. Pursuant to the Notice of Meeting of Creditors promulgated by the Court, the bar date occurs 90 days after the first date set for the meeting of creditors. In the instant case, the meeting of creditors in the Chapter 11 Proceeding was held on April 6, 2017, and the bar date is **July 5, 2017 for creditors and September 5, 2017 for governmental entities.**

4. "Claim" shall mean a right to payment from the Debtor's Estate, which is evidenced by a timely filed Proof of Claim which is allowed by the Court, or if a Proof of Claim is not filed by the creditor, a right which otherwise appears in the Debtors' bankruptcy schedules and (i) is not

listed as disputed, contingent or unliquidated, (ii) has not been resolved by Final Order of the Court in this reorganization case or, (iii) which has been otherwise satisfied.

5. "Class" shall mean any class into which Claims are classified pursuant to Section II.

6. "Confirmation" shall mean the entry by the Bankruptcy Court of an order confirming the plan in accordance with Chapter 11 provisions of the Bankruptcy Code.

7. "Confirmation Date" shall mean the date set by the Court pursuant to §1128 of the Bankruptcy Code for hearing on confirming the Plan on which the Court determines that the Plan meets the requirements of Chapter 11 of the Bankruptcy Code and is entitled to confirmation.

8. "Creditors" shall mean all creditors of the Debtors holding claims for debts, liabilities, demands or claims of any character whatsoever, as defined in §101(4) of the Bankruptcy Code.

9. "Creditors Committee" shall mean that Creditors Committee appointed by order of the Court, the members thereof and any successor members. In the instant proceeding, the U.S. Trustee's office determined that it was unable to form a Creditors Committee.

10. "Court" shall mean the United States Bankruptcy Court for the Southern District of Texas, Houston Division, presiding over the reorganization case, or, if necessary, the United States District Court for said District and Division having original jurisdiction over the reorganization case.

11. "Debtor" shall mean Classical Development, Ltd..

12. "Disbursing Agent" shall mean Fred Forshey.

12a. "Disclosure Statement" shall mean the Debtor's Disclosure Statement.

13. "Discharge" shall mean that completion of the Plan is intended to, will, and does

fully discharge the Debtor as provided in Section 1141(d) of the Bankruptcy Code and the Plan does not provide for exceptions to discharge under 1141(d)(3), except as to any post-petition claims. The Debtor shall not receive a discharge as it is a limited liability company.

14. "Effective Date" shall mean the thirtieth day following the date of the order confirming the plan, if no notice of appeal is timely filed, or if a notice of appeal is filed, during which time no motion for stay pending appeal is granted or supersedeas bond is approved and filed; but, in the event a stay is granted or supersedeas bond is approved and filed, then it shall be the date on which the order confirming plan is a final order.

15. "Final Decree" shall mean the order of the Court closing the liquidation case.

16. "Final Order" shall mean an order of the Court which, not having been reversed, modified or amended and not being stayed, and the time to appeal from which or to seek review or rehearing of which having expired, has become conclusive of all matters adjudicated thereby and is in full force and effect.

17. "Lien" shall mean mortgage, pledge, judgment lien, security interest, charging order, or other charge or encumbrance on property which is effective under applicable law as of the date of the commencement of the reorganization case.

18. "Plan" shall mean this Plan of Liquidation in its present form or as it may be amended, modified or supplemented.

19. "Pro Rata Share" shall mean the amount which is the result of multiplying the monies available for distribution to a named class of creditors by that fraction in which the numerator is the allowed amount of a particular claim in the named class and the denominator is the total of the amounts of all the claims in the named class.

20. "Secured Claim" shall mean the claim of any creditor secured by liens on property, which liens are valid, perfected, and enforceable under applicable law, and are not subject to avoidance under the Bankruptcy Code or other applicable non-bankruptcy law, and are duly established in this case, to the extent of the value of the security, as determined in accordance with §506 of the Bankruptcy Code.

21. "Unsecured Claims" shall mean all business claimants or other claimants of any nature, holding claims for unsecured debts, liabilities, demands or claims of any character whatsoever.

22. "Unsecured Creditor" shall mean the holder of an unsecured claim.

## **II. Classes of Creditors and Specific Treatment of Claims**

The Plan of Liquidation provides for the sale of the real property with improvements located at 1240 Clear Lake City Blvd, Houston, Texas 77062 (the "Building") and the payment of all creditors in full. The Building valued at \$3,200,000.00 with secured debt by its mortgage company, Frost Bank, in the amount of \$1,282,945.71 and \$72,969.64 from a line of credit as of the date of filing. Tax Ease Funding 2016-1 holds secured debt in the amount of \$44,707.57 for the payment of property taxes on the Building. The Ad Valorem Taxing authorities hold combined secured debt, including estimated 2017 ad valorem taxes in the amount of \$102,581.84. Therefore, the Debtor has approximately \$1,696,795.24 equity in the Building.

The Debtor's Plan of Liquidation will provide for classification of creditors in accordance with the United States Bankruptcy Code.

**Class 1A- Administrative Expenses - Legal Fees.** Class 1A is unimpaired. Class 1A

are Claims entitled to priority by Section 507(a)(2) of the Bankruptcy Code and will consist of fees and expenses incurred by the Court appointed Counsel. These fees are incurred prior to the effective date of the Plan, as the same are finally approved and allowed by final order of the Court, and any other expenses incurred during the course of the Chapter 11 proceeding that have not yet been paid. The members of this class are Cooper & Scully, PC, Counsel for the Debtor.

All claims in this class shall be paid in cash and in full in such amounts as may be allowed and approved by the Court on the effective date or after such claims are finally allowed, whichever is later, by the Debtor to the extent of available funds, or such claims may be paid in accordance with any agreement or waiver. In either event, claims in this class shall be paid in full within the one (1) year period of the initial plan. The anticipated total expenses to be paid in this class should not exceed \$30,000 - \$40,000.

**Class 1B - Administrative Expenses - Real Estate Commission.** Class 1B is impaired and consists of the administrative expense claim of Steve Dome and Marathon Realty Advisors. The claimant in Class 1B shall only be paid from commissions earned from the sale of the Building. If the Building fails to sell, then Steve Dome and Marathon Realty Advisors will take nothing under the Plan.

**Class 2 - The United States Trustee.** Class 2 is unimpaired and consists of the post-confirmation claim of the office of the United States Trustee for its fees from the date of confirmation until the Chapter 11 file is closed by the Bankruptcy Clerk. These fees are based on the amount of disbursements made by the Debtor and are paid on a quarterly basis. The reorganized Debtor shall be responsible for timely payment of the United States Trustee quarterly fees incurred pursuant to 28 U.S.C. §1930(a)(6). Any fees due as of the date of confirmation of

the plan will be paid in full on the effective date of the plan. After confirmation, the reorganized Debtor shall pay United States Trustee quarterly fees as they accrue until this case is closed by the Court. The Debtor shall file with the Court and serve on the United States Trustee a quarterly financial report for each quarter (or portion thereof) that the case remains open in a format prescribed by the United States Trustee.

All pre-confirmation quarterly fees shall be paid by the effective date of the Plan.

**Class 3 - Secured Claims of the Taxing Authorities.** Class 3 is impaired and consists of the secured claims of Clear Creek ISD in the amount of \$50,236.38, Clear Lake City Water Authority in the amount of \$9,688.44, the City of Houston in the amount of \$21,042.60 and Harris County in the amount of \$21,614.42 (collectively the “Taxing Authorities”). These claims include claims for the estimated 2017 ad valorem taxes. The actual amount of the 2017 ad valorem taxes will be calculated as of the sale date. With the exception of the 2017 ad valorem taxes paid pursuant to the Plan, the Debtor shall pay post-petition ad valorem taxes in the ordinary course of the Debtor’s business.

The Taxing Authorities shall retain their statutory liens securing their pre-petition claims until such time as the tax claims are paid in full. In the event the Debtor is unable to sell the Building by September 1, 2018, the Taxing Authorities will be allowed to commence collection activities, including all litigation activities incident to a tax suit, on the Building unless such time is extended by the Court after notice and a hearing.

The claims in Class 3 will be paid in full from the sale of the Building including interest at the rate of 12% per annum. The Debtor shall have until September 1, 2018, to sell the Building and pay the Taxing Authorities’ secured claims in full, unless such time is extended by the Court

after notice and a hearing.

**Class 4A - Secured Claims of Frost Bank**. Class 4A is impaired and consists of the claims of Frost Bank in the amount of \$1,282,945.71 and \$72,969.64, respectively, for a total claim of \$1,355,915.35 with interest on such amounts at the rate of 12% per annum from February 27, 2017, (the "Petition Date"). In addition, Frost Bank is entitled to its reasonable attorney's fees, costs and expenses from and after the Petition Date. These claims are secured by a blanket lien on all of the Debtor's assets, including the Building (the "Collateral"). Frost Bank shall retain its lien on the Collateral post confirmation. Frost Bank shall be paid in full from the sale of the Building. The Debtor shall have until September 1, 2018, to sell the Building and pay Frost Bank's secured claims in full.

The Debtor shall maintain insurance on the Collateral with Frost Bank designated as the mortgagee/loss payee and additional insured. Failure to maintain insurance on the Collateral shall be considered a default under the plan. If the Debtor does not cure this default within 5 business days after written notification by Frost Bank to the Debtor, Frost Bank may foreclose on the Collateral without further Order of this Court.

As the Debtor has approximately \$1,696,795.24 equity in the Building, Frost Bank shall not receive any payments during the sales period for the Building.

In the event the Debtor is unable to sell the Building by September 1, 2018, Frost Bank may foreclose on the Building without further Order of this Court. Except as modified herein, the loan documents executed by the Debtor in connection with the Frost Bank claims remain in full force and effect.



**Class 4B - Secured Claim of Tax Ease Funding 2016-1.** Class 4B is impaired and consists of the claim of Tax Ease Funding 2016-1 (“Tax Ease”) in the amount of \$44,707.57 with interest at the rate of 10.90%. This claim is secured by a second lien on the Building. Tax Ease shall retain its lien they on the Building until it receives payment in full of all taxes and interest owed to them under the provisions of the First Amended Plan

Tax Ease shall be paid in full from the sale of the Building, with interest as specified above. The Debtor shall have until September 1, 2018, to sell the Building and pay Tax Ease’s secured claim in full.

**Class 5 - Unsecured Claims.** Class 5 is impaired and consists of the unsecured claim of Forshey Piano Company in the amount of \$15,000.00 Forshey Piano Company currently owes the Debtor \$52,213.00 in unpaid rent on the Building and the debt to Forshey Piano Company will be offset by the amount of unpaid rent. Forshey Piano Company shall take nothing under this Plan.

**Class 6 - Equity Security Holders.** Class 6 is impaired and consists of the equity security holder of the Debtor, Music Management, LLC. Music Management, LLC shall retain all remaining equity from the sale of the Building after all members of Classes 1 - 4, supra, are paid in full.

### III.

#### **Specification of All Claims Impaired and Not Impaired under the Plan**

Class 2 is unimpaired under the Plan. Classes 1A, 1B, 3A, 3B, 4, and 5 are impaired under the Plan.

**IV.  
Modification of Plan**

The Plan may be amended or modified by the Debtor as provided in the Bankruptcy Code with the approval of the Court after notice and hearing. If the Court finds after hearing on notice to any committee appointed under the Code and any other person designated by the Court that the proposed modification does not adversely change the treatment of the claim of any creditor or the interest of any equity security holder who has not accepted in writing the modification, it shall be deemed accepted by all creditors and equity security holders who have previously accepted the Plan. However, the Debtor may not make any amendments or modifications of the Plan after substantial consummation of the Plan.

**V.  
Means for Implementing and Effectuating the Plan**

Implementation of the Plan requires entry of an order by the Bankruptcy Court confirming the Plan. The Plan is to be implemented, if accepted and approved by the Bankruptcy Court, in its entire form. The Plan of Liquidation proposes that the Debtor will sell the Building by September 1, 2018, and pay all creditors in full. In the event the Debtor is unable to sell the Building within the one year period from the effective date, Frost Bank may foreclose on the Building without further Order of this Court, unless the deadline is extended by the Court after notice and hearing.

**VI.  
Reservation of Rights**

Neither the filing of the Plan, nor any statement or provision contained herein, nor the taking by the Debtor or any creditor of any action with respect to the Plan shall (i) be or be deemed

to be an admission against interest and (ii) until the Effective Date, be deemed to be a waiver of any rights which the Debtors might have against a creditor, and until the effective date all such rights are expressly and specifically reserved. In the event that the Effective Date does not occur, neither the Plan nor any statement contained therein may be used or relied upon in any manner in any suit, action, proceeding or controversy within or outside of the reorganization case.

**VII.  
Rejection of Executory Contracts**

The Debtor rejects all unassumed leases and executory contracts as of the effective date of the plan.

**VIII.  
Bar Dates for Filing Proofs of Claim**

Any creditor desiring to receive a distribution under the provisions of this Plan, and whose claim is not evidenced by a court order or set forth on the Debtor's schedules, must file a proof of claim or request for compensation with the Bankruptcy Court not later than July 5, 2017 for creditors and September 5 for Governmental entities. This bar date is set by the Bankruptcy Court and noticed to all creditors pursuant to the Notice of Creditor's Meeting.

The Debtor has filed as a part of its schedules a list of all creditors, setting forth the identity of each creditor and an indication of the amount due each creditor. Unless a claim is listed as disputed, contingent or unliquidated, each creditor's claim will be allowed in the amount and status stated on the Debtor's schedules. Any creditor may file a proof of claim in a different amount or status not later than July 5, 2017 or September 5, 2017 for Governmental Entities. Failure to file a timely proof of claim will force a creditor to accept the amount of his/her claim as listed on the Debtor's schedules.

**Claims listed as disputed, contingent, or unliquidated will not be allowed unless a proof of claim with all supporting documents are filed prior to July 5, 2017 or September 5, 2017 for Governmental Entities.** In the event a creditor has filed a proof of claim in these proceedings with which the Debtor disagrees, the Debtor has the option to file an objection to that claim and request the Court to determine the true value of the claim. The Debtor shall attempt to resolve all objections to claims prior to confirmation. However, the Debtor shall have 60 days from the effective date of the plan to file objections to claims.

Any proof of claim for a debt listed on the Debtor's Schedules **as disputed, contingent, or unliquidated** which is not timely filed shall be of **no force and effect**. No distribution will be made to any creditor that has not timely complied with this provision.

#### **IX. Transfer of Claims**

In the event that any creditor shall transfer its claim, it shall do so only in compliance with Bankruptcy Rule 3001, and it shall promptly notify the Debtor in writing of such transfer. The Debtor shall be entitled to assume that no such transfer of any claim has been made by any creditor until after compliance and receipt of notice. Each transferee of any claim shall take the claim subject to the provisions of the plan and to any request made, waiver or consent given, or other action taken under the Plan; and except as expressly otherwise provided in the notice. The Debtor shall be entitled to assume conclusively that the transferee named in the notice shall thereafter be vested with all rights and powers under the Plan of the transferor with respect thereto.

#### **X. Specific Consideration in Voting**

All of the foregoing give rise in the instant case to the following implications and risks

concerning the Plan.

1. While the Plan provides for certain payments at confirmation, such payments will only apply to allowed claims including claims arising from defaults. Under the Bankruptcy Code a claim may not be paid until it is allowed. A claim will be allowed in the absence of objection.

2. A claim, including a claim arising from default, which has been objected to, will be heard by the Court at a regular evidentiary hearing and allowed in full or disallowed in full or in part. While the Debtor bears the principal responsibility for claim objections, any interested party, including the creditors committee, may file claim objections. Accordingly, payment on some claims, including claims arising from defaults, may be delayed until objections to those claims are ultimately settled.

#### **XI. Effect of Confirmation**

Upon the date of the final order confirming the Plan:

- (A) Confirmation of the Plan shall enjoin the creditor from collecting any indebtedness from the Debtor outside of the confirmed Plan, whether or not they have accepted they have accepted the Plan;
- (B) Except as otherwise provided in the Plan, all of the property of the estate shall vest in the Debtor;

#### **XII. Jurisdiction of the Court**

The Court shall retain jurisdiction to insure that this Plan is carried out and to determine any other matters in connection with this case, including, but not being limited to the following:

- (a) Determining all valid liens and claims, as well as the amounts, against the Debtor and its property;
- (b) Allowing the Debtor to enforce after confirmation any claims or causes of action which exist in the Debtor's favor as Debtor-in-Possession (which are the same claims or causes of action existing in favor of a Trustee in Bankruptcy) and which may not have been previously enforced by the Debtor;
- (c) Settling any disputes between the Debtor and its creditors;
- (d) Continuing jurisdiction, staying enforcement of any claims or liens until consummation of its plan;
- (e) Retaining jurisdiction to enter orders in aid of consummation of the Plan; and,
- (f) Retaining such other jurisdiction as will insure that the intents and purposes of this Plan are fulfilled.

### **XIII. Miscellaneous Provisions**

1. All claims and causes of action in favor of the Debtor are hereby reserved to be prosecuted after confirmation.
2. Whenever the word "confirmation" is used in this Plan, it is intended to mean that date upon which the order confirming this Plan as entered by this Court becomes final and unappealable.
3. Fred Forshey shall act as the Disbursing Agent under this Plan.

4. On the Effective Date, title to the remaining property of the Debtor, if any, will vest in the Debtor, and the jurisdiction of the Court will cease, except as provided herein above. However, the reinvesting of title shall not extinguish the rights and powers of the Debtor, but shall include the assignment of such rights and powers of the Debtor so that they may prosecute claims after confirmation. Creditors shall retain their ability to utilize rights under 11 U.S.C. Section 1112(b)(8). Upon a conversion of this case to Chapter 7, all property re-vested in the Debtor under the Plan, or subsequently acquired, shall constitute property of the bankruptcy estate in the converted case.

5. Notwithstanding anything contained hereinabove, the Debtor reserves the right to object to and/or defend against any and all claims filed in this case.

6. The Debtor utilizes an accrual basis for his accounting.

#### **XIV. Interim Operation**

From and after the filing of this Plan and until such time as the order confirming this Plan has become final, this Plan has failed and another plan is proposed and acted upon, or an appeal has been filed and disposed of, or an order of adjudication of bankruptcy is entered, the Debtor shall continue in its current status on the terms and conditions heretofore authorized by orders of the Bankruptcy Court. When the order of confirmation approving and confirming the Plan has become final and non-appealable, the rights and duties of the Debtor as Debtor-in-Possession appointed pursuant to order of the Bankruptcy Court shall terminate, provided that the Debtor performs all acts and executes any and all documents, instruments, and agreements which it is required to execute to consummate and carry out this Plan.

