

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

IN RE:

R.O. MANSE 1708, LLC,

Debtor.

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Chapter 11

Case No. 18-31736(MI)

DEBTOR'S COMBINED PLAN AND DISCLOSURE STATEMENT

R.O. Manse 1708, LLC (the “Debtor”), debtor and debtor-in-possession in the above-captioned case, files this Combined Plan (the “Plan”) and Disclosure Statement. As required by the Bankruptcy Code, the Plan classifies claims and interests in various classes according to their right to priority of payments as provided in the Bankruptcy Code. The Plan states whether each class of claims or interests is impaired or unimpaired. The Plan provides the treatment each class will receive under the Plan.

The Court has not yet confirmed the Plan. In other words, the terms of the Plan are not yet binding on anyone. If the Court later confirms the Plan, then the Plan will be binding on the Debtor and on all creditors and interest holders in this case.

The Debtor represents that everything in this document is true to the best of its knowledge. **READ THIS DOCUMENT CAREFULLY IF YOU WANT TO KNOW:**

- Who can vote or object.
- The treatment of your claim is (*i.e.*, what your claim will receive if the Plan is confirmed).
- The history of the Debtor and significant events during the bankruptcy.
- How the court will decide whether to confirm the Plan.
- The effect of plan confirmation.
- Whether this Plan is feasible.

Background

1. On April 3, 2018 (the “Petition Date”), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The filing of the petition constituted an order

for bankruptcy relief under § 301 of the Bankruptcy Code. Upon the filing of the case, an automatic stay was imposed pursuant to § 362(a) of the Bankruptcy Code. The automatic stay prohibits most collection activities against the Debtor and its property. There are certain exceptions set forth in § 362(b) of the Bankruptcy Code.

2. The Debtor continues to manage its property as a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

3. No trustee or examiner has been appointed in the Debtor's bankruptcy case and no official committee of unsecured creditors has been established.

4. William Kallop is the sole member and manager of the Debtor.

5. The meeting of creditors under § 341(a) of the Bankruptcy Code is scheduled for May 22, 2018.

6. The Debtor filed applications seeking court approval to employ Porter Hedges LLP as its bankruptcy counsel and Martha Turner Sotheby's International as a real estate broker (Docket Nos. 12 and 13).

Description of Assets

7. The Debtor filed its schedules of assets and liabilities on April 17, 2018 (Doc. No. 6). Copies of the schedules are available upon request to Debtor's counsel.

8. The Debtor owns a residential property located at 1708 River Oaks Blvd., Houston, Texas 77019 (the "Texas Property"). The Debtor scheduled the Texas Property with a value of \$15 million based on an appraisal dated January 19, 2018.

9. The Debtor is not aware of any other estate assets available for the benefit of creditors and does not believe that there are any lawsuits or claims that may be brought on behalf of the Debtor.

Events Leading Up to Bankruptcy

10. The Debtor signed a listing agreement regarding the Texas Property on February 1, 2018 and the property has been listed for sale since March 23, 2018.

11. The Debtor filed this case to maximize the value of the Texas Property through an orderly liquidation sale and to prevent a foreclosure of the Texas Property on April 3, 2018 by Goldman Sachs Bank, USA ("Goldman Sachs").

12. The Texas Property is collateral for an Amended and Restated Loan Agreement dated March 11, 2016 between Goldman, as lender, and the Debtor and other non-debtor parties, as borrowers, and an Amended and Restated Loan Agreement dated March 11, 2016

between Goldman, as lender, and AVID Limited, as borrower, for which the Debtor is a guarantor (collectively, the “Goldman Loans”). Goldman has subsequently asserted that the balance due as of the Petition Date is \$22,241,499.93.

13. A non-debtor entity that is owned 100% by Kallop is marketing a property located at 620 S. Ocean Blvd., Manalapan, Florida 33462 (the “Florida Property”), which is also collateral for the Goldman Loans. The Florida Property is currently listed for sale with an asking price of \$19.9 million.

Summary of Plan

14. The Debtor’s Plan proposes three alternative treatments. First, if the Texas Property is sold before the Effective Date, (i) secured tax claims will be paid at closing, (ii) the net proceeds will be distributed to Goldman Sachs, and (iii) general unsecured creditors will be paid in full over 12 monthly installment payments from a non-debtor entity that is owned by Kallop.

15. Second, in the event that the Debtor has not sold the Texas Property by the Effective Date of the Plan, the Debtor will convey title to the Texas Property to Goldman Sachs, subject to all liens (including secured tax liens), in exchange for a credit of \$10.5 million against the amounts due under the Goldman Loans, and general unsecured claims will be paid in full over 12 monthly installment payments from a non-debtor entity that is owned by Kallop.

16. Third, if the Debtor obtains refinancing from another lender before the Effective Date, all claims held by creditors in all classes will be paid in full.

17. The Effective Date of the Plan shall be the date which is 90 days from the entry of an order confirming the Plan; provided, however, that if the Florida Property is sold prior to the 90th day after entry of an order confirming the Plan, the Effective Date shall be the date which is 150 days from the entry of an order confirming the Plan. On the Effective Date, the Plan shall be deemed to be substantially consummated under Bankruptcy Code §§ 1101 and 1127(b).

Classification and Treatment of Claims

18. The following is the classification of claims under the Plan:

Class #	Description	Est. Amount of Claim in Class	Impaired or Unimpaired
1	Secured Tax Claims	\$254,099.32	Unimpaired
2	Secured Goldman Sachs Claim	Minimum of \$10,500,000.00	Impaired
3	Goldman Sachs Deficiency Claim	Maximum of	Impaired

	Secured by Non-Debtor Collateral	\$11,800,000.00	
4	General Unsecured Claims	\$97,796.21	Impaired
5	Equity	n/a	Impaired

19. Only holders of claims that are “impaired” have the right to vote to accept or reject the plan. In accordance with Section 1126(c) of the Bankruptcy Code and except as provided in Section 1126(e) of the Bankruptcy Code, an impaired class shall have accepted the Plan if the Plan is accepted by the holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the allowed claims of such class that have timely and properly voted to accept or reject the Plan.

20. “Allowed” shall mean a claim or interest (i) which has been scheduled by the Debtor pursuant to Bankruptcy Rule 1007 and (a) is not scheduled as disputed, contingent or unliquidated, (b) as to which no proof of claim or proof of interest has been filed and (c) as to which no objection to such scheduled claim has been filed; (ii) as to which a timely proof of claim or interest has been filed and no objection thereto has been made; or (iii) that has been allowed by a final order.

21. The classes of claims set forth above will receive the following treatment in the event that the Texas Property **is sold** prior to the Effective Date:

Class 1. Except to the extent that a holder of an Allowed Class 1 Claim agrees to a different treatment, each Allowed Class 1 Claim shall be paid in full at the closing of the sale of the Texas Property.

Class 2. The holder of the Allowed Class 2 Claim shall receive the net proceeds from the sale of the Texas Property after payment of (i) realtor fees, (ii) closing costs, (iii) payment of Allowed Class 1 Claims, (iv) prorated 2018 taxes, (v) a reserve for any capital gains tax arising from the sale of the Texas Property and (vi) payment of U.S. Trustee fees.

Class 3. The holder of the Allowed Class 3 Claim shall receive the net proceeds from the sale of the Florida Property, up to the amount of the Allowed Class 3 Claim, after payment of (i) realtor fees, (ii) closing costs, (iii) unpaid taxes for years prior to 2018, (iv) a reserve for any capital gains tax arising from the sale of the Florida Property, and (v) prorated 2018 taxes.

Class 4. Except to the extent that a holder of an Allowed Class 4 Claim agrees to a different treatment, each Allowed Class 4 Claim shall be paid in full, without interest, in 12 equal monthly installments beginning on the first day of the month following the Effective Date. The source of funds to pay Class 4 claims shall be non-debtor/non-estate funds paid directly by William Kallop to holders of Allowed Class 4 Claims.

Class 5. The holder of Class 5 equity interests will receive nothing under the Plan

unless (a) the Florida Property is sold prior to the sale of the Texas Property, and (b) the net proceeds from the sale of the Texas Property exceed the amount of the Class 2 Claim, such that there is no Class 3 Claim. In that instance, the holder of Class 5 equity interests will receive all net proceeds from the sale of the Texas Property after the Class 2 Claim has been paid in full.

22. The classes of claims set forth above will receive the following treatment in the event that the Texas Property **is not sold** prior to the Effective Date:

Class 1. Except to the extent that a holder of an Allowed Class 1 Claim agrees to a different treatment, each holder of an Allowed Class 1 Claim shall retain its lien against the River Oak Property.

Class 2. The Debtor shall convey title to the Texas Property to the holder of the Class 2 Claim, subject to all liens, in exchange for a \$10.5 million credit against amounts owing under the Goldman Loans

Class 3. The holder of the Allowed Class 3 Claim shall receive the net proceeds from the sale of the Florida Property, up to the amount of the Allowed Class 3 Claim, after payment of (i) realtor fees, (ii) closing costs, (iii) unpaid taxes for years prior to 2018, (iv) a reserve for any capital gains tax arising from the sale of the Florida Property, and (v) prorated 2018 taxes.

Class 4. Except to the extent that a holder of an Allowed Class 4 Claim agrees to a different treatment, each Allowed Class 4 Claim shall be paid in full, without interest, in 12 equal monthly installments beginning on the first day of the month following the Effective Date. The source of funds to pay Class 4 claims shall be non-debtor/non-estate funds paid directly by William Kallop to holders of Allowed Class 4 Claims.

Class 5. The holder of Class 5 equity interests will receive nothing under the Plan.

23. The classes of claims set forth above will receive the following treatment in the event that the obtains refinancing prior to the Effective Date:

Class 1. Except to the extent that a holder of an Allowed Class 1 Claim agrees to a different treatment, each holder of an Allowed Class 1 Claim shall be paid in full from the proceeds of the refinancing.

Class 2. The holder of the Allowed Class 2 Claim shall be paid in full from the proceeds of the refinancing.

Class 3. There will be no Class 3 Claims because the holder of the Class 2 Claim will not have a deficiency.

Class 4. Except to the extent that a holder of an Allowed Class 4 Claim agrees to a

different treatment, each Allowed Class 4 Claim shall be paid in full from the proceeds of the refinancing.

Class 5. The holder of Class 5 equity interests will retain its equity interests in the Debtor, and the Debtor will retain the Texas Property subject to the liens granted as part of the refinancing.

Payment of Administrative Claims

24. Administrative claims are the claims allowed under § 503(b) of the Bankruptcy Code for administration of this bankruptcy case. These claims will be paid in cash on the Effective Date of the Plan, unless a written agreement to the contrary is made with the holder of any such allowed claim.

25. The Court must approve all professional fees. Professionals must file and serve a properly noticed fee application and the Court must rule on the application. Only the amount of fees allowed by the Court will be required to be paid under this plan. All professional fees will be paid by non-debtor entities from cash that is not property of this estate.

26. In the event that the Texas Property has not been sold by the Effective Date, all fees owing to the United States Trustee will be paid by non-debtor William Kallop from cash that is not property of this estate.

27. The Debtor estimates the following administrative claims in the event that the Texas Property is sold prior to the Effective Date. For purposes of illustration only, these amounts assume a sales price of \$10.5 million:

Claimant	Nature	Est. Amount of Claim	Source of Payment
U.S. Trustee	Government Agency	\$105,000.00	Sales Proceeds
Porter Hedges LLP	Debtor's counsel	\$100,000.00	Non-estate funds including retainer
Martha Turner Sotheby's International	Real Estate Broker	\$630,000.00	Sales Proceeds

28. The Debtor estimates the following administrative claims in the event that the Texas Property is not sold prior to the Effective Date:

Claimant	Nature	Est. Amount of Claim	Source of Payment
U.S. Trustee	Government Agency	\$650.00	Non-estate funds
Porter Hedges LLP	Debtor's counsel	\$100,000.00	Non-estate funds including retainer
Martha Turner	Real Estate Broker	\$0.00	n/a

Sotheby's International			
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Payment of Priority, Unsecured Tax Claims of Governmental Units

29. There are no claims held by governmental units of the type described in Section 507(a)(8) of the Bankruptcy Code.

Cramdown

30. If a class of creditors does not accept the plan, the Debtor will seek to obtain confirmation through the cramdown provisions of § 1129(b). This means that the plan must be fair and equitable to the class that does not accept the plan. The definition of whether the plan is fair and equitable may be found in § 1129(b) of the Bankruptcy Code.

Liquidation Analysis

31. Section 1129(a)(7)(A) of the Bankruptcy Code requires that each holder of a claim must either accept the plan or receive payments or property with a value of at least as much as would be available in a chapter 7 liquidation of the Debtor's assets.

32. As set forth above, each holder of a secured claim is either receiving its collateral or is being paid the value of its claim, with interest. This treatment satisfies the liquidation test under § 1129(a)(7)(A). There are no holders of priority claims.

33. Holders of general unsecured claims are forecast to receive a dividend of 100% of their allowed claim as a result of payments to be made by a non-debtor entity. If the Debtor were liquidated in chapter 7, the value of the Texas Property would not exceed the amount of Goldman Sachs' claims. Therefore, the Debtor estimates that general unsecured creditors in Class 4 would receive zero distributions in a chapter 7 case. Accordingly, the Plan satisfies the liquidation test as to holders of unsecured claims.

Prepayment

34. Any claim may be prepaid at any time, without penalty. Interest as provided in this plan must be paid through the date of prepayment.

Tax Issues

35. The federal income tax effects on holders of claims will vary depending on how the holder has treated its claim for tax purposes. For example, if the holder has a basis in its debt claim and is paid an amount less than its basis, the holder may be entitled to a federal income tax deduction for its loss. This will depend on the holder's own tax characteristics and cannot be assured. Conversely, if the holder has no basis in its debt claim, the holder may

recognize income for federal income tax purposes based on payments under the plan.

36. Because each holder's federal income tax situation may vary, you are urged to consult your own tax advisors to determine the federal income tax effect of the plan on you.

37. The Debtor may also have a federal income tax effect from the plan. Moreover, any sale of assets may produce taxable income.

Executory Contracts and Leases

38. All executory leases and contracts are rejected as of the Effective Date. Proofs of claim for damages arising from the rejection of an executory lease or contract must be filed not later than 30 days after the Effective Date. Claims filed after that date will not be paid.

Claims Objections

39. Claims objections must be filed not later than 30 days after entry of the order confirming the Plan. This deadline may be extended by the Court, on motion by a party in interest. Any such motion must be filed not later than 30 days after entry of the order confirming the Plan.

Additional Provisions

40. The Bankruptcy Court shall retain and have jurisdiction over this Chapter 11 Case to the maximum extent provided by law.

41. All notices, requests, elections or demands in connection with the Plan, including any change of address, shall be in writing and deliver by electronic mail to Debtor's counsel at jwolfshohl@porterhedges.com.

42. Pursuant to § 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all claims, interests and controversies resolved pursuant to the Plan, including, without limitation, all claims arising prior to the Effective Date, whether known or unknown, foreseen or unforeseen, asserted or unasserted, arising out of, relating to or in connection with the business or affairs of, or transactions with, the Debtor. The entry of the order confirming the Plan shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtor, the estate, creditors and other parties in interest, and are fair, equitable and within the range of reasonableness.

43. This Plan may be amended or modified by the Debtor before or after the Effective Date, as provided in Section 1127 of the Bankruptcy Code.

44. The Debtor reserves the right to withdraw this Plan at any time prior to confirmation. If the Debtor withdraws this Plan prior to confirmation, then this Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute an admission, waiver or release of any claims by or against the Debtor, the estate or any other person, or to prejudice in any manner the rights of the Debtor, the estate or any other party.

45. Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, without giving effect to any conflicts of law principles.

46. The provisions of this Plan shall not be severable unless such severance is agreed to by the Debtor and such severance would constitute a permissible modification of this Plan pursuant to § 1127 of the Bankruptcy Code.

47. All injunctions or stays arising under or entered during the Case under § 105 or § 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

Obligations to United States Trustee

48. The Debtor will be responsible for timely payment of United States Trustee quarterly fees incurred pursuant to 28 U.S.C. § 1930(a)(6). Any fees due as of the date of confirmation will be paid on the Effective Date. After confirmation, the Debtor will continue to file timely financial reports in the format required by the United States Trustee and continue to pay quarterly fees as accrued until the case is closed, converted to a case under chapter 7, or dismissed.

Default

49. If there is a default in payment to a creditor under this plan, the default must be cured within 21 days of written notice sent by the affected creditor. If the default is not cured within the 21-day period, the creditor may seek any rights available under the Bankruptcy Code or under applicable non-bankruptcy law.

Conclusion

The Debtor has filed this plan and disclosure statement. It represents that it believes the information contained in this document to be true and correct in all respects.

Dated: May 2, 2018.

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R.O. Manse 1708, LLC

By: 
William Kallop, Member

Respectfully submitted by:

PORTER HEDGES LLP

/s/ Joshua W. Wolfshohl

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