

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

In re: §
§
LENNAR BUFFINGTON STONEWALL § CASE NO. 15-11548-hcm-11
RANCH, LP § (Chapter 11)
§
Debtor §

FIRST AMENDED JOINT DISCLOSURE STATEMENT
IN SUPPORT OF JOINT PLAN OF REORGANIZATION

I. INTRODUCTION

This is the First Amended Joint Disclosure Statement (“Disclosure Statement”) in the chapter 11 case of Lennar Buffington Stonewall Ranch, LP (“Debtor” or “Stonewall Ranch”). This Disclosure Statement contains information about the Debtor and describes the Amended Joint Plan of Reorganization (the “Plan”) proposed by the Debtor and creditors United Development Funding, LP and United Development Funding III, L.P. (collectively the “Proponent”) on July 5, 2016. 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 at pages 11 and 12.

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. 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 in the enclosed envelope to Barbara M. Barron or Stephen W. Sather, **BARRON & NEWBURGER, P.C.**, 1212 Guadalupe, Suite 104, Austin, Texas 78701; Facsimile: (512) 476-9253. See section IV.A., below, for a discussion of voting eligibility requirements.

Your ballot must be received by August 5, 2016 at 5:00 p.m. Central Time, or it will not be counted.

2. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact counsel for either the debtor in possession, Barbara M. Barron or Stephen W. Sather, **BARRON & NEWBURGER, P.C.**, 1212 Guadalupe, Suite 104, Austin, Texas 78701; emails Bbarron@bn-lawyers.com or Ssather@bn-lawyers.com, or counsel for UDF, Richard W. Ward, 6860 N. Dallas Parkway, Suite 200, Plano, TX 75024; email: rward@airmail.net.

C. Disclaimer

The Court has 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

II.-DEFINITIONS

The capitalized terms used herein shall have the respective meanings set forth below. A capitalized term used herein that is not defined in this Article or otherwise defined in the Plan shall have the meaning ascribed to that term, if any, in the Bankruptcy Code. The rules of construction contained in 11 U.S.C. § 102 shall apply to the construction of the Plan, provided that in the event of any conflict between the Plan and the Disclosure Statement, the Plan shall govern over the Disclosure Statement. In the event a conflict between the Plan and any document implementing the Plan arises, the document shall govern. In the event a conflict between the Plan and the Confirmation Order arises, the Confirmation Order shall govern. Whenever the context requires, words denoting the singular number shall include the plural number and vice versa, and words denoting one gender shall include the other gender and vice versa. All exhibits and schedules attached to the Plan are incorporated herein.

2.1 **Administrative Claim** means a Claim for payment of an administrative expense of a kind within the scope of 11 U.S.C. § 503(b) and entitled to priority under 11 U.S.C. §507(a)(2)--including, without limitation, (a) claims asserted under 11 U.S.C. §503(b)(9), (b) actual, necessary costs and expenses of preserving the Debtor's Estate and, as applicable, operating its business, including wages, salaries, or commissions for services rendered, (c) Fee Claims and all other claims for compensation or reimbursement of expenses to the extent allowed by title 11, and (d) all fees and charges assessed against the Estate under the Bankruptcy Code or under chapter 123 of title 28 of the United States Code.

2.2 **Allowance Date** means the date on which a Claim becomes an Allowed Claim.

2.3 **Allowed** with respect to a Claim other than an Administrative Claim, or any portion thereof, means such a Claim (a) that has been allowed by a Final Order, (b) that was listed in the Schedules or any amendment thereof as neither disputed, contingent nor unliquidated and for which no timely proof of Claim was filed and which is not subject to objection, (c) for which a proof of Claim in a liquidated amount has been timely filed pursuant to the Bankruptcy Code or any Final Order of the Bankruptcy Court and as to which either (i) no objection to its allowance has been filed on or before the Objection Deadline or within any other period fixed by title 11 or the Bankruptcy Court or (ii) any objection to its allowance has been settled, waived through payment, withdrawn, or denied by a Final Order of the Bankruptcy Court, (d) that is expressly allowed in a liquidated amount in the Plan; or (e) that has been resolved and liquidated by entry of an order or judgment from or by a court of competent jurisdiction, unless such order or judgment is stayed pending any appeal. With respect to an Administrative Claim, "allowed" means an Administrative Claim for which a timely request for payment has been made in accordance with the Plan and that has been allowed by a Final Order of the Bankruptcy Court; and with respect to an Interest, means any Interest that appears, as of the Voting Deadline, in the equity register or other similar records maintained by or on behalf of the Debtor.

2.4 **Allowed Other Priority Claim** means all claims entitled to priority under 11 U.S.C. §507(a)(4), (5), and (8).

2.5 **Avoidance Action** means any claim or cause of action arising under chapter 5 of title 11-- including, but not limited to, 11 U.S.C. §§ 544, 545, 547, 548, 549, 553 and 550.

2.6 **Bankruptcy Case** means, as applicable, the Chapter 11 proceeding of the Debtor which is pending in the Bankruptcy Court.

2.7 **Bankruptcy Code** means the Bankruptcy Reform Act of 1978, as amended, and codified at title 11 of the United States Code.

2.8 **Bankruptcy Court** means the United States Bankruptcy Court for the Western District of Texas, Austin Division, or such other court having jurisdiction over the Bankruptcy Case.

2.9 **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure, as

prescribed by the United States Supreme Court pursuant to 28 U.S.C. § 2075.

2.10 **Business Day** means a day, excluding, Saturday, Sunday or any federal holiday.

2.11 **Cash** means legal tender of the United States of America and cash equivalents.

2.12 **Claim** shall have the meaning provided in 11 U.S.C. § 101(5) /

2.13 **Closing** shall mean, with respect to the sale by the Liquidating Trust of the Real Property, the date on which the title company associated with the transfer conveys the deed from the Liquidating Trust to a buyer.

2.14 **Closing Date** shall mean the date of the Closing.

2.15 **Collateral** means any property or an interest in property of the Estate that is subject to a valid and enforceable Lien or security interest to secure the payment or performance of a Claim, which Lien or security interest is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable non-bankruptcy law.

2.16 **Confirmation Date** means the date on which the Confirmation Order becomes final and non-appealable.

2.17 **Confirmation Hearing** means the hearing held by the Bankruptcy Court to consider confirmation of the Plan pursuant to 11 U.S.C. § 1128, scheduled to commence on August 23, 2016, at 10:00 a.m. Central Time, and as may be continued from time to time.

2.18 **Confirmation Order** means the order of the Bankruptcy Court confirming the Plan pursuant to 11 U.S.C. § 1129.

2.19 **Contested** with respect to a Claim, means a Claim against the Debtor (a) that is listed in the Debtor's Schedules as disputed, contingent, or unliquidated; (b) that is listed in the Debtor's Schedules as undisputed, liquidated, and not contingent and as to which a proof of claim has been filed with the Bankruptcy Court, to the extent the proof of claim amount exceeds the scheduled amount; or (c) as to which an objection has been, or may be, timely filed and has not been overruled by a Final Order. If an objection relates to the allowance of only a part of a Claim, such Claim shall be a Contested Claim only to the extent of the objection.

2.20 **Cure Claim** means a Claim arising from the assumption of an Executory Contract under 11 U.S.C. § 365(b).

2.21 **Day** means a calendar day but excludes any federal holiday.

2.22 **Debtor** means Lennar Buffington Stonewall Ranch, L.P.

2.23 **Disclosure Statement** means the Disclosure Statement and any modifications or amendments thereto with respect to the Plan, as it may be altered, amended or modified from

time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules.

2.24 **Distribution** means the transfer of property required by the Plan or the Liquidating Trust to be distributed to the Holders of Allowed Claims and Interests as set forth herein.

2.25 **Effective Date** means the first day of the first full month after the Confirmation Date.

2.26 **Estate** means the Debtor's estate in this case created pursuant to 11 U.S.C. §541.

2.27 **Estate Action** means any cause of action, right, claim or demand against any Person that the Debtor or its Estate owns or has an interest in or can assert in any fashion, or that could be asserted by the Debtor on behalf of any creditor or creditor representative under the Bankruptcy Code as the Debtor in Possession, including but not limited to Avoidance Actions, actions under 11 U.S.C. §510 to subordinate Claims, the Retained Causes of Action, and any cause of action, right, claim or demand by the Debtor with respect to the quality or quantity of goods delivered to the Debtor before or after the Petition Date.

2.28 **Executory Contract** means any prepetition executory contract or unexpired lease governed by 11 U.S.C. § 365.

2.29 **Fee Application** means an application for the allowance of a Fee Claim.

2.30 **Fee Claim** means a Claim by a Professional or any other party-in-interest pursuant to 11 U.S.C. §§327, 328, 330, 331, 363, 503(b) or 1103 or otherwise relating to services performed after the Petition Date and prior to and including the Effective Date.

2.31 **Final Decree** means a final decree entered by the Bankruptcy Court after the Effective Date and pursuant to Fed. R. Bankr. P. 3022, which shall, among other things, close the Bankruptcy Case.

2.32 **Final Order** means (a) an order as to which the time to appeal, petition for certiorari or move for reargument, rehearing, reconsideration, new trial, or to alter or amend findings or judgment has expired and as to which no appeal, petition for certiorari or other proceedings for reargument, rehearing, reconsideration, new trial, or to alter or amend findings or judgment shall then be pending or (b) in the event that an appeal, writ of certiorari, reargument, rehearing, reconsideration, new trial, or motion to alter or amend findings or judgment thereof has been sought, such order shall have been affirmed by the highest court to which such order was appealed, or certiorari has been denied or from which reargument, rehearing, reconsideration, new trial, or motion to alter or amend findings or judgment was sought, and the time to take any further appeal, petition for certiorari or move for reargument, rehearing, reconsideration, new trial, or to alter or amend findings or judgment shall have expired, provided, however that no order shall fail to be a Final Order solely because of the

possibility that a motion pursuant to Fed.R. Civ. P. 60 may be filed with respect to such order.

2.33 **General Unsecured Claim** means an Unsecured Claim other than an Other Priority Claim.

2.34 **Holder** means a Person who is the beneficial owner of a Claim or Interest. For purposes of a Distribution, a Person must be a Holder as of the date of the Distribution. For purposes of voting to accept or reject the Plan, a Person must be a Holder as of the Voting Deadline.

2.35 **Interest** means any "equity security" (as defined in 11 U.S.C. § 101(16)) in the Debtor.

2.36 **Lien** has the meaning ascribed to such term in 11 U.S.C. § 101(37) and shall include a "statutory lien" as defined in 11 U.S.C. § 101(53).

2.37 **Objection Deadline** means the date by which objections to Claims shall be filed with the Bankruptcy Court and served upon the respective Holder(s) thereof as provided in Section 9.1 of the Plan, which date shall be ninety (90) days after the Confirmation Date unless extended by order of the Bankruptcy Court.

2.38 **Lennar** means Lennar Homes of Texas Land and Construction, Ltd. and Lennar Texas Holding Company and any successors and assigns.

2.39 **Liquidating Trust** means the Lennar Buffington Stonewall Ranch Liquidating Trust.

2.40 **Liquidating Trust Agreement** means the Lennar Buffington Stonewall Ranch Liquidating Trust Agreement that is in a form substantially similar to Exhibit A, attached hereto and incorporated herein.

2.41 **Liquidating Trust Assets** shall mean all of the property and claims of any type that are transferred from the Estate to the Liquidating Trust under the terms of the Plan.

2.42 **Other Priority Claims** means a claim that if Allowed would be entitled to priority under 11 U.S.C. § 507(a) other than a Priority Tax Claim or an Administrative Claim.

2.43 **Person** means and includes natural persons, corporations, limited partnerships, general partnerships, joint ventures, trusts, land trusts, business trusts, unincorporated organizations, or other organizations, irrespective of whether they are legal entities, governments and agencies and political subdivisions thereof or other entities.

2.44 **Petition Date** means November 30, 2015.

2.45 **Plan** or **Plan of Reorganization** means the Amended Joint Plan of Reorganization

either in its present form or as it may hereafter be altered, amended or modified from time to time.

2.46 **Priority Tax Claim** means any Claim against the Debtor that, if Allowed, would be entitled to priority in payment under 11 U.S.C. § 507(a)(8).

2.47 **Professional** means a Person defined as a professional person in 11 U.S.C. §§ 327 or 1103 who has been employed pursuant to an order of the Bankruptcy Court in the Bankruptcy Case and any professional seeking compensation or reimbursement of costs and expenses in connection the Bankruptcy Case pursuant to 11 U.S.C. §§ 503(b)(4) or 1129(a)(4) .

2.48 **Property** means that real property and personal property listed on Schedule A/B of the Schedules of Assets and Liabilities filed by the Debtor.

2.49 **Property Sale** means that sale of the Real Property and any personal property that is conveyed with the Real Property pursuant to an order of the Bankruptcy Court or the Confirmation Order and the terms of this Plan.

2.50 **Real Property** shall mean that real property identified in Part 9 of Schedule A/B filed by the Debtor in the Bankruptcy Case and includes all MUD receivables related to the real property.

2.51 **PNC** shall mean PNC Bank, N.A. and any successors, affiliates, or assigns.

2.52 **Pro Rata** means, at any time, the proportion that the face amount of a Claim or an Interest in a particular Class bears to the aggregate face amount of all Claims or Interests in that Class.

2.53 **Rejection Claim** means a Claim by a party to an Executory Contract with the Debtor that has not been assumed by the Debtor pursuant to the Plan or a prior Final Order of the Bankruptcy Court entered in this case.

2.54 **Retained Causes of Action** means all claims, defenses, counterclaims, cross claims, objections to claims scheduled or filed in the Bankruptcy Case, of any type, including: objections to claims under 11 U.S.C. §502; claims for equitable subordination under 11 U.S.C. §510; claims for re-classification of claims as equity; breach of fiduciary duty; negligence; gross negligence; negligence per se; negligent hiring, supervision, training or retention; negligent contracting; negligent retention of experts; tortious interference; breach of agency; unfair and deceptive trade practices; agency liability; actual authority; apparent authority; respondeat superior; vice- principal; liability for the debts of another; actual damages; consequential damages; treble damages; breach of trust fund duties; contract theories of recovery including but not limited to breach of contract and usury; breach of warranty; breach of implied warranty and related theories of recovery dealing with both goods and services or any combination thereof; quasi-contract claims including but not limited to quantum meruit, promissory estoppel, equitable estoppel and quasi-estoppel; suit on sworn account, and money had and received; tort theories of liability including but not limited to tortious interference with

existing contract, tortious interference with prospective contract, and tortious interference with contractual/business relations; conversion; fraud; fraud in the inducement; fraudulent concealment; defalcation; bad faith denial of coverage or other insurance claims; constructive eviction; wrongful eviction; wrongful foreclosure; malpractice; libel; slander; malicious prosecution; premises liability; trade- secret misappropriation; fraudulent misrepresentation; negligent misrepresentation; abuse of process; trespass; statutory claims and related theories of recovery including but not limited to claims under the Bankruptcy Code, including but not limited to objections to the allowance of claims including claims for disgorgement, any claim related to the extent, priority, subordination, or validity of liens, claims under 11 U.S.C. §§ 542, 543, 544, 547, 548, 549 and 550; claims pursuant to the Texas Business and Commerce Code including fraudulent transfers under Chapter 27, and claims pursuant to Title 18 and 28 U.S.C.; statutory claims and related theories of recovery including but not limited to claims under Racketeer Influenced and Corrupt Organizations Act and State Unfair and Deceptive Trade Practices Act; statutory claims and related theories of recovery including but not limited to claims for fraud, misrepresentation, negligent misrepresentation or breach of any warranty or duty with respect to title, ownership, estate, or value involved in the sale or lease of any real property, including but not limited to oil and gas or other mineral interests; participatory, vicarious, secondary and related theories of liability including but not limited to aiding and abetting, conspiracy, principal-agent, partnership, alter ego, common enterprise, single business enterprise, joint enterprise, joint and several liability, proportionate responsibility, contribution, indemnity, contribution and indemnity, and veil piercing; equitable claims including but not limited to claims for lien subordination and contempt; any claims and causes of action related to any matter listed on the Schedules or Statement of Financial Affairs; unjust enrichment; debt; computer fraud and abuse; trademark, copyright and patent infringement; BRISA; common law misappropriation; conversion; Texas Theft Liability Act; exemplary damages; prejudgment interest; post-judgment interest; court costs; and, attorney's fees.

2.55 **Schedules** means the schedules of assets and liabilities and the statement of financial affairs filed by the Debtor as required by 11 U.S.C. §521 and Fed. R. Bankr. P. 1007, as such schedules and statement have been or may be supplemented or amended.

2.56 **Secured Claim** means a Claim secured by a Lien on or security interest in property of the Debtor, which Lien or security interest is valid, perfected and enforceable under applicable law, is not subject to avoidance under the Bankruptcy Code or other applicable nonbankruptcy law and is duly established in the Bankruptcy Case, but only to the extent of the value of the Collateral that secures payment of such Claim in accordance with 11 U.S.C. § 506 and taking into account any other Secured Claims with respect to such Collateral not inferior in priority to such Secured Claim or, in the event that such Claim is subject to setoff under 11 U.S.C. § 553, to the extent of such setoff. Secured Claims shall include Claims secured by Liens or security interests junior in priority to existing security interests or Liens, whether by operation of law, contract, or otherwise, but solely to the extent of the value, as of the Effective Date or such other date established by the Bankruptcy Court, of such Claim Holder's interest in the Estate's interest in such property after giving effect to all Liens or security interests senior in priority.

2.57 **Secured Tax Claim** means any Claim for ad valorem taxes that is based on or assessed against any real or personal property of the Debtor and is secured as of the Effective

Date by a Lien or security interest against such property, which Lien or security interest is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law, but only to the extent of the value of the assets or property securing such Claim.

2.58 **Termination Date** shall mean the later of (a) one hundred eighty (180) days after the Effective Date or (b) two hundred forty (240) days after the Effective Date if the Liquidating Trust has signed a contract to sell the Property within one hundred eighty (180) days of the Effective Date.

2.59 **UDF** means United Development Funding, LP. and any successor or assigns; **UDFIII** shall mean United Development Funding III, LP and any successor or assigns. **UDFA** shall mean UDF and UDFIII collectively.

2.60 **Unclaimed Property** means any Distribution under the Plan that, for a period of one year after the Effective Date (unless otherwise extended by an order of the Bankruptcy Court or an agreement with the Liquidating Trust), is (a) attributable to the Holder of an Allowed Claim that failed to prepare, execute and return to the Liquidating Trustee an Internal Revenue Service Form W-9, (b) returned to the Liquidating Trustee as undeliverable, or (c) otherwise unclaimed.

2.61 **Unsecured Claim** means a Claim that is not a Secured Claim, a Secured Tax Claim, an Administrative Claim, a Priority Tax Claim, an Other Priority Claim, or a claim subordinated pursuant to 11 U.S.C. §510(c) or reclassified as an equity interest and shall include any Claim arising from the rejection of an executory contracts or unexpired leases pursuant to 11 U.S.C. §365.

2.62 **Voting Deadline** means **August 5, 2016** at 5:00 p.m. Central Time, the deadline set by the Bankruptcy Court for the receipt of Ballots for accepting or rejecting the Plan.

III-BACKGROUND

A. Description and History of the Debtor's Business.

Debtor was formed as a Texas limited partnership on May 13, 2005, to develop real estate located near Liberty Hill in Williamson County, Texas. Prior to May 30, 2008, the equity of the Debtor was owned equally by affiliates of Buffington Homes and Lennar Homes. On May 30, 2008, the Lennar and Buffington parties executed an Assignment and Assumption Agreement by which the Lennar entities transferred their interest in the Debtor to Buffington affiliates. The Debtor granted a lien on its assets to secure the payments to be made to the Lennar parties. The deed of trust was recorded on June 25, 2010. The Lennar deed of trust was subordinated to a debt payable to RBC Bank (USA), in the amount of \$35,000,000, a debt payable to United Development Funding, LP in the amount of \$21,500,000 and a debt payable to First Continental investment Co., Ltd. in the amount of \$4,500,000. PNC Bank, N.A. is the successor in interest to RBC Bank (USA). The Debtor and the other land-owning entities controlled by Buffington Homes also incurred a debt in excess of \$100 million to United

Development Funding III, LP, which is also collateralized by their real property. This debt was guaranteed up to \$5 million by Thomas B. Buffington. The only relationship between the Buffington entities and the UDF entities is that of borrower and lender.

The Debtor sold multiple lots between 2005 to 2014 and obtained partial releases from its lenders.

As of November 30, 2015, PNC Bank, N.A. had posted the Debtor's real property for foreclosure. Additionally, a suit to collect delinquent ad valorem taxes was pending in the District court of Williamson County, Texas and a suit by Lennar Homes of Texas Land and Construction, Ltd. and Lennar Texas Holding Company were pending in the District Court of Travis County, Texas at that time..

On November 30, 2015, UDFIII filed an involuntary petition against the Debtor. The Debtor consented to an Order for Relief on February 1, 2016.

B. Owners/Management of the Debtor.

Buffington Land Management, Ltd. is the sole general partner of the Debtor, holding a 1% equity interest. Buffington Land, Ltd. is the sole limited partner, holding a 99% equity interest. Thomas B. Buffington is the Managing Member of Buffington Land Management, Ltd. and is a guarantor on the UDF and UDFIII debts. His guaranty is limited to \$5 million payable as stated in the documents between UDF and Mr. Buffington. UDFA has not reached an agreement with Mr. Buffington to release his guaranty at this time, although negotiations have been conducted. Buffington Land Development, LLC, Buffington Land Group, Ltd. and their subsidiaries¹ are also obligated on the debts to UDFA.

C. Significant Events During the Bankruptcy Case.

The Order for Relief was entered on February 1, 2016. The Debtor filed Schedules of Assets and Liabilities and a Statement of Financial Affairs on February 22, 2016. The first meeting of creditors was held on March 8, 2016. The Court entered an order authorizing the employment of Barron & Newburger, P.C. as counsel for the Debtor on March 21, 2016.

During the case, the Debtor with assistance from UDFA has attempted to locate a buyer for the Real Property. UDFA identified builders with sufficient size and resources to consummate a purchase on an expedited basis and contacted these parties. UDFA obtained expressions of interest from RSI Communities, LLC and a second national homebuilder. While the other party submitted a letter of intent, it did not proceed to the point of executing a contract.

Based on its experience as a lender to numerous developers for many properties, UDFA believes that \$16,000,000 is within the range of values that a developer will pay for the Real Property given the significant costs and time that will be required to complete the development. Additionally, the Debtor and UDFA have determined that \$16,000,000 is a reasonable market

¹ There are a total of 48 total Buffington related land entities of which approximately 28 own real estate.

value offer for the Real Property based on a confidential real estate appraisal obtained by UDF.

The Debtor has negotiated a sale of its assets to RSI Communités, LLC and has executed a Contract of Sale of the Real Property, subject to approval of the sale by this Court. RSI is a private homebuilder with operations in California and Texas. It is a third party that is not affiliated with either the Buffington or UDF entities. More information about RSI can be found at www.rsicommunities.com. The sales price under this contract is \$16 million for the real property owned by the Debtor and PH SPMSL, LP, a non-debtor. The price will be allocated on the following basis: \$14,952,566.00 to the Debtor and \$1,047,434.00 to PH SPMSL, LP. The price allocated to PH SPMSL was based upon \$52,264.88 per lot for two 50 foot lots and \$58,931.51 per lot for sixteen 60 foot lots.² These values were based upon the amount that the Debtor had set upon similar lots in the past. The contract provides for the sale to close on or before August 15, 2016. A copy of the executed contract is available from Debtor's counsel upon request.

D. Projected Recovery of Avoidable Transfers and Discussion of Claims Objections. Debtor's counsel has concluded that there do not appear to be any avoidance actions which could be successfully pursued for the benefit of creditors. This opinion is based on the following observations:

- The Debtor did not make any transfers during the 90 days prior to bankruptcy. As a result, there are not any non-insider preference claims to pursue.
- The only parties to receive payments exceeding \$6,225 during the year prior to bankruptcy were attorneys and accountants. These parties do not appear to be insiders and appear to have been paid in the ordinary course of business.
- None of the parties have suggested that any of the secured lenders in this case failed to perfect their liens. A review of the real property records of Williamson County revealed what appeared to be properly filed deeds of trust by RBC Bank, which is now known as PNC Bank, United Development Funding, LP and Lennar Homes of Texas Land and Construction, Ltd. Counsel did not locate a deed of trust in favor of United Development Funding III, LP. However, it does not appear that this party will receive any distribution under the Plan. The records of the Texas Secretary of State revealed what appear to be properly filed UCC financing statements for United Development Funding, LP and United Development Funding III, LP against the Debtor. The Williamson County real property records also revealed what appear to be properly filed UCC financing statements in favor of United Development Funding, LP against the Debtor.
- No new liens upon the Debtor's property appear to have been filed during the four years prior to bankruptcy.
- There was only one transfer of property by the Debtor during the four years prior to bankruptcy, which was the sale of a lot to Carter Graham, a third party. No party has suggested that this transfer may be avoidable.

Debtor's counsel reserves the right to amend this analysis if additional facts come to light.

² UDF is also the secured lender to PH SPMSL, LP so that the net proceeds from this sale will go to UDF as well.

E. Current and Historical Financial Conditions. The Debtor's Schedules list the following Assets and Liabilities:

1. *Assets:*

a. **Real Property**, with an appraised value in 2015 substantially in excess of the PNC debt and for which the Debtor has received a contract from a national real estate developer to purchase the Real Property for approximately \$15,000,000. The Debtor is relying upon a confidential appraisal commissioned by UDF to support its business judgment to accept the contract.

b. **Personal Property with a value of approximately \$12 million.** However, this personal property consists primarily of capitalized transaction costs of \$5.6 million, which value is incorporated into the Debtor's real property, and MUD reimbursables in the amount of \$7.2 million which are appurtenant to the Debtor's real property. While the buyer is purchasing all MUD Receivables as part of the \$16,000,000 purchase, the Proponents include the following general discussion of the MUD Receivables for information and disclosure purposes. Prior to the filing of the bankruptcy case, the Debtor formed the Stonewall Ranch Municipal Utility District (the "MUD") and spent approximately \$7,100,000 in development costs. These costs are reimbursable under the MUD once development commences and ad valorem taxes are generated that will support revenue for the issuance of bonds. Prior to the filing of the bankruptcy case, the Debtor received approximately \$1,800,000 in reimbursements from previous bond issuances in 2009 and 2011. The MUD submitted a 2015 bond package to the TCEQ for issuance of a \$1,580,000 bond. The bond was approved by the state but not issued due to non-payment of property taxes by the Debtor. Upon payment of property taxes from a sale of the Real Property, the bond should issue and fund approximately \$1,100,000 in reimbursable expenses to the buyer. The District also has approximately \$400,000 in surplus funds that could be paid to reimburse the developer Debtor. Reimbursement of any future funds requires development and home building operations to produce more value for ad valorem taxes that will support additional bond sales.

2. *Liabilities (as scheduled):*

a. **Secured liabilities.** The Secured Liabilities listed on Schedule D include the following claims that are not listed as contingent, disputed, or unliquidated:

Claimant	Amount (in \$)	Collateral	Proof of Claim Filed (Y or N) Amount (in \$) and Claim No.(s) if Y
Secured Tax Claim of Williamson County	276,721	Real Property	Y \$276,721.79 Claim no. 1
PNC	2,890,462	Real Property	N
UDF	21,500,000	Real Property	N
Lennar	3,152,428	Real Property	N
UDF III and portion of UDF Debt that exceeds value of collateral	116,555,223	Real Property	N

b. **Priority Claims.** No Priority claims were scheduled or filed

c. **Unsecured Claims.** The Unsecured Liabilities that were scheduled as undisputed, liquidated and not contingent total \$346,350.25. Proofs of Claim were filed only by Williamson County.

3. **Income.** Based on the Monthly Operating Reports (“MORs”) filed by the Debtor, the Debtor’s monthly operations during the chapter 11 case have not generated any income.

F. Distribution Analysis. Distribution shall be as follows:

This analysis assumes the sale of the Real Property for \$14,952,566 less closing costs of \$ \$448,577.00 for a net sales price of approximately \$14,504,000.

- Costs incurred by Liquidating Trust (estimated) 20,000.00
- US Trustee fees 20,000.00
- Cure claims for executory contracts related to water rights 344,490.05
- Class 1 claims (estimated) 50,000.00
- Class 2 claims (based on proof of claim with estimated Post-petition interest and fees of \$30,000) 306,721.79
- Class 3 claim (based on schedule amount with estimated Post-petition interest and fees of \$520,000) 3,410,462.00.

Assuming receipt of a net proceeds from the sale in the amount of \$14,504,000 and after payment of the foregoing amounts, all remaining funds would be paid to UDF in Class 4. The estimated remaining funds of \$10,372,326 are less than the claim of UDF (in the amount of \$21,500,000); therefore, under the Plan no payments would be made to Classes 5, 6, 7, or 8.

IV. 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. As such, the Proponent has *not* placed the following claims in any class:

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:

Type	Estimated Amount	Proposed Treatment
Professional Fees Subject to Approval by Court	\$50,000	Payment in cash, in full after notice and hearing on application and order allowing fees
US Trustee Fees	\$20,000	Payment in cash in full on Effective Date

2. *Priority Tax Claims*

Since the Debtor is a Texas limited partnership the Debtor files tax returns, but is not responsible for payment of taxes based on income. All income taxes are the responsibility of the Debtor’s partners and are not paid from any funds administered by the Debtor or, after confirmation of the Plan, the Liquidating Trust.

3. *Classes of Secured and Unsecured Claims*

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) 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. Since the value of the Real Property is less than the amounts owed to Class 2 Secured Tax Claims

(\$276,721.79 plus interest and fees); Class 3 PNC Secured Claim (\$2,890,462 plus interest and fees) secured by a first priority lien on the Real Property; and Class 4 Secured Claim of UDF (\$21,500,000), secured by a second priority lien on the Real Property, the claims of the third priority lienholder Lennar are unsecured and are not entitled to any distribution from the sale of the Real Property. The claims of UDF to the extent that the value of the Real Property is less than \$21,500,000 and the Claims of UDF III are undersecured and are not entitled to any distribution from the sale of the Real Property.

The following chart lists all classes containing Debtor’s secured and unsecured prepetition claims and their proposed treatment under the Plan:

Class	Impairment	Treatment
Class 1 Priority Claims	Unimpaired.	Except to the extent that a Holder of an Allowed Other Priority Claim has been paid before the Effective Date or agrees to a different treatment, each Holder of an Allowed Other Priority Claim, in full satisfaction, release and discharge of and exchange for such Claim, shall receive Cash from the Liquidating Trust in an amount equal to the Allowed amount of such Other Priority Claim within ten (10) days after the Effective Date. The foregoing notwithstanding, to the extent the Allowed amount of an Other Priority Claim asserting priority treatment under 11 U.S.C. §§ 507(a)(4) and (5) exceeds the statutory cap applicable to such Claim, such excess shall be treated as a Class 6 General Unsecured Claim.

<p>Class 2- Secured Tax Claims</p>	<p>Impaired.</p>	<p>The Class 2 claims shall be paid in cash, in full from the proceeds sale of the Property on the Closing Date. If the Closing does not occur, the Secured Tax Claimants shall retain any and all rights under Texas law against the Real Property and shall be entitled to enforce such rights commencing on the Termination Date. No Liens of the Class 2 Claimant against the Real Property shall be released or extinguished prior to the Closing Date and if the Termination Date occurs before the Closing Date, no such liens shall be released, altered, modified or extinguished.</p> <p>Notwithstanding any other provision in the Plan the treatment of the Secured Tax Claims shall include (i) interest that has accrued from the Petition Date through the Effective Date at the stated statutory rate of 1% per month pursuant to 11 U.S.C. §§ 506(b) and 511 and after the Effective Date and (ii) interest at the state statutory rate of 12% per annum pursuant to 11 U.S.C. §§ 506(b), 511 and 1129. Pursuant to 11 U.S.C. § 503(b)(1)(D), the Tax Authorities are not required to comply with the requirements of Section 2.01 of the Plan that pertain to the filing, service, payment and allowance of administrative expense claims..</p>
<p>Class 3- Secured Claim of PNC</p>	<p>Impaired.</p>	<p>The Allowed Class 3 claim shall be paid in full including all principal, interest at contractual rates through the date of payment of the Allowed Class 3 Claim, and other fees allowed pursuant to 11 U.S.C. §506(b) on the Closing Date. If the Allowed Class 3 claim has not been paid in full on or before the Termination Date, the Class 3 claimants shall be entitled to exercise any and all contractual rights and rights afforded to the Class 3 claimant under applicable law against the Property. No Liens of the Class 3 Claimant against the Property shall be released or extinguished prior to the Closing Date and if the Termination Date occurs before the Closing Date, no such liens shall be released, altered, modified or extinguished.</p>

<p>Class 4 – Secured Claim of UDF</p>	<p>Impaired.</p>	<p>On the Closing Date, the Class 4 Claim shall be paid all proceeds from the Sale of the Property by the Liquidating Trust after the payment of all amounts owed to (1) Holders of Allowed Class 1 Claims; (2) Holders of Allowed Class 2 Claims; (3) Holders of Allowed Class 3 Claims; and (4) all amounts required to be paid to cure defaults, if any, under any Executory Contract that is assumed. If the Allowed Class 4 Claim has not been paid in full on or before the Termination Date, the Class 4 Claimant shall be entitled to exercise any and all contractual rights and rights afforded to the Class 4 Claimant under applicable law or the prepetition loan documents between the Debtor and UDF. No Liens of the Class 4 Claimant against the Property shall be released or extinguished prior to the Closing Date and if the Termination Date occurs before the Closing Date, no such liens shall be released, altered, modified or extinguished.</p>
<p>Class 5-Secured Claim of Lennar</p>	<p>Impaired.</p>	<p>Since the value of the Property that is the collateral for the Class 5 Claim is less than the amount of the claims of Class 2, Class 3 and Class 4, Lennar’s Class 5 Claim is unsecured pursuant to 11 U.S.C. §506(a) and will be treated as a General Unsecured Creditor in Class 7 of the Plan. All Liens of Lennar against the Property shall be extinguished and released. Lennar shall be authorized to continue the assertion of claims in Lennar State Court Suit, but may not assert claims, if any, liquidated by Lennar in the Lennar State Court Suit, except as a Class 7 Claim under the Plan.</p>
<p>Class 6—Secured Claims of UDF Not Included in Class 4 and claim of UDF III</p>	<p>Impaired</p>	<p>Since the value of the Property that is the collateral for the Class 6 Claim is less than the amount of the claims of Class 2, Class 3, Class 4 and Class 5 Claim, UDF’s Class 6 claims are unsecured pursuant to 11 U.S.C. §506(a) and will be treated as a General Unsecured Creditor in Class 7 of the Plan. All Liens of UDF against the Property shall be extinguished and released.</p>

Class 7- General Unsecured Claims	Impaired.	Class 6 claims shall receive nothing under the Plan.
Class 8-Claims of Equity Interests	Impaired.	As of the Effective Date, all interests in the Debtor shall be extinguished and Holder of Interests shall receive nothing and shall be extinguished.

C. Means of Implementing the Plan

The Plan will transfer the Property, which includes the Real Property, to the Liquidating Trust. The Liquidating Trust will attempt to consummate a sale consistent with contract that the Debtor has received. The Liquidating Trustee will be Scott W. O’Brien, a partner in the law firm of Hallett & Perrin. Mr. O’Brien has provided and continues to provide legal services to UDF and its affiliates. In his capacity as liquidating trustee Mr. O’Brien will owe the duties of a trustee to the beneficiaries of the Liquidating Trust, subject to the terms of the Plan. If a sale cannot be closed according to the terms of the contract, the Liquidating Trustee will seek to sell the Real Property for an amount in excess of the amount of \$4,131,673.84 (the amount of distributions for administrative expenses, and claims in Classes 1, 2 and 3), subject to consent of UDF to a sale at such other price. In the event that Mr. O’Brien is not able to serve, UDF will nominate another qualified individual.

D. Risk Factors

The only risk factor under the proposed Plan is the failure of the sale of the Property. The value of the Real Property establishes that Class 1, Class 2 and Class 3 claims will be paid in full, plus contractual and statutory interests. The appraised value of the Real Property in 2015 was more than twice the amount of the claims of Classes 1, 2 and 3. If the Real Property is not sold, UDF, a Proponent, will risk nonpayment of the Class 4 claim. Since creditors in Classes 5, 6 and 7 and interest holders in the Debtor in Class 8 receive nothing under the Plan, there are no

risks to claimants and interest holders in these classes.

E. Executory Contracts and Unexpired Leases

The Plan rejects all executory contracts and unexpired leases to which the Debtor is a party, except those executory contracts relating to wastewater service reservations, which are assumed under the Plan. If you believe that you are a party to an unexpired lease or an executory contract with the Debtor you must file a claim for any damages you assert on or before the Effective Date. All executory contracts related to reservation of wastewater rights in which the Debtor has any interest shall be assumed and any and all monetary defaults under such contract shall be cured with a lump sum, cash payment on the Closing Date and the Debtor's rights in such executory contract(s) shall be assigned the buyer or the Real Property at Closing. The Debtor will assume executory contracts related to water rights, including those contracts with the City of Liberty Hill and will assign the contracts to the buyer of the Real Property. Any and all defaults will be paid in cash, in full at the time of the Closing of the sale of the Real Property.

If you object to the assumption or 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.

F. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

V. CONFIRMATION REQUIREMENTS AND PROCEDURES

A. Voting. To be confirmable, the Plan must meet the requirements listed in 11 U.S.C. §§1129(a) or (b). 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 the 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.

1. 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.

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 Plan Proponent believes that classes 2, 3, 4, 5, 6 and 7, are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent 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. The Debtor believes that the equity interests in class 8 are impaired and are not entitled to vote because they are deemed to have rejected the Plan.

2. *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.

3. *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.

4. *Who is Not Entitled to Vote*

The holders of the following five 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, but no such claims exist at this time;
- 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 in unimpaired classes, Classes 1 and 7 under the Plan;
- 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 (Class 10);
- Administrative expenses.

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.

5. *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 hold 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 “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 Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind nonaccepting 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 “cramdown” confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.
Liquidation Analysis

B. Feasibility and Liquidation Analysis

1. *Feasibility.* Based on the contract with a purchase price of \$16,000,000 the sale of the Real Property will pay all amounts required under the Plan.

2. *Comparison of Payments under Plan to Chapter 7 Liquidation.* The Plan seeks the orderly liquidation of the Real Property. Based on the experiences of the Debtor and UDF a liquidation sale of the Real Property would result in a substantially lower price than either the appraised value of the Real Property or a market value sale. The Debtor and UDF believe that a market value sale price of approximately \$16,000,000 is reflected by the contract. The Proponent believes that for purposes of comparing the distributions under the Plan to the distributions in a hypothetical chapter 7 proceeding that the chapter 7 trustee would receive approximately ten percent (10%) less than the price that the Liquidating Trust will receive for of the Real Property. This assumption is based on the fact that the Chapter 7 trustee would not receive the full market value for the Real Property because buyers would perceive that the

properties could be purchased for less than market value.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of the Debtor.

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 11 U.S.C. §1141(d)(1)(A), 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 Fed. R. Bankr. P. Rule 4007(c); or (iii) of a kind specified in 11 U.S.C. § 1141(d)(6)(B).

B. 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.

C. Final Decree.

Once the estate has been fully administered, as provided in Fed. R. Bankr. P. Rule 3022, 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: July 5, 2016

UNITED DEVELOPMENT FUNDING, LP

By: Its general partner, United Development Funding, Inc.

By: /s/ Hollis Greenlaw,
Its: President & CEO

UNITED DEVELOPMENT FUNDING III, LP

By: Its general partner, UMTM Land Development, LP

By: /s/ Hollis Greenlaw,
Its: CEO

/s/ Richard W. Ward
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ATTORNEYS FOR DEBTOR-IN-POSSESSION

Exhibit A
(Joint Plan of Reorganization)