

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

<i>In re:</i>	§	
	§	
LUIS MIGUEL CASTILLO and	§	Case No. 16-10040-TMD
BEATRIZ CASTILLO, f/d/b/a	§	
Plaza Guadalupe,	§	(Chapter 11)
	§	
<i>Debtors in Possession.</i>	§	

DISCLOSURE STATEMENT
IN CONNECTION WITH DEBTORS' PLAN OF REORGANIZATION
DATED OCTOBER 7, 2016

DATED: October 7, 2016
Austin, Texas

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DEBTORS IN POSSESSION

NOTICE

This Disclosure Statement is not a solicitation of your vote for the Debtors' Plan. Before any such solicitation, the Bankruptcy Court must approve this Disclosure Statement as having information adequate to enable the Creditors to make an informed judgment on the Plan.

Therefore, this Disclosure Statement is being served only on persons who have requested notice, and is for information purposes only. The Bankruptcy Clerk's office will send notice to all Creditors on the Court's mailing matrix of the hearing on the approval of this Disclosure Statement.

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DISCLOSURE STATEMENT
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DATED OCTOBER 7, 2016

I. INTRODUCTION

LUIS MIGUEL CASTILLO (“Mr. Castillo”) and BEATRIZ CASTILLO (“Mrs. Castillo,” together with Mr. Castillo, the “Debtors” or the “Castillos”), the debtors herein, filed a Voluntary Petition for Relief under Chapter 13 of the United States Bankruptcy Code, 11 U.S.C. § 101 *et seq.* (the "Bankruptcy Code") in the United States Bankruptcy Court for the Western District of Texas, Austin Division ("the Bankruptcy Court") on January 12, 2016 (the "Petition Date"). Since that time, they have continued to operate as Debtors-in-Possession pursuant to the provisions of § 1108 of the Bankruptcy Code.

The purpose of this document (the “Disclosure Statement”) is to provide the creditors and parties-in-interest adequate information to make an informed judgment about the Debtors’ Plan of Reorganization Dated October 7, 2016 (the “Plan”). Generally, this information includes, among other matters, a brief history of the Debtors, their Chapter 11 case, a description of the assets and liabilities of the Debtors, an explanation of how the Plan will function and an explanation of why the reorganization of the Debtors under the proposed Plan should result in a greater benefit to the creditors than if the Chapter 11 case were converted to a Chapter 7 case and a Chapter 7 trustee were appointed. To make an informed judgment about the Plan, you are urged to read the entire Disclosure Statement and the Plan.

Capitalized terms used but not defined in this Disclosure Statement are defined in the Plan.

Mr. and Mrs. Castillo have proposed a Plan that is designed to repay their debts in full, over time, with interest. That Plan is included in these materials. This is the Disclosure Statement, which provides information you can use to decide to vote to reject or accept the Plan, to file an objection to the Plan, or both. You should be aware that each class of creditors that is entitled to vote on the Plan, which includes unsecured creditors, must accept the Plan for it to be confirmed. And if the plan is not confirmed, the Castillos believe that, based on the liquidation analysis included on pages 12-14 below, each unsecured creditor will be paid less than 60% of what that creditor is owed by the Castillos.

A. Brief Summary of What the Plan Provides

This section of the Disclosure Statement describes generally the provisions of the Plan. The following overview is qualified in its entirety by the more detailed information contained in the remaining articles of this Disclosure Statement and the Plan itself.

The Plan is a plan of reorganization. The Debtors propose that they will continue to own and operate their real property, a strip shopping center at 207 Sonny Drive in Leander, Texas (the “Property”), and that they will make payments over time on the Claims against them.

Specifically, the Plan will be funded by cash on hand and future rents generated by the Property. That income will be used: first, to pay the expenses of the Property, and then to pay the Debtors’ personal expenses, including their ongoing mortgage payments and current taxes. The funds remaining after those expenses will be used to make Plan payments.

Those funds are expected to be sufficient to pay in full:

the Secured Claims of Williamson County for 2015 property taxes on the Debtors’ residence (their “Homestead”) and commercial real estate (the “Property”), to be paid in full with interest over 60 months;

the Secured Claims of Propel Financial Services, LLC (“Propel”) for 2013 and 2014 property taxes on the Debtors’ Homestead and on Lots 13 and 14 of the Property, to be paid according to the existing terms of the loans, monthly until March of 2025;

the Claims of Randolph Brooks Federal Credit Union (“RBFCU”) secured by the Debtors’ Homestead, to be paid according to the existing terms of the mortgage, over approximately 163 months;

the Claims of Randolph Brooks Federal Credit Union (“RBFCU”) secured by Lot 12 of the Property, each to be paid in full with interest in 239 monthly payments and a balloon in 240th month;

the Claims of the U.S. Small Business Administration (the “SBA”) secured by Lot 12 of the Property, with the principal of the Claim that is secured by a second Lien to be paid over 184 months and the accrued interest on the Claim to be paid over 28 months following the payment of the principal, and the Claim secured by a fourth Lien to be paid in full, without interest, over 180 months;

the Claim of Elizabeth Vossler (“Vossler”) secured by Lot 14 of the Property, to be paid in full with interest according to the original terms of the loan, in monthly payments until July of 2020, the original maturity date;

the United States Trustee’s fees (to be paid quarterly when due, so long as the Case is open, estimated to be no longer than three months following Confirmation of the Plan; and

the other Administrative Claims, such as the fees and expenses of the Debtors' attorneys that are estimated to be paid in full in five monthly payments.

Finally, all Unsecured Claims will be paid in full, with interest at 4.0% per annum, *pro rata* from 20 quarterly payments of \$6812.86 each, commencing with the first payment due on the first business day of the second month after the Effective Date (estimated to be February of 2017).

B. Representations and Disclaimers

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

NO REPRESENTATIONS OR OTHER STATEMENTS CONCERNING THE DEBTORS (PARTICULARLY AS TO FUTURE BUSINESS OPERATIONS OR THE VALUE OF ASSETS) ARE AUTHORIZED BY THE DEBTORS OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE, WHICH ARE OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISIONS. ANY SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, B. WELDON PONDER, JR., 4408 SPICEWOOD SPRINGS ROAD, AUSTIN, TEXAS 78759, WHO SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT WHICH MAY TAKE SUCH ACTION AS IT DEEMS APPROPRIATE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN INDEPENDENTLY AUDITED EXCEPT AS SPECIFICALLY REFERENCED HEREIN. THE DEBTORS HAVE MADE EVERY REASONABLE EFFORT TO INSURE THAT THE INFORMATION CONTAINED HEREIN IS ACCURATE. THIS DISCLOSURE STATEMENT CONTAINS ONLY A BRIEF SUMMARY OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY THE TERMS AND PROVISIONS OF THE PLAN. EACH CREDITOR AND PARTY-IN-INTEREST IS URGED TO REVIEW THE PLAN IN FULL PRIOR TO VOTING ON IT, TO INSURE COMPLETE UNDERSTANDING OF THE PLAN AND THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF CREDITORS AND OTHER PARTIES-IN-INTEREST TO MAKE AN IN-FORMED DECISION ABOUT THE PLAN.

C. Explanation of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under Chapter 11, an attempt is made to restructure a business debtor's finances so that the debtor may both

continue to operate the enterprise and repay creditors of the debtor. Formulation of a plan of reorganization is the primary purpose of a proceeding under Chapter 11.

A Chapter 11 Plan sets forth and governs the treatment and rights to be afforded to creditors and the interests of the debtor with respect to their claims against, and interests in, the debtor. According to § 1125 of the Bankruptcy Code, acceptances of a Chapter 11 plan may be solicited by the debtor only after a written disclosure statement approved or by the Bankruptcy Court as containing adequate information has been provided to each creditor and interest holder, if any. This Disclosure Statement is presented to Creditors of the Debtors in this Case, to satisfy the disclosure requirements contained in § 1125 of the Bankruptcy Code.

II. INFORMATION ON THE DEBTORS AND THEIR FINANCIAL HISTORY

A. History of the Debtors, their Business and Events Leading to Bankruptcy

1. The Castillos' Backgrounds

Mr. Castillo was born in Chicago, Illinois, in 1958, the oldest of three children. He lived in Chicago until 1966, when he and his family moved to Mexico in 1966. He graduated from the Universidad Autonoma de Guadalajara in 1980, with a Bachelor of Science as Electrical Engineer. [IS THAT A TRANSLATION OR EXACT NAME OF DEGREE? Or just saying you have Bachelor of Science as an electrical engineer.

Mrs. Castillo was born in Mexico City, also in 1958, the youngest of five children. She was raised there and received an education in accounting that qualified her as an Accountant Assistant. She worked in that capacity at Banco Nacional de Mexico from 1970 until 1985, when she and Mr. Castillo married and moved to Leander, Texas. There they raised three children.

2. The Purchase of the Property and Financing of the Construction

On July 20, 2005, the Castillos purchased from Elizabeth Vossler and her then husband, John W. Shallies, three lots of unimproved real estate (Lots 12, 13 and 14), at 207 Sonny Drive in Leander, Texas (the "Property"), for the purpose of building a strip center to be called "Leander Village." The purchase price was \$168,000, \$50,000 of which was paid by the Castillos from their own funds, and \$110,000 of which was financed by the sellers. Originally, Liens were given on all three lots to secure that note, but the sellers released their Lien on Lots 12 and 13. The terms of the purchase money note to Vossler¹ are that the principal is fully amortized, with interest at 6.0%, over 180 months, resulting in payments of \$928 per month until July of 2020.

On July 1, 2008, Randolph Brooks Federal Credit Union ("RBFCU") loaned the Castillos \$312,750 for the construction on the Property and took a first lien on Lot 12 of the Property, on which the center was to be built, to secure that loan. On the same date, RBFCU also loaned the

¹ Vossler and Shallies were subsequently divorced and Vossler awarded sole ownership of the Castillos' note and the lien on Lot 14.

Castillos an additional \$218,925 secured by what was described in the documents as a second lien on Lot 12.

On August 26, 2009, Capital Certified Development Corporation (“CDC”) refinanced RBFCU’s second lien indebtedness, loaning the Castillos a total of \$228,000 secured by a lien on Lot 12 that was subordinate to RBFCU’s remaining first lien. On that same date, the CDC note and second lien deed of trust lien were transferred to the United States Small Business Administration (the “SBA”), which is the current holder of that interest. The terms of that loan are that the principal of \$228,000 is fully amortized with interest at 3.98% over 240 months, for 239 payments of \$1,379.23 and a final payment of \$1,380.42 on October 1, 2029.

On October 23, 2009, RBFCU made another loan of \$363,600, also secured by a deed of trust lien on Lot 12. That lien has a third priority, behind RBFCU’s first and the SBA’s second. The terms of that loan are that the principal of \$363,600.00 is fully amortized with interest at 6.0% over 120 months, for 119 payments of \$4,036.72 and a final payment of \$4,035.95 on October 23, 2019.

Finally, on November 11, 2009, RBFCU modified the terms of its first note and lien. The terms of that loan were that the principal of \$287,856.29 was amortized with interest at 6.5% over 196 months, resulting in 195 monthly payments of \$2,332.20 commencing in March of 2012, and a final payment on July 1, 2028, of the balance, including deferred interest and principal on payments due for December 2011 through February 2012.

3. Development and Leasing of the Property

From 2005 through 2006, the Castillos worked at getting the Property re-zoned by the City of Leander to commercial status, and in 2006, building commenced on the Property. During that time (2004-2009), Mrs. Castillo also worked at a TJ Maxx store in Austin to help make ends meet. The construction was completed in 2008 and the City issued a Certificate of Occupancy in May of 2009.

The strip center was originally 50% (Suite # 101) occupied by La Canasta Meat Market that the Castillos owned and operated by them. The Castillos spent the years 2008 through 2009 furnishing and equipping the building to accommodate Market 2008 through 2009. It opened to public in November of 2009.

In 2011, approximately 10% of the building space (Suite # 102) was leased to Lilia Reyes, d/b/a Sonny Hair Cut, a hair salon. The lease was for an initial term of five years, ending in September 30, 2018. The lease is further described in Section V.C below, “Treatment of Executory Contracts and Unexpired Leases.”

In 2011 and 2012, the Castillos furnished the remainder of the building, about 40% (Suites # 103 and 104), with 32 booths to be used in a “mini-mall.” The concept was to focus on entrepreneurs, to allow them to start a business with basically no commitment on lease contracts, at a very low rent of \$199.00 per month, which included utilities. There were no written leases, which operated month to month. When that proved infeasible, in 2012 the space was modified

and used as an event center for weddings, family celebrations, quinceañeras and other events. That use was also not feasible, and it closed in 2013.

Finally, on December 1, 2014, after a period of no occupancy and no rents being received, Suites 103 and 104 were leased to ACTS Church Leander, for a term ending on January 31, 2017. The terms of this lease are also further described in Section V.C below, "Treatment of Executory Contracts and Unexpired Leases." The Church has remodeled the space to accommodate church services and a daycare (free services for single mothers who are finishing high school). It has invested approximately \$170,000 of its own money on remodeling, and has been an excellent tenant. The Church has expressed an interest in renewing the lease under its option to renew for an additional 24 months, until January 31, 2019. It has also expressed an interest in expanding should more space become available in the center.

4. Operation and Financial History of the Market and the Property

Meanwhile, the Market was open from 6:30 a.m. through 9:30 p.m., seven days a week. The Castillos both worked there from dawn to dusk every day, from its opening in 2009 until May of 2015. It consistently operated at a loss, however. The Castillos had to borrow to pay 2013 and 2014 taxes on both their home in Leander and on Lots 13 and 14 the Property, and the loan they obtained is now secured by the tax liens that were transferred to that lender, Propel Financial Services, LLC. Williamson County eventually sued the Castillos and got a judgment for the 2013 and 2014 taxes on Lot 12. (Ultimately, RBFCU paid those taxes in full and have included those advances in their Claim in the Bankruptcy Case.)

In 2014, the Market had sales of \$223,073. In addition, the Castillos' gross income included the rents they received from the Property, totaling \$17,400 for that year. The Market's and the Property's expenses that year, however, totaled \$278,726, resulting in a loss of \$38,253. A copy of the Market's and the Property's combined 2014 profit and loss ("P&L") statement is attached hereto as Exhibit "A."

The first five months of 2015 were no better, unfortunately. Revenues for that period for the Market and the Property combined totaled only \$86,455, but expenses were \$100,367, resulting in a loss of -\$13,912 even with the additional rents from the Church. The Castillos could no longer sustain the losses from the Market's operations, and in May 2015, it was closed. For the remainder of 2015, the Property managed to just barely break even, with a positive cash flow for the last seven months of that year totaling \$957. The Market's and the Property's combined P&L statement for the year 2015 is attached hereto as Exhibit "B."

5. Efforts to Increase Income and Save the Property

In July of 2015, Mr. Castillo also started working part time on an hourly basis at Austin Community College, as the Director of the Continuing Education program there. He is currently being paid for an average of 32 hours per week, at \$25.00 per hour.

After years of late payments, RBFCU ultimately sent notice that it would begin to enforce its Liens on the Property by collecting all the rents starting in January of 2016. To protect their income from the Property, and the Property from foreclosure, the Castillos filed a

voluntary petition commencing this case (the “Bankruptcy Case” or “Case”) in the Western District of Texas, Austin Division on January 12, 2016.

B. Events Since the Bankruptcy Filing

1. Administrative Matters

Because their bankruptcy filing was prepared under somewhat emergency circumstances, the Debtors were unable to complete all their Schedules of Assets and Liabilities, Statement of Financial Affairs, and Chapter 13 plan, and file them with their Chapter 13 petition on January 12, 2016. Under the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules” or the “Rules”) they had fourteen days after that to file their Schedules and Statement. On January 28, 2016, however, they filed a motion for an extension of that deadline, which was granted, and so on February 2, 2016, they filed their original Schedules and Statement of Financial Affairs.

The Section 341 First Meeting of Creditors in the Case was held and concluded on February 9, 2016. On February 11th the Debtors amended their Schedules B (personal property), C (exempt property), I (income) and J (expenses).

The Debtors also filed an application for approval of their employment of their bankruptcy counsel, B. Weldon Ponder, Jr., and Catherine Lenox, which was approved on March 11, 2016.

2. Cash Collateral Matters

There are four deed of trust liens on Lot 12 of the Property, two each held by RBFCU and the SBA, one on Lot 13 held by Propel and two on Lot 14, held by Propel and Mrs. Vossler. Under the terms of those deeds of trust, all of the holders of those liens have interests in the rents from those properties. Under the Bankruptcy Code, these interests in the Debtors’ cash must be adequately protected because the Debtors are using that cash. Thus on January 21, 2016, shortly after the Petition Date, the Debtors filed a motion to use cash collateral and requested an expedited hearing on that motion. At the hearing on January 25, 2016, the Court granted the motion on an interim basis, allowing the Debtors to use cash collateral pursuant to a budget they had proposed. The Debtors and RBFCU and the SBA were able to reach an agreement allowing the use of the lienholders’ cash collateral from February 8, 2016, through May 31, 2016, pursuant to an agreed-upon budget and contingent upon adequate protection payments of: \$2,000.00 to RBFCU (first lien), plus \$1,500.00 to RBFCU (third lien), plus \$700.00 to SBA (second lien), plus \$200.00 to SBA (fourth lien). Propel has continued to receive its monthly payments totaling 201.37 as its adequate protection, and Mrs. Vossler has continued to receive her monthly mortgage payment of \$928.00 per month as adequate protection of her interest in cash collateral. Pursuant to another agreed budget covering the period June 1, 2016, through September 30, 2016, the parties have agreed to continue their agreement on the use of cash collateral and adequate protection payments. They also agreed that the Debtors would file their plan and disclosure statement by August 1, 2016, which was later extended to October 7, 2016.

C. The Debtors’ Finances during the Bankruptcy Case

The Castillos currently receive a total of approximately \$13,200 per month in rents (base rents and NNN charges) from the Property. In particular, the tenants pay the following monthly amounts, for the following terms, with the following rent escalation provisions:

Tenant	Lease Term	Current Rent	Rent Escalations
ACTS Church Leander	Until 1/31/17, with option to renew until 1/31/19	\$3,649 base rent	To \$4,196.35 base rent, plus NNN charges.
Sonny Hair Cut	Until 9/30/18, with option to renew until 9/30/23	\$1,450 base rent	To \$1,464.50 base rent on 10/1/16, \$1,479.15 base rent on 10/1/17, and “Market Value less 20%” base rent on 10/1/19 (each in addition to NNN charges)
Super Valle Market LLC	Until 10/31/18, with renewals until 10/31/25, then until 10/31/30	\$4,868.75 base rent	Base rent TBD but not to exceed \$5,501.69 on 11/1/18, and TBD but not to exceed 105% of previous term’s base rent on 11/1/25

In addition to the base rents described above, the Castillos currently collect a total of approximately \$2,750.00 per month from all of the tenants for taxes, insurance and common area maintenance expenses of the Property. The following summarizes the Castillos’ income as reported in their Monthly Financial Reports filed since the filing of the Chapter 11:

Month/Yr	Mr. Castillo’s Gross Salary	His Salary Deductions	Other Income²	Gross Rents	Total Income
January 2016 ³	0.00	0.00	0.00	3,703.82	3,703.82
February 2016	1,415.20	0.00	0.02	13,295.02	14,710.24
March 2016	3,678.79	0.00	0.05	13,718.77	17,397.61
April 2016	3,287.39	0.00	0.07	14,038.20	17,325.66
May 2016	5,242.38	0.00	0.08	14,105.42	19,347.88
June 2016	3,494.92	0.00	0.09	14,112.93	17,607.85
July 2016	3,494.92	0.00	0.12	13,727.15	17,222.19

² In the MORs and MFRs, included as “other income” has been the \$2,500 that the Debtors have withdrawn most months from the rents from the Property and which has been included as an expense of the Property. This \$2,500 in expense and income, which nets to \$0.00, is not included in these figures.

³ January was a partial month, commencing on January 12th, the date of filing.

Month/Yr	Mr. Castillo's Gross Salary	His Salary Deductions	Other Income ²	Gross Rents	Total Income
August 2016	3,495.92	0.00	0.13	14,537.66	18,033.71
Totals	24,109.52	0.00	0.56	101,238.97	125,349.05
Averages⁴	3,214.60	0.00	.07	13,498.53	16,713.21

From these amounts the Castillos had to pay the Property's and their personal expenses that have averaged \$7,412.72 and \$3,419.97, respectively, per month since the filing of the Case, as shown below:

Month/Yr	Total Income	Less Rental Expenses ⁵	Less Personal Expenses	Total Net Income
January 2016 ⁶	3,703.82	-2,405.07	0.00	1,298.75
February 2016	14,710.24	-7,707.24	-920.12	6,082.88
March 2016	17,397.61	-6,557.26	-3,288.45	7,551.90
April 2016	17,325.66	-6,941.14	-3,428.56	6,955.96
May 2016	19,347.88	-8,439.65	-5,825.94	5,082.29
June 2016	17,607.85	-7,796.53	-4,628.22	5,183.10
July 2016	17,222.19	-8,335.78	-4,138.51	4,747.90
August 2016	18,033.71	-7,749.87	-5,121.42	5,162.42
Totals	125,348.96	-55,932.54	-27,351.22	42,065.20
Averages⁷	16,713.19	-7,457.67	-3,646.83	5,608.69

Thus, since their Bankruptcy Case was filed, the Debtors have historically averaged \$5,608.69 in net monthly income.

D. Accounting Method

The Debtors use a cash accounting method.

⁴ January has been treated as a 0.5 month, for purposes of computing averages.

⁵ See footnote 1 above.

⁶ See footnote 2 above.

⁷ See footnote 3 above.

III. FUNDING OF THE PLAN

A. The Debtors' Projected Income and Expenses during the Plan Term

During the five-year term of the Plan, Mr. Castillo will continue to work in his position as the Continuing Education Coordinator at Austin Community College. The Castillos together will continue to own and operated the Property, unless they decide to sell it. *See* Section V.D below regarding the Debtors' right to sell or re-finance the Property and/or their Homestead.

Exhibit "C" hereto shows the Debtors' projected income and expenses for the five-year term of the Plan. Exhibit "C-1" shows that information for the Property, and Exhibit C-2 shows that information with respect to the Castillos' personal finances. Exhibit C-1 reflects the anticipated income under the actual terms of the current leases until their expiration dates, after which it assumes an increase of 3% per year in rents. Similarly, expenses of the Property such as property taxes, insurance and utilities, as well as general maintenance, are also assumed to increase by 3% per year. Exhibit C-2 does not assume any increase in Mr. Castillo's wages because he is an hourly worker and not on salary at this time. It also assumes that the Castillos' monthly draw from the rents generated by the Property remains a constant \$2500 throughout the Plan term. All categories of the Debtors' personal expenses are assumed to increase yearly by 3%, including the escrow portion of the Debtors' first lien home mortgage payment.

Finally, the projections in Exhibits "C-1" and "C-2" also include provisions for the funding and maintenance of cumulative reserves for unusually large or emergency expenses of the Property and of the Castillos personally, respectively.

Based on Exhibit "C," the Castillos believe that they will be able make all the Plan payments.

B. Projected Disposable Income Requirement

The Bankruptcy Code provides that, if any holder of an unsecured claim against an individual debtor objects to the plan on the grounds that the debtor failed to contribute at least as much as all of his or her "projected disposable income" for the plan's terms to payments under the plan, then the debtor must do so for the plan to be confirmed, unless the plan proposes to make payments that, as of the effective date of the plan, are equal to the full amount of all unsecured claims. A detailed explanation of what the Bankruptcy Code requires with respect to the "Projected Disposable Income Requirement" (hereinafter the "Income Requirement") is included in Exhibit "D" to this Disclosure Statement.

In summary, the Income Requirement means that the Debtors' Plan must provide that either: (1) Allowed General Unsecured Claims receive under the Plan property that is equal in value, as of the Effective Date of the Plan, to the total amount of those Claims, or (2) they will contribute to the Plan property that has a value equal to all of the Debtors' income during the Plan term that is left over after payment of Priority and certain Secured Claims and certain living expenses.

The Debtors’ Plan provides that all Allowed Unsecured Claims will be paid in full, with interest. The Debtors believe that this provision satisfies the Income Requirement. Even if it did not, the Debtors also believe that, if any Unsecured Creditor objects to this treatment, they can show that they are contributing to the Plan an amount that at least satisfies the Income Requirement, if not exceeds it.

IV. ANALYSIS AND VALUATION OF PROPERTY

A. Real Property

The real property interests owned by the Debtors as of the commencement of their Bankruptcy Case included their community interests in their homestead in Leander, Texas (the “Homestead”), and the three lots that are collectively referred to as the Property—one lot where the shopping center is located (Lot 12), one lot where the parking lot for the shopping center is located (Lot 13), and one lot next to the parking lot that is used as overflow parking (Lot 14). The lots were listed on their Schedule A with the following values as of the Petition Date:

Lot 12: \$1,500,000.00
 Lot 13: \$117,688.00
 Lot 14: \$84,691.00
 Total: \$1,702,379.00

The values of Lots 13 and 14 are the 2015 tax appraisal district’s values on those lots, and the value stated for the improved Lot 12 is the Debtor’s opinion of the value of that lot and the improvements, based upon projected rents from the shopping center.

On their Schedule A the Debtors valued their interest in the Homestead at \$210,000.00 as of the Petition Date, also based on the 2015 tax appraisal value. The Debtors have claimed the equity in their interests in the Homestead—i.e., the total value of their interests less the amount of their mortgage secured by the Homestead, as exempt under Texas law. They have valued that equity at \$61,417.11. No one objected to that claim of exemption, and the time to do so has passed.

The Debtors’ opinion of the total value of their real property is \$1,912,379.00.

B. Personal Property

The Debtors also own the personal property shown on Amended Schedule B filed in the Bankruptcy Case on February 11, 2016, which they valued at \$16,596.46 as of the Petition Date. The personal property listed, and the values, can be summarized as follows:

cash, bank accounts and ownership of C-R Remodeling & Roofing Inc. (no assets, non-operating)	\$5,436.46
vehicles (four, each with more than 175,000 miles)	\$7,750.00
household goods and furnishings electronics, art, clothes, wedding rings	\$3,410.00

business property	\$0.00
farm- and commercial fishing-related property	\$0.00
all property not listed above	\$0.00
TOTAL	\$16,596.46

The Debtors claimed \$4,910.00 worth of their interests in personal property as exempt under Texas law (all but the cash and bank accounts and two of the four vehicles). The time to object to those exemptions expired on March 10, 2016.

Thus, using their opinions of the fair market values of *both* their real *and* personal property, the Debtors believe they have approximately \$1,714,065.46 in non-exempt assets, \$1,702,379.00 of which is encumbered by liens totaling approximately \$1,152,028.46 (Williamson County for \$66,852.27, Propel Financial Services for \$15,244.53, RBFCU for \$742,060.71, Elizabeth Vossler for \$38,058.55, and the SBA for \$289,812.40), leaving their estate equity of approximately \$562,037.00.

Property of a Chapter 11 debtor’s estate also includes all property acquired after the commencement of the case but before the case is closed, dismissed or converted. It also includes all earnings from services performed by an individual debtor, such as the Debtors in this Case, after the case commences but before it is closed, dismissed or converted. *See* 11 U.S.C. § 1115. *See* Section II.C above regarding the Debtors’ post-petition income. In summary, the Debtors’ post-petition income, less the allowed administrative expenses of the case (including their personal expenses) as of the date of filing of this Disclosure Statement, is \$17,405.89, the current balance of their debtor in possession bank account, which contains funds solely from Mr. Castillo’s wages and not from the Property, and so is not subject to any Secured Creditor’s liens.

C. Forced Liquidation Analysis

In order to confirm a plan of reorganization, one of the things that the Debtors must prove is that they are paying to Creditors at least the *liquidation* value—not the fair market value—of their non-exempt assets.⁸ If the Debtors’ non-exempt assets were sold in a Chapter 7 case by a trustee on the Confirmation Date, in a forced liquidation scenario, rather than their continuing their business operations as owners and managers of the Property as called for by the Plan, the Debtors believe the Unsecured Creditors would not receive any payment, as illustrated below:

REAL PROPERTY

<u>Lot 12 (at 75% of FMV, sale on 9/30/16):</u>	<u>\$1,125,000</u>
Less sales expenses:	
Real estate commissions (6.0%)	\$67,500

⁸ Only if an objection is filed by an unsecured creditor must they also pay all of their Disposable Income for 60 months into their Plan. *See* discussion in Section III above and in Exhibit “E.”

Closing costs (3.0%)	\$33,750
Miscellaneous re: sales – repairs, etc.	\$1,000
Subtotal expenses:	\$102,250

Equals Lot 12 gross proceeds available for distribution to Secured Creditors: \$1,022,750

Less estimated distributions on Secured Claims:

Pro-rated current year property taxes on Lot 12	\$17,688
2014-2015 property taxes on Lot 12 – Williamson County	\$61,293
Judgment lien for property taxes – Williamson County ⁹	\$0
RBFCU’s first lien on Lot 12	\$386,573
SBA’s second lien on Lot 12	\$232,636
RBFCU’s third lien on Lot 12	\$355,487
SBA’s disaster loan lien on Lot 12	\$57,176
Total Claims secured by Lot 12:	\$1,110,853

Equals Lot 12 gross proceeds available for distribution to Unsecured Creditors: \$0.00

Lot 13 (at 75% of FMV, sale on 9/30/16): \$88,266

Less sales expenses:

Real estate commissions (6.0%)	\$5,295
Closing costs (3.0%)	\$2,648
Subtotal expenses:	\$7,943

Equals Lot 13 gross proceeds available for distribution to Secured Creditors: \$80,323

Less estimated distributions on secured claims:

Pro-rated current year property taxes on Lot 13	\$2,546
2015 property taxes on Lot 13 – Williamson County	\$3,233
Subtotal these liens secured by Lot 13	\$5,779

Equals Lot 13 proceeds net of certain liens: \$74,544

Lot 14 (at 75% of FMV, sale on 9/30/16): \$63,518

Less sales expenses:

Real estate commissions (6.0%)	\$3,811
Closing costs (3.0%)	\$1,906
Subtotal expenses:	\$5,717

Equals Lot 14 gross proceeds available for distribution

⁹ According to counsel for Williamson County, the judgment was paid in full by RBFCU. Those advances are presumably included in its proofs of claim.

to Secured Creditors: \$57,801

Less estimated distributions on secured claims:

Pro-rated current year property taxes on Lot 14 \$1,832
 2015 property taxes on Lot 14 – Williamson County \$2,326
 Vossler first lien \$38,059

Subtotal these liens secured by Lot 14: \$42,217

Equals Lot 14 proceeds net of certain liens: \$15,584

Equals sum of Lots 13 and 14 proceeds net of certain liens: \$90,128

Less:

2013 and 2014 property taxes on Lots 13 and 14 –
 Propel Financial Services \$15,245

**Equals Lots 13 and 14 gross proceeds available for
 Distribution to Unsecured Creditors: \$74,883**

EQUALS TOTAL NON-EXEMPT PROCEEDS
 OF REAL PROPERTY (LOTS 12, 13 and 14) AVAILABLE
 AFTER DISTRIBUTIONS TO SECURED CREDITORS: \$74,883

PLUS:

PERSONAL PROPERTY

Non-exempt cash, bank accounts and other financial assets
 (approx. value of accounts as of 10/1/16) \$52,000
 Other non-exempt Amended Schedule B property
 (valued at 75% of Scheduled value) \$4,688

TOTAL PERSONAL PROPERTY PROCEEDS: \$56,688

TOTAL FUNDS AVAILABLE TO PAY CLAIMS: \$131,571

Less Priority Claims:

Chapter 7 Trustee commission on distribution of \$131,571 \$9,829
 Senior Claimants
 Administrative expenses
 Accountant’s fees \$250
 Auctioneer’s fees (10%) on vehicle sales \$469
 Priority Claims - IRS \$0

Total Priority Claims: \$10,548

EQUALS FUNDS

AVAILABLE TO UNSECURED CREDITORS: \$121,023

**Percentage dividend to \$211,045 Unsecured Claims
 (Including Lot 12 deficiencies of \$88,103): 57.34%**

V. THE DEBTORS' PLAN

A. Summary of the Plan

See pages 2 and 3 in this Disclosure Statement for a summary of the Debtors' Plan of Reorganization. Mailed with this Disclosure Statement is a complete copy of the Plan. For specific details of the Plan, reference should be made to it in its entirety. The summaries provided above and below are merely for the convenience of anyone reading the Disclosure Statement and, to the extent that those summaries in any way conflicts with the actual Plan, the terms of the Plan shall prevail.

B. Classification and Description of Claims and Interests under the Plan

The Claims against the Debtors and their property interests are classified under the Plan as follows:

Class 1. Allowed Administrative Claims, consisting of the fees and expenses of Debtors' attorneys, B. Weldon Ponder, Jr., and Catherine Lenox. At this time, the Debtors estimate that their post-petition, pre-Confirmation attorneys fees may total as much as \$25,000.00. Prior to the Petition Date, the Debtors deposited a retainer of \$4,000.00 with Mr. Ponder, all of which was used to pay his pre-petition fees and the case filing fee so that none of it remains.

Class 2. Allowed Claims secured by the Debtors' Homestead.

Class 2A. Allowed Claim of Williamson County for 2015 property taxes in the amount of \$5,791.69, fully secured by a first priority statutory lien on the Debtors' Homestead.

Class 2B. Allowed Claim of Propel Financial Services, LLC, filed in the amount of \$15,293.71, for a loan that paid off 2013 and 2014 property taxes, fully secured by second priority tax liens on the Debtors' Homestead.

Class 2C. Allowed Secured Claim of RBFCU, filed in the amount of \$127,594.90, fully secured by a deed of trust first lien on the Debtors' Homestead.

Class 3. Allowed Claims secured by Lot 12 of the Property.

Class 3A. Allowed Claim of Williamson County for 2014 and 2015 property taxes in the amount of \$61,293.25, secured by a first priority statutory lien on Lot 12 of the Property.

Class 3B. Allowed Claim of RBFCU, secured by a deed of trust first lien on Lot 12 of the Property and filed in the amount of \$386,573.46, which is believed to include post-petition attorneys fees and other charges. \$1,500,000.00 was listed in the Debtors' Amended Schedules as the value of the collateral. Even taking into account the prior Class 3A Claim that is also secured by Lot 12, the Class 3B Claim is therefore fully secured and entitled to post-petition interest,

attorneys fees and other charges. The Debtors have been making post-petition adequate protection payments that have approximated the interest accrual on the Claim, and so the Class 3B Secured Claim as of Confirmation is estimated to be \$386,573.46.

Class 3C. Allowed Claim of the SBA, secured by a deed of trust second lien on Lot 12 of the Property and filed in the amount of \$232,636.12. Assuming the value of Lot 12 of the Property is \$1,500,000.00, and even taking into account the prior Classes 3A and 3B Claims secured by Lot 12, the Class 3C Claim is fully secured. It is therefore entitled to post-petition interest, attorneys fees and other charges. The Debtors have been making post-petition adequate protection payments that have approximated the interest accrual on the Claim, and so the Class 3C Secured Claim as of Confirmation is estimated to be \$232,636.12.

Class 3D. Allowed Claim of RBFCU, secured by a deed of trust third lien on Lot 12 of the Property and filed in the amount of \$355,487.25, believed to include post-petition attorneys fees and other charges. Assuming the value of Lot 12 of the Property is \$1,500,000.00, and even taking into account the prior Classes 3A, 3B and 3C Claims secured by Lot 12, the Class 3D Claim is fully secured. It is therefore entitled to post-petition interest, attorneys fees and other charges. The Debtors have been making post-petition adequate protection payments that have approximated the interest accrual on the Claim, and so the Class 3D Secured Claim as of Confirmation is estimated to be \$355,487.25.

Class 3E. Allowed Claim of the SBA, secured by a deed of trust fourth lien on Lot 12 of the Property and filed in the amount of \$57,176.28. Assuming the value of Lot 12 of the Property is \$1,500,000.00, and even taking into account the prior Classes 3A, 3B, 3C and 3D Claims secured by Lot 12, the Class 3E Claim is fully secured. It is therefore entitled to post-petition interest, attorneys fees and other charges. The Debtors have been making post-petition adequate protection payments that have approximated the interest accrual on the Claim, and so the Class 3E Secured Claim as of Confirmation is estimated to be \$57,176.28.

Class 4. Allowed Claims secured by Lot 13 of the Property.

Class 4A. Allowed Claim of Williamson County for 2015 property taxes in the amount of \$3,232.70, secured by a first priority statutory lien on Lot 13.

Class 4B. Allowed Claim of Propel Financial Services, LLC, filed in the amount of \$15,244.53, for a loan that paid off 2013 and 2014 property taxes, fully secured by second priority tax liens secured by Lots 13 and 14 of the Property. The Debtors have been making post-petition mortgage payments in accordance with the note and deed of trust securing the Class 4B Claim, however, so the balance as of Confirmation may be somewhat less.

Class 5. Allowed Claims secured by Lot 14 of the Property.

Class 5A. Allowed Claim of Williamson County for 2015 property taxes in the amount of \$2,326.32, secured by a first priority statutory lien on Lot 14.

Class 5B. See the Class 4B Allowed Claim of Propel Financial Services, LLC.

Class 5C. Allowed Claim of Elizabeth Vossler, scheduled in the amount of \$44,537.12, and fully secured by a first lien deed of trust on Lot 14. The holder of the Class 5C Claim is therefore entitled to post-petition interest, attorneys fees and other charges. The Debtors have been making post-petition mortgage payments in accordance with the note and deed of trust securing the Class 5C Claim, however, so the balance as of Confirmation is believed to be approximately \$38,058.55 as of the date of filing of this Disclosure Statement.

Class 6. Allowed Claims listed as Unsecured in the Debtors' Schedule F and in the proofs of claim filed in the Bankruptcy Case, estimated as totaling \$122,941.83. A list of all the Unsecured Claims scheduled by the Debtors and filed as proofs of claim in the Case is attached hereto as Exhibit "E."

Class 7. The Interests of the Debtors, Mr. and Mrs. Castillo.

C. Impairment of Classes under the Plan

Classes 3B, 3C, 3D and 3E (the Claims of RBFCU and the SBA) and Class 6 (the general Unsecured Claims) are Impaired under the Plan within the meaning of § 1124 of the Bankruptcy Code. Class 7, the interests of the Debtors, is also impaired. All other Classes of Claims are not Impaired under the Plan. The holders of those Claims that are Impaired are entitled to vote on the Plan.

D. Summary of Treatment of Claims

Any Claim may be pre-paid at any time, without penalty, except pre-payment of the Class 5C Claim will be governed by the pre-payment provisions, if any, in the loan documents governing that Claim. In addition, any Claim may be compromised by agreement between the Claimant and the Debtors, at any time during the term of the Plan, without notice or order of the Court.

1. Class 1: Administrative Claims

The Allowed Amount of each Administrative Claim under § 503(b)(2) - (6) of the Bankruptcy Code shall be paid in cash in full on the Effective Date or upon such terms as may be agreed upon between the Debtors and the holders of such Claims. At this time, the Debtors project that they will be able to pay the Claims in full, without interest, in two monthly payments of \$7,500 each, followed by three monthly payments of \$5,000 each, beginning on the first

business day of the first month following the Effective Date. The holders of the Class 1 Claims have agreed to this treatment. **Class 1 is not Impaired.**

2. Class 2: Allowed Claims Secured by the Debtors' Homestead

Class 2A. Allowed Secured Claims of Williamson County. Ad valorem taxes for the year 2015 will be paid in full, with interest at 12.0% per annum, in 60 equal monthly payments, beginning on the first business day of the first month following the Effective Date. The holder will retain the lien securing the Class 2A Claim until paid in full. Assuming an Allowed Claim of \$5,791.69, Confirmation on December 1, 2016, an Effective Date of December 15, 2016, and January 1, 2017, as the date of the first payment, the estimated payment on the Class 2A Claim is \$128.83. **Class 2A is not Impaired.**

Class 2B. Allowed Secured Claim of Propel Financial Services, LLC. The Class 2B Claim will be paid in full according to the terms of the existing Property Tax Agreement governing the loan. In particular, it will be paid with interest at 8.9% per annum, in equal monthly payments of \$201.31 each, beginning on the first business day of the first month following the Effective Date and ending on March 1, 2025. The holder will retain the lien securing the Class 2B Claim until paid in full. **Class 2B is not Impaired.**

Class 2C. Allowed Secured Claim of RBFCU. The Class 2C Claim will be paid in full according to the terms of the existing loan documents. In particular, it will be paid with interest at 5.9% per annum, in equal monthly payments of \$1,097.05, beginning on the first business day of the first month following the Effective Date, until paid in full (in approximately 163 payments). The holder will retain the lien securing the Class 2C Claim until paid in full. **Class 2C is not Impaired.**

3. Class 3: Allowed Claims Secured by Lot 12 of the Property

Class 3A. Allowed Secured Claim of Williamson County. Ad valorem taxes for the years 2014 and 2015 will be paid in full, with interest at 12.0% per annum, in 60 equal monthly payments beginning on the first business day of the first month following the Effective Date. The holder will retain the lien securing the Class 3A Claim until paid in full. Assuming an Allowed Claim of \$61,293.25, Confirmation on December 1, 2016, an Effective Date of December 15, 2016, and January 1, 2017, as the date of the first payment, the estimated payment on the Class 3A Claim is \$1,363.43. **Class 3A is not Impaired.**

Class 3B. Allowed Secured Claim of RBFCU. The Class 3B Claim will be paid in full, with interest at 3.0% per annum, amortized over 30 years and paid in 239 equal monthly payments beginning on the first business day of the first month following the Effective Date, and a final, 240th payment of the balance of approximately \$170,415.49. The holder will retain the lien securing the Class 3B Claim until paid in full. Assuming an Allowed Claim of \$386,573.46, Confirmation on December 1, 2016, an Effective Date of December 15, 2016, and January 1, 2017, as the date of the first payment, the estimated payment on the Class 3B Claim is \$1,629.81. **Class 3B is Impaired.**

Class 3C. Allowed Secured Claim of the SBA. The Class 3C Claim will be paid in full, with interest at 2.0% per annum. Assuming an Allowed Claim of \$386,573.46, Confirmation on December 1, 2016, an Effective Date of December 15, 2016, and January 1, 2017, as the date of the first payment, the estimated payments on the Class 3C Claim are:

- (a) 60 equal monthly payments of \$1,000.00 each, to be applied solely to principal, beginning on the first business day of the first month following the Effective Date, followed by
- (b) 123 payments of \$1,392.23 each, also to be applied solely to principal, beginning on the first day of the first month following the 60th payment of \$1,000.00, and a 124th payment of \$999.60, also to be applied solely to principal, followed by
- (c) 27 equal monthly installments of \$1,392.23, to be applied to the interest (a total of \$38,215.44) that accrues on the unpaid principal from the date one month before the date of the first principal payment described above, beginning on the first day of the first month following the date the last principal payment described above is due, and a final 28th payment equal to the balance (approximately \$625.23). This interest portion of the Claim shall not accrue interest.

The holder will retain the lien securing the Class 3C Claim until paid in full. **Class 3C is Impaired.**

Class 3D. Allowed Secured Claim of RBFCU. The Class 3D Claim will be paid in full, with interest at 3.0% per annum, amortized over 30 years and paid in 239 equal monthly payments of \$1,498.75, beginning on the first business day of the first month following the Effective Date, and a final 240th payment of \$156,711.32. The holder will retain the lien securing the Class 3D Claim until paid in full. These payments assume an Allowed Claim of \$355,487.25, Confirmation on December 1, 2016, an Effective Date of December 15, 2016, and January 1, 2017, as the date of the first payment. **Class 3D is Impaired.**

Class 3E. Allowed Secured Claim of the SBA. The Class 3E Claim will be paid in full, with no interest, in 180 equal monthly payments beginning on the first business day of the first month following the Effective Date. The holder will retain the lien securing the Class 3E Claim until paid in full. Assuming an Allowed Claim of \$57,176.28, Confirmation on December 1, 2016, an Effective Date of December 15, 2016, and January 1, 2017, as the date of the first payment, the estimated monthly payment on the Class 3E Claim is \$317.65. **Class 3E is Impaired.**

4. Class 4: Allowed Claims Secured by Lot 13 of the Property

Class 4A. Allowed Secured Claim of Williamson County. Ad valorem taxes for the year 2015 will be paid in full, with interest at 12.0% per annum, in equal monthly payments beginning on the first business day of the first month following the Effective Date and ending on January 1, 2021. The holder will retain the lien securing the Class 4A Claim until paid in full. Assuming an Allowed Claim of \$3,232.70, Confirmation on December 1, 2016, an Effective

Date of December 15, 2016, and January 1, 2017, as the date of the first payment, the estimated monthly payment on the Class 4A Claim is \$ 71.91. **Class 4A is not Impaired.**

Class 4B. Allowed Secured Claim of Propel Financial Services, LLC. The Class 4B Claim will be paid in full according to the terms of the existing Property Tax Agreement governing the loan. In particular, it will be paid with interest at 8.99% per annum, in equal monthly payments of \$201.37 each, beginning on the first business day of the first month following the Effective Date and ending on March 1, 2025. The holder will retain the lien securing the Class 4B Claim until paid in full. **Class 4B is not Impaired.**

5. Class 5: Allowed Claims Secured by Lot 14 of the Property

Class 5A. Allowed Secured Claim of Williamson County. Ad valorem taxes for the year 2015 will be paid in full, with interest at 12.0% per annum, in equal monthly payments beginning on the first business day of the first month following the Effective Date and ending on January 1, 2021. The holder will retain the lien securing the Class 5A Claim until paid in full. Assuming an Allowed Claim of \$2,326.32, Confirmation on December 1, 2016, an Effective Date of December 15, 2016, and January 1, 2017, as the date of the first payment, the estimated monthly payment on the Class 5A Claim is \$51.75. **Class 5A is not Impaired.**

Class 5B. Allowed Secured Claim of Propel Financial Services, LLC. The Class 5B Claim will be treated as the Class 4B Claim, as described above.

Class 5C. Allowed Secured Claim of Elizabeth Vossler. The Class 5C Claim will be paid in full, according to the terms of the existing documents governing the Claim. The holder will retain the lien securing the Class 5C Claim until paid in full. Assuming an Allowed Claim of \$38,058.55 as of the date of filing of this Disclosure Statement, full amortization with interest at 6.0% per annum, and a maturity date of July 1, 2020, the monthly payment on the Class 5A Claim is \$928.00. **Class 5C is not Impaired.**

6. Class 6: Allowed General Unsecured Claims

All Allowed Unsecured Claims will be paid in full, with interest at 4.0% per annum, over five years. In particular, Claims will be paid quarterly, *pro rata* from a total payment of \$6,812.86 each quarter, commencing with the first payment due on the first business day of the second month after the Effective Date. Attached as Exhibit "E" is a list of each of the Unsecured Claims against the Debtors and the estimated payment on each for each quarter of each year, assuming total Allowed Unsecured Claims of \$122,941.83. **Class 6 is Impaired.**

7. Class 7: The Debtors, Mr. and Mrs. Castillo

The Debtors shall retain all of their property, subject to the liens preserved under the Plan, and shall fund all of the payments under the Plan. **Class 7 is Impaired.**

V. OTHER PROVISIONS OF THE PLAN

A. Property of the Estate after Confirmation; Debtors’ Right to Sell or Re-Finance

Property of the Estate shall vest in the Reorganized Debtors following Confirmation. The Reorganized Debtors shall have the right to sell or re-finance any of their property, without notice or further order of the Bankruptcy Court, at any time during the term of the Plan, so long as any Claim secured by the property to be sold or re-financed is paid in full at closing or the holder of such Claim consents to the sale or re-finance and agrees to release the lien securing the Claim at closing, to the extent the Claim is not paid in full.

B. Termination of the Automatic Stay after Confirmation

The automatic stay imposed under § 362 of the Bankruptcy Code shall continue, after Confirmation until the earliest of discharge of the Debtors, or dismissal or closing of the Case, to protect the Debtors and their assets from efforts to collect on Claims and enforce Liens on their interests in property other than as provided in the Plan.

C. Treatment of Executory Contracts

The following describes the executory contracts and unexpired leases to which the Debtors are parties, and their treatment under the Plan:

Description/Other Parties	Status	Plan Treatment
Lease of # 101 on the Property (Super Valle Market, LLC)	Neither Debtors nor the tenant is in default	Assume
Lease of # 102 on the Property (Sonny Hair Cut)	Neither Debtors nor the tenant is in default	Assume
Lease of # 101 on the Property (ACTS Church Leander)	Neither Debtors nor the tenant is in default	Assume

Any Objection to the assumption of the leases described above must be filed no later than the deadline for filing objections to Confirmation of the Plan.

Any executory contract or unexpired not listed above will be rejected. **Any Claim resulting from a rejection of a contract or lease must be filed no later than thirty (30) days after the Confirmation Date.**

D. Closing of the Case Prior to Completion of the Plan

The Plan provides that the Debtors may request the Court to enter a final decree and close the Case no sooner than the completion of the first payments to the Class 6 Unsecured Creditors. Parties may object to the closing of the Case, which may impact a Creditor’s right to seek modification of the Plan to increase payments. Unless requested by the Debtors or another party

in interest, including Creditors, to reopen the Case, and unless the associated cost to reopen is paid, it will remain closed until all payments to the Unsecured Creditors have been made and the Debtors request the Court to reopen the Case to grant them discharges.

E. Discharge of the Debtors

A discharge of an individual debtor (as opposed to a corporation or partnership, or other legal entity) in Chapter 11 is governed by 11 U.S.C. § 1141(d)(5), which provides:

In a case in which the debtor is an individual--

(A) unless after notice and a hearing the court orders otherwise for cause, confirmation of the plan does not discharge any debt provided for in the plan until the court grants a discharge on completion of all payments under the plan;

(B) at any time after the confirmation of the plan, and after notice and a hearing, the court may grant a discharge to the debtor who has not completed payments under the plan if--

(i) the value, as of the effective date of the plan, of property actually distributed under the plan on account of each allowed unsecured claim is not less than the amount that would have been paid on such claim if the estate of the debtor had been liquidated under chapter 7 on such date;

(ii) modification of the plan under section 1127 is not practicable; and

(iii) subparagraph (C) permits the court to grant a discharge; and

(C) the court may grant a discharge if, after notice and a hearing held not more than 10 days before the date of the entry of the order granting the discharge, the court finds that there is no reasonable cause to believe that--

(i) section 522(q)(1) may be applicable to the debtor; and

(ii) there is pending any proceeding in which the debtor may be found guilty of a felony of the kind described in section 522(q)(1)(A) or liable for a debt of the kind described in section 522(q)(1)(B);

and if the requirements of subparagraph (A) or (B) are met.

The Plan permits the Debtors to request the Court to reopen the Case to grant them discharges no sooner than the date that all Allowed Unsecured Claims are paid in full. All Creditors will be given notice of such a request.

Under § 524 of the Code and Paragraph 10.03 of the Plan, upon the Debtors' discharges all Creditors will be permanently enjoined from commencing or continuing an action, employing process, and taking any action to collect, recover, or offset as a personal liability of either or both of the Debtors any Claim discharged.

F. Remedies of Creditors in the Event of Debtors' Default under the Plan

In the event that the Debtors default under the Plan in the payment of a Claim, a Creditor must give notice of such default, and an opportunity to cure, to the Debtors by first class U.S. mail addressed to them at 15344 English River Loop, Leander, TX 78641-3316, and by first class U.S. mail addressed to their attorney, B. Weldon Ponder, Jr., Attorney at Law, 4408 Spicewood Springs Road, Austin, TX 78759, and by email to welpon@austin.rr.com.

If the Debtors fail to cure the default within 21 days of the date of mailing of the notice, or if they have defaulted and cured defaults twice before, Creditors may move the Court to reopen and convert the Case to one under Chapter 7 of the Bankruptcy Code or to dismiss the Case. There is a fee, currently \$1,167.00, to request reopening of a Chapter 11 case, and the Creditor(s) making such a request will be required to pay it in order to file that motion. Such a Creditor may request the Court to be reimbursed that cost by the Debtors. In addition, the effect of conversion after Confirmation is the subject of some debate. Because the Plan provides that upon Confirmation property of the Debtors' estate vests in them as Reorganized Debtors, it might be argued that conversion of the Bankruptcy Case to one under Chapter 7 would have no benefit because there would no longer be any property in the estate to liquidate for the benefit of Creditors.

Another remedy available to Unsecured Creditors in the event of the Debtors' default under the Plan is to request to reopen the Case if it is closed (and pay any associated cost) and modify the Plan pursuant to 11 U.S.C. § 1127(e). According to that provision, modification is available only to:

- (1) increase or reduce the amount of payments on claims of a particular class provided for by the plan;
- (2) extend or reduce the time period for such payments; or
- (3) alter the amount of the distribution to a creditor whose claim is provided for by the plan to the extent necessary to take account of any payment of such claim made other than under the plan.

Finally, in addition to these remedies in the Bankruptcy Court, Creditors may pursue their remedies against the Debtors under applicable non-bankruptcy law in other courts.

VI. CONSIDERATIONS IN VOTING ON THE PLAN

A. Feasibility of the Plan

The Plan is feasible because it allows the Debtors to continue to own and operate the Property, which will provide the funds with which the Debtors can pay Claims. The Debtors believe that Mr. Castillo's expected income from his position with Austin Community College and the rents expected from the Property demonstrate that the Debtors will be able to make the payments required under the Plan.

B. Alternatives to the Debtors' Plan

The Debtors do not believe any plan other than the one they have proposed is feasible for their reorganization. Absent Confirmation of the Plan, the Debtors expect the mortgage holders on the Property to foreclose. The Debtors have no other income-producing property and no other significant assets that could be liquidated, and do not believe that Mr. Castillo's wages are sufficient to make any significant payment to any other Creditor. It is likely that if the holders of liens on the Property foreclose, the Debtors would convert their Case to one under Chapter 7 and Mr. Castillo's wages would be exempt and not available at all to pay Claims.

In the event of such a Chapter 7 liquidation, if the lienholders had not already foreclosed, Secured Claims would likely be the only Claims that would be paid in any amount under the Bankruptcy Code's provisions for priority of payment of Claims. Section IV.C of this Disclosure Statement is an estimate of the results of a liquidation of the Debtors' assets.

C. Risks to Creditors under the Debtors' Plan

The principal risks that Creditors may incur under the proposed Plan are that the Property will cease to generate income sufficient to make the Plan payments as a result of tenant default or the Debtors' inability to replace tenants at the end of the terms of their leases. Based on Mr. Castillo's discussions with the current tenants, however, the Debtors believe that any such vacancy, should it occur, would be filled by another tenant. While there is no guarantee that events will go as projected, the Debtors do not believe that the risks are significant and Creditors should consider that they will receive more if this Plan is confirmed than they would through a Chapter 7 liquidation.

VII. GENERAL INFORMATION ABOUT THE CLAIMS PROCEDURE

A. Procedures for Resolving Contested Claims

Any party authorized by the Bankruptcy Code may object to the allowance of a Pre-Petition Claim at any time prior to the later of sixty (60) days after the Effective Date or thirty (30) days after such Claim is filed. Any proof of claim filed after the applicable Bar Date set by the Court shall be of no force and effect and shall be deemed disallowed.

Any objection must comply with Local Bankruptcy Rule 3007, be in writing, set out the name of the Creditor who filed the Claim (and any assignee), the dollar amount of the Claim and the

character of the Claim. Each specific ground for objection or defense to the Claim shall be listed in a separate paragraph. Service of the objection shall be made upon the attorney of record for the Claimant (or the Creditor directly if not represented by an attorney), the attorney for the Debtors, and any other party entitled to notice under Local Rule 3007. A certificate of service shall be included in each objection and shall comply with Local Bankruptcy Rule 9013(f).

If an objection to a Claim is filed the holder of the Claim must file a response within twenty-one (21) days from the mailing date set out in the certificate of service for the objection. Responses may take one of two forms, namely a consent to the objection, or a non-consenting response. A non-consenting response shall state specific reasons for objection to each ground or defense relied upon by the non-consenting party to support allowance of the Claim. Copies of such response shall be served upon the Debtors and their attorney, Frank Lyon. Failure to timely file a response shall result in a deemed consent to the objection, and upon the expiration of the 21-day response period, the Court may enter an order without further notice or hearing. In the event a timely non-consenting response is filed, the Court shall set a hearing.

All Contested Claims shall be litigated to Final Order; provided, however, that the Debtors may compromise and settle any Contested Claim, subject to the approval of the Bankruptcy Court and further provided that if a Claim has been scheduled as disputed, contingent or unliquidated and the Creditor has not filed a proof of claim by the Bar Date, the Claim shall be deemed to be disallowed unless this Plan specifically provides otherwise.

B. Disputed, Contingent or Unliquidated Claims

If a Claim is listed in the Schedules as disputed, contingent or unliquidated, no distribution shall be made to the holder of such a Claim unless a proof of claim was filed by May 9, 2016, which was the Bar Date established by the Bankruptcy Court. In addition, no distribution shall be made to the holder of a Claim so long as an objection to the Claim is pending; rather, the amount of the payment shall be held in reserve by the Debtors until the objection is resolved. If an objection to an Unsecured Class 6 Claim is sustained, the Debtors will distribute the amount of the Claim *pro rata* to the holders of the remaining Claims in Class 6 along with the next payment to Class, and shall re-calculate all future *pro rata* payments on each of the Class 6 Claims remaining. If an objection is overruled, at the next scheduled distribution under the Plan to the Class of Creditors into which the Claim falls the Debtors, to the extent funds are available, shall pay the newly Allowed Claim a sum sufficient to bring that Claimant *in pari passu* with the other Claims in the Class.

If a Claim is disputed in whole or in part because the Debtors assert a right of offset against such Claim or recoupment against the holder of such Claim, then, if and to the extent the Claim giving rise to the offset or recoupment is sustained by Final Order, the Claim in dispute shall be reduced or eliminated and, if applicable, the holder of such Claim shall be required to pay the amount of such offset or recoupment, less the amount of the Allowed Claim. In addition, any party authorized by the Bankruptcy Code may request that the Bankruptcy Court estimate any contingent, disputed or unliquidated Claim pursuant to 11 U.S.C. § 502(c), subject to any applicable deadlines.

The Debtors do not know of any basis for objecting to any Claim that they listed on their Schedules of Liabilities or that was filed in the Case. A list of the Class 6 Unsecured Claims is attached as Exhibit "E."

C. Pending Litigation, Avoidance Actions and Equitable Subordination

Neither of the Debtors is a party to any pending fraudulent transfer, voidable preference or equitable subordination action. They are not aware of any such action and do not intend to file any such action in this Case.

VIII. CONFIRMATION OF THE DEBTOR'S PLAN

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

A. Confirmation Hearing.

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of the Plan, at which any party-in-interest may object to Confirmation of the Plan.

The hearing on Confirmation of the Plan is set for _____, 2016, at _____ .m., at the United States Bankruptcy Court in Courtroom No. 1, Third Floor, United States Courthouse, 903 San Jacinto Blvd., Austin, Texas. The hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the hearing or any adjournment thereof. **Any objection to Confirmation of the Plan must be filed with the Bankruptcy Court and served upon Debtors' counsel at the address listed below, together with proof of service, on or before _____, 2016, at 5:00 p.m CT,** which is the date and time set by the Bankruptcy Court:

B. Weldon Ponder, Jr.
Attorney at Law
4408 Spicewood Springs Road
Austin, Texas 78759
Fax: (512) 342-8444
email: welpon@austin.rr.com

Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014. IF AN OBJECTION TO CONFIRMATION IS NOT TIMELY SERVED AND FILED, IT MIGHT NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. Requirements for Confirmation of Debtor's Plan

At the hearing on Confirmation of the Plan, the Bankruptcy Court shall determine whether the requirements of § 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court shall enter an order confirming the Plan. The requirements in § 1129 that are applicable to this Case are as follows:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.
2. The Debtors have complied with the applicable provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means forbidden by law.
4. Any payment made or promised by the Debtors for services or for costs and expenses, or in connection with the case or in connection with the Plan and incident to the Chapter 11 Case, has been disclosed to the Bankruptcy Court, and any such payment made before the Confirmation of the Plan is reasonable, or if such payments is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
5. The Debtors have disclosed the identity of any insider that will be employed or retained by the reorganized Debtor, and the nature of any compensation for each insider.
6. With respect to each impaired Class of Claims, each holder of a Claim of such class has accepted the Plan or will receive or retain under the Plan, on account of such Claim, property of a value as of the Plan Effective Date that is not less than the amount that such holder would so receive or retain if the Debtors' assets were liquidated on such date under Chapter 7 of the Bankruptcy Code.
7. Each Class of Claims has either accepted the Plan or is not Impaired under the Plan.
8. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Claims will be paid in full on the Plan Effective Date and that the holders of Priority Tax Claims will receive, on account of such Claims, deferred cash payments over a period not exceeding five years after the Petition Date, of a value, as of the Plan Effective Date, equal to the allowed amount of such Claim.
9. At least one Class of Claims that is Impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim of such Class.
10. Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor(s) to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

11. If the holder of an Allowed Unsecured Claim objects to the Confirmation of the Plan—
 - (A) the value, as of the Effective Date of the Plan, of the property to be distributed under the Plan on account of such Claim must be not less than the amount of such Claim; or
 - (B) the value of the property to be distributed under the Plan must be not less than the “projected disposable income,” as defined in § 1325(b)(2) of the Bankruptcy Code, that will be received by the Debtors during the five-year period beginning on the date that the first payment is due under the Plan, or during the period for which the Plan provides payments, whichever is longer. The full definition of “disposable income” and a detailed explanation of the applicability of this requirement in the Case are provided in Section III above and Exhibit “D” attached to this Disclosure Statement.
12. All fees payable under 28 U.S.C. § 1939 have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

The Debtors believe that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, that the Debtors have complied or will have complied with all of the requirements of Chapter 11, and that the proposal of the Plan is made in good faith.

The Debtors also believe that the holders of all Claims impaired under the Plan will receive payments under the Plan having a present value as of the Plan Effective Date of not less than the amount likely to be received on such Claims if the Debtor’s assets were liquidated under Chapter 7 of the Bankruptcy Code.

C. Cramdown

In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired Class which has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable." A plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code so long as no class receives more than it is legally entitled to receive. "Fair and equitable" has different meanings for secured claims and unsecured claims.

With respect to a secured claim "fair and equitable" means either: (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal to the allowed amount of its claim with a present value as of the plan's effective date at least equal to the value of such secured creditor's interest in the property securing its liens; or (ii) property subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien attaching to the proceeds of the sale, and such lien proceeds must be treated in accordance with clauses (i) and (iii) hereof; or (iii) the impaired secured creditor realizes the "indubitable equivalent" of its claims under the plan.

The Bankruptcy Code also says that, with respect to an unsecured claim, "fair and equitable" means either (i) each impaired unsecured creditor receives property of a value equal to the amount of its allowed claim; or (ii) the holders of the claims that are junior to the claims of the dissenting class, and the debtor, will not receive or retain any property under the Plan. However, the Bankruptcy Code was recently changed to provide an exception in the bankruptcy cases of individual debtors, like the Debtors in this case. There is disagreement among the courts on the what an individual debtor is allowed to keep, with some courts saying such a debtor may not retain *any* property, even his or her exempt property; other courts say that such a debtor may keep exempt property but that is all; and still other courts saying that such a debtor may keep only earnings from personal services after the payments under the plan are completed; and another set of courts saying that such a debtor may retain all his or her property. The Debtors in this Case believe that the exception to the "fair and equitable" requirement means that they may retain all their property. To the best of the Debtors' knowledge, the Bankruptcy Court in which the Debtors' Case is pending has not decided this issue.

In the event one or more Classes of Impaired Claims rejects the Plan, the Bankruptcy Court will determine at the hearing for Confirmation of the Plan whether the Plan is fair and equitable and does not discriminate unfairly against the rejecting impaired Class of Claims. If the Bankruptcy Court so determines, it may confirm the Plan over the objection of any impaired Class.

IX. VOTING PROCEDURES AND REQUIREMENTS

A. Ballots and Voting Deadline

In addition to this Disclosure Statement and a copy of the Plan, each Creditor entitled to vote will herewith be provided a ballot to be used for voting to accept or reject the Plan.

In order to be counted for voting purposes, **ballots for the acceptance or rejection of the Plan must be completed and returned to Debtors' counsel no later than _____, 2016, at 5:00 p.m. Central Time.**

Whether or not the Creditor entitled to vote expects to be present at the hearing, each Creditor is urged to complete, date, sign and mail, email or fax the ballot to the following address, by the deadline for voting:

B. Weldon Ponder, Jr.
Attorney at Law
4408 Spicewood Springs Road
Austin, Texas 78759
Fax: (512) 342-8444
email: welpon@austin.rr.com

B. Creditors Entitled to Vote.

Any Creditor whose Claim is impaired under the Plan is entitled to vote, if either (i) its Claim has been scheduled by the Debtors (and such Claim is not scheduled as disputed, contingent

or unliquidated), or (ii) it has filed a proof of claim on or before May 9, 2016. Any Claim as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court, upon application by the Creditor, temporarily allows the Claim in an amount which it deems proper for the purpose of accepting or rejecting the Plan. Such application will be heard and determined by the Bankruptcy Court at such time as it specifies. In addition, a Creditor's vote may be disregarded if the Bankruptcy Court determines that the Creditor's acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

C. Definition of Impairment

Under § 1124 of the Bankruptcy Code, a class of claims is impaired under a Chapter 11 plan unless, with respect to each claim of such class, the plan:

1. leaves unaltered the legal, equitable, and contractual rights of the holder of such claim; or
2. notwithstanding any contractual provision or applicable law that entitles the holder of a claim to receive accelerated payments of his/her/its claim after the occurrence of an default:
 - a. cures any and such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default that consists of a breach of any provision relating to the insolvency or financial condition of the debtor at any time before the closing of the case, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code;
 - b. reinstates the maturity of such claim as it existed before the default;
 - c. compensates the holder of such claim for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and
 - d. does not otherwise alter the legal, equitable, or contractual rights to which such claim entitles the holder of such claim.

D. Vote Required for Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of two-thirds (2/3) in dollar amount and a majority in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan. In other words, acceptance of a class takes place only if the holders of sixty-six and two thirds percent (66-2/3%) in amount of claims that are voted in each class, and more than fifty percent (50%) of the number of claims that are voted in each class, cast their ballots in favor of acceptance of the plan.

X. IMPLEMENTATION OF THE PLAN

When the Plan is approved by the Bankruptcy Court, the bankruptcy judge will sign a Confirmation Order and the Debtors will become the Reorganized Debtors. The Castillos, as Reorganized Debtors, will continue to operate their business and/or sell or re-finance the Property and/or their Homestead, and discharge their duties under the Bankruptcy Code during the term of the Plan.

A. Effective Date of the Plan

The Effective Date of the Plan will be the first business day following the day the Confirmation Order becomes a Final Order (which will be the first business day following fourteen days after the Confirmation Date if no appeal is filed).

B. Commencement of Payment of Claims

The Plan provides that payments will begin being made to Classes 1 (unless otherwise agreed by the holder of a Claim), 2A, 2B, 2C, 3A, 3B, 3C, 3D, 3E, 4A, 4B, 5A, and 5B within thirty (30) days of the Effective Date. Payment of the Class5C Claim will be made according to the terms of the existing documents governing the Claim, such that the first payment on that Claim will also occur within thirty (30) days of the Effective Date. Payments to the holders of Unsecured Claims in Class 6 will begin on the first day of the second calendar month following the Effective Date.

C. Pro Rata Payments

Where distributions are made to a Class and there are insufficient funds to pay all Allowed Amounts of Claims of such Class, the Debtors shall make distributions *pro rata* based upon the Allowed Amounts of the Claims. If a payment to a Creditor is paid *pro rata*, that means that each Creditor is to receive a payment in the proportion that its Claim bears to the total amount of Claims in its Class.

D. Modification of the Plan

The Debtors reserve the right to amend or modify the Plan at any time at which such modification is permitted under the Bankruptcy Code. Section 1127(a) of the Code permits the Debtors to amend or modify the Plan at any time prior to Confirmation. Post-Confirmation, the Plan may be modified at any time before the completion of payments under the Plan, upon the request of the Debtors, the United States Trustee, or the holder of an Allowed Unsecured Claim, to increase or reduce the amount of payments, extend or reduce the period for such payments, or to take into account payments on a Claim made from a source other than the Plan.

If the Case is closed, it will likely need to be reopened, with the payment of a fee to reopen, before any request for modification can be filed. Such reopening fee may be reimbursed by the Debtors, but only if the Court so orders.

In the event that the Debtors propose to amend or modify the Plan prior to the entry of the Confirmation Order, further disclosure pertaining to the proposed amendment or modification will

be required only if the Bankruptcy Court finds, after a hearing, that the amendment or modification adversely changes the treatment of any Creditor who has previously accepted the Plan. If a proposed pre- or post-Confirmation modification by the Debtors is material and adverse, they will supplement this Disclosure Statement to describe the changes made in the Plan and the reasons for any proposed modifications.

E. Retention of Jurisdiction

As set forth in the Plan, the Bankruptcy Court will retain jurisdiction over substantially all matters arising in connection with the Chapter 11 Case and the Plan.

XI. FEDERAL INCOME TAX CONSEQUENCES

The Debtors believe that all payments received by Creditors under the Plan will be taxed as ordinary income to the receiving Creditor. Depending upon a Creditor's individual tax situation, a Creditor may be able to classify any unpaid Claim as a deductible bad debt expense.

The Debtors are unaware of any adverse tax consequences of the Plan; however, each Creditor is strongly advised to consult its own tax advisor with respect to its treatment under the Plan.

XII. CONCLUSION

The Debtors believe that their reorganization pursuant to the Plan will provide an opportunity for Creditors to receive more than would be received by liquidation of their assets under Chapter 7 of the Bankruptcy Code. Accordingly, the Debtors urge you to vote in favor of the Plan.

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DATED this 7th day of October, 2016.

PROPONENTS:

/s/ Luis Miguel Castillo
Luis Miguel Castillo, Debtor in Possession

/s/ Beatriz Castillo
Beatriz Castillo, Debtor in Possession

DRAFTED AND APPROVED:

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ATTORNEYS FOR DEBTORS

CERTIFICATE OF SERVICE

I, B. Weldon Ponder, Jr., counsel for the Debtors in Possession, hereby certify that a true and correct copy of the foregoing Disclosure Statement, with all attachments, has been forwarded by the methods indicated to the persons shown below, on October 7, 2016.

/s/ B. Weldon Ponder, Jr.

B. Weldon Ponder, Jr.

Deborah Bynum
Office of the US Trustee
deborah.a.bynum@usdoj.gov
ECF Notified

Mr. and Mrs. Castillo
By email

Lee Gordon
Attorney for Williamson County
P.O. Box 1269
Round Rock, Texas 78680
ECF Notified

Patrick L. Huffstickler
Dykema Cox Smith
112 E. Pecan Street, Suite 1800
San Antonio, Texas 78205
ECF Notified

Andrew F. Baka
U.S. Small Business Administration
4300 Amon Carter Blvd., Suite 114
Fort Worth, Texas 76155
ECF Notified

EXHIBITS TO DISCLOSURE STATEMENT

Exhibit "A": La Canasta Market & the Property's Combined 2014 Profit & Loss Statement

Exhibit "B": La Canasta Market & the Property's Combined 2015 Profit & Loss Statement

Exhibit "C": Projections for the Five-Year Term of the Plan

Exhibit "C-1": Projected Income and Expenses of the Property

Exhibit "C-2": Projected Personal Income and Expenses of the Castillos

Exhibit "D": An Explanation of the Disposable Income Requirement Imposed upon the Filing of an Objection to Confirmation by an Unsecured Creditor

Exhibit "E": Unsecured Claims against the Debtors