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

	§	
IN RE	§	**Case No. 16-10300-tmd**
	§	
WESTECH CAPITAL CORP.,	§	**Chapter 11**
	§	
Debtor.	§	
	§	

PROPOSED DISCLOSURE STATEMENT OF WESTECH CAPITAL CORP.

July 11, 2016

This Proposed Disclosure Statement has not been approved by the Bankruptcy Court yet and is not a soliciation to vote for the Debtor's Proposed Plan that has just been filed. After due notice, the Court will conduct a hearing on of this Proposed Disclosure Statement and, if the Court approves it as containing adequate information under §1125(a) of the Code, the Debtor will serve creditors and parties of interest with the approved Disclosure Statement

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I. INTRODUCTION

IMPORTANT INFORMATION AND DEADLINES:

THE DEADLINE FOR SUBMITTING BALLOTS FOR ACCEPTANCE OR REJECTION OF THE PLAN IS [_____]. THE BALLOTS SHALL BE SUBMITTED TO COUNSEL FOR THE DEBTORS AT THE ADDRESS SET FORTH IN THE DISCLOSURE STATEMENT. BALLOTS SHALL NOT BE FILED WITH THE COURT.

THE DEADLINE FOR FILING WITH THE COURT AND SERVING WRITTEN OBJECTIONS TO CONFIRMATION OF THE PLAN IS [INSERT DATE AND TIME (CST)]. ANY OBJECTION TO THE PLAN SHALL INCLUDE A BRIEF IN SUPPORT OF THE OBJECTION.

THE HEARING ON CONFIRMATION OF THE PLAN IS SET FOR [INSERT DATE AND TIME (CST)] AT THE U.S. BANKRUPTCY COURT, 903 SAN JACINTO BLVD., AUSTIN, TX 78701, COURTROOM NO. [2], HOMER J. THORNBERRY FEDERAL BUILDING.

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

A. DISCLAIMERS

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY AS TO THEIR FUTURE INCOME, VALUE OF CURRENT ASSETS, OR THE VALUE OF ANY OTHER ASSETS TO BE CONSIDERED UNDER THE PLAN, ARE AUTHORIZED BY THE PROPONENTS OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS SET FORTH IN THIS STATEMENT, SHOULD NOT BE RELIED UPON IN ARRIVING AT YOUR DECISION.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN INDEPENDENTLY AUDITED FOR INCLUSION HEREIN.

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

IF ANY IMPAIRED CLASS VOTES TO REJECT THE PLAN, THE DEBTOR MAY SEEK CONFIRMATION UNDER THE CRAM DOWN PROVISIONS OF § 1129(b) OF THE

BANKRUPTCY CODE AND HEREBY GIVES NOTICE OF INTENT TO INVOKE THE CRAM DOWN PROVISIONS OF § 1129(b) IN THAT EVENT.

B. BRIEF EXPLANATION OF CHAPTER 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Upon the commencement of a Chapter 11 case, § 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect from the debtor any claims which arose prior to bankruptcy filing or otherwise to interfere with a debtor's property or business. Under Chapter 11, a debtor attempts to reorganize its business for the benefit of the debtor, its creditors, and equity security holders in the formulation of a plan of reorganization. In some instances, liquidation in Chapter 11 is preferable to liquidation in Chapter 7 because the rights and duties of the Debtor-in-possession in Chapter 11 can be utilized to greater maximize the value of the assets of the estate and increase the return to creditors. The legal requirements for Court approval, called "confirmation," of a plan are discussed in Article XII(F), Requirements for Confirmation of a Plan, of this Disclosure Statement.

C. THIS DISCLOSURE STATEMENT

Why You Have Received This Disclosure Statement. You have received this Disclosure Statement ("Disclosure Statement") because the Debtor filed a Plan. A copy of the Plan is enclosed with the materials that you have received. This Disclosure Statement is provided pursuant to § 1125 of the Bankruptcy Code to all of the Debtor's known Creditors and other parties-in-interest whose claims are impaired in connection with the solicitation of acceptance of the Plan proposed by the Debtor.

Purpose of this Disclosure Statement. The purpose of this Disclosure Statement is to provide such information as will enable a hypothetical, reasonable investor typical of the holders of Claims against the Debtor to make an informed judgment in exercising its right either to accept or reject the Plan. The definitions in the Plan should be referred to in reading and analyzing the Plan and this Disclosure Statement.

Bankruptcy Court Approval of this Disclosure Statement. The Bankruptcy Court conducted a hearing on this Disclosure Statement and determined that it contains information of a kind in sufficient detail, adequate to enable a hypothetical, reasonable investor typical of the Classes being solicited to make an informed judgment about the Plan.

Purpose of the Plan. The purpose of the Plan is to provide a mechanism for the reorganization of the Debtor's assets and for the payment of Creditors. The Plan was developed by the Debtor after consulting with its financial and legal advisers, certain Creditors and other interested parties. The Debtor believes that the Plan is more attractive than other alternatives, such as conversion to Chapter 7 for liquidation or dismissal of the Chapter 11 Case. **Each creditor is urged to read the Plan.**

Sources of Information. The information contained in this Disclosure Statement has been submitted by the Debtors unless specifically stated to be from other sources.

This Disclosure Statement contains only a summary of the Plan. The Plan, which accompanies this Disclosure Statement, is an integral part of this Disclosure Statement, and each Creditor is urged to read the Plan prior to voting. In the event of any conflict between the information set forth in this Disclosure Statement and the Plan, the Plan language shall control.

Only Authorized Disclosure. No party is authorized to give any information with respect to the Plan, other than what is contained in this Disclosure Statement or any other Disclosure Statement approved by the Court. No representations concerning the Debtor, its business, or the value of its property has been authorized by the Bankruptcy Court, other than as set forth in this Disclosure Statement. Any information, representations, or inducements made to obtain acceptance or rejection of the Plan other than, or inconsistent with, the information contained herein and in the Plan should not be relied upon by any entity in voting on the Plan.

Any representation or inducement made to you not contained in this Disclosure Statement should be reported to the Debtor's attorney, who may deliver such information to the Bankruptcy Court for such action as may be appropriate.

This Disclosure Statement and accompanying exhibits will be transmitted by First-class Mail to all creditors who have either been scheduled by the Debtor, have filed a proof of claim, or properly requested notice under Bankruptcy Rule 2002.

D. DESCRIPTION OF THE DEBTOR

Westech Capital Corp. ("Westech" or the "Debtor" or the "Company"), formerly known as Tejas, Inc., is a publicly held Delaware corporation, and operates as a holding company for affiliated entities including:

1. Tejas Securities Group, Inc. ("Tejas") a licensed broker dealer that was BDW (broker dealer withdrawn) by FINRA as of September 30, 2013. Debtor owns 100% of Texas;

2. Tejas Securities Group Holding Company ("Tejas Holding") is a holding company for Tejas. Debtor owns 100% of Tejas Holding;

3. TSBGP, LLC ("TSBGP"), the general partner of TI Building Partnership, Ltd., the limited partnership that owned the building previously owned by Debtor and located at 8826 Bee Caves Road, Austin, TX 78746. The Debtor owns 100% of TSBGP. TSBGP owns 1% of TI Building Partnership, Ltd.;

4. TI Building Partnership, Ltd. ("TI Building Partnership"); a limited partnership formed to own and hold title to the real property located at 8826 Bee Caves Road, Austin, TX 78746. The Debtor owns 99% of TI Building Partnership; and,

5. Clearview Advisors, Inc. is a Texas corporation that was formed to provide advisory services; however, it never commenced operations. The Debtor owns 100% of Clearview Advisors, Inc.

Westech has 4,626,048 shares of common stock outstanding and 338 shares of Series A Preferred outstanding which have a par value and a right to a preferential distribution of $8.45

million before any distributions to holders of common shares. Each Series A Preferred Share is convertible to 25,000 shares of common stock.

E. CURRENT MANAGEMENT OF THE DEBTORS

On May 5, 2016 Westech conducted its annual meeting pursuant to an order of the Delaware Chancery Court, and held an election pursuant to the Voting Rights Agreement in effect, which was supervised by special counsel and certified by a third party. The following directors were elected: James Rodgers, Tamra Inglehart (wife of John Gorman IV), Robert Halder, James Fellus, Gary Salamone, and Michael Dura.

Mr. Dura is Interim Chairman of the Board and has been a Director since 2012. Mr. Salamone has been the CEO and a member of the Board of Directors since Jan. 2013.

F. HISTORY OF THE DEBTOR

1999: The Beginning

Westech, then known as Tejas, Incorporated, was founded in 1994 in Austin, Texas by several individuals, including John Gorman IV. Its primary function has been to serve as a holding company for Tejas Securities, a then-active broker dealer.

Gorman would serve as the Chair of the Board of the Company from 1999 through 2013.

Tejas Securities was a full service brokerage and investment banking firm that focused on proprietary research on distressed debt and special situation securities; trading and other brokerage services to value-based institutional and retail investors active in fixed income and equity instruments; and corporate finance and strategic advisory services to middle-market companies within certain target industries.

At September 30, 2004, Westech reported cash and cash equivalents and investments on hand of $8,970,064.

2005: Westech (Tejas) Goes Public

In February 2005, Westech raised $23,688,000 in a public offering of 1,600,000 shares at $15.75 per share. Mr. Gorman owned and controlled approximately 41% of the then outstanding shares. As part of its expansion plan, Westech acquired Capital Technology Advisors ("CTA") in August 2005 at the urging of Mr. Gorman and Mr. Gorman received over $8.3 million in compensation that year. The acquisition was a financial disaster. A little over one year later, the Company sold CTA back to its prior owners, taking a $36,444,683 loss on the transaction.

At the conclusion of the offering, as of March 31, 2005, Westech had over $37,000,000 in Shareholder Equity. By 2011, it was all gone. In that period, the Company suffered $64,920,140

in losses, including the $36,444,683 loss from the CTA transaction, while Gorman paid himself compensation reported at $25,630,066.98.[1]

Year	Net Income (Loss)	Gorman's Compensation
2005	($4,483,919.00)	$8,376,496.00
2006	($43,354,910.00)[2]	$4,067,906.00
2007	($4,399,265.00)	$2,418,538.00
2008	($10,003,945.00)	$1,993,555.52
2009	$466,152.00	$2,913,221.59
2010	$106,468.00	$4,101,383.56
2011	($3,250,721.00)	$1,758,966.31
TOTAL	($64,920,140.00)	$25,630,066.98

2011: Company Issues Series A Preferred Shares

In September 2011, the Company claimed that it had adequate working capital of about $2 million to meet the Company's needs and the minimum capital requirements of regulators but desired to raise more capital to expand investment opportunities.

In September 2011 the Company raised $8.45 million by issuing Series A Preferred stock and Series A Convertible Notes.

Four primary groups of investors bought these shares:

(1) James J. Pallotta ("Pallotta"), a friend and long-time client of Gorman's;

(2) James B. Fellus ("Fellus"), who had been a consultant to Westech, and members of Fellus' family;

(3) Rob Halder, an officer of Westech and Tejas Securities and a group of employees, and

(4) Gorman and family trusts and retirement accounts which Gorman controlled.

[1]This was discovered in 2013 when then-new CEO Gary Salamone conducted a financial analysis of the Company's public filings and internal records.

2 Company sold Capital Technology Advisors, which it had acquired less than two year before, back to its owners. Losses on sale were $36,444,683 including goodwill impairment of $22,050,056.

Gorman owned or controlled a majority of the Series A Preferred Shares so the investors' groups conditioned their purchase of the preferred shares on limiting Gorman's voting control. A Stock Purchase Agreement and Voting Agreement were negotiated and executed effective **September 23, 2011**. The Voting Agreement provided that Gorman did not have control over the company, nor could he gain total control by becoming the majority stockholder. Each of the four investor groups could designate the election a member of the board of directors and the CEO of the Company was a designated member of the board ("CEO Director").

The new board of directors consisted of Gorman (Chair), Fellus, and Halder. (Palotta did not exercise his right to designate a board member until later.)

Jim Fellus became the CEO of Westech. He also signed a $1,000,000 promissory note to Westech due in one year on September 23, 2012 to pay for his Series A Shares.

Rob Halder became the President and Chief Operating Officer of Westech and entered into an employment agreement dated October 11, 2011.

The investors did not know how badly Gorman had mismanaged the Company or how many millions of dollars he had taken in compensation. That was learned in a subsequent investigation. Ultimately every investor who became involved in management and who had an opportunity to review the Company's operations from the inside became adverse to Gorman, and Gorman lost control of the board.

In 2012, amongst much finger pointing, a Special Committee of Westech's Board of Directors retained the firm of Morgan, Lewis & Bockius ("Morgan Lewis") to review certain allegations of misconduct against John Gorman, Jim Fellus and Rob Halder. Morgan Lewis issued its Independent Report on **September 18, 2012** covering the time period from September 2011 to the date of the report. Fellus was found to have used unlicensed brokers without proper supervision, Halder was criticized for a personal relationship with an employee, but the report's conclusions regarding Gorman's misconduct were damning. Morgan Lewis concluded that "[o]ur interviews with Mr. Gorman also raise credibility concerns." Morgan Lewis concluded that Gorman's wrongful conduct "likely violates FINRA and SEC rules and, in some instances, other provisions of law."

The conclusions in the Independent Report that Gorman engages in wrongful conduct included the following:

(a) "Mr. Gorman caused the Firm to reimburse, as deductible employee compensation, the funds Mr. Gorman used to purchase services of prostitutes for a Firm's potential customer."

(b) "Mr. Gorman has made inappropriately lavish gifts to customers."

(c) "Mr. Gorman appears to have caused IRA accounts of himself, his wife, children and his brother-in-law, to make unauthorized distributions."

(d) "Mr. Gorman in at least two instances caused the Firm to purchase a security, and then sell it at what appears to be an impermissibly high markup."

(e) "Mr. Gorman appears to have parked securities in the personal account of a Firm employee."

The Independent Report provides factual details for each of these findings.

Morgan Lewis also identified numerous examples of questionable conduct by Gorman that "are not in the best interests of the Firm or its shareholders." These include:

(f) Gorman makes trades in which he "captur[es] for himself trading profits that belong to the firm." *Id.* at 22.

(g) Gorman has several trading practices that harm the Company by preventing its employees from earning commission or production credits. *Id.* at 21.

(h) Gorman used the Company's funds to pay expenses for "(a) travel by Mr. Gorman and his family on the NetJets' private plane; (b) Mr. Gorman's two Bentley automobiles (exceeding the amount to which his employment contract entitles him); (c) entertainment at Mr. Gorman's ranch, including expensive wine; and (d) the purchase of a domain name." *Id.* at 22 -23. Morgan Lewis was "unable to corroborate that it [was] Mr. Gorman's practice [to reimburse the Company], as he asserts." *Id.* at 24.

Fellus refused to pay the $1 million note at maturity on September 23, 2012 as a result of Gorman's misconduct and was terminated as CEO (which also caused his removal from the Board) "for cause" due to his failure to pay the Note. Fellus disputed that cause for termination existed and in November 2012, initiated a FINRA arbitration proceeding against Westech and its subsidiary Tejas arising out of his employment agreement. Westech filed a counterclaim in the Arbitration Proceeding seeking recovery of the amount Fellus owed under the Note;

In 2011 and 2012, the Company had suffered $8,243,728 in losses and Gorman had been paid compensation of $3,648,163.

Year	Net Income (Loss)	Gorman's Compensation
2011	($3,250,721)	$1,758,966
2012	($4,993,007)	$1,889,197

In **September 2012**, Michael Dura, who had previously been a consultant to Westech, became a member of the board, with the support of Gorman, and coincident with that became a member of the special committee. In **October 2012** Dura was elected as the interim CEO. Fellus was terminated as CEO in **November 2012**. Dura found that compensation and expenses were

so excessive that the he believed that the brokerage business would fail within a month of two unless disbursements were brought under control. He introduced substantial cost saving measures to reduce the drain on cash flow but determined that Gorman's compensation package was far more generous than the Company could afford.

In **January, 2013,** Gorman asked Salamone, who has also been a consultant to Westech to become CEO, replacing interim CEO Michael Dura, and Salamone accepted. Under the Voting Agreement, Salamone joined the board by virtue of his becoming CEO. Salamone entered into an employment agreement signed by Gorman on behalf of the Company.

During the spring of 2013, Salamone became aware of and began witnessing activity by Gorman which included regulatory violations in personal and family accounts, fraudulent payment to an employee, recordkeeping violations, unauthorized trading, and expense abuses. In addition, Gorman began exhibiting unstable and irrational behavior towards employees. He continued to withdraw substantial compensation

These actions led to attempts by Salamone to secure a meeting of the Westech Board to confront Gorman about his actions.

The board met in June, 2013 in New York City. A few days later, on **June 7, 2013**, Gorman "resign[ed] from all positions with Westech and its subsidiaries," including Tejas. Prior to resigning, Gorman circumvented the company's rules and procedures to advance himself over $500,000.

Gorman had been paid $2,130,980 in 2013 in a year which the Company lost $1,501,585.

Year	Net Income (Loss)	Gorman's Compensation
2013	($1,501,585)	$2,130,980

At that point the board consisted of Salamone, Dura, and Halder, (all of whom Gorman had invited to join the board), but whom he now deemed hostile, and Peter Monaco, a member designated by Pallotta pursuant to the Voting Agreement.

After Gorman's resignation, Salamone became aware of several regulatory inquiries into trading activity by Gorman and improper expenses charged to both Westech and Tejas by him. Gorman had withheld information concerning these investigations from the board. Discovery of these investigations led Salamone to further investigate Gorman's activities resulting in the uncovering of instances of securities parking, self-dealing transactions, trading fraud, contract fraud, and transactions specifically designed to cause losses at Tejas to the benefit of Gorman family accounts. The outstanding investigations resulted in Salamone being called to an in person meeting with the Securities and Exchange Commission (and telephonically with FINRA) in September of 2013. The investigations of Gorman are continuing.

August 2013: Gorman launches campaign to regain control

In **August 2013**, two months after Gorman resigned, he engaged in a series of maneuvers to circumvent the 2011 Voting Rights Agreement in an attempt to regain control of Westech, and continue draw funds out of the Company for his own benefit.

Gorman's legal actions and machinations to regain control continued for over two years, until October 28, 2015, when, after suffering a series of defeats, he dismissed his last lawsuit in the Delaware Chancery Court.

On **August 14, 2013**, Gorman sent Westech a letter purporting to replace Halder on the board and adding a board member of his choosing.

Then on **August 21, 2013**, he purchased his friend Pallotta's shares of Series A Preferred in exchange for a $1.4 million promissory note, *which he never paid,* and a $600,000 interest in a unit of Raptor LP owned by the Tamra Gorman Trust, *without authority*. As a result of this purchase, Gorman contended that he controlled the board by adding himself and 3 "friendly" directors, who could outvote the incumbent directors, Salamone and Dura, on the six member board. Gorman miscalculated and did not obtain control he intended. (He later sued Palotta and his own lawyers, claiming they all mislead him into believing his purchase would give him control.)

On **August 26, 2013**, unaware that he had failed to gain control, Gorman attempted to force his way into the Company's Texas office to conduct a board meeting with his new directors. When the Company refused to allow access, Gorman held the meeting anyway and elect another "friendly" director, former University of Texas basketball player T.J. Ford, and replaced Dura with another "friendly" director bringing the board to seven members, with only Salamone surviving.

That same afternoon, Gorman filed a lawsuit in Travis County Texas District Court purportedly on behalf of Westech and himself, seeking a judgment that he had successfully retaken control of Westech through these maneuvers and sought a temporary restraining order to prevent anyone from his taking physical control of the offices, interfering with his "officers" taking over management of the company, or continuing to prevent him access to company records, despite a mandatory Delaware forum selection clause in the relevant agreements.

After a lengthy hearing, the Court denied Gorman's application for a temporary restraining order, thwarting his attempt to take over the Company, and refusing him access to the Company's offices and records. After Defendants filed a Motion to Show Authority and Motion to Dismiss, Gorman nonsuited his lawsuit.

On **August 27, 2013**, Gorman filed essentially the same action he had filed in Texas District Court in the Court of Chancery in Delaware, pursuant to Section 225 of the Delaware General Corporation Law. Later that day, not knowing Gorman had already filed in Delaware, Halder filed a Section 225 complaint in the Delaware Court of Chancery to bring the controversy regarding the proper composition of the board into the proper forum. The proceedings were subsequently consolidated (the "First Section 225 Action"). During the pendency of the

Delaware case, the Delaware court rejected Gorman's request to change the Board and ordered that Salamone, Dura, and Halder continue to serve as Westech's Board.

On **September 4, 2013**, the Delaware Chancery Court entered what was supposed to be a short term "Status Quo" Order limiting the authority of the board. Among other things, the Order capped the payments of commissions to Halder and other officers of the Company, creating a disincentive for them to produce revenue for the Company. Soon thereafter the Company's revenues started eroding and its capital dwindled.

Gorman used the limitations on management in the "Status Quo" order to handicap the Company by refusing to consent to the payment of commissions and incentive compensation that several of the officers were entitled to under employment agreements that Gorman had signed. The lifeblood of a brokerage firm is its brokers and so the success of a brokerage firm depends in its paying successful brokers' commissions for their performance. This is one reason why Gorman's continued interference and legal maneuvering proved fatal to Tejas.

Halder had entered into a three year employment agreement with Westech on October 1, 2011 to serve as "President and Chief Operating Officer" of Westech and Tejas (the "Halder Employment Agreement") as part of the transactions in which the Series A Preferred Shares were sold. The agreement included objectively measurable Base Compensation, Quarterly Bonuses, and Quarterly Special Compensation based upon his performance in producing revenue. The agreement was signed by Gorman on behalf of Westech.

In November 2012, when Mike Dura became interim CEO, Tejas had been in upheaval for over a year as Fellus committed capital to expansion and Gorman continued to find creative ways to withdraw funds to support his lifestyle.

As a result, the Company had already defaulted in its payment obligations to Halder and had never cured the defaults. Prior to the entry of the Status Quo Order on **September 4, 2013,** the Company had missed making Special Quarterly Payments to Halder in three different quarters.

Now, the Status Quo Order put Gorman in position to prevent the Company from honoring Halder's employment agreement prospectively, and that is what he did. The Status Quo order prohibited payment of commissions or bonuses to officers of the Company above a certain limit without ten days' notice and an opportunity to object. This prohibition against the payment of earned commissions negatively impacted Tejas' revenues by depriving productive brokers of their commissions and giving Gorman the opportunity to block such payments.

Gorman claimed that the directors and officers in the Company were engaging in "self" dealing by asking the Delaware court for permission to pay the officer/brokers a portion of what they were owed under their employment contracts, contracts which Gorman had negotiated and signed on behalf of the Company.

Tejas' continuation as an ongoing business was in jeopardy.

In **March 2014**, the Company attempted to raise capital in order to survive by selling a parcel of real estate in Austin, owned by a special purpose subsidiary, with equity of $1,800,000

but Gorman blocked it, preventing the necessary recapitalization. He did so, despite his being in breach of his obligations under his personal guaranty and having been advised by the Bank that it was to going to pursue foreclosure remedies.

By the time the incumbent directors overcame Gorman's obstruction and sold the property in November 2014, it was too late. Tejas had already failed. Westech later sued Gorman for his failure to honor his commitment to the Bank to provide timely financial information. That suit is pending.

On **March 24, 2014**, Gorman initiated a FINRA Arbitration proceeding against Tejas Securities, Halder, Salamone, and Apex Clearing Corporation repeating the same claims he made in the Texas state court lawsuit and adding a laundry list of grievances and alleged misconduct by Salamone and Halder. Westech is not a party to this arbitration. Tejas filed a counterclaim against Gorman for breach of fiduciary duty, violation of the Texas Theft Liability Act (for stealing documents from Tejas's offices), and conversion, seeking damages in excess of $2 million plus punitive damages. That action is pending.

Halder's three year employment agreement automatically renewed on October 1, 2014 for an additional two year term unless notice of non-renewal was given him by June 3, 2014. Gorman advocated for the termination of Halder's employment agreement, and on **May 14, 2014**, he filed a Motion to Prevent Automatic Renewal of the Employment Agreement in the Delaware Chancery Court, demanding that Salamone send Halder a notice that his contract would not be renewed. Even though Gorman had originally signed the Halder Employment Agreement for the Company, he now claimed that allowing the automatic renewal provision to take effect would constitute a "self-dealing transaction outside the ordinary course of business."

Westech's counsel had advised the Company that the Company was in material default and could not enforce the Halder Employment Agreement. The Company had committed incurable breaches of the agreement by repeatedly failing to pay Halder what he was owed under the formulas in the agreement. These breaches were known to Gorman because they had been repeatedly discussed at board meetings with Gorman present and Gorman had opposed contractual payments to Halder. In addition, counsel advised the Company that if the Company gave Halder notice of non-renewal, Halder would also be owed his severance payments.

So, had Salamone simply complied with Gorman's demand, then Halder would have been entitled, as severance, to his Base Salary, Quarterly Bonus Payments, and Quarterly Special Payments (as well as continued health insurance benefits) for 12 months after termination which would have burdened the Company with about $500,000 in debt.

Separately, Westech filed suit against Gorman in the Travis County District Court **May 20, 2014** for theft, unjust enrichment, and fraud arising out of transaction with NetJets. In 2013, the Company owned a fractional interest in a NetJets aircraft and gave NetJets notice of its intention to have NetJets repurchase the Company's interest, thereby terminating their payment obligations. Gorman promised to make future payments starting in April 2013, as well as to reimburse the Company for his personal use of the aircraft if the Company rescinded its repurchase notice of the Company. So the Company did. But Gorman broke his promise. He did not make the payments. He did not reimburse the Company for his personal use and, even after

he resigned in June 2013, he continued to use the jet to fly himself and his family to the Hamptons and other locations. Gorman's breach of his agreement to make payments on the jet after April 2013 directly led to NetJets obtaining a judgment against the Company for $193,568 in late 2015. In addition Gorman damaged the Company by failing to reimburse the Company at least $500,000 for personal use of the jet. Gorman filed was that a Motion to Compel Arbitration, which was denied, and he is currently appealing that ruling.

On **May 29, 2014**, the Delaware court entered a Memorandum Opinion in the First Section 225 Action rejecting Gorman's purported takeover of the board but ruled that Gorman had successfully removed Halder from the board on August 14, 2013 and had successfully appointed himself and his ally at the time, T.J. Ford.

The decision, which was later reversed on appeal, proved fatal. The incumbent management and employees had struggled to keep Tejas going despite Gorman's continuing interference and litigation but the result of the Chancery Court's decision the board would remain deadlocked between Gorman and Ford, on side, and Salamone and Dura on the other.

On **May 30, 2014**, Salamone, on behalf of the Company, and Halder executed the Cancellation Agreement of Halder's Employment Contract in response to Gorman's demand that Salamone give notice to Halder that his employment contract would not be renewed. Had Salamone given such notice, Halder would have been entitled to about $500,000 in severance payments. Salamone was able to negotiate an agreement with Halder which was more favorable to the Company than what Gorman was demanding. In the Cancellation Agreement, the Company acknowledged the undisputed fact that it was in default of the Halder Employment Agreement. Halder agreed to waive his right to about $500,000 in payments he would be due over the following twelve months had the contract not been renewed (or had he chosen to terminate the agreement for "Good Reason" such as non-payment), and the parties agreed to cancel the agreement. Halder retained his claim to the compensation he had earned but had not been paid.

Salamone did not receive any financial benefit from the transaction, contrary to Gorman's later allegations, which were repeated in the Derivative Suit.

There is no bona fide dispute that the Company was in default. As noted below, the Travis County District Court later ruled that the Company was, in fact, in breach of contract on May 30, 2014 and that the Company owed Halder $169,598.00 in "Quarterly Special Payments", reserving his other claims regarding additional sums owed and the validity of the Cancellation Agreement for trial. Moreover, even if the Company had not breached the Halder Employment Agreement, the Company would have had to pay Halder over $500,000 in severance over the next twelve months in order to enforce the non-competition provisions of the agreement. So, the Company did not give up any rights under the Cancellation Agreement. The only effect of the execution of the Cancellation Agreement was that Salamone saved the company over $500,000 in compensation the company would otherwise owe Halder as severance under his employment agreement.

This is the transaction that Gorman challenged a few days later in the Delaware Chancery Court and later in Texas state courts -- twice, and this challenge formed the basis of Complaint in

the Derivative Suit. Gorman contended that the Cancellation Agreement destroyed the Company and, in a declaration filed in court later, claimed that the Company was worth between $6 million and $10 million at the time. Gorman did not offer any evidence to support his opinion of the value of Tejas other than claiming that "Tejas had over $200 million in client accounts" and stating that his opinion was based on his experience. What Gorman did not disclose is that Tejas' net capital at the time was approximately $1 million and Gorman knew that transaction-based brokerage firms like Tejas typically sell for a slight markup/markdown of net capital, taking into account factors such as revenue, profitability and regulatory history. Given Tejas' inadequate capital and its history of losses and regulatory fines, claiming the Company was worth $8 million to $10 million was false and misleading.

After the Cancellation Agreement was signed, which rendered Gorman's Motion to Prevent Automatic Renewal of the Employment Agreement moot, Gorman was given a copy of the Cancellation Agreement, but went forward with the hearing anyway. At the hearing, Gorman requested that the court declare that the Cancellation Agreement invalid as a violation of the status quo order but the court pointedly refused to decide that issue and suggested that Gorman could raise the issue at a later date after the Court had the benefit of additional briefing by the parties.

Gorman never brought the issue before the Chancery Court again. He filed another Section 225 Action in the Chancery Court later to, among other things, seek a ruling that the Cancellation Agreement violated the Status Quo Order but dismissed that action before the court ruled on the issue. This has not stopped him or his few remaining allies from raising the same claims in other suits in other forums, including this one.[3]

On June 24, 2014, the Delaware court issued its Order and Final Judgment in the First Section 225 Action consistent with the Memorandum Opinion entered on May 29 and rejecting Gorman's request that the Status Quo order remain in place. All parties appealed that case on an expedited basis.

On the very next day, **June 25, 2014**, Gorman filed his second Texas lawsuit. He sued Salamone, Dura, Halder and the Company, claiming he was doing so on behalf of the Company. He alleged that Salamone, Dura and Halder had repeatedly attempted to engage in "self-interested transactions" apparently referring to their requests to pay performance bonuses based on measurable criteria that were owed under their employment agreements, which Gorman had originally signed on behalf of the Company. He sought a Temporary Restraining Order essentially seeking the same "Status Quo" relief to limit the authority of management to operate the business that the Delaware court had denied him when it expressly vacated the Status Quo Order. He also sought to restrain them from interfering with his gaining access to the books and records, or paying counsel for the Company.

[3]Even after this bankruptcy was filed, Gorman told shareholders that Derivative Suit would make the shares of the Company valuable, in a futile attempt to sway the votes of shareholders at the annual meeting. He claimed that the damages were $15 million and were covered by insurance and that the common shares would be worth $1.50 a share.

On **July 1, 2014,** the Texas court entered an order noting that the Company had agreed to produce certain documents and that Gorman had withdrawn his request for a TRO. Gorman would later dismiss that suit.

On **July 2, 2014**, Halder left the Company. No other employee went with him. And there is no evidence that Halder solicited any employees to leave. It was Gorman's own actions soon thereafter that led to an exodus of brokers.

By then, then Westech and Tejas Securities were severely undercapitalized. Westech's balance sheet equity was $306,313 and Tejas Securities was $555,558, which was under minimums required by its Clearing Broker and also for most trading counterparties.

On **July 7, 2014,** Gorman tried to take over again. He sent a letter by email to all officers and employees of Westech and Tejas, claiming that he, as the majority shareholder, had amended the bylaws to allow shareholders to remove the CEO, that he had replaced Salamone as CEO. He also claimed to have fired the Company's counsel, Greenberg Traurig. It was payday, but Gorman's letter ordered that all disbursements cease. This did not sit well with the brokers, who were rewarded for their performance on a commission basis. CEO Salamone ignored Gorman's letter and saw that the employees were paid, but the damage had been done. Numerous brokers resigned and several of them went to work with Halder. Halder did not solicit them.

Separately **July 17, 2014**, a FINRA arbitration panel entered an award against Fellus in the amount of $1,092,780 for the amount he owed on the promissory note he executed to acquire Series A Preferred Shares in September 2011. Fellus contends that additional facts which support his claim were concealed but have come to light after the arbitration decision.

Three days later, on **July 10, 2014** Gorman amended his second Texas lawsuit to seek a declaration that his latest attempt to take over management of the Company was legitimate.

On **July 10, 2014**, two weeks after Gorman filed his second Texas lawsuit, Salamone and other shareholders filed a second Section 225 lawsuit in Delaware to determine whether Gorman could remove Salamone and control the Company (the "Second Section 225 Action). While Salamone and the numerous shareholders requested a Status Quo Order that would keep the Board as Salamone, Dura, Ford, and Gorman during the pendency of the action, Gorman first argued that there was no need for a Status Quo Order. In the alternative, Gorman asked the Court to enter an order naming him as CEO and changing the Board so that he had control of the Company.

On **July 23, 2014**, Gorman filed his Supplement to First Amended Petition in his second Texas lawsuit, again seeking a temporary injunction, but this time to restrain Halder from violating the non-competition provisions of the Halder Employment Agreement and a declaratory judgment that such provisions were enforceable (but failing to mention the Cancellation Agreement).

On **July 31, 2014**, the Delaware court in the Second Section 225 Action rejected Gorman's arguments and ordered that the Board would remain composed of Salamone, Dura, Ford, and Gorman during the pendency of the action, as the court had previously ruled in the

First Section 225 Action. In the court's letter opinion, the court ruled that Salamone and the shareholders had successfully demonstrated "a reasonable likelihood of success on the merits."

Before the Delaware Court ruling, Gorman filed a Motion for Summary Judgment in his second Texas state court lawsuit, seeking a judgment that he had successfully removed Salamone and appointed himself CEO, as he claimed he had done in his letter to the employees on July 7. But on August 6, 2014, the night before the hearing, Gorman's counsel admitted that Gorman's maneuvers had been unsuccessful and that he did not have the votes, and so, he cancelled the hearing.

On **August 12, 2014**, the Second Section 225 Action was voluntarily dismissed. Two weeks later, on August 22, 2014 Gorman filed a Notice of Non-Suit of all claims against all defendants his second Texas state court lawsuit, ending his first challenge of the Cancellation Agreement.

On **August 25, 2014**, Halder filed suit against the Company and Gorman to recover the compensation he was due and sought a declaration that the Cancellation Agreement was enforceable, that the Company was in breach of the agreement for failure to pay $169,598 in "Quarterly Special Payments", that the Company was in breach of the agreement for failure to pay "Quarterly Bonuses", that he was entitled to terminate the Halder Employment Agreement for "Good Cause", and that the non-competition provisions in the Halder Employment Agreement were not enforceable.

The board deadlocked on defending Halder's lawsuit, Dura and Salamone did not dispute Halder's allegations and did not believe it was appropriate to spend Company funds defending it. Gorman and Ford (who had no relevant personal knowledge) wanted to challenge Halder and so they filed a "derivative" answer and counterclaim, alleging the very same facts and raising the very same arguments regarding the Cancellation Agreement that the plaintiffs in the Derivative Suit later pled. Ford was represented in that suit by Russell Horton and Doug Brothers, who are also of counsel in the Derivative Suit.

On **September 30, 2014** Gorman filed the Third Section 225 Action This time he claimed that Salamone had harmed the Company while the Status Quo Order was in place by "attempting to cause the Corporation" to (1) pay himself and Halder, (2) attempting to pay legal fees the Company incurred in contesting Gorman's claims, and entering into the Cancellation Agreement He specifically alleged that the Cancellation Agreement violated the Status Quo Order. Finally he sought a declaration that Westech's stockholders acted through written consent to remove Salamone as CEO on July 7, 2014.

On **November 20, 2014**, FINRA canceled Tejas Securities Group Membership Agreement and Tejas was no longer authorized to operate as a broker dealer.

Finally, on **December 20, 2014**, the Delaware Supreme Court rendered its decision on appeal of the First Section 225 Action and determined that the board consisted of Halder, Dura, Salamone, Gorman and Ford. The deadlock was broken. Gorman had seemingly lost his battle to regain control of the Company, but he just kept going.

The Third Section 225 Action relating to Gorman's attempt to remove Salamone as CEO on July 7, 2014 continued. Gorman amended that Action and a claimed that certain developments during the appeal of the court's decision in the Second 225 Action had the effect of removing Halder and Salamone from his position as CEO. Specifically he contended that Halder had resigned his board seat and. based on his contention that he controlled the board, Gorman challenged transactions approved by the incumbent board, including salary payments to Salamone under his employment contract. Halder contended his July 2014 resignation could not have been effective because, at that time, this court had ruled that he had been removed by the board and he was not reinstated until December 20, 2014 when the Delaware Supreme Court reinstated him.

On **March 10, 2015**, Halder filed a Motion for Summary Judgment in his Texas suit to recover his compensation and obtain a ruling on the Cancellation Agreement. Gorman and Ford filed a response on behalf of Westech. They did not introduce any evidence to dispute that Halder was owed "Quarterly Special Payments" but claimed he was not entitled to additional compensation because that would have required approval of the board of directors, which Gorman had forced into a deadlock. Although Dura and Salamone disputed Gorman and Ford's standing to defend the suit or file a counterclaim on behalf of the Company, they filed a notice with the court that they did not oppose Gorman or Ford opposing the Motion.

On **April 30, 2015** the Court partially granted Halder's First Amended Summary Judgment, stating:

"Plaintiff seeks declaratory relief that as of May 30, 2014, Defendant Westech Capital Corp. was in breach of the Agreement for failure to pay "Quarterly Special Payments" as defined and pursuant to the October 1, 2011 Employment Agreement between Plaintiff Robert W. Walder [sic] and Defendant Westech Capital Corp. The Court grants summary judgment on this claim. Accordingly, the Court finds that Defendant Westech Capital Corp. is liable to Plaintiff in the liquidated amount of $169,598.00."

The Court denied Halder's Motion on his other claims but the damage had been done to Gorman's case. The court's judgment that the Company had breached the contract and that Halder was owed at least $169,598.00 created a substantial obstacle to Gorman's proving that the Halder Employment Agreement was enforceable. But Gorman did not pursue his counterclaim. Instead, he non-suited his counterclaims against Halder.

G. EVENTS LEADING UP TO FILING

On **July 31, 2015** the Delaware Chancery Court issued a Memorandum Opinion in the Third Section 225 Action, finding that Gorman had not removed Salamone as CEO (because Delaware law does not allow shareholders to bypass the board and directly terminate officers) and determined that there were fact issues that remained as to whether Halder had resigned which would require further proceedings. The Court refused to grant Gorman's proposed "Status Quo" Order which would give Gorman control over the board and deferred Gorman's request for sanctions against Salamone for allegedly authorizing payments to Halder and himself with proper board approval pending a determination on Halder's purported resignation from the board.

On **September 8, 2015,** Westech shareholders Avery Martin, Britt Rodgers, John Glade and Mike Wolf filed a verified complaint in Delaware Chancery Court seeking an order compelling Westech to hold an annual stockholders' meeting.

Gorman did not pursue the Third Section 225 Action after that. On **October 28, 2015**, Gorman withdrew his Third Section 225 Action, ending all challenges to the composition of the board and the officers of the Company ***after over two years***.

On November 20, 2015 a default judgment in favor of NetJets was entered in the amount of $193,568. Subsequently, NetJets sought to have the judgment recognized in Texas.

On February 25, 2015 Eric Steinhafel, Robert Clement, and Rick Shottenfeld, holders or common shares filed *Eric Steinhafel, et al. derivatively on behalf of Westech Capital Corp. and Tejas Securities Group v. Gary Salamone and Greenberg Traurig*; Delaware Chancery Court. Plaintiffs, who are common shareholders, filed this derivative shareholder suit alleging that Salamone caused Westech to cancel Halder's non-compete agreement with Westech after which Halder immediately moved Westech's and Tejas' business and sales personnel to his new firm, thus allegedly destroying Westech's and Tejas' business.

The Plaintiffs in that suit contend that the filing of the Derivative Suit led to the filing but that is not the case. In the Debtor's opinion, this action was subject to summary dismissal because Plaintiffs had not given the Debtor notice or made demand on the board to pursue the action and had not provided the board any information upon which the board could make an informed decision. Plaintiffs also failed to plead with the particularity required by Delaware law why demand on the board would have been futile.

The Debtor filed this case after Gorman's costly and damaging efforts to regain control of the Company had been exhausted while the Debtor still had sufficient liquid assets to fund a reorganization effort in Chapter 11.

H. MANAGEMENT DISCUSSION REGARDING FINANCIAL INFORMATION OF THE DEBTOR

In March of 2005, after the closing of a public offering of common shares, Westech had shareholders' equity in excess of $37 million. In the ensuing six years, under the leadership of John Gorman as Chairman of the Board and controlling shareholder, the shareholders' equity was reduced to about $3 million. By mid-2011, Westech was in desperate need of a capital infusion to maintain regulatory and counter-party minimums and raised $8.45 million in a Series A Preferred offering. The Company continued its historic trend of losses as it commenced an expansion plan to open a New York office under the management of James Fellus. The Company commissioned an independent investigation of alleged misconduct by Company officers and began to restrict some of the Gorman's self-dealing activities, including expense abuses, trading against the firm, and improper compensation.

In the fall of 2012, the independent investigation was completed. James Fellus resigned and Michael Dura was named to the Board and became interim CEO. Mr. Dura determined that the Company was draining its capital so rapidly that he immediately implemented cost-cutting measures to put the company on a path to profitability. He also began a reassessment of the

Company's compensation structure. Mr. Salamone took over as CEO in late 2012 and continued Mr. Dura's efforts to evaluate the compensation structure and cost-cutting measures. Tejas Securities, the Company's operating subsidiary, returned to profitability and increased its capital base through the spring of 2013. However, the independent report identified numerous abuses by Mr. Gorman which, together with its generous compensation structure, impacted the viability of the Company and so the Board discussed limiting compensation. Mr. Gorman expressed his frustration with restrictions that the Board was implementing.

During the following nine months, Tejas earned a profit of approximately $600,000, but interim limitations obtained by Gorman in the Delaware Court of Chancery on key employee compensation, his motions to block the sale of the Austin headquarters building which was necessary to rebuild capital, and the protracted timeframe of the Delaware action all combined to paralyze business activity at Tejas.

By the end of June, 2014, due to a sharp falloff in revenue, the Tejas broker dealer fell below clearing firm minimum requirements and was restricted from most of its significant counterparties.

The following chart illustrates the erosion of shareholders equity over time and the inadequacy of capital by June 30, 2004.

Quarter ending	**Westech**	**Tejas Securities**
	Balance Sheet	**FOCUS**
	Equity	**Net Capital**
3/31/2005	**$37,322,929**	
6/30/2011	**$3,191,175**	***$1,576,183***
8/31/2011	**$3,585,549**	***$1,166,781***
9/30/2011	**$10,200,124**	***$4,009,508***
12/31/2011	**$8,195,803**	***$2,902,474***
3/31/2012	**$8,551,506**	***$1,821,646***
6/30/2012	**$5,976,237**	***$1,419,660***
9/30/2012	**$3,920,023**	***$1,023,396***
12/31/2012	**$2,723,555**	***$1,051,643***
3/31/2013	**$2,756,745**	***$1,396,975***
6/30/2013	**$2,480,807**	***$1,503,190***
9/30/2013	**$2,549,023**	***$1,930,897***
12/31/2013	**$668,623**	***$1,219,826***
3/31/2014	**$1,318,309**	***$1,500,727***
6/30/2014	**$306,313**	**$555,558**

Q3 2014	**($987,076)**	***($331,943)***
Q4 2014	**($2,024,210)**	

On July 7, 2014 John Gorman sent a letter by email to all employees on payday "announcing" that he had replaced Gary Salamone as CEO and that there would be no more disbursements of Company funds until further notice.

Although Gorman did not take control or stop the funding of payroll and the Delaware Chancery Court later ruled that he did not have the authority to do so, the damage had been done. The brokers, who had remained in the hope that Gorman's efforts to regain control would be promptly overruled, resigned

The consolidated financial statements for the years ending December 31, 2011 through December 31, 2015 and for the first quarter of 2016 are attached hereto as Appendix 1.

I. PENDING CAUSES OF ACTION ON DATE OF FILING

At the time of the bankruptcy filing, the Debtor was a party to the following causes of action:

1. D-1-GN-14-001475; *Westech Capital Corp. v. John J. Gorman, IV*; in the 53rd District Court of Travis County, Texas (currently on appeal before the Third Court of Appeals, Austin under cause number 03-16-00041-CV). Westech brought claims against John Gorman for theft, unjust enrichment and fraud relating to the NetJets contract and his failure to reimburse the Company for his personal use of the aircraft and is seeking damages in excess of $693,000.

2. D-1-GN-14-003190; *Robert Halder v. Westech Capital Corp. and John J. Gorman, IV*; Travis County District Court. Robert Halder brought this claim for declaratory relief, including a declaration that the Cancellation Agreement (of Halder's Employment Contract) was a binding and enforceable agreement, that Halder is owed certain amounts under the employment agreement, and that he is not bound by restrictive covenants. Halder was granted partial summary judgment that he was owed "Quarterly Special Payments" of $169,598.00." Halder's remaining claims are pending.

3. No. 11482; *Avery Martin, et al. v. Westech Capital Corp.*; Section 211 case pending in the Delaware Court of Chancery; this action was filed seeking an order of the Chancery Court compelling Westech to hold an annual stockholder's meeting. After this case was filed an Agreed Order was entered and the annual meeting was held on May 5, 2016.

4. C.A. No. 12047; *Eric Steinhafel, et al. derivatively on behalf of Westech Capital Corp. and Tejas Securities Group v. Gary Salamone and Greenberg Traurig*; Delaware Chancery Court. Plaintiffs, who are common shareholders, filed this derivative shareholder suit without making demand on the board, alleging that Salamone caused Westech to cancel Halder's non-compete agreement with Westech after which Halder immediately moved Westech's and Tejas' business and sales personnel to his new firm, thus allegedly destroying Westech's and

Tejas' business. Plaintiffs contend that this action breached Salamone's and Greenberg's fiduciary duties to Westech and Tejas, and violated the Court of Chancery's Status Quo Order in a then-pending 8 Del. C. § 225 action. Plaintiffs further allege that Greenberg Traurig aided and abetted Salamone's actions and also breached its fiduciary duty of loyalty to Westech by engaging in conflicting representations of multiple parties throughout a series of lawsuits over control of Westech, which further caused damage to Westech and Tejas.

5. D-1-GN-16-001103; *Westech Capital Corp. v. John Gorman, IV*; Travis County District Court: This is a breach of fiduciary duty claim against Gorman relating to the Tejas building located at 8826 Bee Caves Road, Austin, TX 78746, and Gorman's failure to notify of default and refusal to approve the sale of building, resulting in the undercapitalization and, together with other acts of Gorman, the failure of the Company. The amount of this claim is unknown, but the Debtor estimates the value of this claim to be at least $2 million.

6. 15 CV 3159; *NetJets Aviation, Inc., et al. v. Westech Capital Corp.*; Court of Common Pleas, Franklin County, OH. NetJets brought this civil action against Westech for breach of contract and to collect an outstanding debt Westech owed NetJets for airplane use, maintenance and related services. NetJets obtained a judgment in the amount of $193,568.

II. ASSETS AND LIABILITIES AT THE TIME OF FILING

At the time the case was filed the Debtor scheduled assets in the amount of $2,636,999.73 and liabilities in the amount of $972,477.61. The Debtor does not own any real property, and has no secured or priority debt.

A. ASSETS OF THE DEBTOR

1. Cash. At the time the case was filed the Debtor had cash in the amount of $281,074.

2. Net Operating Losses. The Debtor has net operating losses of at least $1,261,183. The actual amount of such losses depends on historical transactions affecting the ownership of the Debtor. Accountants are determining the specific amount of such losses and the availability of using such losses in the future under the Plan. The value of the net operating loss carryforward is calculated by the taxes from future income that can be offset by these losses. The losses have no value in liquidation.

3. Fellus Arbitration Award. The Debtor has an arbitration award against James Fellus in the amount of $1,092,780.00.

4. Other Causes of Action

(a) D-1-GN-16-001103; *Westech Capital Corp. v. John Gorman, IV*; in the District Court of Travis County. This is a breach of fiduciary duty claim against Gorman relating to the Tejas building located at 8826 Bee Caves Road, Austin, TX 78746, and Gorman's failure to notify of default and refusal to approve the sale of building. The amount of this claim is

unknown, but the Debtor estimates the value of this claim to be at least $2 million.

5. Subsidiaries

(a) Tejas Securities Group Inc. ("Tejas"). Tejas is a FINRA regulated broker dealer which is no longer authorized to operate by FINRA.

i. Assets

(1) Apex Clearing Corp. receivable in the amount of $395,014

(2) Claim against Gorman in arbitration proceeding valued in excess of $2 million plus punitive damages

(3) NOLs estimated to be $4,057,652.

ii. Liabilities

(1) Accounts payable per 3/31/2016 consolidated financial statement - $1,745,918.

(2) Claim by Gorman in arbitration proceedings of at least $440,000, plus additional compensatory damages, punitive damages, interest and attorneys' fees.

(b) Tejas Securities Group Holding Company. This entity is not operating and has no assets or liabilities.

(c) TSBGP, LLC. This entity is not operating and has no assets or liabilities.

(d) TI Building Partnership, Ltd. This entity is not operating and has no assets or liabilities.

(e) Clearview Advisors, Inc. This entity is not operating and has no assets or liabilities.

B. LIABILITIES OF THE DEBTOR

1. The Debtor scheduled general unsecured debt in the amount of $972,477.61.

2. On May 13, 2016, John Gorman filed a secured claim in the amount of $4,284,057. The Debtor filed an objection to Gorman's claim on June 17, 2016. The deadline to file proofs of claim is July 18, 2016.

C. CAPITAL STRUCTURE OF THE DEBTOR

The Debtor has 338 outstanding shares of Series A Preferred with a par value of $.001 per share with a preferential right to distributions of $8.45 million and convertible to 25,000 shares of common stock per share. Debtor has 4,031,722 outstanding shares of common stock.

III. SIGNIFICANT EVENTS IN CHAPTER 11

Employment of Professionals. On March 28, 2016, Debtor filed an Application to Employ Stephen A. Roberts and the law firm of Strasburger & Price, LLP ("Strasburger"), 720 Brazos, Suite 700, Austin, TX 78701, as counsel for Debtor. The Court Approved the Application on May 16, 2016, and the order was entered on May 24, 2016.

On April 5, 2016, Debtor filed an Application to Employ Accountant as Ordinary Course Professional, seeking approval to continue utilizing the services of its accountant, PMD Helin Donovan, in the ordinary course of business. The motion is pending.

On April 5, 2016, Debtor filed an Application to Employ Landis Rath & Cobb, LLP as Special Delaware Counsel to the Debtor. An objection was filed to the Application, but was later withdrawn. The order approving the employment was entered on June 20, 2016.

Motion to Enforce Automatic Stay, to Establish Notification Procedures, and to Approve Restrictions on Certain Transfers of Interests in the Debtor. Westech filed its Motion to restrict certain transfers of interests in the Debtor on April 13, 2016. The Court approved the Motion on April 20, 2016

Motion to Appoint Trustee. On April 21, 2016, a Motion to Appoint Trustee was filed by D. Douglas Brothers for interested parties Arch Aplin, Rick Schottenfeld, Robert Clement, and Eric Steinhafel. On April 25, 2016, John Gorman filed his Joinder to Motion to Appoint Trustee. On June 13, 2016, the Debtor filed its response. The Motion is set for hearing on July 25, 2016.

Proof of Claim filed by John Gorman. On May 13, 2016, shareholder and former board member, John Gorman, filed a proof of claim in the amount of $4,284,057. The Debtor has filed an objection to the claim.

IV. OPERATIONS OF THE DEBTORS IN CHAPTER 11

Westech ceased operations prior to filing.

V. SUMMARY OF DEBTOR'S PLAN

A. OVERVIEW OF THE PLAN

THE FOLLOWING DISCUSSION IS A GENERAL OVERVIEW OF THE PLAN ONLY. IT IS NOT INTENDED TO MODIFY THE TERMS OF THE PLAN IN ANY WAY. THE PLAN IS ENCLOSED WITH THIS DISCLOSURE STATEMENT. CREDITORS ARE

URGED TO READ THE PLAN IN ITS ENTIRETY IN DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN.

Capitalized terms used in the following summary are as defined in the Plan. The following summary is included for convenience of the reader and shall not modify the specific terms of the Plan.

Summary of Plan. Westech will be recapitalized by James B. Fellus through the contribution of real property valued at over $1.1 million and 10% equity in Spencer Winston Securities Corp. ("Spencer Winston") valued at $100,000, and an option to acquire an additional 50% of Spencer Winston at a price equal to the net capital of the firm on the date the option is exercised, in satisfaction of the arbitration award Westech obtained against Mr. Fellus.

The unsecured creditors will be paid the lesser of payment in full or $1.2 million. Payments will be made over time from cash of the Debtor remaining after the payment of Administrative Clams, income from the lease or sale of real property, distributions from Spencer Winston, or additional capital contributed by shareholders in a new offering.

After the deadline for proofs of claims has passed and the Debtor completes negotiations with certain creditors, the Debtor intends to amend this Disclosure Statement and the Plan to address payment of unsecured claims with more specificity.

The Company will make a minimum payment to the holders of Allowed Claims of general unsecured claims in the aggregate amount of at least $200,000 six months after the Effective Date of the Plan, and an additional payment of at least $200,000 within 12 months of the Effective Date of the Plan. The balance of Allowed Claims will be paid in full within 24 months of the Effective Date of the Plan or upon such date as a claim becomes an Allowed Claim, whichever is later.

If necessary to pay the Allowed Claims as provided under the Plan, the Company will issue additional shares of common stock to the current holders of Series A Preferred Shares who subscribe to the new issuance of said shares at a price to be determined prior to the approval of the Debtor's Disclosure Statement.

The Series A Preferred Shares will be converted to common shares at 25,000 common shares per preferred share. The restrictions on transfers currently in effect will continue in order to preserve the net operating losses to increase distribution to shareholders from future income until such time as the board of directors votes to end the limitation

Shares of common stock of the Debtor are worthless and will be cancelled.

Westech will evaluate merger opportunities and new business consolidations in the brokerage industry to take advantage of net operating losses preserved under a plan of reorganization. Westech will seek opportunities to develop advisory services through existing board relationships and will evaluate managed fund opportunities in the distressed marketplace.

Westech will compromise claims with certain creditors as set forth in the plan.

Westech will preserve all other causes of action.

This is a general summary of the Plan. To the extent that the specific provisions in this Plan conflict with this summary, such detailed provisions shall prevail.

B. ADMINISTRATIVE CLAIMS AGAINST THE DEBTORS

Except to the extent that the holder of an Administrative Expense Claim may otherwise agree in writing, Administrative Expense Claims which are Allowed Claims prior to the Effective Date of the Plan shall be paid in full on or before the Effective Date of the Plan. Administrative Expense Claims which become Allowed Claims after the Effective Date shall be paid by the Reorganized Debtor 15 days after the Reorganized Debtor is served with an order of the Bankruptcy Court allowing such fees. The Bankruptcy Court shall retain jurisdiction to compel such payment and any action to compel such payment shall be initiated by motion of a party and be treated as a contested matter under Bankruptcy Rule 9014.

As of June 30, 2016, the administrative expense claims are estimated to be approximately $200,000.

The deadline to file an application for allowance and payment of an administrative expense claim is 90 days after the Effective Date. Failure to timely file such a request shall constitute waiver of such claim.

C. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

Summary. Pursuant to Section 1123(a)(1) of the Bankruptcy Code this Plan designates the following classes of Claims and Interests. A Claim or Interest is included in a particular class only to the extent that the Claim or Interest fits within the description of that class and, unless otherwise herein provided, is included in a different class to the extent that any remainder of the Claim or Interest fits within the description of such different class. A Claim or Interest is included in a particular class only to the extent that the Claim is an Allowed Claim in that Class and has not been paid prior to the Effective Date, and, in the case of an Interest evidenced by certificated or uncertificated shares of preferred or common stock, only to the extent that such stock is outstanding immediately prior to the Effective Date. The treatment afforded to the Creditors' Claims or Interests as set forth hereunder shall be in full satisfaction, settlement, release, and discharge for and in exchange for such Claim or Interest, respectively.

The Claims (except for the Administrative Claims which are described above and which are not required to be classified pursuant to section 1123(a)(i) of the Bankruptcy Code) and Interests against the Debtor are classified as follows:

Class	Description
Class 1	General Unsecured Claims
Class 2	Series A Preferred Interests
Class 3	Common Shares Interests

CLASS 1: GENERAL UNSECURED CLAIMS.

Class 1 General Unsecured Claims consist of all claims against the Debtor not included in any other class.

THE BAR DATE FOR FILING PROOFS OF CLAIMS HAS NOT PASSED. ALSO THE DEBTOR IS NEGOTIATING SETTLEMENTS WITH SOME CREDITORS AND WILL AMEND THIS DISCLOSURE STATEMENT AND PLAN AFTER THE BAR DATE TO MORE SPECIFICALLY ADDRESS THE ESTIMATED AMOUNTS OF ALLOWED CLAIMS OF UNSECURED CREDITORS.

The Class 1 Allowed Claims shall be paid the aggregate amount of $1.2 million over time as follows: Debtor will make a minimum payment to the aggregate Allowed Claims of at least $200,000 six months after the Effective Date of the Plan, and an additional payment of at least $200,000 within twelve (12) months of the Effective Date of the Plan. The balance of Allowed Claims will be paid in full within twenty-four (24) months of the Effective Date of the Plan or upon such date as a claim becomes an Allowed Claim, whichever is later.

The Class 1 Claims are Impaired under the Plan and, accordingly, are entitled to vote for or against the Plan.

CLASS 2: SERIES A PREFERRED SHARES.

Class 2 consists of the holders of the Debtor's Series A Preferred Shares.

The shares of Holders of Class 3 interests will be converted into 25,000 shares of new common stock for each Series A Preferred Share. In order to enable the Debtor to use the Debtor's net operating losses to reduce future taxable income of the Debtor, the transfer of Preferred Shares will continue to be restricted pursuant to the Order Granting Motion to Enforce Automatic Stay, to Establish Notification Procedures, and to Approve Restrictions on Certain Transfers of Interests in the Debtor, which is incorporated in the terms of the Plan, until such time as the Board of Directors terminates such restrictions.

The Class 2 Interests are Impaired under the Plan and, accordingly, are entitled to vote for or against the Plan

CLASS 3: COMMON SHARES

Class 3 consists of the holder of common shares of the Debtor.

All existing equity interests of holders of Class 3 Interests shall be cancelled under the Plan.

Class 3 Interests are deemed to have rejected the Plan and, accordingly, are not entitled to vote on the Plan.

D. ACCEPTANCE OR REJECTION OF THE PLAN

Classes Entitled to Vote. The Classes entitled to vote on the Plan are:

Class	Description
Class 1	General Unsecured Claims
Class 2	Series A Preferred Shareholders

Cram Down. If a Class fails to accept this Plan by the statutory majorities provided in section 1126(c) of the Bankruptcy Code, the Debtor reserves the right to request the Bankruptcy Court to confirm this Plan as to such rejecting Class.

E. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The only executory contract the debtor has is the lease of a storage facility for which it has prepaid rent and is not otherwise in default. The Debtor will assume that lease.

F. COMPROMISE AND SETTLEMENT OF CERTAIN CLAIMS BY AND AGAINST THE DEBTOR

The Debtor is currently negotiating compromises with certain creditors and will update this Disclosure Statement and Plan if and when settlements have been reached.

G. PRESERVATION OF CAUSES OF ACTION

Causes of Action Preserved. All claims and causes of action of the Debtor, including, but not limited to all causes of action arising out of a common nucleus of operative facts with claims raise in pending litigation and arising out of the facts disclosed herein, and Chapter 5 Causes of Action, shall be preserved. Filing and prosecuting of Causes of Action shall be at the sole discretion of the Reorganized Debtor, and may be pursued to the extent any potential recovery would justify the costs and time associated with pursuing such actions.

H. THE CLAIMS IN THE DERIVATIVE LAWSUIT

The board has not determined whether to adopt the claims and causes of action raised in the Derivative Suit pending further negotiations.

I. IMPLEMENTATION OF THIS PLAN

Effective Date. If this Plan is approved by the Court, an Order Confirming the Plan will be signed and entered into the record of the Court. The Effective Date of the Plan shall be the date that is 15 days after an order confirming the Plan is entered.

Closing. On, or soon as practicable after, the Effective Date.

Transactions at Closing. At closing, Fellus will transfer to TI Building Partnership, a wholly owned subsidiary of Westech, or to such other entity as Westech directs, certain residential real properties acceptable to Westech with equity based on third party appraisals of at least $1.1 million. (the "Contributed Properties), and Fellus will transfer to Westech or a subsidiary designated by Westech a 10% interest in Spencer Winston Securities Corp. ("Spencer Winston").

The parties will also execute documents that provide:

(a) Fellus will manage the Contributed Properties in consideration for the payment of a management fee of 10% of monthly rental income from the properties;

(b) Fellus will guarantee the payment of any secured indebtedness on the Contributed Properties pursuant to which he will protect the Contributed Parties from foreclosure;

(c) subject to the approval of the Westech board, from time to time, Fellus may implement and pursue a strategy to acquire additional residential properties;

(d) Fellus will grant Westech an option to purchase an additional 50% of Spencer Winston within two years after the effective date of a plan at the then current net capital value;

(e) a mutual release of all claims through the Effective Date of the Plan;

(f) and such other documents which are reasonable and necessary to consummate the transaction contemplated in this agreement broadest extent allowed by law.

Vesting of Assets. Upon the Effective Date of the Plan, all property of the Estate, shall vest in the Reorganized Debtor.

Management of the Reorganized Debtor. The current board of directors and officers shall manage the Reorganized Debtor subject to any rights t of the shareholders and directors to replace them under the bylaws of the Reorganized Debtor.

J. PROVISIONS COVERING DISTRIBUTIONS

Claims. Claims are defined in the Plan. The Plan is intended to deal with all Claims against the Debtors of whatever character, whether or not contingent or liquidated, and whether or not allowed by the Bankruptcy Court pursuant to § 502(a) of the Bankruptcy Code; however, only those Claims Allowed pursuant to § 502(a) of the Bankruptcy Code will be entitled to and receive payment under the Plan.

Compliance with Plan. Any Person, including a Creditor, which has not, within the time provided in the Plan, performed any act required in the Plan or in the Confirmation Order, shall not be entitled to participate in any distribution under the Plan.

Method of Payment. Payments to be made in cash pursuant to the Plan shall be made by check drawn on a domestic bank or by wire transfer from a domestic bank, such mode of payment to be at the sole discretion of the Debtors.

Delivery of Distributions. Distributions and deliveries to holders of an Allowed Claim shall be made to the holder at the address set forth on the latest-filed proof of claim filed by such holder or at the last known address of such holder if no proof of claim is filed. If any holder's distribution is returned as undeliverable, the Reorganized Debtor shall hold the distribution until notified of such holder's new address or the first anniversary of the Effective Date occurs, at which time the undelivered distribution shall revert and become the property of the Debtor and the Claim shall be discharged and forever barred.

Time Bar to Cash Payments. Checks issued to holders of Allowed Claims shall be null and void if not cashed within ninety (90) days of the date of issuance thereof. Requests for re-issuance of any checks shall be made directly to the Debtors by the holder of the Allowed Claim to whom such check originally was issued. Any Claim for reissuance of a voided check shall be made on or before the later of the first anniversary of the Effective Date or ninety (90) days after the date of issuance of such check. After such date, all Claims upon which such checks were delivered shall be discharged and forever barred.

K. PROVISIONS FOR RESOLVING DISPUTED CLAIMS

Allowed Claims. Only Allowed Claims will be paid by the Reorganized Debtor under the Plan. Any holders of Claims that have not been allowed will not be entitled to any distributions on account of such Claims unless they are allowed by the Court.

Attorneys' Fees. Unless the Court orders otherwise, attorneys' fees shall not be included in Allowed Claims.

Objections to Claims. If an objection is filed, then to the extent that such Claims are unsecured claims, cash sufficient to pay the disputed Claims shall be reserved and paid if and when they become Allowed Claims. To the extent that an objection to a secured Claim is filed, if any, the Reorganized Debtor shall deposit such payments as would be made if the Claim were allowed in full into a claims escrow account, unless and until the claim becomes an Allowed Secured Claim. Any party in interest may also object to any claim.

Bar Date For Objecting To Claims. The Bar Date for objecting to claims shall be ten (10) days after the Effective Date.

VI. EFFECT OF CONFIRMATION

Except as otherwise provided herein, the rights afforded in the Plan shall be in exchange for and in complete satisfaction, discharge and release of all claims of any nature whatsoever, including any interest accrued thereon, against the Debtor, or any of its assets or property. Except as otherwise provided herein, on the Effective Date, in accordance with 11 U.S.C. § 1141, all such claims against the Debtor shall be satisfied, discharged, and released in full. Except as otherwise provided herein, any Creditor or interest holder shall be precluded from asserting against the Debtor or its assets or properties any other or further claim based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date; provided, however, that nothing contained in this Plan shall alter the legal, equitable, and contractual right of the holder of any claim specifically designated as being

unimpaired in the Plan, it being intended that such rights, if any exist, are to remain unaltered by the Plan.

VII. RETENTION OF JURISDICTION

The Court shall retain jurisdiction in the following matters after confirmation of the Plan until all payments and distributions called for under this Plan have been made:

(a) To enable any party-in-interest to consummate any and all proceedings that it may bring to set aside liens or to recover preferences, fraudulent transfers, assets or damages to which it may be entitled under applicable bankruptcy, federal or state law;

(b) To classify, allow or disallow claims and to direct distributions of funds under the Plan and to hear and determine all controversies pertaining thereto;

(c) To determine and adjudicate all causes of action, controversies, disputes, arising either before or after the entry of the order for relief herein between the Debtor and any other party;

(d) To correct any defect, cure any omission or reconcile any inconsistency in this Plan or in the order of confirmation of the Plan as may be necessary to carry out the purposes and intent of the Plan;

(e) To modify this Plan after Confirmation of the Plan in accordance with applicable bankruptcy law;

(f) To enforce and interpret the terms and conditions of the Plan;

(g) To liquidate, estimate or determine the manner for such liquidation or estimation of any contingent or unliquidated claim; and

(h) To make such orders as are necessary or appropriate to carry out the provisions of the Plan.

VIII. MISCELLANEOUS PROVISIONS

Headings. All headings utilized in the Plan are for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

Exculpation and Releases. The Plan contains the following exculpation and release provisions:

NEITHER THE DEBTOR, NOR ITS OFFICERS, DIRECTORS, RESPONSIBLE PARTIES, ATTORNEYS OR AGENTS SHALL HAVE OR INCUR ANY LIABILITY TO ANY HOLDER OF A CLAIM OR INTEREST FOR ANY ACT, EVENT, OR OMISSION IN

CONNECTION WITH, OR ARISING OUT OF, THE BANKRUPTCY CASE, THE CONFIRMATION OF THE PLAN, THE CONSUMMATION OF THE PLAN, OR THE ADMINISTRATION OF THE PLAN OR PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE.

Safe Harbor. Issuance of stock in conjunction with the Plan is exempt from securities laws pursuant to § 1145(a)(1) of the Bankruptcy Code.

Due Authorization. Each and every holder of a Claim who elects to participate in the distributions provided for herein warrants that such holder is authorized to accept, in consideration of such Claim against the Debtor, the distributions provided for in the Plan and that there are not outstanding commitments, agreements, or understandings, expressed or implied, that may or can in any way defeat or modify the rights conveyed or obligations undertaken by such holder of a Claim under the Plan.

Authorization of Corporate Action. All matters and actions provided for under the Plan involving the structure of the Debtor or action to be taken by or required of the Debtor or Reorganized Debtor shall be deemed to have occurred and be effective as provided herein, and shall be deemed to be authorized and approved in all respects without any requirement for further action by the Debtor or Reorganized Debtor.

Further Assurances and Authorizations. The Debtor and the Reorganized Debtor, if and to the extent necessary, shall seek such orders, judgments, injunctions, and rulings that may be required to carry out further the intentions and purposes, and to give full effect of the provisions, of the Plan.

Applicable Law. Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights, duties and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the laws of the State of Texas.

Notices. All notices, requests or demands in connection with the Plan shall be in writing and shall be deemed to have been given when received or, if mailed, five (5) days after the date of mailing, provided such writing shall have been sent by registered or certified mail, postage prepaid, return receipt requested, and sent to the following parties, addressed to:

Debtors:
Westech Capital Corp.
13501 Galleria Circle, Suite W-240
Austin, Texas 78738

Debtors' counsel:
Stephen A. Roberts
STRASBURGER & PRICE, LLP
720 Brazos, Suite 700
Austin, Texas 78701
(512) 499-3600 | (512) 499-3660 Fax

All notices and requests to holders of Claims and Interests shall be sent to them at the address listed on the last-filed proof of claim and if no proof of claim is filed, at the last known address.

Notice of Default. In the event of any alleged default under the Plan, any Creditor or party-in-interest must give a written default notice to the Reorganized Debtor with copies to their respective counsel of record specifying the nature of the default. Upon receipt of the default notice, the Reorganized Debtor, as the case may be, shall have ten (10) days to cure such default from the time of receipt of the default notice. If such default has not been cured within the applicable time period, the Creditor or party in interest shall have the right to proceed with any all available remedies under applicable law.

Consummation. For all purposes, consummation (and substantial consummation of the Plan) shall occur the instant upon which the new equity interest are issued and payments required to be made on the Effective Date are made; consummation shall occur on or promptly following the Effective Date.

IX. FEASIBILITY OF THE PLAN

The Debtors believe that the Plan is feasible and that there is sufficient cash to satisfy their distribution obligations on the Effective Date of the Plan.

The Debtor believes that its projections are based on reasonable assumptions. Nonetheless there are risk factors that are difficult to predict and that are influenced by economic and other conditions beyond the Debtor's control including, but not limited to, fluctuations in the supply and demand in the local real estate market, fluctuations in the financial markets and interest rates, government economic policy, changes in local government regulatory policy imposing additional financial conditions for the platting of lots, and the ability of homebuilders and consumers to obtain financing. Creditors should take these factors into consideration in assessing the feasibility of the Plan.

X. OTHER CONSIDERATIONS IN VOTING ON THE PLAN

A. ALTERNATIVES TO DEBTORS' PLAN. The Debtor believes that the only alternative to this plan is the liquidation of the Debtor's assets.

B. LIQUIDATION ANALYSIS.

The deadline for filing proofs of claims has not yet occurred so the Debtor does not know how much the unsecured claims against the estate will be. The Debtor will update this liquidation analysis after the deadline.

In a liquidation, the Debtor would expect a trustee to pursue recovery of the $1.1 million arbitration award from Mr. Fellus but, on information and belief, Mr. Fellus would contest such recovery based upon additional facts that had been concealed until after the arbitration award was entered so there could be uncertainty as to the amount recovered net of attorneys' fees, the

amount of such recovery, and the timing of such recovery. These funds would likely be the only source for recovery for unsecured creditors after deducting the costs of administration of the bankruptcy case, including contesting the claim of John Gorman IV and pursuing offsetting counterclaims.

In addition, the amount of unsecured claims would increase by the amount that such claims are reduced by the compromises under the Plan because the compromises of those claims are conditioned upon the confirmation of this plan. Also any claims that have been voluntarily subordinated under this plan would not be voluntarily subordinated in liquidation.

In addition, a trustee would determine whether to pursue the Derivative Suit. If the Trustee decided to pursue it, then the Debtor's insurer would likely pursue a claim for attorneys' fees it incurs in defending Mr. Salamone.

The plaintiffs in the Derivative Suit have not quantified the damages they contend Westech could recover if the suit were prosecuted to judgment.

Any distributions to creditors could be delayed for months or years because no distributions would likely be made until all claims and disputes are adjudicated and the trustee files a final report of expenses and proposed distributions.

Holders of preferred shares and common shared would receive nothing.

C. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain U.S. federal income tax consequences of the Plan to the Debtor and to U.S. Holders (as defined below) of Allowed Class 1 General Unsecured Claims, Class 2 Unsecured Subordinated Claim, Class 3 Series A Preferred Shareholders Interests and Class 4 Common Shareholders Interests.

This summary is provided for informational purposes only and is based on the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), the Treasury regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. A substantial amount of time may elapse between the date of this Disclosure Statement and the receipt of a final distribution under the Plan. Events subsequent to the date of this Disclosure Statement, such as the enactment of additional tax legislation, court decisions or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling will be sought from the Internal Revenue Service (the "**IRS**") with respect to any of the tax aspects of the Plan and no opinion of counsel will be obtained by the Debtor with respect thereto. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtor or any holder of a Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein. This summary does not address any aspects of U.S. federal non-income, state, local, or non-U.S. taxation.

The summary of certain U.S. federal income tax consequences to U.S. holders of Claims does not address all aspects of U.S. federal income taxation that may be relevant to a particular

U.S. Holder of a Claim in light of its particular facts and circumstances or to particular types of holders of Claims subject to special treatment under the Tax Code (for example, financial institutions; banks; broker-dealers; insurance companies; tax-exempt organizations; retirement plans or other tax-deferred accounts; mutual funds; real estate investment trusts; traders in securities that elect mark-to-market treatment; persons subject to the alternative minimum tax; certain former U.S. citizens or long-term residents; persons who hold Claims or New Common Shares as part of a hedge, straddle, constructive sale, conversion or other integrated transaction; persons that have a functional currency other than the U.S. dollar; governments or governmental organizations; pass-through entities; investors in pass-through entities that hold Claims or New Common Shares; persons who received their Claims as compensation; and holders not entitled to vote on the Plan). Furthermore, the summary of certain U.S. federal income tax consequences to U.S. Holders of Claims applies only to holders that hold their Claims as capital assets for U.S. federal income tax purposes (generally, property held for investment) and that will hold their New Common Shares as capital assets for U.S. federal income tax purposes. Such summary also assumes that the various debt and other arrangements to which the Debtor is a party will be respected for U.S. federal income tax purposes in accordance with their form. Insofar as such summary addresses U.S. federal income tax consequences related to the New Common Shares, such summary applies only to U.S. Holders of Claims that acquire the New Common Shares in exchange for their Interests pursuant to the Plan.

*This summary does not describe the tax consequences of the Plan to any holder of a Class 1, General Unsecured Creditor Claim, Class 2 Unsecured Subordinated Claim, Class 3 Series A Preferred Shareholder Interest or Class 4 Common Shareholder Interest Claim, that is not a U.S. Holder (a "**Non-U.S. Holder**"). Non-U.S. Holders are urged to consult their tax advisors regarding the tax consequences (including the U.S. federal income tax consequences) to them of the Plan, including the possible imposition of U.S. withholding taxes in certain circumstances if the Non-U.S. Holder fails to establish an exemption by providing an applicable IRS Form W-8 or otherwise and the tax implications that would arise if New Common Shares are or have been classified as a United State real property holding company under Section 897 of the Tax Code.*

A "**U.S. Holder**" for purposes of this summary is a beneficial owner of a *Class 1, General Unsecured Creditor Claim, Class 2 Unsecured Subordinated Claim, Class 3 Series A Preferred Shareholder Interest or Class 4 Common Shareholder Interest* who is, for U.S. federal income tax purposes:

i. an individual who is a U.S. citizen or U.S. resident alien;

ii. a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;

iii. an estate whose income is subject to U.S. federal income taxation regardless of its source; or

iv. a trust (1) if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of a Claim, Preferred Shares or Common Shares, the treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships and their partners should consult their tax advisors about the U.S. federal income tax consequences of participating in the Plan, including the tax consequences with respect to the ownership and disposition of Common Shares received under the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A U.S. HOLDER. ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.

A. Certain U.S. Federal Income Tax Consequences of the Plan to the Debtor

The discussion below assumes that Reorganized Debtor will be a continuation of Debtor for U.S. federal income tax purposes.

I. Cancellation of Debt and Reduction of Tax Attributes

It is not anticipated that the Plan will result in a cancellation of a portion of the Debtor's outstanding indebtedness. In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("**COD Income**") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such portion. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of cash paid, (y) the issue price of any new indebtedness of the taxpayer issued and (z) the fair market value of any other consideration.

A debtor will not, however, be required to include any amount of COD Income in gross income if the debtor is under the jurisdiction of a court in a case under Chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income. In general, tax attributes will be reduced in the following order: (a) net operating losses ("**NOLs**") and NOL carryovers; (b) certain tax credits or tax credit carryovers; (c) net capital losses and capital loss carryovers; (d) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); (e) passive activity loss and credit carryovers; and (f) foreign tax credit carryovers. A debtor with COD Income may elect first to reduce the basis of its depreciable assets. In the context of a consolidated group of

corporations, the tax rules provide for a complex ordering mechanism in determining how the tax attributes of one member can be reduced by the COD Income of another member.

As a result of having its debt reduced in connection with its bankruptcy, the Debtor generally will not recognize COD Income from the discharge of indebtedness pursuant to the Plan; however, the Debtor expects that, subject to the limitations discussed herein, it will be required to make material reductions in its tax attributes

II. Limitation of NOL Carryforwards and Other Tax Attributes

The Debtor had significant NOLs as of December 31, 2015, including substantial NOLs whose utilization is limited as a result of a previous ownership change, and expects to generate operating losses through the Effective Date. The Debtor expects that, as a consequence of the COD Income, its NOLs could be somewhat reduced. The amount of tax attributes, if any, that will be available to the Reorganized Debtor following such reduction is based on a number of factors and is impossible to calculate at this time. Some of the factors that will impact the amount of available tax attributes include: the amount of taxable income or loss incurred by the Debtor in 2016 and the amount of COD Income recognized by the Debtor in connection with the consummation of the Plan. Following the consummation of the Plan, the Debtor does not anticipate that any remaining NOLs and other tax attributes will be subject to further limitation under Section 382 of the Tax Code by reason of the transactions under the Plan.

Under Section 382 of the Tax Code, if a corporation undergoes an "ownership change", the amount of its pre-ownership change NOLs, including alternative minimum tax NOLs (collectively, "**Pre-Change Losses**") that may be utilized to offset future taxable income generally is subject to an annual limitation. Corresponding rules may reduce a corporation's ability to use losses if it has built-in losses in its assets at the time of an ownership change. Capital loss carryovers and certain tax credit carryovers are also generally limited after an ownership change under Section 383 of the Tax Code. Although the Debtor believes that certain NOLs are currently subject to these utilization limitations, subsequent trading activity in New Common Share's shares or further changes in the ownership of New Common Share stock prior to the issuance of the New Common Shares pursuant to the Plan could result in "ownership changes" that may ultimately further limit the ability to utilize fully the Debtor's NOLs. The Debtor, however, does not anticipate that the issuance of the New Common Shares pursuant to the Plan will result in an ownership change for these purposes, or that the Reorganized Debtor's use of their Pre-Change Losses (as COD Income) other than those limited as a result of a previous ownership reduced will be subject to limitation.

III. Alternative Minimum Tax

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20% rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, except for alternative tax NOLs for certain taxable years, only 90% of a corporation's AMTI may be offset by available alternative tax NOL carryforwards. Additionally, an ownership change (as discussed above) that

occurs with respect to a corporation having a net unrealized built-in loss in its assets may cause the corporation's aggregate tax basis in its assets to be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date. As noted above, however, the Debtor does not anticipate that the issuance of the New Common Shares pursuant to the Plan will result in an ownership change for these purposes.

B. Certain U.S. Federal Income Tax Consequences of the Plan to U.S. Holders of Allowed Class General Unsecured Claims

The U.S. federal income tax consequences of the Plan to a U.S. Holder of a Claim will depend, in part, on whether the Claim constitutes a "security" for federal income tax purposes, whether the holder reports income on the accrual or cash basis, whether the holder has taken a bad debt deduction or worthless security deduction with respect to the Claim and whether the holder receives distributions under the Plan in more than one taxable year. U.S. Holders should consult their tax advisors regarding the tax consequences of the Plan based on their individual circumstances.

I. Definition of Security

Whether an instrument constitutes a "security" is determined based upon all the facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. Under somewhat different facts, the IRS has ruled that new debt obligations with a term of less than five years issued in exchange for and bearing the same terms (other than interest rate) as securities should also be classified as securities for this purpose, since the new debt represents a continuation of the holder's investment in the corporation in substantially the same form. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including security for payment, creditworthiness of the obligor, the subordination or lack thereof to other creditors, right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or are accrued. It is unlikely that the Class 1 General Unsecured Claims or the Class 2 Unsecured Subordinated Claims will be treated as securities for U.S. Federal income tax purposes. Because of the inherently factual nature of this determination, each U.S. Holder of a Claim is urged to consult its tax advisor regarding whether such Claim constitutes a security for federal income tax purposes.

II. Satisfaction of Claims

(a) General Unsecured Claims

Subject to the treatment of accrued but untaxed interest as discussed below under "Accrued Interest", a U.S. Holder will recognize gain or loss in an amount equal to (i) the "amount realized", which is the amount of cash received, less (ii) the U.S. Holder's adjusted tax basis in the General Unsecured Claim. Any gain or loss that a U.S. Holder recognizes upon the

deemed exchange of a General Unsecured Claim generally will be capital gain or loss unless the claim is an unrealized account receivable held by a cash basis taxpayer. Cash received in exchange of a Class 1 General Unsecured Claim which is an account receivable held by a cash-basis tax payer will generally result in ordinary income to the extent of the cash received. Capital gain is generally taxable at preferential rates to non-corporate U.S. Holders whose holding period in a General Unsecured Claim is greater than one year. The deductibility of capital losses is subject to limitations.

The U.S. federal tax treatment of the payment received by the U.S. Holders of General Unsecured Claims is uncertain. Such payment should be treated as cash received as part of the amount realized in exchange for General Unsecured Claims, and taxable in the manner described above in the preceding paragraph. Each U.S. Holder of a General Unsecured Claim is urged to consult its tax advisor as to the U.S. federal income tax consequences of the General Unsecured Claim Payment.

(b) Receipt of New Common Stock by Class 2 Unsecured Subordinated Claim holders

Class 2 Unsecured Subordinated Claim holders will receive New Common Stock in exchange for their claims. Subject to the treatment of accrued but untaxed interest discussed under "Accrued Interest," below, a U.S. Holder of a Class 2 Unsecured Subordinated Claim will recognize gain or loss in an amount equal to (i) the "amount realized", which is the Fair Market Value of any New Common Stock received, less (ii) the U.S. Holder's adjusted tax basis in the Unsecured Subordinated Claim. Any gain or loss that a U.S. Holder recognizes upon the deemed exchange of an Unsecured Subordinated Claim generally will be capital gain or loss if the claim is held as a capital asset. Capital gain is generally taxable at preferential rates to non-corporate U.S. Holders whose holding period in a General Unsecured Claim is greater than one year. The deductibility of capital losses is subject to limitations. If the Unsecured Subordinated Claim is related to employment, however, the value of the new Common Stock will be treated as ordinary compensation income and subject to withholding for income and employment taxes.

The U.S. federal tax treatment of the payment received by the U.S. Holders of Unsecured Subordinated Claims is uncertain. Such payment should be treated as cash received as part of the amount realized in exchange for General Unsecured Claims and taxable in the manner described above in the preceding paragraph. Each U.S. Holder of an Unsecured Subordinated Claim is urged to consult its tax advisor as to the U.S. federal income tax consequences of the Unsecured Subordinated Claim Payment.

(c) Receipt of New Common Shares by Series A Preferred Share Holders

The exchange of Series A Preferred Shares that constitute “securities” for New Common Shares should be treated as a recapitalization under Section 368(a)(l)(E) of the Tax Code. In such case, the U.S. Holders of such Class A Preferred Shares generally should not recognize any gain or loss upon the exchange. A U.S. Holder of Series A Preferred Shares generally should obtain an aggregate tax basis in the shares of New Common Shares received in exchange for such Claim equal to its tax basis in such Series A Preferred Shares Holders. Such a U.S. Holder

should have a holding period in the New Common Shares received in exchange for its Series A Preferred Shares Holders equal to its holding period in such Series A Preferred Shares Holders.

The discussion above generally assumes that the exchange by Holders of Series A Preferred Shares treated as "securities" for New Common Shares is treated as an exchange qualifying for non-recognition treatment under the Tax Code. U.S. Holders of Series A Preferred Shares Holders are urged to consult their tax advisors regarding the proper characterization of the exchange and the resulting U.S. federal income tax consequences to them.

III. New Common Shares

(i) Distributions

The gross amount of any distribution of cash or property made to a U.S. Holder with respect to New Common Shares generally will be includible in gross income by a U.S. Holder as dividend income to the extent such distribution is paid out of current or accumulated earnings and profits of Reorganized Debtor, as determined under U.S. federal income tax principles. Dividends received by non-corporate U.S. Holders may quality for reduced rates of taxation. Subject to applicable limitations, a distribution which is treated as a dividend for U.S. federal income tax purposes may qualify for the dividends-received deduction if such amount is distributed to a U.S. Holder that is a corporation and certain holding period and certain other requirements are satisfied. Any dividend received by a U.S. Holder that is a corporation may be subject to the "extraordinary dividend" provisions of the Tax Code. A distribution in excess of current and accumulated earnings and profits of the Reorganized Debtor as determined under U.S. federal income tax principles, first will be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in its New Common Shares and will be applied against and reduce such basis dollar-for-dollar (thereby increasing the amount of gain or decreasing the amount of loss recognized on a subsequent taxable disposition of the New Common Shares). To the extent that such distribution exceeds the U.S. Holder's adjusted tax basis in its New Common Shares, the distribution will be treated as capital gain, which will be treated as long-term capital gain if such U.S. Holder's holding period in its New Common Shares exceeds one year as of the date of the distribution.

(ii) Sale, Exchange or Other Taxable Disposition

For U.S. federal income tax purposes, a U.S. Holder generally will recognize capital gain or loss on the sale, exchange, or other taxable disposition of any of its New Common Shares or in an amount equal to the difference, if any, between the amount realized for the New Common Shares and the U.S. Holder's adjusted tax basis in the New Common Shares. Capital gains of non-corporate U.S. Holders derived with respect to a sale, exchange, or other taxable disposition of New Common Shares held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Holders of New Common Shares are urged to consult their tax advisors regarding the tax consequences related to the New Common Shares.

IV. Accrued But Unpaid Interest

To the extent that any amount received by a U.S. Holder under the Plan is attributable to accrued but unpaid interest and such interest has not previously been included in the U.S. Holder's gross income for U.S. federal income tax purposes, such amount generally would be taxable to the U.S. Holder as ordinary interest income. A U.S. Holder may be able to recognize a deductible loss to the extent that any accrued interest on the debt instrument constituting such Claim was previously included in the U.S. Holder's gross income but is cancelled under the Plan.

The extent to which any amount received by a U.S. Holder will be attributable to accrued but untaxed interest is unclear. Under the Plan, the aggregate consideration to be distributed to holders of Allowed Claims in each Class in full or partial satisfaction of their Claims will be treated as first satisfying the stated principal amount of the Allowed Claims for such holders and any remaining consideration as satisfying accrued, but unpaid, interest, if any. The IRS could take the position, however, that the consideration received by a U.S. Holder should be allocated in some way other than as provided in the Plan.

U.S. Holders of Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

V. Market Discount

Under the "market discount" provisions of Sections 1276 through 1278 of the Tax Code, some or all of any gain realized by a U.S. Holder exchanging debt instruments constituting its Allowed Claim may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the surrendered Allowed Claim.

In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its U.S. Holder's adjusted tax basis in the debt instrument is less than (i) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or, (ii) in the case of a debt instrument issued with "original issue discount," its adjusted issue price, by at least a de minimis amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on the taxable disposition (determined as described above) of debt instruments that it acquired with market discount would be treated as ordinary income to the extent of the market discount that accrued thereon while such debt instruments were considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that surrendered debt instruments that had been acquired with market discount are exchanged in a tax-free or other reorganization transaction for other property (as may occur here if the exchange is treated as a recapitalization), any market discount that accrued on such debt instruments but was not recognized by the U.S. Holder may be required to be carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption or other

disposition of such property may be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged debt instrument.

VI. **Medicare Tax**

Certain U.S. Holders that are individuals, estates, or trusts are required to pay an additional 3.8% tax on, among other things, dividends, interest, and gains from the sale or other disposition of capital assets. U.S. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their own situation.

C. Information Reporting and Backup Withholding

Payments made pursuant to the Plan and other payments made by the Reorganized Debtor (e.g., dividends on New Common Shares) generally will be subject to applicable U.S. federal income tax information reporting and backup withholding requirements. The Tax Code imposes backup withholding tax on certain payments, including payments of interest, if a taxpayer (a) fails to furnish its correct taxpayer identification number (generally on IRS Form W-9 for a U.S. Holder); (b) furnishes an incorrect taxpayer identification number; (c) is notified by the IRS that it has previously failed to report properly items subject to backup withholding tax; or (d) fails to certify, under penalty of perjury, that such taxpayer has furnished its correct taxpayer identification number and that the IRS has not notified such taxpayer that it is subject to backup withholding tax. However, taxpayers that are corporations generally are excluded from these information reporting and backup withholding tax rules provided that evidence of such corporate status is furnished to the payor. Backup withholding is treated as withholding of tax and is not an additional U.S. federal income tax. Any amounts withheld under the backup withholding tax rules generally will be allowed as a credit against a taxpayer's U.S. federal income tax liability, if any, or will be refunded to the extent the amounts withheld exceed the taxpayer's actual tax liability, if such taxpayer timely furnishes required information to the IRS. Each taxpayer should consult its own tax advisor regarding the information reporting and backup withholding tax rules as they relate to distributions under the Plan.

In addition, from an information reporting perspective, U.S. Treasury regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders of Claims are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

D. Importance of Obtaining Professional Tax Assistance

The foregoing discussion is intended only as a summary of certain U.S. federal income tax consequences of the Plan, does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular holder of a Claim in light of such holder's circumstances and tax situation and is not a substitute for consultation with a tax professional. The above discussion is for informational purposes only and is not tax advice. The tax consequences of the Plan are complex and are in many cases uncertain and may vary depending on a claimant's particular

circumstances. Accordingly, all holders of Claims are strongly urged to consult their own tax advisors about the federal, state, local, and applicable non-U.S. income and other tax consequences to them under the Plan, including with respect to tax reporting and record keeping requirements.

D. CONFIRMATION OF THE DEBTORS' PLAN, VOTING PROCEDURES, AND REQUIREMENTS FOR CONFIRMATION OF A PLAN

At the confirmation hearing, the Bankruptcy Court will determine whether the requirements of § 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. Those requirements include:

Best Interest Test and Liquidation Analysis. Confirmation of a plan requires that, with respect to each impaired class of creditors, each holder of an allowed claim in the class has either accepted the plan or will receive under the plan property of a value, as of the Effective Date, that is not less than the amount the holder would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

To determine if a plan is in the best interests of each class, the probable results of Chapter 7 liquidation must be compared with the results reasonably to be obtained under the Plan. The Debtors have applied the rule of absolute priority of distributions in the Plan. Under that rule no junior class of creditors may receive any distribution until all senior classes of creditors are paid in full and no holder of an equity interest may receive any distribution until all creditors are paid in full.

Feasibility. In order for a plan to be confirmed, the Bankruptcy Court must determine that a further reorganization or subsequent liquidation is not likely to result following confirmation of the Plan unless such further reorganization or liquidation is contemplated by the Plan.

Acceptance by Impaired Classes. Section 1129(a)(8) of the Bankruptcy Code generally requires that each impaired class must accept a plan by the requisite votes for confirmation to occur. A class of impaired claims will have accepted a plan if, of the holders in the class actually voting, at least two-thirds (2/3) in amount and more than one-half (1/2) in number of allowed claims, excluding the claims of insiders, cast an affirmative vote. A class of equity interests will have accepted a plan if the holders in the class actually voting at last two-thirds in number cast an affirmative vote. The vote of any person or entity can be disqualified pursuant to § 1126(e) of the Bankruptcy Code.

Fair and Equitable Test. If any impaired class of claims does not accept a plan, the Bankruptcy Court may confirm a plan pursuant to its "cram down" powers under § 1129(b) of the Bankruptcy Code, if a plan "does not discriminate unfairly" and is "fair and equitable." The Bankruptcy Court must determine at the confirmation hearing whether a plan is fair and equitable and does not discriminate unfairly against any impaired, dissenting class of claims. A plan will not discriminate unfairly if no class receives more than it is legally entitled to receive for its claims. The meaning of the phrase "fair and equitable" is different when applied to secured claims and unsecured claims.

With respect to a secured claim, the requirement that a plan be "fair and equitable" includes: (1) the impaired secured creditor retains its liens to the extent of its allowed secured claim and receives deferred cash payments at least equal to the allowed amount of its claim with a present value as of the effective date of the plan at least equal to the value of its interest in the Debtors' interest in the property securing its liens, (2) if property subject to the lien of the impaired secured creditor is sold free and clear of its lien the impaired secured creditor receives a lien attaching to the Proceeds of the Sale, or (3) the impaired secured creditor realizes the "indubitable equivalent" of its claim under the plan.

If a holder of a claim which is at least in part secured makes a valid and timely election under § 1111(b)(2) of the Bankruptcy Code, its Allowed Secured Claim will be deemed equal to its Allowed Claim, regardless of whether the value of its collateral on the effective date is in fact less than its Allowed Claim. In such a case a plan will be fair and equitable if: (1) the secured creditor receives deferred cash payments that both equal the allowed amount of its claim and have a present value equal to the value of the claimant's interest in Debtors' interest in the collateral on the effective date and (2) the secured creditor retains a lien on its collateral securing its entire allowed claim. A secured creditor that elects treatment under § 1111(b) waives its right to have a portion of its claim included as an unsecured or deficiency claim for purposes of voting.

With respect to an unsecured claim, "fair and equitable" includes the requirements that either: (1) the impaired unsecured creditor receives property of a value equal to the amount of its allowed claim or (2) the holders of claims and equity interests that are junior to the claims of the dissenting impaired unsecured creditor class will not receive any property under the plan until the claims of the dissenting impaired unsecured creditor class are paid in full.

If creditors do not vote in numbers and amounts sufficient to accept the Plan as proposed, the Debtor nevertheless will seek confirmation of the Plan pursuant to § 1129(b) of the Bankruptcy Code, sometimes referred to as the "cram down" provision.

In addition to the above requirements, the Plan cannot be confirmed unless all quarterly United States Trustee fees payable under 28 U.S.C. § 1930 have been paid or unless the Plan provides for their payment on the Effective Date of the Plan. Under the Plan, all fees due and owing will be paid on the Effective Date of the Plan.

Creditors Typically Entitled to Vote. Generally, 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 the last date set by the Bankruptcy Court for such filings and no objection to the claim has been filed. 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 temporarily allowed the Claim in an amount which it deems proper for the purpose of accepting or rejecting the Plan upon application by the Creditor. Such application must be heard and determined by the Bankruptcy Court at such time as specified by the Bankruptcy Court. 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.

Definition of Impairment. Under § 1124 of the Bankruptcy Code, a class of Claims or Interests is "Impaired" under a Chapter 11 plan unless, with respect to each Claim or Interest of such class, the Plan:

1. leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or

2. notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default;

3. cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title;

4. reinstates the maturity of such claim or interest as such maturity existed before such default;

5. compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and

6. does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Vote Required for Class Acceptance. The Bankruptcy Code defines acceptance of a Plan by a class of Creditors or Interest holders as acceptance by holders of two thirds (2/3) in dollar amount and a majority in number of the Claims or Interests of that class which actually cast ballots for acceptance or rejection of the Plan; i.e., acceptance takes place only if sixty-six and two-thirds percent (66-2/3%) in amount of Claims and Interests in each class and more than fifty percent (50%) of Claims or Interests voting in each class cast their ballots in favor of acceptance. In this case, the votes of the Creditors of Green Builders, Inc. shall be tabulated separately from the votes of the Creditors of Wilson Family Communities, Inc.

XI. CONCLUSION

Debtor respectfully submits that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the "best interest" and "feasibility" requirements and that it should be confirmed even in the event a class of claims does not vote for acceptance of the Plan. The Debtor believes that the Plan is "fair and equitable" and "does not discriminate unfairly." Additionally, the Debtor believes that the Plan has been proposed in good faith.

DATED: July 11, 2016.

WESTECH CAPITAL CORP.

/s/ *Gary Salamone*

Gary Salamone, Chief Executive Officer

APPROVED AS TO FORM:

/s/ *Stephen A. Roberts*
Stephen A. Roberts
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COUNSEL FOR DEBTOR-IN-POSSESSION

DISCLOSURE STATEMENT FOR WESTECH CAPITAL CORP.

July 11, 2016

Schedule A
FINANCIAL REPORTS

WESTECH CAPITAL CORP AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)
For the 4th Quarter ended December 31, 2011

							Consolidating Entries					
	TSG	**TSBGP**	**TSGHC**	**CLV**	**TIB**	**Westech**	**TSG**	**TSBGP**	**TSGHC**	**CLV**	**TIB**	**Westech Consolidated**
Revenues:												
Commissions	4,197,926	-			-	-						4,197,926
Underwriting and investment banking income	-	-			-	-						-
Net dealer inventory and investment income	1,288,059	-			-	12,203						1,300,262
Investment income - TSG	-	-	(648,985)		-	-	648,985					-
Investment income - TSBGP	-	-			-	(22)		22				-
Investment income - TIB	-	(22)			-	(2,184)					2,206	-
Investment income - TSGHC						(648,985)			648,985			-
Investment income - Clearview										-		-
Other income	17,175	-			85,500	2					(85,500)	17,177
Total revenues	5,503,160	(22)	(648,985)	-	85,500	(638,986)	648,985	22	648,985	-	(83,294)	5,515,365
Expenses:												
Commissions	2,445,101											2,445,101
Employee compensation and benefits	1,774,343	-			-	507						1,774,850
Clearing and floor brokerage	105,999	-			-	-						105,999
Communications and occupancy	618,385	-			-	-	(85,500)					532,885
Professional fees	227,185	-			-	152,302						379,487
Interest	286	-			31,737	5,976						37,999
Other	964,579	-			55,969	65,261						1,085,809
Building impairment	-	-			-	-						-
Goodwill impairment	-	-			-	-						-
Total expenses	6,135,877	-	-	-	87,706	224,046	(85,500)	-	-	-	-	6,362,129
Income before income taxes and minority interest	(632,717)	(22)	(648,985)	-	(2,206)	(863,032)	734,485	22	648,985	-	(83,294)	(846,764)
Income tax expense (benefit)	16,268	-			-	-						16,268
Net income	(648,985)	(22)	(648,985)	-	(2,206)	(863,032)	734,485	22	648,985	-	(83,294)	(863,032)

WESTECH CAPITAL CORP AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)
Quarter to date ended December 31, 2012

							Consolidating Entries					
	TSG	**TSBGP**	**TSGHC**	**CLV**	**TIB**	**Westech**	**TSG**	**TSBGP**	**TSGHC**	**CLV**	**TIB**	**Westech Consolidated**
Revenues:												
Commissions	4,471,665	-			-	-						4,471,665
Underwriting and investment banking income	15,078	-			-	-						15,078
Net dealer inventory and investment income	608,693	-			-	(455,604)						153,089
Investment income - TSG	-	-	(380,017)		-	-	380,017					-
Investment income - TSBGP	-	-			-	37		(37)				-
Investment income - TIB	-	37			-	3,659					(3,695)	-
Investment income - TSGHC						(380,017)			380,017			-
Investment income - Clearview										-		-
Other income	42,184	-			85,500	4					(85,500)	42,188
Total revenues	5,137,620	37	(380,017)	-	85,500	(831,921)	380,017	(37)	380,017	-	(89,195)	4,682,020
Expenses:												
Commissions COGS	2,414,188											2,414,188
Employee compensation and benefits	1,248,043	-			-	(142,140)						1,105,904
Clearing and floor brokerage	236,264	-			-	-						236,264
Communications and occupancy	947,040	-			-	-	(85,500)					861,540
Professional fees	41,327	-			-	250,534						291,861
Interest	1,142	-			31,061	4,329						36,531
Other	631,253	-			50,744	135,343						817,340
Building impairment	-	-			-	-						-
Goodwill impairment	-	-			-	-						-
Total expenses	5,519,258	-	-	-	81,805	248,066	(85,500)	-	-	-	-	5,763,628
Income before income taxes and minority interest	(381,638)	37	(380,017)	-	3,695	(1,079,987)	465,517	(37)	380,017	-	(89,195)	(1,081,608)
Income tax expense (benefit)	(1,621)	-			-	2,454						833
Net income	(380,017)	37	(380,017)	-	3,695	(1,082,441)	465,517	(37)	380,017	-	(89,195)	(1,082,441)

WESTECH CAPITAL CORP AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)
Quarter to date ended December 31, 2013

							Consolidating Entries					
	TSG	**TSBGP**	**TSGHC**	**CLV**	**TIB**	**Westech**	**TSG**	**TSBGP**	**TSGHC**	**CLV**	**TIB**	**Westech Consolidated**
Revenues:												
Commissions	2,827,144	-			-	-						2,827,144
Underwriting and investment banking income	-	-			-	-						-
Net dealer inventory and investment income	316,700	-			-	(299,583)						17,117
Investment income - TSG	-	-	(660,863)		-	-	660,863					-
Investment income - TSBGP	-	-			-	30		(30)				-
Investment income - TIB	-	30			-	3,005					(3,035)	-
Investment income - TSGHC						(660,863)			660,863			-
Investment income - Clearview										-		-
Other income	(4,786)	-			85,500	2					(85,500)	(4,784)
Total revenues	3,139,058	30	(660,863)	-	85,500	(957,408)	660,863	(30)	660,863	-	(88,535)	2,839,477
Expenses:												
Commissions COGS	1,519,817											1,519,817
Employee compensation and benefits	1,201,163	-			-	123,519						1,324,682
Clearing and floor brokerage	120,086	-			-	-						120,086
Communications and occupancy	675,452	-			-	-	(85,500)					589,952
Professional fees	(13,825)	-			2,765	470,468						459,408
Interest	1,561	-			26,542	3,210						31,314
Other	295,667	-			53,157	138,626						487,450
Building impairment	-	-			-	-						-
Goodwill impairment	-	-			-	-						-
Total expenses	3,799,921	-	-	-	82,465	735,823	(85,500)	-	-	-	-	4,532,709
Income before income taxes and minority interest	(660,863)	30	(660,863)	-	3,035	(1,693,232)	746,363	(30)	660,863	-	(88,535)	(1,693,232)
Income tax expense (benefit)	-	-			-	(19,409)						(19,409)
Net income	(660,863)	30	(660,863)	-	3,035	(1,673,822)	746,363	(30)	660,863	-	(88,535)	(1,673,822)

WESTECH CAPITAL CORP AND SUBSIDIARIES
Consolidated Statements of Financial Condition (Unaudited)
As of November 30, 2014

							Consolidating and Reclass Entries						
	TSG	TSBGP	TSGHC	CLV	TIB	Westech	TSG	TSBGP	TSGHC	CLV	TIB	Westech	**Westech Consolidated**
Cash and cash equivalents	66,271	1,010			1,744,451	50,447							1,862,179
Receivable from clearing organization	393,065	-			-	133						-	393,198
Receivables from employees	7,328	-			-								7,328
Federal income tax receivable	-	-			-	-						-	-
Securities owned, at market value	16,059	-			-	6,493							22,552
Property and equipment, net	-	-			-	-							-
Deferred tax assets, net	-	-			-	-						-	-
Goodwill	-	-			-	-							-
Intangible assets, net	-	-			-	-							-
Investment in TSG	-	-	273,456		-	388,148	(661,603)						-
Investment in TSBGP	-	-			-	18,391		(18,391)					-
Investment in TIB	-	18,131			-	1,720,688					(1,738,819)		-
Investment in TSGHG						(3,726,544)			3,726,544				-
Investment in Clearview						1,000				(1,000)			-
Due to/from TINC	1,942,131	-			-	(1,942,131)						-	-
Due to/from TSG	-	-			-	-						-	-
Due to/from TIB	-	-			-	-						-	-
Prepaid expenses and other assets	-	-		1,000	-	4,000,000			(4,000,000)				1,000
Total assets	2,424,854	19,141	273,456	1,000	1,744,451	516,624	(661,603)	(18,391)	(273,456)	(1,000)	(1,738,819)	-	2,286,257
Accounts payable, accrued expenses and other liabilities	1,577,530	-			6,382	2,430,145							4,014,056
Securities sold, not yet purchased	-	-			-	-							-
Payable to clearing organization	-	-			-	-						-	-
Federal income tax payable	-	-			-	-						-	-
Deferred tax liability, net	-	-			-	-						-	-
Notes payable	-	-			-	-							-
Notes payable - related party	-	-	4,000,000		-	-			(4,000,000)				-
Total liabilities	1,577,530	-	4,000,000	-	6,382	2,430,145	-	-	(4,000,000)	-	-	-	4,014,056
Minority interest in consolidated subsidiary	-					-	-						-
Stockholders' equity:													
Preferred stock	-	-			-	0							0
Common stock	2,295,674	11,940	1,000		2,019,023	8,199	(2,295,674)	(11,940)	(1,000)	-	(2,019,023)		8,199
Capital in excess of par value	19,450,731	19,550	14,695,587	1,000	-	76,740,650	(19,322,968)	(19,550)	(14,695,587)	(1,000)	-		76,868,413
Treasury Stock	(7,333)	-	-		-	(11,248,244)	7,333	-	-	-	-		(11,248,244)
Comprehensive Income					-								-
Retained earnings	(20,891,748)	(12,350)	(18,423,131)		(280,954)	(67,414,126)	20,949,705	12,350	18,423,131	-	280,954		(67,356,169)
Total stockholders' equity	847,324	19,141	(3,726,544)	1,000	1,738,069	(1,913,520)	(661,604)	(19,141)	3,726,544	(1,000)	(1,738,069)	-	(1,727,800)
Total liabilities and stockholders' equity	2,424,854	19,141	273,456	1,000	1,744,451	516,624	(661,604)	(19,141)	(273,456)	(1,000)	(1,738,069)	-	2,286,256

WESTECH CAPITAL CORP AND SUBSIDIARIES
Consolidated Statements of Financial Condition (Unaudited)
As of December 31, 2015

							Consolidating and Reclass Entries						
	TSG	TSBGP	TSGHC	CLV	TIB	Westech	TSG	TSBGP	TSGHC	CLV	TIB	Westech	**Westech Consolidated**
Cash and cash equivalents	6,293	875			543	472,206							479,917
Receivable from clearing organization	395,014	-			-	-						-	395,014
Receivables from employees	-	-			-								-
Federal income tax receivable	-	-			-	-						-	-
Securities owned, at market value	16,425	-			-	6,493							22,918
Property and equipment, net	-	-			-	-							-
Deferred tax assets, net	-	-			-	-						-	-
Goodwill	-	-			-	-							-
Intangible assets, net	-	-			-	-							-
Investment in TSG	-	-	(779,199)		-	388,148	391,052						-
Investment in TSBGP	-	-			-	1,014		(1,014)					-
Investment in TIB	-	18,104			-	371					(18,474)		-
Investment in TSGHG						(4,779,199)			4,779,199				-
Investment in Clearview						1,000				(1,000)			-
Due to/from TINC	1,205,138	-			-	(1,205,138)						-	-
Due to/from TSG	-	-			-	-						-	-
Due to/from TIB	-	-			-	-						-	-
Prepaid expenses and other assets	55,792	-		1,000	-	4,030,000			(4,000,000)				86,792
Total assets	1,678,662	18,979	(779,199)	1,000	543	(1,085,107)	391,052	(1,014)	779,199	(1,000)	(18,474)	-	984,641
Accounts payable, accrued expenses and other liabilities	1,883,993	-			169	2,149,454							4,033,617
Securities sold, not yet purchased	-	-			-	-							-
Payable to clearing organization	-	-			-	-						-	-
Federal income tax payable	-	-			-	-						-	-
Deferred tax liability, net	-	-			-	-						-	-
Notes payable	-	-			-	-							-
Notes payable - related party	-	-	4,000,000		-	-			(4,000,000)				-
Total liabilities	1,883,993	-	4,000,000	-	169	2,149,454	-	-	(4,000,000)	-	-	-	4,033,617
Minority interest in consolidated subsidiary	-					-	-						-
Stockholders' equity:													
Preferred stock	-	-			-	0							0
Common stock	2,295,674	11,940	1,000		-	8,199	(2,295,674)	(11,940)	(1,000)	-	-		8,199
Capital in excess of par value	19,450,731	19,550	14,695,587	1,000	284,023	76,740,650	(19,322,968)	(19,550)	(14,695,587)	(1,000)	(284,068)		76,868,368
Treasury Stock	(7,333)	-	-		-	(11,248,244)	7,333	-	-	-	-		(11,248,244)
Comprehensive Income					-								-
Retained earnings	(21,944,403)	(12,511)	(19,475,786)		(283,649)	(68,735,166)	22,002,360	12,511	19,475,786	-	283,649		(68,677,209)
Total stockholders' equity	(205,331)	18,979	(4,779,199)	1,000	375	(3,234,561)	391,051	(18,979)	4,779,199	(1,000)	(419)	-	(3,048,886)
Total liabilities and stockholders' equity	1,678,662	18,979	(779,199)	1,000	543	(1,085,107)	391,051	(18,979)	779,199	(1,000)	(419)	-	984,731

WESTECH CAPITAL CORP AND SUBSIDIARIES
Consolidated Statements of Financial Condition (Unaudited)
As of March 31, 2016

							Consolidating and Reclass Entries						
	TSG	TSBGP	TSGHC	CLV	TIB	Westech	TSG	TSBGP	TSGHC	CLV	TIB	Westech	**Westech Consolidated**
Cash and cash equivalents	1,147	830			309	281,075							283,360
Receivable from clearing organization	395,014	-			-	-						-	395,014
Receivables from employees	-	-			-								-
Federal income tax receivable	-	-			-	-						-	-
Securities owned, at market value	16,425	-			-	6,493							22,918
Property and equipment, net	-	-			-	-							-
Deferred tax assets, net	-	-			-	-						-	-
Goodwill	-	-			-	-							-
Intangible assets, net	-	-			-	-							-
Investment in TSG	-	-	(702,062)		-	388,148	313,914						-
Investment in TSBGP	-	-			-	833		(833)					-
Investment in TIB	-	18,103			-	305					(18,408)		-
Investment in TSGHG						(4,702,062)			4,702,062				-
Investment in Clearview						1,000				(1,000)			-
Due to/from TINC	1,205,138	-			-	(1,205,138)						-	-
Due to/from TSG	-	-			-	-						-	-
Due to/from TIB	-	-			-	-						-	-
Prepaid expenses and other assets	-	-		1,000	-	4,055,000			(4,000,000)				56,000
Total assets	1,617,724	18,933	(702,062)	1,000	309	(1,174,346)	313,914	(833)	702,062	(1,000)	(18,408)	-	757,293
Accounts payable, accrued expenses and other liabilities	1,745,918	-			-	2,149,096							3,895,014
Securities sold, not yet purchased	-	-			-	-							-
Payable to clearing organization	-	-			-	-						-	-
Federal income tax payable	-	-			-	-						-	-
Deferred tax liability, net	-	-			-	-						-	-
Notes payable	-	-			-	-							-
Notes payable - related party	-	-	4,000,000		-	-			(4,000,000)				-
Total liabilities	1,745,918	-	4,000,000	-	-	2,149,096	-	-	(4,000,000)	-	-	-	3,895,014
Minority interest in consolidated subsidiary	-					-	-						-
Stockholders' equity:													
Preferred stock	-	-			-	0							0
Common stock	2,295,674	11,940	1,000		-	8,199	(2,295,674)	(11,940)	(1,000)	-	-		8,199
Capital in excess of par value	19,450,731	19,550	14,695,587	1,000	284,023	76,740,650	(19,322,968)	(19,550)	(14,695,587)	(1,000)	(284,068)		76,868,368
Treasury Stock	(7,333)	-	-		-	(11,248,244)	7,333	-	-	-	-		(11,248,244)
Comprehensive Income					-								-
Retained earnings	(21,867,266)	(12,557)	(19,398,648)		(283,715)	(68,824,047)	21,925,223	12,602	19,398,648	-	283,715		(68,766,045)
Total stockholders' equity	(128,194)	18,933	(4,702,062)	1,000	309	(3,323,442)	313,914	(18,888)	4,702,062	(1,000)	(353)	-	(3,137,721)
Total liabilities and stockholders' equity	1,617,724	18,933	(702,062)	1,000	309	(1,174,346)	313,914	(18,888)	702,062	(1,000)	(353)	-	757,292