

Joyce W. Lindauer
8140 Walnut Hill Lane
Suite 301
Dallas, Texas 75231
Tel: 972.503.4034
Fax: 972.503.4034
Email: courts@joycelindauer.com
COUNSEL FOR THE DEBTOR

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

IN RE:

**WHITESTONE HOUSTON LAND,
LTD.,**

DEBTOR.

§
§
§
§
§
§
§
§

Case No. 11-42400

Chapter 11

MOTION TO (A) APPROVE THE DEBTOR'S ENTRY INTO PURCHASE AGREEMENT; (B) APPROVE THE PROCEDURES FOR THE SOLICITATION OF OTHER OFFERS TO PURCHASE THE DEBTOR'S ASSETS; (C) APPROVE THE FORM AND MANNER OF NOTICE THEREOF; (D) APPROVE PROCEDURES FOR DETERMINING CURE AMOUNTS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (E) APPROVE THE BID PROTECTIONS AND PROCEDURES; AND (F) APPROVE A BREAK-UP FEE IN CONNECTION WITH THE TRANSACTION CONTEMPLATED BY THE PURCHASE AGREEMENT

THE DEBTORS HAVE REQUESTED THAT A HEARING BE CONDUCTED ON THIS MATTER ON MARCH 29, 2012 AT 10:15 AM IN THE COURTROOM OF THE HONORABLE BRENDA T. RHOADES, 660 NORTH CENTRAL EXPRESSWAY, SUITE 300B, PLANO, TEXAS 75074. IF YOU OBJECT TO THE RELIEF REQUESTED, YOU MUST RESPOND IN WRITING, SPECIFICALLY ANSWERING EACH PARAGRAPH OF THIS PLEADING. UNLESS OTHERWISE DIRECTED BY THE COURT, YOU MUST FILE YOUR RESPONSE WITH THE CLERK OF THE BANKRUPTCY COURT ON OR BEFORE MARCH 28, 2012 AT 4:00 PM. YOU MUST SERVE A COPY OF YOUR RESPONSE ON THE PERSON WHO SENT YOU THE NOTICE; OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

TO THE HONORABLE BRENDA T. RHOADES, UNITED STATES BANKRUPTCY JUDGE

The above-referenced Debtor (the “Debtor”) files this *Motion to (A) Approve the Debtor’s Entry into Purchase Agreement; (B) Approve the Procedures for the Solicitation of Other Offers to Purchase the Debtor’s Assets; (C) Approve the Form and Manner of Notice Thereof; (D) Approve Procedures for Determining Cure Amounts for Executory Contracts and Unexpired Leases; (E) Approve the Bid Protections and Procedures; and (F) Approve a Break-Up Fee in Connection with the Transaction Contemplated by the Purchase Agreement* (the “Motion”) and in support thereof would respectfully show the Court as follows:

JURISDICTION AND PROCEDURAL BACKGROUND

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).
2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
3. On August 1, 2011 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”), thereby commencing the above-captioned case (the “Case”).
4. Since the Petition Date, the Debtor has continued to operate and manage its business as debtor in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

STATEMENT OF FACTS

Case Background

5. The Debtor is a special purpose entity that owns vacant real property. The Debtor acquired the property in June 2004. The property constitutes substantially all of the assets of the Debtor.

The Marketing Process

The Debtor has extensively marketed the asset for the past 6 years. The following details those efforts that have resulted in potential purchasers entering into negotiations and/or due diligence: Debtor has marketed the Whitestone property for 6 years. In 2006 the property was listed with Land Advisors, a national land brokerage firm with offices in Houston. As a result of that listing, in mid-2006, three groups indicated interest in Whitestone. The groups were Avanti, a capital investment group, Robson, an active adult developer and Vernal Properties LLC which entered into a term sheet and due diligence but did not close. Subsequent to these efforts, the property was marketed extensively under the EarthQuest moniker in 2009 thru 2011. The ensuing real estate recession did not allow for successful consummation of those marketing endeavors

The Purchase Agreement

6. Subject to receipt of higher or better offer(s), the Debtor proposes to effectuate the transactions contemplated by a definitive term sheet or a definitive asset purchase agreement (as amended from time to time, the “Purchase Agreement”) to be entered into by and among D.R. Horton Inc., and its permitted successors and assigns (the “Potential Buyer”) and the Debtor (the “Transaction”).

7. A copy of the Term Sheet is attached hereto as **Exhibit A**. The Term Sheet provides for, among other things, the sale of the Debtor’s right, title and interest in, to and under substantially all of the Debtor’s assets (collectively, the “Property”) free and clear of any and all liens, encumbrances, claims and other interests, except as otherwise set forth in the Purchase Agreement. The Transaction is subject to higher or better offers as more particularly set forth in this Motion and the Bid Procedures. In consideration for the Property, the Potential Buyer has agreed to provide consideration at the closing of the Transaction comprised of cash in the

amount of (i) \$10,000,000.00 to Debtor, (ii) \$500,000.00 to cure defaults under the Desired 365 Contracts (as defined below), (iii) \$43,765.84 to be paid to the Debtor's estate for the benefit of creditors, and (iv) the payment of \$171,447.98 of past due ad valorem taxes on the Property (subject to certain adjustments as set forth in the Purchase Agreement) (the "Purchase Price"). The Potential Buyer has agreed to assume all of the obligations under the Desired 365 Contracts from and after the closing date of the Transaction. Under the Purchase Agreement, the Potential Buyer has the right prior to the end of the Designation Period (as defined below) to exclude from the Property transferred to the Potential Buyer any assets that the Potential Buyer determines in its sole and absolute discretion that it does not desire to purchase.

8. The Debtor and the Potential Buyer have agreed that in the event that the Purchase Agreement consists of a term sheet rather than a signed asset purchase agreement prior to the Bid Procedures Hearing, the Debtor shall enter into a binding asset purchase agreement with the Potential Buyer prior to five (5) business days after the entry of the Bid Procedures Order (as defined in the Purchase Agreement) unless otherwise consented to in writing by the Potential Buyer in its sole and absolute discretion (the "APA Deadline"). In the event that the Debtor does not enter into a binding asset purchase agreement with the Potential Buyer prior to the APA Deadline, the Potential Buyer shall have the right, but not the obligation, to file a motion to compel the Debtors to sign such an asset purchase agreement that contains terms in accordance with the term sheet that comprises the Purchase Agreement. The Debtor also consents to an expedited hearing on such motion and waives any requirement of an adversary proceeding. In the event that the Potential Buyer extends or waives the APA Deadline, such extension or waiver will not impair the Potential Buyer's right to the Break-Up Fee (as defined below) or to compel the Debtor to sell the Properties to the Potential Buyer in accordance with

the Purchase Agreement (regardless of whether the Purchase Agreement is a term sheet or signed asset purchase agreement).

9. The Debtor have extensively explored various sale and reorganization alternatives, including, without limitation, the sale of assets and property of the Debtor. After extensive review and consideration of the proposals received from prospective buyers to date and the prospects for receipt of a higher or better offer the Debtor has determined in the exercise of their business judgment to request the Court's approval of the Potential Buyer as the "stalking-horse" bidder to set a minimum price in connection with a proposed auction process as described below.

10. The Debtor shall also file its *Motion for an Order Authorizing (A) the Sale of the Debtor's Right, Title and Interest In, To and Under Substantially All of the Debtor's Assets Free and Clear of Claims, Encumbrances, Liens, and Interests, (B) the Assumption and Assignment of Executory Contracts and Unexpired Leases, and (C) Related Relief* (the "Sale Motion") by which the Debtor seeks authority to (i) sell the Debtor's right, title and interest in, to and under substantially all of its assets and (ii) assume and assign certain executory contracts and unexpired leases and rights thereunder.

RELIEF REQUESTED

Introduction

11. Pursuant to Bankruptcy Code §§ 105, 363, 503(b), and 507(a)(2) and Rules 2002, 6004, and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Debtor requests that the Court (a) approve the Debtor's entry into the Purchase Agreement, (b) approve the bid protections set forth in the Purchase Agreement (the "Bid Protections"), including the Break-Up Fee (as defined below), and the Potential Buyer as the "stalking horse" bidder subject to all terms and conditions of the Purchase Agreement, (c) approve the bid

procedures which are attached hereto as **Exhibit B** (the “Bid Procedures”), (d) approve the form and manner of notice of the Bid Procedures, the Sale Hearing (as defined below), the Objection Deadline, and the respective dates, times and places for an auction, if required under the Bid Procedures, substantially in the form attached hereto as **Exhibit C** (the “Transaction Notice”), (e) approve the form and manner of the notice of the possible assumption and assignment of executory contracts and unexpired leases and rights thereunder in connection with the Transaction contemplated by the Purchase Agreement, substantially in the form attached hereto as **Exhibit D** (the “Assumption Notice”), (f) establish procedures for objections to the Sale Motion and for determining cure amounts in connection with the assumption and assignment of executory contracts and unexpired leases and rights thereunder, (g) set a hearing on the Sale Motion, and (h) grant such other relief as is fair and equitable.

Approval of Debtors’ Entry into Purchase Agreement and Bid Protections

12. Pursuant to this Motion, the Debtor is requesting authority, among other things, to enter into the Purchase Agreement, pursuant to which the Potential Buyer would purchase the Property subject to the terms and conditions set forth therein. The Transaction under the Purchase Agreement is subject to higher or better offers, and consummation of the Transaction is conditioned upon entry of the Sale Order (as defined in the Purchase Agreement) and satisfaction of other conditions to closing contained in the Purchase Agreement.

13. Certain key terms of the Purchase Agreement are provided in the table below for summary and notice purposes only. To the extent any of the terms described below are inconsistent with the Purchase Agreement, the Purchase Agreement shall control.¹

¹ Capitalized terms used in this summary but not defined in either this summary or this Motion shall have the meanings given them in the Purchase Agreement. The description of the Purchase Agreement below is intended as a summary of certain terms only and is qualified in its entirety by reference to the Purchase Agreement.

Purchase Consideration:	(i)10,715,214.00 (subject to certain adjustments set forth in the Term Sheet and/or Purchase Agreement)
Other Adjustments to the Purchase Consideration	(i) \$10,000,000.00 to Debtor, (ii) \$500,000.00 to cure defaults under the Desired 365 Contracts (as defined below), (iii) \$43,765.84 to be paid to the Debtor's estate for the benefit of creditors, and (iv) the payment of \$171,447.98 of past due ad valorem taxes on the Property (subject to certain adjustments as set forth in the Purchase Agreement)
Escrow Amount:	\$500,000 to be held in escrow pursuant to a mutually acceptable escrow agreement
Closing Conditions:	Entry of the Sale Order and Bid Procedures Order in form and substance acceptable to the Potential Buyer in its sole discretion, accuracy of representations and warranties, assumption and assignment of Desired 365 Contracts, title, environmental, no material adverse change, closing deliveries, no default, and such others as determined by the Potential Buyer in its sole and absolute discretion.
Termination Rights:	Inspection period, Potential Buyer is not the Successful Bidder, Debtor breaches covenants or Purchase Agreement, failure to close before deadline, and such others as determined by the Potential Buyer in its sole and absolute discretion.
Break-Up Fee:	\$300,000
Key Representations and Warranties:	No litigation, accuracy of documents and deliveries, organization and authority, no conflicts, access, environmental, employees, information not misleading, and such others as determined by the Potential Buyer in its sole and absolute discretion.
Certain Key Covenants:	Deliveries of diligence items, maintenance of property, access to property, support of bankruptcy process, assumption of contracts, and such others as determined by the Potential Buyer in its sole and absolute discretion.

14. The ("Option Purchaser")² will be owned by the Seller with the prior consent of the Purchaser, with such consent not to be unreasonably withheld, at the time of the execution of the Agreement (as defined in the Purchase Agreement), the Option Purchaser shall enter into a Purchase Option Agreement (the "PO Agreement"), upon the terms and conditions described in

the Purchase Agreement. Under the PO Agreement, Option Purchaser shall agree to purchase 500 acres west of Highway 59.

15. To induce the Potential Buyer to enter into the Purchase Agreement, the Debtor afforded certain bid protections to the Potential Buyer in the Purchase Agreement and the Bid Procedures. The Bid Protections are an integral part of the Transaction, and the Potential Buyer would not enter into the Purchase Agreement without the Bid Protections, including, but not limited to, the Break-Up Fee. If an order authorizing the bid protections and the other relief requested in this motion is not entered by March 30, 2012, the Potential Buyer may terminate the Purchase Agreement. To preserve the transaction negotiated under the Purchase Agreement and to enable the Debtor to take the steps contemplated under the Purchase Agreement and the Bid Procedures, the Debtor requests approval of the Bid Protections.

Sale Hearing

16. The Debtors request that a hearing on the Sale Motion (the "Sale Hearing") be held on or about April 25, 2012 prevailing Central time in the courtroom of the Honorable Brenda T. Rhoades, 660 North Central Expressway, Suite 300B, Plano, Texas 75074.

Bid Procedures

17. Pursuant to Bankruptcy Rule 6004(f)(1), sales of property outside the ordinary course of business may be by private sale or auction. Good cause exists to expose the assets and property of the Debtor to auction. An auction conducted substantially in accordance with the Bid Procedures (the "Auction") will enable the Debtor to obtain the highest or best offer(s) for the assets and properties of the Debtor, thereby maximizing the value of its estate.

18. Pursuant to the Bid Procedures, any additional Bids must, among other requirements more particularly set forth in the Bid Procedures, (a) include aggregate consideration of at least the sum of (i) \$100,000 plus (ii) the Break-Up Fee plus (iii) the Purchase

Price (as defined in the Purchase Agreement), (b) be accompanied by satisfactory evidence of committed financing or other financial ability, (c) identify each and every executory contract or unexpired lease that is to be assumed and assigned to the Potential Bidder (as defined in the Bid Procedures), and (d) provide a good faith deposit in the amount of \$500,000 to the Debtor. No person or entity, other than the Potential Buyer with respect to the Break-Up Fee, shall be entitled to any expense reimbursement, break-up fee, "topping," termination or similar fee or payment. The Debtor may not waive any of the bid requirements without the prior consent of the Potential Buyer.

19. If one or more Qualified Bids in addition to that of the Potential Buyer are determined by the Debtor to be higher or better than the Potential Buyer's Qualified Bid, the Debtor will conduct an auction at 9:30 a.m., prevailing Central time, on June 15, 2012 at the offices of 8140 Walnut Hill Lane, Suite 301, Dallas, Texas 75231 or at such later time or other place as agreed by the Potential Buyer and the Debtor or approved by Order of the Bankruptcy Court, and of which the Debtor will notify the Potential Buyer and all Qualified Bidders who have submitted Qualified Bids that the Debtor has determined are higher or better than the Potential Buyer's Qualified Bid. Qualified Bidders seeking to participate as a bidder at the Auction must comply with the Bid Procedures.

20. If the Debtor does not receive any Qualified Bids other than the Purchase Agreement with the Potential Buyer, the auction shall be cancelled, and the Debtor shall promptly seek approval of the Transaction under the Purchase Agreement at the Sale Hearing.

21. The Bid Procedures provide an appropriate framework for obtaining offers for an Alternative Transaction (as defined in the Bid Procedures) and will enable the Debtor to review, analyze and compare all bids received to determine which bid is in the best interests of the

Debtor's estate and creditors. Therefore, the Debtor respectfully requests that this Court approve the Bid Procedures.

Transaction Notice and Assumption Notice

22. Bankruptcy Rule 2002(a) provides, in relevant part, that all creditors must be given at least 21 days' notice by mail of a proposed use, sale or lease of property of the estate other than in the ordinary course of business unless the Court for cause shortens the time or directs another method of giving notice. Further, Bankruptcy Rule 2002(c) sets forth that the content of such notices must include the time and place of any sale, the terms and conditions of such sale, the time fixed for filing objections, and a general description of the property proposed to be sold, used, or leased.

23. In accordance with Bankruptcy Rule 2002, the Debtor is required to notify its creditors of the proposed Transaction or Alternative Transaction (as applicable), including a disclosure of the time and place of the Auction and the hearing on the Sale Motion, the terms and conditions of the Transaction, and the deadline for filing any objections to the Sale Motion.

Transaction Notice

24. The Transaction Notice (a) contains the type of information required under Bankruptcy Rule 2002 that is currently known to the Debtor, (b) includes information concerning the Bid Procedures and the Bid Protections, and (c) is reasonably calculated to provide due, adequate and timely notice to all interested parties of (i) the Bid Procedures, (ii) the Auction, (iii) the deadline to object to the Sale Motion, (iv) the Sale Hearing, and (v) the approval of this Motion. Accordingly, the Debtor requests that this Court approve the form and content of the Transaction Notice.

25. The Debtor proposes to serve the Transaction Notice within five (5) business days after the Court enters the Bid Procedures Order by (a) first class United States mail, postage

prepaid on (i) the parties identified on the on the full creditor matrix in these Cases at the addresses set forth therein, (ii) the parties that have filed proofs of claim in these Cases at the addresses set forth in the respective proofs of claim, (iii) the counterparties to executory contracts and unexpired leases with one or more of the Debtor, (iv) known holders of liens and security interests in any assets of the Debtor, (v) all current and former employees of the Debtor who were employed by the Debtor at any time within two (2) years of the Petition Date, (vi) all known environmental agencies having jurisdiction over the Property, including the Environmental Protection Agency, (vii) all known taxing authorities having jurisdiction over any of the Property, including the Internal Revenue Service, (viii) all parties who have filed a written request for notice in any of the Cases pursuant to Bankruptcy Rule 2002, (ix) all of the Debtor's current customers and vendors, (x) all known opposing parties in all litigation pending or threatened against the Debtor, (xi) all other known parties who have expressed an interest in acquiring the Debtor or any of its assets, and (xii) all other known potential creditors in these Case; and (b) the Court's electronic filing system on those parties receiving electronic notice by such system. The Debtor also proposes to publish a summary of the Transaction Notice on Loop Net or a similar on line publication. The Debtor asserts that service and publication of such Transaction Notice as proposed herein is proper, due, timely, good, and sufficient notice of, among other things, the entry of the Bid Procedures Order, the Bid Procedures, the Auction (if required under the Bid Procedures), the Sale Hearing, the Sale Motion, and the proposed Transaction, including the transferring of the Debtor's right, title and interest in, to and under substantially all of the Debtor's assets free and clear of any and all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or a definitive

agreement for an Alternative Transaction (if applicable), and the procedure for objecting thereto, and no other or further notice is necessary.

Assumption Notice

26. In accordance with Bankruptcy Rule 2002, the Debtor must provide notice of the (i) potential assumption and assignment of executory contracts and unexpired leases and rights thereunder, (ii) the maximum amount to be paid to cure all defaults, if any, and to pay all losses that have resulted from defaults, under executory contracts and unexpired leases and rights thereunder that the Debtor proposes to assume and assign (collectively, the “Cure Amounts”), and (iii) the deadline to file objections to such assumption and assignment, maximum Cure Amounts, the existence of any defaults, and/or adequate assurance of the future performance.

27. Thus, the Debtor proposes to serve the Assumption Notice in substantially the form attached hereto as **Exhibit D**,³ which will contain a detailed list of the maximum Cure Amounts related to each executory contract and unexpired lease and information as to the party⁴ to whom such Cure Amounts will be paid. The Potential Buyer or the Debtor (as provided in the Purchase Agreement or agreement for an Alternative Transaction, as applicable) shall pay all valid and undisputed Cure Amounts as provided in the cure notices. In addition, in the event that the Potential Buyer determines that any contract subject to assumption and assignment under Bankruptcy Code § 365 exists that is not listed in the Purchase Agreement (i) the Potential Buyer shall have the right to designate any such contract as a Desired 365 Contract, (ii) the Debtor shall assume and assign such additional Desired 365 Contract to the Potential Buyer within 21 days thereafter by order of the court in form and substance acceptable to the Potential Buyer in its sole

³ The inclusion of any contract or lease in the Assumption Notice shall not be deemed to be an admission by the Debtors that such contract or lease is an “executory contract” or “unexpired lease” for purposes of Section 365 of the Bankruptcy Code, and the Debtor reserves all rights in connection with same.

⁴ The counterparty (or counterparties) or some other third party (or third parties).

discretion. In the event that (i) any cure cost associated with any Desired 365 Contract is found to be greater than the amount listed on Exhibit D of the Purchase Agreement or (ii) the Potential Buyer elects to pay a cure cost associated with an additional Desired 365 Contract not listed on Exhibit D of the Purchase Agreement, then the Potential Buyer shall have the right, in its sole and absolute discretion, to pay such additional amounts to the applicable counterparties. The Potential Buyer has the right prior to closing to remove any 365 Contract from Exhibit D to the Purchase Agreement (other than the Consulting Agreement), and, after such removal, such removed 365 Contract shall no longer be a Desired 365 Contract and the Potential Buyer shall have no obligation to pay any amounts to cure defaults thereunder; provided, however, the Potential Buyer retains the right to add such 365 Contract as a Desired 365 Contract prior to the end of the Designation Period.

28. In combination with the Transaction Notice, the Assumption Notice (a) contains the type of information required under Bankruptcy Rule 2002 that is currently known to the Debtor, and (b) is reasonably calculated to provide due, adequate and timely notice to all interested parties of (i) the potential assumption and assignment of executory contracts and unexpired leases and rights thereunder, (ii) the maximum amount and manner offered to satisfy the Cure Amounts, (iii) the deadline to file objections to such assumption and assignment, applicable Cure Amounts, and the existence of any defaults and/or adequate assurance of future performance, and (iv) the Sale Hearing.

29. The Debtor proposes to serve the Assumption Notice within five (5) business days after the Court enters the Bid Procedures Order by (a) first class United States mail, postage prepaid on (i) the parties identified on the full creditor matrix maintained in these Cases at the addresses set forth therein, (ii) all counterparties to executory contracts and unexpired leases that

may be assumed by one or more of the Debtors pursuant to Bankruptcy Code § 365 and that the Potential Buyer desires (or may desire) to be assigned by the Debtor party thereto (the “Desired 365 Contracts”); and (b) the Court’s electronic filing system on those parties receiving electronic notice by such system. In the event that the Potential Buyer wishes to amend the list of Desired 365 Contracts set forth in the Assumption Notice, the Debtor shall be required to serve such amended Assumption Notice only on the counterparties whose executory contracts or unexpired leases have been added to or deleted from the list of Desired 365 Contracts. The Debtor asserts that service of such Assumption Notice as proposed is proper, due, timely, good, and sufficient notice of, among other things, the proposed assumption and assignment of the Desired 365 Contracts and rights thereunder, the Cure Amounts, the procedures for objecting thereto, the Sale Hearing, and no other or further notice is necessary.

Objections and Related Procedures

30. The Debtor requests that the following procedures be implemented with respect to the notices discussed herein and relief related thereto:

a. Objections, if any, to the Sale Motion and/or the proposed assumption and assignment of the Desired 365 Contracts and rights thereunder, including but not limited to objections relating to any Cure Amounts, the existence of any defaults, and/or adequate assurances of future performance, must (a) be in writing, (b) state with specificity the nature of such objection, (c) if concerning a Cure Amount, set forth a specific default in the Desired 365 Contract and claim a specific monetary amount that differs from the Cure Amount (if any) specified by the Debtor in the Assumption Notice (with appropriate documentation in support thereof), (d) comply with the Federal Rules of Bankruptcy Procedure, and (e) be filed with this Court and served upon the following parties in accordance with the Assumption Notice on or before 4:00 p.m., prevailing Central time, on April 23, 2012 (the “Objection Deadline”): (a) counsel for the Debtors at Joyce W. Lindauer, 8140 Walnut Hill Lane, Suite 301, Dallas, Texas 75231, tel: 972.503.4033, fax: 972.503.4034, email: joyce@joycelindauer.com, (b) counsel for the Potential Buyer at _____, and (c) the United States Trustee’s Office, Attn: John M. Vardeman, 10 N. College St., Suite 300, Tyler, TX 75702, tel. 903-590-1450 x218, fax: 903-590-1461, john.m.vardeman@usdoj.gov. (collectively, the “Notice Parties”).

b. The Debtor is authorized to amend the Assumption Notice, with the prior consent of the Potential Buyer, by amending Cure Amounts by sending a new or amended Assumption Notice at any time at least five (5) calendar days prior to the Sale Hearing; provided, however, that counterparties to any Desired 365 Contracts whose Cure Amounts are amended shall have at least five (5) calendar days from service of the amended Assumption Notice to properly object to such Cure Amount amendment. The Debtor is authorized to amend the Assumption Notice by adding or deleting Desired 365 Contracts at any time prior to the Sale Hearing, and it shall use commercially reasonable efforts to effect the assumption and assignment of any such added 365 Contract (as defined in the Purchase Agreement or other definitive agreement to effectuate an Alternative Transaction (if applicable)) and rights thereunder by the applicable Debtor in accordance with the Bankruptcy Code and Sale Motion; provided, however, that counterparties to any such added 365 Contracts shall have at least five (5) calendar days from service of the amended Assumption Notice to properly object to the assumption and assignment of their respective Desired 365 Contract and rights thereunder and the applicable Cure Amount.

c. Any person, entity, or governmental authority of any nature whatsoever (a "Person") failing to timely file an objection to the Sale Motion shall be forever barred from objecting to the Sale Motion, including the transferring of the Debtor's right, title, and interest in, to and under substantially all of the Debtor's assets in accordance with the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable) free and clear of any and all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or other definitive agreement for an Alternative Transaction, if applicable, and will be deemed to consent to the Transaction or an Alternative Transaction (as applicable), including the transferring of the Debtor's right, title, and interest in, to and under substantially all of the Debtor's assets in accordance with the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable) free and clear of any and all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or such other definitive agreement for an Alternative Transaction, if applicable, and provided by such Transaction or Alternative Transaction.

d. Any Person failing to timely file an objection to any Cure Amounts set forth in the Assumption Notice or the proposed assumption and assignment of the Debtor's right, title and interest in, to and under Desired 365 Contracts shall be forever barred from objecting to the Cure Amounts and from asserting a claim for any cure or other amounts (or asserting that any defaults exist under the Desired 365 Contract as of the date of assumption) against any Debtor, its estate, the Potential Buyer or any of their respective affiliates (or such other Person that agrees to purchase the Properties under an Alternative Transaction that is approved by the Bankruptcy Court) with respect to its Desired 365 Contract arising prior to assumption and assignment of the Debtor's right, title and interest in, to and under the Desired 365 Contract and will be deemed to consent to the

proposed assumption and assignment of the Desired 365 Contract and rights thereunder as provided by such Transaction or Alternative Transaction.

e. Where a counterparty to a Desired 365 Contract files a timely objection asserting a higher cure amount than the maximum Cure Amount set forth in the Assumption Notice and the parties are unable to consensually resolve the dispute prior to the Sale Hearing, the amount to be paid or reserved with respect to such objection will be determined at the Sale Hearing or such other date and time as may be fixed by this Court. All other objections to the proposed assumption and assignment of the Debtor's right, title and interest in, to and under the Desired 365 Contracts will be heard at the Sale Hearing.

f. If any Person asserts that any property or right cannot be transferred, sold, assumed, and/or assigned free and clear of all liens, encumbrances, claims and other interests in accordance with the Transaction (or Alternative Transaction, as applicable) and Bankruptcy Code §§ 363 and/or 365 on account of one or more alleged approval rights, consent rights, preferential purchase rights, rights of purchase, rights of first refusal, rights of first offer, tag-along rights, or similar rights, then such Person shall file and serve a notice with all supporting documentation (a "Rights Notice") so that the Rights Notice is actually received by the Notice Parties on or before the Objection Deadline. Each Rights Notice must identify the properties or rights that are subject to such alleged right, identify the type of right(s) claimed by such party, identify the agreement, document, or statute giving rise to such right, and identify the portion of the agreement, document, or statute giving rise to such right. The assertion of a Rights Notice shall not require an exercise of the underlying right asserted and any such right asserted shall be subject to the terms and conditions of the Purchase Agreement or definitive agreement for an Alternative Transaction, as the case may be (including, without limitation, any allocation contained therein).

g. Any Person failing to timely file and serve a Rights Notice shall be (a) forever barred from objecting to the transfer, sale, assumption, and/or assignment of the Debtor's right, title, and interest in, to and under the property of the Debtor to be sold, assumed and/or assigned pursuant to the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable) free and clear of all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable), and from asserting any alleged approval rights, consent rights, preferential purchase rights, rights of purchase, rights of first refusal, rights of first offer, tag-along rights, or similar rights with respect to the Debtor's transfer, sale, assumption, and/or assignment of the Debtor's right, title and interest in, to and under such properties, as set forth in the Purchase Agreement or such other definitive agreement for an Alternative Transaction (if applicable), and (b) deemed to consent to and approve of the transfer, sale, assumption, and/or assignment of the Debtor's right, title and interest in, to and under the properties, free and clear of all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or a definitive

agreement for an Alternative Transaction, as applicable (regardless of whether such consent must be in writing).

h. If any Person timely files and serves a Rights Notice in accordance with the Bid Procedures Order, the Debtor shall have the opportunity to object to any alleged approval rights, consent rights, preferential purchase rights, rights of purchase, rights of first refusal, rights of first offer, tag-along rights, or similar rights asserted by such Person by filing an objection to such Rights Notice at any time prior to the Sale Hearing. Upon the Debtor's filing of such objection to the Rights Notice, any rights asserted shall be deemed to be disputed and the Debtor shall be entitled to assert a bona fide dispute exists as to such rights asserted. Nothing herein shall be deemed to be a waiver of any rights of the Debtor to contest any rights asserted by any Person in Rights Notices; all such rights of the Debtor are expressly preserved.

31. The Debtor asserts that the Transaction Notice and the Assumption Notice to be provided and the method of service and publication proposed herein constitute good, proper and adequate notice of the Sale Motion, the Transaction or Alternative Transaction (as applicable), and the proceedings to be had with respect thereto (including, but not limited to, the Auction and the Sale Hearing). The Debtor further asserts that the procedures for objections to the Transaction and the proposed assumption and assignment of the Desired 365 Contracts are fair and reasonable. Therefore, the Debtor respectfully requests that this Court approve the foregoing notice and objection procedures.

Bidding Protections Are Fair and Reasonable

32. The Debtor has extensively marketed the assets and property of the Debtor. In light of this experience, the Debtor has determined in the exercise of its business judgment that entering into the Purchase Agreement with the Potential Buyer as stalking horse bidder is the best way for the Debtor to maximize the value of its assets. Although the Debtor believes that the consideration offered under the Purchase Agreement provides fair value for the Debtor's assets, a competitive auction is most likely to maximize that value so long as the Potential Buyer sets a minimum value for the Transaction (or Alternative Transaction, as applicable). The

Break-Up Fee and the other Bid Protections, therefore, form an integral part of the Transaction without which the Potential Buyer would not enter into the Purchase Agreement. As a result, the Debtor requests authority to pay the Break-Up Fee, in cash, if the Debtor consummates any Alternative Transaction at any time on or prior to the date that is eighteen calendar months after the date of the Purchase Agreement in an amount equal to \$300,000 (incidentally, approximately 3% of the aggregate gross consideration under the Purchase Agreement) (the “Break-Up Fee”) in full in cash allocated to each property pro rata to the allocation contained in the Purchase Agreement, at the closing of the first Alternative Transaction from the sale proceeds thereof; provided, however, if the Alternative Transaction includes a conveyance, assignment or transfer of ownership of the Debtor’s assets to the Lender (as defined below) without generating proceeds, whether pursuant to a credit bid or otherwise, or a foreclosure sale outside of bankruptcy, the order approving such credit bid or authorizing the relief necessary to allow the Lender to conduct such foreclosure sale shall direct the Debtor’s Lender to pay the Break-Up Fee directly to the Purchaser in full in cash within 2 business days of the entry of the sale order approving such transaction or the closing of the foreclosure sale. In the event that the Debtor consummates any Alternative Transaction, the Break-Up Fee shall be due and payable in accordance with the above and the Purchase Agreement even in the event that the Purchase Agreement constitutes a term sheet rather than a signed asset purchase agreement. The Debtor proposes that The Break-Up Fee (i) be fully earned upon the entry of the Order approving this Motion, and (ii) constitute an administrative expense claim against the Debtor under Bankruptcy Code § 503(b) and 507(a)(2) subject only to administrative claims of the Debtor’s professionals not to exceed \$25,000 in the aggregate after full application of any retainers held by such professionals.

33. The Debtor submits that the Potential Buyer has expended, and likely will continue to expend, considerable time, money and energy pursuing the Transaction and has engaged in extended and lengthy good faith negotiations. In particular, the Purchase Agreement is part of an extensive process undertaken by the Debtor and their professionals to identify and negotiate a transaction that the Debtor currently believes to be the highest or best proposal for an acquisition of the Property, in order to maximize the value realized for the benefit of the Debtor's estate, its creditors and other parties in interest.

34. The Debtor submits that the Purchase Agreement and the Break-Up Fee were negotiated, proposed and entered into by the Debtor and Potential Buyer without collusion, in good faith and from arms' length bargaining positions.

35. The Debtor submits that the Break-Up Fee is (1) an actual and necessary cost of preserving the Debtor's estates within the meaning of Section 503(b) and 507(a) of the Bankruptcy Code, (2) commensurate to the real and substantial benefit conferred on the Debtor's estate by the Potential Buyer, and (3) reasonable and appropriate in light of, among other things (a) the size and nature of the Transaction contemplated under the Purchase Agreement and comparable transactions, (b) the substantial efforts that have been and will be expended by the Potential Buyer, (c) the benefits the Potential Buyer has provided to the Debtor's estates, their creditors and other parties in interest, notwithstanding that the Purchase Agreement may be terminated by the Debtor if any higher or otherwise better Alternative Transaction is identified and consummated, and (d) necessary to induce the Potential Buyer to serve as a "stalking horse" bidder and to continue to pursue the Transaction. The grant, allowance and payment of the Break-Up Fee are in the best interest of the Debtor, its respective estate and its creditors. The Break-Up Fee induced the Potential Buyer to submit a bid that will serve as a minimum floor on

which the Debtor, its creditors and other bidders may rely. The Potential Buyer has provided a material benefit to the Debtor and its creditors (and the Debtor has received a material benefit) by increasing the likelihood that the best possible price for the Property will be received.

36. The Debtor submits that payment to the Potential Buyer of the Break-Up Fee under the terms and conditions set forth in the Purchase Agreement and the Bid Procedures should be approved because, among other things: (1) the protection afforded to the Potential Buyer by the Break-Up Fee was a material inducement for, and express condition of, the Potential Buyer's willingness to enter into the Purchase Agreement, and (2) assurance to the Potential Buyer of payment of the Break-Up Fee has promoted (and will promote) more competitive bidding by, among other things, inducing the Potential Buyer's offer, which offer otherwise would not have been made and without which competitive bidding would be limited. Further, the Break-Up Fee induced the Potential Buyer to conduct due diligence with respect to the Transaction. Thus, the Potential Buyer has provided a material and substantial benefit to the Debtor's estate, its creditors and other parties in interest by increasing the likelihood that the price at which a Transaction may be effected, or a sale of the Debtor's right, title and interest in, to and under substantially all of the Debtor's assets will be made, will reflect their true value. Accordingly, the Bid Procedures and the Break-Up Fee are fair, reasonable and appropriate and represent the best method for maximizing value for the benefit of the Debtor's estates.

37. Further, the Break-Up Fee is necessary to enhance and preserve the value of the assets and property of the Debtor for its estate and to allow them to obtain the best "stalking-horse" bid possible. Without the "stalking-horse" bid, the consideration for the Transaction or Alternative Transaction (as applicable) would be minimized. If higher or better bids in

connection with an Alternative Transaction are received, it will be because the Potential Buyer has served as “stalking-horses” for such offers.

38. The Break-Up Fee is within the spectrum of termination fees approved by bankruptcy courts in chapter 11 cases in this and other districts. *See e.g., In re VarTec Telecom, Inc.*, Case No. 04-81694 (SAF) (Bankr. N.D. Tex., November 23, 2004 and April 15, 2005) (Court approved a break-up fee of approximately 3% with respect to two sales of assets); *In re Datavon, Inc., et al.*, Case No. 02-38600-SAF-11 (Bankr. N.D. Tex. 2002) [Docket No. 224] (approving a 3% break-up fee); *In re Mirant Corp., et al.*, Case No. 03-46590 (DML) (Bankr. N.D. Tex. 2004) [Docket No. 6092] (approving 3% break-up fees); *In re Ameriserve*, Case No. 00-0358 (PJW) (Bankr. D. Del., September 27, 2000) (Court approved a break-up fee of 3.64% or \$4,000,000 in connection with \$110,000,000 sale); *In re Montgomery Ward Holding Corp., et al.*, Case No. 97-1409 (PJW) (Bankr. D. Del., June 15, 1998) (Court approved termination fee of 2.7%, or \$3,000,000, in connection with \$110,000,000 sale of real estate assets); *see also Integrated Res.*, 147 B.R. at 648; *In re Crowthers McCall Pattern, Inc.*, 113 B.R. 877, 879 (Bankr. S.D.N.Y. 1990); *In re 995 Fifth Ave. Assocs., L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989); *In re Crusader Energy Group Inc.*, Case No. 09-31797 (Bankr. N.D. Tex. 2009) (approving approximately 3% break-up fee); *In re TriDimension Energy Group, Inc.*, Case No. 10-33565 (Bankr. N.D. Tex. 2010)(approving approximately 2.7% break-up fee.).

39. As stated, the Purchase Agreement is subject to higher or better offers received pursuant to the Bid Procedures. If higher or better offers emerge, they will be considered with reference and by comparison to the terms of the Purchase Agreement. Therefore, the Break-Up Fee should be approved because it is necessary to maximize the value of the Transaction or Alternative Transaction (as applicable), and it does not prejudice the Debtor’s estate.

Modification of Credit Bid Rights

40. Good, adequate, and sufficient cause exists for the Court to modify the rights of any holder of a secured claim (a “Lender,” and collectively, the “Lenders”) under Bankruptcy Code § 363 (k) as further provided in the Bid Procedures and the proposed Order.

41. In addition to submitting the Required Bid Deliveries and satisfying the Bid Requirements, any Lender that desires to credit bid for the Property, whether pursuant to Bankruptcy Code Section 363(k) or otherwise, should be required to file and serve on the Debtor and the Potential Buyer a notice of intent to credit bid in at least the amount of the Minimum Bid prior to the Bid Deadline. In the event that a notice is not so timely served prior to the Bid Deadline, such Lender should not be an Auction Participant, should not be entitled to bid at the Auction, and should be deemed to waive any and all rights to credit bid for the Properties. This balances the rights of each Lender to credit bid under Bankruptcy Code § 363 with an appropriate procedure to ensure that the Debtor receives proper documents and timely bids from the Lenders. Such modification is necessary to provide clarity to potential bidders at the Auction and maximize the value to the estate.

42. The Debtor requests that the Court order that any Lender that desires to credit bid for the Property, whether pursuant to Bankruptcy Code Section 363(k) or otherwise, shall be required to file and serve on the Debtor and the Potential Buyer a notice of intent to credit bid in at least the amount of the Minimum Bid prior to the Bid Deadline. The Debtor further requests that the Court order that in the event that a notice is not so timely served prior to the Bid Deadline, such Lender shall not be an Auction Participant, shall not be entitled to bid at the Auction, and shall be deemed to waive any and all rights to credit bid for the Property.

No Prior Request

43. No prior request for the relief sought herein has been requested from this Court or any other court.

PRAYER

The Debtor respectfully requests the Court (a) approve the Debtor's entry into the Purchase Agreement, (b) approve the Bid Protections, including the Break-Up Fee, and the Potential Buyer as the "stalking horse" bidder subject to all terms and conditions in the Purchase Agreement, (c) approve the Bid Procedures, (d) approve the Transaction Notice, (e) approve the Assumption Notice, (f) establish procedures for objections to the Sale Motion and for determining cure amounts in connection with the assumption and assignment of executory contracts and unexpired leases and rights thereunder, (g) set a hearing on the Sale Motion, and (h) grant such other relief as is fair and equitable.

Dated: March 5, 2012

Respectfully submitted,

/s/ Joyce W. Lindauer
Joyce W. Lindauer
8140 Walnut Hill Lane
Suite 301
Dallas, Texas 75231
Tel: 972.503.4033
Fax: 972.503.4034
Email: joyce@joycelindauer.com

COUNSEL FOR THE DEBTOR

CERTIFICATE OF SERVICE

I certify that on March 5, 2012, a copy of the foregoing document was served by the Electronic Case Filing system for the United States Bankruptcy Court for the Eastern District of Texas on those parties receiving electronic notice by such system.

/s/ Joyce Lindauer

Outline of Structure for Sale Transaction

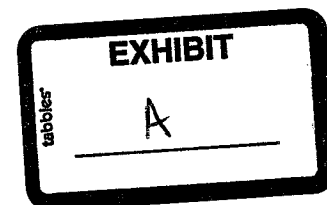
This Outline is presented to Whitestone Houston Land, LP ("WHL") by D.R. Horton, Inc. and/or an affiliate party ("DHI") to facilitate the negotiation of a mutually acceptable agreement (the "Purchase Agreement") between the WHL and DHI, and neither party is legally obligated with regard to the sale and purchase of the Property until and unless both parties execute such Purchase Agreement.

Parties: D.R. Horton, Inc. and/or an affiliate party ("DHI") will enter into an agreement with Whitestone Houston Land, LP ("WHL") as set forth generally in this outline.

Transaction: DHI shall purchase the Property (as defined below) from WHL, free and clear of all liens, claims, and encumbrances, through a sale process conducted and approved by the Bankruptcy Court (as defined below). Upon execution of this Outline, DHI and WHL intend to negotiate a definitive agreement relating to such Transaction, including any exhibits to such agreement (the "Purchase Agreement") and any pleadings, motions, orders or other documents required to obtain approval of the Transaction from the Bankruptcy Court (defined below).

Property: Approximately 1,553 acres owned by WHL, all located in Montgomery County, Texas and known generally as the Whitestone Property ("Property").

Purchase Price: Subject to the terms and conditions of this Outline and the Purchase Agreement, and subject to the results of the due diligence and other contingencies provided herein and those set forth in the Purchase Agreement, DHI will pay the aggregate purchase price of \$10,715,213.82 (the "Purchase Price") to WHL to acquire the Property. The Purchase Price shall be allocated as follows (assuming a Purchase Price of \$10,715,214; the Purchase Price shall be allocated as set forth below (1) \$10,000,000 to WHL for and in consideration of the conveyance of the Property to be conveyed by WHL, (2) \$500,000 to cure defaults under the Desired 365 Contracts (the "Cure Amount"), (3) \$43,765.84 to Seller's estate for the benefit of Seller's creditors, and (4) \$171,447.98 in payment of past-due ad valorem taxes assessed against the Property. The Purchase Price shall be paid at closing of the Transaction ("Closing") on the closing date ("Closing Date") as those terms will be defined in the Purchase Agreement. As evidence of DHI's good faith and as partial consideration to enter into the Purchase Agreement, DHI shall place ~~\$250,000~~ **\$500,000** in a mutually acceptable escrow arrangement upon the execution of the Purchase Agreement (the "Escrow Funds") which shall be applied against the Purchase Price at Closing, should one occur and which shall be refunded immediately to DHI without further need of application in the event that Closing, for any reason, does not occur.



Conditions Precedent: The consummation of the Transaction will be subject to the following conditions, among others:

1. WHL and DHI will have executed and delivered the Purchase Agreement, which will include terms satisfactory to the parties and consistent with those set forth in this Outline (and/or such other terms or modified terms as the parties may agree upon) including, but not limited to, provisions reasonable or customary in transactions such as those contemplated by this Outline and containing specifically, the Property Management provisions (as defined below).
2. The execution of the Purchase Agreement will be subject to the following conditions: (i) DHI will have completed its due diligence investigation of the Property, including legal, operational, financial and technical matters, and the results of such investigation will be satisfactory to DHI in its sole discretion; (ii) DHI has obtained adequate and sufficient financing for the Transaction; and (iii) DHI will have received "Corporate Approval" (as such term shall be defined in the Purchase Agreement) for the execution and delivery of the Purchase Agreement and the performance of the transactions contemplated thereby.
3. The Transaction and the specific terms of the Purchase Agreement are approved by the United States Bankruptcy Court for the Eastern District of Texas (the "Bankruptcy Court"), or such other bankruptcy court with jurisdiction over WHL' currently pending chapter 11 bankruptcy cases (the "Bankruptcy Cases") in the form of an order under §§ 363, 365, and other applicable provisions of title 11 of the United States Code (the "Bankruptcy Code"), in a form reasonably acceptable to DHI, authorizing the sale of the Property to DHI free and clear of all liens, claims, and encumbrances, and such approvals shall be final and unappealable.
4. The executory contracts described on Exhibit 1 attached hereto shall be assumed by WHL and assigned to DHI under § 365 of the Bankruptcy Code at Closing.
5. All covenants in the Purchase Agreement required to be performed prior to or at the Closing shall have been performed.
6. WHL will provide DHI and its representatives with reasonable access to the WHL' personnel and assets during normal business hours and will furnish to DHI such information, books, records and documents as DHI may reasonably request in connection with its due diligence review of the Property. WHL will also authorize

DHI and its representatives to contact and obtain relevant information from WHL's accountants and consultants.

- Expenses: WHL will be responsible for its own costs and expenses incurred in negotiating and drafting the Transaction and preparing for the execution of the Purchase Agreement, including but not limited to all attorneys' fees, accounting fees and advisors' fees. DHI will be responsible for its own costs and expenses incurred in negotiating and drafting the Transaction and preparing for the execution of the Purchase Agreement, including but not limited to all attorneys' fees, accounting fees and advisors' fees except that DHI shall receive from WHL 3% of the Purchase Price (\$300,000) as a break-up fee (the "Break-Up Fee") if the Transaction is not approved by the Bankruptcy Court as the result of a higher and better offer for the Property submitted by any other person.
- Bidding Procedures: WHL will use its best efforts to ensure that pleadings, motions or other documents with the Bankruptcy Court seeking approval of the Transaction are properly delivered to all persons entitled to receive such pleadings, motions and documents. WHL will also use its best efforts to ensure that bidding procedures established under § 363 of the Bankruptcy Code in connection with the Transaction establish overbid protection satisfactory to DHI in form and substance, and that the Break-Up Fee is approved by the Bankruptcy Court prior to any such bidding.
- Purchase Option: DHI and WHL will enter into a Purchase Option Agreement on the western tract of the Property (approximately 500 acres west of US Hwy 59) (the "Western Tract") per the following terms.
1. The term of the Purchase Option Agreement shall be for a period not to exceed eighteen (18) months from the date of DHI's Closing of the Transaction. The term is to facilitate a transaction on the Western Tract for the benefit of the "EarthQuest" opportunity. If the closing and funding of WHL's purchase of the Western Tract (the "Option Closing") does not occur within such 18 month period, the Purchase Option Agreement will expire and any option or right to purchase the Western Tract will be null and void.
 2. DHI and WHL shall enter into the Purchase Option Agreement prior to Closing.
 3. The sale price for the Western Tract shall be at a multiple of the total acquisition cost (including the Purchase Price and other costs) paid by DHI for the total property on a per gross acre basis. The multiple shall be 1.35 if the Option Closing occurs within 6 months after the Closing of the Transaction. If the Option Closing occurs later than 6 months, but within 12 months, after the Closing of the Transaction the multiple shall be 1.40. If the Option Closing occurs later than 12 months after

the Closing of the Transaction, the multiple shall be 1.45.

4. The land use of the Western Tract shall be of a non-residential use or any other use that would (a) compete with the intended uses that DHI would have for the eastern tract, (b) be detrimental to the value or DHI's intended uses of the eastern tract or (c) increase DHI's development costs, construction costs or other costs for the eastern tract. The foregoing will be more specifically set forth in the Purchase Agreement. Prior to the Option Closing the Western Tract will be encumbered with appropriate restrictions that run with the property.

Property Management: DHI will enter into a Consulting and Management Agreement with Caprock Dev, LLC ("Caprock") to manage and develop the Property which will include the following terms. Caprock will be paid 3% of the construction cost, which includes all the hard costs and engineering fees and 1% of the MUD Reimbursements. Caprock will also receive \$15,000 monthly for the first 12 months to cover G&A and \$650 per lot. The timing of all payments will be agreed to in the Consulting and Management Agreement. The management scope will include: keeping the property in agricultural status, managing the three utility districts and managing the maintenance and the entitlements of the property as well as all the components of developing the infrastructure and delivering single family lots within the Property.

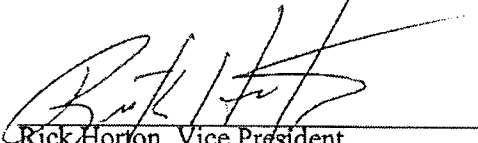
Miscellaneous: This Outline contains the entire understanding between the parties, and supersedes all prior communications and understandings with respect thereto. This Outline may not be amended or modified except in a writing signed and executed by duly authorized representatives of both parties. This Outline will be governed by and construed in accordance with the laws of the State of Texas, applicable to agreements to be wholly executed therein, without reference to conflict of laws provisions.

This Outline is merely an expression of DHI's and WHL's present intentions regarding the Transaction, and neither constitutes nor should be construed as evidence of any form of offer or binding agreement. It is expressly understood that this Outline does not state all of the essential terms of the Transaction, and does not impose on either DHI or WHL any enforceable duty or obligation to negotiate towards or conclude the Purchase Agreement or Transaction. If, for any reason, the parties fail to agree to the terms of the Purchase Agreement or any aspect of the Transaction, or do not enter into the Purchase Agreement or consummate the Transaction, neither party shall have any liability or obligation. WHI acknowledges that DHI has not completed its due diligence investigation of the Property and DHI has not made any representations, warranties or other assurances as to the feasibility of the Transaction.

IN WITNESS WHEREOF, the parties have executed this Outline as of this 5 day of March, 2012.

By: John Marlin, Manager

_____, General Partner
Whitestone Houston Land, LP Texas Limited Partnership


Rick Horton, Vice President
D.R. Horton, Inc.

~~Consulting Agreement. The management scope will include: keeping the property in agricultural status, managing the three utility districts and managing the maintenance and the entitlements of the property as well as all the components of delivering single family lots within the Property~~

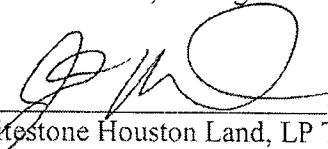
Confidentiality: The parties hereto each agree that all information communicated to one by the other or the other's affiliates, whether before or after the date of this Outline, will be received in strict confidence, will be used only for purposes of this Outline and the Purchase Agreement, and will not be disclosed by the recipient of such information, its agents, subcontractors, or employees without the prior written consent of the other. All parties agree to take all reasonable precautions to prevent the disclosure to outside parties of such information, except as required by legal, accounting, or regulatory requirements beyond the reasonable control of the recipient of such information. The provisions of this section will survive the expiration or termination, for any reason, of this Outline.

Miscellaneous: This Outline contains the entire understanding between the parties, and supersedes all prior communications and understandings with respect thereto. This Outline may not be amended or modified except in a writing signed and executed by duly authorized representatives of both parties. This Outline will be governed by and construed in accordance with the laws of the State of Texas, applicable to agreements to be wholly executed therein, without reference to conflict of laws provisions.

This Outline is merely an expression of DHI's present intentions regarding the Transaction, and neither constitutes nor should be construed as evidence of any form of offer or binding agreement. It is expressly understood that this Agreement does not state all of the essential terms of the Transaction.

IN WITNESS WHEREOF, the parties have executed this Agreement as of this ____ day of _____, 2012.

By: John Marlin, Manager

 General Partner
Whitestone Houston Land, LP Texas Limited Partnership

Rick Horton
DR Horton, Inc.

Jim Baker

From: Les Brannon <LBrannon@drhorton.com>
Sent: Monday, March 05, 2012 12:31 PM
To: Jim Baker
Subject: Whitestone

Jim: Ok to change EM TO \$500,000.

Les Brannon

Sent from my iPhone

Jim Baker

From: John Marlin
Sent: Monday, March 05, 2012 12:39 PM
To: Jim Baker
Subject: Fwd: Whitestone
Attachments: Horton WHL term sheet - v02(DHI).pdf; ATT00001.htm; Horton WHL term sheet - v02(DHI) REDLINED.doc; ATT00002.htm

I accept all of the revisions and understand the escrow will be increased from \$250k to \$500k.

Thank you,

John Marlin
Marlin Atlantis
Office: 972-715-6449

Begin forwarded message:

From: "Les Brannon" <LBrannon@drhorton.com>
To: "John Marlin" <johnmarlin@marlinatlantis.com>
Cc: "Rick L Horton" <rlhorton@drhorton.com>, "Jim Baker" <jimbaker@marlinatlantis.com>
Subject: RE: Whitestone

John: Attached is a revised term sheet (signed by Rick) along with a redlined copy showing the changes we made.

From: John Marlin [<mailto:johnmarlin@marlinatlantis.com>]
Sent: Friday, March 02, 2012 5:24 PM
To: Les Brannon
Cc: Rick L Horton
Subject: Whitestone

Les,

Attached is the draft of the term sheet for Whitestone. I would like to walk you through the term sheet tonight or tomorrow so you understand the logic behind some of the terms.

We just heard from the lender and they are not going to extend us any additional time. We will need to execute this non-binding terms sheet by noon Monday to meet the deadline.

Thank you.

John Marlin
CEO
Marlin Atlantis
13455 Noel Rd 23rd floor
Dallas, Texas 75240
Direct 972-715-6449

Mobile 972-897-2924

johnmarlin@marlinatlantis.com<<mailto:johnmarlin@marlinatlantis.com>>

Joyce W. Lindauer
8140 Walnut Hill Lane
Suite 301
Dallas, Texas 75231
Tel: 972.503.4034
Fax: 972.503.4034
Email: courts@joycelindauer.com
COUNSEL FOR THE DEBTOR

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

IN RE:

**WHITESTONE HOUSTON LAND,
LTD.,**

DEBTOR.

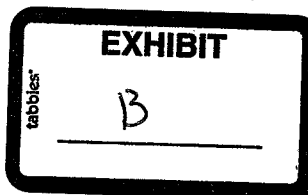
§
§
§
§
§
§
§
§

Case No. 11-42400

Chapter 11

BID PROCEDURES

On March 5, 2012, Whitestone Houston Land, Ltd. (the "Debtor") filed its *Motion for an Order Authorizing (A) the Sale of Substantially All of the Debtors' Assets Free and Clear of Claims, Encumbrances, Liens, and Interests, (B) the Assumption and Assignment of Executory Contracts and Unexpired Leases, and (C) Related Relief* [Docket No. 13] (the "Sale Motion"). Subject to receipt of a higher or better offer(s), under the Sale Motion, the Debtor proposes to effectuate the transactions contemplated by a definitive term sheet or a definitive asset purchase agreement (the "Purchase Agreement") entered into in the sole discretion of D.R. Horton, Inc. and its permitted successors and assigns (the "Potential Buyer") among the Potential Buyer and the Debtor (the "Transaction"). The Purchase Agreement provides for the transfer of the Debtor's right, title, and interest in, to and under substantially all of the Debtor's assets. These Bid Procedures have been approved and authorized pursuant to the Order (A) *Approving the Debtor's Entry into the Purchase Agreement*; (B) *Approving Procedures for the Solicitation of Offers to Purchase the Debtor's Assets*; (C) *Approving the Form and Manner of Notice Thereof*; (D) *Approving Procedures for Determining Cure Amounts for Executory Contracts and Unexpired Leases*; (E) *Approving the Bid Protections and Procedures*; and (F) *Approving a Break-Up Fee in Connection with the Transaction Contemplated by the Purchase Agreement* [Docket No. 13] (the "Bid Procedures Order") entered by the United States Bankruptcy Court for the Eastern District of Texas, Sherman Division, on



March [], 2012.

The Bidding Process

Under the circumstances set forth in the Purchase Agreement and the Bid Procedures Order and subject to the conditions set forth therein, at any time on or before April [], 2012 at 4:00 p.m. (prevailing Central Time) (the “Bid Deadline”), the Debtor may, directly or indirectly through their Representatives,¹ (i) engage in discussions and negotiations regarding an Alternative Transaction² with any entity that the Debtor reasonably believes could lead to a bona fide written offer relating to an Alternative Transaction that would meet the requirements of these Bid Procedures (a “Potential Bidder”), (ii) furnish to such Potential Bidder and its Representatives in connection with its consideration of making a cash offer relating to an Alternative Transaction (each, a “Bid”), public and non-public information relating to any Debtor pursuant to a Confidentiality Agreement (as defined below), (iii) receive Bids from Potential Bidders, (iv) request information from Potential Bidders and engage in discussions with Potential Bidders and take such other actions the Debtor desires to determine whether any Bid constitutes or could lead to a Qualified Bid (as defined below), (v) evaluate any Bid made by a Potential Bidder, (vi) engage in discussions and negotiations with any Potential Bidder with respect to any Bid submitted by a Potential Bidder, and (vii) take any other actions contemplated under these Bid Procedures (collectively, the “Bidding Process”).

Participation Requirements

In order to participate in the Bidding Process, each Potential Bidder (but not the Potential Buyer) must deliver (unless previously delivered in a form acceptable to the Debtors as provided herein) to the Debtors prior to the Bid Deadline:

- a. An executed confidentiality agreement acceptable to the Debtor containing terms that are no less favorable to the Debtor than those contained in the Confidentiality, Non-Circumvention and Non-Competition Agreement executed March _____, 2012 (as same may have been or may be extended or modified) between the Debtor and the Potential Buyer (the “Confidentiality Agreement”). Each Confidentiality Agreement entered into after the date of the entry of the Bid Procedures Order shall recognize that the Debtor is obligated to comply with the terms of these Bid Procedures. Each confidentiality agreement previously entered into between the Debtor and a Potential Bidder in effect on the date of the entry of the Bid Procedures Order

¹ “Representatives” means, with respect to any person, the officers, directors, employees, members, managers, partners, investment bankers, attorneys, accountants, consultants or other advisors, agents or representatives of such person, when acting in such capacity on behalf of such person.

² “Alternative Transaction” means, other than the transactions contemplated by the Purchase Agreement, any (i) sale, transfer or other disposition, directly or indirectly, of any assets of any Debtor, (ii) issuance, sale, transfer or other disposition, in each case by any Debtor, of any class of equity securities, ownership interests or voting securities of any Debtor, (iii) merger, consolidation, recapitalization, business combination or other similar transaction involving any Debtor or (iv) Chapter 11 plan of reorganization or other restructuring or reorganization for, or liquidation of, any Debtor.

shall be deemed to be a Confidentiality Agreement. By participating in the Bidding Process, each Potential Bidder shall be deemed to have agreed to any and all modifications to any previously executed confidentiality agreement as necessary to permit the Debtor to comply with the terms of these Bid Procedures and the Purchase Agreement; and

- b. Audited financial statements of, or other information relating to, the Potential Bidder or, if the Potential Bidder is an entity formed for the purpose of the Alternative Transaction, audited financial statements of or other information relating to the equity holder(s) of the Potential Bidder, or such other form of financial disclosure or evidence of financial capability and performance and legal authority acceptable to the Debtor and its advisors as requested by the Debtor (and, if requested by the Debtor, certified to by a duly authorized representative of the Potential Bidder (or equity holders thereof, as applicable)), demonstrating such Potential Bidder's financial capability and legal authority to close the proposed transaction in a timely manner.

A Potential Bidder that delivers the documents described in subparagraphs (a) and (b) above, and that is financially capable of consummating the Alternative Transaction in a timely manner shall be permitted to further participate in the Bidding Process, and only such Potential Bidders as have satisfied these requirements (other than the Potential Buyer) may conduct due diligence. The Debtor may require an update of such information and an affirmation of any Potential Bidder's financial capability to bid and consummate any Transaction or Alternative Transaction contemplated hereunder.

The Purchase Agreement

The Debtor shall provide these Bid Procedures, together with a copy of the Purchase Agreement, to each Potential Bidder after the Court's entry of the Bid Procedures Order. To the extent the Purchase Agreement is amended, modified or supplemented (including an update with a signed asset purchase agreement to the extent that the Purchase Agreement is a term sheet as of the date of the Court's entry of the Bid Procedures Order) after the date of the Purchase Agreement (collectively, the "Supplemental Information"), such Supplemental Information also shall be provided to parties to whom the Purchase Agreement is delivered pursuant to the preceding sentence.

Due Diligence for Potential Bidders

Any Potential Bidder wishing to conduct due diligence concerning a prospective Alternative Transaction shall be granted reasonable access, subject to execution of a Confidentiality Agreement, to any datasite, properties, and relevant business and financial and other information of the Debtors necessary to enable such Potential Bidder to evaluate the assets of the Debtor and the prospective Alternative Transaction. The Debtor shall make access to its properties, assets and books and records during normal business hours as soon as reasonably practicable upon receiving a request from a Potential Bidder. Potential Bidders interested in conducting due diligence should contact counsel to the Debtor, Joyce W. Lindauer, 8140 Walnut Hill Lane, Suite 301, Dallas,

Texas 75231, tel: 972.503.4033, fax: 972.503.4034, email: joyce@joycelindauer.com. Notwithstanding the foregoing, the Debtor is not required to provide confidential or proprietary information to any person if the Debtor reasonably believes that such disclosure would be detrimental to the interests and operations of the Debtor or any of the Debtor's affiliates.

The Debtor will designate an employee or other representative (which may be the Debtor's financial advisor or investment banker) to coordinate all reasonable requests for additional information and due diligence access from such Potential Bidders. No conditions relating to the completion of due diligence will be permitted to exist after the Bid Deadline. The Debtor and their Representatives are not obligated to furnish any information relating to the properties to any person other than a Potential Bidder.

Submission by Bid Deadline

A Potential Bidder who desires to make a Bid must deliver a written copy of its Bid on or before the Bid Deadline to counsel for the Debtors at Joyce W. Lindauer, 8140 Walnut Hill Lane, Suite 301, Dallas, Texas 75231, tel: 972.503.4033, fax: 972.503.4034, email: joyce@joycelindauer.com. The Debtor may, with the consent of the Potential Buyer in its sole discretion, extend the Bid Deadline, but shall promptly notify the Potential Buyer and all Potential Bidders of any such extension.

The Debtor shall promptly deliver a copy of each Bid received to the Potential Buyer, but in no event more than 48 hours after receipt thereof.

Determination of "Qualified Bid" Status

A Bid received from a Potential Bidder will constitute a "Qualified Bid" only if it is an all cash Bid and is accompanied by all of the following documents and a good faith deposit as described below (collectively, the "Required Bid Deliveries") and meets all of the Bid Requirements (as defined below):

- (a) An asset purchase agreement duly executed by the Potential Bidder, together with a copy of such asset purchase agreement marked to show the specific changes to the Purchase Agreement (to the extent that the Purchase Agreement constitutes a signed purchase agreement and not a binding term sheet on or prior to 3 business days before the Bid Deadline) that the Potential Bidder requires (which marked copy may be an electronic comparison of the written acquisition agreement submitted and the Purchase Agreement). The acquisition agreement submitted by a Potential Bidder:
 - (i) shall include a complete set of all disclosure schedules and exhibits thereto which, to the extent practicable, will be marked to show the specific changes to the disclosure schedules and exhibits to the Purchase Agreement, if applicable;

- (ii) shall not contain any financing or due diligence contingencies to closing on the proposed transaction; and
 - (iii) shall not contain any condition to closing of the transaction on the receipt of any third party approvals (excluding required Bankruptcy Court approval and any required governmental, and/or regulatory approval, if any).
- (b) A good faith deposit (the “Good Faith Deposit”) in the form of a wire transfer, certified or bank check payable to the order of the Debtors (or such other party as the Debtors may designate) in the amount of \$500,000 and an executed escrow agreement in substantially the form of the exhibit to the Purchase Agreement or, to the extent that the Purchase Agreement constitutes a signed term sheet and not a signed asset purchase agreement on or prior to 3 business days before the Bid Deadline, a signed escrow agreement in form and substance acceptable to the Potential Buyer in its sole and absolute discretion.

Each Potential Bidder that makes a Qualified Bid shall be referred to as a “Qualified Bidder.” The Potential Buyer is a Qualified Bidder in all respects and the Purchase Agreement and the Transaction is a Qualified Bid.

Bid Requirements

All Bids, other than the Bid of the Potential Buyer, must also satisfy all of the following requirements (collectively, the “Bid Requirements”):

- a) The Bid must provide for an aggregate consideration, in cash, of at least the sum of (x) \$100,000 plus (y) the Break-Up Fee (as defined below) plus (z) the Purchase Price (as defined in the Purchase Agreement) under the Purchase Agreement (the “Minimum Bid”); provided, that, any proposed adjustments to the Purchase Price must be submitted with the Bid.
- b) The Bid must constitute an irrevocable offer for the purchase of all of the real property of all of the Debtor and must contain an allocation of the purchase price to each tract of the Debtor’s real property.
- c) The Bid must be accompanied by satisfactory evidence of committed financing or other financial ability to consummate the Alternative Transaction in a timely manner.
- d) The Bid cannot be conditioned upon the Bankruptcy Court’s approval of any bid protections, such as a break-up fee, termination fee, expense reimbursement, working fee or similar type of payment.
- e) The Bid must expressly acknowledge and represent that the Potential Bidder:
 - (i) has had an opportunity to conduct any and all due diligence regarding the business assets of the Debtor and the Alternative Transaction prior to making

its Bid, (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and the assets of the Debtor in making its Bid, (iii) has not engaged in any collusion with respect to the Bid Process, and (iv) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the business or assets of the Debtor or the Alternative Transaction, or the completeness of any information provided in connection therewith, except as expressly stated in the representations and warranties contained in the Purchase Agreement ultimately accepted and executed by the Debtor.

- f) The Bid must identify each and every executory contract and unexpired lease that is to be assumed and assigned to the Potential Bidder pursuant to the Alternative Transaction.
- g) The Bid must be received by the Bid Deadline.

The Debtor may not waive the Required Bid Deliveries or the Bid Requirements with respect to any Bid without the prior consent of the Potential Buyer.

Auction

Prior to the Auction (as defined below), the Debtor shall evaluate the Qualified Bids and select the Qualified Bid that the Debtor determine to be the highest or best Qualified Bid (the "Initial Highest Bid").

If one or more Qualified Bids are determined by the Debtor to be higher or better than the Potential Buyer's Qualified Bid, the Debtor will conduct an auction (the "Auction") in order to determine the highest and best of the Qualified Bids (the "Successful Bid"). If no Qualified Bid (other than that of the Potential Buyer) is received by the Bid Deadline, then the Potential Buyer's Qualified Bid will be the Successful Bid, and the Debtor will proceed to consummate the Purchase Agreement following the approval of the Sale Motion without conducting the Auction.

The Auction, if required, will commence at noon (prevailing Central Time) on April ____, 2012, at the offices of Joyce Lindauer, Attorney, 8140 Walnut Hill Lane Suite 301, Dallas, Texas 75231 or at such later time or other place as agreed by the Potential Buyer and the Debtor or approved by Order of the Bankruptcy Court, and of which the Debtor will notify all Qualified Bidders who have submitted Qualified Bids that the Debtor has determined are higher or better than the Potential Buyer's Qualified Bid (collectively, together with the Potential Buyer, the "Auction Participants").

Promptly upon determination of the Initial Highest Bid, and in any event, within one business day of the Bid Deadline, the Debtor will provide to the Auction Participants a copy of the Initial Highest Bid. In order to allow the Auction Participants to evaluate the Initial Highest Bid, the Debtor shall disclose the value, if any, that they place on the Initial Highest Bid and on such Auction Participant's Qualified Bid.

Only the Debtor, the Auction Participants, potential financing sources of Auction Participants, their Representatives and Office of the United States Trustee will be entitled to attend, participate and be heard at the Auction, but only the Auction Participants (including the Potential Buyer) will be entitled to make any subsequent Qualified Bids at the Auction.

At the commencement of the Auction, the Debtor shall formally announce the Initial Highest Bid. All subsequent Qualified Bids at the Auction will be based on and increased therefrom, and thereafter made in minimum increments of at least \$100,000³ higher than the previous Qualified Bid. The Potential Buyer's bid shall include the amount of the Break-Up Fee as a component of any subsequent Qualified Bid submitted by the Potential Buyer. For example, if at the Auction a subsequent Qualified Bid submitted by the Potential Buyer is the Successful Bid (over another Qualified Bid that was submitted), then the purchase price that must be paid by the Potential Buyer pursuant to such Successful Bid shall be reduced by the amount of the Break-Up Fee (such that the net amount received by the Debtor is the highest amount bid). The Debtor, with approval of the Potential Buyer in its sole discretion, shall have the right to adopt such other rules for the Auction which they believe in their business judgment will promote the goals of the Auction.

Bidding at the Auction will continue until such time as the highest or otherwise best Qualified Bid is determined by the Debtor. To facilitate a deliberate and orderly consideration of competing Qualified Bids submitted at the Auction, the Debtor may adjourn the Auction at any time and from time-to-time and may conduct multiple rounds of bidding. Upon conclusion of the Auction, the Debtor will (a) review each Qualified Bid and (b) identify the Successful Bid.

Credit Bidding

Each and every holder of a secured claim of the Debtor (each a "Lender", and collectively, the "Lenders") that desires to credit bid at the Auction shall file and serve on the Debtor and the Potential Buyer a notice of intent to credit bid in at least the amount of the Minimum Bid prior to the Bid Deadline. In the event that a notice is not so timely filed and served on the Debtor and the Potential Buyer prior to the Bid Deadline, such Lender shall not be an Auction Participant and shall not be entitled to bid at the Auction.

Break-Up Fee

If any Debtor consummates any Alternative Transaction at any time on or prior to the date that is eighteen calendar months after the date of the Purchase Agreement, the Debtor shall pay to the Potential Buyer an amount equal to \$300,000 (incidentally, approximately 3% of the aggregate gross consideration provided under the Purchase Agreement) (the "Break-Up Fee") in full in cash allocated to each property pro rata to the allocation contained in the Purchase Agreement, at the closing of the first Alternative Transaction from the sale proceeds thereof; provided, however, if the Alternative

³ Minimum bid increments must consist solely of cash consideration.

Transaction includes a conveyance, assignment or transfer of ownership of the Debtor's assets to the Lenders without generating proceeds, whether pursuant to a credit bid or otherwise, or a foreclosure sale outside of bankruptcy, the order approving such credit bid or authorizing the relief necessary to allow the Lenders to conduct such foreclosure sale shall direct the Debtor's Lenders to pay the Break-Up Fee directly to the Purchaser in full in cash within 2 business days of the entry of the sale order approving such transaction or the closing of such foreclosure sale. In the event that the Debtor consummates any Alternative Transaction, the Break-Up Fee shall be due and payable in accordance with the above and the Purchase Agreement even in the event that the Purchase Agreement constitutes a term sheet rather than a signed asset purchase agreement. Such Break-Up Fee was fully earned upon the entry of the Bid Procedures Order and shall constitute an administrative expense Claim against each and all of the Debtor, jointly and severally, under Section 503(b) or 507(a)(2) of the Bankruptcy Code subject only to administrative claims of the Debtor's professionals not to exceed \$25,000 in the aggregate after full application of any retainers held by such professionals.

Sale Hearing

An evidentiary hearing to consider the Sale Motion and approval of the Successful Bid (the "Sale Hearing"), will be held on April 25, 2012 at 10:30 a.m. prevailing Central Time (the "Sale Hearing Date") in the courtroom of the Honorable Brenda T. Rhoades, 660 North Central Expressway, Suite 300B, Plano, Texas 75074. The Sale Hearing may be adjourned or rescheduled as ordered by the Bankruptcy Court or by the Debtor with the approval of the Auction Participant whose Qualified Bid is the Successful Bid (the "Successful Bidder") but without further notice to creditors and parties in interest other than by announcement by Debtor of the adjourned date at the Sale Hearing.

The Debtor's presentation to the Bankruptcy Court for approval of a Successful Bid does not constitute the Debtor's acceptance of the Bid. The Debtor will be deemed to have accepted a Bid only when the Bid has been approved by Order of the Bankruptcy Court.

Objections

Objections, if any, to the Sale Motion shall be filed and served such that each objection is actually received by the following parties on or before 4:00 p.m., prevailing Central time, on April 24, 2012 (the "Objection Deadline"): (a) counsel for the Debtor at Joyce W. Lindauer, 8140 Walnut Hill Lane, Suite 301, Dallas, Texas 75231, tel: 972.503.4033, fax: 972.503.4034, email: joyce@joycelindauer.com, (b) counsel for the Potential Buyer at _____, and (c) the United States Trustee's Office, Attn: John M. Vardeman, 10 N. College St., Suite 300, Tyler, TX 75702, tel. 903-590-1450 x218, fax: 903-590-1461, john.m.vardeman@usdoj.gov.

Return of Good Faith Deposit

The Good Faith Deposit of all Qualified Bidders (other than the Potential Buyer

and the Successful Bidder) will be returned, without interest (other than any earnings on any such amounts under, and subject to the terms of the escrow agreement pursuant to which such Good Faith Deposit is held), to each such Qualified Bidder within ten business days after the entry of an Order approving the Sale Motion, subject to the terms of the escrow agreement pursuant to which such Good Faith Deposit is held.

The Good Faith Deposit of the Potential Buyer and the Successful Bidder will be distributed pursuant to and in accordance with (a) the Purchase Agreement and the applicable acquisition agreement, respectively, and (b) the escrow agreement pursuant to which such Good Faith Deposit is held, as applicable.

Modifications

The Debtor may (a) determine which Qualified Bid, if any, is the highest or otherwise best offer; and (b) reject at any time before entry of an Order of the Bankruptcy Court approving the Successful Bid, any bid, other than the Bid of the Potential Buyer, that, in the discretion of the Debtor is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code or the Bid Procedures, or (iii) contrary to the best interests of the Debtor, its estate and its creditors.

Joyce W. Lindauer
8140 Walnut Hill Lane
Suite 301
Dallas, Texas 75231
Tel: 972.503.4034
Fax: 972.503.4034
Email: courts@joycelindauer.com
COUNSEL FOR THE DEBTOR

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

IN RE:

**WHITESTONE HOUSTON LAND,
LTD.,**

DEBTOR.

§
§
§
§
§
§
§
§

Case No. 11-42400

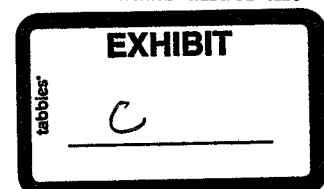
Chapter 11

NOTICE OF TRANSACTION

**PLEASE READ THIS NOTICE CAREFULLY AS YOUR RIGHTS WILL BE
AFFECTED AS SET FORTH HEREIN.**

On August 1, 2011, the debtor and debtor in possession in the above-referenced bankruptcy case (the "Debtor") filed a voluntary petition for relief (the "Case") under chapter 11 of title 11 of the United States Code.

On March __, 2012, the Debtor filed its *Motion for an Order Authorizing (A) the Sale of the Debtors' Right, Title and Interest In, To and Under Substantially All of the Debtors' Assets Free and Clear of Claims, Encumbrances, Liens, and Interests, (B) the Assumption and Assignment of Executory Contracts and Unexpired Leases, and (C) Related Relief* (the "Sale Motion"). Subject to receipt of higher or better offer(s), the Debtor proposes to effectuate the transactions contemplated by a definitive term sheet or a definitive asset purchase agreement (as amended from time to time, the "Purchase Agreement") to be entered into by and among D.R. Horton, Inc. and its permitted successors and assigns (the "Potential Buyer") and the Debtor (the "Transaction") in the Potential Buyer's sole discretion. The Purchase Agreement provides for, among other things, the sale of the Debtor's right, title and interest in, to and under substantially all of the Debtor's assets (including, without limitation, the Whitestone Houston project) to the Potential Buyer, free and clear of all liens, encumbrances, claims, and other interests except as otherwise set forth in the Purchase Agreement. The Potential Buyer has agreed to provide consideration of cash in the amount of (i) \$10,715,214.00, (ii) 500,000 to cure defaults under the



Desired 365 Contracts (as defined below) (the “Cure Amount”), (iii) \$43,765.84 to be paid to the Debtor’s estate for the benefit of creditors, and (iv) the payment of \$171,447.98 of past due ad valorem taxes on the Debtor’s property (subject to certain adjustments set in the Purchase Agreement), upon the terms and subject to the conditions set forth in the Purchase Agreement. Under the Purchase Agreement, the Potential Buyer has the right prior to the end of the Designation Period (as defined below) to include or exclude from the Property transferred to the Potential Buyer any documents, contracts and assets that the Potential Buyer determines in its sole and absolute discretion that it does or does not desire to purchase.

On March __, 2012, the Court entered the *Order (A) Approving the Debtors’ Entry into Purchase Agreement; (B) Approving the Procedures for the Solicitation of Offers to Purchase the Debtors’ Assets; (C) Approving the Form and Manner of Notice Thereof; (D) Approving Procedures for Determining Cure Amounts for Executory Contracts and Unexpired Leases; (E) Approving the Bid Protections and Procedures; and (F) Approving a Break-Up Fee in Connection with the Transaction Contemplated by the Purchase Agreement* (the “Bid Procedures Order”) in which it, among other things, (a) approved the entry into the Purchase Agreement and the bid protections in the Purchase Agreement (the “Bid Protections”), including the break-up fee payable thereunder, (b) approved the bid procedures in connection with the solicitation of higher or better offer(s), which are attached hereto as **Exhibit “A”** (the “Bid Procedures”), (c) scheduled an auction, (d) approved the form and manner of notice of the Bid Procedures and the respective dates, times and places for an auction, if required under the Bid Procedures, (e) approved the form and manner of the notice of the assumption and assignment of executory contracts and unexpired leases and rights thereunder, (f) established procedures for objecting to, and determining cure amounts in connection with, the assumption and assignment of executory contracts and unexpired leases and rights thereunder, (g) set a hearing to consider the Sale Motion on _____ at _____ prevailing Central Time (the “Sale Hearing”), and (h) granted other relief.

Any party desiring to make an offer or proposal relating to an Alternative Transaction (as defined in the Purchase Agreement) must comply with the Bid Procedures.

Summary of Key Dates:

Bid Deadline	April 23, 2012 at 4:00 p.m. prevailing Central Time
Objection Deadline/Deadline to Submit Rights Notices	April 24, 2012, 2012 at 4:00 p.m. prevailing Central Time
Auction	April 24, 2012 at 9:30 a.m. prevailing Central Time
Hearing on Sale Motion	April 25, 2012 at 10:00 a.m. prevailing Central Time

Objections, if any, to Sale Motion or to the assumption and assignment of executory contracts and unexpired leases and rights thereunder shall be filed and served such that each objection is actually received by the following parties (collectively, the "Notice Parties") by 4:00 p.m., prevailing Central time, on April 24, 2012 (the "Objection Deadline"): (a) counsel for the Debtors at Joyce W. Lindauer, 8140 Walnut Hill Lane, Suite 301, Dallas, Texas 75231, tel: 972.503.4033, fax: 972.503.4034, email: joyce@joycelindauer.com, (b) counsel for the Potential Buyer at _____, fax: _____, and (c) the United States Trustee's Office, Attn: John M. Vardeman, 10 N. College St., Suite 300, Tyler, TX 75702, tel. 903-590-1450 x218, fax: 903-590-1461, john.m.vardeman@usdoj.gov.

Any person failing to timely file an objection to the Sale Motion shall be forever barred from objecting to the Sale Motion, including the transferring of the Debtor's right, title, and interest in, to and under substantially all of the Debtor's assets in accordance with the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable) free and clear of any and all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or other definitive agreement for an Alternative Transaction, if applicable, and will be deemed to consent to the Transaction or an Alternative Transaction (as applicable), including the transferring of the Debtor's right, title, and interest in, to and under substantially all of the Debtor's assets in accordance with the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable) free and clear of any and all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or such other definitive agreement for an Alternative Transaction, if applicable, and provided by such Transaction or Alternative Transaction.

Any person failing to timely file an objection to the assumption and assignment of any executory contract or unexpired lease and rights thereunder, shall be forever barred from objecting to the assumption and assignment of such executory contract or unexpired lease and rights thereunder and will be deemed to consent to the assumption of such executory contract or unexpired lease.

If any Person asserts that any property or right cannot be transferred, sold, assumed, and/or assigned free and clear of all liens, encumbrances, claims and other interests in accordance with the Transaction (or Alternative Transaction, as applicable) and Bankruptcy Code §§ 363 and/or 365 on account of one or more alleged approval rights, consent rights, preferential purchase rights, rights of purchase, rights of first refusal, rights of first offer, tag-along rights, or similar rights, then such Person shall file and serve a notice with all supporting documentation (a "Rights Notice") so that the Rights Notice is actually received by the Notice Parties on or before the Objection Deadline. Each Rights Notice must identify the properties or rights that are subject to such alleged right, identify the type of right(s) claimed by such party, identify the agreement, document, or statute giving rise to such right, and identify the portion of the agreement, document, or statute giving rise to such right. The assertion of a Rights Notice shall not require an exercise of the underlying right asserted and any such right asserted shall be subject to the terms and conditions of the Purchase Agreement or definitive agreement for an Alternative Transaction, as the case may be (including, without limitation, any allocation contained therein).

Any Person failing to timely file and serve a Rights Notice shall be (a) forever barred from objecting to the transfer, sale, assumption, and/or assignment of the Debtor's right, title, and interest in, to and under the property of the Debtor to be sold, assumed and/or assigned pursuant to the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable) free and clear of all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable), and from asserting any alleged approval rights, consent rights, preferential purchase rights, rights of purchase, rights of first refusal, rights of first offer, tag-along rights, or similar rights with respect to the Debtor's transfer, sale, assumption, and/or assignment of the Debtor's right, title and interest in, to and under such property, as set forth in the Purchase Agreement or such other definitive agreement for an Alternative Transaction (if applicable), and (b) deemed to consent to and approve of the transfer, sale, assumption, and/or assignment of the Debtor's right, title and interest in, to and under the property, free and clear of all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or a definitive agreement for an Alternative Transaction, as applicable (regardless of whether such consent must be in writing).

If any Person timely files and serves a Rights Notice in accordance with the Bid Procedures Order, the Debtor shall have the opportunity to object to any alleged approval rights, consent rights, preferential purchase rights, rights of purchase, rights of first refusal, rights of first offer, tag-along rights, or similar rights asserted by such Person by filing an objection to such Rights Notice at any time prior to the Sale Hearing. Upon the Debtor's filing of such objection to the Rights Notice, any rights asserted shall be deemed to be disputed and the Debtor shall be entitled to assert a bona fide dispute exists as to such rights asserted. Nothing herein shall be deemed to be a waiver of any rights of the Debtor to contest any rights asserted by any Person in Rights Notices; all such rights of the Debtor are expressly preserved.

Copies of the Purchase Agreement, Bid Procedures, and Bid Procedures Order may be obtained upon receipt of a written request to the Debtor, Joyce W. Lindauer, 8140 Walnut Hill Lane, Suite 301, Dallas, Texas 75231, tel: 972.503.4033, fax: 972.503.4034, email: joyce@joycelindauer.com.

Dated: March 5, 2012

Respectfully submitted,

/s/ Joyce Lindauer

Joyce W. Lindauer

8140 Walnut Hill Lane

Suite 301

Dallas, Texas 75231

Tel: 972.503.4033

Fax: 972.503.4034

Email: joyce@joycelindauer.com

COUNSEL FOR THE DEBTOR

ATTACH BID PROCEDURES

Joyce W. Lindauer
8140 Walnut Hill Lane
Suite 301
Dallas, Texas 75231
Tel: 972.503.4034
Fax: 972.503.4034
Email: courts@joycelindauer.com
COUNSEL FOR THE DEBTOR

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

IN RE:

**WHITESTONE HOUSTON LAND,
LTD.,**

DEBTOR.

§
§
§
§
§
§
§
§

Case No. 11-42400

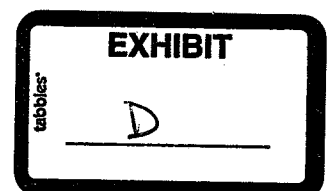
Chapter 11

**NOTICE OF POSSIBLE ASSUMPTION AND ASSIGNMENT
OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**PLEASE READ THIS NOTICE CAREFULLY AS YOUR RIGHTS WILL BE
AFFECTED AS SET FORTH HEREIN.**

On August 1, 2011, the debtor and debtor in possession in the above-referenced bankruptcy case (the "Debtor") filed a voluntary petition for relief (the "Case") under chapter 11 of title 11 of the United States Code.

On March ____, 2012, the Debtor filed its *Motion for an Order Authorizing (A) the Sale of the Debtors' Right, Title and Interest In, To and Under Substantially All of the Debtors' Assets Free and Clear of Claims, Encumbrances, Liens, and Interests, (B) the Assumption and Assignment of Executory Contracts and Unexpired Leases, and (C) Related Relief* (the "Sale Motion"). Subject to receipt of higher or better offer(s), the Debtor proposes to effectuate the transactions contemplated by a definitive term sheet or a definitive asset purchase agreement (as amended from time to time, the "Purchase Agreement") to be entered into by and among D.R. Horton, Inc., and its permitted successors and assigns (the "Potential Buyer") and the Debtor (the "Transaction") in the Potential Buyer's sole discretion. The Purchase Agreement provides for, among other things, the sale of the Debtor's right, title and interest in, to and under substantially all of the Debtor's assets to the Potential Buyer, free and clear of all liens, encumbrances, claims, and other interests except as otherwise set forth in the Purchase Agreement. The Potential Buyer has agreed to provide consideration of cash in the amount of (i) \$10,715,214.00, (ii) 500,000 to



cure defaults under the Desired 365 Contracts (as defined below) (the "Cure Amount"), (iii) \$43,765.84 to be paid to the Debtor's estate for the benefit of creditors, and (iv) the payment of \$171,447.98 of past due ad valorem taxes on the Debtor's property (subject to certain adjustments set in the Purchase Agreement), upon the terms and subject to the conditions set forth in the Purchase Agreement. Under the Purchase Agreement, the Potential Buyer has the right prior to the end of the Designation Period (as defined below) to include or exclude from the Property transferred to the Potential Buyer any documents, contracts and assets that the Potential Buyer determines in its sole and absolute discretion that it does or does not desire to purchase.

Under the Purchase Agreement, the Potential Buyer has the right prior to the end of the Designation Period (as defined below) to include or exclude from the Property transferred to the Potential Buyer any documents, contracts and assets that the Potential Buyer determines in its sole and absolute discretion that it does or does not desire to purchase.

On March [REDACTED], 2012, the Court entered the *Order (A) Approving the Debtors' Entry into Purchase Agreement; (B) Approving the Procedures for the Solicitation of Offers to Purchase the Debtors' Assets; (C) Approving the Form and Manner of Notice Thereof; (D) Approving Procedures for Determining Cure Amounts for Executory Contracts and Unexpired Leases; (E) Approving the Bid Protections and Procedures; and (F) Approving a Break-Up Fee in Connection with the Transaction Contemplated by the Purchase Agreement* [Docket No. [REDACTED]] (the "Bid Procedures Order") in which it, among other things, (a) approved the entry into the Purchase Agreement and the bid protections in the Purchase Agreement (the "Bid Protections"), including the break-up fee payable thereunder, (b) approved the bid procedures in connection with the solicitation of higher or better offer(s), which are attached hereto as **Exhibit "A"** (the "Bid Procedures"), (c) scheduled an auction, (d) approved the form and manner of notice of the Bid Procedures and the respective dates, times and places for an auction, if required under the Bid Procedures, (e) approved the form and manner of the notice of the assumption and assignment of executory contracts and unexpired leases and rights thereunder, (f) established procedures for objecting to, and determining cure amounts in connection with, the assumption and assignment of executory contracts and unexpired leases and rights thereunder, (g) set a hearing to consider the Sale Motion on April 25, 2012 at 9:30 a.m. prevailing Central time (the "Sale Hearing"), and (h) granted other relief.

In connection with the Transaction or an Alternative Transaction (as defined in the Purchase Agreement) (as applicable), the Debtor may seek to assume certain executory contracts and unexpired leases (collectively, the "Desired 365 Contracts") and rights thereunder and assign such executory contracts and unexpired leases and rights thereunder to the Potential Buyer or such other party that proposes an Alternative Transaction (as applicable). **You are receiving this notice because you are identified as a party to one or more Desired 365 Contracts that may be assumed by the Debtor and assigned to the Potential Buyer or such other party that proposes an Alternative Transaction** (the "Alternative Buyer").

A list of the Desired 365 Contracts, including a description of the Desired 365 Contracts and the maximum amount, if any, that will be paid by the Potential Buyer or the Debtor (in accordance with the Purchase Agreement or agreement for an Alternative Transaction) to cure all defaults and arrearages under such Desired 365 Contract (the "Cure Amount"), is set forth on **Exhibit "B"** attached hereto. The inclusion of any contract or lease on **Exhibit "B"** shall not be

deemed to be an admission by the Debtor that such contract or lease is an "executory contract" or "unexpired lease" for purposes of Section 365 of the Bankruptcy Code, and the Debtor reserves all rights in connection with same. Such Cure Amounts may be paid directly to you or to certain third parties, as applicable under state law, to cure all defaults and arrearages related to the Desired 365 Contract. **Exhibit "B"** sets forth the portion of the Cure Amount to be paid to you or to one or more third parties, as applicable. In addition, in the event that the Potential Buyer determines that any contract subject to assumption and assignment under Bankruptcy Code § 365 exists that is not listed on **Exhibit "D"** to the Purchaser Agreement on or prior to the end of the Designation Period (i) the Potential Buyer shall have the right to designate any such contract as a Desired 365 Contract, (ii) the Debtor shall assume and assign such additional Desired 365 Contract to the Potential Buyer within 21 days thereafter by order of the court in form and substance acceptable to the Potential Buyer in its sole discretion, and (iii) the Potential Buyer, in its sole discretion, may elect to pay the cure costs associated with such additional Desired 365 Contract at such time. The Potential Buyer has the right prior to closing to remove any 365 Contract from **Exhibit "D"** to the Purchase Agreement, and, after such removal, such removed 365 Contract shall no longer be a Desired 365 Contract and the Potential Buyer shall have no obligation to pay any amounts to cure defaults thereunder; provided, however, the Potential Buyer retains the right to add such 365 Contract as a Desired 365 Contract prior to the end of the Designation Period. At the closing, the Potential Buyer or the Debtor (in accordance with the Purchase Agreement or agreement for an Alternative Transaction) propose to pay all valid and undisputed Cure Amounts as provided in **Exhibit "B"**. The Debtor believes that the Potential Buyer or Alternative Buyer (as applicable) provides you adequate assurance of future performance under your respective Desired 365 Contract.

The Debtor is authorized to amend the Assumption Notice by amending Cure Amounts by sending a new or amended Assumption Notice at any time at least five (5) calendar days prior to the Sale Hearing to counterparties affected by the amendment; provided, however, that counterparties to any Desired 365 Contracts whose Cure Amounts are amended shall have at least five (5) calendar days from service of the amended Assumption Notice to properly object to such Cure Amount amendment. The Debtor is authorized, with the prior consent of the Potential Buyer, to amend the Assumption Notice by adding or deleting Desired 365 Contracts at any time prior to the Sale Hearing, and they shall use commercially reasonable efforts to affect the assumption and assignment of any such added 365 Contract (as defined in the Purchase Agreement or other definitive agreement to effectuate an Alternative Transaction (if applicable)) and rights thereunder by the Debtor in accordance with the Bankruptcy Code and Sale Motion; provided, however, that counterparties to any such added 365 Contracts shall have at least five (5) calendar days from service of the amended Assumption Notice to properly object to the assumption and assignment of their respective Desired 365 Contract and rights thereunder and the applicable Cure Amount.

After the assumption and assignment of your Desired 365 Contract and rights thereunder, the Debtor, the Potential Buyer or the buyer under an Alternative Transaction (as applicable) and their respective subsidiaries will be relieved of any liability to you that accrued or arose before the date of assumption and you shall look solely to the Debtor as to any such liability. Further, your Desired 365 Contract will remain in full force and effect for the benefit of the Potential Buyer or the buyer under an Alternative Transaction (as applicable) in accordance with its terms, notwithstanding any provision in any such Desired 365 Contract

which prohibits, restricts or conditions such assignment or transfer thereof or its rights thereunder.

Pursuant to the Bid Procedures Order, if you object to the proposed assumption and assignment of any Desired 365 Contracts and rights thereunder, including but not limited to the proposed maximum Cure Amounts or adequate assurance of future performance (or if you assert that a default exists that must be cured other than by payment of the Cure Amount), you must file with the Court and serve an objection upon the following parties (collectively, the "Notice Parties") by 4:00 p.m., prevailing Central time, on April [], 2012 (the "Objection Deadline"): (a) counsel for the Debtors at Joyce W. Lindauer, 8140 Walnut Hill Lane, Suite 301, Dallas, Texas 75231, tel: 972.503.4033, fax: 972.503.4034, email: joyce@joycelindauer.com, (b) counsel for the Potential Buyer at _____ and (c) the United States Trustee's Office, Attn: John M. Vardeman, 10 N. College St., Suite 300, Tyler, TX 75702, tel. 903-590-1450 x218, fax: 903-590-1461, john.m.vardeman@usdoj.gov. Any objection must (a) be in writing, (b) state with specificity the nature of such objection, (c) if concerning a Cure Amount, set forth a specific default in the Desired 365 Contract and claim a specific monetary amount that differs from the Cure Amount (if any) specified by the Debtor in the Assumption Notice (with appropriate documentation in support thereof), (d) comply with the Federal Rules of Bankruptcy Procedure.

IF YOU DO NOT OBJECT TO THE PROPOSED ASSUMPTION AND ASSIGNMENT OF YOUR DESIRED 365 CONTRACT AND RIGHTS THEREUNDER OR THE CURE AMOUNT OR ADEQUATE ASSURANCE OF FUTURE PERFORMANCE BEFORE THE OBJECTION DEADLINE: (I) YOUR DESIRED 365 CONTRACT AND RIGHTS THEREUNDER MAY BE ASSUMED AND ASSIGNED IN WHICH CASE YOU WILL BE DEEMED TO HAVE CONSENTED AND WILL BE BOUND BY ORDER OF THE COURT TO SUCH ASSUMPTION AND ASSIGNMENT; (II) THE POTENTIAL BUYER OR THE BUYER UNDER AN ALTERNATIVE TRANSACTION (AS APPLICABLE) WILL ENJOY ALL OF THE RIGHTS AND BENEFITS UNDER YOUR DESIRED 365 CONTRACT WITHOUT THE NECESSITY OF OBTAINING YOUR WRITTEN CONSENT TO THE ASSUMPTION AND ASSIGNMENT THEREOF; (III) YOU WILL BE FOREVER BARRED AND ESTOPPED FROM ASSERTING OR CLAIMING AGAINST THE DEBTOR, THE POTENTIAL BUYER, OR THE BUYER UNDER AN ALTERNATIVE TRANSACTION (AS APPLICABLE), OR AN ASSIGNEE THAT ANY ADDITIONAL AMOUNTS, OTHER THAN THE CURE AMOUNT, ARE DUE OR DEFAULTS EXIST UNDER SUCH DESIRED 365 CONTRACT, OR THAT CONDITIONS TO ASSIGNMENT MUST BE SATISFIED UNDER SUCH DESIRED 365 CONTRACT FOR THE PERIOD PRIOR TO THE EFFECTIVE DATE; AND (IV) ANY CLAIMS YOU HAVE FILED ON ACCOUNT OF SUCH DESIRED 365 CONTRACT SHALL BE DISALLOWED AND EXPUNGED IN THESE CASES AS TO THE DEBTOR'S ESTATE.

Any Person failing to timely file an objection to any Cure Amounts set forth in the Assumption Notice or the proposed assumption and assignment of the Debtor's right, title and interest in, to and under the Desired 365 Contracts shall be forever barred from objecting to the Cure Amounts and from asserting a claim for any cure or other amounts (or asserting that any defaults exist under the Desired 365 Contract as of the date of assumption) against the Debtor, its

estate, the Potential Buyer or any of its respective affiliates (or such other Person that agrees to purchase the Properties under an Alternative Transaction that is approved by the Bankruptcy Court) with respect to its Desired 365 Contract arising prior to assumption and assignment of the Debtor's right, title and interest in, to and under the Desired 365 Contract and will be deemed to consent to the proposed assumption and assignment of the Debtors' right, title and interest in, to and under the Desired 365 Contracts as provided by such Transaction or Alternative Transaction.

If any Person asserts that any property or right (including a Desired 365 Contract) cannot be transferred, sold, assumed, and/or assigned free and clear of all liens, encumbrances, claims and other interests in accordance with the Transaction (or Alternative Transaction, as applicable) and Bankruptcy Code §§ 363 and/or 365 on account of one or more alleged approval rights, consent rights, preferential purchase rights, rights of purchase, rights of first refusal, rights of first offer, tag-along rights, or similar rights, then such Person shall file and serve a notice with all supporting documentation (a "Rights Notice") so that the Rights Notice is actually received by the Notice Parties on or before the Objection Deadline. Each Rights Notice must identify the properties or rights that are subject to such alleged right, identify the type of right(s) claimed by such party, identify the agreement, document, or statute giving rise to such right, and identify the portion of the agreement, document, or statute giving rise to such right.

Any Person failing to timely file and serve a Rights Notice shall be (a) forever barred from objecting to the transfer, sale, assumption, and/or assignment of the Debtor's right, title, and interest in, to and under the property of the Debtor to be sold, assumed and/or assigned pursuant to the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable), free and clear of all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or a definitive agreement for an Alternative Transaction (as applicable), and from asserting any alleged approval rights, consent rights, preferential purchase rights, rights of purchase, rights of first refusal, rights of first offer, tag-along rights, or similar rights with respect to the Debtor's transfer, sale, assumption, and/or assignment of the Debtor's right, title and interest in, to and under such properties, as set forth in the Purchase Agreement or such other definitive agreement for an Alternative Transaction (if applicable), and (b) deemed to consent to and approve of the transfer, sale, assumption, and/or assignment of the Debtor's right, title and interest in, to and under the properties, free and clear of all liens, encumbrances, claims and other interests except as otherwise set forth in the Purchase Agreement or a definitive agreement for an Alternative Transaction, as applicable (regardless of whether such consent must be in writing).

If any Person timely files and serves a Rights Notice in accordance with the Bid Procedures Order, the Debtor shall have the opportunity to object to any alleged approval rights, consent rights, preferential purchase rights, rights of purchase, rights of first refusal, rights of first offer, tag-along rights, or similar rights asserted by such Person by filing an objection to such Rights Notice at any time prior to the Sale Hearing. Upon the Debtor's filing of such objection to the Rights Notice, any rights asserted shall be deemed to be disputed and the Debtor shall be entitled to assert a bona fide dispute exists as to such rights asserted. Nothing herein shall be deemed to be a waiver of any rights of the Debtor to contest any rights asserted by any Person in Rights Notices; all such rights of the Debtor is expressly preserved.

Where a counterparty to a Desired 365 Contract files a timely objection asserting a higher cure amount than the Cure Amount set forth in the applicable Assumption Notice and the parties are unable to consensually resolve the dispute prior to the Sale Hearing, the amount to be paid will be determined at the Sale Hearing or such other date and time as may be fixed by this Court. All other objections to the proposed assumption and assignment of the Desired 365 Contracts will be heard at the Sale Hearing.

Copies of the Purchase Agreement, Bid Procedures, and Bid Procedures Order may be obtained upon receipt of a written request to the Debtors, Joyce W. Lindauer, 8140 Walnut Hill Lane, Suite 301, Dallas, Texas 75231, tel: 972.503.4033, fax: 972.503.4034, email: joyce@joycelindauer.com.

Dated: March 5, 2012

Respectfully submitted,

Joyce W. Lindauer
8140 Walnut Hill Lane
Suite 301
Dallas, Texas 75231
Tel: 972.503.4033
Fax: 972.503.4034
Email: joyce@joycelindauer.com

COUNSEL FOR THE DEBTOR

DESIRED 365 CONTRACTS

Contract Name	Debtor Entity	Non-Debtor Party or Parties	Counter Party's Address	Date of Contract	Amendment to Contract	Estimated Cure Amount
Facilities and Operating Costs Reimbursement Agreement MUD 5 ("MUD Agreement 5")	Whitestone Houston Land, Ltd.	East Montgomery County Municipal Utility District No. 5	Coats Rose Yale Ryman & Lee, PC c/o Tim Green 3 East Greenway Plaza, Suite 2000 Houston, Texas 77046	February 23, 2007		
Facilities and Operating Costs Reimbursement Agreement MUD 6 ("MUD Agreement 6")	Whitestone Houston Land, Ltd.	East Montgomery County Municipal Utility District No. 6	Coats Rose Yale Ryman & Lee, PC c/o Tim Green 3 East Greenway Plaza, Suite 2000 Houston, Texas 77046	02/23/07		
Facilities and Operating Costs Reimbursement Agreement MUD 7 ("MUD Agreement 7")	Whitestone Houston Land, Ltd.	East Montgomery County Municipal Utility District No. 7	Coats Rose Yale Ryman & Lee, PC c/o Tim Green 3 East Greenway Plaza, Suite 2000 Houston, Texas 77046	February 23, 2007		
Consulting Agreement ("Consulting Agreement")	Whitestone Houston Land, Ltd.	Marlin Atlantis White, Ltd and/or assigns	13455 Noel Rd 23rd floor Dallas, Texas 75240	January 1, 2007	[Amendment]	\$500,000.00

Label Matrix for local noticing
0540-4
Case 11-42400
Eastern District of Texas
Sherman
Mon Mar 5 18:11:12 CST 2012

Anco-McDonald Waterworks
611 Morton St.
Richmond, TX 77469-3083

Attorney General of Texas
Bankruptcy Division
PO Box 12548
Austin, TX 78711-2548

Bank Midwest, N.A.
Brian C. Mitchell
1445 Ross Ave, Suite 3800
Dallas, Texas 75202-2724

Bracewell & Giuliani, LLP
1445 Ross Ave., Ste. 3800
Dallas, TX 75202-2724

Bracewell & Guiliani LLP
1445 Ross Avenue
Suite 3800
Dallas, TX 75202-2724
Attn: John C. Adolph

Brian C. Mitchell
Bracewell & Giuliani
1445 Ross Avenue, Suite 3800
Dallas, Texas 75202-2724

Coats, Rose, Yale Ryman & Lee
5420 Lyndon B. Johnson Freeway
Suite 1300
Dallas, TX 75240-6299

Compatriot Capital, Inc.
f/k/a Sammon Realty Corporation
c/o Paul Farr
5949 Sherry Lane, Suite 1900
Dallas, TX 75225-8015

(p)TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
REVENUE ACCOUNTING DIV - BANKRUPTCY SECTION
PO BOX 13528
AUSTIN TX 78711-3528

County of Montgomery Tax Office
Tax Assessor-Collector
400 North San Jacinto
Conroe, TX 77301-2823

John P. Dillman
P.O. Box 3064
Houston, TX 77253-3064

Earl Montgomery County Economic Development
21575 US Hwy 59 North
Suite 200
New Caney, TX 77357-8356

Jonathan Gitlin
5323 Spring Valley Road
Dallas, TX 75254-2414

Hayes & Associates, PC
Certified Public Accountants
405 North Oak Street
Roanoke, TX 76262-6105

Haynes & Associates, PC
Certified Public Accountants
405 North Oak Street
Roanoke, TX 76262-6105

Hesse & Hesse, LLP
1518 Legacy Drive, Suite 250
Frisco, TX 75034-6042

Hillcrest Bank, N.A.
11111 W. 95th Street
Overland Park, KS 66214-1800

Hillcrest Bank, NA
11111 West 95th Street
Overland Park, KS 66214-1800

Internal Revenue Service
Mail Code DAL-5020
1100 Commerce Street
Dallas, Texas 75242-1100

(p)INTERNAL REVENUE SERVICE
CENTRALIZED INSOLVENCY OPERATIONS
PO BOX 7346
PHILADELPHIA PA 19101-7346

J.R. Moore, Jr. Tax Assessor
c/o Linebarger Goggan Blair et al
2323 Bryan Street, Suite 1600
Dallas, TX 75201-2637

J.R. Moore, Jr. Tax Assessor
c/o Ray, Wood & Bonillar
2700 Bee Caves Road
Austin, TX 78746-5675

Lauren C. Kessler
Bracewell & Giuliani
1445 Ross Avenue, Suite 3800
Dallas, TX 75202-2724

Joyce W. Lindauer
8140 Walnut Hill Lane
Suite 301
Dallas, TX 75231-4328

Linebarger Goggan Blair & sampson
University Center, Ste. 1720
2323 Bryan Street
Dalals, Texas 75201-2644

Brian Christopher Mitchell
Bracewell & Giuliani
1445 Ross Avenue, Suite 3800
Dallas, TX 75202-2724

Montgomery County
c/o John P. Dillman
Post Office Box 3064
Houston, TX 77253-3064

Montgomery County
c/o John P Dillman
Linebarger Goggan Blair & Sampson LLP
P.O. Box 3064
Houston, Tx. 77253-3064

New Caney ISD
c/o Andrew Dylan Wood
Ray, Wood & Bonilla
P. O. Box 165001
Austin, TX 78716-5001

New Caney ISD
c/o Andrew Dylan Wood
Ray, Wood & Bonilla
P. O. Box 165001
Austin, Texas 78716-5001

Ryan & Company, PC
5440 Harvest Hill Road
Suite 220
Dallas, TX 75230-6441

Sammons Realty Corp.
2490 Sherry Lane, Suite 1900
Dallas, TX 75225

Cindy A. Schmidt
PO Box 80
Tomball, TX 77377-0080

Texas Commission - Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087

Texas Commission on Environmental Quality
MC132-Bankruptcy Program
PO Box 13087
Austin, Tx. 78711-3087

Texas Workforce Commission
101 East 15th Street
Austin, TX 78778-0001

Thompson & Knight LLP
One Arts Plaza
1722 Routh Street
Suite 1500
Dallas, TX 75201-2532

Thompson & Knight LLP
c/o David M. Bennett
1722 Routh Street, Suite 1500
Dallas, Texas 75201-2532

U. S. Attorney
110 N. College Ave.
Suite 700
Tyler, TX 75702-0204

U. S. Trustee's Office
110 N. College Street
Suite 300
Tyler, TX 75702-7231

U.S. Attorney General
Department of Justice
Main Justice Building
10th & Constitution Ave., NW
Washington, DC 20530-0001

US Trustee
Office of the U.S. Trustee
110 N. College Ave.
Suite 300
Tyler, TX 75702-7231

John M. Vardeman
UST Office
110 N. College St., Suite 300
Tyler, TX 75702-7231

WMA Whitestone Land, LP
13455 Noel Road, Suite 2300
Dallas, TX 75240-1534

Whitestone Houston Land, Ltd.
13455 Noel Road
Suite 2300
Dallas, TX 75240-1534

Andrew Dylan Wood
Ray, Wood & Bonilla
P. O. Box 165001
Austin, TX 78716-5001

The preferred mailing address (p) above has been substituted for the following entity/entities as so specified by said entity/entities in a Notice of Address filed pursuant to 11 U.S.C. 342(f) and Fed.R.Bank.P. 2002 (g)(4).

Comptroller of Public Accts
Rev Acctg Div/Bankruptcy Dept
PO BOX 13528
Austin, TX 78711

Internal Revenue Service
PO Box 21126
Philadelphia, PA 19114

The following recipients may be/have been bypassed for notice due to an undeliverable (u) or duplicate (d) address.

(d)Anco-McDonald Waterworks
611 Morton Street
Richmond, TX 77469-3083

(d)Coats, Rose, Yale, Ryman & Lee
5420 Lyndon B. Johnson Freeway
Suite 1300
Dallas, TX 75240-6299

(d)County of Montgomery Tax Office
Tax Assessor-Collector
400 North San Jacinto
Conroe, TX 77301-2823

(u)HCB Whitestone Texas, LLC

(d)Hesse & Hesse, LLP
1518 Legacy Drive, Suite 250
Frisco, TX 75034-6042

(d)J.R. Moore, Jr. Tax Assessor
c/o Linebarger Goggan Blair et al
2323 Bryan Street, Suite 1600
Dallas, TX 75201-2637

(d)Ryan & Company, PC
5440 Harvest Hill Road, Suite 220
Dallas, TX 75230-6441

(d)Texas Commission - Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087

(d)Thompson & Knight, LLP
One Arts Plaza
1722 Routh Street, Suite 1500
Dallas, TX 75201-2532

End of Label Matrix
Mailable recipients 46
Bypassed recipients 9
Total 55