IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF OKLAHOMA

In re:	)	
	)	
LONESTAR GEOPHYSICAL SURVEYS, L.L.C.,	)	**Case No. 15-11872**
	)	
	)	
Debtor.	)	

DISCLOSURE STATEMENT FOR CHAPTER 11 PLAN OF REORGANIZATION OF LONESTAR GEOPHYSICAL SURVEYS, L.L.C. DATED SEPTEMBER 29, 2015

ROSS A. PLOURDE, OBA #7193
MCAFEE & TAFT A PROFESSIONAL CORPORATION
10th Floor, Two Leadership Square
211 North Robinson
Oklahoma City, OK 73102-7103
Telephone (405) 235-9621
Facsimile (405) 235-0439
ross.plourde@mcafeetaft.com

ATTORNEYS FOR LONESTAR GEOPHYSICAL SURVEYS, L.L.C.

IN RE LONESTAR GEOPHYSICAL
SURVEYS, L.L.C.
Case No. BK 15-11872
Disclosure Statement

I. INTRODUCTION

1. Purpose

This Disclosure Statement has been prepared by LoneStar Geophysical Surveys, L.L.C. ("LoneStar" or the "Debtor") in connection with the Plan of Reorganization submitted by LoneStar. LoneStar is a debtor-in-possession in the above-captioned Chapter 11 case currently pending in the United States Bankruptcy Court for the Western District of Oklahoma (the "Bankruptcy Court"). This Disclosure Statement is intended for all known Creditors and holders of Interests for the purpose of disclosing that information which the Bankruptcy Court has determined is "adequate information" as defined in the Bankruptcy Code, 11 U.S.C. §101, et seq., for holders of Claims or Interests to arrive at a reasonably informed decision in exercising their right to vote on the Plan. Definitions of capitalized terms are given in the Plan.

This Disclosure Statement and the exhibits described herein have been approved by order of the Bankruptcy Court as containing, in accordance with the Bankruptcy Code, adequate information of the kind and in sufficient detail that would enable a reasonable, hypothetical investor typical of holders of impaired Claims or Interests to make an informed judgment about the Plan. The Bankruptcy Court's approval of this Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

YOU ARE URGED TO STUDY THE PLAN IN FULL AND TO CONSULT WITH YOUR COUNSEL ABOUT THE PLAN AND ITS IMPACT, INCLUDING POSSIBLE TAX CONSEQUENCES, UPON YOUR LEGAL RIGHTS. PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY BEFORE VOTING ON THE PLAN.

2. Brief Explanation of Chapter 11.

Chapter 11 is the principal reorganization section of the Bankruptcy Code. Pursuant to Chapter 11, a debtor is authorized to reorganize its business for its own benefit and that of its Creditors and Interest holders. Attempts at collection of prepetition Claims from LoneStar and any attempts to foreclose upon property of LoneStar by any Secured Creditor are stayed during the pendency of the case, and LoneStar operates its business as a debtor-in-possession.

Formulation of the Plan of Reorganization is the principal purpose of a Chapter 11 reorganization case. The Plan is the vehicle for satisfying the Claims against or Interests in LoneStar.

3. Voting Procedures.

A Claim that will not be repaid in full or as to which the legal rights are altered under the Plan is "impaired." A holder of a Claim which is impaired by the Plan is entitled to vote to accept or reject the Plan unless there is a pending objection to the Claim and the Claim has not been temporarily Allowed for voting purposes under Bankruptcy Rule 3018 as of the voting date. LoneStar anticipates that the Bankruptcy Court will enter an order establishing a deadline for each Claimant to submit, in writing, a ballot voting for or against the Plan, at the following address:

Ross A. Plourde
McAfee & Taft
A Professional Corporation
10th Floor, Two Leadership Square
211 North Robinson
Oklahoma City, OK 73102-7103
Telephone: (405) 235-9621
Facsimile: (405) 235-0439

Please refer to the accompanying order of the Court approving the Disclosure Statement and establishing certain deadlines, including a deadline for submitting ballots and filing any objections to confirmation of the Plan.

4. <u>Ballots.</u>

A ballot, once submitted, cannot be withdrawn or modified except that Rule 3018 of the Bankruptcy Rules provides that, for cause shown and within the time fixed for acceptance or rejection of the Plan, the Bankruptcy Court after notice and hearing may permit a Creditor or equity security holder to change or withdraw an acceptance or rejection.

Accompanying this Disclosure Statement is a ballot for acceptance or rejection of the Plan. A party who holds Claims in more than one Class should note on the ballot the Class with respect to which such ballot is cast. ALL PARTIES ELIGIBLE TO VOTE ON THE PLAN ARE URGED TO COMPLETE AND RETURN THEIR BALLOTS PROMPTLY TO AVOID DELAY IN CONFIRMATION OF THE PLAN. IF YOU HAVE ANY QUESTIONS REGARDING PROCEDURES FOR VOTING, CONTACT ROSS A. PLOURDE, McAFEE & TAFT, TWO LEADERSHIP SQUARE, TENTH FLOOR, 211 NORTH ROBINSON, OKLAHOMA CITY, OKLAHOMA 73102, (405) 235-9621, ATTORNEYS FOR LONESTAR.

5. <u>The Confirmation Hearing.</u>

The Bankruptcy Court will schedule a hearing on confirmation of the plan. At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interests of holders of Claims and Interests. The Bankruptcy Court will also receive and consider a ballot report prepared by LoneStar concerning the votes for acceptance or rejection of the Plan by the Parties entitled to vote.

6. Acceptance or Rejection.

In order for the Plan to be accepted and thereafter confirmed, it must be accepted by at least one Class of Claims which is impaired by the Plan. In order for a Class of Claimants to vote to accept the Plan, votes representing at least two-thirds in amount and more than one-half in number of Claims which cast votes in that Class must be cast for acceptance of that Plan.

Section 1129(b) of the Bankruptcy Code provides that, so long as one Class of Claims impaired by a Plan accepts that Plan, Confirmation of that Plan may be sought despite the rejection of that Plan by one or more impaired Classes. If a Class impaired by a Plan rejects that Plan, no Claim or Interest that is junior to the most senior rejecting Class may retain or receive property pursuant to that Plan unless the senior rejecting Class will be paid in full. A Plan cannot be confirmed over the objections of a rejecting Class unless the Bankruptcy Court finds that the Plan does not unfairly discriminate against, and is fair and equitable to, that Class.

7. Disclaimers.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSES OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED IN IT SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING LONESTAR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON HOLDERS OF CLAIMS OR INTERESTS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THIS DISCLOSURE STATEMENT SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE THE DISCLOSURE STATEMENT WAS COMPILED.

THE STATEMENTS AND REPRESENTATIONS CONTAINED HEREIN ARE MADE SOLELY BY OR AT THE INSTANCE OF LONESTAR AND NO OTHER PARTY IN INTEREST IS RESPONSIBLE FOR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN.

NO REPRESENTATIONS CONCERNING THE PLAN ARE AUTHORIZED BY ITS PROPONENTS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. THE INFORMATION CONTAINED HEREIN CONCERNING THE PLAN HAS NOT BEEN THE SUBJECT OF A CERTIFIED AUDIT. ALL THE FINANCIAL INFORMATION WITH RESPECT TO LONESTAR WAS COMPILED FROM LONESTAR'S RECORDS BY LONESTAR BUT LONESTAR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY AND IS TRUE AND CORRECT TO THE BEST OF LONESTAR'S KNOWLEDGE AND INFORMATION.

THE PRESENTATION OF THE INFORMATION SET FORTH HEREIN DOES NOT CONSTITUTE FACTUAL OR LEGAL ADMISSIONS BY LONESTAR. CERTAIN

OF THE INFORMATION, BY ITS NATURE, IS FORWARD LOOKING, CONTAINS ESTIMATES AND ASSUMPTIONS WHICH MAY PROVE TO BE FALSE OR INACCURATE AND CONTAINS PROJECTIONS WHICH MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE EXPERIENCES.

8. Additional Information.

Certain materials contained in the Disclosure Statement have been taken directly from other sources of information. All such sources of information, including any referred to in this Disclosure Statement that are not exhibits hereto, and all reports prepared by LoneStar pursuant to Bankruptcy Court orders, are available for review upon prior written request at the offices of the attorneys for LoneStar on weekdays between the hours of 8:00 a.m. and 5:00 p.m. The offices of the attorneys for LoneStar are located at Two Leadership Square, Tenth Floor, 211 North Robinson, Oklahoma City, Oklahoma 73102. Documents referred to as Filed with the Bankruptcy Court may be inspected at the Office of the Bankruptcy Court Clerk in the United States Bankruptcy Court, 201 Dean A. McGee Avenue, Oklahoma City, Oklahoma, in the basement.

9. Definitions.

Defined terms used herein shall have the same meaning as those used in the Plan of Reorganization which accompanies this Disclosure Statement.

10. Sources of Information and Accounting Standard.

Except as otherwise noted, the sources of information contained in this Disclosure Statement are the books and records of LoneStar and the opinions of its management. In maintaining its books and records, LoneStar utilizes an accrual basis of accounting and attempts to comply with generally accepted accounting principles.

II. GENERAL INFORMATION

1. Business of Debtor.

LoneStar is in the business of acquiring seismic data for the oil and gas industry. It owns a fleet of 13 state-of-the-art vibes (vibrators that generate seismic waves) and a commensurately large inventory of wireless nodes (that receive those seismic waves and transmit the resulting information for processing and interpretation). LoneStar was formed as an Oklahoma limited liability company on August 4, 2009 by Heath Harris who continues to serve as its manager. In 2010, the first full year of operations, LoneStar earned revenues of $4,015,857.85. In 2011, revenues were $8,725,855.87 and net income before taxes, debt service and depreciation was $839,867.76. In 2012, revenues were $13,228,416.96 and net income before taxes, debt service and depreciation was $1,300,038.10. In 2013, revenues were $16,359,270.44 and net income before taxes, debt service and depreciation was $3,432,593.31. In 2014, revenues were approximately $18,056,409.52 and net income before taxes, debt service and depreciation was $4,069,195.50.

2. Events Leading to Bankruptcy.

In December 2012, LoneStar borrowed money from Frontier State Bank. In connection with that transaction, LoneStar signed a Term Promissory Note dated Dec. 17, 2012 (the "Term Note") in the original principal amount of nine million dollars ($9,000,000.00) and a Revolving Promissory Note dated Dec. 17, 2012 (the "Revolving Note") in the original principal amount of one million dollars ($1,000,000.00) (the Term Note and the Revolving Note are referred to collectively as the "Frontier Notes"). Also, to secure the Frontier Notes, LoneStar signed a Security/Pledge Agreement dated December 17, 2012 (the "Security Agreement") which purports to grant to Frontier a security interest in all of LoneStar's business assets, including "all inventory and accounts receivables."

At the time Frontier loaned money to LoneStar, Dr. J.D. McKean, Jr., who is the president of Frontier, advised LoneStar that Frontier would not do the loan unless LoneStar also borrowed money from Cypress Springs Investments, L.P ("CSI") and Cypress Springs Associates, LLC ("CSA"). On December 17, 2012, LoneStar signed a Promissory Note in favor of CSI in the principal amount of $4,500,000 (the "CSI Note") and a Promissory Note in favor of CSA in the principal amount of $500,000 (the "CSA Note"). The CSI Note and the CSA Note were unsecured except that LoneStar was required to convey a 22.4% member interest in LoneStar to CSI and a 2.5% member interest in LoneStar to CSA for consideration of $500.

The nominal rate of interest payable on the Term Note with Frontier is 8% but upon default, which Frontier asserts has occurred, the Term Note provides that the default interest rate is an additional 6%, for a total interest rate of 14%. The nominal rate of interest payable on the Revolving Note with Frontier is 6% but upon default, which Frontier asserts has occurred, the Term Note provides that the default interest rate is an additional 6%, for a total interest rate of 12%. The nominal interest rate payable on the CSI Note and the CSA Note is 20% but upon default, which CSI and CSA assert has occurred, the CSI Note and the CSA Note provide that the default interest rate is 24%.

Despite a steep decline in oil and gas prices during 2014 and the first quarter of 2015, LoneStar's revenues remained strong – during the first 4 months of 2015, LoneStar earned revenues of $7,780,043.46, and was on track to meet or exceed 2014 revenues. However, LoneStar's revenues were not sufficient to enable LoneStar to pay debt service on the Frontier Notes, the CSI Note, and the CSA Note at the default interest rates claimed by Frontier, CSI and CSA. On April 6, 2015, Frontier filed a Verified Petition in the District Court of Oklahoma County, Oklahoma against LoneStar seeking a money judgment, replevin of LoneStar's assets, appointment of a receiver, and other remedies. As a result, LoneStar determined that it had no alternative in order to preserve its ongoing business but to commence a Chapter 11 bankruptcy.

3. Operations During Bankruptcy.

LoneStar has continued to operate its business following the commencement of the bankruptcy case. LoneStar's business is sensitive to a variety of factors. Because much of the seismic testing conducted by LoneStar is on land that is used for farming, LoneStar is required to schedule its work to avoid destruction of crops. Consequently, LoneStar's activities typically wane during the summer months unless LoneStar can obtain contracts for land that is not cropland.

Additionally, LoneStar's equipment cannot be properly operated on wet, muddy land. The vibes that LoneStar uses "pound" the ground in order to generate seismic waves and do not work efficiently and effectively when the ground is muddy. Consequently, LoneStar is required to schedule its work during dry periods or obtain contracts for testing on property that has not experienced recent bouts of rain.

When LoneStar filed bankruptcy on May 18, 2015, it had submitted bids to a number of companies, including several companies for which it had done significant work in the past and which required seismic testing of land that was not cropland and that was reasonably dry.

LoneStar planned to do that work during the summer months and projected anticipated revenues based on the assumption that it would be doing that work at that time. LoneStar has been advised by consultants employed by several of those customers that after LoneStar filed bankruptcy, a competitor contacted LoneStar's customers, wrongfully told them (or caused them to believe) that Lonestar was going out of business and that the customers would lose any money that they paid to LoneStar. As a consequence, Lonestar was informed by several of those customers that they would not award the contracts to LoneStar because LoneStar was in bankruptcy. Given the typical conditions that exist on most properties upon which LoneStar conducts operations, as discussed above, LoneStar was challenged to find sufficient other work that could be performed during the summer months and, to some extent, was able to do so. Nevertheless, LoneStar experienced reduced revenues against projections as follows:

Month	**Projected Revenues**	**Actual Revenues**
June	$300,000.00	$196,691.57
July	$750,000.00	$141,834.70
August	$1,200,000.00	$328,418.35

LoneStar has subsequently managed to obtain contracts from some of the customers who earlier refused to contract with LoneStar due to the false statements and/or impressions created regarding its bankruptcy filing.

During the first four months of operations in bankruptcy (May [1] through August), LoneStar's revenues, expenses and net income before taxes, debt service and depreciation ("EBITDA") were as follows:

[1] LoneStar filed its bankruptcy petition on May 18, 2015. Reported figures are for the entire month.

	Revenues	Expenses	Net Income
May	$225,311.63	$1,004,182.22	-$826,078.76
June	$141,834.70	$422,498.45	-$225,806.88
July	$328,418.35	$634,765.43	-$492,311.67
August	$196,691.57	$475,062.34	-$146,643.89

Since the commencement of the case, management of LoneStar has taken several steps to reduce expenses and assure continuing revenue growth going forward. Effective August 31st, LoneStar closed its Houston office and eliminated the marketing function that had been operating out of that office. Instead, effective July 1, 2015 LoneStar hired Debbie McCown as its marketing director operating out of Oklahoma City. LoneStar has been able to cut other costs resulting in cost reductions against budget during the first four months of operations in bankruptcy (May[2] through August) as follows:

Month	Projected Expenses	Actual Expenses
May		$1,004,182.22
June	$460,634.62	$422,498.45
July	$757,472.69	$634,765.43
August	$775,472.69	$475,062.98

After hiring Debbie McCown to lead LoneStar's marketing effort, LoneStar has been able to gain access to several large customers whose work LoneStar has been unable to compete for in the past, resulting in at least one signed Master Services Agreement and several others that

[2] LoneStar filed its bankruptcy petition on May 18, 2015. Reported figures are for the entire month.

are making their way through the process of being signed. As of the date hereof, LoneStar has signed contracts for work to be performed through December 31, 2015 of approximately $4,000,000.00.

Following the commencement of the case, LoneStar sought and obtained an order authorizing LoneStar to use cash collateral claimed by Frontier Statement Bank through December 2015. Additionally, LoneStar consented to the entry of an Agreed Order Granting Adequate Protection to Ford Motor Credit Company, entered July 9, 2015, that requires monthly payments by LoneStar in the monthly amounts paid by LoneStar prior to the commencement of the case.

On September 18, 2015, LoneStar filed an adversary proceeding against its lenders, Frontier State Bank, Cypress Springs Associates, LLC, and Cypress Springs Investments, LP, and against three former members of its board of managers who were appointed by its lenders, Brooks F. Bock, M.D., James E. Brand, M.D., and John H. Stuemky, M.D. The suit alleges (1) violations of the Bank Tying Act by Frontier State Bank, (2) breach of fiduciary duty by Dr. Bock, Dr. Brand, and Dr. Stuemky, (3) aiding and abetting breach of fiduciary duty by Frontier State Bank, Cypress Springs Associates, LLC, and Cypress Springs Investments, LP, (4) misuse of trade secrets and confidential and proprietary information by all defendants, and (5) civil conspiracy by all defendants. The suit seeks unspecified damages.

LoneStar anticipates filing a separate adversary proceeding against Cypress Springs Associates, LLC, and Cypress Springs Investments, LP seeking a declaratory judgment that the membership interests sold to them are held for collateral purposes and declaring them secured creditors of LoneStar to the extent of the value of such membership interests.

4. Management of LoneStar.

Board of Managers. In May 2013, as a requirement of the Investment and Loan agreement between LoneStar and Cypress Springs Associates, LLC, and Cypress Springs Investments, LP, LoneStar adopted an Amended and Restated Operating Agreement. Drafted by counsel to Frontier State Bank, Cypress Springs Associates, LLC, and Cypress Springs Investments, LP, the Amended and Restated Operating Agreement provides for management by a seven-member board of managers. Cypress Springs Investments, LP is given the right to appoint two representatives to the board of managers, and Cypress Springs Associates, LLC is given the right to appoint one. The rest are elected by the members of LoneStar other than Cypress Springs Associates, LLC, and Cypress Springs Investments, LP.

Prior to May 14, 2014, the board of managers of LoneStar consisted of Heath Harris, Gerod Black, Brooks F. Bock, M.D., James E. Brand, M.D., John H. Stuemky, M.D., Michael Crooks, and Anthony Nelson. Anthony Nelson resigned on May 14, 2014 and was replaced by Nic Bittle. Dr. Bock resigned on November 17, 2014. Dr. Stuemky and Dr. Brand resigned on March 2, 2015. Michael Crooks resigned on May 1, 2015. Therefore, the remaining members of the board of managers are Heath Harris, Gerod Black and Nic Bittle. Under the plan, the board of managers would be eliminated and Heath Harris would act as manager.

Heath Harris, President and Manager. Heath Harris is the president of LoneStar. Mr. Harris has 25 years of experience in seismic and survey industries. He began his career in October 1990 as a line troubleshooter for Western Geophysical, a world wide geophysical data recording company with crews operating throughout the world. He was responsible for fixing problems with recording equipment in the field, operating vibrators, driving crew trucks, coordinating helicopters and staging, surveying, and safety. He was with Western Geophysical for ten years until he left in August.

While at Western Geophysical, starting in September 1995 Mr. Harris worked for Lone Star Surveys Ltd of Abbotsford, British Columbia in management and administration of survey crews and seismic operations in Canada and the United States. His responsibilities included development of a safety program and associated manuals, OSHA compliance for U.S. operations, incident and accident investigations, pre project environmental impact surveys, mobilizing and planning daily crew work, utilizing helicopters for seismic operations, acting as liaison between clients and BLM, Forestry, Native tribes, landowners, pipeline companies and state or local authorities, line crews and permit agents, cat push, drill push, and access man/mapper.

In August 2000, Mr. Harris became president of United States operations for Lone Star Surveys Ltd and continued in that position until August 2009. As president, Mr. Harris was responsible for bidding projects within the United States, expanding the client base within the United States (the client base was increased by 400% over 3 years), project costing, developing policy and procedures for United States operations, developing safety program and training, oversight of various contractors and costing, training and supervising field crews, acting as liaison between permit men, survey crews, and recording crews directly to clients, and oversight of specific project issues with various government agencies, bonding, BLM, Forestry, native tribes, environmental issues, archeological issues, and then making recommendations to clients to save money and maintain strict timelines for project completions. In September 2009, Mr. Harris left Lone Star Surveys Ltd to found LoneStar.

Mr. Harris currently receives an annual salary of $193,000.00 and that compensation would continue under the Plan.

Gerod Black, CFO. Gerod Black is the CFO of LoneStar. Mr. Black holds an Associate of Fine Arts from Midland Community College of Midland, Texas (2002) and a Bachelor of Science in Finance degree from Southern Nazarene University of Bethany, Oklahoma (2004). From June 2004 to September 2006 he was a registered representative for New York Life Insurance Company. In October 2006 he became a Personal Banker/Investment Representative with JPMorgan Chase Bank, N.A., and continued in that position until April 2008 when he became Vide President/Branch Manager for JPMorgan Chase Bank, N.A. In December 2009 he became Vice President/Business Banker with JPMorgan Chase Bank, N.A. and retained that position until July 2012 when he left to become Chief Financial Officer for LoneStar.

Mr. Black currently receives an annual salary of $159,000.00 and that compensation would continue under the Plan.

5. <u>Fees of Professionals.</u>

Through September, 25, 2015, the attorneys for LoneStar, McAfee & Taft, have rendered services and incurred expenses on behalf of LoneStar totaling approximately $185,000.00. Prior to the commencement of this case, McAfee & Taft received and still holds a retainer in the approximate amount of $100,000. Additionally, the cash collateral order approved by the Court, a carve out was established for fees of professionals in the amount of $15,000 per month. The bankruptcy court has not yet approved any fees of professionals and all such fees remain subject to review and approval by the Bankruptcy Court. In addition, it is expected that McAfee & Taft will incur additional fees and expenses through confirmation of the plan of $75,000.00, assuming confirmation occurs by December 31, 2015 and depending on the timing of events occurring in adversary proceedings filed by LoneStar.

LoneStar has employed the accounting firm of Deloitte Tax, LLP for the purpose of preparing LoneStar's 2014 federal, state and local income tax returns. Deloitte Tax, LLP has completed the work for which it was engaged and estimates that it has incurred fees and expenses of approximately $45,000 through September 29, 2015, none of which has yet been approved for payment by the Bankruptcy Court.

6. Preferences and Fraudulent Conveyances.

LoneStar made a number of payments to non-insiders within ninety days prior to the commencement of the case, and to insiders within one year prior to the commencement of the case, all of which are listed in items 3(b) and (c) of the Statement of Financial Affairs filed by LoneStar in the case. LoneStar is continuing to investigate and consider whether such payments are subject to avoidance under 11 U.S.C. §544 or §548, but at the present time LoneStar believes that such payments are not avoidable under those provisions.

7. Insider Claims.

LoneStar is aware that Heath Harris asserts that he was entitled to accrued distributions that arose prior to January 1, 2013 in the amount of $1,072,044.03. Additionally, LoneStar believes that Cypress Springs Investments, L.P. is an insider by virtue of its ownership of 24.4% of the membership interests in LoneStar. LoneStar is not aware of any other insider claims.

8. Summary of Litigation.

As of the commencement of the bankruptcy case, LoneStar was the defendant in a lawsuit commenced by Frontier State Bank, which is currently pending in the District Court of Oklahoma

County, State of Oklahoma, Case No. CJ-2015-2044. The claims asserted against LoneStar in the lawsuit have been stayed during the pendency of the bankruptcy case.

Additionally, LoneStar was a party to two related lawsuits pending in the Court of Queen's Bench of Alberta, Calgary, Alberta, Canada, a third party claim against LoneStar in *TAQA North General Partnership v. Terra-Sine Resources, Ltd*, and a counterclaim by LoneStar in *LoneStar Geophysical Surveys, L.L.C. v. TAQA North, Ltd., et al*. LoneStar lost at the trial court level, appealed, but after consulting with counsel decided that the likelihood of prevailing on appeal did not merit the expense of pursuing the appeal. Consequently, LoneStar elected to dismiss the appeal, and the matters are no longer pending.

9. <u>Selected Financial Information and Forecasts.</u>

LoneStar's financial projections for operations under the Plan as proposed are attached as Exhibit "1". The projections were prepared by LoneStar based upon LoneStar's experience and expertise in the industry.

III. THE PLAN AND ITS CONSEQUENCES

The following is a simplified description of the Plan, which accompanies this Disclosure Statement. REFERENCE SHOULD BE MADE TO THE PLAN ITSELF FOR A FULL ANALYSIS OF ITS CONTENTS. THE DESCRIPTION CONTAINED HEREIN IS QUALIFIED IN ITS ENTIRETY BY SUCH REFERENCE.

1. <u>Distributions to Claimants.</u>

<u>Secured Claim of Frontier State Bank</u>: Class 1 consists of the Secured Claim of Frontier State Bank. The Plan provides for payment in full of the Class 1 claim with interest at the Market Rate of Interest in one hundred twenty (120) equal monthly installments commencing on

or before the last day of the first month following the month in which the Effective Date occurs. The Class 1 Claimant shall retain its existing security interests in property of Lonestar which secure its Class 1 Claim. The retained Class 1 security interests shall be governed by and subject to the form of security agreement attached as Exhibit "1" to the Plan. Class 1 is an impaired class.

Secured Claim of Ford Motor Credit Company: Class 2 consists of the Allowed Secured Claims of Ford Motor Credit Company. The Plan provides for payment of the Class 2 Claim in full with interest at the Market Rate of Interest in accordance with each payment schedule set forth in the documents relating to the Class 2 Claim, provided that, with respect to each monthly payment that (a) became due prior to the Effective and (b) remains unpaid as of the Effective Date ("Missed Payments"), the payment schedule shall be extended by a number of months equal to the number of Missed Payments. The Plan provides for Class 2 to retain its existing security interests in property of LoneStar which shall be governed by and subject to its existing security agreements. Class 2 is an impaired class.

Secured Claim of Cypress Springs Investments, LP: Class 3 consists of the Allowed Secured Claim of Cypress Springs Investments, LP secured by a 22.4% membership interest in Lonestar. The Plan provides for payment in full of the Class 3 Claim with interest at the Market Rate of Interest in one hundred twenty (120) equal monthly installments commencing on or before the last day of the first month following the month in which the Effective Date occurs. The Plan provides for cancellation of the existing membership interests in Lonestar. In substitution for such collateral, Lonestar shall grant to Cypress Springs Investments, LP a security interest, subordinate to the security interest held by Frontier State Bank and of equal rank with the security interest granted under the Plan to Cypress Springs Associates, LLC, in all personal property of Lonestar pledged to Frontier State Bank. The security interests granted pursuant to this section shall be governed by and subject to the form of security agreement attached to the Plan as Exhibit "1." Class 3 is an impaired class.

Secured Claim of Cypress Springs Associates, LLC: Class 4 consists of the Allowed Secured Claim of Cypress Springs Associates, LLC secured by a 2.5% membership interest in Lonestar. The Plan provides for payment in full of the Class 4 Claim with interest at the Market Rate of Interest in one hundred twenty (120) equal monthly installments commencing on or before the last day of the first month following the month in which the Effective Date occurs. The Plan provides for cancellation of the existing membership interests in Lonestar. In substitution for such collateral, Lonestar shall grant to Cypress Springs Associates, LLC a security interest, subordinate to the security interest held by Frontier State Bank and of equal rank with the security interest granted under the Plan to Cypress Springs Investments, LP, in all personal property of Lonestar pledged to Frontier State Bank. The security interests granted pursuant to this section shall be governed by and subject to the form of security agreement attached to the Plan as Exhibit "1." Class 4 is an impaired Class.

Claim of Fairfield Nodal. Class 5 consists or all amounts due to Fairfield Nodal including any cure amounts due to Fairfield Nodal arising as a result of the assumption of any executory contract between Lonestar and Fairfield Nodal. The Plan provides for the assumption of the executory contract with Fairfield Nodal and payment of the Class 5 claim in full with interest at 5% per annum in 42 equal monthly commencing on or before the last day of the first month following the month in which the Effective Date occurs. LoneStar's contract with

Fairfield Nodal shall govern in all other respects other than the payment terms amended under the Plan. Class 5 is an impaired Class.

Unsecured Non-Insider Claims. Class 6 consists of Allowed Unsecured Claims other than Allowed Unsecured Claims of Insiders. The Plan provides for the payment in full of Class 6 claims with interest at the Market Rate of Interest in one hundred eighty (180) equal monthly installments commencing on or before the last day of the first month following the month in which the Effective Date occurs. Class 6 is an impaired Class.

Unsecured Insider Claims. Class 7 consists of Allowed Unsecured Claims of Insiders. The Plan provides for the payment in full of Class 7 claims with interest at the Market Rate of Interest in one hundred eighty (180) equal monthly installments commencing on or before the last day of the first month following the month in which the Effective Date occurs. Class 7 is an impaired Class.

Equity Security Interests: Class 8 consists of the Interests of the limited liability company in LoneStar. The Equity Interests of Class 8 shall be cancelled and Class 7 shall receive nothing on account of such Equity Interests. Class 8 is unimpaired and is deemed to have rejected the Plan.

Administrative Claims: Administrative Claims shall be paid in full on the Effective Date if no objections to such Claims are Filed prior to the Effective Date. If an objection is Filed as to any such Claim, payment will be made 30 days after the objection is resolved upon entry of a Final Order. The Plan provides that confirmation of the Plan shall constitute an order requiring that any party who asserts a right to payment of an Administrative Expense Claim that arose prior to the Effective Date shall file with the Bankruptcy Court a request for payment of such Administrative Expense Claim on or before the Administrative Expense Claims Bar Date. The

Plan provides that LoneStar shall be entitled to pay fees of professionals for LoneStar for services rendered after the Effective Date without filing an application for such fees, serving notice upon interested parties, or obtaining approval of the Bankruptcy Court. Fees of professionals expected to constitute administrative expenses are discussed in Part II, paragraph 9, Fees of Professionals. LoneStar is unaware of any other administrative expense Claims which will be asserted against it.

IV. OTHER PROVISIONS OF THE PLAN

Interest, Costs, and Attorneys' Fees. In accordance with §502(b)(2) of the Bankruptcy Code, interest accruing after the date of bankruptcy will not be part of any Allowed Claim unless required by §506(b) of the Bankruptcy Code. Likewise, costs and attorneys' fees will not be part of any Allowed Claim unless required by §506(b) of the Bankruptcy Code.

Executory Contracts. The Plan provides for the assumption of the executory contract between LoneStar and Fairfield Nodal. The Plan also provides that LoneStar shall have until the Effective Date of the Plan to file an application to assume or reject any other executory contract that has not been previously assumed or rejected. To the extent LoneStar fails to obtain approval to assume any executory contract it shall be deemed to be rejected.

Discharge of Indebtedness. The Plan provides that, except as otherwise provided in §1141(d) of the Bankruptcy Code or in the Plan or in the Order Confirming Plan, Confirmation of the Plan will discharge LoneStar from any debt (as that term is defined in the Bankruptcy Code) that arose from any agreement of LoneStar entered into before the Confirmation Date, or from any conduct of LoneStar prior to the Confirmation Date, or that otherwise arose before the Confirmation Date, including any debt in respect of any Claim and any debt of the kind specified in §502(g), §502(h), or §502(i) of the Bankruptcy Code, whether or not: (i) a proof of Claim based on the debt was Filed or deemed Filed under §501 of the Bankruptcy Code; (ii) such Claim is Allowed under §502 of the Bankruptcy Code; or (iii) the holder of such Claim has accepted the Plan.

V. CONFIRMATION OF THE PLAN

1. Voting on the Plan.

The Plan cannot be consummated unless it is confirmed by the Bankruptcy Court. Confirmation of the Plan requires, among other things, either (i) that each Class of Claims or Interest that is impaired by the Plan has voted to accept the Plan by the requisite majority, or (ii) that the Plan is determined by the Bankruptcy Court to be fair and equitable, as defined by the Bankruptcy Code, with respect to Classes of Claims and Interests that have rejected the Plan.

2. Voting Eligibility.

Classes 1, 2, 3, 4, 5, 6, and 7 are impaired and eligible to vote with respect to the Plan.

3. Acceptance or Rejection.

With respect to the impaired Classes of Claims, such Classes will be deemed to have accepted the Plan if the holders of at least two-thirds in the aggregate dollar amount and more than one-half in number of the Allowed Claims that are actually voted for or against the Plan in such Classes vote to accept the Plan. With respect to impaired Classes of Interests, such Classes will be deemed to have accepted the Plan if the holders of at least two-thirds in amount of the Allowed Interests that are actually voted for or against the Plan in such Classes vote to accept the Plan.

4. Other Conditions to Confirmation.

Section 1129 of the Bankruptcy Code contains other criteria which the Bankruptcy Court must find have been met before it may confirm a Plan of Reorganization. One criterion, which is applicable unless every holder of a Claim against or Interest in LoneStar has voted to accept the Plan, is that the amount to be received under the Plan by each holder of a Claim or Interest impaired under the Plan is not less than the amount such holder would have received had LoneStar been liquidated.

To calculate what members of each impaired Class of Claims and Interests would receive if LoneStar were liquidated, the Bankruptcy Court would first determine the dollar amount that would be generated from the liquidation. After determining this amount, the Bankruptcy Court would then subtract therefrom the cost of the liquidation (including fees of professionals), the unpaid expenses of the reorganization proceeding and other bankruptcy priority obligations. These and any other Claims arising from the liquidation or from current reorganization proceedings would be paid in full before any funds would be made available to pay Unsecured Creditors. The Bankruptcy Court would then determine the amount of non-subordinated Unsecured Claims Allowed in the liquidation proceedings. If the proceeds from liquidation (after subtracting the amounts described above) were not sufficient to pay in full the total amount of Allowed non-subordinated Unsecured Claims, there would be no need to determine the amount owing to Classes of Claims and Interest junior to non-subordinated Unsecured Claims because such junior Claims and Interest would not be entitled to receive any distribution in the liquidation. The value of the distribution resulting from a liquidation (after subtracting the amount described above) would be compared with the value offered to the Classes of Unsecured Claims and Interests under the Plan.

In September 2014, LoneStar obtained from Douglas Goble of Global Seismic Repairs, Inc. a valuation report regarding LoneStar's equipment that valued the equipment at $16,000,000.00.

LoneStar has consulted with Douglas Gobal since receiving the report to determine the impact of changed market conditions and believes the equipment is currently worth $13,000,000.00. Additionally, LoneStar has cash on hand of $546,988.57 as of August 31, 2015 and accounts receivable as of August 31, 2015 of $388,938.89. Consequently, LoneStar believes that if its equipment is marketed for an adequate time, and the property continues to be properly operated in the meantime, LoneStar's assets would generate at least $13,900,000.00. In that event, all Secured and Unsecured Creditors would receive payment in full of their Claims. If, however, the property is sold at auction, sheriff's sale, or other sale without allowing adequate time for marketing the property, LoneStar believes the property would be sold for far less and may not bring enough to satisfy the expenses associated with liquidation and the Secured Claims against LoneStar.

The Plan provides for payment in full of all Claims against LoneStar. Accordingly, LoneStar has concluded that each holder of a Claim or Interest impaired under the Plan will receive or retain under the Plan on account of such Claim or Interest a value that is equal to or greater than the amount that such holder would receive or retain if LoneStar's assets were liquidated.

5. Alternatives to the Plan.

LoneStar is not aware of any other alternative to the Plan other than liquidation.

6. Federal Income Tax Consequences.

The following is a summary of certain federal income tax consequences to Creditors and to LoneStar upon Confirmation and Consummation of the Plan. This discussion is not intended to be a substitute for professional tax advice, including the evaluation of recently enacted or pending legislation. The federal income taxation of reorganizations under the Internal Revenue Code is complex and, on many issues, not well settled. Neither a ruling from the Internal

Revenue Service nor an opinion of counsel has been requested or will be obtained with respect to the federal income tax consequences of the Plan.

THIS SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES IS PROVIDED FOR INFORMATION PURPOSES ONLY. LONESTAR ASSUMES NO RESPONSIBILITY FOR, AND MAKES NO REPRESENTATIONS REGARDING, THE EFFECT CONSUMMATION OF THE PLAN WILL HAVE ON THE TAX CONSEQUENCES TO ANY CREDITOR. THEREFORE, CREDITORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE PLAN, TAKING INTO ACCOUNT THEIR PARTICULAR TAX SITUATIONS.

A. Federal Income Tax Consequences To LoneStar.

The transactions that will occur upon Consummation of the Plan should constitute a tax-free reorganization under §368 of the Internal Revenue Code. Thus, LoneStar does not expect to recognize gain or loss as a result of such transactions made pursuant to the Plan.

Under the Internal Revenue Code, income representing the discharge of indebtedness for an amount less than the face amount of the indebtedness generally constitutes taxable income. However, when the taxpayer whose indebtedness is discharged in exchange for consideration in an amount less than the face amount of the indebtedness is a Debtor in bankruptcy proceedings, the discharge of indebtedness income is not currently recognized. Instead, certain of its tax attributes (such as net operating loss carryforwards) would be reduced or, if LoneStar so elects, the basis of its depreciable property and property held for resale will be reduced first, and then LoneStar's tax attributes will be reduced. Thus, LoneStar would generally realize discharge of indebtedness income, but that income would not be currently recognized and taxed as a result of the Internal Revenue Code §108 rules relating to the reduction of tax attributes and property basis.

If LoneStar is determined to have recognized gain from any source as a result of Consummation of the Plan, that gain could, subject to the limitations contained in Internal Revenue Code §382, be offset by current net operating losses of LoneStar and the net operating loss carryovers possessed by LoneStar. In addition to the Internal Revenue Code §382 net operating loss carryover limitations, it should also be noted that a portion of LoneStar's available net operating loss carryforwards relate to LoneStar's income tax returns upon which the statutes of limitations for assessment have not run. Thus, certain of LoneStar's net operating loss carryforwards will continue to be subject to adjustment until a final determination is made by the Internal Revenue Service or the applicable statutes of limitation expire.

B. Federal Income Tax Consequences To Secured Creditors.

LoneStar expects that Secured Creditors will incur no additional federal income tax liability as a result of cash payments they receive pursuant to the Plan, with the exception that Secured Creditors will be required to report any interest payments received on their Claims as taxable income.

C. Federal Income Tax Consequences To Unsecured Creditors.

If a Creditor whose Claim arose from the sale of goods or services to LoneStar uses the cash method of accounting, the Creditor has no adjusted tax basis in his Claim and therefore must include in taxable income the amount of cash received pursuant to the Plan. Conversely, an accrual basis Creditor whose Claim arose from a sale of goods or services to LoneStar, and who has previously included in income the full amount of his Claim, has a tax basis in the Claim equal to the amount he previously reported as income. Accordingly, the amount of cash received by such an accrual basis Unsecured Creditor under the Plan will be received tax-free to the extent of the adjusted tax basis of his Claim. If an accrual basis Creditor previously claimed a loss or bad debt deduction on account of his Claim (or a portion thereof) the full amount (or appropriate portion thereof) received by such Creditor under the Plan will be included in taxable income, unless the previously claimed deduction did not provide a tax benefit to the Creditor. If the accrual basis Creditor made an addition to a reserve for bad debts and charged his Claim against the reserve, the amounts such Creditor receives under the Plan will not be taxable income, but the annual addition to the reserve for bad debts will be correspondingly reduced due to the previous charge-off of the amounts eventually recovered pursuant to the Plan.

7. Feasibility of the Plan.

Section 1129 of the Bankruptcy Code provides that the Bankruptcy Court shall not confirm a Plan of Reorganization unless the Plan is feasible; that is that its Confirmation is not likely to be followed by liquidation or the need for further financial reorganization. LoneStar has concluded that the Plan satisfies this criterion.

8. Risks Posed to Creditors Under the Plan.

Various risks to Creditors exist under the Plan. LoneStar's ability to perform under the Plan is dependent upon its ability to secure business from paying customers. LoneStar believes that, to date, depressed oil prices have not been the cause of the loss of business by LoneStar, but LoneStar anticipates that if oil prices remain depressed for an extended period of time it could impact LoneStar's business in any or all of three ways: (1) decrease in seismic survey activity,

(2) greater competition and depressed prices for the types of services rendered by LoneStar, and (3) insolvency and decreased liquidity of LoneStar's customers leading to difficulty in collecting accounts receivable.

LoneStar's business is also dependent upon its equipment being in good operating condition. LoneStar's equipment is, for the most part, relatively new and in good condition, and LoneStar maintains a robust maintenance plan for its equipment. But LoneStar's business could nevertheless be adversely impacted by major equipment failures. Furthermore, although LoneStar maintains insurance coverage for certain types of risks, LoneStar bears full responsibility for losses in excess of any existing coverage and for losses not covered by insurance.

Creditors will receive payment of their Claims only if LoneStar's business generates sufficient income to allow payment of such Claims in accordance with the provisions of the Plan. LoneStar projects receiving sufficient income to permit the payment of all Claims in full as provided by the Plan but such projections are necessarily forward-looking and require maintaining reasonable levels of revenues which, for the reasons stated above or for other reasons not anticipated by LoneStar, may not occur.

Respectfully submitted,

/s/ Ross A. Plourde
ROSS A. PLOURDE, OBA #7193
MCAFEE & TAFT A PROFESSIONAL CORPORATION
10th Floor, Two Leadership Square
211 North Robinson
Oklahoma City, OK 73102-7103
Telephone (405) 235-9621
Facsimile (405) 235-0439
ross.plourde@mcafeetaft.com

ATTORNEYS FOR LONESTAR GEOPHYSICAL SURVEYS, LLC

EXHIBIT 1

LSGS 2014-2015 Projections

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Ordinary Income/Expense											
Income											
Permit Agent Billing	278,000.00	286,340.00	294,930.20	303,778.11	312,891.45	312,891.45	312,891.45	312,891.45	312,891.45	312,891.45	312,891.45
Service						-					
2D project	59,710.87	61,502.20	63,347.26	65,247.68	67,205.11	67,205.11	67,205.11	67,205.11	67,205.11	67,205.11	67,205.11
3D project	9,664,724.19	9,954,665.92	10,253,305.89	10,560,905.07	10,877,732.22	10,877,732.22	10,877,732.22	10,877,732.22	10,877,732.22	10,877,732.22	10,877,732.22
Service - Other	288,145.98	296,790.36	305,694.07	314,864.89	324,310.84	324,310.84	324,310.84	324,310.84	324,310.84	324,310.84	324,310.84
Total Service	10,012,581.04	10,312,958.47	10,622,347.23	10,941,017.64	11,269,248.17	11,269,248.17	11,269,248.17	11,269,248.17	11,269,248.17	11,269,248.17	11,269,248.17
Total Income	10,290,581.04	10,599,298.47	10,917,277.43	11,244,795.75	11,582,139.62	11,582,139.62	11,582,139.62	11,582,139.62	11,582,139.62	11,582,139.62	11,582,139.62
Gross Profit	10,290,581.04	10,599,298.47	10,917,277.43	11,244,795.75	11,582,139.62	11,582,139.62	11,582,139.62	11,582,139.62	11,582,139.62	11,582,139.62	11,582,139.62
Expense						-					
Advertising and Promotion	125,245.65	129,003.02	132,873.11	136,859.30	140,965.08	140,965.08	140,965.08	140,965.08	140,965.08	140,965.08	140,965.08
Advisory & 3rd Party Relations	30,000.00	30,900.00	31,827.00	32,781.81	33,765.26	33,765.26	33,765.26	33,765.26	33,765.26	33,765.26	33,765.26
Air Travels	15,583.93	16,051.45	16,532.99	17,028.98	17,539.85	17,539.85	17,539.85	17,539.85	17,539.85	17,539.85	17,539.85
Bank Service Charges	6,255.00	6,442.65	6,635.93	6,835.01	7,040.06	7,040.06	7,040.06	7,040.06	7,040.06	7,040.06	7,040.06
Cleaning Service	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00
Communications	49,354.26	50,834.89	52,359.93	53,930.73	55,548.65	55,548.65	55,548.65	55,548.65	55,548.65	55,548.65	55,548.65
Consumable Supplies	84,763.54	87,306.45	89,925.64	92,623.41	95,402.11	95,402.11	95,402.11	95,402.11	95,402.11	95,402.11	95,402.11
Contractor Wages and Fees	912,343.29	939,713.59	967,905.00	996,942.15	1,026,850.41	1,026,850.41	1,026,850.41	1,026,850.41	1,026,850.41	1,026,850.41	1,026,850.41
Donations	2,000.00	2,060.00	2,121.80	2,185.45	2,251.02	2,251.02	2,251.02	2,251.02	2,251.02	2,251.02	2,251.02
Dues & Subcriptions	12,500.00	12,875.00	13,261.25	13,659.09	14,068.86	14,068.86	14,068.86	14,068.86	14,068.86	14,068.86	14,068.86
Fuel	551,618.53	568,167.09	585,212.10	602,768.46	620,851.52	620,851.52	620,851.52	620,851.52	620,851.52	620,851.52	620,851.52
Health Insurance	145,773.32	150,146.52	154,650.92	159,290.44	164,069.16	164,069.16	164,069.16	164,069.16	164,069.16	164,069.16	164,069.16
Hotels and Lodging	498,794.49	513,758.32	529,171.07	545,046.21	561,397.59	561,397.59	561,397.59	561,397.59	561,397.59	561,397.59	561,397.59
HSEQ Expense	9,856.24	10,151.93	10,456.49	10,770.18	11,093.28	11,093.28	11,093.28	11,093.28	11,093.28	11,093.28	11,093.28
Insurance Expense	295,000.00	303,850.00	312,965.50	322,354.47	332,025.10	332,025.10	332,025.10	332,025.10	332,025.10	332,025.10	332,025.10
Licenses and Fees	5,000.00	5,150.00	5,304.50	5,463.64	5,627.54	5,627.54	5,627.54	5,627.54	5,627.54	5,627.54	5,627.54
Meals and Entertainment	7,791.86	8,025.62	8,266.38	8,514.38	8,769.81	8,769.81	8,769.81	8,769.81	8,769.81	8,769.81	8,769.81
Miscellaneous	3,906.36	4,023.55	4,144.26	4,268.59	4,396.64	4,396.64	4,396.64	4,396.64	4,396.64	4,396.64	4,396.64
Non Consumable Supplies	13526.65	13,932.45	14,350.42	14,780.94	15,224.36	15,224.36	15,224.36	15,224.36	15,224.36	15,224.36	15,224.36
Office Rent	97,200.00	97,200.00	97,200.00	104,400.00	104,400.00	104,400.00	104,400.00	104,400.00	104,400.00	104,400.00	104,400.00
Office Supplies	22,636.62	23,315.72	24,015.19	24,735.65	25,477.72	25,477.72	25,477.72	25,477.72	25,477.72	25,477.72	25,477.72
Parking	1,562.25	1,609.12	1,657.39	1,707.11	1,758.33	1,758.33	1,758.33	1,758.33	1,758.33	1,758.33	1,758.33
Payroll Expenses	3,667,598.54	3,777,626.50	3,890,955.29	4,007,683.95	4,127,914.47	4,127,914.47	4,127,914.47	4,127,914.47	4,127,914.47	4,127,914.47	4,127,914.47
Payroll Processing Fee	2,213.65	2,280.06	2,348.46	2,418.92	2,491.48	2,491.48	2,491.48	2,491.48	2,491.48	2,491.48	2,491.48
Payroll Taxes Expense	374,347.34	385,577.76	397,145.09	409,059.45	421,331.23	421,331.23	421,331.23	421,331.23	421,331.23	421,331.23	421,331.23
Per Diem	403,570.00	415,677.10	428,147.41	440,991.84	454,221.59	454,221.59	454,221.59	454,221.59	454,221.59	454,221.59	454,221.59
Permit Agent Fees	222,400.00	229,072.00	235,944.16	243,022.48	250,313.16	250,313.16	250,313.16	250,313.16	250,313.16	250,313.16	250,313.16
Professional Fees	52,068.15	53,630.19	55,239.10	56,896.27	58,603.16	58,603.16	58,603.16	58,603.16	58,603.16	58,603.16	58,603.16
Property Taxes	1,156.81	1,191.51	1,227.26	1,264.08	1,302.00	1,302.00	1,302.00	1,302.00	1,302.00	1,302.00	1,302.00
Rent Expense	786.00	809.58	833.87	858.88	884.65	884.65	884.65	884.65	884.65	884.65	884.65
Repairs and Maintenance	216,617.97	223,116.51	229,810.00	236,704.30	243,805.43	243,805.43	243,805.43	243,805.43	243,805.43	243,805.43	243,805.43
Security Services	1,253.49	1,291.09	1,329.83	1,369.72	1,410.81	1,410.81	1,410.81	1,410.81	1,410.81	1,410.81	1,410.81
Shipping	16,565.65	17,062.62	17,574.50	18,101.73	18,644.79	18,644.79	18,644.79	18,644.79	18,644.79	18,644.79	18,644.79
Tools	7,500.00	7,725.00	7,956.75	8,195.45	8,441.32	8,441.32	8,441.32	8,441.32	8,441.32	8,441.32	8,441.32
Transport Services	330,038.02	339,939.16	350,137.34	360,641.46	371,460.70	371,460.70	371,460.70	371,460.70	371,460.70	371,460.70	371,460.70

LSGS 2014-2015 Projections

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Utilities	16,687.23	17,187.85	17,703.48	18,234.59	18,781.62	18,781.62	18,781.62	18,781.62	18,781.62	18,781.62	18,781.62
Vehicles Tag and Title	2,511.45	2,586.79	2,664.40	2,744.33	2,826.66	2,826.66	2,826.66	2,826.66	2,826.66	2,826.66	2,826.66
Total Expense	8,215,626.29	8,458,891.08	8,709,453.81	8,974,733.43	9,240,555.43	9,240,555.43	9,240,555.43	9,240,555.43	9,240,555.43	9,240,555.43	9,240,555.43
Net Ordinary Income	1,796,954.75	2,140,407.39	2,207,823.61	2,270,062.32	2,341,584.19	2,341,584.19	2,341,584.19	2,341,584.19	2,341,584.19	2,341,584.19	2,341,584.19
Other Income/Expense											
Other Income											
Rebate Income	12,565.00	12,941.95	13,330.21	13,730.11	14,142.02	14,566.28	15,003.27	15,453.37	15,916.97	16,394.48	16,886.31
Total Other Income	12,565.00	12,941.95	13,330.21	13,730.11	14,142.02	14,566.28	15,003.27	15,453.37	15,916.97	16,394.48	16,886.31
Other Expense (Includes P&I)											
Debt Service Ford Motor Credit	209,292.32	209,292.32	209,292.32								
Debt Service Fairfield Nodal (42 Mo / 5%)	302,008.20	302,008.20	302,008.20	151,004.10							
Debt Service Frontier State Bank (120 Mo / 4.5%)	713,090.28	713,090.28	713,090.28	713,090.28	713,090.28	713,090.28	713,090.28	713,090.28	713,090.28	713,090.28	713,090.28
Debt Service Cypress Entities (180 Mo / 4.5%)	458,995.92	458,995.92	458,995.92	458,995.92	458,995.92	458,995.92	458,995.92	458,995.92	458,995.92	458,995.92	458,995.92
Total Other Expense	1,683,386.72	1,683,386.72	1,683,386.72	1,323,090.30	1,172,086.20	1,172,086.20	1,172,086.20	1,172,086.20	1,172,086.20	1,172,086.20	1,172,086.20
Net Other Income	(1,670,821.72)	(1,670,444.77)	(1,670,056.51)	(1,309,360.19)	(1,157,944.18)	(1,157,519.92)	(1,157,082.93)	(1,156,632.83)	(1,156,169.23)	(1,155,691.72)	(1,155,199.89)
Net Income	**126,133.03**	**469,962.62**	**537,767.10**	**960,702.14**	**1,183,640.01**	**1,184,064.27**	**1,184,501.26**	**1,184,951.36**	**1,185,414.96**	**1,185,892.47**	**1,186,384.30**