IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
WICHITA FALLS DIVISION

In Re:	§	
	§	
WYLDFIRE ENERGY, INC.,	§	CASE NO. 12-70239-HDH-11
	§	
Debtor.	§	

DISCLOSURE STATEMENT TO ACCOMPANY
PLAN OF LIQUIDATION PROPOSED BY
MICHAEL A. MCCONNELL, CHAPTER 11 TRUSTEE

Dated: November 18, 2013

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I. INTRODUCTION

Michael A. McConnell, the duly-appointed Chapter 11 Trustee ("Trustee") of the bankruptcy estate of Wyldfire Energy, Inc. ("Wyldfire and/or the "Debtor"), submits this Disclosure Statement with respect to his proposed Plan of Liquidation (the "Disclosure Statement"). This Disclosure Statement is to be used in connection with the solicitation of votes on the Plan of Liquidation proposed by the Trustee (the "Plan").

The purpose of this Disclosure Statement is to enable creditors of the Debtor whose claims are impaired under the Plan to make an informed decision in exercising their right to vote to accept or reject the Plan.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT RELATES TO YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT CAREFULLY. THE TRUSTEE URGES ALL CREDITORS TO READ THE PLAN OF LIQUIDATION THAT ACCOMPANIES THIS DISCLOSURE STATEMENT. IN THE EVENT OF ANY INCONSISTENCIES BETWEEN THE PROVISIONS OF THE PLAN AND THE SUMMARY CONTAINED HEREIN, THE PLAN PROVISIONS WILL CONTROL.

THE STATEMENTS AND FINANCIAL INFORMATION ABOUT THE DEBTOR CONTAINED HEREIN, INCLUDING INFORMATION REGARDING CLAIMS AND INTERESTS, ARE BASED ON INFORMATION PROVIDED BY THE DEBTOR AND ITS PRINCIPAL, DEBTOR'S BOOKS AND RECORDS TO THE EXTENT EXISTING AND AVAILABLE, AND FROM INFORMATION PROVIDED BY THIRD-PARTIES CONDUCTING BUSINESS WITH THE DEBTOR; AND, THE TRUSTEE, AS PLAN PROPONENT, DOES NOT MAKE ANY INDEPENDENT REPRESENTATION, WARRANTY OR CERTIFICATION AS TO ITS ACCURACY.

The Trustee believes that the proposed Plan of Liquidation will result in the most cost-effective procedure for the distribution of estate assets to creditors and is a superior alternative to the liquidation of assets under Chapter 7.

II. SHORT SUMMARY OF THE PLAN

At the time of the commencement of the Debtor's Chapter 11 case, the Debtor owned producing and non-producing oil and gas leasehold interests in the Eagle Ford Shale in south Texas, additional interests in the Barnett Shale in north Texas, and investment interests in oil and gas lease projects in the Niobrara formation. Of those interests, only a few in south Texas were producing.

Some of Debtor's interests were sold prior to appointment of the Trustee. Other interests lapsed due to non-production. Remaining mineral and leasehold interests in the Eagle Ford Shale will be assigned to Carlton Scott "Bubba" Riggs and Riggs Energy Group, Inc., pursuant to a settlement approved by the Bankruptcy Court.

Remaining assets include mineral interests in Tarrant County, cash, and a promissory note from Wexco Resources, Inc. in the amount of $1,560,383.12. Additional mineral interests may be assigned by Cierra Resources, Inc. pursuant to settlements approved by the Bankruptcy Court.

To date, the Trustee has collected approximately $500,000 for payment of administrative expenses and creditor claims. The estate's settlement with Cierra Resources, Inc. and Leo Whelan and Wexco Resources, LLC, may yield additional revenue. Any additional funds for distribution to creditors, including unsecured creditors, will be from the sale of any remaining estate assets and any recovery on estate causes of action, including avoidance actions, that the Plan Administration Agent – in his sole discretion – elects to pursue.

At this time, the Trustee does not forecast that there will be sufficient funds on hand on the Effective Date to make any distributions to unsecured creditors (Class 2). Under the Plan, all administrative claims and Secured Tax Claims (Class 1) will be paid in full. All stock and equity interests in the Debtor (Class 3) will be cancelled and extinguished.

III. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11.

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to chapter 11, the debtor-in-possession or chapter 11 trustee attempts to reorganize Debtor's business for the benefit of the debtors, its creditors, and other parties in interest. A plan may also provide for the liquidation of the debtor's assets rather than reorganization as a going-concern.

The commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor's property as of the date the bankruptcy petition is filed. §§ 1101, 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor-in-possession" unless the bankruptcy court orders the appointment of a trustee. In the present chapter 11 case, the Debtor remained in possession of its property and business as debtor-in-possession until April 18, 2013, at which time Michael A. McConnell, Chapter 11 Trustee, was approved to administer the Debtor's bankruptcy case.

The formulation of a plan of reorganization or liquidation is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims against, and interests in, the debtor.

B. Plan of Liquidation.

A plan may provide for the liquidation of the debtor's assets rather than reorganization as a going-concern. After a plan has been filed, the holders of claims against, or interests in, a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, § 1125 of the Bankruptcy Code requires the debtor or trustee to prepare a disclosure statement containing adequate information of a kind and in sufficient detail to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure

Statement is presented to holders of claims against and equity interests in the Debtor to satisfy the requirements of § 1125 of the Bankruptcy Code.

If all classes of claims and interests accept a plan of liquidation, the bankruptcy court may nonetheless deny confirmation of the plan unless the court independently determines that the requirements of § 1129 of the Bankruptcy Code have been satisfied. Bankruptcy Code § 1129 sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests of creditors" test and be "feasible." The "best interests" test generally requires that the value of the consideration to be distributed to the holders of claims and interests under a plan may not be less than those parties would receive if the debtor was liquidated pursuant to a hypothetical liquidation under chapter 7 of the Bankruptcy Code.

Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of liquidation in order for the bankruptcy court to confirm the plan. At a minimum, however, the plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting in at least one class of impaired claims under the plan. In the present case, only the holders of claims or equity interests who are entitled to vote on the Plan, and who actually vote on the Plan, will be counted as either accepting or rejecting the Plan.

In addition, classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and, thus, are not entitled to vote. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity or payment in full in cash.

Here, claims in Class 2 (General Unsecured Claims) and equity interests in Class 3 (Equity Interests) are impaired under the Plan. Because holders of Class 3 equity interests will not receive or retain any property under the Plan they are deemed to have rejected the Plan, and are not entitled to vote. Class 1 (Secured Tax Claims) is unimpaired under the Plan and is deemed to have accepted the Plan. Based on the foregoing, only the holders of General Unsecured Claims in Class 2 shall be entitled to vote on the Plan.

IV. DISCLOSURE STATEMENT AND PLAN APPROVAL PROCEDURES

A. Combined Hearing to Consider Approval of the Disclosure Statement and Confirmation of the Plan.

On November 1, 2013, the Trustee filed a motion with the Bankruptcy Court requesting a combined hearing to consider approval of this Disclosure Statement together with the hearing to consider confirmation of the Plan. On November 20, 2013, the Bankruptcy Court ____ the motion. Accordingly, pursuant to §§ 105, 1126, and 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider: i) approval this Disclosure Statement as containing information of a kind, and in sufficient detail to enable creditors whose votes on the Plan are being solicited to make an informed judgment whether to accept or reject the Plan, and ii) confirmation of the Plan (the "Confirmation Hearing") on _____**2014, at ___ _.m. Central Time.** Parties may appear by video in Room 208, 1000 Lamar Street, U.S. Federal

Courthouse, Wichita Falls, Texas 76301, or live hearing in Judge Hale's Courtroom, 1100 Commerce Street, 14th Floor, Dallas, Texas 75242. The Bankruptcy Court has directed that i) objections, if any, to the Disclosure Statement, and ii) objections, if any, to confirmation of the Plan, be filed and served on or before**_____, 2013**. The Confirmation Hearing may be adjourned from time to time without further notice. ANY ANNOUNCEMENT OF A CONTINUATION OR POSTPONEMENT OF THE CONFIRMATION HEARING THAT IS MADE IN COURT AT THAT HEARING IS THE ONLY NOTICE THAT WILL BE PROVIDED OF THE NEW DATE AND TIME.

B. Solicitation.

Each holder of a claim entitled to vote should read this Disclosure Statement in its entirety prior to voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to this Disclosure Statement and § 1125 of the Bankruptcy Code and no person has been authorized to utilize in the solicitation of votes any information concerning the Debtor or its business other than the information contained in this Disclosure Statement or other information approved for dissemination to creditors by the Bankruptcy Court. In voting on the Plan, creditors should not rely on any information relating to the Debtor and its business, other than that contained in this Disclosure Statement, except as otherwise approved by the Bankruptcy Court.

The information in this Disclosure Statement regarding the Debtor, its history, assets, value and benefits offered pursuant to the Plan, are expressly confined to the context of this Disclosure Statement, and the Trustee specifically rejects use of any such information outside of consideration of the Disclosure Statement.

V. VOTING PROCEDURES

A. Ballots and Voting Deadline.

A ballot to be used for voting to accept or reject the Plan is enclosed with the Disclosure Statement mailed to creditors entitled to vote. Each such creditor should: (i) carefully review the ballot and the instructions thereon; (ii) execute the ballot; and (iii) return it to the address indicated thereon by the deadline to enable the ballot to be considered for voting purposes.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than **5:00 p.m., _____, 2013**, at the following address:

Nancy Ribaudo
Kelly Hart & Hallman LLP
201 Main Street, Suite 2500
Fort Worth, Texas 76102

TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:00 P.M. CENTRAL STANDARD TIME, ON _____, 2013.

If you do not vote to accept the Plan, or if you are the holder of an unimpaired claim, you may be bound by the Plan if it is accepted by the requisite holders of claims or equity interests.

THE TRUSTEE SUPPORTS CONFIRMATION OF THE PLAN AND URGES ALL HOLDERS OF IMPAIRED CLAIMS TO ACCEPT THE PLAN.

B. Classes Entitled to Vote.

ONLY THE IMPAIRED CREDITORS ARE BEING SOLICITED TO ACCEPT THE PLAN.

Claims in Class 2 are impaired under the Plan. Only holders of claims in that class are entitled to vote and only their votes are being solicited to accept the Plan. The holders of equity interests in the Debtor in Class 3 are impaired and will not receive or retain any property on account of such equity interests and, therefore, such holders are deemed to have rejected the Plan under § 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan. Class 1 claims are unimpaired under the Plan and such holders are deemed to have accepted the Plan.

The Trustee specifically reserves the right to contest whether any ballots cast should be allowed to be counted for purposes of confirmation. In addition, a vote may be disregarded if the Bankruptcy Court determines that a creditor's acceptance or rejection was not solicited or procured in good faith in accordance with the provisions of the Bankruptcy Code.

VI. PRE-PETITION HISTORY; FINANCIAL CONDITION OF THE DEBTOR

A. Corporate Acts and Background.

Wyldfire was formed in 2006 as a Wyoming corporation. Wyldfire was subsequently registered as an entity in 2008 with the Texas Secretary of State as a foreign for-profit corporation. The sole officer and owner of Wyldfire is Tamara Ford ("Ms. Ford"). Initially, Ms. Ford operated Wyldfire out of rented space in Mansfield, Texas. Later, Ms. Ford moved Wyldfire's operations to a house she owns in Burleson, Texas. Wyldfire employed several contract employees who worked out of the Burleson office and from their homes.

Initially, Wyldfire's business activities included conducting due diligence and title work in the Barnett Shale. After activity in the Barnett Shale began to subside in 2008, Wyldfire began to do title and leasing work in the Eagle Ford Shale in south Texas, and eventually began to acquire leases on its own to sell to third parties.

Debtor associated with several entities and individuals for purposes of acquiring leases in and outside Texas, including Carlton Scott "Bubba" Riggs and Leo Whelan and their affiliated entities. Ms. Ford also conducted business through her other entities, Cierra Resources, Inc. ("Cierra Resources") and Star Operating, Inc. d/b/a MIH Resources, Inc. ("MIH Resources").

Generally, Ms. Ford attempted to perform all corporate roles herself, from manager to bookkeeper, and followed few corporate formalities. Customary books and records were not

kept, accounting records were incomplete, and business activities and negotiated deals were generally not reduced to writing.

B. Business Relationship with Carlton Scott "Bubba" Riggs/Riggs Energy, Inc.

In the fall of 2009, Wyldfire entered into a business association with Carlton Scott "Bubba" Riggs ("Mr. Riggs") for the purpose of acquiring and selling leases to third parties in the Eagle Ford Shale area of south Texas. This association has been referred to as a "partnership" or "a joint venture", however, no formal partnership or joint venture agreement was ever created and no partnership bank account was ever opened. Joint venture activity began in September 2009 and continued into the summer of 2011, although Mr. Riggs and Ms. Ford dispute when the relationship was terminated.

The association with Mr. Riggs led to the acquisition and subsequent sale of numerous lease properties in the Eagle Ford Shale. At some point, Mr. Riggs became concerned that Wyldfire was not providing him with his full share of profits and that Wyldfire was conducting business independently of their arrangement. Wyldfire disagreed and the parties' relationship deteriorated. Later, Mr. Riggs and Riggs Energy, Inc. (collectively, the "Riggs Group") initiated a lawsuit against Wyldfire and Tim and Tamara Ford (collectively the "Fords") styled *Carlton Scott Riggs and Riggs Energy, Inc. v. Wyldfire Energy, Inc., Tamara Ford and Tim Ford*, Cause No. 11-04-00129CVF, in the 81st Judicial District Court in Frio County, Texas ("Frio County Partnership Action"), seeking economic and exemplary damages and an accounting for alleged breach of contract and other tortious conduct.

The Riggs Group filed other lawsuits against Wyldfire, Ms. Ford and others who transacted business with Wyldfire. In LaSalle County and Frio County, the Riggs Group filed a lawsuit alleging that Wyldfire forged Mr. Riggs's name and certain lease assignments to Riley-Huff Energy Group, LLC ("Riley-Huff") and/or the Huff Energy Fund. These suits caused Riley-Huff to file a cross-claim against Wyldfire and, later, filed other suits alleging tortious interference. The Riggs Group also filed a notice of *lis pendens* against mineral interests owned by Wyldfire affiliates and third parties. Attempts to settle the parties' disputes failed, resulting in the Riggs Group filing a lawsuit in Tarrant County for claims for breach of contract against Wyldfire and the Fords.

C. Bobby Riley/Riley-Huff Energy Group, LLC.

Wyldfire's business dealings with Riley-Huff and Robert J. "Bobby" Riley ("Mr. Riley") began in late 2009. Mr. Riley was president of Riley-Huff as well as Riley Exploration, Inc. ("Riley Exploration"), which operated many of the leases purchased by Riley-Huff. Riley-Huff, through Mr. Riley, purchased acreage from Wyldfire in the Eagle Ford Shale through the summer of 2011. Wyldfire typically retained a 1.0% to 1.5% overriding royalty interest in these leases.

Beginning in March 2010 through March 2011, Wyldfire made a series of fund transfers to Mr. Riley, personally. The aggregate amount of these transfers was $550,000. Both Mr. Riley and Ms. Ford have characterized these transfers as a personal loan. In its Schedules, Wyldfire listed a $550,000 loan obligation due and owing from Mr. Riley. As part of a settlement reached with the Trustee and described more fully in Section VII.H below, Mr. Riley has executed a

promissory note in the amount of $550,000, which will be assigned from Wyldfire to the Riggs Group, pursuant to the settlement.

D. Leo Whelan/Wexco Resources, LLC.

Wyldfire had substantial business dealings with Wexco Resources, LLC ("Wexco") and its principal, Leo Whelan ("Mr. Whelan"). Wexco initially acted as a broker for Wyldfire lease purchases in Dimmit, Frio and LaSalle Counties. Wyldfire also advanced funds to Wexco for purposes of funding Wexco's lease projects in Goshen County, Wyoming, Elbert County, Colorado, and Wilbarger and Hardeman Counties, Texas. During the course of their relationship, Wexco incurred certain debts to Wyldfire as a result of advances and investments made by Wyldfire, of which a substantial amount remains unpaid.

In its Schedules, Wyldfire listed a $1,596,000 loan obligation due and owing from Leo Whelan/Wexco. As part of a settlement reached with the Trustee and described more fully in Section VII.H below, Wexco has executed a promissory note payable to the estate in the amount of $1,560,383.12, in satisfaction of its debt obligations owed to the estate.

E. Lack of Corporate Formalities and Insider Transfers.

The Trustee's investigation revealed that Ms. Ford followed few corporate formalities and accounting protocols. Ms. Ford purportedly advanced monies to Wyldfire and paid third parties directly to cover Wyldfire's expenses, but did not keep detailed records to document these purported advances. The Fords filed a proof of claim in the amount of $275,000 on account of purported loans to Wyldfire.

Wyldfire transferred funds to Ms. Ford on numerous occasions, purportedly as distributions, compensation, repayment of loans, and to pay Ms. Ford's personal expenses. Ms. Ford did not follow any accounting protocol with respect to these transfers. Wyldfire initially paid Ms. Ford a $10,000 per month salary during the bankruptcy case but stopped paying Ms. Ford a salary after the Court appointed the Trustee.

Based on Wyldfire's informal books and records, Wyldfire paid $4,300,000 to, or on behalf of, Ms. Ford between January 13, 2008 and June 3, 2012. Sufficiently detailed records were not kept to identify the nature of these payments as equity distributions, compensation, loan repayments, expense reimbursements, or some other purpose.

Ms. Ford also used monies from Wyldfire to fund expenses incurred by Cierra Resources and MIH Resources. Ms. Ford formed Cierra Resources in 2011 to acquire leases in the Barnett Shale for drilling operations. Cierra Resources subsequently acquired leases in Jack County, Texas, using, in part, funds advanced by Wyldfire. Cierra Resources drilled three wells, one of which achieved production. Ms. Ford formed MIH Resources to act as an operator for leases owned by Cierra Resources. Ms. Ford used funds from Wyldfire to pay expenses of MIH Resources.

In Wyldfire's Schedules, Wyldfire lists Cierra Resources as having an outstanding loan obligation to Wyldfire in the amount of $378,572. Based on the Trustee's preliminary investigation, however, the aggregate amount transferred from Wyldfire to Cierra Resources

between May 20, 2011 and June 11, 2012 appears to be approximately $1,630,000. The Trustee's investigation also shows that $151,000 was transferred from Wyldfire to MIH Resources, of which, according to Ms. Ford, $25,000 has been repaid. This receivable was not listed on Wyldfire's Schedules. None of these loans between Wyldfire and Cierra Resources and MIH Resources were ever reduced to writing.

It is anticipated that pursuant to the Trustee's settlement with Ms. Ford (discussed in Section VII.H below) all estate claims against Ms. Ford and her related entities, Cierra Resources and MIH Resources, will be released.

VII. SIGNIFICANT POST-PETITION EVENTS

A. Commencement of Bankruptcy Case.

On June 20, 2012, Wyldfire filed its voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Wichita Falls Division.

B. Appointment of the Chapter 11 Trustee.

On September 13, 2012, the Riggs Group filed a motion to appoint a Chapter 11 Trustee. The motion was supported by other creditors, but opposed by the Debtor. The Court granted the motion by order entered on April 11, 2013. The United States Trustee thereafter made application to approve the appointment of Michael A. McConnell as Trustee. The Court granted the application on April 18, 2013 [Docket No. 218]. Since April 18, 2013, the Trustee has managed the Debtor's affairs.

Following his appointment, the Trustee first assembled his own advisors to assist him, including the law firm of Kelly Hart & Hallman LLP ("Kelly Hart") as his general counsel, and Lain Faulkner & Co., P.C. ("Lain Faulkner") as his accountants.

C. Discontinuation of Wyldfire's Business.

At the time of the Trustee's appointment, Wyldfire was no longer in a financial position to acquire and sell oil and gas leases. At that time, a third-party custodian held property of the estate. Wyldfire received some income from overriding royalty interests paid by Chesapeake Operating, Inc., Riley Exploration and XTO Energy. Wyldfire's remaining business was limited to supervising a small team of contract landmen. The cost of these landmen outweighed any potential benefit from this business. Accordingly, the Trustee elected to terminate their contracts and discontinue operations as of the end of April 2013. The Trustee also discontinued payments for the rental of the Burleson office and Ms. Ford's $10,000 per month salary. These terminations resulted in a savings of approximately $30,000 per month.

D. Estate Accounting Issues.

Ms. Ford's failure to keep adequate accounting records required the Trustee to focus initial efforts on recreating Wyldfire's financial records. The Trustee tasked Lain Faulkner with reconstructing the accounting books and records of the corporation, creating accounting records for the business venture between Wyldfire and Mr. Riggs, and gathering information regarding

the estate's relationship with affiliates and third parties. Lain Faulkner has completed its reconstruction of the basic accounting records of Wyldfire from September 2009 to the present.

E. Disposition of Estate Properties.

Since the commencement of the case, certain leases have been sold to third parties pursuant to motions filed by Wyldfire. For example, the Hardeman County and Wilbarger County leases listed on Schedule A were sold post-petition. Some of the leases in Dimmit County were also sold by the Debtor. The lease identified as the Frio County Lease on Schedule A was allegedly assigned pre-petition to a third party and is not owned by Wyldfire. Some of the leases owned by Wyldfire, or in which Wyldfire retained an overriding interest listed on Schedule A, have expired, significantly reducing the amount of net mineral acres in which Wyldfire holds an interest.

All of Debtor's remaining mineral interests in the Eagle Ford Shale will be transferred to the Riggs Group pursuant to a settlement approved by the Bankruptcy Court by order entered on November 7, 2013.

F. Funds Held By Custodians.

Prior to the filing of Wyldfire's bankruptcy case, the Riggs Group moved for appointment of a receiver in the Frio County Partnership Action. An interim agreement was ultimately reached whereby the parties agreed to release some of Wyldfire's mineral interests and funds to a receiver to hold "in trust" until after a final accounting and judgment in the lawsuit was fully satisfied. Based on the parties' agreement, the state court entered an order on February 24, 2012, appointing Ty Griensenbeck, Jr., as custodian of these interests, replacing a previously appointed receiver, B.R. Allen, III. Pursuant to this order, production payments from operators or other parties relating to certain royalty and working interests of Wyldfire have been remitted to Mr. Griensenbeck or held in suspense.

After the bankruptcy filing, Mr. Griensenbeck continued to act as custodian over the various interests and proceeds in accordance with the state court order. Production revenue was also held in suspense by operators and first purchasers awaiting further instructions from the Bankruptcy Court.

On July 8, 2013, the Trustee filed a motion seeking turnover of the property held by custodians and division of property with the Riggs Group, pursuant to prior orders of the Bankruptcy Court. An order granting the Trustee's motion was entered on August 26, 2013 [Docket No. 293]. Pursuant to that order, the Trustee has received approximately $390,000 from Mr. Griensenbeck and the operators and first purchasers holding funds in suspense, half of which the Trustee has turned over to Mr. Riggs pursuant to that same order.

G. Trustee's Statement of Investigation.

Section 1106 of the Bankruptcy Code provides that as soon as practicable after his appointment, a Chapter 11 trustee shall file a statement of any investigation of: (i) the acts, conduct, assets, liabilities and financial condition of the debtor; (ii) any fact ascertained

pertaining to incompetence, misconduct, mismanagement or irregularity in the management of the affairs of the debtor; and (iii) any cause of action available to the estate.

Pursuant to this mandate, the Trustee initiated his investigation soon after his appointment. As part of his investigation, the Trustee directed his counsel to review relevant corporate records and conduct Rule 2004 examinations of Ms. Ford, Cierra Resources, Mr. Riley, Mr. Whelan, and Wexco Resources. The Trustee also tasked Lain Faulkner with creation of reliable accounting records for Wyldfire, review of claims against the estate related to the business venture between Wyldfire and Mr. Riggs, and gathering information regarding the estate's relationship with affiliates and third parties.

By late summer, Lain Faulkner completed its reconstruction of Debtor's accounting records. The Trustee prepared a draft Statement of Investigation in September 2013, which was used in connection with the Trustee's subsequent efforts to resolve claims and disputes through mediation.

H. Settlement of Claims.

With more complete information as a result of his preliminary investigation, the Trustee initiated efforts in September 2013, to resolve claims and disputes with various parties through mediation. Mediation took place on September 17 and 18, 2013, in San Antonio, Texas, under the supervision of the Hon. Leif M. Clark (Retired) as mediator. The parties negotiated over a 16-hour period. Participating parties included the Trustee, Ms. Ford, Mr. Riggs, 1776 Energy Partners, LLC (f/k/a Riley-Huff Energy Group, LLC), Mr. Riley, and Mr. Whelan. The mediation was successful and three settlement agreements were drafted and signed as a result of the mediation, all of which were subsequently approved by the Bankruptcy Court. The settlements resulted in the resolution of all controversies and disputes between and among the settling parties, and specifically provide for: i) mutual releases and dismissal of all litigation between the Debtor, the Riggs Group, Mr. Riley, and Mr. Whelan and his affiliated entities; ii) the withdrawal of claims of Mr. Riggs and Riggs Energy, Inc. against the estate, including Claim No. 10 and Claim No. 11, both in the amount of $54,387,498.15; iii) promissory notes from Wexco and Mr. Riley; iv) transfer of Debtor's Eagle Ford mineral interests to the Riggs Group; and, v) in the event of a sale of certain mineral interests owned by Cierra Resources by November 1, 2013, the transfer of sale proceeds and other assets from Cierra Resources to Wyldfire in satisfaction of estate claims against Mrs. Ford and her companies and mutual releases. The settlements were approved by the Bankruptcy Court in October 2013. Orders approving the settlements were subsequently entered. The November 1 date has now passed without the occurrence of the contemplated sale of assets by Cierra Resources. The parties are discussing a possible stipulation to extend the deadline and to transfer those assets to other parties for purposes of sale.

VIII. LITIGATION INVOLVING WYLDFIRE

A. Pre-Petition Litigation Involving Wyldfire.

Listed below is a description of pending litigation involving Wyldfire at the time of the Petition Date. All of the lawsuits were removed to the Bankruptcy Court. The Court ultimately remanded some of them to state court. The disposition and/or status of each case is as follows:

- **Cause No. 096-256106-11 (Adv. No. 12-07008):** *Riley-Huff Energy Group, LLC v. Carlton Scott "Bubba" Riggs, Riggs Energy, Inc., Wyldfire Energy, Inc. and Unnamed Partnership,* filed in the 96th Judicial District Court, Tarrant County. The Debtor asserted a counterclaim for declaratory judgment. The case is currently pending as Adversary No. 12-07008. The Bankruptcy Court has not yet entered a scheduling order.

- **Cause No. 11-04-00129CVF (Adv. No. 12-07009):** *Carlton Scott Riggs and Riggs Energy, Inc. v. Wyldfire Energy, Inc., Tamara Ford and Tim Ford*, filed in the 81st Judicial District Court, Frio County. The case is currently pending as Adversary No. 12-07009. It is anticipated that all claims asserted by the Riggs Group against the Debtor will be dismissed as a result of Trustee's settlement with the Riggs Group.

- **Cause No. 12-06-0282CVW:** *Carlton Scott "Bubba" Riggs and Riggs Energy, Inc. v. Wyldfire Energy, Inc. et al.*, filed in the 218th Judicial District Court, Wilson County. The plaintiffs non-suited Wyldfire shortly after the filing of Wyldfire's bankruptcy petition. The lawsuit was removed to the Bankruptcy Court and docketed as Adversary Case No. 12-07010, and subsequently remanded back to state court because Wyldfire is not a party.

- **Cause No. 11-10-00162 CVL:** *Carlton Scott "Bubba" Riggs and Riggs Energy, Inc. v. Riley-Huff Energy Group, LLC v. Wyldfire Energy, Inc., et al*., filed in the 218th Judicial District Court, LaSalle County. The plaintiffs non-suited Wyldfire in February 2012. Riley-Huff filed cross claims against Wyldfire. The case was removed to the Bankruptcy Court and filed as Adversary 12-07011 and subsequently remanded back to state court. The case was abated until October 18, 2013, where it remains pending. It is anticipated that all claims asserted by the Riggs Group against the Debtor will be dismissed as a result of the Trustee's settlement with the Riggs Group.

- **Cause No. 11-10-00371 CVF:** *Carlton Scott "Bubba" Riggs and Riggs Energy, Inc. v. Riley-Huff Energy Group, LLC et al. v. Wyldfire Energy, Inc. et al*., filed in the 81st Judicial District Court, Frio County. The plaintiffs non-suited Wyldfire in February 2012. Riley-Huff filed cross claims against Wyldfire. The case was removed to Bankruptcy Court and filed as Adversary 12-07012 and subsequently remanded back to state court. The case was abated until October 18, 2013. It is anticipated that all claims asserted by the Riggs Group against the Debtor will be dismissed as a result of the Trustee's settlement with the Riggs Group.

- **Cause No. 11-09-12583-1:** *Riggs v. Riley*, filed in the 365th Judicial District Court, Zavala County. The lawsuit was removed to the Bankruptcy Court and docketed as Adversary Case No. 12-12-07014. The Bankruptcy Court remanded the case back to state court because Wyldfire is not a party and it did not have jurisdiction.

- **Cause No. 7012-06-00236CVF:** *Riggs and Riggs Energy, Inc. v. Tamara Ford and Tim Ford, et al*. filed in the 218th Judicial District Court, Frio County. The lawsuit was removed to the Bankruptcy Court and docketed as Adversary Case No. 12-07015. The Bankruptcy Court remanded the case back to state court because Wyldfire is not a party and it did not have jurisdiction.

B. Post-Petition Litigation.

Wyldfire initiated additional lawsuits via adversary proceedings.

- **Adv. No. 12-07013:** *Wyldfire Energy, Inc. v. Carlton "Bubba" Riggs, Riggs Energy, Inc., Tim Ford, Tamara Ford, Leo Whelan, James C. Evans, Evans Watson Wilson County Resources, L.L.C., MIH, Inc., MIH Wyoming, LLC, Wexco Resources, LLC, Huff Energy Fund, LP, Riley Exploration, LLC, Riley-Huff Energy Group, LLC, Ty Griensenbeck, B.R. Allen, and Bobby Riley*. This adversary proceeding combines the claims asserted in various state court cases and other adversary proceedings. The Trustee's First Interim Report and Advisory to the Court [Adv. Proc. No. 12-07013, Docket No. 57] requested that the Court refrain from entering a scheduling order until the Trustee completed his accounting analysis and evaluation of claims. No scheduling order has been entered. It is anticipated that the Trustee will dismiss all claims asserted by the Debtor against the Riggs Group, Leo Whelan and his affiliated entities, and Mr. Riley, as a result of the Trustee's settlement with each of these parties.

- **Adversary Proceeding No. 13-07000:** *Wyldfire Energy, Inc. v. Riggs Energy, Inc. and Carlton Scott "Bubba" Riggs*, objecting to the claims of Mr. Riggs and Riggs Energy. This action has been dismissed by the Trustee without prejudice.

C. Estate Causes of Action.

The Trustee's analysis of potential claims and causes of action is not complete. Preliminarily, in addition to the litigation and claims discussed above, the Trustee has investigated possible estate causes of action against Tim and Tamara Ford and affiliated entities, for possible insider preferences and fraudulent conveyance claims, as well as possible alter-ego claims against Ms. Ford with respect to Cierra Resources and MIH Resources, and breach of her corporate duties of loyalty and due care to Wyldfire. These and all other possible estate claims against Ms. Ford and her affiliated entities may be released pursuant to the Trustee's settlement with Ms. Ford, providing the conditions precedent for such releases contained in that settlement are met.

It is anticipated that all claims against Mr. Whelan and his affiliated entities, the Riggs Group, and Mr. Riley will also be released pursuant to the Trustee's settlements with each of these parties. Possible estate claims include possible claims against these parties based on loans and other receivables listed in Debtor's Schedules, as well as any other possible estate Causes of Action, including but not limited to possible preference and fraudulent conveyance claims under state and federal law, as well as any other additional Avoidance Actions.

Wyldfire may also have claims against various other third parties based on additional receivables due and owing to the estate. The Trustee's investigation is ongoing.

IX. OVERVIEW OF THE PLAN

A. General.

The Plan contemplates the creation of and transfer of all assets to a Plan Administration Agent for purposes of administering assets and making all distributions to creditors required under the Plan. The Trustee anticipates sufficient cash to pay administrative claims and secured tax claims in full. Allowed unsecured claims will be satisfied from any funds remaining after payment of all senior claims holders, and any recovery from remaining estate assets, claims and causes of action to the extent pursued by the Plan Administration Agent. All equity interests in the Debtor will be extinguished and no recovery is expected to equity holders on account of their equity interests.

B. Description of Claims and Interests.

The following is a designation of the classes of claims and interests under the Plan. A claim or interest shall be deemed classified in a particular class only to the extent that the claim or interest qualifies under the description of that class. A claim or interest is in a particular class only to the extent that the claim or interest is an allowed claim or Equity Interest in that class. The claims against and interests of the Debtor are classified as follows:

Class 1: Secured Tax Claims
Class 2: General Unsecured Claims
Class 3: Equity Interests

Administrative and Priority Tax Claims have not been classified and are excluded from the foregoing classes in accordance with Bankruptcy Code § 1123(a)(1).

C. Unclassified Claims.

In accordance with § 1123(a)(1) of the Bankruptcy Code, unclassified claims against the Debtor consist of Administrative Claims and Priority Tax Claims. All allowed Administrative Claims will be paid in full under the Plan.

1. Administrative Expense Claims.

The holder of any Administrative Claim incurred prior to the Effective Date, other than: (i) a Fee Claim; (ii) an allowed Administrative Claim; or, (iii) a governmental claim pursuant to Bankruptcy Code § 503(b)(1)(D), shall be required to file and serve on all parties required to receive such notice, including the Trustee and Plan Administration Agent, a request for the allowance of such Administrative Claim on or before thirty (30) days after the Effective Date. Such request must include at a minimum: (i) the name of the holder of the claim; (ii) the amount of the claim; and, (iii) the basis of the claim. Failure to timely and properly file and serve such request shall result in the Administrative Claim being forever barred and discharged. Objections to such requests must be filed and served pursuant to the Bankruptcy Rules on the requesting party, the Plan Administration Agent and the Trustee within twenty (20) days after the filing of the request.

Each Professional who holds or asserts an Administrative Claim that is a Fee Claim for compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date shall be required to file with the Bankruptcy Court and serve on all parties required to receive such notice, including the Trustee and Plan Administration Agent, a Fee Application within thirty (30) days after the Effective Date. Failure to timely and properly file and serve a Fee Application as required under the Plan shall result in the Fee Claim being forever barred and discharged. No Fee Claim will be deemed allowed until an order allowing the Fee Claim becomes a final order or by consent of the Trustee or Plan Administration Agent. Objections to such applications must be filed and served pursuant to the Bankruptcy Rules on the requesting party, the Plan Administration Agent and the Trustee within twenty (20) days after the filing of the applicable Fee Application. No hearing may be held until the twenty (20) day objection period has terminated.

An Administrative Claim with respect to which notice has been properly filed pursuant to subparagraph 4.1(a) of the Plan shall become an allowed Administrative Claim if no timely objection is filed. If a timely objection is filed, the Administrative Claim shall become an allowed Administrative Claim only to the extent allowed by a final order. An Administrative Claim that is a Fee Claim, and with respect to which a Fee Application has been properly filed and served pursuant to subparagraph 4.1(b) of the Plan, shall become an allowed Administrative Claim only to the extent allowed by a final order.

Except to the extent that a holder of an allowed Administrative Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an allowed Administrative Claim shall receive, in full satisfaction release and discharge of and exchange for such Administrative Claim, and after the application of any retainer held by such holder, Cash equal to the allowed amount of such Administrative Claim, on the Effective Date (or as soon as reasonably practicable thereafter), or fifteen (15) days after the allowance date, whichever is later.

2. Priority Tax Claims.

Except to the extent that a holder of an allowed Priority Tax Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an allowed Priority Tax Claim, in full satisfaction, release and discharge of and exchange for such claim, shall be paid Cash in the allowed amount of such allowed Priority Tax Claim, together with interest thereon at the rate provided in Bankruptcy Code § 511 from the Petition Date through the date such claim is paid in full on the later of: (i) the Effective Date (or as soon as reasonably practicable thereafter); (ii) fifteen (15) days after the allowance date; or (iii) the last business day such taxes may be paid under applicable law without incurring penalties or interest. Notwithstanding the foregoing, any penalty arising with respect to or in connection with an allowed Priority Tax Claim shall be treated as a Class 2 General Unsecured Claim against the Debtor.

3. United States Trustee Fees.

The Trustee shall be responsible for timely payment of United States Trustee quarterly fees incurred in the bankruptcy case pursuant to 28 U.S.C. § 1930(a)(6) through the Confirmation Date. Any fees due as of the most recent quarterly invoice prior to the Confirmation Date will be paid in full within thirty (30) days after the Effective Date. After the

Effective Date, the United States Trustee quarterly fees shall be paid as they accrue by the Plan Administration Agent for the Debtor from the Confirmation Date until the bankruptcy case is closed by the Bankruptcy Court. The Plan Administration Agent shall serve on the United States Trustee a quarterly financial report for each quarter (or portion thereof) that the bankruptcy case remains open.

D. Classified Claims.

1. Class 1 – Secured Tax Claims.

Class 1 consists of the allowed Secured Tax Claims against the Debtor. With respect to any allowed Secured Tax Claim for ad valorem property taxes for tax years 2012 and prior years, each holder of such an allowed Secured Tax Claim, in full satisfaction, settlement, release and discharge of each such allowed claim, shall either: i) receive payment in Cash in an amount equal to the allowed amount of such holder's allowed Secured Tax Claim (including interest at the state statutory rate of 1% per month through the Effective Date) to the extent not already paid on the Effective Date; or ii) retain all lien rights and remedies for payment. The holder of an allowed Secured Tax Claim for ad valorem taxes for the tax years 2013 and thereafter shall retain all rights and remedies for payment thereof in accordance with the terms thereof.

2. Class 2 – General Unsecured Claims.

Class 2 consists of allowed General Unsecured Claims. Except to the extent that a holder of an allowed General Unsecured Claim has been paid prior to the Effective Date, or agrees to different treatment, each holder of an allowed General Unsecured Claim will receive, in full satisfaction, settlement, release and discharge of and in exchange for such allowed General Unsecured Claim, a pro rata share of the Distributable Cash available for Class 2 claimholders, after satisfaction of all allowed and projected pre-and post-confirmation administrative expenses, all allowed Secured Tax Claims and Priority Tax Claims, together with a sufficient amount to satisfy Contested Claims if such Contested Claims are allowed.

3. Class 3 – Equity Interests in the Debtor.

Class 3 consists of all Equity Interests in the Debtor. As of the Effective Date, all Equity Interests in the Debtor will be extinguished, and the holders of such Equity Interests will not receive or retain any property on account of such Equity Interest.

X. MEANS FOR IMPLEMENTATION OF THE PLAN

A. Vesting of Assets.

Except as otherwise provided in the Plan, upon the Effective Date, all remaining property of the Debtor's estate, wherever situated, shall vest in the Debtor, free and clear of all claims and shall be the subject of immediate liquidation and distribution.

B. Post-Confirmation Management and Liquidation of Debtor's Assets.

Post-confirmation, Michael A. McConnell, the Chapter 11 Trustee, will serve as the Plan Administration Agent and will assume all responsibilities with respect to the final administration

of the bankruptcy estate of the Debtor, including but not limited to the liquidation of assets of the Debtor, resolution of all objections to claims, litigation to final conclusion of all claims and causes of action by or against the Debtor and ultimate distribution of assets of the Debtor pursuant to the Plan.

On the Effective Date, the officers and board of directors of the Debtor shall be deemed removed from office pursuant to the Confirmation Order. Post-confirmation management of the Debtor shall be the general responsibility of the Plan Administration Agent.

The Plan Administration Agent will be authorized to sell, transfer, convey or otherwise dispose of or abandon assets of the Debtor as he deems, in his sole discretion, commercially reasonable and appropriate without the need for further authority and/or approval of the Bankruptcy Court. Nothing contained in the Plan, however, prohibits the Plan Administration Agent from seeking advance approval from the Bankruptcy Court with respect to any proposed action, including approval of a sale of any asset of the Debtor upon motion and notice to all creditors pursuant to Bankruptcy Code § 363.

For services rendered by the Plan Administration Agent in accordance with the Plan, the Plan Administration Agent will be compensated on an hourly basis, based upon the hourly rate which the Plan Administration Agent customarily charges his other clients. The Plan Administration Agent shall also be reimbursed for all reasonable out-of-pocket expenses incurred in the performance of his duties and obligations in administering the Plan. The Plan Administration Agent will have the authority to employ such persons that the Plan Administration Agent deems necessary to assist him in the administration and implementation of the Plan, and to compensate such persons and reimburse such persons for out-of-pocket expenses incurred by them on reasonable terms agreed to by the Plan Administration Agent without the necessity of Bankruptcy Court approval.

The Plan Administration Agent, including his agents and employees, will be indemnified by the Debtor against claims arising from the good faith performance of duties under the Bankruptcy Code and the Plan. The Plan Administration Agent will use reasonable discretion in exercising each of the powers granted under the Plan. Neither the Plan Administration Agent nor any of his successors, or attorneys, employees or agents shall be personally liable in any case whatsoever arising in connection with the performance of obligations under this Plan, whether acts or failure to act, unless they have engaged in fraud or gross negligence.

C. Preservation of Causes of Action.

Unless expressly released, waived, compromised or transferred by the Debtor or Trustee after Bankruptcy Court approval, the Debtor will retain all Causes of Action belonging to the estate pursuant to Bankruptcy Code § 541, including but not limited to collection of any accounts receivables described herein or otherwise existing, as well as any and all Avoidance Actions, and also expressly preserves any and all Causes of Action belonging to the estate against insiders relating to their misconduct, mismanagement and breach of fiduciary duties, and any other Causes of Action belonging to the estate against such insiders, including but not limited to Tim and Tamara Ford, and any of their affiliates, including but not limited to Cierra Resources and MIH Resources, whether arising under the Bankruptcy Code or other applicable federal or state law, except to the extent released under settlements approved by the Bankruptcy Court. Except

as otherwise provided in this Plan, the Plan Administration Agent is authorized under the Plan, in his sole discretion, to litigate to final judgment, prosecute appeals as are necessary and enter into such settlement agreements as are deemed appropriate with respect to any and all suits initiated as provided herein.

D. Corporate Dissolution.

As soon as the Plan Administration Agent deems it advisable, the Debtor may be dissolved by the Plan Administration Agent in accordance with applicable law.

XI. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. General Treatment of Executory Contracts: Rejected.

The Plan constitutes and incorporates a motion by the Trustee to reject, as of the Effective Date, all Executory Contracts to which Debtor is a party, except for Executory Contracts that: (i) have been assumed or rejected pursuant to a final order of the Bankruptcy Court; or (ii) are the subject of a separate motion pursuant to § 365 of the Bankruptcy Code filed and served by the Trustee on or before the Confirmation Date. The Confirmation Order will constitute an order of the Bankruptcy Court under § 365 of the Bankruptcy Code, approving the rejection or assumption, as applicable, of such Executory Contracts as of the Effective Date.

B. Bar to Rejection Claims.

If the rejection of an Executory Contract results in damages to the other party or parties to such Executory Contract, a claim for such damages shall be forever barred and shall not be enforceable against the Debtor, or its properties or agents, successors, or assigns, including the Trustee and Plan Administration Agent, unless a proof of claim is filed with the Bankruptcy Court and served upon the Plan Administration Agent by the earlier of: (i) thirty (30) days after the Effective Date; or (ii) such other deadline as the Bankruptcy Court may set for asserting a claim for such damages.

C. Rejection Claims.

Any Rejection Claim arising from the rejection of an Executory Contract shall be treated as a Class 2 General Unsecured Claim pursuant to the Plan, except as limited by the provisions of §§ 502(b)(6) and 502(b)(7) of the Bankruptcy Code and mitigation requirements under applicable law. Nothing contained herein shall be deemed an admission by the Debtor, the Trustee, the Plan Administration Agent, or any other party in interest that such rejection gives rise to or results in a Rejection Claim or shall be deemed a waiver by the Debtor, the Trustee, or the Plan Administration Agent, or any other party in interest of any objections to such Rejection Claim if asserted.

XII. ALTERNATIVES TO THE PLAN

A. Chapter 7 Liquidation.

The most realistic alternative to the Plan is conversion of the bankruptcy case from a proceeding under Chapter 11 of the Bankruptcy Code to a proceeding under Chapter 7 of the

Bankruptcy Code. A Chapter 7 case, sometimes referred to as a "straight liquidation," requires the liquidation of all of the debtor's assets by a Chapter 7 trustee. The cash realized from liquidation is subject to distribution to creditors in accordance with the order of distribution prescribed in § 726 of the Bankruptcy Code. Whether a bankruptcy case is one under Chapter 7 or Chapter 11, allowed secured claims, allowed administrative claims and allowed priority claims are entitled to be paid in cash, in full, before unsecured creditors and equity interest holders receive any funds, as explained further below. Thus, in a Chapter 7 case, the recovery, if any, to creditors holding non-priority unsecured claims and to holders of equity interests will depend upon the net proceeds left in the estate after all of the debtor's assets have been reduced to cash and all claims of higher priority have been satisfied in full.

Chapter 7 liquidation theoretically adds an additional layer of expense. As referenced above, conversion of a bankruptcy case to Chapter 7 will trigger the appointment of a Chapter 7 trustee having the responsibility of liquidating the debtor's assets. Pursuant to §§ 326 and 330 of the Bankruptcy Code, the Chapter 7 trustee will be entitled to reasonable compensation in relation to the level of disbursements made to creditors, as follows: (a) up to 25% of the first $5,000.00 disbursed; (b) up to 10% of the amount disbursed in excess of $5,000.00 but not in excess of $50,000.00; (c) up to 5% of any amount disbursed in excess of $50,000.00 but not in excess of $1,000,000.00; and (d) up to 3% of any amount disbursed in excess of $1,000,000.00. Additionally, the Chapter 7 trustee will be entitled to retain his or her own professionals to assist in the liquidation and administration of the estate. The fees and expenses of such professionals, to the extent allowed, are also entitled to priority in payment as administrative claims. Chapter 7 administrative costs are entitled to priority in payment over Chapter 11 administrative costs. Nevertheless, Chapter 11 administrative costs continue to have priority over all other non-administrative priority claims and non-priority unsecured claims in the bankruptcy case.

Conversion to Chapter 7 could result in the appointment of a trustee or multiple trustees having no experience or knowledge of the prior proceedings in the bankruptcy case or of the debtor's business, its books and records and its assets. In the Debtor's case, the United States Trustee could opt to re-appoint the Trustee as the Chapter 7 trustee, but there is no guarantee that such re-appointment would be made. To the extent that it is not, a substantial amount of time would be required in order for the new Chapter 7 trustee to become familiar with the Debtor, its prior business operations, and assets in order to wind the case up effectively.

The Trustee is opposed to conversion of the bankruptcy case to Chapter 7 for several reasons. First, the Trustee believes that conversion of the bankruptcy case could lead to additional layers of expense for the reasons stated above. Under the Plan, on the other hand, the Trustee, having familiarity with the Debtor's prior operations, the parties, claims in the bankruptcy case, and pending litigation, will serve as the Plan Administration Agent. Second, conversion of the bankruptcy case will re-open the proof of claim bar dates and enable additional, otherwise barred claims, to be asserted. By maintaining the bankruptcy case in Chapter 11 and confirming the Plan, the assertion of additional claims can be prevented.

Inasmuch as the Plan is a plan of liquidation, the comparison of likely distributions to holders of allowed claims under the Plan to likely distributions to holders of allowed claims in a Chapter 7 proceeding is similar, except that in a Chapter 7 the potential for additional administrative expense and substantial additional claims demonstrates that distributions under

the Plan are likely to exceed, or at least be equal to, the distributions that would be made under Chapter 7. Consequently, the Trustee believes that the Plan is in the best interest of creditors.

XIII. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Tax Consequences to the Debtor.

It is believed that the Plan is neutral with respect to affecting tax attributes attendant to the Debtor.

B. Tax Consequences to Creditors.

The exact tax treatment depends on each creditor's claim, the amount received under the Plan, and upon whether, and to what extent, such creditor has taken a bad debt reduction in prior years with respect to a particular debt owed by the Debtor.

THE FOREGOING SUMMARY OF CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES THAT MAY BE APPLICABLE UNDER THE PLAN.

XIV. RETENTION OF JURISDICTION

Until the case is closed, the Bankruptcy Court will retain the jurisdiction as is legally permissible under applicable law, including under §§ 105(a) and 1142 of the Bankruptcy Code, including that which is necessary to ensure that the purpose and intent of the Plan are carried out and to hear and determine all objections thereto that could have been brought before the entry of the Confirmation Order. The Bankruptcy Court will retain jurisdiction to hear and determine all claims against and interests in the Debtor and to enforce all Causes of Actions that may exist on behalf of the Debtor, over which the Bankruptcy Court otherwise has jurisdiction. Nothing contained in the Plan will prevent the Debtor, Trustee or the Plan Administration Agent, from taking any action as may be necessary in the enforcement of any Cause of Action that may exist on behalf of the Debtor and that may not have been enforced or prosecuted by the Debtor over which the Bankruptcy Court has jurisdiction.

XV. CONCLUSION AND RECOMMENDATION

The Trustee believes that confirmation of the Plan is in the best interests of the creditors and that the Plan of Liquidation is feasible and is a better alternative than conversion of the case to Chapter 7. Accordingly, the Trustee recommends that the Plan be accepted by those creditors entitled to vote.

Dated: November 18, 2013

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By: */s/ Nancy Ribaudo*

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