

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF ALABAMA**

JET SERVICES, INC.

*

CASE NO.

Debtor

*

17-01296

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SECOND AMENDED DISCLOSURE STATEMENT

OF

JET SERVICES, INC.

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I. INTRODUCTION

JET SERVICES, INC is the debtor in possession in this case which was filed under Chapter 11 of the Bankruptcy Code ("The Code") on April 7, 2017, in the United States Bankruptcy Court for the Southern District of Alabama (the "Bankruptcy Court" hereinafter referred to as the "Court").

JET SERVICES, INC has prepared and submits this Disclosure Statement pursuant to 11 U.S.C, Sec. 1125 of the Code and Rule 3016 of the Bankruptcy Rules in connection with its solicitation of acceptances of its Plan or Reorganization ("Plan"). All future references to the "Plan" or to the "Proposed Plan" refer to the Plan of Reorganization.

The Disclosure Statement contains important information about the Plan. The purpose of this Disclosure Statement is to provide adequate information to the holders of claims against the debtor in possession to enable them to make an informed judgment about the merits of approving the Plan. The contents of this Disclosure Statement are the representation of the Corporation only and not of any of its attorneys, accountants and other professionals.

THIS DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN OF REORGANIZATION WHICH IS ATTACHED, SHOULD BE READ IN ITS ENTIRETY. ADDITIONALLY, IT IS SUGGESTED THAT EACH CREDITOR CONSULT HIS OR HER OWN COUNSEL WITH RESPECT TO THE MATTERS CONTAINED IN THIS DISCLOSURE STATEMENT.

THE TERMS OF THE PLAN ARE SUMMARIZED IN THIS DISCLOSURE STATEMENT. HOWEVER ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF. THE PLAN IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE DISCLOSURE STATEMENT AND THE PLAN.

THE ONLY REPRESENTATION THAT IS AUTHORIZED BY **JET SERVICES, INC** CONCERNING IT, THE VALUE OF ITS ASSETS, THE EXTENT OF ITS LIABILITIES, OR OTHER FACTS MATERIAL TO THE PROPOSED PLAN ARE THE REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT. NO REPRESENTATIONS CONCERNING THE PLAN OF DEBTOR IN POSSESSION OTHER THAN THOSE SET FORTH IN THIS STATEMENT IS AUTHORIZED BY **JET SERVICES, INC** ANY REPRESENTATIONS OR INDUCEMENTS CONCERNING THE PLAN WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON.

NONE OF THE STATEMENTS, INFORMATION, DATA OR REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT ARE SUPPLIED BY, THE PRODUCT OF, OR SHOULD BE ATTRIBUTED TO ANY PROFESSIONAL ENGAGED BY DEBTOR IN POSSESSION OR OF ANY OF ITS ATTORNEYS.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT WAS SUPPLIED BY DEBTOR IN POSSESSION. NONE OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN SUBJECTED TO AN AUDIT BY AN INDEPENDENT CERTIFIED ACCOUNTANT OR ANY OTHER PROFESSIONAL. **JET**

SERVICES, INC IS NOT ABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS STATEMENT IS WITHOUT ANY INACCURACY; HOWEVER, DEBTOR IN POSSESSION HAS MADE DILIGENT EFFORT TO ENSURE THAT ALL SUCH INFORMATION IS ACCURATE AND FAIRLY PRESENTED.

AS THE HOLDER OF A CLAIM, YOUR VOTE IS IMPORTANT. THE COURT MAY CONFIRM THE PROPOSED PLAN IF IT HAS BEEN ACCEPTED BY AT LEAST TWO-THIRDS (2/3) IN AMOUNT AND MORE THAN ONE-HALF (1/2) IN NUMBER OF THE TIMELY RECEIVED BALLOTS BY HOLDERS OF ALLOWED CLAIMS OF EACH VOTING CLASS. IN THE EVENT THAT THE REQUISITE ACCEPTANCES ARE NOT OBTAINED, **JET SERVICES, INC** WILL REQUEST THE COURT TO CONFIRM THE PLAN, AND THE PLAN MAY; NEVERTHELESS BE CONFIRMED IF THE COURT FINDS THAT IT ACCORDS FAIR AND EQUITABLE TREATMENT TO THE CLASS OR CLASSES REJECTING THE PLAN, AND OTHERWISE COMPLIES WITH THE CODE.

JET SERVICES, INC BELIEVES THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTEREST OF THE HOLDERS OF CLAIMS AND INTEREST. ACCORDINGLY, DEBTOR IN POSSESSION URGES THAT YOU ACCEPT THE PLAN AND PROMPTLY RETURN YOUR COMPLETED BALLOT SO THAT YOUR VOTE WILL BE COUNTED. IN ORDER TO BE TABULATED FOR PURPOSES OF SATISFYING THE LEGAL REQUIREMENTS, BALLOTS MUST BE RECEIVED AT THE ADDRESS SHOWN ON THE BALLOT NO LATER THAN THE DATE SET FORTH ON THE ACCOMPANYING ORDER OF THE COURT. YOU SHOULD REFER TO THE ORDER APPROVING THE DISCLOSURE STATEMENT AND SETTING SCHEDULES FOR VOTING AND CONFIRMATION WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT.

The Plan is an integral part of this Disclosure Statement, and a copy of the Plan is attached as Appendix "A" and incorporated herein by reference.

In the opinion of **JET SERVICES, INC** the Plan is the best available option for creditors. Based on an examination of alternatives to the Plan, it is its belief that none of the other alternatives afforded creditors as great a recovery as does the Plan.

II. BACKGROUND AND NATURE OF DEBTOR'S BUSINESS

The Debtor owns and operates a charter flight service Mobile, Alabama. The Debtor operates out of Mobile Regional Airport which it currently leases. It maintains several leased aircraft it utilizes to cater to its customers. The customers of the Debtor may maintain a deposit with the Debtor against which the Debtor may invoice and draw against for accrued hours of flight or they may pay per trip. The Debtor's clients range from large business clients to individuals. The Debtor currently employs 7 pilots and 7 other various employees. The Debtor's business continues to function and operate well even during the Chapter 11 reorganization.

III. CHAPTER 11 PROCEEDINGS

On April 7, 2017, Debtor filed its voluntary petition under Chapter 11 of the Code in the United States Bankruptcy Court for the Southern District of Alabama.

The docket sheets for these Chapter 11 proceedings are maintained in the office of the Clerk of the Bankruptcy Court located in the United States Bankruptcy Court in Mobile, Alabama, and they set forth chronologically all matters of record which have been filed with the Court since the date of the original petition.

Also on file with the Clerk of the Bankruptcy Court are the monthly and quarterly status reports of its financial condition. These reports were required by the Court and the Debtor invites all concerned parties to inspect these records.

IV. LIABILITIES, CLASSIFICATION AND TREATMENT OF CLAIMS UNDER THE PLAN

The liability of the Debtor, the classification of claims, the treatment of claims, and the terms of the Plan are hereby summarized in this Disclosure Statement for the convenience of the creditors of the Debtor in Possession.

However, the reader is cautioned to remember that this summary is qualified in its entirety by the Plan itself, which is controlling, in the event of any inconsistency.

CREDITORS AND CLAIMANTS ARE URGED TO REVIEW CAREFULLY THE COMPLETE TEXT OF THE PLAN.

V. CREDITORS AND EXPENSES

V.1 CLASS 1 - ADMINISTRATIVE EXPENSES

The reasonable fees and expenses of the attorney employed by the Debtor are administrative expenses subject to the Court's approval and shall be paid in full as soon as practical upon allowance by the Court. These expenses are not expected to exceed \$30,000.00. All other administrative expenses will be paid within 90 days of confirmation including the administrative expense claim of Speegle, Hoffman, Holman & Holifield, LLC, special counsel for the Debtor, as previously approved by the Bankruptcy Court (Doc. 153).

V.2 CLASS 2 - TAXES AND PRIORITY CLAIMS

Internal Revenue Service: The Debtor currently owes the Internal Revenue Service priority taxes of approximately \$82,539.85 less any payments made prior to plan confirmation. These taxes will be paid in full including interest, in equal, consecutive monthly installments including interest at the rate of 4% per annum. These monthly payments will pay the Internal Revenue Service in full prior to the expiration of 60 months from the date of the voluntary petition.

If the Debtor fails to make payment of any tax to the Internal Revenue Service within 10 days of the due date of such deposit or payment, or if the Debtor or the successor in interest fails to file any required federal tax return by the due date of such return, then the United States may declare that the Debtor is in default of the plan. Failure to declare a default does not constitute a

waiver by the United States of the right to declare that the successor in interest or Debtor is in default.

If the United States declares the Debtor or the successor in interest to be in default of the Debtor's obligations under the plan, then the entire imposed liability, together with any unpaid current liabilities, shall become due and payable immediately upon written demand to the debtor or the successor in interest.

If full payment is not made within 14 days of such demand, then the Internal Revenue Service may collect any unpaid liabilities through the administrative collection provisions of Title 26 of the United States Code.

V.3 CLASS 3 – LESSORS

Continental Gulf: The Debtor currently subleases a Cessna Citation V aircraft from Continental Gulf. The Debtor has moved with the Court to assume this lease and intends to maintain its current monthly payments under the terms of the sublease which was previously filed in full with the Court as an exhibit to Document 134.

TJ Aviation, LLC: The Debtor has moved with the Court to reject its executory contract with TJ Aviation, LLC. The alleged claim of TJ Aviation, LLC will be treated under the general unsecured section of the Debtor's plan.

Signature Flight Support: The Debtor leases its office and hangar space from Signature Flight Support. The current lease for a term of years has run its term and the Debtor continues to operate at Signature's property on a month-to-month basis. The Debtor intends to enter into a new lease for a period of years with Signature Flight Support to continue operating at the current location.

V.4 CLASS 4 – INTERNAL REVENUE SERVICE

The Debtor owes the Internal Revenue Service the amount of \$512,826.57 less any payments made prior to plan confirmation as a secured debt. This amount is secured by tax liens against the Debtor's personal property. The Debtor proposes to pay this secured debt in full amortized over 6 years at 4% interest in consecutive monthly payments of \$7,300.00.

V.5 CLASS 5 – UNSECURED CREDITORS

The total amount of unsecured claims listed in Debtor's plan is \$1,555,413.92. The Debtor proposes to pay a total of \$1,400.00 per month pro rata to all unsecured creditors listed below for a period of 60 months.

The following unsecured creditors have filed claims or represent the unsecured portion of a secured claim:

<u>Name of Creditor</u>	<u>Amount of Claim</u>	<u>Creditors Interest</u> <u>Percentage Pro Rata</u>	<u>Monthly</u> <u>Payment to</u> <u>Creditor</u>	<u>Total</u> <u>Payment</u> <u>to</u> <u>Creditor</u> <u>Through</u> <u>Plan</u>
Bank of Omaha	\$ 35,556.11	2.29%	\$ 32.06	\$ 1,923.60
Continental Resources	\$ 301,535.19	19.39%	\$271.46	\$16,287.60
Cessna Aircraft	\$ 71,785.68	4.62%	\$ 64.68	\$ 3,880.80
Continental Gulf, Inc.	\$ 575,451.47	37.00%	\$518.00	\$31,080.00
TJ Aviation, LLC	\$ 206,178.31	13.26%	\$185.64	\$11,138.40
Continental Land	\$ 83,500.00	5.37%	\$ 75.18	\$ 4,510.80
Everest Fuel Management	\$ 67,050.13	4.31%	\$ 60.34	\$ 3,620.40
Signature Flight Support	\$ 30,201.09	1.94%	\$ 27.16	\$ 1,629.60
Continental Motors Services	\$ 11,224.57	0.72%	\$ 10.08	\$ 604.80
Jet Support Services	\$ 106,243.00	6.83%	\$ 95.62	\$ 5,737.20
World Fuel	\$ 65,997.33	4.24%	\$ 59.36	\$ 3,561.60
Internal Revenue Service	\$ 691.04	0.03%	\$ 0.42	\$ 25.20
TOTAL	\$1,555,413.92	100%	\$1,400.00	\$84,000.00

VI. INCOME AND EXPENSES

The Debtor owns and operates a charter flight service Mobile, Alabama. The Debtor operates out of Mobile Regional Airport which it currently leases. It maintains several leased aircraft it utilizes to cater to its customers. The customers of the Debtor may maintain a deposit with the Debtor against which the Debtor may invoice and draw against for accrued hours of flight or they may pay per trip. The Debtor's clients range from large business clients to individuals. The Debtor currently employs 7 pilots and 7 other various employees. The Debtor's business continues to function and operate well even during the Chapter 11 reorganization. From the income and expenses for the last several years, the Debtor projects the business income and expenses shown below.

MONTHLY INCOME PROJECTION FOR DEBTOR

Average monthly sales:	\$288,089.93
Average monthly cost of sales:	\$153,030.04
Average monthly operating expenses:	<u>\$124,489.13</u>
Monthly Net Income before plan payments:	\$10,570.76
Proposed plan payments to secured and priority debts:	<u>\$ 9,162.77</u>
Net after plan payments:	\$ 1,407.99

VII. MISCELLANEOUS OPERATING PROVISIONS

1. Debtor will pay and discharge all taxes, assessments and governmental charges or levies imposed upon them or upon their income or profits, or upon any properties belonging to them prior to the date upon which penalties attach thereof, and all lawful claims which, if unpaid, might become a lien or charge upon any said properties, provided that they shall not be required to pay any such tax, assessment, charge, levy or claim that is being contested in good faith by proper proceedings or that was assessed prior to the Petition Date and is not otherwise provided for herein.

2. Maintain all necessary insurance, with responsible and reputable insurance companies or associations in such amounts and covering such risks as a reasonably prudent individual would consider proper.

3. Comply with all the requirements of all applicable laws, rules, regulations and order of any governmental authority, noncompliance of which would materially adversely affect his business or credit or any collateral.

4. Maintain and preserve all of its properties, necessary or useful in the proper conduct of their business, in good working order and condition, ordinary wear and tear excepted.

5. Pay all liabilities, claims or charges incurred or arising from and after the Effective Date.

VIII. RISKS OF THE PLAN AND PROJECTIONS

The Debtor believes that the income projections set forth in this disclosure statement are indicative of the future performance of the Debtor's business. However, the Debtor is unable to factor in possible future fluctuations in the national or local economy that may impact the Debtor's services..

IX. LIQUIDATION ANALYSIS

The Debtor has no equity in its assets. The Debtor proposes to pay all secured creditors in full by maintaining the regular monthly payments established under the proposed plan. There would be no assets available for unsecured creditors in a liquidation. The list below is compiled from the Debtor's schedules as previously approved during the 341 meeting in this matter.

LIST OF ASSETS

<u>Description</u>	<u>Debt</u>	<u>Fair Market Value</u>	<u>Equity</u>
Hancock Bank account	\$512,826.57 ¹	\$1,000.00	\$0.00
Trustmark Bank account	\$512,826.57	\$200.00	\$0.00
Accounts Receivable	\$512,826.57	\$137,222.00	\$0.00
Inventory and supplies	\$512,826.57	\$173,992.06	\$0.00
Misc. Office FF&E	\$512,826.57	\$1,000.00	\$0.00
1998 Toyota Tacoma	\$512,826.57	\$600.00	\$0.00
<u>TOTAL EQUITY</u>			<u>\$0.00</u>

To determine the amount unsecured creditors would receive if this were a chapter 7 case, the amount of projected administrative claims, priority claims and secured claims must be subtracted from the projected value of the chapter 7 estate and that difference divided by the amount of the wholly unsecured claims. In the event the Debtor was to convert to a chapter 7 proceeding, no assets would be available to the chapter 7 trustee. Therefore, no funds would be available to the unsecured creditor class in the event of liquidation. Debtor's Plan of Reorganization proposes to pay to the unsecured creditor class \$1,400.00 pro-rata over 60 months.

The Debtor cannot make any warranty as to the accuracy of the above figures, such computations being estimates because of the continual depreciation of equipment with regular use and other contingencies. However, the above analysis represents debtor's best estimate.

X – CONFIRMATION OF THE PLAN

A. BEST INTEREST OF CREDITORS TEST

Since the chapter 11 filing date, Jet Services, Inc has continued as debtor in possession of the Jet Services, Inc bankruptcy estate. If Jet Services, Inc is liquidated under chapter 7 of the bankruptcy code, it believes that general unsecured creditors will not likely receive a dividend because of the liquidation values which will be received for their assets and the existence of secured and priority claims. Jet Services, Inc believes that if its plan of reorganization is confirmed, general unsecured creditors will receive, on account of their claims, payments in excess of the amount that these creditors would receive if Jet Services, Inc was liquidated in a chapter 7 proceeding. This is commonly referred to as the "best interest of the creditors standard". Jet Services, Inc believes that its plan satisfies the requirements of the best interest of creditors test.

¹ All of the Debtor's assets secure the lien in the amount of \$512,826.57 to the Internal Revenue Service.

B. FAIR AND EQUITABLE TEST

Section 1126(c) of the bankruptcy code provides that a class of creditors accepts the plan if the plan is acceptable by the creditors holding at least 2/3 in dollar amount and 1/2 number of the allowed claims in each class held by creditors that have voted to accept or reject the plan. All classes of creditors that are impaired under the plan are entitled to vote. Debtor has identified these creditors who are believed to be insiders within the meaning of the bankruptcy code.

If all other confirmation requirements of Section 1129(a) of the code are met, the court may confirm the plan even though an impaired class has not accepted the plan. The court may so confirm the plan upon finding that the plan is fair and equitable under the provisions of Section 1129(a) of the code. Jet Services, Inc believes that the plan proposed is fair and equitable and satisfies the requirements of Section 1129(b) of the code.

C. VOTING PROCEDURES

Holders of claims and interest should carefully read the instructions contained on the ballot and complete, date and sign the ballot, and transmit it to the address indicated on the ballot. In order for a vote to be tabulated, the ballot must be received at the address indicated on the ballot not later than a date to be set by the court. A class of claims will have accepted the plan if accepted by creditors holding at least 2/3 in the amount and more than 1/2 in number of the allowed claims of such class voting on the plan. For purposes of meeting a single impaired class voting for the plan requirement, the vote of insiders is not considered.

D. HEARING ON CONFIRMATION

The hearing on confirmation of the plan will be set by the court and all creditors and interested holders will be given notice. The bankruptcy court will confirm the plan at the hearing only if the relevant requirements set forth in section 1129 of the bankruptcy code are satisfied.

Acceptances and objections to confirmation of the plan must be made in writing and must be styled with the clerk of the bankruptcy court and served on counsel for debtor, on or before a date to be set by the court. Counsel for Debtor on whom objections must be served are: Robert M. Galloway, Post Office Box 16629, Mobile, Alabama 36616.

E. EFFECT OF CONFIRMATION OF THE PLAN

Confirmation of the plan shall operate to discharge the debtor of all claims and indebtedness that arose before the plan was confirmed. All such claims and indebtedness shall be satisfied by the payments and other consideration to be distributed under the plan. All property of debtor's estate shall be free and clear of all claims and interest of creditors and interest holders, except as otherwise provided in the plan, and shall bind Debtor and all other parties in interest, including any creditor or equity security holder whether or not impaired under the plan and whether or not such creditor or interest holder has accepted the plan.

F. CONSEQUENCES OF FAILURE TO CONFIRM THE PLAN

In the event the requirements for confirmation of the plan are not satisfied, Debtor believes that it will be necessary to attempt to formulate a new revised plan under chapter 11 or to convert this chapter 11 proceeding to a liquidating case under chapter 7 of the code, or that the chapter 11 case will be dismissed.

G. TAX ASPECTS OF DISTRIBUTIONS UNDER THE PLAN

Debtor believes that under present law and regulations, there should be no federal income tax consequences in connection with the distributions pursuant to the plan other than consequences normally related to payment or partial payment of an obligation by debtor to a creditor or payment of wages by an employer to an employee, as the case may be.

THE FOREGOING DESCRIPTION OF FEDERAL INCOME TAX CONSEQUENCES IS INTENDED MERELY AS AN AID FOR CREDITORS AND INTEREST HOLDERS AND NEITHER THE DEBTOR NOR HIS COUNSEL ASSUME ANY RESPONSIBILITY IN CONNECTION WITH THE TAX LIABILITY OF ANY SUCH CREDITOR OR INTEREST HOLDER. CREDITORS AND INTEREST HOLDERS ARE URGED TO OBTAIN ADVICE FROM THEIR COUNSEL OR ADVISORS REGARDING THE APPLICABILITY OF FEDERAL AND STATE TAX LAWS.

/s/ Robert Marks
As President of
Jet Services, Inc

GALLOWAY, WETTERMARK,
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