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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA

In re:
B&L EQUIPMENT RENTALS, INC.,
Debtor-in-Possession.

Case No. 15-14685-B-11

Chapter 11

DC No. LKW-~~3843~~

Date: ~~February 9~~ April 6, 2017

Time: 9:30 a.m.

Place: United States Courthouse
510-19th Street
Bakersfield, CA

Judge: Rene Lastreto, II

DEBTOR'S FIRST AMENDED DISCLOSURE STATEMENT
DATED ~~NOVEMBER 29~~ MARCH 17, 2016

I.

Introduction

B&L Equipment Rentals, Inc. ("Debtor") filed a Voluntary Petition Under Chapter 11 on November 30, 2015 ("the Petition Date"). Debtor has operated its business as a debtor-in-possession since the Petition Date and a trustee has not been sought or appointed in Debtor's case.

II.

Purpose of the First Amended Disclosure Statement

1 This Debtor's First Amended Disclosure Statement Dated ~~November 29, 2016~~ ("March
2 17, 2017 ("the Amended Disclosure Statement")):

- 3 • describes Debtor and significant events during the bankruptcy case,
- 4 • describes the classification and treatment of Claims or equity interests as
5 provided in Debtor's First Amended Plan of Reorganization ("the Amended
6 Plan"),
- 7 • explains how Debtor will execute the Amended Plan,
- 8 • explains how Claims will be treated and paid,
- 9 • explains who can vote on or object to the Amended Plan,
- 10 • explains what factors the Bankruptcy Court ("the Court") will consider when
11 deciding whether to confirm the Amended Plan,
- 12 • explains why Debtor believes the Amended Plan is feasible and how the
13 treatment of your Claim or equity interest under the Amended Plan compares to
14 what you would receive on your Claim or equity interest in liquidation, and
- 15 • explains the effect of Confirmation of the Amended Plan.

16 The Amended Plan will establish your rights with respect to your Claim if the Amended
17 Plan is confirmed. The information contained in the Amended Disclosure Statement is
18 provided to the holders of Claims for the purpose of providing adequate information to
19 Claimants so that Claimants can arrive at an informed decision in exercising their right to
20 accept or reject the Amended Plan.

21 Your vote to accept or reject the Amended Plan is important. The Amended Plan can
22 be confirmed if it is accepted by the holders of Claims in each Class of Claims voting on the
23 Amended Plan. Additionally, the Court can confirm the Amended Plan if it finds that the
24 Amended Plan accords fair and equitable treatment to the Class rejecting it if the requisite
25 acceptances are not obtained. Debtor will seek Confirmation of the Amended Plan whether the
26 Amended Plan is accepted by all Classes of Creditors or not.
27
28

1 EVERY ATTEMPT HAS BEEN MADE TO PROVIDE ACCURATE
 2 INFORMATION IN THIS STATEMENT. HOWEVER, THE INFORMATION HAS NOT
 3 BEEN THE SUBJECT OF A CERTIFIED AUDIT. NO REPRESENTATIONS ARE
 4 AUTHORIZED BY DEBTOR EXCEPT AS SET FORTH IN THIS STATEMENT. THE
 5 INFORMATION CONTAINED IN THE AMENDED DISCLOSURE STATEMENT COMES
 6 FROM DEBTOR AND ITS ATTORNEYS. LAWRENCE F. JENKINS AND TAMMY
 7 BROWN ARE THE PRIMARY SOURCES OF INFORMATION CONTAINED IN THE
 8 AMENDED DISCLOSURE STATEMENT AND REPRESENT THE BEST SOURCES OF
 9 INFORMATION CONCERNING DEBTOR AND ITS ASSETS AND LIABILITIES. TO
 10 THE EXTENT THAT INFORMATION CONTAINED IN THIS AMENDED DISCLOSURE
 11 STATEMENT IS INCONSISTENT WITH INFORMATION CONTAINED IN THE
 12 AMENDED PLAN, THE TERMS OF THE AMENDED PLAN ARE CONTROLLING.
 13

14 III.

15 Description of Business

16 1. History of Debtor

17 Debtor is a corporation doing business in Texas, Nevada, Colorado, and California.
 18 Debtor's principal place of business is in Bakersfield, California. Debtor is in the oilfield
 19 service business and Debtor began its business in 1990. Debtor's business generated gross
 20 income of \$30,513,043.00 in 2013, \$36,345,567.00 in 2014, and \$17,915,569.00 from January
 21 1 – November 30, 2015. The decline Debtor's income in 2015 was caused by a decline in oil
 22 prices and a slow-down in Debtor's business activity. Debtor has worked to increase its
 23 business activity and revenue since Debtor filed its Chapter 11 case and Debtor believes that it
 24 will ~~return to profitability~~ be profitable in 2017 and 2018.
 25

26 Debtor's officers, directors, and shareholders are:
 27
 28

Name	Office	Percentage of Ownership
a. Lawrence F. Jenkins	President	90 percent
b. Raymond E. Brown	Vice President	5 percent
c. Lawrence B. Jenkins	Vice President	5 percent

IV.

2. Events Leading to Filing Chapter 11 Case

Debtor was sued by a class of employees and former employees (“the Class Claimants”) in February 2014 for claims associated with wage and labor law violations. Debtor denied any liability associated with the claims made against it in the lawsuit. However, Debtor determined that it was in its best interest to resolve its dispute with the employees and former employees without trial. Therefore, Debtor and the Class Claimants entered into a Joint Stipulation Agreement and Release in March 2015 (“the Settlement Agreement”). The Settlement Agreement liquidated the claims against Debtor at \$1,500,000.00 and provided for

- entry of a Judgement against Debtor and
- payment of the \$1,500,000.00 to the Class Claimants due on or about November 25, 2015.

Debtor believed in March 2015 that it would be able to make the payment of \$1,500,000.00 to the Class Claimants required by the Settlement Agreement without jeopardizing its business and ability to pay other creditors. However, based on the slow-down in Debtor’s business caused by a depressed petroleum industry, Debtor determined that it could not make the payment of \$1,500,000.00 to the Class Claimants without jeopardizing its business and ability to pay other creditors.

Debtor filed its Chapter 11 case in order to give Debtor a vehicle under which it could reorganize its business and financial affairs and repay all of the debt owed to its creditors over time including the debt owed to the Class Claimants.

V.

Debtor's Historical, Post-Petition, and Projected Financial Information

1. Historical Financial Information

Debtor has conducted its oilfield service business since its inception in 1990. Debtor acquired assets in its business and those assets had a market value of \$17,144,907.68 when Debtor filed its Chapter 11 case. Debtor incurred secured and general unsecured debt before it filed its Chapter 11 case. That debt included (a) secured claims of \$3,373,336.77 and general unsecured claims of \$2,058,635.08 according to Debtors' Schedules of Assets and Liabilities and Proofs of Claim filed in Debtors' case. The general unsecured claims include claims totaling \$662,418.80 filed by Ivan Medrano, Jesus Cabrera, David Melgoza, and Leopoldo Alvarez ("the Medrano Claims"). Debtor disputes the validity of the Medrano Claims and the allowance of the Medrano Claims will be determined by a trial pending in the Kern County Superior Court. ~~Debtor expects the~~ trial concerning the Medrano Claims is scheduled to be held ~~in the Spring of on May 22, 2017 and for~~ Debtor expects the trial to reduce significantly the amount of the Medrano Claims.

2. Post-Petition Financial Information

Debtor has continued its business operations after the filing of its Chapter 11 case. The Monthly Operating Reports filed by Debtor ("the Monthly Reports") show Debtor's income and expenses since Debtor filed its Chapter 11 case and are available from PACER on the Court's website or from Debtor's counsel. A summary of Debtor's income and expenses from December 1, 2015 through ~~October 31, 2016~~ February 28, 2017 is included in the Exhibits

1 to Debtor's First Amended Disclosure Statement Filed on ~~November 29, 2016~~ March 17, 2017
 2 ("the Exhibits") as Exhibit "A".

3 According to the Monthly Reports, Debtor ~~has lost money since it filed~~ during the first
 4 twelve months of its Chapter 11 case. However, Debtor's business generated a profit of
 5 \$219,514.24 from December 1, 2016 through February 28, 2017 including a profit of
 6 \$122,054.17 in February 2017 and increased its accounts receivable from \$686,218.48 on
 7 August 31, 2016 to \$1,205,821.79 as of February 28, 2017. Debtor has used income received
 8 from the sale of non-essential assets and its business operations to repay
 9 \$1, ~~387,745.65~~ 601,837.06 owed to secured creditors and pay ongoing business expenses since
 10 Debtor filed its Chapter 11 case. A list of the secured creditors who have received payments
 11 since Debtor filed its Chapter 11 case is included in the Exhibits as Exhibit "B". Debtor
 12 expects its business to be profitable in 2017 and 2018 and Debtor believes that it will be able to
 13 make all of the payments to creditors required by the Amended Plan.

16 3. Projected Post-Confirmation Income

17 Debtor estimates that it will have gross income of \$15, ~~875,645~~ 246,710,000.00 and expenses of
 18 \$15, ~~682,910~~ 246,710.00 from ~~March~~ April 1, 2017 through December 31, 2018. Copies of the
 19 Budgets for ~~March~~ April 1, 2017 – December 31, 2018 are included in the Exhibits as Exhibit
 20 "C". Debtor believes that the estimates are conservative and represent Debtor's income and
 21 expenses on a going forward basis. The Budgets show that Debtor will generate profit from
 22 which Debtor can operate its business and help fund a Plan of Reorganization. Additionally,
 23 Debtor's principals will make contributions of ~~up to \$2~~ \$1 million from ~~March~~ April 1, 2017
 24 through ~~October~~ September 1, ~~2018~~ 2017 from which Debtor will ~~be able to~~ make most of the
 25 payments to ~~repay all allowed~~ general unsecured ~~claims without any reference to the income~~
 26 generated creditors required by the ~~operation of Debtor's business~~ Amended Plan. A Chart
 27
 28

1 showing the sources from which Debtor will make the payments to general unsecured creditors
2 required by the Amended Plan is included in the Exhibits as Exhibit "D"..

3
4 **VI.**

5 **Significant Post-Petition Events**

6 The following significant events have occurred since Debtor filed its Voluntary
7 Petition:

8
9 **1. Continued Operation of Business**

10 Debtor has continued to operate its business during a time when many other oilfield
11 service companies have gone out of business. Debtor has reduced its expenses, sold non-
12 essential assets, and reduced secured claims since it filed its Chapter 11 case. Additionally,
13 Debtor has increased its business activity and revenue since the summer of 2016 after the price
14 of oil stabilized and the demand for Debtor's services increased. Debtor believes that it has
15 "weathered the storm" that plagued the petroleum industry in 2015 and part of 2016 and that it
16 will ~~return to profitability~~ be profitable in 2017 and 2018.

17
18 **2. Reduction in Secured Claims**

19 Debtor has made payments each month to all of its secured creditors since filing its
20 Chapter 11 case. The payments to secured creditors were made from income generated by the
21 operation of Debtor's business and the sale of non-essential equipment. Debtor's payments to
22 secured creditors through ~~October 31, 2016~~ February 2017 totaled \$1, ~~387,745.65~~ 601,837.06.
23 Debtor's payments to secured creditors reduced the debt owed to the secured creditors and have
24 helped to insure the survival of Debtor's business.
25

26
27 **3. Appointment of Committee of Unsecured Creditors**
28

1 The United States Trustee appointed a Committee of Unsecured Creditors (“the
2 Committee”) as permitted by the law. The Committee retained Daniel Reiss (“Mr. Reiss”) of
3 Levene, Neale, Bender, Brill & Yoo to be its attorney. The Committee and Mr. Reiss have
4 participated in the administration of Debtor’s case and have provided in sight and advice to
5 Debtor’s attorney.
6

7 **4. Employment of Professionals**

8 Debtor obtained authorization from the Bankruptcy Court to employ:

- 9 a. the Law Offices of Leonard K. Welsh to be its general counsel in its
10 Chapter 11 case.
11 b. Alexander & Associates to be its special counsel in connection with the
12 lawsuit filed by the Medrano Claimants,
13 c. CBIZ Mayer Hoffman McCann to be its accountants in its Chapter 11
14 case,
15 d. the PPL Group to be its auctioneer in connection with the sale of non-
16 essential equipment, and
17 e. the Modern Tax Group to advise and serve Debtor concerning personal
18 property tax issues in its business operations.
19

20 The Committee obtained authorization from the Bankruptcy Court to employ Mr. Reiss as its
21 attorney and Tiger Valuation Services to appraise the value of Debtor’s business assets.
22

23 **5. Motions for Relief from Automatic Stay**

24 There have been no Motions for Relief from Automatic Stay filed by creditors in
25 Debtor’s case. This is true because Debtor has made payments each month to its secured
26 creditors since the filing of its Chapter 11 case. Additionally, Debtor has reached agreements
27
28

1 with many of its secured creditors concerning the treatment of the creditor's claims provided in
2 the Plan.

3 **6. Motions for Authority to Assume or Reject Unexpired Leases**

4 Debtor has filed five Motions for Authority to Assume Unexpired Leases and one
5 Motion for Authority to Reject Unexpired Lease in its Chapter 11 case ("the Motions"). The
6 Bankruptcy Court granted all of the Motions and Debtor has been able to retain possession of
7 all of the real property needed for Debtor to operate its business as the result of the Court
8 granting the Motions. Debtor's being able to assume unexpired leases has saved Debtor the
9 cost of relocating its business and has helped to insure the viability of Debtor's business.
10

11
12 **7. Motions for Authority to Use Cash Collateral**

13 Debtor and the Bank of America ("the Bank") reached an agreement concerning
14 Debtor's use of the Bank's cash collateral in December 2015. Debtor's agreement with the
15 Bank was finalized in August 2016 and Debtor is authorized to use the Bank's cash collateral to
16 pay expenses incurred by Debtor in the operation of its business and the administration of its
17 Chapter 11 case.
18

19 **8. Motions for Authority to Sell Personal Property**

20 Debtor has filed four Motions for Authority to Sell Personal Property in its Chapter 11
21 case ("the Motions"). The Bankruptcy Court granted all of the Motions and Debtor has
22 received more than \$800,000.00 in proceeds from the sale of the personal property identified in
23 the Motions. Debtor has used proceeds received from the sale of its personal property to make
24 payments to secured creditors and pay ongoing business and administrative expenses.
25

26 **9. Administrative Matters**
27
28

Debtor has filed its Monthly Operating Reports and paid the Quarterly Fees owed to the United States Trustee as required by the law since it filed its Chapter 11 case.

10. Disclosure Statement and Plan of Reorganization

Debtor has filed a First Amended Plan of Reorganization and First Amended Disclosure Statement Dated ~~November 29, 2016~~ March 17, 2017. A hearing for approval of the Amended Disclosure Statement is set for ~~February 9~~ April 6, 2017. The Bankruptcy Court will determine at that time if the Amended Disclosure Statement contains “adequate information” as required by 11 USC Section 1125.

VII.

Legal Proceedings

Debtor was the party to three lawsuits before it filed its Chapter 11 case including:

1. the Class Action lawsuit described in Section IV above,
2. the lawsuit filed against Debtor by the Medrano Claimants, and
3. a Complaint filed against Debtor by Sarai Medrano.

The Class Action claimants will have allowed claims in Debtor’s Chapter 11 case; while, the validity and amount of the Medrano Claims will be determined by the Kern County Superior Court. Sarai Medrano’s claims against Debtor were resolved in a settlement approved by the Bankruptcy Court and all of Sarai Medrano’s claims against Debtor have been satisfied.

VIII.

Financial Information

1. Liabilities as of the Petition Date and Effective Date

a. Creditors Having Administrative Claims

Debtor has incurred Administrative Claims since the filing of its Voluntary Petition.

<u>Name</u>	<u>Amount</u>
Law Offices of Leonard K. Welsh	\$50 \$ 25,000.00
Levene, Neal, Bender, Brill & Yoo	\$50 \$115,000.00
Alexander & Associates	\$35 \$ 50,000.00
CBIZ Mayer Hoffman McCann	\$15 \$ 10,000.00

b. Creditors Holding Security

Debtor reported Secured Claims totaling \$3,373,336.77 on its Schedule D – Creditors Holding Unsecured Claims including all amendments hereto. See *Amended Schedule D* filed by Debtor on January 25, 2016. Debtor has made payments to secured creditors and has reduced the debt owed to its secured creditors since it filed its Chapter 11 case. See Exhibit “B” to Exhibits.

Debtor believes that the Allowed Secured Claims on the Effective Date of the Plan will be less than \$2,500,000.00.

c. Unsecured Claims with Priority

Debtor reported no Priority Unsecured Claims on its Schedule E – Creditors Holding Priority Claims including all amendments thereto. See *Schedule E-Creditors Holding Unsecured Priority Claims* filed by Debtor on November 30, 2015.

Debtor believes that there will be no Allowed Priority Unsecured Claims on the Effective Date of the Plan.

d. Unsecured Claims Without Priority

Debtor reported Unsecured Nonpriority Claims totaling \$2,058,635.08 on its Schedule F – Creditors Holding Unsecured Nonpriority Claims including all amendments thereto. See *Amended Schedule F* filed by Debtor on January 25, 2016. Debtor's general unsecured claims include \$662,418.80 owed to the Medrano Claimants. Debtor believes that the Allowed Unsecured Nonpriority Claims on the Effective Date of the Plan will be ~~less than \$2,000~~ about \$1,500,000.00 after the ~~Medrande~~ Medrano Claims are liquidated by the Kern County Superior Court.

e. Disputed Claims

Debtor listed the following claims as disputed in its Schedules of Assets and Liabilities:

<u>Creditor</u>	<u>Amount</u>	<u>Type of Claim</u>
Ivan Medrano	\$187,127.20	General Unsecured
Jesus Cabrera	\$187,127.20	General Unsecured
David Melgoza	\$187,127.20	General Unsecured
Leopoldo Alvarez	\$101,037.20	General Unsecured
UC One, LLC	\$100,740.00	General Unsecured
TOTAL	\$763,158.80	

The validity of the Medrano Claims will be determined by a trial pending in the Kern County Superior Court and Debtor intends to object to the allowance of UC One's claim ("the UC One Claim") after the Effective Date of the Plan. Debtor believes that the allowed amount of the Medrano Claims and UC One Claim will be much less than the amounts indicated above. However, the Amended Plan provides for the segregation of money to pay the Medrano Claims and UC One Claim if the Medrano Claims and UC One Claim are allowed in their entirety.

1 Any money not needed to pay Medrano Claims and UC One Claim will be used by Debtor to
2 pay other Allowed Claims or ongoing business expenses incurred by Debtor.

3
4 f. Allowance of Claims

5 Any claim not objected to by Debtor or another party in interest will be an Allowed
6 Claim in (a) the amount set forth in a Proof of Claim filed by or for a creditor or (b) scheduled
7 by Debtor. However, nothing contained in the Amended Disclosure Statement will be deemed
8 to be a determination of the amount or allowance of a Claim.

9 The Amended Plan provides that there will be no fixed date for Debtor to object to the
10 allowance of any Claims except Class Forty-two general unsecured claims. The Amended
11 Plan sets (a) sixty days after the Effective Date of the Plan or (b) sixty days after the filing of
12 an amended claim whichever is later as the deadline for Debtor to object to the allowance of a
13 general unsecured claim. See First Amended Plan of Reorganization, Section 11.04 at Page
14 36.

15
16
17 2. Assets

18 a. Real Property

19 Debtor owns no real property according to its Schedule A – Real Property including all
20 amendments thereto. *See Schedule A- Real Property* filed by Debtor on November 30, 2015.

21 b. Personal Property

22 Debtor reported personal property valued at \$17,069,977.22 on its Schedule B –
23 Schedule of Personal Property including all amendments thereto. *See Amended Schedule B*
24 *filed by Debtor on January 25, 2016.* Debtor's personal property includes (1) money on
25 deposit, (2) account receivables, (3) trucks and trailers, (4) office equipment, (5) machinery and
26 equipment, and (6) a Cessna Citation airplane. The value of Debtor's vehicles, machinery and
27 equipment, and inventory listed in Schedule B represented the market value of the assets when
28 Debtor filed its Chapter 11 case. Debtor has sold non-essential equipment and other personal

property in its Chapter 11 case. Debtor believes that the market value of its vehicles, machinery and equipment, and inventory is \$11,661,750.38 at the present time. A list of Debtor's vehicles, equipment and machinery, and inventory is included in the Exhibits as Exhibit "~~DE~~". Debtor believes that the liquidation value of its vehicles, machinery and equipment, and inventory is seventy percent (70%) of the assets' market value. This means that the liquidation value of Debtor's vehicles, equipment and machinery, and inventory is \$8,163,225.26.

Debtor's Schedule B included accounts receivable of \$1,248,008.52 owed to Debtor when Debtor filed its Chapter 11 case; while, Debtor's Monthly Operation Report for ~~October 2016~~ indicates that Debtor's accounts receivable total \$887,193.84 as of October 31, 2016. February 2017 indicates that Debtor's accounts receivable total \$1,205,821.79 as of February 28, 2017. Debtor's accounts receivable declined from November 2015 through August 2016 due to the slowdown in Debtor's business caused by the depression that existed in the oil industry during that time. However, Debtor's accounts receivable increased from \$686,218.48 on August 31, 2016 to \$1,205,821.79 on February 28, 2017 after Debtor's business increased as the result of oil prices stabilizing and Debtor receiving new contracts for new work.

~~VIII~~

~~IX.~~

Tax Attributes

Debtor is an S Corporation for income tax purposes. Debtor has tax attributes including depreciable assets. However, Debtor will not incur income tax liability during the term of the Plan because it is an S Corporation.

~~IXX.~~

Preference and/or Avoidance Claims

~~Debtor did not make any material transfers of property outside of the ordinary course of business before filing its Chapter 11 case.~~ Debtor does not believe that there is a basis for

1 bringing any preference and/or avoidance claims. ~~For that reason, Debtor does not intend to~~
2 ~~bring~~ in its Chapter 11 case. This is true because Debtor believes that:

3
4 a. there were no material transfers of property outside of the ordinary
5 course of business before Debtor filed its Chapter 11 case.

6
7 b. it received fair market value in exchange for any property transferred in
8 the ordinary course of business before it filed its Chapter 11 case, and

9
10 c. any transfer of property or payments made to creditors or insiders before
11 Debtor filed its Chapter 11 case will not result in creditors receiving less than one-
12 hundred percent (100%) of their allowed claims based on (i) the payments provided in
13 the Amended Plan and (ii) the value of Debtor's assets available for liquidation if the
14 Amended Plan fails and Debtor is forced to liquidate.

15 The Committee may disagree with Debtor's beliefs concerning preference and/or
16 avoidance actions in its Chapter 11 case claims. The Committee has identified the payments
17 made to Debtor's insiders described in Debtor's Statement of Financial Affairs as potential
18 avoidable transfers. These payments and any other transfers to Debtor's insiders that may be
19 discovered are referred to in the Amended Plan as "Insider Transfers". The Committee has
20 sought discovery from Debtor with respect to the Insider Transfers under Federal Rule of
21 Bankruptcy Procedure 2004. However, the Committee has not pursued additional information,
22 completed its analysis, or commenced any adversary proceedings concerning the Insider
23 Transfers in the interest of minimizing administrative expenses and because the Amended Plan
24 provides for payment in full of all Allowed Claims.

25
26 XL

27 **XPost-Confirmation Committee**

28 The Amended Plan provides for the appointment of a "Post Confirmation Committee"
to monitor Debtor's compliance with the Amended Plan. The Post-Confirmation Committee

1 will have the right to investigate the Insider Transfers and, if appropriate, prosecute an action to
 2 avoid the Insider Transfers and any related bankruptcy or non-bankruptcy causes of action if
 3 Debtor defaults in the payments to general unsecured creditors required by the Amended Plan.
 4 Additionally, the Court will retain jurisdiction over any adversary proceeding filed by the Post-
 5 Confirmation Committee as it relates to Insider Transfers after the Amended Plan is confirmed.
 6 Finally, the Statute of Limitations under 11 USC Sections 108(a)(2) and 546(a) will be tolled
 7 until the earlier of March 1, 2019 or payment in full of general unsecured claims as it relates to
 8 adversary proceedings filed by the Post-Confirmation Committee.

9 XII.

10 Summary of the First Amended Plan of Reorganization

11 **1. Generally**

12 Debtor will to operate its business after confirmation of the Amended Plan. Debtor
 13 expects to ~~return to profitability~~be profitable in 2017 and 2018. Debtor's expectations are
 14 supported by the fact that Debtor's cash receipts have increased from a low of \$400,108.05 in
 15 May 2016 to ~~\$772,910.60 in October 2016 including the collection of \$701,305.35 in accounts~~
 16 ~~receivable in October 2016;~~1,047,878.93 in January 2017. A summary of Debtor's post-
 17 petition income and expenses is included in the Exhibits as Exhibit "A". Debtor anticipates
 18 that its income and expenses will be stable and consistent during the Term of the Plan and that
 19 it will generate sufficient income to make the payments required by the Amended Plan.

20 ~~Debtor's principals will make contributions of up to \$2 million from March 1, 2017~~
 21 ~~through October 1, 2018 from which Debtor will be able to repay all allowed general unsecured~~
 22 ~~claims without any reference to the income generated by the operation of Debtor's business.~~
 23 ~~The contributions will insure the feasibility of the Plan as it relates to general unsecured~~
 24 ~~creditors. Copies of financial statements for Debtor's principals will be made available to the~~
 25 ~~Court, the United States Trustee, and the Committee and its attorney for in camera review if~~
 26 ~~such review is requested.~~

27 Debtor's principals will make contributions of \$1 million to Debtor from April 1, 2017
 28 through September 1, 2018. Debtor will use the contributions made to it by its principals to

1 make most of the payments to general unsecured creditors required by the Amended Plan. The
 2 first contribution of \$500,000.00 from Debtor's principals will be deposited into a segregated
 3 account for the benefit of general unsecured creditors on or before April 1, 2017. The first
 4 contribution will be paid to general unsecured creditors on the Effective Date of the Plan. The
 5 second contribution of \$500,000.00 from Debtor's principals will be paid to general unsecured
 6 creditors before September 1, 2017 and the principals' contribution will be secured by a deed
 7 of trust against real property owned by Lawrence F. and Deborah Jenkins located at 7413
 8 Andrews Highway and 201 Alabama Street, Odessa, Texas. The third payment to general
 9 unsecured creditors will be made on March 1, 2018 from proceeds received from the sale of a
 10 Cessna Citation airplane owned by Debtor or income generated by Debtor's business. A final
 11 payment to general unsecured creditors will be made on or before September 1, 2018 from
 12 proceeds received from the sale of Non-Essential Equipment owned by Debtor or income
 13 generated by Debtor's business if such a payment is necessary. A Chart confirming the sources
 14 for the payments to general unsecured creditors required by the Amended Plan is included in
 15 the Exhibits as Exhibit "C".

16 The Term of the Plan will not exceed 24 months after the Effective Date of the Plan.

17 **2. General Treatment of Classes of Claims**

18 ~~The~~The Amended Plan includes forty-six Classes of Claims including:

- 19 a. one Class of priority unsecured claims (Class One),
- 20 b. thirty-nine Classes of secured claims ("Classes Two through Forty-one),
- 21 c. one Class of general unsecured claims (Class Forty-two),
- 22 c. one Class for claims held by Debtor's shareholders (Class Forty-three),
- 23 e. one Class for Debtor's executory contracts and unexpired leases (Class
 24 Forty-four),
- 25 f. one class for the interest of Debtor's shareholders (Class Forty-five), and
- 26 g. one Class for Debtor's interests (Class Forty-six)

27 The Amended Plan provides for payment in full of all Allowed Claims during the Term
 28 of the Plan and for Debtor's shareholders and Debtor to retain their interest in Debtor and

Debtor's assets except as modified by the Amended Plan. The Amended Plan further provides that all secured creditors will retain their liens against Debtor's personal property in the same order and priority as existed on the Petition Date until the secured claim is paid in full.

3. Debtor's Interests.

Debtor will retain its assets and will not be required to liquidate any of its assets during the Term of the Plan: except as provided in the Amended Plan. However, Debtor will have the right to sell any of its assets during the Term of the Plan as Debtor deems to be prudent and/or necessary. Confirmation of the Amended Plan will not vest all property of the estate in Debtor as provided in Section 1141(b) of the Code. ~~However, Property of the estate will vest in Debtor when Class Forty-two claims are paid in full.~~ Debtor's assets shall revest in the bankruptcy estate if Debtor's case is converted to Chapter 7 at any time after confirmation of the Amended Plan and before the Court enters a Final Decree.

~~XI.~~

XIII.

Cash Requirements and Administrative Expenses

The Amended Plan contemplates that Debtor will have the money to pay its Administrative Claims on the Effective Date of the Plan and its current expenses. ~~Debtor will pay professional claims after approval from the Court from contributions made to Debtor by its principals or income received from~~ Debtor expects to have more than \$750,000.00 in cash on hand on the Effective Date of the Plan from which Debtor can pay (a) administrative expenses, (b) payments to creditors required by the Amended Plan, and (c) ongoing business expenses. \$250,000.00 of the cash on hand will come from income generated by Debtor's business and \$500,000.00 will come from the first \$500,000.00 contribution to be made to Debtor by Lawrence F. and Deborah Jenkins as described in the Amended Disclosure Statement and Amended Plan. Debtor will pay professional claims after approval from the Court from income received by Debtor from the operation of its business.

1 As set forth in the Budgets, Debtor's business operations and contributions made to
2 Debtor by its principals over the next two years will yield adequate income to fund its business
3 and pay creditors as required by the Amended Plan.

4 **XII.**

5
6
7 **XIV.**

8 **Confirmation Requirements and Procedures**

9 The Amended Plan must meet the requirements listed in 11 USC Sections 1129(a) or
10 (b) to be confirmable. These include the requirements that (a) the Plan must be proposed in
11 good faith, (b) at least one impaired class of claims must accept the plan without counting votes
12 of insiders, (c) the Plan must distribute to each creditor and equity interest holder at least as
13 much as the creditor or equity interest holder would receive in a Chapter 7 liquidation case
14 unless the creditor or equity interest holder votes to accept the Plan, and (d) the Plan must be
15 feasible. However, these requirements are not the only requirements listed in 11 USC Section
16 1129 and they are not the only requirements for confirmation. Debtor will request confirmation
17 under 11 USC Sections 1129(a) or (b).

18 **1. Who May Vote or Object?**

19 Any party in interest may object to the confirmation of the Amended Plan if the party
20 believes that the requirements for confirmation are not met.

21 Some parties in interest are not entitled to vote to accept or reject the Amended Plan. A
22 creditor or equity interest holder has a right to vote for or against the Amended Plan only if that
23 creditor or equity interest holder has a claim or equity interest that is both (a) allowed or
24 allowed for voting purposes and (b) impaired. Debtor believes there are Forty-two classes of
25 claims that are impaired under the Amended Plan.

26 **2. What Is an Allowed Claim or an Allowed Equity Interest**

27 Only a creditor or equity interest holder with an Allowed Claim or an allowed equity
28 interest has the right to vote on the Amended Plan. Generally, a Claim or equity interest is

1 allowed if (a) Debtor has scheduled the claim on Debtor's Schedules unless the Claim has been
 2 scheduled as disputed, contingent, or unliquidated, or (b) the creditor has filed a Proof of Claim
 3 or equity interest unless an objection has been filed to such Proof of Claim or equity interest.

4 When a Claim or equity interest is not allowed, the creditor or equity interest holder holding the
 5 Claim or equity interest cannot vote unless the Court overrules the objection or allows the
 6 Claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of
 7 Bankruptcy Procedure.

8 *The deadline for filing a Proof of Claim for non-governmental agencies in this case*
 9 *was April 5, 2016.*

10 *The deadline for filing a Proof of Claim for governmental agencies in this case was*
 11 *May 28, 2016.*

12 3. What Is an Impaired Claim or Impaired Equity Interest?

13 The holder of an Allowed Claim or equity interest has the right to vote only if it is in a
 14 Class that is *impaired* under the Amended Plan. As provided in 11 USC Section 1124, a Class
 15 is considered impaired if the Amended Plan alters the legal, equitable, or contractual rights of
 the members of that Class.

16 4. Who is Not Entitled to Vote?

17 The holders of the following five types of Claims and equity interests are *not* entitled to
 18 vote:

- 19 • holders of Claims and equity interests that have been disallowed by an order of
the Court;
- 20 • holders of other Claims or equity interests that are not "Allowed Claims" or
"allowed equity interests" unless they have been "allowed" for voting purposes;
- 21 • holders of Claims or equity interests in unimpaired classes;
- 22 • holders of Claims entitled to priority pursuant to 11 USC Sections 507(a)(2),
(a)(3), and (a)(8);
- 23 • holders of Claims or equity interests in classes that do not receive or retain any
value under the Plan; and
- 24 • administrative expenses.

25 *You Have a Right to Object to the Confirmation of the Amended Plan Even If You Are Not*
 26 *Entitled to Vote on the Amended Plan.*

1 **5. Who Can Vote in More Than One Class?**

2 A creditor whose Claim has been allowed in part as a secured claim and in part as an
3 unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject
4 a Amended Plan in each capacity and should cast one ballot for each claim.

5 **6. Votes Necessary to Confirm the Amended Plan**

6 The Court cannot confirm the Amended Plan unless (a) at least one impaired class of
7 creditors has accepted the Amended Plan without counting the votes of any insiders within that
8 class, and (b) all impaired classes have voted to accept the Amended Plan unless the Amended
9 Plan is eligible to be confirmed by “cram down” on non-accepting classes as discussed in
10 Paragraph 8 below.

11 **a. Votes Necessary for a Class to Accept the Amended Plan**

12 A class of claims accepts the Amended Plan if both of the following occur: (a) the
13 holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes
14 to accept the Amended Plan, and (b) the holders of at least two-thirds (2/3) in dollar amount of
15 the allowed claims in the class, who vote, cast their votes to accept the Amended Plan.

16 A class of equity interests accepts the Amended Plan if the holders of at least two-thirds
17 (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept
18 the Amended Plan.

19 **b. Treatment of Non-Accepting Classes**

20 Even if one or more impaired classes reject the Amended Plan, the Court may confirm
21 the Amended Plan if the non-accepting classes are treated in the manner prescribed by 11 USC
22 Section 1129(b). A plan that binds non-accepting classes is commonly referred to as a “cram
23 down” plan. The Code allows the Amended Plan to bind non-accepting classes of claims or
24 equity interests if it meets all the requirements for consensual confirmation except the voting
25 requirements of 11 USC Section 1129(a)(8), does not “discriminate unfairly,” and is “fair and
26 equitable” toward each impaired class that has not voted to accept the Amended Plan.

27 To the extent any Class impaired under the Amended Plan and entitled to vote does not
28 accept the Amended Plan by the requisite statutory majority provided in 11 USC Section

1 1126(c) as discussed above, or is deemed to have rejected the Amended Plan, Debtor will
 2 request confirmation of the Amended Plan under 11 USC Section 1129(b).

3 **c. Application of the Absolute Priority Rule**

4 In corporate Chapter 11 cases, classes of creditors must consent to their treatment under
 5 the Plan or receive payment in full before any junior class of creditors receive anything under
 6 the Plan. This is called the “Absolute Priority Rule.” Debtor does not believe that the Absolute
 7 Priority Rule applies because the Amended Plan provides for payment in full of all Allowed
 8 Claims. However, Debtor will seek confirmation of the Amended Plan under the “cram down”
 9 provisions of 11 USC Section 1129(b) if the Court determines that the Absolute Priority rule
 10 does apply in this case.

11 XV.

12 ~~XIII.~~

13 **Chapter 7 Comparison and Liquidation Analysis**

14 Unsecured creditors will receive a dividend in Debtor’s Chapter 11 case equal to the
 15 dividend that would be available to unsecured creditors in a Chapter 7 case. This is true
 16 because the Amended Plan provides for payment in full of all Allowed Claims and the
 17 liquidation value of Debtor’s assets is greater than the amount of debt Debtor owes to its
 18 creditors. -Interest will accrue on all allowed general unsecured claims at the rate of two percent
 19 (2%) per annum from the Effective Date of the Plan until the unsecured claims are paid in full.
 20 The interest rate provided to general unsecured claims is higher than the Federal Judgment rate
 21 of interest and the amount required by the law. See In re Cardelucci, 285 F.3d 1231 (9th Cir.
 22 2002).

23 XVI.

24 ~~XIV.~~

25 **Discharge**

26 Confirmation of ~~this~~ the Amended Plan does not discharge any debt provided for in
 27
 28

1 ~~this~~the Amended Plan until one of the following occurs: (a) the Court grants a Discharge on
 2 completion of payments to creditors under the Amended Plan upon Motion by the Debtor, (b) a
 3 Final Decree and Order Closing the Chapter 11 Case is entered, or (c) as otherwise provided in
 4 Section 1141(d)(5) of the Code.

5 ~~XV.~~

6 XVII.

7 Management Compensation

8 Debtor operates its businesses and Debtor will continue its business during the Term of
 9 the Plan. Debtor will be managed by Lawrence F. Jenkins, Lawrence B. Jenkins, and Tammy
 10 Brown during the Term of the Plan. Debtor will pay wages to Mr. Jenkins, Mr. Jenkins, and
 11 Ms. Brown during the Term of the Plan. Debtor estimates that the wages paid to its managers
 12 will be about \$50,190.00 per month during the Term of the Plan. Debtor will reduce the wages
 13 paid to its managers during the Term of the Plan if such a reduction is necessary to insure the
 14 viability of Debtor's business and feasibility of the Amended Plan

15 ~~XVI.~~

16 XVIII.

17 Insider Claims

18 Debtor's principals do not have any claims against Debtor for debt owed to the
 19 principals. However, Debtor's principals will make contributions of ~~up to \$2~~ \$1 million to
 20 Debtor during the Term of the Plan to insure that the Amended Plan is feasible and that Debtor
 21 can make all of the payments to creditors required by the Amended Plan.

22 XIX.

23 ~~XVII.~~

24 Creditor Risks

25 There is risk to creditors with the confirmation of the Amended Plan. The primary risk
 26 to creditors is Debtor's failure to complete the payments required by the Amended Plan.
 27 Debtor believes the benefits associated with the Amended Plan outweigh the risks associated
 28

1 with the Amended Plan and that the Amended Plan represents the best chance for all creditors
 2 to receive payment in full of the debt owed to them in the shortest period of time possible.

3 ~~XVIII~~

4 The Amended Plan provides for the appointment of a Post-Confirmation Committee
 5 intended to protect the interests of general unsecured creditors under the Amended Plan. The
 6 Post-Confirmation Committee will monitor Debtor's compliance with the Amended Plan and
 7 the Post-Confirmation Committee will have standing to move the Court for:

- 8 a. the appointment of a Trustee with the Trustee having the powers of a
 9 Chapter 11 Trustee provided in Section 1106 of the Code,
 10 b. the dismissal of Debtor's Chapter 11 case, or
 11 c. the conversion of Debtor's Chapter 11 case to Chapter 7,
 12 prosecute any preference or other avoidance actions permitted by the law, and take any other
 13 action permitted by law if a default in payments to class Forty-two Claimants occurs. The
 14 Post-Confirmation Committee will minimize risks to general unsecured creditors under the
 15 Amended Plan.

16 XX.

17 Alternatives to the Amended Plan

18 Dismissal of the case or conversion to Chapter 7 are alternatives available to Debtor if
 19 the Amended Plan is not confirmed. Confirmation of the Amended Plan is preferable to the
 20 dismissal of Debtor's case because dismissal of the case would result in repossession and
 21 liquidation of collateral by secured creditors, the termination of Debtor's business, and
 22 unsecured creditors being forced to pursue collection actions against Debtor under state law.

23 Debtor believes that its debt owed to creditors will be paid faster under the Amended
 24 Plan than would be true if Debtor's Chapter 11 case was converted to Chapter 7. This is true
 25 because the Term of the Amended Plan is two years and large Chapter 7 cases often take more
 26 than two years to administer and payments to be made to creditors.
 27

28 For the foregoing reasons, Debtor believes that the Amended Plan proposes the best

1 treatment of creditors possible under the circumstances of this case and believes creditors
2 should vote in favor of the Amended Plan.

3 Date: ~~November~~ March, 2016March, 2017

B&L

EQUIPMENT

4 RENTALS, INC.

6 By /s/ Lawrence F. Jenkins

7 LAWRENCE F. JENKINS
President

8 **APPROVED:**

9 LAW OFFICES OF LEONARD K. WELSH

11 By /s/ Leonard K. Welsh
12 LEONARD K. WELSH
Attorneys for Debtor