THIS IS NOT A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN FOR S-3 PUMP SERVICE, INC. ACCEPTANCES OR REJECTIONS OF ANY SUCH PLAN MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE WESTERN DISTRICT OF LOUISIANA. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT.

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF LOUISIANA
SHREVEPORT DIVISION

IN RE:	**S-3 PUMP SERVICE, INC.**	*	**CASE NO. 16-10383**
	DEBTOR	*	
		*	**CHAPTER 11**
		*	
		*	**JUDGE JEFFREY P. NORMAN**

DISCLOSURE STATEMENT FOR THIRD AMENDED PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE PROPOSED BY THE DEBTOR, S-3 PUMP SERVICE, INC.

Respectfully submitted,

BLANCHARD, WALKER, O'QUIN & ROBERTS
(*A Professional Law Corporation*)

By: /s/ Robert W. Johnson
Robert W. Johnson, LA Bar #01444

P.O. Box 1126 (71163)
333 Texas Street #700 (71101)
Shreveport, Louisiana
318/221-6858
Fax: 318/227-2967

ATTORNEYS FOR THE DEBTOR AND
DEBTOR-IN-POSSESSION,
S-3 PUMP SERVICE, INC.

Dated: January 30, 2017

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I. INTRODUCTION

A. General Background

On March 4, 2016, S-3 Pump Service, Inc. ("**S-3 Pump**" or "**Debtor**") filed a petition with the United States Bankruptcy Court for the Western District of Louisiana to commence its Chapter 11 case under the Bankruptcy Code. Since that date, the Debtor has continued to operate its properties and business as debtor in possession.

The Debtor hereby proposes a Third Amended Plan of Reorganization (the "**Plan**") pursuant to §1121(a) of the Bankruptcy Code.

For ten (10) years before the commencement of this Bankruptcy Case, the Debtor operated as a "pump down" service company in the domestic oil and natural gas industry. Its operations require the use by trained crews of highly specialized pumping equipment to facilitate the completion of both vertically- and horizontally-drilled hydrocarbon wells. At the commencement of the Bankruptcy Case, the Debtor owned rights to over 45 trailer-mounted pumps, 35 Peterbilt tractor-trucks, 67 pick-up trucks and miscellaneous other equipment and tools required for performance of its oilfield services. The Debtor was financing its purchase of the majority of its vehicles and pumps. At the commencement of this case, the Debtor had 60 employees.

Due to the worldwide collapse in crude oil and natural gas prices beginning in late 2014, which became steadily more pronounced in 2015 and early 2016, the Debtor's revenues declined precipitously due to fewer well completions, reduced rates for its remaining jobs and a lower domestic rig count. Despite draconian cuts to its payroll and other expenses and unsuccessful attempts to restructure its debt outside of bankruptcy, the Debtor's reduced revenue stream rendered it unable to service its debts, and this Bankruptcy Case ensued.

In the first several months after the petition date, the Debtor's management anticipated the need for a significant infusion of fresh capital in order to keep the company afloat pending a revival of the oil and gas industry in its markets of Louisiana, Texas and Ohio. After discussions with several investor groups, the Debtor's management eventually entered into negotiations with Hallwood Financial Limited, a British Virgin Islands entity. The Debtor's negotiations with Hallwood Financial Limited resulted in the Debtor filing an original plan of reorganization in this case on September 12, 2016. However, the Debtor's dramatically improved business operations in the summer and fall of 2016, and disagreements between the Debtor's management team and Hallwood representatives concerning the treatment of certain claims caused the Debtor's management to withdraw its earlier plan and submit its First Amended Plan on December 6, 2016. This Plan is a further amendment to that First Amended Plan. The critical provisions of the Plan are the following:

1. The Debtor will retain thirty-three (33) of its frac pumps and such portion of its fleet of vehicles and ancillary equipment to support the operations of

those pumps and its skilled crews. The Debtor will retain the 55 skilled employees that it currently employs.

2. The Debtor will retain current management to conduct day-to-day business operations.

3. The Plan provides for full payment of all secured claim amounts secured by equipment and vehicles, including 6% per annum interest thereon, and full payment of all allowed unsecured claim amounts.

4. The Debtor's management has negotiated payment terms with virtually all of secured creditors holding collateral rights in the pumps and vehicles which will be required for the Debtor to conduct its business operations. Under the Plan, the Debtor will obtain the authorization to retain such pumps as necessary to maintain a roster of 33 frac pumps, and the Debtor will surrender or liquidate the remaining frac pumps.

5. The Debtor will retain its real property and facilities at 412 Hamilton Road, Bossier City, Louisiana, and has reached agreement with its secured creditor for the restructuring of the mortgage debt on such property.

6. All allowed priority claims will be paid on the Effective Date of the Plan, and reserves will be established for the payment of any post-confirmation allowed professional fee and other priority claims.

7. Allowed unsecured claims will be paid in full over a period of not more than six years from the Effective Date. A significant portion of the allowed unsecured claims will be paid on the Effective Date from the Debtor's available Cash and from the liquidation of unretained assets from the Debtor's estate, and the Reorganized Debtor will be liable to make monthly scheduled payments to the holders of allowed unsecured claims for the balance of such claim amounts.

8. All equity interests of the Debtor will be canceled. The Debtor's current management, comprised of Malcolm and Linda Sneed, will pay $1 million cash for the purchase of 100% of the new equity of the Reorganized Debtor.

This Disclosure Statement is submitted pursuant to §1125 of the Bankruptcy Code for the solicitation of votes on the Plan filed concurrently with this Disclosure Statement. The Plan is attached to this Disclosure Statement as **Exhibit 1**.

This Disclosure Statement describes certain aspects of the Plan, the Debtor's operations, history and significant events that occurred during the Debtor's chapter 11 case, the process

relating to the negotiation and confirmation of the Plan by the Bankruptcy Court, and related matters. This introduction is intended solely as a summary of the Plan and is qualified in its entirety by the Plan and the other portions of this Disclosure Statement. If there is any inconsistency between the Plan (including the exhibits and schedules attached thereto and any supplements to the Plan) and the descriptions in the Disclosure Statement, the terms of the Plan (and any exhibits and schedules attached thereto and any supplements to the Plan) will control.

Capitalized terms used in this Disclosure Statement and not otherwise defined herein are defined in Article I of the Plan.

For a description of the Plan as it relates to Holders of Claims against and Equity Interests in the Debtor, please see Article III - Overview of the Plan.

FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THE DISCLOSURE STATEMENT, THE EXHIBITS THERETO, THE PLAN AND THE EXHIBITS THERETO IN THEIR ENTIRETY.

This Disclosure Statement, the Plan and any documents attached or referred to in the Disclosure Statement and the Plan are the only materials that Creditors should use to determine whether to vote to accept or reject the Plan. A Ballot for accepting or rejecting the Plan is being submitted to Holders of Claims that the Debtor believes are entitled to vote to accept or reject the Plan.

The last day to vote to accept or reject the Plan is _____, 2017. To be counted, your Ballot must actually be received by the Voting Agent (identified below) by the Voting Deadline, _____, 2017. Any Ballots received after the Voting Deadline will not be counted. Claimants must return their Ballots to the Voting Agent in accordance with the Voting Instructions that accompany the Ballots. _____, 2017 is the Voting Record Date, which is the date on which the identity of Holders of Claims against the Debtor will be determined for the purpose of establishing an entitlement, if any, to receive certain notices and vote on the Plan.

By the Disclosure Statement Approval Order dated _____, 2017, the Bankruptcy Court approved this Disclosure Statement for dissemination to Holders of Claims against the Debtor. Approval of this Disclosure Statement by the Bankruptcy Court does not constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan. The Debtor believes that approval of the Plan maximizes the recovery to Creditors.

The Debtor strongly urges Creditors to vote to accept the Plan by completing and returning their Ballots so that they will be received on or before the Voting Deadline: _____, 2017.

B. Qualifications Concerning Summaries Contained in this Disclosure Statement

This Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, certain documents related to the Plan, certain events in the chapter 11 case, and certain financial information. Although the Debtor believes that the summaries of the Plan and related document summaries contained herein are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents, statutory provisions or financial information. All of the exhibits to the Plan and this Disclosure Statement and other pleadings and orders relating to the Debtor's chapter 11 case are available for inspection during regular business hours (9:00AM to 4:00PM weekdays, except legal holidays) at the Office of the Clerk of the Court, United States Bankruptcy Court, Western District of Louisiana, 300 Fannin Street, Shreveport, Louisiana 71101, or online at http://www.lawb.uscourts.gov. A PACER password is required to access case information, which can be obtained at www.pacer.psc.uscourts.gov or by calling 1-800-676-6856.

C. Source of Information Contained in this Disclosure Statement

Factual information contained in this Disclosure Statement has been provided from numerous sources, including (1) the Debtor's books and records; (2) the Debtor's management and accountants; (3) pleadings filed with the Bankruptcy Court; and (4) published materials concerning the domestic oil and natural gas industry. The Debtor is unable to warrant or represent that the information contained herein, including the financial information, is without any inaccuracy or omission, but the Debtor's management and its legal counsel are unaware of any material misstatements or omissions of material fact in this Disclosure Statement.

D. Reliance on Disclosure Statement

This Disclosure Statement may not be relied on for any purpose other than to determine whether to vote to accept or reject the Plan, and nothing stated herein shall constitute an admission of any fact or liability by any party, or be deemed evidence of the tax or other legal effects of the Plan on Debtor or Holders of Claims or Equity Interests. Holders of Claims entitled to vote should read this Disclosure Statement and the Plan carefully and in their entirety and may wish to consult with counsel prior to voting on the Plan.

E. Limited Duty to Update

The statements contained in this Disclosure Statement are made by the Debtor as of the date hereof, unless otherwise specified herein, and, except as stated in the following sentence, the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. Debtor has no duty to update this Disclosure Statement, except that the Debtor will endeavor to timely supplement this Disclosure Statement with information which comes to the attention of the Debtor or its legal counsel which cause the materials in this Disclosure Statement to be materially incomplete, untruthful or obsolete.

F. Representations and Inducements Not Included in this Disclosure Statement

No representations concerning or related to Debtor, the Debtor's chapter 11 case, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. You should not rely on any representations or inducements made to secure your acceptance or rejection of the Plan not contained in this Disclosure Statement.

Further, the agreements or forms referred to herein as exhibits hereto and/or the Plan are incorporated herein by reference. The descriptions of these documents and the copies of these documents included as exhibits hereto and/or to the Plan have been included to provide information regarding the terms of these documents.

G. Authorization of Information Contained in this Disclosure Statement

For the purposes of this Disclosure Statement and the confirmation of the Plan, no representations or other statements concerning Debtor, the Debtor's chapter 11 case, or the Plan, including, but not limited to, representations and statements regarding asset valuation, are authorized by Debtor, other than those expressly set forth in this Disclosure Statement.

H. Legal or Tax Advice

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Creditor or Equity Holder should consult his, her, or its own legal counsel and accountant as to legal, tax and other matters concerning his, her or its Claim or Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

I. Forward-Looking Statements

This Disclosure Statement contains forward-looking statements with respect to the Plan. Forward-looking statements include:

- projections of future business income, expenses and operating profits;
- descriptions of plans and litigation;
- projections of income tax and other contingent liabilities, and other financial items; and
- any descriptions of assumptions underlying or relating to any of the foregoing.

Forward-looking statements discuss matters that are not historical facts. Because they

discuss future events or conditions, forward-looking statements often include words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" or similar expressions. Forward-looking statements should not be unduly relied upon. They indicate the Debtor's expectations about the future and are not guarantees. Forward-looking statements speak only as of the date they are made and the Debtor has no obligation to update them to reflect changes that occur after the date they are made. There are several factors, many beyond the Debtor's control, which could cause results to differ significantly from expectations. For examples of such factors refer to Article XVI, "Risks/Factors to be Considered."

II. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Equity Interests

This Disclosure Statement is being transmitted to Holders of certain Claims against and Equity Interests in the Debtor. The primary purpose of this Disclosure Statement is to provide those parties voting on the Plan with adequate information to make a reasonably informed decision with respect to the Plan before voting to accept or to reject the Plan.

On _____, 2017, the Bankruptcy Court entered the Disclosure Statement Approval Order approving this Disclosure Statement, finding that it contains information of a kind and in sufficient detail to enable the Holders of Claims against and Equity Interests in the Debtor that are entitled to vote to make an informed judgment about the Plan. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT CONSTITUTES NEITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, NOR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR, WHETHER OR NOT THEY ARE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, YOU ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT CAREFULLY. IN PARTICULAR, HOLDERS OF IMPAIRED CLAIMS WHO ARE ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND EXHIBITS HERETO, THE PLAN, AND ANY EXHIBITS TO THE PLAN CAREFULLY AND IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR TO REJECT THE PLAN.

Except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur after the date hereof and that may have a material impact on the information contained in this Disclosure Statement. Further, the Debtor does not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences.

B. Solicitation Package

In addition to approving this Disclosure Statement, the Bankruptcy Court approved certain voting procedures, scheduled the Confirmation Hearing at which the Bankruptcy Court will consider confirmation of the Plan, and approved the form of the Confirmation Hearing Notice. Accompanying this Disclosure Statement are copies of (1) the Plan (**Exhibit 1**); (2) the Confirmation Hearing Notice, which provides notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time and place of the hearing to consider confirmation of the Plan and related matters, and the time for filing objections to confirmation of the Plan; and (3) for Creditors whose Claims are classified in an Impaired Class, one or more Ballots (and return envelopes) to be used in voting to accept or to reject the Plan. If you did not receive a Ballot and believe that you should have, please contact the Voting Agent identified below in the next subsection.

C. Voting Procedures, Ballots and Voting Deadline

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, please (1) indicate your acceptance or rejection of the Plan by checking the appropriate boxes and providing requested information on the enclosed Ballot; and (2) complete and sign your **original** Ballot (copies will not be accepted) and return it in the envelope provided to the Voting Agent (defined below) so that it is *RECEIVED* by the Voting Deadline (as defined below).

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement. If you believe you received the wrong Ballot, please contact the Voting Agent.

FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ACCOMPANYING THE BALLOT AND RECEIVED NO LATER THAN THE VOTING DEADLINE, _____, 2017, BY THE VOTING AGENT, **ROBERT W. JOHNSON**, at the following address:

Via United States Mail (post office):

Robert W. Johnson
Blanchard, Walker, O'Quin & Roberts
P.O. Drawer 1126
Shreveport, Louisiana 71163

Via FedEx or hand-delivery:

Robert W. Johnson
Blanchard, Walker, O'Quin & Roberts
333 Texas Street - Suite 700
Shreveport, Louisiana 71101

Any Ballot that is executed and returned but does not indicate an acceptance or rejection of the Plan will not be counted.

If you have any questions about the procedure for voting your Impaired Claim or with respect to the packet of materials that you have received, please contact the Voting Agent at 318/ 221-6858.

If you wish to obtain, at your own expense (unless otherwise specifically required by Bankruptcy Rule 3017(d)), an additional copy of the Plan, this Disclosure Statement, or any exhibits to such documents, please contact the Voting Agent.

D. Confirmation Hearing and Deadline for Objections to Confirmation

The Bankruptcy Court has scheduled the Confirmation Hearing for _____, 2017 at _____M (prevailing Central Standard Time), or as soon thereafter as counsel may be heard, before the Honorable Jeffrey P. Norman, United States Bankruptcy Judge, in the United States Bankruptcy Court, 300 Fannin Street - Courtroom Four, Shreveport, Louisiana, 71101. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be filed with the Clerk of the Bankruptcy Court, in accordance with the electronic filing requirements as set forth online at http://www.lawb.uscourts.gov and served **on or before _____, 2017** to:

Counsel for Debtor:

Blanchard, Walker, O'Quin & Roberts
ATTN: Robert W. Johnson
333 Texas Street - Suite 700
Shreveport, Louisiana 71101
Fax: 318/227-2967

United States Trustee:

Office of the United States Trustee for the
Western District of Louisiana
ATTN: Frances E. Hewitt
300 Fannin Street – Room 3196
Shreveport, Louisiana 71101

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

III. OVERVIEW OF PLAN

The purpose of the Plan is to reorganize the Debtor's business operations on a smaller scale, to save 55 jobs currently held by the Debtor's employees and to provide for the recovery by Creditors of the full allowed amounts of their Claims. Because the Debtor's current and projected near-term sales revenue may not support the company's retention of all of its current frac pumps and vehicles, the Plan proposes to dispose of or the Debtor has already accomplished the disposal of about 25% the Debtor's pre-petition fleet of frac pumps. The Debtor has already disposed of 60% of its fleet of pickup trucks and 55% of its fleet of Peterbilt trucks. The Plan anticipates that the Reorganized Debtor will generate sufficient earnings to allow the company to satisfy its Plan obligations to all Creditors.

Currently, the Debtor owns 36 trailer-mounted frac pumps (down from 45 at commencement of this chapter 11 case); 17 Peterbilt tractors (down from 35 at the commencement of this chapter 11 case); 27 pickup trucks and vehicles (down from 67 at the commencement of this case); 19 transfer pumps; 19 hydraulic power packs; 11 command centers, 2 acid transports; and miscellaneous other equipment, hoses, fluid ends and tools. It employs 55 employees (down from 144 in late 2014). Virtually all of the Debtor's frac pumps are encumbered, and a majority of these pumps are encumbered by purchase money debt that is greater than the current values of the pumps. Likewise, substantially all of the Debtor's fleet of pickup trucks are encumbered by purchase money security interests in favor of Ally Bank or Santander Consumer USA d/b/a Chrysler Capital. By contrast, all of the Debtor's current fleet of Peterbilt tractors and the Debtor's remaining equipment, supplies and tools are unencumbered.

The Debtor owns a five-acre facility at 412 Hamilton Road in Bossier City, Louisiana (the "**Real Property**"), where it houses and maintains its vehicles and equipment. The Real Property is subject to a mortgage in favor of Citizens National Bank, N.A.

By and large, the creditors in this Bankruptcy Case are the creditors holding rights in these foregoing assets.

The Plan provides for the Debtor's current shareholders and managers, Malcolm and Linda Sneed, to surrender their stock in the Debtor and pay $1 million cash from their personal funds to recapitalize the Reorganized Debtor in consideration for 100% of the stock in the Reorganized Debtor. The Reorganized Debtor will retain the company name of "S-3 Pump Service, Inc." Malcolm and Linda Sneed will continue to run the day-to-day operations of the Reorganized Debtor.

The tangible assets of the Estate which the Reorganized Debtor proposes to retain under the Plan and their respective values are as follows:

- 33 trailer-mounted frac pumps and associated equipment described in **Exhibit 2**;
- 25 pickup trucks and vehicles described on **Exhibit 3**;
- 17 Peterbilt tractors described on **Exhibit 4;**

- 18 transfer pumps identified as retained on **Exhibit 4**;
- 19 hydraulic power packs identified as retained on **Exhibit 4**;
- 17 trailers identified as retained on **Exhibit 4**;
- 2 acid transports identified as retained on **Exhibit 4**;
- 11 command centers identified as retained on **Exhibit 4**;
- 1 acid plant identified in **Exhibit 4**;
- 5 data acquisition units identified in **Exhibit 4**;
- Miscellaneous tools and hoses; and
- Real property and improvements located at 412 Hamilton Road, Bossier City, LA, which is further identified on **Exhibit 5**.

Virtually all of the vehicles and equipment identified on **Exhibits 2, 3 and 4** were appraised in May and November, 2016 by Superior Asset Appraisals of San Antonio, Texas. The valuations on the attached exhibits reflect the results of certain of these appraisals.

Virtually all of these retained trailer-mounted frac pumps and pickup trucks are encumbered to Secured Creditors. All of the other foregoing items of retained tangible personal (movable) property are unencumbered.

The Debtor has negotiated new terms for the treatment of all of the Vehicle Secured Claims which are secured by first priority liens on the pickup trucks to be retained by the Reorganized Debtor. The Plan provides for full payment by the Reorganized Debtor of those Vehicle Secured Claims.

The Plan sets forth new terms for the treatment of the Pump Secured Claims (i.e., Secured Claims represented by security interests in the frac pumps and associated trailers) for the 33 trailer-mounted frac pumps which will be retained by the Reorganized Debtor. Those secured claims, together with interest thereon at 6% per annum, will be paid in full over five years. The Holders of virtually all of these Pump Secured Claims have agreed in principle to such payment terms, although several Holders have not yet finally committed to such terms.

The Plan provides for the remaining non-retained trailer-mounted frac pumps (identified in **Exhibit 6**) to be sold or surrendered to the holders of security interests therein in full satisfaction of such creditors' Pump Secured Claims. The Plan also provides for the Debtor or Reorganized Debtor to promptly liquidate by auction or for higher value, if available, all other non-retained tangible assets of the company (the "**Miscellaneous Non-retained Assets**"), which are specifically identified on **Exhibit 7**. The Debtor or Reorganized Debtor will dispose of such assets not later than ninety (90) days after the Confirmation Date.

The Plan provides for all Allowed Priority Claims as of the Effective Date to be paid in Cash on the Effective Date. All Priority Claims (including all Professional Fees, Administrative Expense Claims and Priority Tax Claims) which first become Allowed after the Effective Date shall be paid in whole or in part in Cash from separate Professional Fee Reserve and Other

Priority Claim Reserve Accounts or by the Reorganized Debtor. Those Cash payments and funding of these separate reserve accounts will be funded from the Cash balance held by the Debtor on the Effective Date. If such Priority Claims which first become Allowed after the Effective Date cannot be fully satisfied from funds available in such reserve accounts, the Reorganized Debtor shall be authorized to pay the unpaid balance of such Allowed Priority Claims prior in time to the payment of Allowed Unsecured Claims.

The Plan provides for all Allowed Unsecured Claims to be paid in full from specific assets (described below) which are dedicated to the payment of Allowed Unsecured Claims and the balance from periodic payments by the Reorganized Debtor to the Holders of such claims. As described below, the Debtor believes that the pool of Unsecured Creditor Claims is approximately $4.5 million. Under the Plan, the Reorganized Debtor will be charged with enforcing and collecting the assets dedicated to the payment of Unsecured Claims and promptly disbursing the proceeds therefrom to the Holders of Allowed Unsecured Claims and creating and maintaining a reserve for all Disputed Claims pending a determination of their allowance.

The assets dedicated through the Plan to the payment of Allowed Unsecured Claims ("**Dedicated Sources**") are:

- All Cash[1] held by or on behalf of the Debtor on the Effective Date following the Debtor's payment of all Allowed Priority Claims (including Professional Fees, other Administrative Expense Claims and Tax Priority Claims) and the establishment of a $400,000.00 Professional Fee Reserve Account and a $510,000.00 Other Priority Claim Reserve Account;

- All Net Recoveries from the auction or other liquidation of the Miscellaneous Non-retained Assets identified in **Exhibit 7**, and proceeds from the auction or other liquidation of non-retained trailer-mounted frac pumps identified in **Exhibit 6** after payment of valid liens thereon;

- All remaining proceeds from the Professional Fee Reserve Account and the Other Priority Claim Reserve Account after satisfaction or resolution of outstanding Professional Fee Claims and Other Priority Claims;

- All payments made from time to time on a promissory note having a principal balance of $325,087 from S-3 Power Sports, LLC, an Affiliate of the Debtor, to the Debtor;

- The full litigation or settlement recovery (after deduction of reasonable legal fees) from a pending adversary proceeding of the Debtor against

[1]As of December 1, 2016, the Debtor held cash or funds in its debtor-in-possession bank accounts at Citizens National Bank in the collective amount of $2,620,455.

First National Capital, LLC for the turnover of $647,000.00; and

- Beginning on the first anniversary date of the Effective Date, the Reorganized Debtor will make equal monthly payments to each Holder of an Allowed Unsecured Claim in a sufficient amount to retire the full outstanding balance of such claim over the ensuing five (5) years. The Reorganized Debtor will also establish a reserve account funded with commensurate payments for each Disputed Unsecured Claim pending its determination. The Reorganized Debtor shall be entitled to prepay such amounts. All payments from other Dedicated Sources to the Holders of Allowed Unsecured Claims after the first anniversary of the Effective Date will be credited against the outstanding balances due from the Reorganized Debtor.

The Holders of Equity Interests will not receive any Distributions.

The following table divides the Claims against and Equity Interests in the Debtor into separate Classes and summarizes the treatment for each Class. The table also identifies which Classes are entitled to vote on the Plan based on the Bankruptcy Code. Finally, the table indicates an estimated recovery for each Class, expressed as a percentage of the estimated aggregate Allowed Claims in such Class. The recoveries described in the following table represent the Debtor's best estimates based on the information available at this time, and certain significant assumptions described throughout this Disclosure Statement. An embellished statement of each Creditor's Claims is provided on pages 21 through 37 of the Plan (**Exhibit 1** to this Disclosure Statement).

CLASS	DESCRIPTION	TREATMENT	VOTING RIGHTS	EST. ALLOWED AGGREGATE AMOUNT	EST. RECOVERY (%)
N.A.	Administrative Claims (including Professional Fees)	Unimpaired; payment in full, in cash, of the allowed amount of such claim (or as otherwise agreed)	No	$950,000	100%
N.A.	Priority Tax Claims	Unimpaired; payment in full, in cash, of the allowed amount of such claim (or as otherwise agreed)	No	$400,000	100%
1	Priority Non-Tax Claims	Unimpaired; payment in full, in cash, of the allowed amount of such claim (or as otherwise agreed)	No	$0	N.A.
2	Secured Claims of Citizens National Bank	Impaired; Payment in full of the Claim with interest-only payments for 6 months; thereafter principal + interest payable over 54 months at 5.0%; Reorganized Debtor assumes separate note currently serviced by S-3	Yes	$750,000	100%

		Power Sports, LLC, but makes no payment thereon unless default by S-3 Power Sports, LLC; Creditor retains mortgage on Collateral pending full payment of all Claims.			
3	Secured Claims of FNB Hughes Springs	Impaired; Payment in full of Claim, with principal and interest amortized at 6% per annum over five years; Creditor retains security interests in Collateral pending full payment; the Debtor intends to retain this Collateral, except for 2 small pumps, which will be sold and net proceeds applied to this Secured Claim.	Yes	$620,000	100%
4	Secured Claims of Prime Alliance	Impaired; payment in full of 2 Secured Claims, with principal and interest payments amortized over five years @ 6% per annum; retains security interests in Collateral pending full payment. Debtor intends to retain this Collateral.	Yes	$650,000	100%
5	Secured Claims of People's Capital	Impaired; payment in full of 2 Secured Claims, with principal and interest payments amortized over five years @ 6% per annum; retains security interests in Collateral pending full payment. Debtor intends to retain this Collateral.	Yes	$440,000	100%
6	Secured Claims of CIT	Impaired; payment in full of 4 Secured Claims, with principal and interest payments amortized over five years at 6% per annum; retains security interests in Collateral pending full payment. The Debtor intends to retain this Collateral.	Yes	$930,000	100%
7	Secured Claims of MB Financial	Impaired; payment in full of 2 Secured Claims, with principal and interest payments amortized over five years at 6% per annum; retains security interests in Collateral pending full	Yes	$872,000	100%

		payment. Debtor intends to retain this Collateral.			
8	Secured Claims of Element	Impaired; payment in full of 3 Secured Claims, with principal and interest payments amortized over five years at 6% per annum; retains security interests in Collateral pending full payment. Debtor intends to retain this Collateral.	Yes	$846,000	100%
9	Secured Claims of Pacific Western	Impaired; Full satisfaction of 2 Secured Claims by Debtor's surrender or sale of Collateral and delivery of Secured Claim proceeds to Creditor.	Yes	$385,000	100%
10	Secured Claims of Republic Bank	Impaired; Full satisfaction of 3 Secured Claims with principal and interest payments amortized over five years at 6% per annum interest, but full amount due on June 30, 2017; alternatively, by Debtor's sale of Collateral and delivery of Secured Claim proceeds to Creditor on or before June 30, 2017.	Yes	$300,000	100%
11	Secured Claims of Susquehanna	Impaired; payment in full of 2 Secured Claims, with principal and interest payments amortized over five years at 6% per annum; retains security interests in Collateral pending full payment. The Debtor intends to retain this Collateral.	Yes	$518,000	100%
12	Secured Claims of TAB	Impaired; payment in full of 2 Secured Claims, with principal and interest payments amortized over five years at 6% per annum; retains security interests in Collateral pending full payment. Debtor intends to retain this Collateral.	Yes	$489,000	100%
13	Secured Claims of Trinity	Impaired; payment in full of 2 Secured Claims, with principal and interest payments amortized over five years at 6% per annum; retains security interests in Collateral pending full payment. Debtor intends to retain this Collateral.	Yes	$520,000	100%
14	Secured Claim of	Impaired; payment in full	Yes	$265,000	100%

	Beverly Bank	of Secured Claim, with principal and interest payments amortized over five years at 6% per annum; retains security interest in Collateral pending full payment. The Debtor intends to retain this Collateral.			
15	Secured Claim of United Leasing	Impaired; payment in full of Secured Claim, with principal and interest payments amortized over five years at 6% per annum; retains security interest in Collateral pending full payment. The Debtor intends to retain this Collateral.	Yes	$276,000	100%
16	Secured Claim of assignee of EH Nat. Bank	Impaired; payment in full of Secured Claim, with principal and interest payments amortized over five years at 6% per annum interest; retains security interests in Collateral pending full payment. The Debtor intends to retain this Collateral.	Yes	$288,000	100%
17	Secured Claims of Santander Consumer USA d/b/a Chrysler Capital	Impaired; payment in full of 22 Secured Claims, with principal and interest payments amortized over four years at 6% per annum; retains security interests in Collateral pending full payment. The Debtor intends to retain this Collateral.	Yes	$449,100	100%
18	Secured Claims of Ally Bank	Impaired; Debtor will consent to stay relief of Collateral and creditor shall sell and apply proceeds to claims.	Yes	$37,000	100%
19	General Unsecured Creditors	Impaired; shall receive full payment over not more than six years from Dedicated Sources and payments from Reorganized Debtor	Yes	$4,500,000 (est.)	100%
20	Subordinated Unsecured Creditors	Impaired; shall receive full payment but subordinate to full payment of Class 19 claims.	No	Unknown	0%
21	Equity Interests	Impaired; shall receive no Distributions under the Plan	No	Unknown	0%

ALTHOUGH THE DEBTOR BELIEVES FROM ITS REVIEW OF THE CLAIMS FILED TO DATE THAT ITS ESTIMATION OF CLAIMS AND RECOVERIES IS REASONABLE, THERE IS NO ASSURANCE THAT THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN EACH CLASS WILL NOT MATERIALLY EXCEED THE ESTIMATED AGGREGATE AMOUNTS SHOWN HEREIN. THE DEBTOR IS CONTINUING ITS INVESTIGATION OF THE FILED PROOFS OF CLAIM AND HAS NOT MADE A FINAL DETERMINATION OF ALL THE CLAIMS THAT MAY BE OBJECTED TO. IN ADDITION, THE DEBTOR OR REORGANIZED DEBTOR MAY ELECT TO OBJECT TO CERTAIN ADDITIONAL CLAIMS WHICH ARE NOT ANTICIPATED BY THE DEBTOR.

IV. HISTORY OF DEBTOR AND ITS OPERATIONS

A. Nature of the Debtor's Business

S-3 Pump is engaged in the business of providing "pump down" services to domestic oil and natural gas exploration and production companies. Specifically, by connecting its high-pressure pumps to the wellhead, S-3 Pump's crews position wire-line perforation tools along the horizontal sections of the well bore to allow the completion of the well at various stages. (The services provided by S-3 Pump should not be confused with the actual "fracking" of hydrocarbon wells.)[2] In the course of completing a horizontal section of a well (which may reach over one mile), S-3 Pump conducts between 30 and 100 separate pump down operations. S-3 Pump's pump down jobs typically take between two to four weeks of near around-the-clock work per well.

In addition, S-3 Pump provides miscellaneous pump services, such as to test well casing, acid work, coil tubing jobs and "snubbing" jobs (i.e., running pipe into a well under pressure to allow re-working of a well without first "killing" it). Ninety percent of S-3 Pump's services are wire-line "pump down" services, and the remaining ten percent (10%) are miscellaneous pumping services. These services are highly technical, highly regulated and require close, careful and prolonged coordination among the Debtor's trained crews, the customer's well completion personnel, the fracking contractor, the wire line contractor, the pressure control contractor, crane operator (to lift and deliver the wire-line tools to the wellhead), water transfer contractor and others. With the proliferation of multi-well drilling pads over the last half dozen years, the Debtor's crews are regularly required to coordinate and perform their services while other crews are performing drilling, completion and other services on different hydrocarbon wells sharing the same drilling pad. Any delays, mistakes or failures to coordinate can result in injury or death to crew personnel and delays and shut-downs, which are extremely expensive to the customer and fraught with risks of liability to the participants. Horizontal wells in

[2]Hydraulic fracturing ("fracing" or "fracking") is an important and common practice that is used to stimulate production of hydrocarbons, particularly natural gas from tight formations such as shale. The process involves the injection of water, sand and chemicals under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate production.

Louisiana's Haynesville Shale play and other shale plays are often projects costing over $8,000,000.00.

B. Inception of the Debtor's Business

S-3 Pump was incorporated as a Louisiana corporation in 2006 by Malcolm H. Sneed, III and his wife, Linda Sneed. Mr. Sneed is the son, grandson and great grandson of oilfield service men who specialized in oilfield pumping operations. Mr. Sneed has spent 43 of his 56 years in this line of business. When he and Ms. Sneed created S-3 Pump, they owned only a single 600 horsepower pump and they were the company's only employees. At the start, S-3 Pump had one customer. In its first year of business, S-3 Pump generated income of about $309,411.00.

C. Capital Structure

Since the creation of S-3 Pump, Malcolm H. Sneed, III and Linda Sneed have been the sole holders of the voting shares of the company. In 2014, their daughters obtained rights to the non-voting Class B stock in the company. There are no other owners of any rights in the company's stock.

D. Growth of Business

S-3 Pump grew in size every year from its inception through 2014. From 2005 through late 2014, S-3 Pump's business grew an average of 40 - 50% per year. The company's sales growth is depicted as follows:

2005:	$309,411
2006:	$1,611,500
2007:	$1,388,554
2008:	$2,924,512
2009:	$10,457,059
2010:	$16,745,837
2011:	$30,222,636
2012:	$33,253,662
2013:	$31,517,148
2014:	$47,615,669
2015:	$42,568,017
2016:	$11,418,243

In order to accommodate this increased demand for its pump services, beginning in 2009, S-3 Pump acquired more trailer-mounted frac pumps, Peterbilt tractors for hauling them and pickup trucks to transport its crews to the jobsites. It also hired and trained new employees every year to perform its specialized services. Initially, S-3 Pump financed new trailer-mounted pumps through First National Bank of Hughes Springs (Texas), which continues to hold a security interest in five of the Debtor's frac large pumps and three smaller pumps. When S-3 Pump

reached its borrowing limit with that bank in 2012, S-3 Pump entered into a financing arrangement with First National Capital, LLC ("**First National Capital**") for its acquisition of additional pumps. Between 2012 and 2014, S-3 Pump acquired 19 frac pumps through this financing arrangement with First National Capital. Beginning in 2013, S-3 Pump also financed its purchase of 15 frac pumps from Summit Funding Group ("**Summit Funding**"), another company, like First National Capital, that offered financing for heavy equipment purchases. S-3 Pump also leased several pumps from Summit Funding during this period of time. Both Summit Funding and First National Capital retained security interests in these financed trailer-mounted frac pumps to secure their respective rights to payment.

The purchase price for these trailer-mounted 2,500 horsepower pumps[3] is between $900,000.00 and $1.1 million each,[4] and they are typically financed over a four-year period. In a majority of these transactions, S-3 Pump has the option to purchase the pumps at the end of the four-year term for $100.00. In virtually all other instances, S-3 Pump has an option to purchase the pump at the end of the four-year term for larger, but still nominal, consideration. Accordingly, although these transactions are styled "leases," in fact, they are sale transactions.

From time to time before the commencement of the Bankruptcy Case, both First National Capital and Summit Funding assigned certain of their respective rights in these contracts to various financing companies, who acquired by assignment certain of the security interests of First National Capital and Summit Funding, respectively, in the financed trailer-mounted frac pumps. Those assignees are the Pump Secured Creditors in this case.

In order to transport these trailer-mounted frac pumps to its customers' well sites, S-3 Pump acquired Peterbilt tractors. Beginning in 2010, S-3 Pump financed its purchase of these vehicles through GE Capital and later through Wells Fargo Equipment Finance Company and PACCAR. At the commencement of the Bankruptcy Case, S-3 Pump owned 35 Peterbilt tractors. During the Bankruptcy Case, S-3 Pump surrendered 12 Peterbilt tractors which were being financed by PACCAR, and the Debtor sold another 6 Peterbilts financed by Wells Fargo. The Debtor has retained the remaining 17 Peterbilts. These are unencumbered.

In February 2012, S-3 Pump acquired a five-acre yard with improvements at 412 Hamilton Road in Bossier City, Louisiana. This purchase was financed by Citizens National Bank, which holds a first mortgage lien on the property. At this location, the Debtor maintains and repairs and its vehicles, pumps and other equipment.

Due to increased workload in South Texas, in 2010, S-3 Pump leased on a month-to-month basis a 10-acre tract of unimproved land in Dilley, Texas, for rent of $1,500.00 per month. Due to the shortage of available hotel rooms in the area to accommodate S-3 Pump's crews, the

[3]A photocopy of a typical trailer-mounted 2500 HP frac pump owned by S-3 Pump is attached hereto as **Exhibit 8.**
[4]The smaller 1,000 horsepower frac pumps cost between $300,000.00 and $496,000.00 each.

company acquired four mobile crew sleeping quarters and two mobile office trailers, which are maintained at that location today.

From 2007 to 2015, S-3 Pump also acquired approximately 100 new pickup trucks and vehicles to accommodate its larger crews and its expanding business operations. S-3 Pump acquired these pickup trucks from Shreveport auto dealers and S-3 Pump financed those purchases through Citizens Bank and Trust of Vivian, Louisiana, Ford Motor Credit Company, Ally Bank and Santander Consumer USA. Currently, the Debtor retains ownership of only Ally Bank-financed and Santander-financed vehicles. Both companies hold security interests in their vehicles to secure their payment rights.

During this period of rapid growth, S-3 Pump also hired and trained dozens of new employees, reaching peak employment of 144 in 2014. The company's annual payroll costs increased from $2.2 million to $6.4 million during the years 2009 through 2015.

Although these new equipment and vehicle purchases increased S-3 Pump's monthly debt service obligations to $1.1 million, the sales and profitability of the company's operations supported that debt obligation during the good years prior to 2015. During this 2009 to 2014 period, S-3 Pump had a broad diversity of customers, including Marathon Oil Company, Chesapeake Operating, Inc., Murphy Oil Corporation, XTO, Exco Operating, BHP Billiton (formerly Petrohawk), Encana Oil & Gas and others. S-3 Pump conducted business over a wide territory, including North Louisiana, East Texas, West Texas, South Texas and Ohio. In the company's fiscal year ending September 30, 2015, S-3 Pump had sales of $13.9 million from its North Louisiana/East Texas operations, $27.5 million from its South Texas (Eagle Ford) operations, $3.5 million from its West Texas operations, and $2.7 million from its Ohio operations.

V. EVENTS LEADING TO BANKRUPTCY AND SIGNIFICANT PRE-PETITION ACTIONS

A. Decline in Crude Oil and Natural Gas Exploration and Production Activities

In 2015 and the first half of 2016, S-3 Pump's operations were severely impacted by the steady decline in the price of crude oil over that period of time.

Beginning in the second half of 2014, commodity prices, particularly crude oil, began to decline sharply. The decline became precipitous late in the fourth quarter of 2014 and into 2015. Entering 2016, the market environment further worsened and crude oil prices declined further.

S-3 Pump's revenues and profits closely track the national rig count. As the number of active drilling rigs decreased from late 2014 into 2016, so too did S-3 Pump's revenues and profits. (See **Exhibit 9** to this Disclosure Statement.)

The company's pre-petition capital resources to operate its business and service its debt

and other obligations came from cash on hand and operating cash flows. The company had no pre-petition borrowing arrangement to supplement its operating revenues.

B. Pre-petition Restructuring Initiatives

As a result of its decline in revenue, S-3 Pump's management foresaw the company's difficulty in meeting its monthly debt service obligations to its creditors. In May and June, 2015, S-3 Pump's management reached out to Summit Funding and First National Capital, which continued to service S-3 Pump's debt to its Pump Secured Creditors, to commence discussions on a restructuring of S-3 Pump's obligations on the frac pump debt. Although Summit Funding was active and constructive in its soliciting the involvement of the Pump Secured Creditors who held rights by assignment from Summit Funding, S-3 Pump's management found First National Capital to be passive and generally uninterested in engaging its assignees in any restructuring discussions. Because the Summit Funding assignees were unwilling to discuss restructuring of their respective claims without full participation by all of S-3 Pump's pump creditors, these negotiations floundered.

When crude oil prices continued to decline in early 2016 and S-3 Pump's revenues followed suit, S-3 Pump's management again sought to enlist cooperation from its pump creditors to restructure this debt. Once again, S-3 Pump's management approached both Summit Funding and First National Capital to organize conference calls with their respective assignees of rights under the frac pump contracts. Once again, Summit Funding was active in contacting its assignees, cooperative in scheduling a conference call for discussion and forwarding on S-3 Pump's behalf information concerning S-3 Pump's financial condition and proposal. Although First National Capital cooperated in scheduling a conference call involving its assignees and S-3 Pump's management, First National Capital inexplicably failed to forward information from S-3 Pump's management to its assignees, as requested by S-3 Pump's management. These negotiations also floundered.

C. Class Action Lawsuits

Separately, in 2015, two separate class action suits for overtime wages under the Fair Labor Standards Act were filed against S-3 Pump and its management seeking over $70 million in damages. Those suits, styled *Jason Roche et al., v. S-3 Pump Service, Inc., et al*, No. 5:15-cv-268-XR and *Drew Bridewell, et al. v. S-3 Pump Service, Inc.,* No. 5:15-cv-00548-FB, were filed in the United States District Court in and for the Western District of Texas, San Antonio Division, asserting claims of over 140 current and former employees of S-3 Pump. S-3 Pump was represented by Hilburn & Hilburn – APLC of Shreveport, Louisiana, and the class plaintiffs in both suits were represented by The Sanford Law Firm, PLLC of Little Rock, Arkansas.

By the close of extensive discovery and motion practice in the class wage claims, both the liability issues and damages exposure analysis had been narrowed with S-3 Pump facing certain liability on some award of overtime pay, liquidated damages, attorney fees and costs, with a very real prospect of damages ranging from $4 million to $9 million for the combined

class wage claims. Simultaneously, S-3 Pump faced separate charges of race discrimination with the EEOC under Title VII of the Civil Rights Act filed by six employees who were also participants in the class action wage litigation and were represented by the same class plaintiffs' counsel. In the EEO matter, S-3 Pump was exposed to awards of compensatory damages plus up to $300,000.00 in punitive damages, plus attorney fees, costs and interests in each of these discrimination claims.

In an effort to minimize mounting litigation costs and additional lawsuits and in an effort to seek a discounted resolution of all the claims, S-3 Pump agreed to participate in mediation before William H. Lemons in San Antonio, Texas, in January of 2015. Despite a full day of mediation, the parties remained far apart. As a chapter 11 filing became inevitable for S-3 Pump, the company's management continued to engage in intense, post-mediation negotiations with continued assistance from counsel and participation from the mediator. In late February of 2016, with the specter of S-3's imminent filing for bankruptcy, the parties reached agreement on the settlement of all claims, the class wage lawsuits and the EEO claims, for $1.6 million. Based on the fairness, reasonableness, adequacy, and other factors required for settlement of class wage claims, the parties submitted the necessary stipulations of dismissal to the United States District Court in and for the Western District of Texas, San Antonio Division, on March 1, 2016, for the class wage claims, which the court approved and entered orders accepting the settlement dismissing lawsuits with prejudice on March 3, 2016, and March 9, 2016.

D. Downsizing and Sale of Assets

Meanwhile, throughout the latter half of 2015 and the first calendar quarter of 2016, S-3 Pump's management was downsizing its staff and cutting costs. Mr. and Ms. Sneed took only limited salaries during the fifteen months prior to the bankruptcy filing. They laid off about 100 employees and cut salaries and benefits of the remaining employees by about 50%. Throughout this period, S-3 Pump remained current on its recurring obligations to its suppliers.

Although S-3 Pump had acquired an office building located at 1918 Barton Drive in Shreveport, Louisiana, for its business offices in 2011, S-3 Pump transferred the land and building to its affiliate, S-3 Power Sports, LLC, in February, 2016, in order to shed the monthly payment obligation to Citizens National Bank, which holds a first mortgage on the property. During the Bankruptcy Case, S-3 Power Sports, LLC has honored those payment obligations to Citizens National Bank.

VI. AFFILIATES

S-3 Pump has several affiliated companies. Some are active, and others are dormant with no material assets.

A. S3 Power Sports, LLC

S3 Power Sports, LLC ("**Power Sports**") is a Louisiana limited liability company

organized and 100% owned by Malcolm and Linda Sneed in 2010. Power Sports is engaged in the business of manufacturing and selling after-market accessories for all-terrain vehicles and utility terrain vehicles. Power Sports conducts its sales operations directly with customers and through a dealer network. Malcolm Sneed is the sole manager of the company. Power Sports had sales of approximately $3 million against expenses of $3.2 million in 2015. It has 15 employees and operates out of an office building, shop and yard located at 1918 Barton Drive in Shreveport, Louisiana.

In February, 2016, Power Sports acquired ownership of the land and building located at 1918 Barton Road, Shreveport, Louisiana, from S-3 Pump. As consideration for its purchase, Power Sports assumed the first mortgage debt of S-3 Pump to Citizens National Bank. The outstanding balance due on that debt on the date of transfer was $633,374.06. The Debtor believes that the real estate and improvements at 1918 Barton Drive have a fair market value approximating this amount.

In addition to the foregoing loan, Citizens National Bank loaned $200,000.00 to Power Sports in 2015 to finance Power Sports' purchase of a piece of equipment. That loan, which has a current balance of $157,445.00, is unsecured.

In order to provide working capital loans to Power Sports, S-3 Pump loaned a total of almost $470,000.00 to Power Sports in during the last five years. The current principal balance of indebtedness from Power Sports to S-3 Pump is $325,087.46. That indebtedness is not evidenced by a promissory note.

Malcolm and Linda Sneed separately loaned $250,000.00 to Power Sports to supply additional working capital to the company. That loan is evidenced by a promissory note which has a current outstanding balance of $245,866.00.

Power Sports and the Sneeds have agreed, subject to confirmation of the Plan, to restructure the foregoing $325,087.46 debt of Power Sports to the Debtor as follows:

- The obligation will be evidenced by a promissory note of Power Sports to the Reorganized Debtor, bearing interest of 4.5% per annum and payable in monthly installments over five years (the "**Affiliate Note**"). Monthly payments on the Affiliate Note will equal $6,067.00; and

- Malcolm and Linda Sneed will subordinate their right to payment from Power Sports to the prior payment of the Affiliate Note.

B. Savannah Aviation, LLC

Savannah Aviation, LLC ("**Savannah**") is a Louisiana limited liability company organized in 2011 by Malcolm and Linda Sneed. They own 100% of the membership interests in the company. Malcolm Sneed remains the sole manager of the company. From its inception

through mid-2015, Savannah owned various aircraft and was engaged in the business of providing aviation services for customers. However, the company ceased all business operations during 2015, and in early 2016, the company sold its last remaining material asset - a 1980 IAI Westwind 1124 - for $280,000.00. Savannah delivered the proceeds to S-3 Pump.

From 2011 to 2015, in order to provide operating capital to Savannah, S-3 Pump loaned $507,000.00 to Savannah. As of the commencement of the Bankruptcy Case, Savannah owed $1,526,810.83 to S-3 Pump, and that balance remains. As Savannah has no material assets and no business operations, this obligation is uncollectable. The Debtor's management will not devote any further resources of the Debtor or Reorganized Debtor to support Savannah.

C. S-3 Executive Air, LLC

S-3 Executive Air, LLC ("**Executive**") is a Louisiana limited liability company organized in 2013 by Malcolm and Linda Sneed. They own 100% of the membership interests in the company. Executive is engaged in the business of providing a fixed base operation for customers to buy fuel and conduct business at the downtown Shreveport Airport. It leases these premises from the Shreveport Airport Authority for its operations. The lease has a one-year term. The company has two employees. In 2013 and 2014, in order to provide working capital to Executive, S-3 Pump loaned approximately $128,000.00 to Executive. The balance owed was $49,511.42 as of the commencement of the Bankruptcy Case. Executive has not made any payments against that debt in the last four months, and Executive lacks the resources to make any payments at this time. In 2014, Executive's revenues were $2.1 million against $2.1 million in expenses. In 2015, Executive generated revenues of $1.2 million against expenses of $1.3 million. The Debtor's management will not to devote any of the Debtor's or the Reorganized Debtor's resources to Executive.

D. S-3 Air Service Center, LLC

S-3 Air Service Center, LLC ("**Air Service**") is a Louisiana limited liability company organized in 2013 by Malcolm and Linda Sneed. They own 100% of the membership interests in the company. The company was dissolved in July 2015. It has no assets. It is not indebted to the Debtor.

E. Louisiana Industrial Diesel, LLC

Louisiana Industrial Diesel, LLC ("**Industrial**") is a Louisiana limited liability company organized in 2013 by Malcolm and Linda Sneed. They own 100% of the membership interests in the company. However, since 2014, the company has been dormant. On July 1, 2014, Industrial transferred its remaining assets to S3 Pump. Industrial was dissolved in January 2015. Prior to 2014, Industrial was engaged in the business of repairing industrial diesel engines. In 2013-2014, in order to provide working capital to Industrial, S-3 Pump loaned $356,000.00 to Industrial. The balance owed was $14,108.72 as of the commencement of the Bankruptcy Case. This amount is uncollectable.

F. KBS Endeavors, LLC

KBS Endeavors, LLC ("**KBS**") is a Louisiana limited liability company organized in 2015 by Malcolm and Linda Sneed. They own 100% of the membership interests in the company. KBS' sole asset is an aircraft hanger located at the Shreveport Regional Airport. KBS leases this hanger to a single tenant for monthly rental of $1,500.00. The company has no employees. KBS financed its purchase of this aircraft hanger by a $440,000.00 mortgage loan from Home Federal Savings & Loan of Shreveport, on which a $411,480.81 balance remains outstanding. In 2015, in order to provide working capital to KBS, S-3 Pump loaned $39,141.00 to KBS. At the commencement of the Bankruptcy Case, the outstanding balance due to S-3 Pump was $37,112.12. This aircraft hanger has an estimated value of less than $400,000.00, but it has been listed by the Debtor for sale for the asking price of $410,000.00 over the past nine months. No offers have been made for the purchase of that hanger. KBS' management is actively considering the surrender of the hanger to its lender and KBS' termination of all business operations.

VII. CHAPTER 11 CASE

A. Operations as of the Filing Date

On or before March 4, 2016, the date of commencement of the Bankruptcy Case, in order to avoid any disruption in its business operations, the Debtor timely paid in the ordinary course of its business all current debts owed to its suppliers and employees. The Debtor's financial condition as of the commencement of the Bankruptcy Case is reflected in the balance sheet for the Debtor, dated March 4, 2016, which is attached as **Exhibit 10** hereto.

B. Operations as Debtor-in-Possession

Early in the Bankruptcy Case, the Debtor filed separate motions to retain professionals who are assisting the Debtor during the reorganization process. These motions included motions to retain bankruptcy counsel, accounting and tax preparation professionals, and a business valuation consultant. The Debtor also filed a motion to authorize reduced compensation to the Debtor's officers[5] and other key employees. All of these motions were unopposed, and the Bankruptcy Court granted all of them.

Although the Debtor did not borrow funds for its ordinary business operations for many years, the company has maintained a credit arrangement with Comdata MasterCard Program through which Comdata issues fuel credit cards to S-3 Pump for gasoline and diesel purchases for the company's operation of its Peterbilt and pickup truck fleet. Shortly after the commencement of the Bankruptcy Case, the Debtor sought and obtained court authorization for

[5]By Order of the Court, dated March 24, 2016 [Doc. No. 42], Malcolm H. Sneed, III, President was authorized to receive a monthly salary of $12,500.00, and Linda Sneed, Secretary-Treasurer of the company, was authorized to receive a monthly salary $5,000.00.

this credit arrangement to continue on a post-petition basis. The Debtor retires its credit balance with Comdata on a monthly basis.

In connection with the operation of its business, the Debtor has maintained comprehensive insurance programs that include a variety of policies through several different insurance carriers. These include auto, equipment, general liability, employment practices, workers compensation and commercial excess liability policies. The maintenance of such insurance coverage is essential to preserve the Debtor's business operations, property and assets. Pursuant to the debtor in possession order of the Bankruptcy Court, promptly after the commencement of the Bankruptcy Case, the Debtor took actions to confirm that the required insurance coverage (including all of its pre-petition insurance coverage) was and has been maintained in force.

The Debtor incurs utility expenses for electricity, telephone and other essential services in the ordinary course of its business. Promptly after the commencement of the Bankruptcy Case, the Debtor put in place procedures to provide adequate assurance of the continued payment of such utility charges.

Due to the sharp, though temporary, decline in new jobs obtained by the Debtor in March, Debtor's management began an assessment of the size of its fleet of equipment and vehicles that would be required to service its business needs during the remainder of 2016. Debtor's management determined that the company could dispose of 18 Peterbilt tractors and 41 pickup trucks without impairing the company's ability to satisfy its existing and expected future job needs. As a result, the Debtor filed a motion with the Bankruptcy Court to abandon 12 Peterbilt tractors and sell another 6 Peterbilts, and the Debtor filed a separate motion to sell 34 pickup trucks. Both of these motions were unopposed, and the Court granted both motions. All such vehicles have been sold or otherwise disposed of in accordance with the orders of the Bankruptcy Court.

The Debtor also determined that several of the contracts involving trailer-mounted frac pumps were likely unexpired leases, rather than sale contracts. The Debtor determined that such frac pumps were not required for its expected future business needs, and accordingly, the Debtor filed motions to reject those contracts. Such motions were also unopposed, and the Court granted those motions. These frac pumps have since been surrendered to their lessors.

As mentioned above, the Debtor suffered a decline in scheduled jobs during its first 30 days after the commencement of the Bankruptcy Case, which resulted in depressed revenues in April. However, as depicted below, since April, the Debtor has steadily increased its sales for each ensuing month:

MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
$1,052,805	$314,910	$407,993	$562,591	$737,383	$850,895	$739,362	$1,043,847	$811,783

(For a more complete discussion of the Debtor's monthly financial reports during this Bankruptcy Case, please see Article VIII below.)

Early in the Bankruptcy Case, the Debtor's management was approached by local investors who expressed an interest in creating a new company for the purpose of purchasing assets from the Estate or, alternatively, providing new capital to a reorganized debtor which would continue the Debtor's business operations. In either scenario, the local investors were interested in such a business opportunity only if Malcolm Sneed, the Debtor's President, agreed to manage such new or reorganized company, due to Mr. Sneed's knowledge, experience, customer relationships and relationship with his trained crewmembers.

Because of the uncertainty in the oil and gas industry in the spring of 2016, the Debtor's management believed that the company's successful reorganization hinged on finding a well-capitalized investor. In order to promote competition for a reorganization of the Debtor – and thus better terms for the company's creditors – Mr. Sneed approached other potential investors to solicit their interest in a financial participation in the Debtor's reorganization. One such company was Hallwood Financial Limited ("**Hallwood**"), a Dallas-based British Virgins Island entity, which specializes in assisting distressed private companies and has extensive experience in the oil and natural gas industry.

Mr. Sneed simultaneously openly and transparently negotiated with the local investors and with the Hallwood representatives on proposed arrangements for the reorganization of the Debtor. Although the local investors offered a compensation arrangement to Malcolm and Linda Sneed that surpassed the benefits of the private compensation arrangement offered to them by Hallwood, the Sneeds, in their capacity as management to the Debtor, decided to pursue an arrangement with Hallwood because of its greater ability to provide financial resources in the event of a longer-than-expected recovery of the oil and natural gas industry.

Negotiations continued during June and July on the framework of a plan. On July 1, 2016, the Debtor filed a Motion for Extension of Exclusivity Period Under 11 U.S.C. §1121 for the purpose of extending the period of exclusivity for the Debtor to propose a plan of reorganization from July 2, 2016 to August 31, 2016. This motion was unopposed, and the Court granted the motion by Order dated July 28 2016 [Doc. No. 188].

As a result of the negotiations between the Debtor and Hallwood, the parties eventually agreed, subject to Bankruptcy Court approval, to the framework of a plan of reorganization in July and early August 2016. That framework was formalized in the Debtor's Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (the "**Original Plan**"), filed by the Debtor on September 12, 2016 [Doc. No. 241].

The Original Plan was predicated on the Reorganized Debtor's business operations generating stable revenues at the monthly amount of at least $600,000 - 650,000, and slowly improving in 2017 and thereafter. Those revenue projections seemed reasonable to the Debtor's management in the summer of 2016, and those early revenue projections dictated the repayment terms offered to creditors in the Original Plan. The repayment terms to Pump Secured Creditors in the Original Plan provided for interest-only payments for the first year and the satisfaction of the Secured Claim's principal and interest amounts only in years 2 – 6. The Original Plan

envisioned only the payment of 40 – 50% of Allowed Unsecured Claims. The tentative business recovery of the Debtor in the Spring and Summer months did not support a more ambitious repayment plan.

Circumstances changed in late summer and early fall, however. As the domestic rig count continued to grow (from 383 in April, to 550 in August, 662 in early December and 721 as of January 13, 2017), the Debtor's customers – primarily independent oil and gas exploration and production companies – began to recommence their operations and contract with the Debtor for 2016 and 2017 operations. As a result, the Debtor's monthly revenues dramatically improved on a month-over-month basis. The Debtor's bookings of jobs in 2017 has accelerated, and the Debtor is experiencing opportunities to increase its rates for services. As a result, the Debtor's management now believes that the Reorganized Debtor will have the ability to make earlier and higher payments to both Secured Creditors and Unsecured Creditors. That more ambitious payment schedule is reflected in the current amended Plan.

Meanwhile, the Debtor's management had disagreements with Hallwood personnel concerning the treatment of certain secured creditors and payment arrangements with others. Those disagreements and the Debtor's markedly improved financial performance caused the Debtor's management to re-think its strategy of surrendering control of the company. The financial results of the Debtor, coupled with the new capital that Debtor's management is prepared to inject into the Reorganized Debtor, will provide the Debtor with the ability to retain more of its frac pumps, more ancillary equipment and more employees to accommodate the increased workload that the Debtor's management anticipates in 2017 and beyond. The Debtor's financial results inside Chapter 11 and its financial projections are reflected in Section VIII *infra*.

During Hallwood's negotiations with the Debtor, Hallwood personnel retained ATC Group Services, Inc. ("**ATC**") of Shreveport, Louisiana to undertake a limited Phase II environmental assessment of the Real Property. That assessment included four subsurface borings in the Real Property. The results of that assessment are set forth in a December 6, 2016 letter from David Ray Williamson, Senior Geologist at ATC, which is attached as **Exhibit 15**. In that letter, Mr. Williamson estimates that the possible remediation scenarios of the Real Property range from a minimal cost of $5,000.00 to over $1 million. As Mr. Williamson's letter describes, the Debtor and ATC are currently awaiting review and direction of remediation from the Louisiana Department of Environmental Quality ("**DEQ**"). However, absent prompt action by DEQ to address the issue, the Debtor or Reorganized Debtor reserve the right to seek resolution of this issue before the Bankruptcy Court in order to promptly address this contingency. The Plan expressly reserves the jurisdiction of the Bankruptcy Court to resolve any dispute with DEQ. However, under the Plan, the Reorganized Debtor will own the Real Property on and after the Effective Date, and it is unclear whether the Bankruptcy Court can issue a Final Order determining any liability of the Reorganized Debtor under environmental laws.

Because the now-removed underground storage tank from which some of the releases emanated was a registered underground storage tank, the Plan reserves the Estate's rights to recover any eventual remediation costs from the Louisiana underground storage tank trust fund.

To the extent such trust fund is not responsible for remediation costs, the Debtor believes that any such required remediation costs will constitute an Administrative Claim against the Estate. *In re American Coastal Energy, Inc.*, 399 B.R. 805 (S.D. Tex. 2009). The Plan provides for the establishment of an Other Priority Claim Reserve Account from which any eventual Allowed Administrative Claim for remediation costs incurred by the Debtor or the Reorganized Debtor will be satisfied in whole or in part.[6] If the available funds in such Other Priority Claim Reserve Account are insufficient to satisfy such Allowed Administrative Claim, the Reorganized Debtor shall be entitled to earmark funds otherwise obligated to pay Allowed Unsecured Claims from Dedicated Sources to the prompt payment of any unpaid balance of such Allowed Administrative Claim, and such deferred obligation to the Holders of Allowed Unsecured Claims shall be equally allocated among the Reorganized Debtor's remaining payment obligations to the Holders of Allowed Unsecured Claims.

The Debtor has commenced the following litigation since the commencement of this Bankruptcy Case: *S-3 Pump Service, Inc. v. First National Capital, LLC*, Adversary Proceeding No. 16-01009, United States Bankruptcy Court, Western District of Louisiana. In this adversary proceeding, the Debtor alleges that in connection with First National Capital providing financing for S-3 Pump's purchase of frac pumps, First National Capital required that S-3 Pump make substantial advance deposits, which deposits were to be held by First National Capital as stipulated damages in the event that S-3 Pump failed to close on the financing arrangement, or, otherwise, as payment of the last two installment payments on such sales contract. Those deposits now aggregate at more than $647,000.00 and they remain in the possession of First National Capital despite demands by the Debtor for the turnover of such funds. When First National Capital later assigned certain of its rights in those financing contracts, First National Capital deliberately did not assign its rights in those deposit amounts, and S-3 Pump did not receive any credit from the assignees on account of the deposit amounts. Those deposit amounts remain in First National Capital's possession, yet the funds are not held by First National Capital to secure any remaining obligation of the Debtor to First National Capital.

On November 4, 2016, First National Capital filed its responsive pleading to the Debtor's complaint. In its pleading, First National Capital denies the plaintiff's entitlement to a turnover of the contested funds, and First National Capital alleges that it is entitled to retain those contested funds under the provisions of its contracts with the Debtor. The Bankruptcy Court conducted a pre-trial conference on November 8, 2016 in this adversary proceeding, and scheduled a trial date of June 15, 2017. The parties are commencing formal discovery at this time.

It is possible that First National Capital's assignees under these financing arrangements (certain of the Pump Secured Creditors) have rights to these deposit amounts. Accordingly, the Debtor has amended its original complaint in this adversary proceeding to join such assignees as

[6]The Other Priority Claim Reserve Account provides for a $300,000.00 reserve for the eventual payment of an administrative expense claim for remediation of the Real Property.

additional defendants in this litigation. Such joinder will allow any final judgment in this adversary proceeding to finally resolve the respective rights and obligations of all interested parties in such proceeds. If, at conclusion of this litigation, the court concludes that First National Capital is not entitled to retain the deposit amounts, then such funds will likely be payable directly to such assignees of First National Capital to reduce the Debtor's debt to such creditors, or alternatively, payable to the Estate and dedicated to the payment of Allowed Unsecured Claims under the Plan.

VIII. FINANCIAL REPORTS/STATEMENTS

Prior to the commencement of the Bankruptcy Case, S-3 Pump had a full-time Chief Financial Officer, Lesley Amos, CPA. Through Ms. Amos, S-3 Pump regularly produced monthly financial statements. The company's independent auditor, BDO LLP, generated annual audited financial reports. Pre-petition, S-3 Pump regularly delivered these reports to certain of its Secured Creditors.

Ms. Amos' job was eliminated in February 2016 as one of S-3 Pump's austerity measures, but Ms. Amos continues to provide accounting services to the Debtor in her capacity as a senior tax manager with the Shreveport accounting firm of RBM LLP. All of the financial statements presented in this Disclosure Statement (both for pre-petition and post-petition periods) were prepared by or under the supervision of Ms. Amos.

During this case, the Debtor has prepared and filed monthly operating reports, which include monthly financial statements. The complete original monthly operating reports are on file with the Clerk of Court for the Bankruptcy Court. The comparative balance sheets and profit & loss statements for each of the months from March – November 2016 (which were reported within the Monthly Operating Reports for those months) are attached hereto as **Exhibit 11**. The Debtor believes that those financial statements accurately reflect the Debtor's financial performance and condition for those periods of time, subject to the following caveats:

- The profit and loss statements reflect the accrual of monthly adequate protection payments from the Debtor to various secured creditors totaling as much as $229,000.00 per month as part of the "General and Administrative" Operating Expense. Those payments will discontinue after the Effective Date and be replaced by Plan payments in smaller monthly amounts to the Pump Secured Creditors.

- The profit and loss statements also reflect the monthly accrual of the Debtor's bankruptcy attorney's fees and accounting fees, which averaged approximately $48,000.00 per month during the March – October 2016 period of time. After the Effective Date, the Debtor's management expects such attorney and accountant fees to be significantly smaller.

Excluding such items, depreciation/amortization and extraordinary losses from the disposition of

equipment from the Debtor's profit and loss statements for the months of July – October 2016 would cause the Debtor to reflect positive cash flow before debt service for those months of between $166,000.00 and $400,000.00.

For its fiscal year from October 1, 2015 – September 30, 2016, the Debtor has a net operating loss of $4.3 million for tax purposes. The Reorganized Debtor expects to offset its post-confirmation taxable income against this NOL in 2017 and beyond.

IX. DESCRIPTION OF ASSETS AND LIABILITIES

A. Assets

In December 2016, the Debtor filed amended schedules of its assets and liabilities in this case. The following information is a summary of information reflected in the amended schedules and appraisals referenced hereinbelow.[7]

Real Estate:		$850,000 (See **Exhibit 5** for a summary of the Appraisal of the Real Property)
Retained Equipment:		
A.	Trailer-mounted frac pumps:	$7,868,000. (See **Exhibit 2)**
B.	Transfer pumps:	$56,000. (See **Exhibit 4)**
C.	Hydraulic power packs:	$23,500. (See **Exhibit 4**)
D.	Command Centers	$21,400.00 (See **Exhibit 4**)
E.	Trailers	$46,000.00 (See **Exhibit 4**)
F.	Acid Transports	$30,000.00 (See **Exhibit 4**)
G.	Data Acquisition Units	$2,500 (see **Exhibit 4**)
H.	Acid Plant	$5,000 (see **Exhibit 4**)

[7]The amended schedules reflect assets, liabilities and other items as of March 4, 2016, the Petition Date.

Retained Vehicles:

A.	Peterbilt tractors	$606,000.00 (See **Exhibit 4)**
B.	Pickup trucks and passenger car	$489,100.00 (See **Exhibit 3**)

Other Assets:

A.	Cash (as of 12/31/16)	$2,620,455.00
B.	Accounts Receivable (as of 12/1/16):	$1,284,284.00
C.	Notes receivable/debts from affiliates	$325,087.00[8]
D.	Deposits	$35,500.00
E.	Litigation claim against First National Capital	$647,000.00 (disputed)
F.	Non-retained Pumps	$690,000.00 (**Exhibit 6**)
F.	Remaining non-retained equipment (to be sold at auction)	$144,400.00 (**Exhibit 7**)

The Debtor and its counsel have undertaken an examination of the financial and business activities of the Debtor during relevant pre-petition periods, as well as the Debtor's post-petition activities. The Debtor and its counsel are unaware of any potential Avoidance Actions that could be asserted on behalf of the Estate, except for a potential preferential transfer claim against the plaintiffs in the class wage lawsuits and the EEO class action (as described on page 21 above). For the reasons set forth in the earlier discussion of that settlement - specifically the exposure of the Debtor to claims ranging from a low of $4 million to a high of more than $9 million, which would be revived if the settlement agreement were avoided - the Debtor and its counsel believe that no preferential transfer action seeking to avoid such settlement transfer should be asserted because such transfer to those wage claim recipients was for less than such recipients would likely receive if (a) this case were a case under chapter 7 of the Bankruptcy Code; (b) the settlement payment had not been made; and (c) such recipients received payment on account of such claims to the extent provided under the Bankruptcy Code. Furthermore, any resolution of such revived class wage claims and EEO class action would likely be tried before a federal court in San Antonio, Texas, at great legal expense to the Estate.

[8]The total indebtedness of Affiliates to the Debtor is $1,318,151.00. Of that amount, however, the Debtor considers only $325,087 due from S-3 Power Sports, LLC to be collectible.

B. Liabilities and Claims

The following information is a summary of the claims against the Estate as of December 31, 2016. This information is based on the Debtor's evaluation of filed Proofs of Claim and the Debtor's own records.

Administrative and Priority Claims:

Professional Fees[9]	$200,000.00
Other Administrative Expense Claims[10]	$550,000.00
Priority Tax Claims[11]:	$400,000
Other Priority Non-Tax Claims:	-0-
Secured Real Estate Claim	$750,000.00
Pump Secured Claims	$6,822,125.00
Secured Vehicle Claims	$423,300.00
General Unsecured Claims[12]	$4,480,000.00
Equity Interests	-0-

[9]As of December 31, 2016, the accrued and unpaid Professional Fees of the Debtor's accountants and legal counsel total approximately $200,000.00. Debtor believes that future Professional Fees of its legal counsel and accountant through the Effective Date (excluding fees relating to the prosecution of the pending adversary proceeding against First National Capital) may reach $200,000.00.

[10]The Debtor has recently discovered through a Phase II evaluation of the Real Property that certain contamination exists at two locations. Those results were reported in late October 2016 to DEQ. The most significant contamination appears to result from a release of gasoline from underground storage tanks which was previously investigated and earlier cleared by DEQ from further action. The Debtor's environmental consultant, David Williamson, of ATC Group Services, LLC, has estimated that the range of expense of remediation of such contamination is between $5,000.00 and $1,150,000.00. The matter is now under consideration by DEQ and its date of determination of remediation action, if any, is not imminent. The Debtor has selected $300,000.00 to estimate such remediation cost, but the Debtor intends to vigorously contest any material remediation demands imposed by DEQ. In addition, the Debtor has accounts payable that range between $200,000.00 and $400,000.00 at any time. For purposes of the foregoing calculation, the Debtor has used $250,000.00 for accounts payable.

[11]Debtor believes that the Priority Tax Claims are as set forth on the attached **Exhibit 12**.

[12]Debtor believes that a complete list of asserted Unsecured Claims appears in the attached **Exhibit 14**. The amounts shown on Exhibit 14 shall not be an admission by the Debtor of the validity or amount of such claims. To the extent such list differs from the Debtor's records, the Debtor will attempt to reconcile such differences. The Debtor reserves the right to challenge the validity or amount of filed Proofs of Claim.

X. FINANCIAL FORECASTS

Attached as **Exhibit 13** is the Debtor's projected Profit and Loss Statement for each month of 2017.

The foregoing financial forecast incorporates the following assumptions:

- Confirmation of the Plan;
- The 90-day rolling average of the price per barrel of West Texas crude oil maintains a price at or above $45.00;
- The Reorganized Debtor is able to maintain its pricing for services not lower than its average pricing levels for service contracts during the first six months of 2016; and
- No unforeseen regulatory impediments to the completion of oil and natural gas wells through hydraulic fracturing techniques in the U.S.

The Debtor believes that each of the foregoing assumptions is reasonable. See Article XV (Feasibility of Plan).

The Debtor's management and its accounting personnel have extensive experience with the costs associated with various levels of business operations and revenues. The Debtor's management is confident that its expenses for the projected levels of revenues are fully captured in the Projected Profit and Loss Statements. The Debtor's management also believes that, based on bookings for its services in the first calendar quarter of 2017, its revenue projections in the Pro Forma Profit and Loss Statements are very conservative. As stated above, the monthly adequate protection payments and the high legal fees of administering a chapter 11 case will drastically decrease following confirmation of the Plan, and those factors are major reasons for the decrease of the General and Administrative Expense item in the Pro Forma post-confirmation *vis-à-vis* those expenses for the Debtor's pre-confirmation operations. As a result, the Reorganized Debtor expects to generate net income before debt service of approximately $230,000.00 per month[13] in its first year following confirmation of a Plan.

Such net income will allow the Reorganized Debtor to meet its estimated debt servicing obligations under the Plan. The estimated debt servicing obligations under the Plan are identified on separate pages attached to the Pro Forma Profit and Loss Statement. The monthly payments reflect the following:

[13]The Pro Forma Profit and Loss Statement reflects monthly net income of over $200,00.00 on page 4. That net income amount includes the interest component of Plan debt service of approximately $30,000.00 per month from line 63505 of that statement.

Claim	Total Secured Amounts:	Payment Terms:	Mo. Amount:
Vehicle Secured Claims:	$423,300.00	P&I payable over 48 months @ 6%	$9,941.00
Pump Secured Claims:	$6,822,125.00	P&I payable over 60 months @ 6%	$132,000.00
Citizens Nat. Bank	$750,000.00	Int. only for 6 mos., then P&I for 54 months @ 5%	$8,205.00
Balance on Unsecured Claims	$2.8 million (est.)	Payable w/o int. over 60 months commencing on 1st anniversary of Effective Date	$46,667. (est.)

The total debt service for each of the first six months following the Effective Date is $144,927 per month; and monthly debt service for months 7 - 12 following the Effective Date is $144,607. The debt service for months 13 through 48 is $191,274 per month. The debt service for months 49 through 60 is $181,333 per month.

XI. PLAN OF REORGANIZATION

A. Summary of Plan

The Plan provides for the reorganization of the Debtor into the Reorganized Debtor. The Plan provides Malcolm H. Sneed, III and Linda Sneed to pay $1 million in certified funds for their purchase of 100% of the stock in the Reorganized Debtor. These funds are available from the Sneeds' retirement account and other sources, and Debtor's counsel has confirmed the availability of such funds in that amount. The Sneeds will deposit such funds in the Debtor's counsel's client trust account prior to the Confirmation Date.

The Reorganized Debtor will retain the Real Property, the trailer-mounted frac pumps, Peterbilt tractors, pickup trucks and passenger vehicle, and the other Miscellaneous Retained Assets described above. Representatives of the Reorganized Debtor have negotiated terms for the payment of the Secured Claims secured by the Real Property and the pickup trucks and the frac pumps to be retained. The specific treatment of each secured claim is set forth in Article III of the Plan.

The Reorganized Debtor will also retain the Debtor's accounts receivable ($1,284,284 as

of December 31, 2016). On the Effective Date, Citizens National Bank, N.A., an existing creditor, will grant to the Reorganized Debtor a $250,000.00 line of credit, which will be secured by a first priority security interest in such accounts receivable and the Reorganized Debtor's future accounts receivable. That line of credit will provide the Reorganized Debtor with available liquidity if needed to meet its debt service obligations under the Plan.

The Allowed Priority Claims payable as of the Effective Date will be paid in full on the Effective Date. The Debtor estimates such allowed claims to be in the aggregate amount of $440,000.00.[14] The Reorganized Debtor will also deposit $400,000.00 into a Professional Fee Reserve Account and $510,000.00 in an Other Priority Claim Reserve Account (both to be maintained by the Reorganized Debtor) to reserve for the payment of all Professional Fee Claims and other Priority Claims which shall be Allowed after the Effective Date. Following the allowance or disallowance of all disputed or contingent Priority Claims and Professional Fee Claims and the Distribution of any such Allowed claims from the appropriate reserve account, the Reorganized Debtor shall promptly disburse all remaining funds in such Professional Fee Reserve Account and Other Priority Claim Reserve Account to the Holders of Allowed Unsecured Claims.

Allowed Unsecured Claims against the Estate will be satisfied as follows. On the Effective Date, the Debtor shall disburse all Cash in the Estate which shall remain after payment of Allowed Priority Claims and the funding of the Professional Fee Reserve Account and the Other Priority Claim Reserve Account pro-rata among the Holders of Allowed Unsecured Claims and reserving for any Disputed Unsecured Claims. The Debtor estimates such initial Cash disbursement, together with proceeds from the sale of Miscellaneous Non-retained Assets, to be in the amount of approximately $1,370,000.00.

After the determination of all disputed or contingent Priority Claims by the Bankruptcy Court and the payment of such Allowed ones, the Reorganized Debtor will promptly disburse all remaining funds in the Priority Claim Reserve Account to the Holders of Allowed Unsecured Claims, while appropriately reserving for Disputed Unsecured Claims. The Reorganized Debtor will also exercise commercial diligence to sell all remaining Non-retained assets within ninety days after the Effective Date and will deliver all sale proceeds (after actual expenses) to the Holders of Allowed Unsecured Claims.

The Reorganized Debtor shall also promptly distribute and pay pro-rata to the Holders of Allowed Unsecured Claims (while appropriately reserving for Disputed Unsecured Claims):

- All payments received by the Reorganized Debtor on the Affiliate Note;
- All proceeds from the determination or settlement of the claim in the

[14]Such projected Allowed Priority Claims prior to the Effective Date are expected accounts payable (estimated at $250,000.00), the tax claim due to Frio County/Dilley (Texas) ISD ($175,000.00) and the Texas Comptroller ($15,000.00).

pending adversary proceeding against First National Capital, LLC (after actual legal fees and other expenses); and

- Beginning on the first anniversary date of the Effective Date, the Reorganized Debtor will make equal monthly payments to each Holder of an Allowed Unsecured Claim in a sufficient amount to retire the full outstanding balance of such claim over the ensuing five (5) years. The Reorganized Debtor shall be entitled to prepay such amounts. All payments from other Dedicated Sources to the Holders of Allowed Unsecured Claims after the first anniversary of the Effective Date will be credited against the outstanding balances due from the Reorganized Debtor.

B. Description of Classes

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including for purposes of voting, confirmation and Distribution pursuant to the Plan and §§1122 and 1123(a)(1) of the Bankruptcy Code. In accordance with §1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified.

A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class only to the extent that any portion of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is placed in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid, released or otherwise settled prior to the Effective Date. Notwithstanding any Distribution provided for in the Plan, no Distribution on account of any Claim or Equity Interest is required or permitted unless and until such Claim or Equity Interest becomes an Allowed Claim or Allowed Equity Interest, as the case may be, which might not occur, if at all, until after the Effective Date.

Summary of Classification and Treatment of Classified Claims and Equity Interests			
Class	Claim	Status	Voting Rights
1	Priority Non-Tax Claims	Unimpaired	Deemed to Accept
2	Secured Claim of Citizens Nat. Bank	Impaired	Entitled to Vote
3	Secured Claims of FNB Hughes Springs	Impaired	Entitled to Vote
4	Secured Claims of Prime Alliance Bank	Impaired	Entitled to Vote
5	Secured Claims of Peoples Capital	Impaired	Entitled to Vote
6	Secured Claims of CIT	Impaired	Entitled to Vote
7	Secured Claims of MB Financial	Impaired	Entitled to Vote
8	Secured Claims of Element	Impaired	Entitled to Vote

9	Secured Claims of Pacific Western	Impaired	Entitled to Vote
10	Secured Claims of Republic Bank	Impaired	Entitled to Vote
11	Secured Claims of Susquehanna	Impaired	Entitled to Vote
12	Secured Claims of TAB	Impaired	Entitled to Vote
13	Secured Claims of Trinity	Impaired	Entitled to Vote
14	Secured Claim of Beverly Bank	Impaired	Entitled to Vote
15	Secured Claim of United Leasing	Impaired	Entitled to Vote
16	Secured Claims of Assign of EH National	Impaired	Entitled to Vote
17	Secured Claims of Santander Bank d/b/a Chrysler Capital	Impaired	Entitled to Vote
18	Secured Claims of Ally Bank	Impaired	Entitled to Vote
19	General Unsecured Claims	Impaired	Entitled to Vote
20	Subordinated Claims	Impaired	Entitled to Vote
21	Equity Interests	Impaired	Deemed to Reject

C. Treatment of Classes

Please refer to pages 21 through 37 of the Plan (attached hereto as **Exhibit 1**) for the specific treatment of each Class of Claims and Interests under the Plan.

XIII. MEANS OF IMPLEMENTATION OF THE PLAN

A. Binding on Parties

Pursuant to §1141 of the Bankruptcy Code, upon the Confirmation Date, the provisions of the confirmed Plan shall be binding on the Debtor, the Reorganized Debtor and all Creditors and Equity Interest Holders. Subject to Article IV of the Plan, all Distributions made to Holders of Allowed Claims and Allowed Equity Interests in any Class are intended to be and shall be final.

B. Voting Claims

Each Holder of an Allowed Claim as of the Voting Deadline in an Impaired Class of Claims that is not (a) deemed to have rejected the Plan; or (b) conclusively presumed to have accepted the Plan, and that held such Claim as of the Voting Record Date shall be entitled to vote to accept or reject the Plan. The instructions for completion of the Ballots are set forth in the instructions accompanying each Ballot.

C. Issuance of Reorganized Debtor's Equity Interests

Upon the Effective Date, the Equity Interests in and against the Debtor shall be retired and of no further force and effect. The Reorganized Debtor shall be deemed organized pursuant to the terms and provisions of the Debtor's pre-existing Governance Documents (and retaining

the corporate name of "S-3 Pump Service, Inc.") without the need for any further corporate action by the Holders of Equity Interests, except that such Governance Documents shall be modified to delete all classes of stock except for a single class of capital stock purchased by Malcolm H. Sneed III and Linda Sneed as provided in the Plan for the consideration of $1 million cash payable upon the Effective Date. All of the shares of the new Equity Interests in the Reorganized Debtor issued pursuant to the Plan shall be duly authorized, validly issued, fully paid and non-assessable, and shall be subject to the terms and conditions of the Governance Documents.

All obligations of the Reorganized Debtor, including all obligations to pay Allowed Secured Claims and all obligations to the Holders of Allowed Unsecured Claims shall be governed by the terms and conditions set forth in the Plan and by the terms and conditions of the instruments evidencing or relating to such Distribution or issuance, which terms and conditions shall bind the Reorganized Debtor without further corporate action on its part and each Entity receiving such Distribution or issuance.

D. Management Retention Arrangements

The Reorganized Debtor shall employ Malcolm H. Sneed, III, as President, and Linda Sneed, as Secretary-Treasurer of the company, as of the Effective Date. Such employment arrangements will provide for salaries from the Reorganized Debtor as follows:

The Sneeds will receive annual salaries in the combined amount of $240,000.00 per year, along with employee benefits. Such benefits are the following:

- Company paid health insurance;
- 401(k) match of elective deferrals – 100% match for salary deferrals up to 3% of compensation and 50% match for salary deferrals between 3% - 5% of compensation; and
- Company-owned vehicle or auto allowance for both Malcolm and Linda Sneed; the Sneeds will not receive any other compensation except as recited above.

The proposed employment contracts between the Reorganized Debtor and Malcolm H. Sneed, III and Linda Sneed, respectively, are verbal, and the parties do not envision entering into written contracts. There are no other material terms or provisions of the employment contracts.

E. Bankruptcy Restructuring

As of the Confirmation Date and pursuant to the Plan, the Reorganized Debtor will enter into the Bankruptcy Restructuring contemplated by the Plan, and shall take any actions as may be reasonably necessary or appropriate to effect a restructuring of its Retained Liabilities. The actions to effect the Bankruptcy Restructuring may include (a) the execution of appropriate agreements or other documents containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable state law and any other terms to which the applicable Entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (c) the filing of appropriate certificates or articles of incorporation or reincorporation pursuant to applicable state law; and (d) all other actions that the applicable Entities determine to be reasonably necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with the Bankruptcy Restructuring. The chairman of the board of directors, president, chief executive officer, chief financial officer or any other appropriate officer of the Reorganized Debtor shall be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents, and take such other actions, as may be reasonably necessary or appropriate, to effectuate and further evidence the terms and conditions of the Plan. The secretary or assistant secretary of the Reorganized Debtor shall be authorized to certify or attest to any of the foregoing actions.

F. Continued Corporate Existence

On the Effective Date, the Reorganized Debtor shall continue to exist as a corporation in accordance with applicable non-bankruptcy law and pursuant to its Governance Documents in effect prior to the Effective Date, except to the extent that such Governance Documents are amended by the terms of the Plan.

G. Operation of 11 U.S.C. §1141

On the Effective Date, all promissory notes, stock, instruments, indentures, bonds, agreements, certificates or other documents evidencing, giving rise to, or governing any Claims against the Debtor and the Equity Interests in the Debtor shall be amended to provide in their entirety as set forth in the Plan. Pursuant to the Plan, the promissory note or other evidence of the indebtedness of the Reorganized Debtor to the Creditor shall bind the Creditor and the Reorganized Debtor. As provided in 11 U.S.C. §1141, the Plan shall discharge the Debtor from all debts that arose before the date of Confirmation of the Plan without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or any requirement of further action, vote or other approval or authorization by any Person. Nothing in the Plan or Disclosure Statement shall operate to limit or vitiate any liability of third persons (including any guarantors of the Debtor's obligations) to the Holders of any Claims.

H. Re-vesting, Surrender or Sale of Assets

Except as otherwise provided in the Plan or in the Confirmation Order, as of the Effective Date, all property of the Debtor shall vest or re-vest in the Reorganized Debtor free and clear of all Claims, Liens, encumbrances, and other Equity Interests. The Non-retained Assets (identified as such on **Exhibits 6 and 7**) will be sold (or in the case of non-retained frac pumps, sold or surrendered to the applicable Secured Pump Creditor) by the Debtor with prior authorization of the Bankruptcy Court prior to the Confirmation Date or, within ninety (90) days after the Confirmation Date without the necessity of any authorization from the Bankruptcy Court. The Debtor or Reorganized Debtor, as applicable, will decide whether to sell or surrender any such frac pumps based on whether the Debtor has any equity in such pump and whether the pump can be sold for a higher after-commission price than is owed on such pump secured claim. Any liens and other encumbrances against such Non-retained Assets will automatically attach to the proceeds of any such sale. Any Deficiency Claims arising from such sales or surrender of any such Non-retained Asset shall comprise a General Unsecured Claim.

From and after the Effective Date, the Reorganized Debtor may operate its business and use, acquire, and dispose of property and settle or compromise claims or interests without supervision or approval of the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order. Without limiting the generality of the foregoing, the Reorganized Debtor may, without application to or approval by the Bankruptcy Court or any other Person, pay professional fees and expenses that it incurs after the Effective Date.

The Reorganized Debtor shall act as the representative of the Estate pursuant to §1123(b)(3) of the Bankruptcy Code.

I. Treatment of Executory Contracts, Unexpired Leases and Other Agreements

On the Effective Date, all of the Debtor's executory contracts and unexpired leases (including all Master Service Agreements) will be assumed by the Debtor unless such executory contract or unexpired lease: (a) is being rejected pursuant to the Plan or any other materials filed with the Bankruptcy Court as an executory contract or unexpired lease being rejected pursuant to the Plan; (b) is the subject of a motion to reject filed on or before the Effective Date; or (c) has been previously assumed or rejected by the Debtor.

Without amending or altering any prior order of the Bankruptcy Court approving the assumption or rejection of any executory contract or unexpired lease, entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions pursuant to §§365(a) and 1123 of the Bankruptcy Code.

Each executory contract and unexpired lease assumed pursuant to the Plan shall re-vest in and be fully enforceable by the Reorganized Debtor in accordance with its terms and conditions, except as modified by the provisions of the Plan, any order of the Bankruptcy Court approving

its assumption, or applicable law. Without limiting the scope of the preceding sentence, all claims, rights and causes of action of the Debtor in connection with such executory contracts and unexpired leases shall vest in the Reorganized Debtor.

Except as otherwise provided in the Plan, any rights or arrangements necessary or useful to the operation of the Reorganized Debtor's business, but not otherwise addressed as a Claim or Equity Interest or assumed under this Article VI of the Plan, including non-exclusive or exclusive patent, trademark, copyright, mask-work, or other intellectual property licenses, and other executory contracts not assumable under §365(c) of the Bankruptcy Code, shall, in the absence of any other treatment under the Plan or Confirmation Order, be passed through the Bankruptcy Case for the benefit of the Reorganized Debtor.

J. Limited Reservation of Rights Regarding Causes of Action

Except for claims and Causes of Action against Creditors identified in the Disclosure Statement and disputes or unresolved questions concerning the calculation of a Creditor's specific claim amount, the Debtor is unaware of any claims or Causes of Action against any Creditors. The Debtor reserves the right to prosecute, settle or release any such claims through an objection to the Creditor's Proof of Claim or otherwise. The Debtor further reserves the right to assert, prosecute and settle any claims and Causes of Action in favor of the Debtor or its Estate of which the Debtor has no present knowledge and which may be properly reserved under the holdings of *in re Coastal Plains, Inc.*, 179 F.3d 197 (5th Cir. 1999), and its progeny. Otherwise, the Debtor does not reserve any Causes of Action against Creditors.

All proceeds and other benefits arising from the Debtor's settlement or other resolution of Avoidance Actions and the FNC Litigation shall be paid promptly by the Reorganized Debtor to the Holders of Allowed Unsecured Claims. All such proceeds actually paid to the Holders of Allowed Unsecured Claims shall be credited against the Reorganized Debtor's obligations to such claimants under the Plan.

K. Objections to Claims and Interests

1. Prosecution of Objections to Claims on and After the Effective Date

On and after the Effective Date, objections to, and requests for estimation of any Disputed Claims pending final determination may be interposed and prosecuted by the Reorganized Debtor and any other party in interest. Such objections and requests for estimation shall be served on the respective claimant and filed with the Bankruptcy Court on or before the later of: (a) 120 days after the Effective Date; and (b) such other date as may be fixed by the Bankruptcy Court upon a motion filed by the Reorganized Debtor. On the Effective Date, all outstanding objections to, and requests for estimation of Disputed Claims will vest in the Reorganized Debtor.

2. Estimation of Claims

The Debtor or, after the Effective Date, Reorganized Debtor may request that the Bankruptcy Court estimate any contingent, unliquidated or Disputed Claim pursuant to §502(c) of the Bankruptcy Code pending determination of the Allowance and amount of any Disputed Claim. The Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated or Disputed Claim, such estimated amount will constitute the preliminary Allowed amount of such Claim pending the final determination of such dispute. Such claim estimation amount shall serve as the basis for the reserve amount to be maintained from time to time by the Reorganized Debtor on account of such Disputed Claim pending its final determination. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

3. No Distributions Pending Allowance

Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on account of such Claim unless and until such Disputed Claim becomes Allowed. However, the Reorganized Debtor will hold in reserve payments on account of such Disputed Claim, which payments will be disbursed when and if such Disputed Claim is eventually Allowed. To the extent that all or a portion of a Disputed Claim is disallowed, the Holder of such Claim shall not receive any Distribution on account of the portion of such Claim that is disallowed.

4. Distributions After Allowance

To the extent that a Disputed Claim becomes an Allowed Claim, Distributions shall be made to the Holder of such Allowed Unsecured Claim from proceeds held in reserve on account of such Disputed Unsecured Claim or otherwise to correct such deficiency vis-à-vis other Allowed Unsecured Claims, or with respect to a Disputed Secured Claim which becomes an Allowed Secured Claim, Distributions will be promptly brought current in accordance with the agreement(s) between the Reorganized Debtor and Holder of such Claim.

L. Reporting Obligations of the Reorganized Debtor

The Reorganized Debtor is obligated under the Plan to prepare and deliver by U.S. Mail to each Allowed Creditor a quarter-annual report, contained at least the Reorganized Debtor's Balance Sheet as of the last date of such quarter-annual period and a Profit and Loss Statement of the Reorganized Debtor's operations over such quarter-annual period. Such report shall also (a) identify all defaults by the Reorganized Debtor of its obligations to any Creditor under the Confirmed Plan during such quarter-annual period and the actions taken and contemplated by the Reorganized Debtor to cure any such defaults; or (b) recite that the Reorganized Debtor has not

committed any such default during the semi-annual period.

M. Conditions Precedent to Confirmation and the Effective Date

1. Conditions Precedent to Confirmation

The Plan shall not be confirmed, and the Confirmation Date shall not be deemed to occur, unless and until the Confirmation Order, in form and substance satisfactory to the Proponent, has been entered on the docket maintained by the Clerk of the Bankruptcy Court.

2. Conditions Precedent to the Effective Date

The Effective Date shall not occur and the Plan shall not become effective unless and until the following conditions have been satisfied in full:

a. the Confirmation Order, in form and substance satisfactory to the Proponent, shall be entered by the Bankruptcy Court, shall become a Final Order, shall be in full force and effect and shall not be subject to a stay or an injunction which would prohibit the transactions under the Plan;

b. the final version of the Plan and all of the documents and exhibits contained therein shall have been filed and in a form and substance satisfactory to the Proponent;

c. all actions and transfers and the execution and delivery of all agreements, instruments, or other documents which are contemplated to be accomplished prior to the Effective Date shall have been effected or executed and delivered, as applicable, in form and substance satisfactory to the Proponent;

d. all payments required by the Plan to be made as of the Effective Date shall have been made.

3. Waiver of Conditions

Any of the conditions to Confirmation of the Plan and/or to the Effective Date set forth herein, other than entry of the Confirmation Order in form and substance satisfactory to the Proponent, may be waived with the express written consent of the Proponent and the approval of the Bankruptcy Court.

4. Satisfaction of Conditions

Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred

prior to the taking of any other such action. If the Proponent determines that one of the conditions precedent set forth in the Plan cannot be satisfied and the occurrence of such condition is not waived or cannot be waived, then the Proponent shall file a notice of the failure of the Effective Date with the Bankruptcy Court.

5. Effect of Non-Occurrence of Conditions

If each of the conditions to occurrence of the Effective Date set forth in this Article has not been satisfied or duly waived on or before the first Business Day that is sixty (60) days after the Confirmation Date, or such later date as shall be determined by the Debtor and approved by the Bankruptcy Court (but in no event later than one hundred fifty (150) days after the Confirmation Date), the Confirmation Order may be vacated by the Bankruptcy Court. If the Confirmation Order is so vacated, the Plan shall be null and void in all respects, and nothing contained in the Plan shall constitute a waiver or release of any Claims or Equity Interests against the Debtor or release of any claims or interests by the Debtor or the Estate.

O. Operations of the Debtor Between the Confirmation Date and the Effective Date

During the period from the Confirmation Date through and until the Effective Date, the Debtor shall continue to operate its business as debtor-in-possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules, and all orders of the Bankruptcy Court that are then in full force and effect.

XIV. RELEASE, INJUNCTION AND RELATED PROVISIONS

A. Discharge of the Debtor and Injunction

1. Discharge

Except as otherwise provided in the Plan or the Confirmation Order, the rights afforded in the Plan and the payments and Distributions to be made under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims against and Equity Interests in the Debtor of any kind, nature, or description, whatsoever or against any of the Debtor's assets or properties to the full extent permitted by §1141 of the Bankruptcy Code. Except as otherwise expressly provided in the Plan, entry of the Confirmation Order (subject to the occurrence of the Effective Date) shall act as a discharge to the full extent permitted by §1141 of the Bankruptcy Code of all Claims against and debt of, liens on, and Equity Interests in the Debtor, the Debtor's assets, and its properties, arising at any time before the entry of the Confirmation Order, regardless of whether a Proof of Claim or proof of Equity Interest thereof was filed, whether the Claim or Equity Interest is Allowed, or whether the Holder thereof votes to accept the Plan or is entitled to receive a Distribution under the Plan. Upon entry of the Confirmation Order, and subject to the occurrence of the Effective Date, any Holder of such discharged Claim or Equity Interest shall be precluded from asserting against the Debtor or Reorganized Debtor or any of their respective assets or properties any other or further Claim or

Equity Interest based upon any document, instrument, act, omission, transaction, statutes, regulations, or other activity of any kind or nature that occurred before the Confirmation Date except as otherwise expressly provided in the Plan. The Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtor, subject to the occurrence of the Effective Date.

2. Injunction

In accordance with §524 of the Bankruptcy Code, and to the full extent permitted by §1141 of the Bankruptcy Code, the discharge provided by the Plan shall act as an injunction against the commencement or continuation of any action, employment of process, or act to collect, offset, or recover a Claim and Equity Interest discharged hereby. Except as otherwise expressly provided in the Plan or the Confirmation Order, all Persons who have held, hold, or may hold Claims against, or Equity Interests in, the Debtor shall be permanently enjoined, on and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Equity Interest; (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtor on account of any such Claim or Equity Interest; and (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Equity Interest. The foregoing injunction shall extend to the Reorganized Debtor and its properties and interests in property, but such injunction shall not prohibit Holders of Claims from exercising their rights against any non-Debtor guarantors or co-obligors of Claims against the Debtor.

3. Releases

As of the Effective Date, the Debtor and its Estate will be deemed to forever release, waive, and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whether direct or derivative, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise that are based in whole or in part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Bankruptcy Case, the Plan, or the Disclosure Statement, that could have been asserted at any time, past, present, or future, by or on behalf of the Debtor, or its Estate, against the Exculpated Parties; provided, however, that the foregoing shall not affect the liability or release of any Person that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted fraud, willful misconduct, gross negligence, bad faith, self-dealing or breach of the duty of loyalty; provided further, however, that the foregoing shall not be a waiver of any defense, offset or objection to any Claim filed against the Debtor and its Estate by any Person.

4. Exculpation

The Exculpated Parties shall neither have, nor incur, any liability to any Entity for any act taken or omitted to be taken in connection with, relating to, or arising out of, the Bankruptcy Case, formulating, negotiating, soliciting, preparing, disseminating, implementing, confirming, or effecting the Consummation of the Plan, the Disclosure Statement, the administration of the Plan or the property to be distributed under the Plan or related to the issuance, distribution, and/or sale of any security, or any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan; provided, however, that the foregoing shall not affect the liability of any Person that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted fraud, willful misconduct, gross negligence, bad faith, self-dealing, or breach of the duty of loyalty.

XV. FEASIBILITY OF PLAN

A. Oil and Gas Industry.

Although S-3 Pump provides services for the *completion* of wells – which is distinct from the *drilling* of new wells – S-3 Pump's fortunes are closely correlated to the U.S. drilling rig count. See chart attached as **Exhibit 9** to this Disclosure Statement. As reflected in the chart, as the rig count in the United States has steadily increased since April 2016, so too have the Debtor's revenues and operating profit.

The domestic count of active rigs has risen from 383 in April, 2016, to 550 in August to 662 in December, 2016, according to Baker Hughes, Inc. data. Many domestic exploration and production companies continue to report plans to deploy more rigs in 2017.

Even though oil prices continue to fluctuate, due to greater efficiencies in managing drilling costs, most commercial wells' breakeven prices are currently $25.00 – $30.00/bbl, reflecting an average 22% year-over-year drop in the average wellhead breakeven price during 2013-16.[15]

Furthermore, the Debtor believes that the drilling rig count may substantially understate the Debtor's and Reorganized Debtor's revenues in the near- and medium-term future. Although crude oil prices dropped significantly in 2015 and into early 2016, the exploration and production companies continued to drill during this period, but they were reluctant to complete their wells by fracking them, as this would require them to sell their oil into a $30.00 market. (Importantly, non-conventional wells, such as fracked wells, face declining production rates of approximately 60% in its first year of operation.) Consequently, an estimated 4,000 wells drilled in Louisiana and Texas were not completed. These drilled-but-not-completed wells are now called "DUC's" in the industry.

[15]Rystad Energy, North American Shale Report, quoted in Oil & Gas Journal, August 5, 2016.

With even slightly improving oil prices, there will be a great need for fracking services to frac these DUC's. A recent report by Citi Research estimates 10,425 horizontal wells will be fracked in 2017, a 47% increase on the 2016 utilization. This is expected to increase to 13,868 wells in 2018. Citi also anticipates that frac pump utilization will reach 85% by 2018.

According to Citi Research, more than 90% of the accumulated DUC inventory can be commercially completed at a West Texas Intermediate crude oil price of $50.00/bbl.

A report from Oil and Gas Journal, dated June 23, 2016, estimates the existing inventory of 4,000 DUC's to hold close to 2 billion barrels of oil reserves.

Furthermore, energy analysts believe that the size and capacity of the U.S. oilfield pressure pumping equipment fleet has declined by 40% to 50% since 2014. This deterioration is a result of the pump operators' reduced spending on upkeep and maintenance and their financial inability to replace aging and worn out pumps. As a result, Raymond James analysts project that although oil and natural gas prices will justify increased oil and gas exploration activity in 2017, such activities will be restricted by a bottleneck of the limited available supply of pressure pumping equipment and experienced crews.[16] In that environment, Raymond James projects that increased demand for pressure pumping services for well completions in 2017 will allow for a 30-35% increase in pricing for pressure pumping services in 2017 with additional pricing support in 2018. Similarly, Citi Research estimates that pressure pumping rates in the oil patch will be up by 40% from current levels by 2018.

B. Reorganized Debtor

The Reorganized Debtor will be well positioned to benefit from the foregoing environment. Currently, the Debtor is utilizing its frac pumps at a 50% utilization rate at heavily discounted rates. Unlike other small pump-down companies, S-3 Pump has maintained the condition of its pumps at the highest levels at all times since 2014. Many of the Debtor's regional competitors have gone out of business in the last year, including Performance Wireline and Pumping Service, Gator Pumping, Gladiator Services, Circle Z Pumping Service, Legacy Pumping Service Downhole Pumping and PSC Pumping Service. While some of the larger oilfield service companies have tried to enter the market for the pump down services provided by S-3 Pump, their lack of trained and experienced employees for these specialized services has inhibited their ability to compete for available jobs with the Debtor. In addition, as demand for well completion services has climbed in recent months, these larger oilfield service companies are telling well operators that they are unable to perform their customary frac work and also the pumpdown work at the same time.

The Debtor's rates for services declined from $12,000.00/day in 2014 to $5,000.00/day in

[16]Raymond James & Associates, "Energy Stat: Why Will U.S. Frac Constraints Be the Most Important Factor in the Recovery," September 19, 2016.

early 2016, but those rates have since remained steady. The Debtor's management does not envision any further decrease in its job rates, and it anticipates rates increasing with greater demand for its services in 2017, in line with the projections of Raymond James and Citi Research reports quoted above.

XVI. RISKS/FACTORS TO BE CONSIDERED

ALL HOLDERS OF IMPAIRED CLAIMS AND EQUITY INTERESTS SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.

A. Financial Information; Disclaimer

Although the Debtor has used its best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, the financial information contained in this Disclosure Statement has not been audited and is based upon an analysis of data available to the Debtor at the time of the preparation of the Plan and Disclosure Statement. While the Debtor believes that such financial information fairly reflects the financial condition of the Debtor, the Debtor is unable to warrant or represent that the information contained herein and attached hereto is without inaccuracies.

B. Failure to Confirm Plan

Even if the impaired Classes accept or could be deemed to have accepted the Plan, the Plan may not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, (1) that the confirmation of the Plan not be followed by liquidation or a need for further financial reorganization; (2) that the value of distributions to dissenting holders not be less than the value of distributions to such holders if the Debtor were liquidated under chapter 7 of the Bankruptcy Code; and (3) that the Plan and the Debtor, as a proponent of the Plan, otherwise comply with the applicable provisions of the Bankruptcy Code. Although the Debtor believes that the Plan will meet all applicable tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

C. Non-Consensual Confirmation

Pursuant to the "cramdown" provisions of §1129(b) of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan notwithstanding the non-acceptance of the Plan by an Impaired Class of Claims or Equity Interests if at least one other Impaired Class has accepted the Plan (with such acceptance being determined without including the acceptance of any insider (as defined in §101(31) of the Bankruptcy Code) in such Class) and, as to each Impaired Class which has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not

discriminate unfairly" and is "fair and equitable" with respect to Impaired Classes. In accordance with §1129(a)(8) of the Bankruptcy Code, the Debtor intends to request confirmation of the Plan in accordance with §1129(b) of the Bankruptcy Code.

Although the Debtor believes that the Plan satisfies the requirements of §1129(b), there is no guaranty that the Bankruptcy Court will reach that conclusion. Moreover, although the Debtor encourages all Creditors in an impaired Class to vote in favor of the Plan and the Debtor believes that it is likely to have at least one impaired Class vote in favor of the Plan, there is no guaranty that this will occur. If no impaired Class votes in favor of the Plan, the Plan cannot be confirmed as written.

D. Delays of Confirmation or Effective Date

Any delays of either confirmation or effectiveness of the Plan could result in, among other things, increased administrative costs, including professional fee claims. These negative effects of delays of either confirmation or effectiveness of the Plan could endanger the ultimate approval of the Plan by the Bankruptcy Court.

E. Certain Bankruptcy Considerations

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes. In addition, although the Debtor believes that the Effective Date will occur during the first calendar quarter of 2017, there can be no assurance as to such timing.

F. Certain Tax Considerations

There are a number of material United States federal income tax considerations, risks and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussion set forth in Article XVII of this Disclosure Statement for a discussion of the material United States federal income tax consequences and risks for Holders of Claims resulting from the transactions occurring in connection with the Plan.

G. Limited Duty to Update

The statements contained in this Disclosure Statement are made by the Debtor as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. Notwithstanding the foregoing, the Debtor will exercise a good faith effort to promptly supplement this Disclosure Statement based upon its discovery of material new information or errors or omissions in this Disclosure Statement of which the Debtor is made aware prior to the Confirmation Date.

H. Claims Could Be More Than Projected, Assets Could Be Less Than Projected

The Allowed amount of Priority Claims could be greater than projected, which in turn, could cause a material reduction in funds available for immediate distribution to holders of Unsecured Claims. Likewise, the Allowed Amount of certain Unsecured Claims could be greater than projected which would increase the risk of nonpayment and potentially lengthen the time required for full payment of Unsecured Claims.

I. Risk of Non-Occurrence of the Effective Date

There can be no assurance as to such timing or that the conditions to the Effective Date contained in the Plan will ever occur. The impact that a prolonging of the Debtor's chapter 11 case may have on the Debtor's operations cannot be accurately predicted or quantified. The continuation of the chapter 11 case, particularly if the Plan is not approved, confirmed or implemented within the time frame currently contemplated, could adversely affect the operations and relationships between the Debtor and its customers, suppliers and employees and result in creased professional fees and similar expenses. Failure to confirm the Plan could further weaken the Debtor's liquidity position, which could jeopardize the Debtor's exit from chapter 11.

J. Risks Related to the Debtor's Business and Operations

1. Oil and natural gas prices have declined substantially from historical highs and may remain depressed for the foreseeable future. Oil and natural gas prices are volatile; a further protracted decline in the prices of oil and natural gas would adversely affect the Reorganized Debtor's business.

2. The financial projections set forth in this Disclosure Statement may not be achieved.

3. The Reorganized Debtor may not be able to raise additional funds, if needed.

4. The Reorganized Debtor's operations and the Reorganized Debtor's customers' operations are subject to environmental, occupational health and safety laws and employment laws and regulations that may expose the Reorganized Debtor to significant costs and liabilities. The Debtor's completion-related business operations are subject to stringent and complex federal, state and local laws and regulations governing the discharge of materials into the environment, health and safety aspects of the Debtor's operations or otherwise relating to environmental protection. These laws and regulations may impose numerous obligations applicable to the Debtor's operations and to the Debtor's customers' operations, including the acquisition of permits before conducting regulated activities, site reclamation requirements, the restriction of types, quantities and concentration of materials that can be released into the environment; limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, the application of specific health and safety criteria addressing worker protection; and the imposition of substantial liabilities for pollution resulting

from such operations. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties the imposition of investigatory or remedial obligations and the issuance of orders limiting or prohibiting some or all of the Debtor's operations.

5. Legislative and regulatory initiatives relating to hydraulic fracturing as well as government review of such activity could result fines, impairments or limitations to future operations or delays in attaining the level of business operations projected by the Reorganized Debtor. Recently, there has been increased public concern regarding an alleged potential for hydraulic fracturing to adversely affect drinking water supplies and cause earthquakes, and proposals have been made to enact separate federal, state and local legislation that would increase the regulatory burden imposed on hydraulic fracturing. Various state and federal agencies are studying the potential environmental impacts of hydraulic fracturing. Some states, including Louisiana and Texas, where the Debtor operates, have adopted, and other states are considering adopting legal requirements that could impose more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities. In the event that new or more stringent federal, state or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where the Debtor operates, the Reorganized Debtor could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the conduct of its operations.

6. All of the Reorganized Debtor's customers are oil and gas exploration and production companies. The oil and gas exploration and production business involves many uncertainties, economic risks and operating risks to these companies. Risks to the profitability of such companies will necessarily affect the ability of the Reorganized Debtor to recover payment for the services provided to such customers.

7. The Reorganized Debtor's projections of future sales and profit may be adversely impacted by a material increase in the number and quality of competitors providing pump-down services in the territories where the Reorganized Debtor operates. Currently, the Debtor faces limited competition for pump-down services in its territories of operation, and many of the Debtor's former competitors have gone out of business since late 2014. However, it is possible that larger companies could enter the market for pump down services and restrict the future business and the rates charged by the Reorganized Debtor for its services in the future.

XVII. CERTAIN TAX CONSEQUENCES OF THE PLAN

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PLAN AND THE OWNERSHIP AND DISPOSITION OF PROCEEDS FROM CLAIMS INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN (NON-US) TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

The following discussion addresses certain United States Federal income tax consequences of the consummation of the Plan. This discussion is based upon the United States Internal Revenue Code, as amended, existing and proposed regulations thereunder, current administrative rulings, and judicial decisions as in effect on the date hereof, all of which are subject to change, possibly retroactively. No rulings or determinations by the Internal Revenue Service have been obtained or sought by the Debtor with respect to the Plan. An opinion of counsel has not been obtained with respect to the tax aspects of the Plan. This discussion does not purport to address the federal income tax consequences of the Plan to particular classes of taxpayers (such as foreign persons, S corporations and financial institutions) or the state, local or foreign income and other tax consequences of the Plan.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED TO OR WRITTEN TO BE USED, AND CANNOT BE USED, BY SUCH HOLDERS FOR THE PURPOSE OF AVOIDING PENALITIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE PLAN; AND (C) SUCH HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Federal Income Tax Consequences to Holders of Claims and Interests

A Holder of an Allowed Claim or Equity Interest will generally recognize ordinary income to the extent that the amount of cash or property received (or to be received) under the Plan is attributable to interest that accrued on a claim but was not previously paid by the Debtor or included in income by the Holder of the Allowed Claim or Equity Interest. A Holder of an Allowed Claim or Equity Interest will generally recognize gain or loss equal to the difference between the Holder's adjusted basis in its claim and the amount realized by the Holder upon consummation of the Plan that is not attributable to accrued but unpaid interest. The amount realized will equal the sum of cash and the fair market value of other consideration received (or to be received).

The character of any gain or loss that is recognized will depend upon a number of factors, including the status of the Holder, the nature of the Claim or Equity Interest in its hands, whether the Claim was purchased at a discount, whether and to what extent the Holder has previously claimed a bad debt deduction with respect to the Claim, and the Holder's holding period of the Claim or Equity Interest. If the Claim or Equity Interest in the Holder's hands is a capital asset, the gain or loss realized will generally be characterized as a capital gain or loss. Such gain or loss will constitute long-term capital gain or loss if the Holder held such Claim or Equity Interest for longer than one year or short-term capital gain or loss if the Holder held such Claim or Equity Interest for one year or less. If the Holder realizes a capital loss, the Holder's deduction of the loss may be subject to limitation.

A Holder of an Allowed Claim or Equity Interest who receives, in respect of its claim, an amount that is less than its tax basis in such claim or equity interest may be entitled to a bad debt deduction under §166(a) of the Internal Revenue Code or a worthless securities deduction under §165(g) of the Internal Revenue Code. The rules governing the character, timing, and amount of these deductions depend upon the facts and circumstances of the Holder, the obligor, and the instrument with respect to which a deduction is claimed. Accordingly, Holders are urged to consult their tax advisors with respect to their ability to take such a deduction if either: (1) the Holder is a corporation; or (2) the Claim or Equity Interest constituted (a) a debt created or acquired (as the case may be) in connection with a trade or business of the Holder; or (b) a debt the loss from the worthlessness of which is incurred in the Holder's trade or business. A Holder that has previously recognized a loss or deduction in respect of its claim or equity interest may be required to include in its gross income (as ordinary income) any amounts received under the Plan to the extent such amounts exceed the Holder's adjusted basis in such Claim or Equity Interest.

Holders of Claims who were not previously required to include any accrued but unpaid interest in their gross income on a Claim may be treated as receiving taxable interest income to the extent any consideration they receive under the Plan is allocable to such interest. Holders previously required to include in their gross income any accrued but unpaid interest on a claim may be entitled to recognize a deductible loss to the extent such interest is not satisfied under the Plan. Under the Plan, to the extent that any Allowed Claim entitled to a Distribution is comprised of indebtedness and accrued but unpaid interest thereon, such Distribution shall, for federal income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the Distribution exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

A Holder of a Claim constituting any installment obligation for tax purposes may be required to currently recognize any gain remaining with respect to such obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold or otherwise disposed of within the meaning of §453b of the Internal Revenue Code.

Whether the Holder of Claims or Equity Interests will recognize a loss, a deduction for worthless securities or any other tax treatment will depend upon facts and circumstances that are specific to the nature of the Holder and its Claims or Equity Interests. Accordingly, Holders of Claims and Equity Interests should consult their own tax advisors.

Under backup withholding rules, a Holder of an Allowed Claim may be subject to backup withholding with respect to payments made pursuant to the Plan unless such Holder (i) is a corporation or is otherwise exempt from backup withholding and, when required, demonstrates this fact; or (ii) provides a correct taxpayer identification and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of failure to report all dividend and interest income. Any amount withheld under these rules will be credited against the Holder's federal income tax liability. Holders of Claims may be required to establish an exemption from backup withholding or to make arrangements with regard

to payment thereof.

B. Federal Income Tax Consequences to Debtor

The Debtor has no net operating loss ("NOL") carryovers for federal income tax purposes for prior tax years. However, the Debtor expects to incur operating losses for the 2016 taxable year (October 1, 2015 – September 30, 2016) in the approximate amount of $4,300,000.00.

The Reorganized Debtor's retention of assets of the Estate does not constitute a transfer of assets and is not a taxable disposition. However, the Debtor's transfer of assets pursuant to the Plan, such as through sale or involuntary disposition (e.g., foreclosure) will constitute a taxable disposition of such assets. As a result, there will or may be taxable income that results from such sales, resulting in future income tax consequences for the Reorganized Debtor or its owners. The Debtor does not believe that its sale or other disposition of Non-retained Assets under the Plan will materially affect its NOL carryover for 2017 and beyond. However, its sale or other disposition of all of its assets under a chapter 7 liquidation would substantially deplete its NOL rights.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

XVIII. COMPARISON OF TREATMENT TO CHAPTER 7

The Debtor believes that the Plan provides a greater recovery for Holders of Allowed Claims than would be achieved in a liquidation under chapter 7 of the Bankruptcy Code. The belief is based on a number of considerations, including (a) the likely erosion in value of the Debtor's assets in a chapter 7 case in the context of an expeditious liquidation and the "forced sale" atmosphere that would prevail under a chapter 7 liquidation; (b) the additional Administrative Claims generated by conversion to a chapter 7 case and any costs in connection with a chapter 7 liquidation; (c) the absence of a robust market for the liquidation sale of the Debtor's assets; and (d) the expectation that the Reorganized Debtor will generate future net income which will provide for much larger payments to Secured Creditors and the full payment of Allowed Unsecured Claims.

The Debtor estimates that Holders of Claims in Classes 1-18 will receive payment in full of their respective Secured Claims, and that Holders of Claims in Class 19 (including the deficiency or undersecured portion of Allowed Secured Claims) will receive Distributions

amounting to full payment of their Allowed Unsecured Claims. This recovery will be substantially larger than would such recovery under a liquidation of the Estate through chapter 7 of the Bankruptcy Code.

The calculation of the likely recovery to Creditors under a chapter 7 liquidation of the Estate is as follows:

CLAIMS:[17]

Total Claims of Pump Secured Creditors:	$11,385,586.	
Less Liquidation Value of Pumps[18]	$ 4,299,750.	
Deficiency Claims of Pump Creditors		$7,085,836.
Total Claims of Vehicle Secured Creditors	$722,300.	
Less Liquidation Value of Vehicles	$513,100.	
Deficiency Claims of Vehicle Creditors		$ 209,200.
Total Claims of Citizens Nat. Bank	$1,412,917	
Less Value of Real Property	850,000	
Deficiency Claim of Citizens Nat. Bank		$ 562,917
Other Unsecured Claims per Proofs of Claim		$ 42,000.
TOTAL UNSECURED CLAIMS		$7,899,953.

[17]These claims are based on the Debtor's best estimates of the amounts of such claims after review of the Debtor's records and filed proofs of claim of such creditors.

[18]These values are the forced liquidation values of pumps as determined by the appraisal of Superior Asset Management, dated November 4, 2016, a copy of which is attached hereto as **Exhibit 16,** less a standard 10% auctioneer fee. (This calculation does not include seller's charges for maintenance, insurance and transporting the pumps to the auction site.)

Estimated Professional Fees:	$ 250,000
Estimated Tax Priority Claims:	$ 400,000
Estimated Non-tax Priority Claims[19]	$ 550,000
TOTAL PRIORITY CLAIMS:	$1,200,000

ASSETS:

Cash	$2,336,624
Accounts Receivable	$1,237,961
Deposits	$ 35,500
Notes Receivable from Affiliates[20]	$ 162,544
Litigation Claim against FNC[21]	$ 323,500
Liquidation of Remaining Assets of Estate[22]:	$934,000
TOTAL REMAINING ASSETS:	$5,030,129.

Ignoring the Chapter 7 trustee commission for the disposition of such assets and their distribution, the foregoing calculation results in an approximately 48% distribution to Unsecured Claims [($5,030,129 – 1,200,000) ÷ $7,899,953]. Due to the illiquidity and contingency of certain assets (such as the FNC litigation claim and the Affiliate Note Receivable), such liquidation of the Estate under chapter 7 would require several years to complete.

In contrast, the Debtor believes that the Plan will provide for 100% payment of Allowed Unsecured Claims in not more than six years from the Effective Date.

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[19]These claims are the estimated $300,000.00 cleanup cost of 412 Hamilton Road and the Debtor's estimated accounts payable balance of $250,000.00.

[20]The only potentially recoverable Note Receivable from Affiliates is the $325,087 note due from S-3 Power Sports, Inc., which is wholly-owned and operated by Malcolm and Linda Sneed. If the Bankruptcy Case is converted to a chapter 7 liquidation case, the Debtor's management will likely be forced into personal bankruptcy (due to their guaranties of S-3 Pump's debt) or they may voluntarily terminate the business operations of S-3 Power Sports, Inc. Due to uncertainty of collection, this Note Receivable is valued at 50% of its $325,087.00 face value.

[21]Because this litigation claim is disputed, the Debtor is reflecting the value of this litigation claim at 50% of the face amount of the $647,000.00 claim.

[22]This is comprised of the remaining tangible assets of the Estate (exclusive of the Pumps, pickup trucks/passenger vehicles and Real Property).

If the Plan is not confirmed and consummated, other alternatives to the Plan include: (a) a plan of liquidation; and (b) an alternative plan of reorganization.

The Bankruptcy Court could confirm a plan of liquidation proposed by the Debtor. However, such a plan would render lower recoveries to the Holders of Secured Claims and Unsecured Claims for the same reasons as listed above under a chapter 7 liquidation scenario.

As to an alternative plan of reorganization, the Debtor submits that this company cannot be successfully reorganized without the active participation of Malcolm and Linda Sneed, and in any event, the Debtor submits that any proposed reorganization without the Sneeds' active involvement would fail to raise any new capital. The Debtor's management and legal counsel are unaware of any offer or expression of interest by any potential investor to invest money in the Debtor or any successor to the Debtor without insurance of the active involvement of Malcolm Sneed, III in such company's future operations. As an alternative to the Plan, any other alternative form of reorganization would be unlikely to provide returns equal to or greater to the returns provided by the Plan.

XIX. RECOMMENDATION

The Debtor believes that confirmation of the Plan is in the best interests of all Creditors and urges all Creditors in Classes 2 through 20 to vote in favor of the Plan.

Dated: January 30, 2017

S-3 PUMP SERVICE, INC.

By: _____
Malcolm Sneed, III, President

UNITED STATES BANKRUPTCY COURT

WESTERN DISTRICT OF LOUISIANA

SHREVEPORT DIVISION

IN RE:	**S-3 PUMP SERVICE, INC.**	*	**CASE NO. 16-10383**
	DEBTOR	*	
		*	**CHAPTER 11**
		*	
		*	**JUDGE JEFFREY P. NORMAN**

CERTIFICATE OF SERVICE

I hereby certify that on January 30, 2017, I electronically filed the foregoing *Disclosure Statement for Third Amended Plan of Organization Pursuant to Chapter 11 of the Bankruptcy Code Proposed by the Debtor, S-3 Pump Service, Inc*. and all exhibits thereto and the *Debtor's Third Amended Plan of Organization Pursuant to Chapter 11 of the Bankruptcy Code* and all exhibits thereto with the Clerk of this Court using the CM/ECF electronic filing system.

I hereby further certify that a copy of the filings was served on the United States Trustee and to the creditors who filed objections to the second amended filing via ECF noticing at the email address registered with the court:

Christopher T. Caplinger on behalf of Creditor Signature Financial, LLC
ccaplinger@lawla.com

Curtis R. Shelton on behalf of Bank of the West
curtisshelton@arklatexlaw.com

Frances Ellen Hewitt on behalf of Office of U.S. Trustee
Frances.Hewitt@usdoj.gov

Robert W. Johnson on behalf of Debtor S-3 Pump Service, Inc.
rjohnson@bwor.com

I hereby further certify that on January 31, 2017 a copy of the filings was served on the U.S. Securities & Exchange Commission, Miami Regional Office, ATTN: Eric I. Bustillo, Regional Director, 801 Brickell Avenue - Suite 1800, Miami, Florida, 33131; and on those parties who requested notice in this Chapter 11 case pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure: (1) Ford Motor Credit Company, LLC % Stephen D. Wheelis, Wheelis & Rozanski, PO Box 13199, Alexandria, Louisiana, 71315; (2) MB Financial Bank, N.A. % Sherry Lowe Johnson, Clark Hill, PLC, 150 N. Michigan Avenue – Suite 2700, Chicago, Illinois, 60601; (3) Caterpillar Financial Services Corporation % Jan M. Hayden/Lacey E. Rochester, Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, 201 St. Charles Avenue - Suite 3600, New Orleans, Louisiana, 70170; (4) Jason A. Starks, Assistant Attorney General, Bankruptcy & Collections Division MC 008, P.O. Box 12548, Austin, Texas, 78711-2548; and (5) Wintrust Financial Corporation % Randall Woolley/Alex Darcy, Askounis & Darcy, PC, 444 North Michigan Avenue - Suite 3270, Chicago, Illinois, 60611, by depositing same in the United States Mail, properly addressed, with sufficient postage affixed.

/s/ Robert W. Johnson
Of Counsel