

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF LOUISIANA  
LAFAYETTE DIVISION**

In re:	)	Chapter 11
	)	Case No. 16-80162
LOUISIANA PELLETS, INC., <u>et al.</u> <sup>1</sup>	)	Jointly Administered
	)	
Debtors.	)	
_____	)	

**DISCLOSURE STATEMENT IN  
SUPPORT OF JOINT CHAPTER 11 PLAN OF LIQUIDATION**

**THIS DISCLOSURE STATEMENT (THE “DISCLOSURE STATEMENT”) IS SUBMITTED TO ALL HOLDERS OF CLAIMS AND INTERESTS OF THE DEBTORS ENTITLED TO VOTE ON THE CHAPTER 11 PLAN OF LIQUIDATION SUBMITTED BY THE DEBTORS, HEREIN DESCRIBED AND CONTAINS INFORMATION THAT MAY AFFECT YOUR DECISION TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT IS INTENDED TO PROVIDE ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE CONCERNING THE PLAN. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO READ THE ENTIRE DISCLOSURE STATEMENT AND PLAN WITH CARE.**

**THE BANKRUPTCY COURT WILL HOLD A HEARING ON \_\_\_\_\_, 2017 AT \_\_\_\_ TO DETERMINE WHETHER THIS DISCLOSURE STATEMENT WILL BE APPROVED AS CONTAINING ADEQUATE INFORMATION UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE. PARTIES WHO WISH TO OBJECT TO THIS DISCLOSURE STATEMENT MUST DO SO ON OR BEFORE \_\_\_\_\_, 2017, BY FILING A WRITTEN OBJECTION WITH THE UNITED STATES BANKRUPTCY COURT AND SERVING SUCH OBJECTION ON THE DEBTORS’ COUNSEL.**

**SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN HEREIN DESCRIBED IS BEING SOUGHT FROM HOLDERS OF CLAIMS AND INTERESTS WHOSE CLAIMS AGAINST, AND INTERESTS IN, THE DEBTORS ARE IMPAIRED UNDER THE PLAN. HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE ON THE PLAN ARE URGED BY THE DEBTORS TO VOTE IN FAVOR OF THE PLAN. WHEN YOU VOTE, PLEASE RETURN THE COMPLETED BALLOT INCLUDED WITH THIS DISCLOSURE STATEMENT IN THE ACCOMPANYING ENVELOPE ADDRESSED TO Locke Lord LLP, c/o C. Davin Boldissar, 601 Poydras St., Suite 2660, New Orleans, Louisiana 70130 SO AS TO BE RECEIVED NOT LATER THAN \_\_\_\_\_, AT 12:00 P.M.**

**A HEARING ON CONFIRMATION OF THE CHAPTER 11 PLAN IS SET FOR \_\_\_\_\_, 2017, AT \_\_\_\_\_.**

<sup>1</sup>The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are Louisiana Pellets, Inc. (3369) and German Pellets Louisiana, LLC (3414). The location of the Debtors’ corporate headquarters and service address is: 4915 Highway 125, Urania, Louisiana 71480.

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## **ARTICLE I**

### **DEFINITIONS**

The following terms (which appear in this Disclosure Statement and the attached Plan of Liquidation as capitalized terms) have the following meanings:

**1.1 “Administrative Claim”** means a Claim for costs and expenses of administration of the Reorganization Case under section 503(b) of the Bankruptcy Code entitled to priority pursuant to section 507(a)(1) of the Bankruptcy Code; provided, however, the term “Administrative Claim” shall not include “Professional Fee Claims.”

**1.2 “Administrative Claims Bar Date”** means the date that is 30 calendar days after the Effective Date.

**1.3 “Allowed”** means, with respect to Claims and Interests, except as otherwise allowed or provided for in the Plan or a Final Order of the Bankruptcy Court, a Claim or Interest, proof of which was timely and properly Filed or, if no Proof of Claim or proof of interest was Filed, which has been or hereafter is listed by the Debtors on their Schedules as liquidated in amount and not disputed or contingent, and, in either case, as to which:

a. no objection to the allowance thereof has been interposed on or before the later of: (i) the one hundred twentieth (120th) day after the Effective Date, or (ii) such other applicable period for objection as may be fixed or extended by the Court, or

b. any objection thereto has been determined by a Final Order to the extent such objection is determined in favor of the respective holder.

Unless otherwise specified herein or by order of the Court, an “Allowed Claim” shall not include any interest, fees, costs or other charges on such Claim accruing after the Petition Date.

**1.4 “Asset Purchase Agreement”** means the Asset Purchase Agreement as defined under the Sale Order and as executed between the Debtors and Purchaser. A copy of the Asset Purchase Agreement is attached hereto as **Exhibit “1.”**

**1.5 “Available Cash”** means the Liquidating Trust’s Cash on hand on any particular date less (i) amounts reserved on account of Disputed Claims; (ii) amounts reasonably required by the Liquidating Trustee to retain professionals post-confirmation; and (iii) amounts reasonably required by the Liquidating Trustee to administer the Liquidating Trust and to complete the transactions and other actions required under the Plan and Liquidating Trust Agreement, including the prosecution of claims and causes of action.

**1.6 “Avoidance Actions”** means all of the Debtors’ and the Estates’ rights and claims under sections 541 through 553 of the Bankruptcy Code, inclusive, or under any similar or related state or federal statute or case or common law, whether or not an action is initiated on or before the Effective Date.

**1.7 “Ballot”** means the form to be distributed with the Disclosure Statement to each holder of an Impaired Claim or Interest on which the holder is to indicate acceptance or rejection of the Plan.

**1.8 “Balloting Deadline”** means the date and time, as set by an Order of the Bankruptcy Court and set forth in the Disclosure Statement or on the Ballot, by which all Ballots must be received at the address set forth used for voting on the Plan, as such date may be extended by an order.

**1.9 “Bankruptcy Code”** means Title 11 of the United States Code, or the Bankruptcy Reform Act of 1978, as amended.

**1.10 “Bankruptcy Court”** means the United States Bankruptcy Court for the Western District of Louisiana, or, in the event such court ceases to exercise jurisdiction over the Reorganization Case, such court or adjunct thereof that exercises jurisdiction over the Reorganization Case in lieu of the United States Bankruptcy Court for the Western District of Louisiana.

**1.11 “Bankruptcy Rules”** means collectively, the (a) Federal Rules of Bankruptcy Procedure, (b) Federal Rules of Civil Procedure and, (c) Local Rules of the Bankruptcy Court, as applicable from time to time in the Reorganization Case or proceedings therein, as the case may be.

**1.12 “Bond Documents”** means the Third Amended and Restated Indenture of Trust, dated as of May 1, 2015; the Pledge and Security Agreement dated March 21, 2013; the Assignment of Contracts, Permits and Approvals dated March 21, 2013; the Mortgage, Security Agreement and Assignment of Leases and Rents, dated March 21, 2013; the Leasehold Mortgage, Security Agreement and Assignment of Leases and Rents dated March 21, 2013, and any other document or agreement delivered as security for, or in respect to, the Bonds or Debtors’ obligations under any such documents.

**1.13 “Bond Trustee”** means UMB Bank, National Association, as the successor trustee with respect to the Louisiana Public Facilities Authority Solid Waste Disposal Facility Revenue Bonds (Louisiana Pellets, Inc. Project) Series 2013, 2014, and 2015, issued under the Indenture.

**1.14 “Bond Trustee Carve Out Payment”** means the amount of \$75,000 from the proceeds from the Sale to the Purchaser to be provided to the Liquidating Trustee to fund the Liquidation Trust pursuant to the terms hereof. The Debtors and the UCC acknowledge that the Liens of the Bond Trustee encumber such amounts, however, the Bond Trustee has consented to the Bond Trustee Carve Out Payment being transferred to the Liquidating Trustee free and clear of such Liens.

**1.15 “Bond Trustee Secured Claim”** means the Claim filed by the Bond Trustee as claim number 41 in the Reorganization Case in the amount of \$336,667,116.60 and as treated in Section 5.1 hereof. For the avoidance of doubt, the Deficiency Claim held by the Bond Trustee shall not be part of the Bond Trustee Secured Claim, and instead is treated as an Unsecured Claim pursuant to the provisions herein.

**1.16 “Bond Trustee Collateral”** means all property securing the Bond Trustee Secured Claim.

**1.17 “Bonds”** means the Louisiana Public Facilities Authority Solid Waste Disposal Facility Revenue Bonds (Louisiana Pellets, Inc. Project) Series 2013, 2014, and 2015, issued under the Indenture.

**1.18 “Business Day”** means any day other than a Saturday, Sunday, holiday in Lafayette, Louisiana or pursuant to Bankruptcy Rule 9006.

**1.19 “Cash”** means legal tender of the United States of America and equivalents thereof.

**1.20 “Causes of Action”** means, without limitation, any and all claims, actions, causes of action, liabilities, obligations, rights, suits, accounts, debts, sums of money, damages, judgments, claims and demands, actions, defenses, offsets, powers (including all police, regulatory, and enforcement powers and actions that may be taken), privileges, licenses, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whatsoever, whether known or unknown, suspected or unsuspected, whether arising prior to, on or after the Petition Date, in contract, negligence, or tort, in law, equity or otherwise, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured and whether asserted or assertable. For avoidance of doubt, Causes of Action include, but are in no way limited to (a) damages, (b) the recovery of monies, (c) Lien avoidance, subordination, surcharge, recharacterization, rights of setoff, counterclaim or recoupment, and claims on contracts or for breaches of duties imposed by law, (d) injunctive, equitable, or other relief, (e) claims pursuant to Section 362 of the Bankruptcy Code, (f) such claims and defenses as fraud, mistake, duress, and usury, (g) Avoidance Actions, and (h) all Causes of Action that may be directly or derivatively asserted on behalf of the Debtors, their Estates, or the Reorganized Debtors.

**1.21 “Claim”** has the meaning set forth in section 101(5) of the Bankruptcy Code.

**1.22 “Class”** means a category of holders of Claims or Interests classified together pursuant to section 1123(a)(11) of the Bankruptcy Code.

**1.23 “Closing”** means the closing of the Sale.

**1.24 “Confirmation Date”** means the date on which the Confirmation Order is entered on the docket of the Bankruptcy Court.

**1.25 “Confirmation Hearing”** means the hearing held pursuant to section 1128(a) of the Bankruptcy Code at which the Bankruptcy Court considers confirmation of the Plan, including any continuances thereof.

**1.26 “Confirmation Order”** means the order of the Bankruptcy Court entered following the Confirmation Hearing that confirms the Plan.

**1.27 “CRO”** means Chip Cummins and RPA Advisors.

**1.28 “Cure Payments”** means any payments as may be required to be made to counterparties to Supplemental Assumed Executory Contracts and/or Supplemental Assumed Unexpired Leases under Section 8.4 of the Plan.

**1.29 “Debtors”** mean Louisiana Pellets, Inc., and German Pellets Louisiana, LLC.

**1.30 “Deficiency Claim”** means that portion of a Claim secured by a Lien on property in which the Debtors’ estates have an interest that is determined, pursuant to section 506(a) of the Bankruptcy Code or through agreement, to exceed the value of the claimant’s interest in such property.

**1.31 “DIP and Cash Collateral Order”** means the Bankruptcy Court’s Final Order (1) Authorizing Debtors In Possession To Obtain Post-petition Financing, (2) Providing Adequate Protection; And (3) Granting Liens, Security Interests and Superpriority Claims [Docket # 210] entered in the Reorganization Case, as amended through the Order entered in the Reorganization Case September 23, 2016 [Docket # 497], February 8, 2017 [Docket # 595], and April 27, 2017 [Docket # 672], pursuant to which Bond Trustee was granted and holds liens and security interests in all of the Debtors’ assets as security for the DIP Loan as defined in the DIP and Cash Collateral Order.

**1.32 “DIP Lender”** means UMB Bank, National Association, as Trustee, in its capacity as lender under the DIP Loan.

**1.33 “DIP Loan”** means, as amended, the debtor-in-possession loan extended by the DIP Lender to the Debtors, and as further defined under the DIP and Cash Collateral Order.

**1.34 “Disallowed”** means, as to a Claim or Interest, (a) a Claim or Interest, or any portion thereof, that has been disallowed by a Final Order or a settlement, (b) a Claim or Interest or any portion thereof that is Scheduled at zero or as contingent, disputed, or unliquidated and, as to which, no Proof of Claim has been properly filed by the Proof of Claim Bar Date, or (c) a Claim or Interest or any portion thereof that is not Scheduled and, as to which, no proof of claim has been properly filed by the Proof of Claim Bar Date.

**1.35 “Disclosure Statement”** means the Disclosure Statement for the Debtors to accompany the Plan, as modified or amended, filed with the Court on May 17, 2017.

**1.36 “Disclosure Statement Objection Deadline”** means the deadline set by the Bankruptcy Court, or under applicable rules, for parties in interest to file objections to the Disclosure Statement.

**1.37 “Disputed,”** as to a Claim or Interest, means any Claim or Interest that is not an Allowed Claim, a Disallowed Claim, an Allowed Interest or a Disallowed Interest, as the case may be. In the event that any part of a Claim or Interest is disputed, such Claim or Interest in its entirety shall be deemed to constitute a Disputed Claim or Disputed Interest for purposes of distribution under this Plan unless a Final Order has been entered providing otherwise. Without limiting any of the foregoing, a Claim or Interest that is the subject of a pending objection, motion, complaint, counterclaim, setoff, Avoidance Actions, litigation claim or other defense, or

any other proceeding seeking to disallow, subordinate or estimate such Claim, shall be deemed to constitute a Disputed Claim or Disputed Interest, as the case may be.

**1.38 “Distribution Record Date”** means the record date for determining the entitlement of holders of Claims to receive distributions under this Plan on account of Allowed Claims. The Distribution Record Date shall be five (5) Business Days before the Confirmation Date.

**1.39 “Distribution Reserve”** means the reserve account as defined under the Sale Order, consisting of \$24,456,848.05 in funds reserved from the Sale Proceeds, as required under the Sale Order, and utilized and disbursed under the terms of this Plan and the Sale Order.

**1.40 “Distribution Reserve Balance”** means the balance of the Distribution Reserve after all required payments from the Distribution Reserve are made under this Plan and the Sale Order, and all Disputed Claims subject to payment from the Distribution Reserve are resolved by Final Order.

**1.41 “Effective Date”** has the meaning ascribed to it in Section 9.1 of the Plan.

**1.42 “Estate”** means the estate created in the Reorganization Case under section 541 of the Bankruptcy Code.

**1.43 “Excluded Assets”** means all assets of the Debtors that are not sold and transferred to the Purchaser pursuant to the Sale Order, including without limitation the Retained Causes of Action.

**1.44 “Executory Contract”** means a contract to which one or more of the Debtors is a party, that is subject to assumption or rejection under sections 365 and/or 1123 of the Bankruptcy Code.

**1.45 “File” or “Filed”** means filed with the Bankruptcy Court in the Reorganization Case, as reflected on the official docket of the Bankruptcy Court for the Reorganization Case.

**1.46 “Final Order”** means an order or judgment of the Bankruptcy Court or other applicable court as to which the time to appeal, petition for certiorari, or move for new trial, reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for new trial, reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, retry, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtors or, in the event that an appeal, writ of certiorari, or new trial or reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court or other applicable court shall have been affirmed by the highest court to which such order or judgment was appealed, or certiorari has been denied, or from which new trial, reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for new trial, reargument or rehearing shall have expired, with no further appeal, petition for certiorari or motion for new trial, reargument or rehearing pending; provided, however, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule of the Bankruptcy Rules, may be filed with respect to such order or judgment shall not render such order or judgment not to be a Final Order.

**1.47 “GP DIP Loan”** means the loan approved by the GP DIP and Cash Collateral Order.

**1.48 “GP DIP and Cash Collateral Order”** means the Final Order on Debtors’ Motion for Interim and Final Orders (1) Authorizing and Approving Emergency Post-Petition Financing; and (2) Providing Superpriority Administrative Expense Status [Docket No. 124] entered in the Reorganization Case, pursuant to which German Pellets Holding, USA, Inc. provided a certain loan to Debtors.

**1.49 “GP DIP Loan Claim”** means the Claim based asserted by the lender under the GP DIP Loan and the GP DIP and Cash Collateral Order, for amounts as may be asserted to have been advanced by the lender under the GP DIP and Cash Collateral Order, and also including any and all amounts asserted under Proof of Claim #49 filed against the Estate of LPI in the Reorganization Case.

**1.50 “GP DIP Loan Escrow”** means the escrow set up in accordance with the Sale Order and as further defined in Section 6.1.2 hereof.

**1.51 “GP Holding”** means German Pellets Holding, USA, Inc.

**1.52 “GPLA”** means Debtor German Pellets Louisiana, LLC.

**1.53 “Impaired”** means a Claim or Interest or a Class of Claims or a Class of Interests that is impaired within the meaning of Section 1124 of the Bankruptcy Code.

**1.54 “Indenture”** means that certain Third Amended and Restated Indenture Trust, dated as of May 1, 2015, between the Louisiana Public Facilities Authority and Wells Fargo Bank, N.A., as original trustee and predecessor to the Bond Trustee.

**1.55 “Insurance Policies”** means any insurance policies, insurance settlement agreements, coverage-in-place agreements, or other agreements relating to the provision of insurance entered into by or issued to or for the benefit of any of the Debtors or their predecessors.

**1.56 “Interest”** means the holder of any current or former holder of an “equity security” (as defined in Section 101(16) of the Bankruptcy Code).

**1.57 “Interim Distribution Date”** has the meaning as set forth in the Liquidating Trust Agreement, and shall be the date or dates that interim distributions are made on account of Class 3 Claims under the Liquidating Trust Agreement.

**1.58 “Investment Banker”** means Saltbox Partners LLC and Headwaters MB.

**1.59 “Lien”** has the meaning set forth in section 101(37) of the Bankruptcy Code.

**1.60 “Lien Adversary”** means Adversary Case No. 17-05004, pending before the Bankruptcy Court, as Louisiana Pellets, Inc., et al. v. Bullseye Masonry, LLC, et al., and also any and all other legal actions or cases as may be filed to determine Lien ranking and/or priority



between parties asserting or holding Secured Claims against one or more of the Debtors and their assets other than the Tax Lien Adversary.

**1.61 “Lien Adversary Defendant”** means the parties named as defendants in the Lien Adversary.

**1.62 “Liquidating Trust”** means the entity created pursuant to Section 9.10 of this Plan to which all holders of Unsecured Claims shall look for satisfaction of their Claims unless otherwise specifically set forth to the contrary in this Plan.

**1.63 “Liquidating Trust Agreement”** means the trust agreement entered into in accordance with the Plan pursuant to which the Liquidating Trust will be established and administered, in the form included within the Plan Supplement.

**1.64 “Liquidating Trustee”** means \_\_\_\_\_, the person designated to serve as the Liquidating Trustee under the Liquidating Trust Agreement and pursuant to the terms of this Plan, or any successor Liquidating Trustee appointed pursuant to the terms of this Plan or such other person as appointed by the Bankruptcy Court.

**1.65 “LPI”** means Debtor Louisiana Pellets, Inc.

**1.66 “Petition Date”** means February 18, 2016.

**1.67 “Plan”** means this plan of liquidation, either in its present form or as it may be altered, amended, or modified from time to time by the Debtors or the Reorganized Debtors in accordance with the Bankruptcy Code and Bankruptcy Rules.

**1.68 “Plan Rate”** means the rate of interest, if any, that will be paid on Claims but only to the extent that this Plan specifies that interest will be paid on such Claims. For all non-tax claims, the Plan Rate shall be 5% simple interest. The Plan Rate for tax claims shall be the applicable non-bankruptcy statutory rate determined as of the calendar month in which the Confirmation Order is entered. Interest shall be calculated from the Petition Date to each Payment Date. Notwithstanding the foregoing, the interest rate for amounts advanced to the Debtors by the DIP Lender shall be the interest rate set forth in the documents relating to the DIP Loan.

**1.69 “Plan Supplement”** means the compilation of documents and forms of documents, schedules, and exhibits to the Plan, to be Filed by the Debtors no later than 14 days before the Confirmation Hearing or such later date as may be approved by the Bankruptcy Court on notice to parties in interest, and additional documents Filed with the Bankruptcy Court before the Effective Date as amendments to the Plan Supplement comprised of, among other documents, the following: (a) the form of the Liquidating Trust Agreement; (b) the Supplemental Assumed Executory Contract and Unexpired Lease List; and (c) the Rejected Executory Contract and Unexpired Lease List. Any reference to the Plan Supplement in the Plan shall include each of the documents identified above as (a) through (c), as applicable. The documents that comprise the Plan Supplement shall be: (x) subject to any consent or consultation rights provided hereunder and thereunder, including as provided in the definitions of the relevant documents; and (y) in form and substance reasonably acceptable to the Debtors and the Bond Trustee. The

Debtors shall have the right to amend the documents contained in the Plan Supplement through and including the Effective Date in accordance with the Plan and the applicable documents.

**1.70 “Post-Confirmation Committee”** means those individuals set forth in the Plan Supplement.

**1.71 “Priority Tax Claim”** means any Claim due as of the Petition Date computed on an accrual basis entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code, but only to the extent it is entitled to priority under such subsection.

**1.72 “Professional Fee Claim Bar Date”** means the date that is [thirty (30)] days after the Effective Date, as further defined in Section 6.1.5.

**1.73 “Professional Fee Claims”** means, without limitation, a Claim seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under sections 328, 330, 331, 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code.

**1.74 “Proof of Claim”** means a proof of Claim Filed against either of the Debtors in the Reorganization Case.

**1.75 “Proof of Claim Bar Date”** means August 16, 2016.

**1.76 “Purchased Assets”** has the same meaning as set forth in the Asset Purchase Agreement and Sale Order.

**1.77 “Purchaser”** means the “Purchaser” as defined under the Sale Order.

**1.78 “Rejected Executory Contracts”** has the meaning set forth in Section 8.2 of the Plan.

**1.79 “Rejected Executory Contract and Unexpired Lease List”** means the list of Executory Contracts and Unexpired Leases to be rejected pursuant to the Plan, as determined by the Debtors or the Reorganized Debtors, as reflected in the Plan Supplement and as may be further amended or modified by inclusion in the Plan Supplement.

**1.80 “Rejected Unexpired Leases”** has the meaning set forth in Section 8.2 of the Plan.

**1.81 “Rejection Damages Bar Date”** means the date that is thirty (30) days after the Effective Date, as set forth in Section 8.2 hereof.

**1.82 “Released Claims”** means those Claims released and discharged under Sections 9.21 through 9.25, inclusive, below.

**1.83 “Released Parties”** means: (i) the Debtors’ and Reorganized Debtors’ respective financial advisors, attorneys, investment bankers and accountants whose retention has been approved by the Bankruptcy Court; (ii) the Bond Trustee, its successors and assigns, and each of

their respective divisions, affiliates, and their former, present and future officers, directors, servants, shareholders, members, affiliates, managers, partners, employees, agents, representatives, professionals, consultants, financial advisors, attorneys and accountants; (iii) the DIP Lender, its successors and assigns, and each of their respective divisions, affiliates, and their former, present and future officers, directors, servants, shareholders, members, affiliates, managers, partners, employees, agents, representatives, professionals, consultants, financial advisors, attorneys and accountants; (iv) the UCC, its members, and its respective financial advisors, attorneys and accountants whose retention has been approved by the Bankruptcy Court; and (vi) the CRO and his respective financial advisors, attorneys and accountants whose retention has been approved by the Bankruptcy Court. Notwithstanding the foregoing or anything contained in this Plan, no provision of this Plan shall release the Debtors, the Debtors' parents, members, shareholders, affiliates, officers, directors, or any of the Debtors' accountants, bankers, financial advisors, or professionals (other than Locke Lord LLP) retained by the Debtors or their affiliates before the Petition Date.

**1.84 “Reorganization Case”** means this bankruptcy case under chapter 11 of the Bankruptcy Code.

**1.85 “Reorganized Debtors”** means Louisiana Pellets, Inc., and German Pellets Louisiana LLC, following the Effective Date.

**1.86 “Reserved Distributions”** has the meaning set forth in Section 9.7 of the Plan.

**1.87 “Retained Causes of Action”** means any and all claims and Causes of Action of the Debtors and/or Reorganized Debtors, including without limitation (i) Avoidance Actions, (ii) the Lien Adversary, (iii) the Tax Lien Adversary; and (iv) Causes of Action expressly reserved pursuant to Section 9.28 and listed on Schedule 9.28; but except for and not including any and all claims or Causes of Action expressly released or discharged in this Plan; .

**1.88 “Sale”** means the sale of the Purchased Assets to the Purchaser under the Sale Order.

**1.89 “Sale Order”** means that certain order dated April 11, 2017, titled *Order Granting The Debtors’ Motion For Entry Of An Order Authorizing (A) The Sale Of Substantially All Of The Debtors’ Assets, And (B) The Assumption And Assignment Of Certain Executory Contracts And Unexpired Leases* and entered by the Bankruptcy Court in the Reorganization Case [Docket #661].

**1.90 “Sale Proceeds”** means the funds tendered by Purchaser as “Total Consideration” as defined under the Asset Purchase Agreement and Sale Order, but less and except Cure Payments and any non-cash assumption of obligations by Purchaser.

**1.91 “Scheduled”** means the claims set forth, stated or listed on the Schedules.

**1.92 “Schedules”** means the Schedules of Assets and Liabilities and List of Equity Security Holders Filed by the Debtors under the Bankruptcy Rules, as the same have been or may be amended from time to time before the Effective Date.

**1.93 “Secured Claim”** means a claim by a creditor possessing a valid and perfected Lien; provided that any Deficiency Claim held by a holder of a Secured Claim shall not be a Secured Claim, and instead is treated as an Unsecured Claim pursuant to the provisions herein.

**1.94 “Supplemental Assumed Executory Contract and Unexpired Lease List”** means the supplemental list of Executory Contracts and Unexpired Leases to be assumed (with proposed cure amounts), as determined by the Debtors or the Reorganized Debtors in consultation with the Purchaser, as reflected and included within the Plan Supplement, and as may be further amended or modified by inclusion in the Plan Supplement.

**1.95 “Supplemental Assumed Executory Contracts”** has the meaning set forth in Section 8.2 of the Plan.

**1.96 “Supplemental Assumed Unexpired Leases”** has the meaning set forth in Section 8.2 of the Plan.

**1.97 “Tax Lien Adversary”** means Adversary Case No. 17-05010, pending before the Bankruptcy Court, as *Louisiana Pellets, Inc., et al. v. LaSalle Parish Department of Revenue and Taxation Sales and Use Tax Division*.

**1.98 “Tax Lien Adversary Defendant”** means the parties named as defendants in the Tax Lien Adversary.

**1.99 “Trustee Held Funds”** means the funds held by the Bond Trustee for the benefit of the Bondholders, defined as the “Trustee Held Funds” under the DIP and Cash Collateral Order.

**1.100 “UCC”** means the Official Committee of Unsecured Creditors appointed in the Reorganization Case.

**1.101 “Unexpired Lease”** means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

**1.102 “Unsecured Claim”** means any claim that is not an Administrative Claim, Priority Claim, Secured Claim, or a Claim otherwise specifically classified in another class in this Plan.

## **ARTICLE II** **INTRODUCTION**

### **2.1 General Information Concerning Disclosure Statement and Plan**

The Debtors submit this Disclosure Statement, as may be amended from time to time, under § 1125 of the Bankruptcy Code and Rule 3016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) to all of the Debtors’ known holders of Claims and Interests entitled to vote on the Debtors’ Plan. The purpose of this Disclosure Statement is to provide adequate information to enable holders of Claims and Interests who are entitled to vote on the Plan to arrive at a reasonably informed decision in exercising their respective right to vote on the

Plan. A copy of the Plan is included with this Disclosure Statement. Capitalized terms used but not defined in this Disclosure Statement shall have the meanings assigned to them in the Plan or in the Bankruptcy Code and Bankruptcy Rules. All section references in this Disclosure Statement are to the Bankruptcy Code unless otherwise indicated.

The Debtors have proposed the Plan consistent with the provisions of the Bankruptcy Code. The purpose of the Plan is to effectuate certain transactions to maximize recoveries for the Debtors' estates and creditors, including, as described in the Plan:

The Plan provides for the following:

(a) Satisfaction and payment of any outstanding portion of the DIP Loan (if any) from Sale Proceeds under the Sale Order;

(b) Treatment of the Bond Trustee Secured Claim through (i) distribution of any remaining Sale Proceeds under the Sale Order (after payment of any outstanding amounts under the DIP Loan, if any), and (ii) distribution of any remaining Distribution Reserve Balance and the GP DIP Loan Escrow;

(c) Satisfaction and payment of Allowed Administrative Claims from the Distribution Reserve;

(d) Satisfaction and payment of Allowed Priority Tax Claims from the Distribution Reserve;

(e) Satisfaction and payment of Allowed Professional Fee Claims from the Distribution Reserve;

(f) Formation of the Liquidating Trust, which shall receive (i) the Bond Trustee Carve Out Payment; and (ii) any remaining Sale Proceeds (if any) after all other required payments as set forth herein, and which shall pursue the Retained Causes of Action and liquidate any other Excluded Assets on behalf of Unsecured Claims and Deficiency Claims; and,

(g) The cancellation of Equity Interests.

This Disclosure Statement is not intended to replace a careful review and analysis of the Plan, including the specific treatment of Claims and Interests under the Plan. It is submitted as an aid and supplement to your review of the Plan and to explain the terms of the Plan. Every effort has been made to fairly summarize the Plan and to inform holders of Claims and Interests how various aspects of the Plan affect their respective positions. You are encouraged to consult with your own counsel. Counsel for the Debtors are, and Counsel for the UCC may be, available to answer any questions that your counsel may have regarding the Plan and this Disclosure Statement.

## **2.2 Disclaimers**

**NO SOLICITATION OF VOTES HAS BEEN OR MAY BE MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT AND SECTION 1125 OF THE**

**BANKRUPTCY CODE. NO PERSON HAS BEEN AUTHORIZED TO USE ANY INFORMATION CONCERNING THE DEBTORS TO SOLICIT ACCEPTANCES OR REJECTIONS OF THE PLAN OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT RELY ON ANY INFORMATION RELATING TO THE DEBTORS OTHER THAN THAT CONTAINED IN THIS DISCLOSURE STATEMENT, ANY ATTACHMENTS THERETO AND THE PLAN.**

**EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT, NO REPRESENTATION CONCERNING THE DEBTORS, THEIR ASSETS, THEIR LIABILITIES, PAST OR FUTURE OPERATIONS, OR CONCERNING THE PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY REPRESENTATIONS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD BE IMMEDIATELY REPORTED TO COUNSEL FOR THE DEBTORS.**

**UNLESS ANOTHER TIME IS SPECIFIED, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE OF THIS DISCLOSURE STATEMENT. NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE CONCERNING THE DISCLOSURE STATEMENT AND THE PLAN SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THE DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THE DISCLOSURE STATEMENT WERE COMPILED.**

**THE INFORMATION PROVIDED HEREIN WAS OBTAINED FROM A VARIETY OF SOURCES AND IS BELIEVED TO BE RELIABLE. HOWEVER, THE DEBTORS HAVE NOT BEEN ABLE TO INDEPENDENTLY VERIFY EACH AND EVERY STATEMENT CONTAINED HEREIN. ACCORDINGLY, THE DEBTORS AND THEIR PROFESSIONALS CANNOT MAKE ANY REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.**

**THE DEBTORS' BUSINESS AFFAIRS ARE COMPLEX. IT IS POSSIBLE THAT THE TRANSACTIONS CONTEMPLATED UNDER THE PLAN COULD HAVE NEGATIVE TAX AND OTHER ECONOMIC CONSEQUENCES. THE DEBTORS MAKE NO REPRESENTATIONS REGARDING THE TAX IMPLICATIONS OF ANY TRANSACTION CONTEMPLATED UNDER THE PLAN. IT IS NOT UNCOMMON FOR PARTIES TO RETAIN THEIR OWN TAX ADVISORS TO ANALYZE THE PLAN. THE DEBTORS ENCOURAGE ALL PERSONS THAT MIGHT BE AFFECTED TO SEEK INDEPENDENT ADVICE REGARDING THE TAX EFFECTS OF THE PLAN.**

**DISTRIBUTION OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS ANY REPRESENTATION OR WARRANTY AT ALL, EITHER EXPRESS OR IMPLIED, BY THE DEBTORS OR THEIR PROFESSIONALS THAT**

**THE PLAN IS FREE FROM RISK, THAT THE ACCEPTANCE OF THE PLAN WILL RESULT IN A RISK-FREE LIQUIDATION OF THE DEBTORS' ASSETS OR THAT ALL POTENTIAL ADVERSE EVENTS HAVE BEEN ANTICIPATED.**

**THIS DISCLOSURE STATEMENT AND THE PLAN SHOULD BE READ IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN. FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS, THE TERMS OF THE PLAN ARE SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN, WHICH CONTROLS IN CASE OF ANY INCONSISTENCY.**

### **2.3 Answers to Commonly Asked Questions**

As part of the Debtors' efforts to inform holders of Claims and Interests regarding the Plan and the Plan confirmation process, the following summary provides answers to questions which parties who receive a disclosure statement often ask.

**THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE PLAN, WHICH CONTROLS IN CASE OF ANY INCONSISTENCY.**

#### **2.3.1 Who are the Debtors?**

The jointly-administered Chapter 11 Debtors, along with the last four digits of each Debtor's federal tax identification number, are Louisiana Pellets, Inc. (3369) and German Pellets Louisiana, LLC (3414). The location of the Debtors' corporate headquarters and service address is, pending the closing of the Sale: 4915 Highway 125, Urania, Louisiana 71480. The nature of the Debtors' business and the major events in this bankruptcy case are described below in Article III.

#### **2.3.2 What is a Chapter 11 bankruptcy?**

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code that allows financially distressed businesses to reorganize their debts or to liquidate their assets in a controlled fashion. The commencement of a chapter 11 case creates an "estate" containing all of the legal and equitable interests of the debtor in property as of the date the bankruptcy case is filed. During a chapter 11 bankruptcy case, the debtor remains in possession of its assets unless the Court orders the appointment of a trustee which did not occur in this case.

#### **2.3.3 If the Plan governs how my Claim or Interest is treated, what is the purpose of this Disclosure Statement?**

The Bankruptcy Code requires that in order to solicit votes on a bankruptcy plan, the proponent of the plan must first prepare a disclosure statement that provides sufficient information to allow holders of Claims and Interests to make an informed decision about the plan. The disclosure statement and plan are distributed to holders of Claims and Interests only after the Bankruptcy Court has approved the disclosure statement and determined that the disclosure statement contains information adequate to allow holders of Claims and Interests to

make an informed judgment about the plan. At that time, holders of Claims and Interests whose claims and interests are impaired under the Plan also receive a voting ballot and other materials.

### **2.3.4 Has this Disclosure Statement been approved by the Bankruptcy Court?**

On \_\_\_\_\_, 2017, the Bankruptcy Court will hold a hearing to determine whether this Disclosure Statement should be approved as containing adequate information. “Adequate information” means information of a kind, and in sufficient detail, as far as is practicable considering the nature and history of the Debtors, to enable a hypothetical investor typical of holders of claims or interests of the relevant classes to make an informed judgment whether to vote to accept or reject the Plan.

### **2.3.5 How do I determine how my Claim or Interest is classified?**

To determine the classification of your Claim or Interest, you must determine the nature of your Claim or Interest. Under the Plan, Claims and Interests are classified into a series of classes. The pertinent articles and sections of the Disclosure Statement and Plan disclose, among other things, the treatment that each class of Claims or Interests will receive if the Plan is confirmed.

### **2.3.6 Why is confirmation of the Plan important?**

The Bankruptcy Court’s confirmation of the Plan is a condition to the Debtors carrying out the treatment of holders of Claims and Interests under the Plan. Unless the Plan is confirmed, and any other conditions to confirmation or to the effectiveness of the Plan are satisfied, with some exceptions (including without limitation through the Sale Order) the Debtors are legally prohibited from satisfying Claims or Interests as provided in the Plan.

### **2.3.7 What is necessary to confirm the Plan?**

Under applicable provisions of the Bankruptcy Code, confirmation of the Plan requires that, among other things, at least one class of impaired Claims or Interests vote to accept the Plan. Acceptance by a class of claims or interests means that at least two-thirds in the total dollar amount and more than one-half in number of the allowed Claims or Interests actually voting in the class vote in favor of the Plan, with all votes of insiders excluded from acceptance. Because only those claims or interests who vote on a plan will be counted for purposes of determining acceptance or rejection of a plan by an impaired class, a plan can be approved with the affirmative vote of members of an impaired class who own less than two-thirds in amount and one-half in number of the claims/interests. Besides acceptance of the Plan by a class of impaired creditors or interests, a bankruptcy court also must find that the Plan meets a number of statutory tests before it may confirm the Plan. These requirements and statutory tests generally are designed to protect the interests of holders of impaired claims or interests who do not vote to accept the Plan but who will nonetheless be bound by the Plan’s provisions if the bankruptcy court confirms the Plan.



Because at least one of the classes under the Plan is deemed to reject the Plan, the Debtors are requesting that the Bankruptcy Court confirm the Plan under § 1129(b) of the Bankruptcy Code. To confirm a plan not accepted by all classes, the plan proponent must demonstrate that the plan does not discriminate unfairly, and is fair and equitable with respect to each class of claims or interests that is impaired under, and that has not accepted, the plan. This method of confirming a plan is commonly called a “cramdown.” In addition to the statutory requirements imposed by the Bankruptcy Code, the Plan itself also provides for certain conditions that must be satisfied as conditions to confirmation.

### **2.3.8 Is there an Unsecured Creditors’ Committee in this case?**

Yes. The Unsecured Creditors’ Committee (“UCC”) has five members: Entergy Services, Inc. for Entergy Louisiana, James L. Davis Construction, Elektro Fischer USA, LP, CPM Europe BV, and Winn Timber Products, LLC. The role of the UCC is established by the Bankruptcy Code. It acts as a participant in the case for the benefit of unsecured creditors as a group and has the right to appear and be heard.

Counsel for the UCC is Lisa Futrell and Mark A. Mintz, Jones Walker LLP, 201 St. Charles Avenue, 49th Floor, New Orleans, Louisiana 70170, 504-582-8368.

### **2.3.9 When is the deadline for returning my ballot and objecting to the Disclosure Statement and Plan?**

The Bankruptcy Court has set a hearing regarding approval of this Disclosure Statement for \_\_\_\_\_, 2017. Objections to this Disclosure Statement must be filed with the bankruptcy court by \_\_\_\_\_, 2017. If this Disclosure Statement is approved, the Bankruptcy Court will likely direct that, to be counted for voting purposes, your ballot must be received by the Debtors’ attorneys, Locke Lord LLP, by \_\_\_\_\_, 2017, at 5:00 p.m. U.S. Central Time. If the Disclosure Statement is approved, a Creditor or Party in Interest may file with the Bankruptcy Court a written objection to the Plan before the deadline of \_\_\_\_\_, 2017. If an objection is not timely filed, it may not be considered.

**IT IS IMPORTANT THAT ALL IMPAIRED HOLDERS OF CLAIMS AND INTERESTS VOTE ON THE PLAN. THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST POSSIBLE RECOVERY TO HOLDERS OF CLAIMS AND INTERESTS. THE DEBTORS THEREFORE BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF HOLDERS OF CLAIMS AND INTERESTS AND RECOMMEND THAT ALL IMPAIRED HOLDERS OF CLAIMS AND INTERESTS VOTE TO ACCEPT THE PLAN.**

## **ARTICLE III** **OVERVIEW OF PLAN**

An overview of the Plan is set forth below. This overview is qualified in its entirety by reference to the Plan. If the Bankruptcy Court confirms the Plan and, in the absence of any applicable stay, all other conditions set forth in the Plan are satisfied, the Plan will take effect on the Effective Date.

The Plan provides for the following:

- (a) Satisfaction and payment of any outstanding portion of the DIP Loan (if any) from Sale Proceeds under the Sale Order;
- (b) Treatment of the Bond Trustee Secured Claim through (i) distribution of any remaining Sale Proceeds under the Sale Order (after payment of any outstanding amounts under the DIP Loan, if any), and (ii) distribution of any remaining Distribution Reserve Balance and the GP DIP Loan Escrow;
- (c) Satisfaction and payment of Allowed Administrative Claims from the Distribution Reserve;
- (d) Satisfaction and payment of Allowed Priority Tax Claims from the Distribution Reserve;
- (e) Satisfaction and payment of Allowed Professional Fee Claims from the Distribution Reserve;
- (f) Formation of the Liquidating Trust, which shall receive (i) the Bond Trustee Carve Out Payment; and (ii) any remaining Sale Proceeds (if any) after all other required payments as set forth herein, and which shall pursue the Retained Causes of Action and liquidate any other Excluded Assets on behalf of Unsecured Claims and Deficiency Claims; and,
- (g) The cancellation of Equity Interests.

#### **ARTICLE IV** **THE DEBTORS**

#### **4.1 The Debtors' Prepetition Obligations to the Bond Trustee and the Events Leading to Bankruptcy**

##### **4.1.1 The Debtors' Prepetition Business**

Pending the closing of the Sale (discussed below), LPI is the owner and developer of a solid waste disposal and wood biomass pellet manufacturing facility located in Urania, LaSalle Parish, Louisiana. This facility manufactures and handles industrial wood pellets, which are used, among other things, as fuel in power plants, primarily in Europe.

Upon the closing of the Sale, the Debtors will have divested their interests in their wood pellet production facility and other business assets.

Pending the closing of the Sale, GPLA is the operator of the Debtors' wood pellet production facility and leases that facility, pursuant to that certain Amended and Restated Lease Agreement dated as of December 5, 2013, as evidenced by a Notice of Lease and a First Amendment to Notice of Lease recorded in the Clerk of Court's Office for LaSalle Parish, Louisiana, by and between LPI and GPLA. Under that agreement, GPLA received a right to

operate the Facility to manufacture and sell wood biomass pellets as part of one operational project.

#### **4.1.2 Prepetition Bonds**

LPI is indebted to the Bond Trustee under obligations relating to the Bonds. The Debtors are obligated in an amount of approximately \$336,667,116.60 in principal to the Bond Trustee for the benefit of the beneficial holders of the Bonds authorized and issued by the issuer under the Bonds for the benefit of the Debtors.

UMB Bank, National Association, is the successor Bond Trustee under the Bonds. The proceeds from the sale of the Bonds were loaned to LPI pursuant to the Bond Documents, and were used by the Debtors primarily to, among other things: (i) finance the acquisition, design, development, and construction of its facility; and (ii) pay certain expenses incurred in connection with the issuance of the Bonds. The rights of the issuer under the referenced Bond Documents were assigned to the Bond Trustee under the terms of the Indenture.

The Debtors granted the Bond Trustee a first priority security interest in and lien on the following:

- i. The Pledged Revenues, the Note (each as defined in and pursuant to the Indenture), and the Trustee Held Funds, each as granted under the Indenture;
- ii. all of LPI's right, title and interest in and to its personal property and other assets, whether currently owned or subsequently acquired by or arising in favor of LPI, pursuant to that certain Pledge and Security Agreement, dated March 21, 2013;
- iii. all of GPLA's right, title and interest in and to its personal property and other assets, whether currently owned or subsequently acquired by or arising in favor of GPLA, pursuant to that certain Pledge and Security Agreement, dated March 21, 2013;
- iv. all of GPLA's right, title and interest in and to those agreements entered into in connection with the Project, pursuant to that certain Assignment of Contracts, Permits and Approvals, dated March 21, 2013;
- v. all of LPI's interest in its real property, pursuant to that certain Mortgage, Security Agreement and Assignment of Leases and Rents, dated March 21, 2013;
- vi. all of GPLA's interest in the real property subject to the Operator Lease, pursuant to that certain Leasehold Mortgage, Security Agreement and Assignment of Leases and Rents, dated March 21, 2013; and
- vii. any other document or agreement delivered as security for, or in respect to, the Bonds or the Debtors' obligations under any of such documents.

#### **4.1.3 Events Leading to Bankruptcy**

Prior to the Petition Date, the Debtors' wood pellet production facility had faced significant construction delays and costs overruns. Debtors managed brief periods of wood pellets production but were unable to consistently maintain production.

Prior to the Petition Date, the Debtors experienced an acute liquidity crisis by which they required sufficient funds in order to operate. Debtors were unable to pay for electrical service and faced other financial hardship that made production impossible. Facing these challenges with no available sources of capital to resolve construction issues the Debtors ceased operations. Thereafter, the Debtors filed this case on February 18, 2016, using limited financing from GP Holding. This financing was later replaced with the DIP Loan. During the course of these proceedings, the Debtors restarted the wood pellet production facility and recommenced operations. The ability to restart and operate the facility was supported by the proceeds from the DIP Loan.

Debtors also entered bankruptcy in the midst of a substantial contract dispute with a wood pellets purchaser, E.ON plc UK. Over the course of the bankruptcy case, Debtors litigated with and ultimately settled the dispute with E.ON plc UK. [See Docket # 444 and 465]

#### **4.1.4 The Debtors' Assets**

On the Petition Date, the Debtors' most valuable assets were comprised primarily of the wood pellet production facility, and associated real property, equipment, inventory, contract rights, and receivables. On April 28, 2016, the Debtors filed with the Bankruptcy Court the Schedules. The Debtors later filed amendments to certain of the Schedules. The Schedules, as amended, contain a detailed listing of the Debtors' assets and the amounts owed on account of Claims based on the Debtors' books and records. In connection with this Disclosure Statement, holders of Claims and Interests are referred to the Schedules. Copies of the Schedules and the amended Schedules are available from the Bankruptcy Court Clerk's office or by contacting Debtors' counsel.

#### **4.1.5 Liabilities and Claims against the Debtors**

The Schedules, as amended, contain a detailed listing of Claims, together with the estimated amount of Claims, and holders of Claims and Interests are referred to the Debtors' Schedules for more information regarding the extent and nature of those Claims and Interests. In addition, a number of Proofs of Claims have been filed in the Debtors' Reorganization Case. Pursuant to Court order, the bar date for the Filing of Proofs of Claim was August 16, 2016.

### **4.2 Significant Events During the Reorganization Case**

#### **4.2.1 The Bankruptcy Filing and First-Day Relief.**

On February 18, 2016 (the "Petition Date"), Debtors filed petitions pursuant to Chapter 11 of the United States Bankruptcy Code. The Bankruptcy Court held a first-day hearing on February 23, 2016. Relief granted at the first-day hearing included joint administration of the Debtors' bankruptcy cases, authority to pay certain pre-petition wages of employees, authority to

pay certain critical vendors, and extending time to file schedules and statements of financial affairs.

#### **4.2.2 DIP Financing**

As of the Petition Date, Debtors required financing on a post-petition basis, and the Court approved interim and final orders allowing for limited financing from GP Holding. Ultimately, on April 14, 2016, the Debtors obtained final approval of the post-petition financing and DIP Loan, through the DIP Order.

#### **4.2.3 Retention of Professionals**

The Debtors filed a motion to retain Locke Lord LLP as its bankruptcy counsel. This retention motion was approved on March 21, 2016.

The Committee filed an application to retain Lisa Futrell and Mark A. Mintz, Jones Walker LLP, 201 St. Charles Avenue, 49th Floor, New Orleans, Louisiana 70170 as counsel. This motion was approved on May 3, 2016.

#### **4.2.4 Claims and Claims Bar Date**

The Schedules, as amended, contain a detailed listing of Claims, together with the estimated amount of Claims, and holders of Claims and Interests are referred to the Debtors' Schedules for more information regarding the extent and nature of those Claims and Interests. In addition, a number of Proofs of Claims have been filed in the Debtors' Reorganization Case. Pursuant to an order, the bar date for the Filing of Proofs of Claim was April 16, 2016.

#### **4.2.5 Marketing and Sale Process**

The DIP Order established certain bankruptcy milestones, including that the Debtors would seek to engage an investment banker to solicit offers relating to the affiliation or acquisition of the Debtors' Facilities through a section 363 sale or as a plan sponsor under a Plan of Reorganization. The Debtors complied with this obligation by filing a motion seeking authorization to retain the Investment Banker which request was approved by this Court by order dated May 25, 2016 [Docket # 324].

The DIP Order also included the further bankruptcy milestone that the Debtors, and UMB Bank, National Association in its roles as DIP Lender (as defined in the DIP Order) and Bond Trustee, would agree to a marketing and sale process with specific further milestone dates. After various discussions and input from the Investment Banker, the parties agreed to a timeline for soliciting initial proposals relating to the Debtors' assets and business. Since its retention, the Investment Banker has established a virtual on-line data room, has prepared various marketing materials, and has solicited offers. Through this process, numerous parties have accessed the data room, conducted physical inspections, and provided general and initial indications of interests relating to a possible acquisition.

Additional bankruptcy milestones were agreed to between the Debtors and the Bond Trustee in connection with the maturity date extension of the DIP Loan and use of cash collateral, as set forth amendments to the DIP Loan filed with the Court.

On January 18, 2017, Debtors filed a motion requesting an order approving bidding procedures in the form attached to the motion. Such bidding procedures included an auction process, in which bidders were invited to participate and submit bids for the sale of the Debtors' business and assets.

The January 18, 2017 motion also requested a second order, under Section 363 of the Bankruptcy Code, effectuating a sale "free and clear" of all claims and liabilities, in conjunction with the results of the proposed auction under the bidding procedures.

The Bankruptcy Court scheduled and held a hearing on January 31, 2017 on the January 18, 2017 motion. After the hearing, the Bankruptcy Court granted the relief requested on an interim basis and entered an order, on February 8, 2017 [Docket #596] approving the bidding procedures submitted by the Debtors and scheduling an auction for the sale of substantially all of the Debtors' assets for March 2, 2017. A final hearing to approve the sale to a winning bidder at the auction was scheduled for March 14, 2017, and was later continued to April 4, 2017.

#### **4.2.6 Auction**

Under the Bankruptcy Court's February 7, 2017 Order, the auction for the sale of substantially all of the Debtors' assets was scheduled for March 2, 2017, but the Order and attached bidding procedures also contemplated that the Debtors could adjourn or postpone the date of the auction.

On February 28, 2017, the Debtors filed a notice postponing the scheduled March 2, 2017 auction. Subsequently, the auction was rescheduled for March 9, 2017, and rescheduled a second time for March 30, 2017.

On March 30, 2017, the auction for substantially all of the Debtors' assets was conducted under the terms of the bidding procedures approved under the Bankruptcy Court's February 8, 2017 Order. At that auction, LaSalle BioEnergy LLC ("Purchaser") was the winning bidder, submitting a bid of \$35,400,002.00 in total sale consideration.

#### **4.2.7 Final Sale Hearing and Sale Order**

On April 4, 2017, the Bankruptcy Court held the final hearing to approve the sale to the winning bidder at the March 30, 2017 auction and under the terms of the bidding procedures approved under the Bankruptcy Court's February 8, 2017 Order.

After a hearing, and on April 11, 2017, the Bankruptcy Court entered its Order approving such sale [Docket #661] (the "Sale Order").

Among other findings and rulings, the Sale Order: (i) approved the immediate sale of substantially all assets of the Debtors to Purchaser for the total consideration and Sale Proceeds as set forth in the Sale Order; (ii) approved the form of asset purchase agreement for such sale;

(iii) approved the sale as a “free and clear” sale of assets under Section 363 of the Bankruptcy Code; (iv) authorized the Debtors to take all actions necessary to consummate and close the sale; (v) authorized payment of Sale Proceeds (subject to the funding of the Distribution Reserve) directly to the Bond Trustee, acting on behalf of the DIP Lender and the holders of the Bonds, less and except the Distribution Reserve and Bond Trustee Carve Out Payment; and (vi) authorized and confirmed the assumption and assignment of certain Executory Contracts and Unexpired Leases to the Purchaser.

The sale of substantially all assets of the Debtors under the Sale Order closed on April 25, 2017.

#### **4.2.8 Lease/Contract Rejection**

The Plan provides that all executory contracts and leases are to be rejected at confirmation other than those listed in the Plan Supplement (and other than those assumed under the Sale Order). The Debtors are in the process of reviewing their remaining unexpired leases and executory contracts, and they may file additional motions to reject some of them prior to confirmation.

#### **4.2.9 Pending Litigation**

On February 24, 2017, Debtors filed a complaint to remove certain liens filed against the Urania Facility by suppliers and contractors under Louisiana’s private works act statute. The lawsuit asserts that those liens should be classified and treated as unsecured claims based on the value of Debtors’ assets and the amount of the Debtors’ senior secured debt. The lawsuit remains pending as *Louisiana Pellets, Inc., et al. v. Bullseye Masonry, et al.*, Adv. No. 17-05004, in the United States Bankruptcy Court for the Western District of Louisiana (the “Lien Adversary”).

In addition on April 13, 2017, the Debtors filed a complaint seeking a declaratory judgment that a certain Lien and Claim asserted against the Debtors should be classified and treated as an unsecured claim, and junior in priority to the Debtors’ senior secured debt. The lawsuit remains pending as *Louisiana Pellets, Inc. et al. v. LaSalle Parish Department of Revenue and Taxation Sales and Use Tax Division*, Adv. No. 17-05010, in the United States Bankruptcy Court for the Western District of Louisiana (the “Tax Lien Adversary”)

### **ARTICLE V**

#### **CLASSIFICATION OF CLAIMS AND INTERESTS UNDER THE PLAN**

The Claims against and Interests in the Debtors are designated and classified as follows. The following is a designation of the classes under this Plan. Administrative Claims and Priority Tax Claims have not been classified and are excluded from the following Classes in accordance with Section 1123(a)(1) of the Bankruptcy Code. A Claim is classified in a particular Class only to the extent that the Claim qualifies within the description of that Class and is classified in a different Class to the extent that any remainder of the claim qualifies within the description of such different Class.

### **5.1 Class 1 – Bond Trustee Secured Claim**

**Estimated Amount: \$336,667,116.60 (Less amount of Trustee Held Funds and Sale Proceeds received under Sale Order)**

Class 1 consists of the Bond Trustee Secured Claim, which is Allowed in the amount of \$330,300,000 in unpaid principal plus accrued and unpaid interest of \$6,367,116.60 as of the Petition Date, which is then reduced by the Trustee Held Funds. Based on the Debtors' review and information and in accordance with the DIP Order, the Bond Trustee Secured Claim is a first priority secured claim as to substantially all of the Debtors' assets.

Class 1 is impaired under the Plan, and Class 1 is therefore entitled to vote on the Plan.

### **5.2 Classes 2(a) and 2(b) – Other Secured Claims**

**Estimated Amount: \$19,342,206.61**

Class 2(a) consists of any Secured Claims against LPI other than the Bond Trustee Secured Claim. Class 2(b) consists of any Secured Claims against GPLA other than the Bond Trustee Secured Claim. Based on the Debtors' review and information, any Class 2(a) and 2(b) Claims would be inferior in priority to the Bond Trustee Secured Claim and are subject to the Lien Adversary and Tax Lien Adversary to determine ranking and secured status of these liens. The Debtors anticipate these claims will be treated as general unsecured claims following the conclusion of the Lien Adversary and Tax Lien Adversary. Any such Claims, if any, are classified under Classes 2(a) and 2(b) of the Plan.

Classes 2(a) and 2(b) are impaired under the Plan, and are therefore entitled to vote on the Plan.

### **5.3 Class 3 – Unsecured Claims**

**Estimated Amount: \$45,357,999.00 for Class 3(a) and \$67,120,337.09 for Class 3(b) Plus the Allowed Deficiency Claim of the Bond Trustee and reclassified Other Secured Claims**

Class 3(a) consists of Unsecured Claims (including without limitation Deficiency Claims) against LPI. Class 3(b) consists of Unsecured (including without limitation Deficiency Claims) against GPLA. Based on the claims register and the Schedules, the estimated amount of Unsecured Claims in Class 3(a) that have been asserted against the Debtors totals \$45,357,999.00. Based on the claims register and the Schedules, the estimated amount of Unsecured Claims in Class 3(b) that have been asserted against the Debtors totals \$67,120,337.09. These estimates do not include the Allowed Deficiency Claim of the Bond Trustee or reclassified Other Secured Claims. The Debtors expect that a number of unsecured Proofs of Claim will be subject to objection or consist of duplicative claims filed in both cases but related to only one Debtor.

Classes 3(a) and 3(b) are impaired under the Plan, and are therefore entitled to vote on the Plan.



#### **5.4 Class 4 – Interests**

**Estimated Amount: N/A**

Class 4 consists of equity Interests in the Debtors. 100% of the Interests in LPI are held by IPBG Pellets Beteiligungs GmbH. 100% of the Interests in GPLA are held by German Pellets Holding USA, Inc.

Class 4 is impaired under the Plan and deemed to reject the Plan.

THE RIGHT OF THE DEBTORS AND/OR THE LIQUIDATING TRUSTEE (WHETHER EXISTING OR FORMED UNDER THE PLAN) TO OBJECT TO ANY CLAIM FILED IN THIS CASE (NOT OTHERWISE ALLOWED) IS EXPRESSLY RESERVED. THE INCLUSION OF A CLAIM OR CLAIMS WITHIN THIS DISCLOSURE STATEMENT IS NOT AN ADMISSION REGARDING THE VALIDITY OR ALLOWANCE OF ANY CLAIM. YOU SHOULD NOT ASSUME THAT A VOTE FOR OR AGAINST THE PLAN WILL HAVE ANY EFFECT OF THE STATUS OF YOUR CLAIM.

### **ARTICLE VI** **TREATMENT OF CLAIMS AND INTERESTS**

#### **6.1 Class 1 – Bond Trustee Secured Claim**

**Estimated Recovery from Trust Funds and Sale Proceeds (estimated range 24% to 38% depending on CUSIP number)**

The Bond Trustee Secured Claim shall be deemed Allowed in full.

The holder of the Bond Trustee Secured Claim shall receive the following, up to the amount of the Bond Trustee Secured Claim: (i) on or before the Effective Date, payment in Cash of all remaining Sale Proceeds (less the Distribution Reserve and the Bond Trustee Carve Out Payment), to the extent not already paid under the provisions of the Sale Order; and (ii) payment of the Distribution Reserve Balance, on or before the date which is five (5) business days following the date on which all required payments from the Distribution Reserve are made under the Plan, and all Disputed Claims subject to payment from the Distribution Reserve are resolved by Final Order or as otherwise as set forth in the Sale Order or as ordered by the Bankruptcy Court.

The holder of the Bond Trustee Secured Claim shall have an Allowed Deficiency Claim in the amount of \$336,667,116.60 less the Trustee Held Funds and all payments received by the Bond Trustee from the Sale Proceeds and Distribution Reserve Balance.

#### **6.2 Classes 2(a) and 2(b) – Other Secured Claims**

**Estimated Recovery: \$0.00 (Approximately 0.0%)**

The holders of an Allowed Secured Claim in Class 2(a) or Class 2(b) shall receive either

(i) the collateral securing such Allowed Secured Claim; or (ii) the proceeds of any collateral (including, if applicable, Sale Proceeds) securing such Allowed Secured Claim, up to the amount of such Allowed Secured Claim, after satisfaction of all superior Liens including without limitation the Bond Trustee Secured Claim, pending the results of the Lien Adversary and Tax Lien Adversary. Any remaining claim of the holder of an Allowed Secured Claim in Class 2(a) or Class 2(b) after receipt of collateral or the proceeds from the sale of collateral shall be a Deficiency Claim.

The recovery is estimated at 0% because the Debtors anticipate these claims will be reclassified as Unsecured Claims.

### **6.3 Classes 3(a) and 3(b) – Unsecured Claims**

**Estimated Recovery: \$75,000**

**Plus Additional Recoveries from Retained Causes of Action**

Under the Plan, Class 3(a) and 3(b) Claims shall receive the following treatment.

a. **Distribution of Any Remaining Sale Proceeds**

After all required payments of Sale Proceeds are made under the Sale Order and under the terms of the Plan in the following order of priority to (i) the DIP Lender for any amounts outstanding under the DIP Loan; (ii) the Liquidating Trustee for deposit in the Distribution Reserve; (iii) the Bond Trustee on account of the Bond Trustee Secured Claim; (iv) the Liquidating Trustee in the amount of the Bond Trustee Carve Out Payment; (v) holders of Allowed Secured Claims; and (vi) Bond Trustee from the Distribution Reserve Balance up to the full amount of the Bond Trustee Secured Claim; the following sums, shall be paid to the Liquidating Trust for the benefit of holders of Allowed Class 3(a) and Allowed Class 3(b) Claims: (x) any remaining balance from Sale Proceeds (if any), (y) any remaining Distribution Reserve Balance (if any), and (z) any proceeds from the sale of Excluded Assets to the extent such Excluded Assets are not subject to the Liens of the Bond Trustee or another holder of an Allowed Secured Claim. Any such payment to the Liquidating Trust, if made, shall be applied and held by the Liquidating Trustee in an allocation between the respective Estates of LPI and GPLA as determined by the Liquidating Trustee, subject to approval of the Bankruptcy Court. Allowed Class 3(a) Claims shall receive a pro rata distribution from the amount allocated for the Estate of LPI and Allowed Class 3(b) Claims shall receive a pro rata distribution from the amount allocated for the Estate of GPLA.

Pursuant to the terms of the Liquidating Trust Agreement, the Liquidating Trustee may reserve all or part of any payment received from the Bond Trustee Carve Out Payment, the Sale Proceeds (if any), or otherwise, to fund the Liquidating Trust. Holders of Allowed Unsecured Claims in Class 3(a) shall receive a pro rata distribution of Available Cash attributable to the Estate of LPI which the Liquidating Trustee elects to distribute on an Interim Distribution Date. Holders of Allowed Unsecured Claims in Class 3(b) shall receive a pro rata distribution of Available Cash attributable to the Estate of GPLA which the Liquidating Trustee elects to distribute on an Interim Distribution Date.

b. Liquidating Trust

The Liquidating Trustee shall distribute Available Cash, if any, pro rata to holders of Allowed Claims in Class 3(a) and Class 3(b) under the terms of the Liquidating Trust Agreement on one or more Interim Distribution Date(s). Such distributions shall be made to, respectively, (i) Class 3(a) Claims from recoveries solely attributable to the Estate of LPI and (ii) to Class 3(b) Claims from recoveries solely attributable to the Estate of GPLA. To the extent recoveries are not solely attributable to either the Estate of LPI or the Estate of GPLA, they shall be distributed pro rata to all holders of both Class 3(a) and Class 3(b) Claims. In the event that Class 3(a) Claims or Class 3(b) Claims are paid in full and there exists remaining Available Cash as to the respective Debtor, holders of Allowed Claims in such class shall receive interest at the Plan Rate.

The Liquidating Trust shall liquidate Retained Causes of action for the benefit of Unsecured Claims. Any recovery is speculative, but will be in addition to any Sale Proceeds received (if any), and the Bond Trustee Carve Out Payment of \$75,000.00.

**6.4 Class 4 – Interests**

**Estimated Recovery: \$0.00**

Under the Plan, Class 4 Interests shall be cancelled by the Plan, and holders of Interests shall receive nothing under the Plan.

**ARTICLE VII**

**TREATMENT OF ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS**

**7.1 Administrative Claims**

**7.1.1 DIP Loan**

**Estimated Recovery: 100%**

Under and in conjunction with the Sale Order, the DIP Loan shall have been repaid in full and in Cash through Sale Proceeds; provided, however, if there remain any amounts outstanding under the DIP Loan on the Effective Date they will be paid on the Effective Date from the remaining Sale Proceeds or from any other proceeds of the Estates. Upon such payment being made in full, the DIP Loan shall be considered discharged and satisfied and all Liens, superpriority claims, and other protections under the DIP Loan shall be released. Notwithstanding the foregoing, the Liens, superpriority claims, and other protections granted to the Bond Trustee (i) in the Bond Documents and (ii) pursuant to the DIP and Cash Collateral Order (to the extent such Liens, superpriority claims, and other protections relate to use of the Bond Trustee's Cash Collateral (as defined in such DIP and Cash Collateral Order)), are not released.

**7.1.2 GP DIP LOAN**

**Estimated Recovery: 100% if Allowed**

Under and in conjunction with the Sale Order, the estimated amount of the GP DIP Loan Claim shall be held in escrow by the Debtors (and on and after the Effective Date, by the Liquidating Trustee), with such escrow being the “GP DIP Loan Escrow,” pending the resolution of disputes concerning payment and allowance of the GP DIP Loan Claim. The GP DIP Loan Claim is Disputed. To the extent that a claim objection or adversary proceeding is filed before the Effective Date, the allowance, payment, and treatment of the GP DIP Loan Escrow and GP DIP Loan Claim shall be governed by any Final Order entered on such claim objection or adversary. In the event that no such claim objection or proceeding is filed before the Effective Date, the GP DIP Loan Escrow and GP DIP Loan Claim shall be subject to the filing of an objection under Section 9.8 hereof, with the allowance, payment, and treatment of the GP DIP Loan Escrow and GP DIP Loan Claim to be governed by any Final Order entered on such objection.

### **7.1.3 Other Administrative Claims**

#### **Estimated Recovery: 100%**

Subject to the bar date provisions of the Plan, and except to the extent that the holder of an Allowed Administrative Claim agrees to different treatment, each holder of an Allowed Administrative Claim against the Debtors shall be paid the full Allowed amount of such Claim, to be paid on the latest of: (a) the Effective Date, (b) five (5) Business Days after the date on which such Administrative Claim becomes an Allowed Administrative Claim, or (c) on such date or dates as provided in the documents governing the Debtors’ obligation to the holder of such Allowed Administrative Claim. Notwithstanding the foregoing, any and all Allowed Administrative Claims as may be outstanding and are Allowed as of the Effective Date, shall be paid on or before the Effective Date, from the Distribution Reserve.

Requests for payment of Administrative Claims arising on or before the Effective Date must be Filed no later than thirty (30) calendar days after the Effective Date.

### **7.1.4 Statutory Fees**

#### **Estimated Recovery: 100%**

On or before the Effective Date, all outstanding fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid from the Distribution Reserve.

### **7.1.5 Pre-Effective Date Professional Fee Claims**

#### **Estimated Recovery: 100%**

All professionals seeking payment of Professional Fee Claims shall (i) file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred in the Reorganization Case by the date that is thirty (30) calendar days after the Effective Date (the “Professional Fee Claim Bar Date”), and (ii) be paid from the Distribution Reserve the full unpaid amount as is Allowed by the Bankruptcy Court within five (5) Business Days after the date that such Claim is Allowed by Final Order of the

Bankruptcy Court, except to the extent that the holder of an Allowed Professional Fee Claim agrees to a different treatment. Notwithstanding the foregoing, in no event shall amounts paid to the holder of a Professional Fee Claim exceed the amounts provided for such professional in the budget attached to the DIP and Cash Collateral Order.

## **7.2 Allowed Priority Tax Claims**

### **Estimated Recovery: 100%**

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, on or before the Effective Date, each holder of such Claim shall be paid in full and in Cash the full amount of such Claim from the Distribution Reserve. Holders of Priority Tax Claims shall not be entitled to receive any payment on account of penalties except as Unsecured Claims. Priority Tax Claims are subject to Reserved Distributions.

## **ARTICLE VIII ACCEPTANCE OR REJECTION OF THE PLAN**

### **8.1 Voting Classes**

Each holder of a Claim in Classes 1, 2(a), 2(b), 3(a) and 3(b) shall be entitled to vote to accept or reject the Plan. The holders of Class 4 claims are deemed to have rejected the plan.

### **8.2 Voting Rights of Holders of Disputed Claims and Disputed Interests**

Pursuant to Bankruptcy Rule 3018(a), a Claim that is Disputed will not be counted for purposes of voting on the Plan to the extent it is disputed, unless the Court enters an order temporarily allowing the Claim for voting purposes under Bankruptcy Rule 3018(a). Such disallowance for voting purposes is without prejudice to the claimant's or interest holder's right to seek to have its Claim allowed for purposes of distribution under the Plan.

### **8.3 Acceptance by Impaired Classes**

An impaired class of Claims shall have accepted the Plan if (a) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in dollar amount of the Claims actually voting in such class have voted to accept the Plan, and (b) more than one-half in number of the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of such Claims actually voting in such class have voted to accept the Plan.

### **8.4 Nonconsensual Confirmation**

In the event that any Class of Claims fails to accept the Plan in accordance with section 1129(a)(8) of the Bankruptcy Code, the Debtors request that the Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code.

**ARTICLE IX**  
**TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**9.1 Assumption and Rejection**

On the Effective Date, and with certain exceptions as set forth in the Plan, all Executory Contracts or Unexpired Leases of the Debtors are deemed rejected under sections 365 and 1123 of the Bankruptcy Code, other than those assumed under the Sale Order or listed as assumed within the Plan Supplement. The Plan Supplement also contains a list of rejected Executory Contracts or Unexpired Leases (without limitation).

**9.2 Rejection Claims**

Unless otherwise provided in a Final Order, all Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases must be Filed within thirty (30) calendar days after the Effective Date. All Allowed Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as Class 3 Unsecured Claims against the applicable Debtor and shall be treated in accordance with the Plan, unless a different security or priority is otherwise asserted in such Proof of Claim and Allowed under the Plan.

**9.3 Cure of Defaults for Assumed Executory Contracts and Unexpired Leases**

Any monetary defaults under each Supplemental Assumed Executory Contract or Supplemental Assumed Unexpired Lease shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash by Purchaser on or before the Effective Date, subject to the limitation described below, or on such other terms as the parties to such Supplemental Assumed Executory Contracts or Supplemental Unexpired Leases may otherwise agree. In the event of a dispute regarding (1) the amount of any payments to cure such a default, (2) the ability of the Reorganized Debtors or the Purchaser to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Supplemental Assumed Executory Contract or Supplemental Assumed Unexpired Lease to be assumed, or (3) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made by the Purchaser following the entry of a Final Order resolving the dispute and approving the assumption.

At least fourteen (14) calendar days before the Confirmation Hearing, the Debtors will provide for the Plan Supplement (which shall contain notices of proposed assumption and proposed cure amounts and for procedures for objecting thereto and resolution of disputes by the Bankruptcy Court) to be sent to applicable third parties and counterparties to each Supplemental Assumed Executory Contract or Supplemental Assumed Unexpired Lease. Any objection to a proposed assumption or related cure amount must be Filed, served, and actually received by the Debtors at least seven (7) calendar days before the Confirmation Hearing. Any counterparty to an Supplemental Assumed Executory Contract or Supplemental Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have consented to such assumption or proposed cure amount.

Assumption of any Supplemental Assumed Executory Contract or Supplemental Assumed Unexpired Lease shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any Supplemental Assumed Executory Contract or Supplemental Assumed Unexpired Lease at any time before the effective date of assumption. Any Proofs of Claim Filed with respect to a Supplemental Assumed Executory Contract or Supplemental Assumed Unexpired Lease shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

## **ARTICLE X**

### **MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN**

#### **10.1 Date Of Effective Date / Effective Date Conditions**

The “Effective Date” of the Plan shall be the day mutually agreed upon between the Debtors and the Bond Trustee, which shall be no later than three (3) Business Days after all of the following conditions have been either satisfied or waived by the Debtors and the Bond Trustee:

- The Sale pursuant to the Sale Order shall have Closed;
- The Sale Proceeds shall have been tendered and paid by Purchaser in full;
- The Distribution Reserve shall have been funded from Sale Proceeds; and,
- The Confirmation Order, in form and substance satisfactory to the Debtors and the Bond Trustee, shall have become a Final Order.

#### **10.2 Vesting of Assets**

The property of the Debtors’ Estates not transferred pursuant to the Sale Order or under the transactions otherwise contemplated by the Plan (including without limitation, the Excluded Assets), shall vest in the Liquidating Trust on the Effective Date, subject to existing Liens, Claims, charges, or other encumbrances, and subject to required disbursements of funds under the terms of the Plan.

#### **10.3 Objections to Claims or Interests; Prosecution of Disputed Claims or Disputed Interests**

Except for the Bond Trustee Secured Claim and the Bond Trustee’s Deficiency Claim which are each an Allowed Claim and not subject to objection, setoff, surcharge, or reduction of any kind, the Debtors (before the Effective Date) and the Liquidating Trustee (after the Effective Date), shall have the exclusive right to object to the allowance, amount or classification of Claims or Interests asserted in the Reorganization Case, and such objections may be litigated to Final Order by the Liquidating Trustee (to the extent such creditor does not assert an administrative claim or a claim for substantial contribution) who shall succeed to the rights and defenses to such claims possessed by Debtors or Reorganized Debtors; provided that after the

Effective Date, the Bond Trustee may also object to Administrative Claims and Priority Tax Claims. Unless otherwise provided herein or ordered by the Bankruptcy Court, all objections to Claims or Interests shall be filed no later than one hundred twenty (120) days after the Effective Date, subject to any extensions granted pursuant to a further order of the Bankruptcy Court. Such extensions may be obtained by the Debtors upon ex parte motion.

#### **10.4 No Substantive Consolidation**

Although the Plan is presented as a joint plan of reorganization, the Plan does not provide for substantive consolidation of Debtors' Estates, and on the Effective Date, the Debtors' Estates shall not be deemed to be substantively consolidated for any reason. Allowed Claims against one Debtor will be satisfied solely from the cash and recoveries of the Liquidating Trust attributable to that Estate. Under the terms of the Liquidating Trust Agreement, each holder of an Allowed Unsecured Claim shall receive distributions from the Liquidating Trust assets that are attributable to the Estate against which such Allowed Unsecured Claim is asserted, on a pro rata basis.

Except as specifically set forth herein, nothing in this Plan shall constitute or be deemed to constitute an admission that any one or all the Debtors is subject to or liable for any Claims against any other Debtors. A Claim against multiple Debtors will be treated as a separate Claim against each Debtor's Estate for all purposes including, but not limited to, voting and distribution; provided however, that no Unsecured Claim will receive value in excess of 100% of the Allowed amount of such Claim.

#### **10.5 Creation of Liquidating Trust**

On the Effective Date, the Liquidating Trust shall be created. The Liquidating Trust shall be governed by the Liquidating Trust Agreement, the Plan, and the Confirmation Order. The terms of the employment of the Liquidating Trustee shall be set forth in the Liquidating Trust Agreement and the Confirmation Order. On the Effective Date, the Debtors and Reorganized Debtors shall transfer to the Liquidating Trust the Excluded Assets (including without limitation the Retained Causes of Action). All transfers to the Liquidating Trust shall be subject to all Liens, claims, interests and encumbrances, including but not limited to the Liens of the Bond Trustee. Except as specifically set forth herein, holders of Allowed Unsecured Claims shall look solely to the Liquidating Trust for the satisfaction of their Claims. For federal income tax purposes, the transfer of the identified assets to the Liquidating Trust will be deemed to be a transfer to the holders of Allowed Claims (who are the Liquidating Trust beneficiaries), followed by a deemed transfer by such beneficiaries to the Liquidating Trust.

The powers, obligations, and limitations of the Liquidating Trust, as well as other considerations, are set forth in Articles 9.11 through 9.15 of the Plan.

#### **10.6 Retention of Jurisdiction**

After Confirmation of the Plan and occurrence of the Effective Date, in addition to jurisdiction which exists in any other court, the Bankruptcy Court will retain such jurisdiction as



is legally permissible including for the purposes set forth in the Plan, and as set forth in Article 9.18 of the Plan.

#### **10.7 Discharges, Releases and Waivers**

**The discharges, waivers, releases, and exculpation provisions of Articles 9.21 through 9.25 of the Plan shall be effective on the Effective Date.** Upon the occurrence of the Effective Date, 11 U.S.C. § 1141 and the Plan shall control the rights of holders of Claims and Interests against the Debtors. The discharge and release, and exculpation provisions as set forth in the Plan shall be fully effective as of the Effective Date.

### **ARTICLE XI COMPROMISES AND SETTLEMENTS**

#### **11.1 Compromises and Settlements**

Pursuant to § 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims, Interests and controversies resolved pursuant to the Plan, including, without limitation, all Claims arising prior to the Effective Date, whether known or unknown, foreseen or unforeseen, asserted or unasserted, arising out of, relating to or in connection with the business or affairs of, or transactions with, the Debtors. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, the Estates, Creditors and other parties in interest, and are fair, equitable and within the range of reasonableness.

### **ARTICLE XII MISCELLANEOUS PROVISIONS**

#### **12.1 Withdrawal of Plan**

Upon failure to consummate the transactions contemplated by the Asset Purchase Agreement, the Debtors reserve the right to withdraw this Plan at any time prior to the Confirmation Date. If the Debtors withdraw this Plan prior to the Confirmation Date, or if the Confirmation Date or the Effective Date does not occur, then this Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute an admission, waiver or release of any Claims by or against the Debtors, the Estates or any other person, or to prejudice in any manner the rights of the Debtors, the Estates or any person in any further legal proceedings involving the Debtors.

#### **12.2 Substantial Consummation**

On the Effective Date, the Plan shall be deemed to be substantially consummated under Bankruptcy Code §§ 1101 and 1127(b).

### **12.3 Conflict**

Except as set forth in the Plan and as set forth below, to the extent that any provision of the Disclosure Statement, the Plan Supplement, or any agreement or order (other than the Confirmation Order or the Sale Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements, or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control; provided, however, with respect to any conflict or inconsistency between the Plan and the Confirmation Order, the Confirmation Order shall govern.

### **12.4 Dissolution of UCC**

On the Effective Date, the UCC shall dissolve automatically, and its members shall be released and discharged from all rights, duties, responsibilities, and liabilities arising from, or related to, the Reorganization Case.

## **ARTICLE XIII CONFIRMATION OF THE PLAN**

### **13.1 Confirmation Hearing**

Section 1128(a) requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan (“Confirmation Hearing”). The Confirmation Hearing has been scheduled before the Honorable Robert Summerhays, United States Bankruptcy Judge, on \_\_\_\_\_, 2017, at \_\_\_\_\_ (Central time), at the United States Bankruptcy Courthouse, 214 Jefferson Street, Lafayette, Louisiana 70501.

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

Section 1128(b) provides that any party in interest may object to confirmation of the Plan. However, an impaired Creditor, who votes to accept the Plan, may not have standing to object to the Plan. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014 and any applicable Local Rules of the Bankruptcy Court. **The deadline for filing objections to confirmation of the Plan is \_\_\_\_\_, 2017.** Objections to confirmation must be filed with the Clerk of Court.

**UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY FILED AND SERVED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

### **13.2 Statutory Requirements for Confirmation of the Plan**

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Bankruptcy Code's requirements for confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. As set forth in § 1129 of the Bankruptcy Code, these requirements are as follows:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.
2. The proponent of the Plan complies with the applicable provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means forbidden by law.
4. Any payment made or to be made by the Plan proponent, or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in, or in connection with the cases, or in connection with the Plan and incident to the cases, has been approved by, or is subject to the approval of, the Court as reasonable.
5. The proponent of the Plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint Plan with the Debtor, or a successor to the Debtor under the Plan; and the appointment to, or continuance in, such office of such individual, is consistent with the interests of Creditors and with public policy; and the proponent of the Plan has disclosed the identity of any insider that will be employed or retained by the Debtor, and the nature of any compensation for such insider.
6. Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtor, has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval.
7. With respect to each class of impaired claims or equity interests:
  - (a) each holder of a claim or interest of such class:
    - (i) has accepted the Plan; or
    - (ii) will receive or retain under the Plan on account of such claim or interest property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date; or
  - (b) if § 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the Plan on account of such claim property of a value, as of the effective date of the Plan, that is not less than the value of such holder's interest in the estate's interest in the property that secured such claims.
8. With respect to each class of claims or interests:
  - (a) such class has accepted the Plan; or

(b) such class is not impaired under the Plan;

9. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan provides that:

(a) with respect to a claim of a kind specified in § 507(a)(1) or § 507(a)(2) of the Bankruptcy Code, on the effective date of the Plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(b) with respect to a class of claims of a kind specified in §§ 507(a)(3), 507(a)(4), 507(a)(5) or 507(a)(6) of the Bankruptcy Code, each holder of a claim of such class will receive:

(i) if such class has accepted the Plan, deferred cash payments of a value, as of the effective date of the Plan, equal to the allowed amount of such claim; or

(ii) if such class has not accepted the Plan, cash on the effective date of the Plan equal to the allowed amount of such claim; and

(c) with respect to a claim of a kind specified in § 507(a)(8) of the Bankruptcy Code, the holder of a claim will receive on account of such claim deferred cash payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the effective date of the Plan, equal to the allowed amount of such claim.

10. If a class is impaired under the Plan, at least one class of claims that is impaired has accepted the Plan, determined without including any acceptance of the Plan by any insider.

11. Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the plan proponent or any successor to the plan proponent under the Plan, unless such liquidation or reorganization is proposed in the Plan.

The Debtors believe that the Plan satisfies all the statutory requirements of Chapter 11 of the Bankruptcy Code, that the Debtors have complied or will have complied with all of the requirements of Chapter 11, and that the proposal of the Plan is made in good faith.

The Debtors further believe that the holders of all Claims impaired under the Plan will receive payments or distributions under the Plan having a present value as of the Effective Date in amounts not less than the amounts likely to be received by such holders if the Debtors were liquidated in a case under Chapter 7 of the Bankruptcy Code.

**The Debtors have conducted the liquidation analysis attached as Exhibit “\_” hereto, which shows that under a hypothetical Chapter 7 liquidation, holders of Allowed Unsecured Claims would not receive any recovery. By comparison, under the Plan, the holders of the DIP Loan Claim and Allowed Administrative Claims are paid in full in Cash, and Unsecured Creditors share in certain recoveries as set forth herein.**

Finally, the Debtors do not believe that the confirmation of the Plan will likely be followed by the need for further financial reorganization of the Debtors. The Plan will effectuate a liquidation of the remaining assets of the Debtors and no further reorganization is likely.

### 13.3 Cramdown

**Class 4 Interest holders will be treated as a cramdown class under §1129(b)(2)(C). In the event that any impaired class of Claims (including Class 4 and if applicable, other Classes) does not accept the Plan, the Bankruptcy Court may still confirm the Plan if, as to each impaired class which has not accepted the Plan, the Plan does not discriminate unfairly and is “fair and equitable.” A Plan does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interests.**

“Fair and equitable” has different meanings with respect to the treatment of secured and unsecured claims. As set forth in § 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

1. With respect to a class of secured claims, the Plan provides:
  - (b) (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the Plan Proponent or transferred to another entity, to the extent of the allowed amount of such claims; and
  - (ii) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the Plan, of at least the value of such holder’s interest in the estate’s interest in such property;
  - (c) for the sale, subject to § 363(k) of the Bankruptcy Code, of any property that is subject to the Liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) and (b) of this subparagraph; or
  - (d) for the realization by such holders of the indubitable equivalent of such claims.
2. With respect to a class of unsecured claims, the Plan provides:
  - (e) that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the Plan, equal to the allowed amount of such claim; or
  - (f) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or interest any property.
3. With respect to a class of interests, the Plan provides:

(g) that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the effective date of the Plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or

(h) the holder of any interest that is junior to the interests of such class will not receive or retain under the Plan on account of such junior interest any property.

The Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any rejecting impaired class of Claims and the cramdown class of equity interests. The Debtors believe that the Bankruptcy Court will find these requirements satisfactory and will confirm the Plan.

#### **13.4 Annulment of Plan if Conditions Not Waived or Satisfied**

The Debtors reserve the right to waive any of the conditions precedent to the Effective Date. If any of the conditions precedent are not waived, and are not satisfied within the specified time periods or can no longer occur, the Confirmation Order will be annulled and the Debtors and all parties in interest will return to the *status quo ante* immediately before the entry of the Confirmation Order.

### **ARTICLE XIV OTHER CONSIDERATIONS AND ALTERNATIVES TO CONFIRMATION OF THE PLAN**

#### **14.1 Confirmation Hearing**

The Plan affords holders of Claims the potential for the greatest realization on the Debtors' assets and, therefore, is in the best interests of such holders. If the Plan is not confirmed, however, the theoretical alternatives include: (a) alternative plans of reorganization/liquidation; (b) liquidation of the Debtors under Chapter 7 of the Bankruptcy Code; and (c) dismissal of the Reorganization Case.

##### **14.1.1 Alternative Plans of Liquidation**

The Debtors assert that, if the Plan is not confirmed, the Debtors or another party in interest in the case could attempt to formulate and propose a different plan or plans. Such plans might, theoretically, involve some other form of reorganization or liquidation of the Debtors' operations and assets. Any alternative plans, however, would likely result in additional administrative expenses to the estate and would result in a lesser recovery for creditors – in particular, the Debtors believe that any alternate plan of liquidation or reorganization would result in a zero recovery for Unsecured Claims.

The Plan proposed by the Debtors is straightforward, meets the requirements of § 1129 and provides the best outcome for Creditors. The Plan is the outcome of the Debtors'

comprehensive marketing process in which the Debtors identified the transaction alternative with the highest value for creditors (the transaction proposed under the Plan).

#### **14.1.2 Liquidation under Chapter 7**

The Debtors believe that creditors' interests have been best served by the filing of this Reorganization Case. Had the Debtors instead filed for liquidation under Chapter 7 of the Bankruptcy Code rather than under Chapter 11, all going-concern value of the Debtors' businesses and assets would have been lost. This would have had a detrimental effect on the value of the Debtors' assets. The marketing process conducted by the Debtors and the Investment Bank indicated that the value that could be realized from entities interested in simply liquidating the Debtors' assets were significantly lower than offers submitted by entities interested in acquiring the Debtors' assets as part of a going concern.

**The Debtors have conducted the liquidation analysis attached as Exhibit “\_” hereto, which shows that under a hypothetical Chapter 7 liquidation, holders of Allowed Unsecured Claims would not receive any recovery. By comparison, under the Plan, the holders of the DIP Loan Claim and Allowed Administrative Claims are paid in full in Cash, and Unsecured Creditors share in certain recoveries as set forth herein.**

#### **14.1.3 Dismissal of the Reorganization Case**

If the Reorganization Case were to be dismissed, it is a near certainty that the Bond Trustee would exercise its remedy under the Bonds and commence foreclosure on the Debtors' assets. This would likely result in the entirety of Debtors' assets going toward the Bond Trustee Secured Claim with no assets available for any recovery of Unsecured Claims, payment of Administrative Claims, or payment of Priority Tax Claims, all of which would face a zero recovery.

### **14.2 Risk Factors**

There are certain risks inherent in the liquidation and administration process under the Bankruptcy Code. If certain standards set forth in the Bankruptcy Code are not met, the Bankruptcy Court will not confirm the Plan even if holders of Claims and Interests accept the Plan. Although the Debtors believe that the Plan meets such standards, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court were to determine that such requirements were not met, it could require the Debtors to re-solicit acceptances, which could delay and/or jeopardize confirmation of the Plan. The Debtors believe that the solicitation of votes on the Plan will comply with § 1126(b) and that the Bankruptcy Court will confirm the Plan. The Debtors cannot, however, provide assurance that modifications of the Plan will not be required to obtain confirmation of the Plan, or that such modifications will not require a re-solicitation of acceptances.

### **14.3 Tax Considerations**

#### **14.3.1 Introduction**

The following discussion summarizes certain federal income tax consequences of the transactions described herein and in the Plan. This discussion is for informational purposes only and does not constitute tax advice. This summary is based upon the Internal Revenue Code and the Treasury Regulations promulgated thereunder, including judicial authority and current administrative rulings and practice as of the date of this Disclosure Statement and will not be updated for subsequent tax or factual developments. Neither the impact on foreign holders of claims and equity interests nor the tax consequences of these transactions under state and local law is discussed. Also, special tax considerations not discussed herein may be applicable to certain classes of taxpayers, such as financial institutions, broker-dealers, insurance companies, mutual funds, regulated investment companies, real estate investment trusts, trusts, S corporations, dealers and traders in securities and currencies, partnerships and other entities classified as partnerships for federal tax purposes and tax-exempt organizations. Furthermore, due to the complexity of the transactions contemplated in the Plan, and the unsettled status of many of the tax issues involved, the tax consequences described below are subject to significant uncertainties including subsequent legislative and other tax changes. No opinion of counsel has been obtained and no ruling has been requested from the Internal Revenue Service (“IRS”) on these or any other tax issues. There can be no assurance that the IRS will not challenge any or all of the tax consequences of the Plan, or that such a challenge, if asserted, would not be sustained. **HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS ARE THEREFORE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.**

#### **14.3.2 Tax Consequences to the Debtors and Holders of Interests**

The Debtors will realize cancellation of indebtedness (“COI”) income in respect of each Claim generally in an amount equal to the excess, if any, of (i) the portion of the Claim (including accrued and previously deducted but unpaid interest) from which the Debtor is (or is deemed to be) discharged; and (ii) the sum of any cash or the “issue price,” under the Internal Revenue Code of 1986 (the “Internal Revenue Code”) §§ 1273(b) and 1274, of any debt obligations distributed under the Plan in discharge of such Claims. The exact amount of COI income realized upon consummation of the Plan has not been finally determined. Under the Internal Revenue Code, a taxpayer is generally required to include COI income in gross income. COI income is not includable in gross income, however, if it occurs in a case under the Bankruptcy Code, provided the taxpayer is under the jurisdiction of a Court in such case and the cancellation of indebtedness is granted by the Court or is pursuant to a plan approved by the Court. The Debtors’ COI income, if any, resulting from the Plan should satisfy these requirements, and, therefore, should not result in recognition of gross income to the Debtors. COI income that is excluded from gross income will reduce certain tax attributes of the taxpayer, including net operating loss suspended under Internal Revenue Code Section 1361(d) (hereinafter “NOLs”) carryovers, capital loss carryovers and the tax basis of assets, in a specified order of priority beginning with the NOLs and NOL carryovers, unless the taxpayer elects to have the reduction applied first to the tax basis of depreciable assets. The reduction of tax basis is limited to the excess of (i) the aggregate of the tax bases of the taxpayer’s property (determined immediately after the discharge); and (ii) the aggregate liabilities of the taxpayer (determined immediately after the discharge). The exclusion for COI is deemed to occur



immediately following the end of the Debtors' tax year, and not during the tax year.

The Debtors will recognize gain or loss on the sale of assets to third parties equal to the sales price of such assets less the Debtors' adjusted tax basis in such properties. The sales price includes all indebtedness assumed by a buyer as well as all other consideration received by the Debtors. The amount and tax character of such gain and loss will depend on the applicable facts and circumstances.

It is anticipated that cancellation of equity interests will result in a loss each such Equity Interest Holder in the amount of such Equity Interest Holder's U.S. federal income tax basis in their Debtor shares redeemed or deemed redeemed in connection with such distribution. Such loss will as a general matter likely constitute a capital loss, and individual holders of Interests of Debtors who have held their shares in Debtors to which such distributions relate for in excess of one (1) year may be entitled to reduced long-term capital gain rates.

### **14.3.3 Tax Consequences to Creditors**

**In General.** The federal income tax consequences of the implementation of the Plan to a holder of a Claim will depend, among other things, on: (a) whether its Claim constitutes a debt or security for federal income tax purposes, (b) whether the Claimant receives consideration in more than one tax year, (c) whether the Claimant is a resident of the United States, (d) whether all the consideration by the Claimant is deemed to be received by that Claimant as part of an integrated transaction, (e) whether the Claimant utilizes the accrual or cash method of accounting for tax purposes, and (f) whether the holder has previously taken a bad debt deduction or worthless security deduction with respect to the Claim.

**Gain or Loss on Exchange.** Generally, a holder of an Allowed Claim will realize a gain or loss on the exchange under the Plan of his Allowed Claim for cash and other property in an amount equal to the difference between (i) the sum of the amount of any cash and the fair market value on the date of the exchange of any other property received by the holder (other than any consideration attributable to accrued but unpaid interest on the Allowed Claim), and (ii) the adjusted basis of the Allowed Claim exchanged therefore (other than basis attributable to accrued but unpaid interest previously included in the holder's taxable income). Any gain recognized generally will be a capital gain (except to the extent the gain is attributable to accrued but unpaid interest or accrued market discount, as described below) if the Claim was a capital asset in the hand of an exchanging holder, and such gain would be a long-term capital gain if the holder's holding period for the Claim surrendered exceeded one (1) year at the time of the exchange.

The tax treatment of an Allowed Claim for accrued unpaid interest will depend on the Claimant's tax basis in such Claim, which primarily depends on whether the Claimant has previously recognized income for the accrual of such interest and/or recognized a loss with respect to same. Any such holders should consult with their tax advisors regarding the tax treatment of any such accrued unpaid interest.

Any loss recognized by a holder of an Allowed Claim will be a capital loss if the Claim constitutes a "security" for federal income tax purposes or is otherwise held as a capital asset. For this purpose, a "security" is a debt instrument with interest coupons or in registered form.

#### **14.3.4 Information Reporting and Backup Withholding**

Under the backup withholding rules of the Internal Revenue Code, holders of Claims and Interests may be subject to backup withholding with respect to payments made pursuant to the Plan unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a correct taxpayer identification number and certifies under penalties of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividends and interest income. Any amount withheld under these rules will be credited against the holder's federal income tax liability. Holders of Claims and Equity Interests may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

#### **14.3.5 Importance of Obtaining Professional Assistance**

**THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT, THE PLAN OR ANY RELATED MATERIALS, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY YOU, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON YOU UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; AND (B) ANY SUCH DISCUSSIONS ARE BEING USED ONLY IN CONNECTION WITH SATISFYING THE REQUIREMENTS IMPOSED UNDER THE BANKRUPTCY CODE FOR DISCLOSURE STATEMENTS, AND (C) YOU SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR WITH RESPECT TO YOUR FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES BASED ON YOUR PARTICULAR CIRCUMSTANCES.**

### **ARTICLE XV** **CAUSES OF ACTION**

#### **15.1 Retention of Claims and Causes of Action**

Pursuant to Article 9.30 of the Plan, the Debtors and Reorganized Debtors expressly reserve, and do not waive, all Causes of Action and Retained Causes of Action (other than any Released Claims).

**Without limitation, the Causes of Action set forth in Schedule 9.28 to the Plan are expressly reserved.** All Retained Causes of Action are reserved to be asserted by the Liquidating Trust, while all other Causes of Action of the Debtors are reserved for exclusive use by the Reorganized Debtors.

## **15.2 Preferences and Fraudulent Transfers**

Under the Bankruptcy Code, the Debtors may recover certain preferential transfers of property, including cash, made while insolvent during the 90 days immediately prior to the filing of the bankruptcy petition with respect to pre-existing debts, to the extent the transferee received more than it would have in respect of the pre-existing debt had the Debtors been liquidated under Chapter 7 of the Bankruptcy Code. In the case of “insiders,” the Bankruptcy Code provides for a one-year preference period. There are certain defenses to such recoveries. Transfers made in the ordinary course of the Debtors’ and transferee’s business according to the ordinary business terms in respect of debts less than 90 days before the filing of a bankruptcy are not recoverable. Additionally, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension of credit may constitute a defense to recovery, to the extent of any new value, against an otherwise recoverable transfer of property. If a transfer is recovered by the Liquidating Trustee, the transferee has a Unsecured Claim to the extent of the recovery. The right to bring preferential transfer claims identified on the Schedule 9.28 to the Plan, as well as any other preferential transfer causes of action as may be Retained Causes of Action, is fully reserved and assigned to the Liquidating Trust under the terms of the Plan.

Under the Bankruptcy Code and various state laws, the Debtors may also recover certain transfers of property, including the grant of a security interest in property, made while insolvent or which rendered the Debtors insolvent. The right to bring fraudulent transfer claims is fully reserved and assigned to the Liquidating Trust under the terms of the Plan.

The Debtors have not conducted a detailed analysis of potential recoveries under Chapter 5 of the Bankruptcy Code but believe that potential claims may exist. A list of the known payments is set forth in the Debtors’ statements of financial affairs, which are incorporated herein. **Holders of Claims and Interests and parties-in-interest are advised that if they received a voidable transfer, they may be sued whether or not they vote to accept the Plan.** All avoidance actions and rights pursuant to §§ 506(c), 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552(b), 553 and 724 of the Bankruptcy Code and all causes of action under state, federal or other applicable law which constitute Causes of Action shall be retained and may be prosecuted or settled by the Liquidating Trust (if Retained Causes of Action) or the Reorganized Debtors (if not Retained Causes of Action).

## **15.3 Other Causes of Action**

As set forth in the Plan, the Debtors believe that certain Retained Causes of Action exist that will be evaluated, pursued and resolved by the Liquidating Trust, including but not limited to those identified on Schedule 9.28 to the Plan. Other Causes of Action (that are not Retained Causes of Action) will be evaluated, pursued and resolved by the Reorganized Debtors, including but not limited to those identified on Schedule 9.28 to the Plan.

**ARTICLE XVI**  
**VOTING PROCEDURES AND REQUIREMENTS**

**16.1 Ballots and Voting Deadline**

A ballot to be used to vote to accept or reject the Plan is enclosed with this Disclosure Statement. A holder of Claims who is voting must (1) carefully review the ballot and instructions thereon, (2) complete and execute the ballot indicating the Creditor's vote to either accept or reject the Plan, and (3) return the executed ballot to the address indicated thereon by the deadline specified by the Bankruptcy Court.

**The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received by the Debtors no later than \_\_\_\_\_, 2017, at \_\_\_\_\_.**

If you hold an impaired Claim against the Debtor, return your ballot to:

Locke Lord LLP  
c/o C. Davin Boldissar  
601 Poydras St., Suite 2660  
New Orleans, LA 70130

**TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED  
NO LATER THAN \_\_\_\_\_, 2017, at \_\_\_\_\_.**

**16.2 Creditors Entitled to Vote**

Any holder of a Claim whose Claim is impaired under the Plan is entitled to vote, if either (i) the Debtors have scheduled its Claim on its Statement of Liabilities and such Claim is not scheduled as disputed, contingent or unliquidated, or (ii) such holder has filed a Proof of Claim on or before the last date set by the Bankruptcy Court for filing Proofs of Claim and no objection has been filed to such Claim.

Holders of Disputed Claims are not entitled to vote on the Plan. Any Claim to which an objection has been filed and remains pending, is not entitled to vote unless the Bankruptcy Court, upon motion by the holder of a Disputed Claim, temporarily allows the Claim in an amount that it deems proper for accepting or rejecting the Plan by the filing of a motion. Any such motion must be heard and determined by the Bankruptcy Court before the date established by the

Bankruptcy Court as the final date to vote on the Plan pursuant to Bankruptcy rule 3018. In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection of the Plan by the holder of the Claim was not solicited or obtained in good faith or according to the provisions of the Bankruptcy Code.

Classes of Claims that are not impaired are deemed to have accepted a Plan pursuant to § 1126(f) and, therefore, are not entitled to vote on a plan. Pursuant to § 1126, only classes of claims or interests that are “impaired” are entitled to vote on a Plan. Generally, a claim is impaired if the Plan alters the legal, equitable, or contractual rights to which the holder of such claim is otherwise entitled.

### **16.3 Voting Procedures**

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, revocation, or withdrawal of Ballots will be determined by the Bankruptcy Court. The Debtors also reserve the right to oppose any Ballot (subject to final determination by the Bankruptcy Court) that is not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right to ask the Bankruptcy Court to waive any defects or irregularities or conditions or delivery as to any particular Ballot. The interpretation by the Bankruptcy Court of the provisions of this Disclosure Statement and the Ballots will be final and binding. Unless waived, any defects or irregularities concerning deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Unless otherwise directed by the Bankruptcy Court, delivery of Ballots will not be deemed to have been made and will be invalidated unless or until all defects and irregularities have been timely cured or waived.

### **16.4 Vote Required for Class Acceptance**

The Bankruptcy Code defines acceptance of a chapter 11 plan by a class of Claims as the acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half in number of the allowed Claims of the class actually voting to accept or reject the proposed plan.

The Bankruptcy Code defines acceptance of a chapter 11 plan by a class of Interests as the acceptance by holders of at least two-thirds (2/3) in amount of the allowed Interests in the class actually voting to accept or reject the proposed plan.

### **16.5 Cramdown**

If the Plan is not accepted by holders of all classes of impaired Claims, the Debtors reserve the right to withdraw the Plan. If the Plan is accepted by one or more holders of all classes of impaired Claims, the Debtors will request the Bankruptcy Court to approve the Plan under 11 U.S.C. § 1129(b), including the cramdown of equity Interest holders.

**THE DEBTORS STRONGLY URGE ALL IMPAIRED CREDITORS TO VOTE TO ACCEPT THE PLAN.**

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**Date: May 17, 2017**

**DEBTORS:**

**Louisiana Pellets, Inc.**

By:  /s/ Chip Cummins  
Name: Chip Cummins  
Title: Chief Restructuring Officer

**German Pellets Louisiana, LLC**

By:  /s/ Chip Cummins  
Name: Chip Cummins  
Title: Chief Restructuring Officer