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IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

IN RE:	**Case No.:** **15-41935-BTR-11**
CLAIREX TECHNOLOGIES, INC. **75-2532122** **1000 Jupiter Road, Ste. 100** **Plano, TX 75074**	**Chapter:** **11**
Debtor.	

DISCLOSURE STATEMENT FOR DEBTOR'S PLAN OF REORGANIZATION [DATED AUGUST 17, 2016]

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ARTICLE I
INTRODUCTION

This Disclosure Statement ("**Disclosure Statement**") and the accompanying ballots ("**Ballots**") are being furnished by Clairex Technologies, Inc., ("**Debtor**" or "**Clairex**") to you, the holders of Claims against and Interests in the Debtor, pursuant to section 1125 of the United States Bankruptcy Code in connection with the solicitation of ballots for the acceptance of the Debtor's Plan of Reorganization ("**Plan**") under Chapter 11 ("**Chapter 11**") of Title 11 of the United States Code ("**Code**" or "**Bankruptcy Code**"). **Capitalized terms used in this Disclosure Statement and not defined herein shall have their respective meanings set forth in the Plan or, if not defined in the Plan, as defined in the Bankruptcy Code.**

On October 30, 2015, (the "**Petition Date**"), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Texas, Sherman Division ("**Court**" or "**Bankruptcy Court**").

On August 17, 2016, the Debtor filed the Plan. On August 17, 2016, Debtor also filed an *Application for Conditional Approval of Disclosure Statement for Small Business Debtor [11 U.S.C. §1125(f)(3)]* ("**Application**"). If you are receiving this Disclosure Statement, the Application was approved and the Debtor was authorized to solicit votes under the Plan. Final approval of the Disclosure Statement will be decided contemporaneously with a confirmation hearing on the Plan.

A. **Purpose of This Disclosure Statement**. The purpose of this Disclosure Statement is to enable those persons whose Claims against and Interests in the Debtor are Impaired and entitled to vote under the Plan to make an informed decision with respect to the Plan before exercising their rights to vote to accept or reject the Plan. *Holders of Claims and Interests should read this Disclosure Statement and the Plan in its entirety before voting on the Plan.* No solicitation of votes with respect to the Plan may be made except pursuant to this Disclosure Statement. No statement or information concerning the Debtor (particularly as to results of operations or financial condition, or with respect to distributions to be made under the Plan) or any of the respective assets, properties or businesses of the Debtor that is given for the purpose of soliciting acceptances or rejections of the Plan is authorized, other than as set forth in this Disclosure Statement. In the event of any inconsistencies between the provisions of the Plan and this Disclosure Statement, the provisions of the Plan shall control. A copy of the Plan is attached hereto as **Exhibit "1"** to this Disclosure Statement.

This Disclosure Statement was *conditionally approved* by the Bankruptcy Court as containing information, of a kind and in sufficient detail, to enable persons whose votes are being solicited to make an informed judgment with respect to acceptance or rejection of the Plan. **The Bankruptcy Court's conditional approval of this Disclosure Statement does not constitute either a guarantee of the accuracy or completeness of the information contained herein or an endorsement of any of the information contained in this Disclosure Statement or the Plan.**

B. **Summary of Entities Entitled to Vote and Votes Needed for Confirmation**. Pursuant to the provisions of the Bankruptcy Code, only holders of Allowed Claims or Interests in Classes of Claims or Interests that are impaired are entitled to vote to accept or reject a proposed chapter 11 plan of reorganization. Classes of Claims or Interests in which the holders of Claims or Interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of Claims or Interests in which the holders of Claims or Interests that are impaired but are not entitled to receive or retain any property on account of such Claims or Interests are deemed to have rejected the plan and similarly are not entitled to vote to accept or reject the plan.

Only holders of allowed Claims in Classes 3, and 4 (including all subclasses thereof) (collectively, the "**Voting Classes**"), are entitled to vote on the Plan because such Classes are the only Classes that are "impaired," within the meaning of section 1124 of the Bankruptcy Code, and that will receive or retain property under the Plan. Classes 1B, 2 and 5 are unimpaired and therefore not entitled to vote on the Plan. Entities holding Administrative Claims and Priority Tax Claims are not classified and are not entitled to vote on the Plan. See ARTICLE V of the Plan for a description of the various Classes of Claims, and of the treatment of such Claims and Interests under the Plan. See ARTICLE IV of the Plan for an explanation of impairment and the entities that are entitled to vote on the Plan.

The Bankruptcy Court may confirm the Plan only if at least one Class of impaired Claims has voted to accept the Plan (without counting the votes of any insiders whose Claims are classified within that Class), and if certain statutory requirements are met as to both nonconsenting members within a consenting and as to dissenting Classes. A Class of Claims has accepted the Plan only when more than one-half in number **and** at least two-thirds in amount of the Allowed Claims actually voting in that Class vote in favor of the Plan. The Plan may be confirmed even if all of the Voting Classes do not accept the Plan and do not receive payments or property equal to the full amount of their respective Allowed Claims as of the Effective Date, so long as at least one Class of impaired Claims has voted to accept the Plan.

C. **Confirmation Hearing and Voting Procedures**. If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold a Claim in more than one Class and you are entitled to vote Claims in more than one Class, you will receive separate Ballots that must be used for each separate Class of Claims. **Please vote and return your Ballot(s).**

After carefully reviewing this Disclosure Statement and all exhibits and schedules attached hereto, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot.

BALLOTS SHOULD BE MARKED, SIGNED, DATED AND RETURNED SO THAT THEY ARE STAMPED AS HAVING BEEN RECEIVED BY NO LATER THAN 5:00 P.M., CENTRAL STANDARD TIME, ON SEPTEMBER 27, 2016 (THE "VOTING DEADLINE") AT THE FOLLOWING ADDRESS, AS SET FORTH ON THE ENCLOSED RETURN ENVELOPE:

CLAIREX BALLOTS
C/O DEMARCO•MITCHELL, PLLC
1255 WEST 15TH STREET, 805
PLANO, TEXAS 75075

IT IS OF UTMOST IMPORTANCE TO THE DEBTOR THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN BY COMPLETING AND SIGNING THE BALLOT ENCLOSED HEREWITH AND RETURNING IT TO COUNSEL FOR THE DEBTOR AT THE ADDRESS SET FORTH IN THE BALLOT INSTRUCTIONS THAT ACCOMPANY THE BALLOTS. SHOULD YOU HAVE ANY QUESTIONS REGARDING THE

VOTING PROCEDURES, YOUR BALLOT, OR THE BALLOT INSTRUCTIONS, OR IF YOUR BALLOT IS DAMAGED OR LOST, CONTACT COUNSEL FOR THE DEBTOR AT THE ADDRESS LISTED ABOVE.

D. Confirmation Hearing and Deadlines for Objections. The Disclosure Statement Order fixes **September 29, 2016, at 9:30 a.m.** Central Daylight Time, in the Courtroom of the Honorable Brenda Rhodes, United States Bankruptcy Judge, United States Bankruptcy Court for the Eastern District of Texas, Sherman Division, as the date, time, and place for the hearing on Confirmation of the Plan, and fixes **September 23, 2016,** as the date by which all objections to Confirmation of the Plan must be filed with the Bankruptcy Court and received by the counsel for the Debtor and certain other persons identified in the Disclosure Statement Order. The Debtor will request Confirmation of the Plan at the Confirmation Hearing.

E. Important Notices and Cautionary Statements. This Disclosure Statement has been compiled by the Debtor to accompany the Plan. The factual statements, projections, financial information, and other information contained in this Disclosure Statement have been taken from documents prepared by the Debtor, the unaudited Schedules and Statement of Financial Affairs, the Monthly Operating Reports, pleadings filed in the Bankruptcy Case, and information obtained in the Chapter 11 Case. Any information provided in the Disclosure Statement should not be relied upon unless such information has been independently verified. *Nothing contained in this Disclosure* Statement *shall have any preclusive effect against the Debtor (whether by waiver, admission, estoppel or otherwise) in any cause or proceeding which may exist or occur in the future.* This Disclosure Statement shall not be construed or deemed to constitute an acceptance of fact or an admission by the Debtor with regard to any of the statements made herein, and all rights and remedies of the Debtor is expressly reserved in this regard. This Disclosure Statement contains statements which constitute the Debtor's, or other third parties' view of certain facts. All such disclosures should be read as assertions of such parties. To the extent any paragraph does not contain an express reference that it constitutes an assertion of a particular party, it should be read as an assertion of the party indicated by the context and meaning of such paragraph. The statements contained in this Disclosure Statement are made as of the Petition Date unless another time is specified herein, and neither delivery of this Disclosure Statement nor any exercise of rights granted in connection with the Plan shall, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Disclosure Statement.

Some of the information contained in this Disclosure Statement, by its nature, is forward looking, contains estimates and assumptions which may prove to be inaccurate, and contains projections which may prove to be wrong, or which may be materially different from actual future results. Each Claimant or Interest holder should independently verify and consult its individual attorney and accountant as to the effect of the Plan on such individual Claimant or Interest holder. The Debtor strongly urges each recipient entitled to vote on the Plan to review carefully the contents of this Disclosure Statement, the Plan, and the other documents that accompany or are referenced in this Disclosure Statement in their entirety before making a decision to accept or reject the Plan.

F. Additional Information. If you have any questions about the procedures for voting on the Plan, desire another copy of a Ballot, or seek further information about the timing and deadlines with respect to confirmation of the Plan, please contact DeMarco•Mitchell, PLLC (contact information is provided *infra*). Note that DeMarco•Mitchell, PLLC, cannot and will not provide holders of Claims or Interests with any advice, including advice regarding how to vote on the Plan, or the legal effect that confirmation of the Plan will have upon Claims against the Debtor and/or Interests in the Debtor. **Under no circumstances will an inquiry to DeMarco•Mitchell, PLLC, change the Voting Deadline.**

As provided in the Plan, material modifications to the Plan, exhibits to the Plan or documents related to the Plan may be made. Finally, all pleadings filed in the Case are on file with the Bankruptcy Court and are available for review during normal business hours. Written requests for a copy of any specific pleading or document may also be made to DeMarco•Mitchell, PLLC.

ARTICLE II
BACKGROUND INFORMATION

A. **Purpose of Chapter 11**. Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. A plan is the vehicle for satisfying the holders of claims against and equity interests in a debtor.

The commencement of a Chapter 11 case creates an "estate" comprised of all the legal and equitable interests of the debtor. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may remain in possession of its property and continue to operate its business as a "debtor in possession" ("**DIP**") unless a Chapter 11 trustee is appointed. Thus, the Debtor has been operating in the ordinary course of business and under the supervision of the Bankruptcy Court. Additionally, as of the Petition Date, all litigation and actions by creditors to collect claims arising on or before the Petition Date, were stayed absent a specific Bankruptcy Court order authorizing the Debtor to pay such claims.

B. **Summary Description of Debtor's Business**. Clairex, is a Texas corporation, established in 1994, which currently operates from Plano, Texas. Clairex is an internationally recognized leader in semiconductor packaging, specializing in the design and manufacture of high quality, high performance optoelectronic products. Clairex products are used today in a wide variety of military, medical, automotive and industrial applications.

C. **Events Leading to Bankruptcy**. The primary cause of this bankruptcy filing was the litigation by and between Clairex and VCB, L.P. ("**VCB**") styled as *VCB, L.P. v. Clairex Technologies, Inc.* (the "VCB Lawsuit"). The VCB Lawsuit was filed in the 417th Judicial District Court, Collin County, Texas, bearing Cause Number 417-01375-2014. The VCB Lawsuit involved a dispute concerning a nonresidential lease agreement by and between Clairex, as the tenant, and VCB, as the landlord.

VCB successfully obtained a final summary judgment against Clairex in the VCB Lawsuit. The judgment amount was $358,663.02, which amount is reflected in the VCB proof of claim filed with the Court.

D. **Commencement of the Case**. The primary cause for the filing of the Case was VCB's final summary judgment against Clairex.

E. **Significant Events Since the Petition Date**. The following is a description of the events which have occurred since the Petition Date.

1. Schedules and Statements. The Debtor filed a Motion with the Court for an extension of the deadline for filing the required Schedules and Statements on November 13, 2015 [Docket Entry No. 15]. The Court entered an Order Extending Deadline for Fling Schedules and Statements on November 17, 2015 [Docket Entry No. 18]. The Debtor's Schedules and Statements were timely filed with the Bankruptcy Court on November 25, 2015 [Docket Entry Nos. 20-23]. An Amended Schedule F was filed on December 4, 2015 [Docket Entry No. 26].

2. Employment of Professionals. As of the filing of this Disclosure Statement the only professional employed by the Debtor was DeMarco•Mitchell, PLLC.

a. Counsel for Debtor. DeMarco•Mitchell, PLLC, was employed to represent the Debtor by order entered December 18, 2015 [Docket Entry No. 30].

The Debtor has not found it necessary to engage and/or employ any additional professionals.

3. First Day Matters. The Debtor found it necessary to file the following first day pleadings:

a. Debtor's Emergency Motion for Authority to Pay Prepetition Wage Claims filed on November 4, 2015 [Docket Entry No. 2];

b. Debtor's Emergency Motion for Authority to Pay Certain Prepetition Tax Claims filed on November 4, 2015 [Docket Entry No. 3]; and

c. Debtor's Emergency Motion for Authority to Pay Critical Vendor filed on November 4, 2015 [Docket Entry No. 4].

VCB contested the Motion for Authority to Pay Critical Vendor, which objection was overruled. Orders on all of the forgoing Motions were entered by the Court on November 9, 2015 [Docket Entry Nos. 8-10].

4. Utility Motion. The *Debtor's Motion for Entry of an Order: (A) Prohibiting Utilities From Discontinuing, Altering, or Refusing Service; (B) Deeming Utilities Adequately Assured of Future Performance; and (C) Establishing Procedures For Determining Adequate Assurances of Payment for Future Utility Services* was filed on November 13, 2015 [Docket Entry No. 15]. An order granting the utilities motion was not opposed and was entered on December 18, 2015 [Docket Entry No. 29].

5. VCB Motions. On March 23, 2016 *VCB, L.P.'s Motion for Order Granting Leave, Standing and Authority to Object to Claims Scheduled by the Debtor of David & LaVerne Catter and David Catter, Insiders of the Debtor* [Docket Entry No. 39] was filed with the Court. The Debtor did not object to the Motion and an order was entered on April 22, 2016, authorizing the filing the referenced objection [Docket Entry No. 42].

Subsequently, on April 27, 2016, VCB objected to the claims of David and LaVerne Catter [Docket Entry No. 46] ("**Claims Objection**"). The Claims Objection has not yet been resolved and is set for hearing on September 13, 2016.

Lastly, VCB requested permission from the Court to conduct a 2004 examination of David Catter, which request was accompanied by a request for production [Docket Entry No. 54]

("**2004 Motion**"). The Debtor objected to the timing of the examination of Mr. Catter and the production of the documents for medical reasons involving David Catter. The 2004 Motion was granted and much of the requested documentation has been produced. The examination of Mr. Catter has not yet taken place.

6. Plan and Disclosure Statement. On August 17, 2016, the Debtor filed the Plan and Disclosure Statement.

ARTICLE III
CLAIMS AGAINST THE DEBTOR

A. **Bar Date**. The Court established March 3, 2016, as the claims bar date for all creditors.

B. **Filed Proofs of Claim**. As of March 3, 2016, there were twelve (12) proofs of claim filed against Clairex asserting aggregate claims in the amount of $736,586.46.

C. **Debtor's Review of Proofs of Claims**. The Debtor has reviewed their books and records and the Proofs of Claims filed. Based upon that review the Debtor posits as follows:

Claim	Claim Holder	Amount	Secured	Priority	Unsecured	Admin	Description
1	Collin County	$11,749.11[1]	$11,749.11	$0.00	$0.00	$0.00	Tax
2	J & C A/C Services	$573.73	$0.00	$0.00	$573.73	$0.00	Vendor
3	Perkins, Dexter et al	$10,405.00	$0.00	$0.00	$10,405.00	$0.00	Vendor
4	IRS	$370.00	$0.00	$100.00	$270.00	$0.00	Tax
5	Allied Electronics	$106.40	$0.00	$0.00	$106.40	$0.00	Vendor
6	Legacy Texas Bank	$16,000.00[2]	$0.00	$0.00	$16,000.00	$0.00	Loan
7	VCB	$370,960.23	$0.00	$0.00	$370,960.23	$0.00	Lease Judgment
8	L3	$1,750.31	$0.00	$0.00	$1,750.31	$0.00	Vendor
9	KKR	$1,875.00	$0.00	$0.00	$1,875.00	$0.00	Vendor
10	Ray Vinyard	$131,007.00	$0.00	$0.00	$131,007.00	$0.00	Loan
11	Infratech	$43,100.80	$0.00	$0.00	$43,100.80	$0.00	Vendor
12	Electronic Products	$149,688.88	$0.00	$0.00	$149,688.88	$0.00	Vendor
	TOTALS		$11,749.11	$100.00	$725,737.35	**$0.00**	

Notwithstanding anything set forth in this table and except as otherwise specifically provided for in the Plan, the Debtor [before the Effective Date] and the Reorganized Debtor [after the Effective Date] reserve any and all rights to object to or defend against any Claims asserted against the Debtor and/or the estate.

D. **Scheduled Claims: No Proof of Claim Filed**. Several creditors were listed in the Debtor's schedules, which creditors did not file a proof of claim. The Debtor estimates the aggregate sum of all such non-contingent, liquidated and undisputed Claims to be

[1] The *ad valorem* taxes have been paid in full when due for the 2015 tax year. This claim has been fully satisfied. However, the 2016 *ad valorem* tax lien attached on January 1, 2016, which tax will become due in October, 2016. It is estimated the amount of the 2016 *ad valorem* tax will be approximately $12,000.

[2] The Debtor's principals have been personally making post-petition payments of $1,000 per month on this obligation. The actual amount of this Claim will be lower.

approximately $1,024,665.43. It was not necessary for these creditors to file a proof of claim pursuant to Federal Rule of Bankruptcy Procedure 3003(c)(2) in order for such creditors to participate in the voting process or to share in any distributions under the Plan.

The $1,024,665.43 figure includes the claim of David and LaVerne Catter in the sum of $900,000[3], and the claim of David Catter in the sum of $20,965.94, which claims are the subject of the Claim Objection. Further, said figure includes the claim of LaVerne Catter in the sum of $3,518.92, which claim has not been objected to.

E. **Insider Claims: Adjustment**. The total of all unsecured claims (as reflected in the bankruptcy schedules and the claims register) after deducting all insider claims is $786,974.01. The aggregate of ALL unsecured claims is $1,750,402.78.

F. **Additional Claim Objections**. Except to the extent that a claim is already allowed pursuant to a final non appealable order and/or the validity and amount is acknowledged in the Plan, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld.

G. **Avoidance Actions**. The Debtor has not yet completed their investigation with regard to prepetition transactions. If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

ARTICLE IV
ASSETS OF THE DEBTOR

The following is a summary description of the Debtor's principal assets. The information has been compiled from the Debtor's financial records as reflected in the Debtor's Schedules and Statements.

1. Deposits. As of the Petition Date, the Debtor had an aggregate balance in its checking, savings and/or other financial accounts, certificates of deposit, security deposits and the like of approximately $9,273.

2. Real Property. As of the Petition Date, the Debtor owned no real property.

3. Receivables. The receivable(s) due and owing the Debtor totaled approximately $106,392 as of the Petition Date.

4. Machinery, Fixtures, Supplies and Equipment. The Debtor owns a variety of machinery, fixtures and equipment. As reflected in the Debtor's Schedules, the value of said property is approximately $68,770.

5. Inventory. The Debtor had inventory valued at approximately $224,529 as of the Petition Date.

[3] David and LaVerne Catter's claim is presently the subject of a claim objection as indicated. If the objection is not sustained, David and LaVerne Catter will have an allowed claim of $937,311.06.

6. Executory Contracts and Leases. The Debtor was party to a single executory contract as of the Petition Date. The Executory Contract is a nonresidential real property lease concerning the premises from which it operates. The Debtor as described *infra*, intends to cure and assume the nonresidential real property lease under the Plan.

ARTICLE V
PLAN SUMMARY

The following is brief summary of the Plan in a table format. The following summary of the Plan is qualified in its entirety by the actual terms of the Plan. **In the event of any conflict, the terms of the Plan will control over any summary set forth in this Disclosure Statement.**

The Debtor believes that confirmation of the Plan provides the best opportunity for maximum recoveries for their respective creditors. The Debtor further believes, and will demonstrate to the Court, that their creditors will receive at least as much, and likely more, in value under the Plan than they would receive in an asset liquidation under chapter 7 of the Bankruptcy Code.

References in this Disclosure Statement as to the amount of Claims are based on the information reflected in the Debtor's Schedules and Statements or in proofs of Claims filed with the Bankruptcy Court and are not intended to be admissions regarding the Allowed amount of Claims or waivers of Debtor's rights to assert any otherwise available defense, recoupment, setoff, or counterclaim. The Debtor has not completed an audit of the filed proofs of Claims and will consider objecting to the allowance of some Claims, if appropriate.

CLASS	DESCRIPTION	IMPAIRED	METHOD OF PAYMENT	ESTIMATED ALLOWED CLAIM	ESTIMATED DISTRIBUTION
N/A	Administrative Expenses (11 U.S.C. §§503(b)(1) and (3)-(9), 507(a)(2))		Unpaid portion of Allowed Claims paid in full in Cash on Effective Date unless otherwise agreed	$0.00	$0.00
N/A	Administrative Expenses (11 U.S.C. §§503(b)(2), 507(a)(2))		Unpaid portion of Allowed Claims paid in full in Cash on Effective Date unless otherwise agreed	Estimated to NOT exceed $30,000.00 [Professional Fees]	Estimated to NOT exceed $30,000.00 [Professional Fees]
N/A	Priority Tax Claims		Either: (1) Cash payment of Allowed Claim; or (2) Paid in full in 60 equal monthly payments with interest	$100.00	$100.00
Class 1A	Secured *Ad Valorem* Tax Claims	YES	Paid in full and amortized over 5 years from the Petition Date at 12%	$12,000.00	$12,000.00

CLASS	DESCRIPTION	IMPAIRED	METHOD OF PAYMENT	ESTIMATED ALLOWED CLAIM	ESTIMATED DISTRIBUTION
Class 1B	Other Secured Claims	NO	Either: (1) unaltered contractual rights; (2) note cured and reinstated; or (3) surrender of collateral	$0.00	$0.00
Class 2	Priority Claims	NO	Paid in Cash on the Effective Date unless otherwise agreed	$0.00	$0.00
Class 3	Administrative Convenience Claims	YES	Paid Cash equal to lesser of $1,500.00 or Allowed Amount of Claim	Up to $7,000.00	Up to $5,500.00
Class 4A	General Unsecured Claims	YES	Pro Rata distribution from unsecured creditor pool	Estimated @ $1,589,563	Estimated @ $1,589,563
Class 4B	Specially Classified Unsecured Claim of David & LaVerne Catter - Subordinated	YES	Paid in full AFTER all Allowed Class 4A Claims are paid in full	$200,000.00	$200,000.00
Class 5	Interests	NO	Retain all equity interests in Reorganized Debtor	N/A	N/A

A. **<u>Administrative Expense Claims of Professionals</u>**. The Debtor estimates $30,000.00 in administrative expense claims will be due under the Plan. This claim is attributable to the fees and expenses incurred by professionals retained by the Debtor pursuant to sections 327 and 330 of the Bankruptcy Code. The only such professional presently employed by the Debtor is the Debtor's general bankruptcy counsel. Counsel for the Debtor has agreed to accept payment of its Allowed fees within nine (9) months of the Effective Date.

ARTICLE VI
DEBTOR'S CURRENT AND HISTORICAL FINANCIAL DATA

The Debtor's three (3) most recent Monthly Operating Reports filed with the US Trustee and the Bankruptcy Court are attached hereto as **Exhibit "2"**. All other Monthly Operating Reports filed by the Debtor during this Case, if any, are on file with the Bankruptcy Court. The Debtor's current sources of Cash include income from operations and its current bank balances.

ARTICLE VII
DEBTOR'S PROJECTIONS

The Debtor developed a set of financial projections, which projections are attached as **Exhibit "3"** ("**Financial Projections**"). The Financial Projections are based on a number of significant assumptions, including, among other things, the successful reorganization of the Debtor. **ACTUAL OPERATING RESULTS MAY VARY.**

As a condition to confirmation of the Plan, the Bankruptcy Code requires, among other things, that the Court determine that confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor. In connection with the development of the Plan, and for purposes of determining the feasibility of the Plan (discussed *infra*), the Debtor has, analyzed the ability to perform under the Plan. The Financial Projections were also prepared in an effort to assist the holders of Allowed Claims and Interests in determining whether to accept or reject the Plan.

The Financial Projections were prepared in good faith based upon assumptions believed to be reasonable. The Financial Projections were prepared in August, 2016, and were based, in part, on the current economic conditions prevailing at the time. Any future changes in these conditions may materially impact the Debtor's ability to achieve the Financial Projections.

THE FINANCIAL PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARDS COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS.

THE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICTY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS, WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTOR, MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND CLIMATE UNCERTANTIES WHICH MAY BE BEYOND THE DEBTOR'S CONTROL. THE DEBTOR CAUTIONS THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS OR TO THE REORGANIZED DEBTOR'S ABILITY TO ACHIEVE THE PROJECTED RESULTS.

1. Scope of the Financial Projections. The Financial Projections cover a period of six (6) years, commencing from an anticipated Effective Date in October, 2016, through and including September, 2022 ("**Projection Period**"). The Financial Projections are based on the assumption that the Plan will be confirmed by the Court, and that the Effective Date will occur in October, 2016. As demonstrated by the Financial Projections, the Reorganized Debtor will have sufficient cash flow to make all required payments under the Plan.

2. Significant Assumptions. The Financial Projections summarize the Reorganized Debtor's projected revenues, expenses, capital expenditure and financing needs. The projections are based on a number of assumptions, which assumptions are set forth herein. ***The projected results are dependent on the successful implementation of the Reorganized Debtor's business strategies and are, in part, based on assumptions and events over which the Reorganized Debtor will have limited control.*** Changes in the facts or circumstances underlying such assumptions could materially affect the projections. As a result, no assurances can be made that the Financial Projections will be achieved by the Reorganized Debtor.

ARTICLE VIII
RISK FACTORS

CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. **Projected Financial Information**. As stated supra, the Financial Projections are dependent on a variety of assumptions. Moreover, the Financial Projections assume confirmation and consummation of the Plan. While the Debtor believes the Financial Projections are reasonably attainable, variations between actual financial results and those projected may occur and be material.

1. Operational Risks. The economy remains tumultuous and uncertain. The Debtor has little control over these economic factors and conditions.

2. Government. The Government can play a significant role in impacting Debtor's operations. There are numerous laws and regulations concerning the collection of debt, especially the types of debt collected by the Debtor.

B. **Bankruptcy Considerations**.

1. Non-Confirmation of the Plan. While the Debtor believes the Plan satisfies all of the requirements necessary for confirmation by the Court, there can be no assurance that the Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes to accept the Plan, as modified.

2. Non-Occurrence of the Effective Date. Although the Debtor believes the Effective Date will occur during October, 2016, there can be no assurance as to the timing or that conditions to the Effective Date contained in the Plan will occur.

ARTICLE IX
CONFIRMATION REQUIREMENTS AND PROCEDURES

A. **Requirements for Confirmation**. At the Confirmation Hearing, the Court will determine whether the provisions of section 1129 of the Code have been satisfied. Section 1129 of the Bankruptcy Code, as applicable here, provides as follows:

The Plan must comply with the applicable provisions of the Code, including section 1123 which specifies the mandatory contents of a plan and section 1122 which requires that Claims and Interests be placed in Classes with "substantially similar" Claims and Interests (section 1129(a)(1)). To summarize, the proponents of the Plan must comply with the applicable provisions of the Code (section 1129(a)(2)); the Plan must have been proposed in good faith and not by any means forbidden by law (section 1129(a)(3)); any payment made or to be made by the Debtor, by the Debtor, 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 Case, or in connection with the Plan and incident to the Case, must be disclosed to the Court and approved or be subject to the approval of the Court as reasonable (section 1129(a)(4)); the Debtor must disclose the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the reorganized debtor, of an affiliate of the Debtor participating in a plan with the Debtor, or of a successor to the Debtor under the Plan; and the Debtor must also disclose the identity of any insider that will be employed or retained by the reorganized debtor and the nature of any compensation for such insider (section 1129(a)(5)).

The Plan must further meet the "best interest of creditors" test which requires that each holder of a Claim or Interest of a Class of Claims or Interests that is impaired under the Plan either accept the Plan or 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 receive or retain if the Debtor was liquidated on such date under Chapter 7 of the Code. If the holders of a Class of Secured Claims make an election under section 1111(b) of the Code, each holder of a Claim in such electing Class must receive or retain under the Plan on account of its Claim property of a value, as of the Effective Date of the Plan, that is not less than the value of its interest in the Debtor's interest in the property that secures its Claim (section 1129(a)(7)). To calculate what non-accepting holders would receive if the Debtor was liquidated under Chapter 7, the Court must determine the dollar amount that would be generated upon disposition of the Debtor's assets and reduce such amount by the costs of liquidation.

Finally, each Class of Claims or Interests must either accept the Plan or not be impaired under the Plan (section 1129(a)(8)); except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan must provide that holders of Administrative Claims and Priority Claims (other than tax claims) will be paid in full in cash on the Effective Date of the Plan, and that holders of priority tax Claims will receive on account of such Claims deferred cash payments, over a period not exceeding five (5) years after the date of assessment of such tax, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim (section 1129(a)(9)); at least one impaired Class must accept the Plan, determined without including the acceptance of the Plan by any insider holding a Claim of such Class (section 1129(a)(10)); the Plan must be "feasible" -- it cannot be likely that confirmation of the Plan will be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such liquidation is proposed in the Plan (section 1129(a)(11)); all fees required to be paid under the Code have been paid or the Plan provides for such payment on its Effective Date (section 1129(a)(12)); and the Plan provides for the continuation after the Effective Date of the payment of all retiree benefits at the level established prior to Confirmation, pursuant to the provisions of §1114 of the Code (section 1129(a)(13)).

B. <u>**Who May Vote or Object**</u>. Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met. Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired. The Debtor, in Article IV of the Plan, set forth which Claims are impaired and which Claims are not impaired.

1. <u>What Is an Allowed Claim or an Allowed Equity Interest</u>? Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote

on the Plan. Generally, a claim or equity interest is allowed if either: (A) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (B) the creditor has filed a proof of claim or equity interest, and no objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

2. What Is an Impaired Claim or Impaired Equity Interest? As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is impaired under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. Who is Not Entitled to Vote? The holders of the following five types of claims and equity interests are not entitled to vote:

a. holders of Claims and Equity Interests that have been disallowed by an order of the Court;

b. holders of other Claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.

c. holders of claims or equity interests in unimpaired classes;

d. holders of Claims entitled to priority pursuant to §507(a)(2), (a)(3), and (a)(8) of the Code; and

e. holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and

f. holders of administrative expense Claims.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. Who Can Vote in More Than One Class? A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

C. **Votes Necessary to Confirm the Plan**. If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed *infra*.

1. Votes Necessary for a Class to Accept the Plan. A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (½) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

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

2. Treatment of Nonaccepting Classes. Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by §1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of §1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

D. **Ballots and Voting**. Holders of Allowed Claims entitled to vote on the Plan have been sent a Ballot, together with instructions for voting, with this Disclosure Statement. Claimants should read the Ballot carefully and follow the instructions contained therein. In voting for or against the Plan, please use only the Ballot(s) that accompanies this Disclosure Statement.

IF YOU ARE A MEMBER OF A CLASS ENTITLED TO VOTE ON THE PLAN AND DID NOT RECEIVE A BALLOT, OR IF YOUR BALLOT IS DAMAGED OR LOST, OR IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, YOU SHOULD CONTACT COUNSEL FOR THE DEBTOR:

ROBERT T. DeMARCO
DEMARCO-MITCHELL, PLLC
1255 WEST 15TH STREET, 805
PLANO, TEXAS 75075

THE VOTING DEADLINE IS 5:00 P.M., CENTRAL DAYLIGHT TIME, ON *SEPTEMBER 27, 2016* IN ORDER TO BE COUNTED, BALLOTS MUST BE ACTUALLY RECEIVED BY COUNSEL FOR THE DEBTOR ON OR BEFORE 5:00 P.M., CENTRAL STANDARD TIME, ON THE VOTING DEADLINE AT THE ADDRESS SET FORTH IN THE BALLOT INSTRUCTIONS WHICH ACCOMPANY THE ENCLOSED BALLOT. EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT, BALLOTS RECEIVED AFTER THE VOTING DEADLINE MAY NOT BE ACCEPTED OR USED IN CONNECTION WITH THE DEBTOR'S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF.

E. **Incomplete or Irregular Ballots**. Ballots which fail to designate the Class to which they apply shall be counted in the appropriate Class as determined by the Debtor, subject only to contrary determinations by the Bankruptcy Court. Ballots of claimants that are signed and returned, but do not indicate a vote either for acceptance or rejection of the Plan, shall be counted as ballots for the acceptance of the Plan if permitted by the Bankruptcy Court.

F. **Contested and Unliquidated Claims**. Contested Claims are not entitled to vote to accept or reject the Plan. If you are the holder of a Contested Claim, you may ask the Bankruptcy Court pursuant to Bankruptcy Rule 3018 to have your Claim temporarily Allowed for the purpose of voting.

G. **Possible Reclassification of Creditors and Interest Holders**. The Debtor is required pursuant to § 1122 of the Bankruptcy Code to place Claims and Interests into Classes that contain substantially similar Claims or Interests. While the Debtor believes it has classified all Claims and Interests in compliance with § 1122, it is possible that a Claimant or Interest holder may challenge the classification of its Claim or Interest. If the Debtor is required to reclassify any Claims or Interests of any Claimants or Interest holders under the Plan, the Debtor, to the extent permitted by the Bankruptcy Court, intend to continue to use the acceptances received from such Claimants or Interest holders pursuant to the solicitation of acceptances using this Disclosure Statement for the purpose of obtaining the approval of the Class or Classes of which such Claimants or Interest holders are ultimately deemed to be a member. Any reclassification of Claimants or Interest holders should affect the Class in which such Claimants or Interest holders were initially a member, or any other Class under the Plan, by changing the composition of such Class and the required vote thereof for approval of the Plan.

ARTICLE X
FEASIBILITY

A. **Feasibility**. The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. Ability to Initially Fund Plan. The Debtor believes that it will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. As of July 31, 2016, the Debtor has approximately $117,687.63 on deposit in its bank account. Additionally, Debtor anticipates funds from continued business operations as reflected in the projections attached hereto. By way of illustration, the income for the month of July, as reflected in the July, 2016, monthly operating report was approximately $136,541.00.

2. Ability to Make Future Plan Payments and Operate Without Further Reorganization. Based upon the Financial Projections and the assumptions set forth therein, the Debtor believes it will have adequate cash flow during the next six years to make all required Plan payments. The Debtor believes that it is extremely speculative to forecast, with any degree of specificity, the cash flow figures beyond one (1) year, let alone six (6) years. Nonetheless, the Debtor estimates the net cash flow from business operations will remain relatively stable over time and that they will be able to fund operations going forward and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

ARTICLE XI
BEST INTEREST TEST / LIQUIDATION ANALYSIS

With respect to each Impaired Class of Claims, confirmation of the Plan requires that each holder of an Allowed Claim either: (A) accept the Plan; or (B) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. To determine what holders of Allowed Claims in each Impaired Class would receive if the Debtor was liquidated under chapter, the Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets in the context of a chapter 7 liquidation case – a liquidation analysis. The cash amount that would be available for the satisfaction of Allowed Claims would consist of the proceeds resulting from the disposition of the unencumbered non-exempt assets of the Debtor less the costs and expenses of liquidation and additional administrative claims resulting from the chapter 7 process.

The Debtor's costs of liquidation under chapter 7 would include the fees payable to a chapter 7 bankruptcy trustee, as well as those fees that might be payable to attorneys and other professionals engaged by the chapter 7 trustee. In addition, Claims would arise by reason of the breach or rejection of obligations incurred and leases and executor contracts assumed or entered into by the Debtor during the pendency of the bankruptcy case. To determine if the Plan is in the best interests of each Impaired Class, the value of the distributions from the proceeds of a liquidation under chapter 7 of the Debtor's unencumbered and non-exempt assets after subtracting the costs associated with such a liquidation are then compared with the value of the property offered to such Classes of Claims under the Plan.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to holders of Allowed Claims, including: (A) the increased costs and expenses of a chapter 7 liquidation; and (B) the likely erosion in value of the Debtor's unencumbered assets in the context of an expeditious liquidation and "forced sale" atmosphere that would prevail under chapter 7, the Debtor has determined that confirmation of the Plan will provide each holder of an Allowed Claim with a recovery that is not less than such holder would receive pursuant to a chapter 7 liquidation.

The following liquidation analysis[4] provides a summary of the liquidation values of the Debtor's assets, assuming a chapter 7 liquidation in which a trustee appointed by the Court would liquidate the assets of the Debtor's estates.

A. **CHAPTER 7 DIVIDENDS PAID**. The Debtor makes the following assumptions:

ASSET	LIQUIDATION VALUE	LIEN	NET ASSET VALUE
Accounts with Financial Institutions	$117,687.63	$0.00	$117,687.63
Equipment/Materials – Supplies or Fixtures	$44,700.00[5]	$0.00	$44,700.00
Inventory	$83,804.73[6]	$0.00	$83,804.73
Backlog / WIP	$0.00[7]	$0.00	$0.00
Receivables	$110,470.34[8]	$0.00	$110,470.34
TOTAL			**$356,662.70**

ASSUMPTION	COST

[4] These values are accurate as of July 31, 2016, except as otherwise noted.
[5] This value is 65% of the actual receivables on July 31, 2016 ($68,770).
[6] This value is 65% of the actual receivables on July 31, 2016 ($128,930.35).
[7] The Debtor assumes a chapter 7 bankruptcy trustee will be unable to liquidate this asset as the items have yet to be manufactured or are in the manufacturing process. The current value of the Debtor's backlog, assuming the Debtor continues normal business operations, is $1,055,375.02.
[8] This value is 60% of the actual receivables on July 31, 2016 ($184,117.23).

Additional administrative costs associated with a distressed sale (sale completed within 6-9 months by auction) of the Equipment and Inventory will result in a sales price approximately fifteen percent (15%) less than the Debtor's assumed liquidation value. Debtor estimates a further reduction of ten percent (10%) based upon the cost of removal from the leased premises.	<$30,198.61>
Additional administrative costs associates with the collection of the receivables by a chapter 7 trustee will result in a net value of approximately twenty percent (20%) less than Debtor's assumed liquidation value.	<$22,094.07>
Chapter 7 Trustee Fees (25% of first $5,000; 10% of next $45,000; 5% of the next $950,000; and 3% of all monies in excess of $1,000,000) and Legal Fees ($0.00)	<$18,468.50>

As set forth in the above table, Debtor asserts that the liquidation value of the Debtor's collective assets, net of secured liens, is approximately $356,662.70. Subtracted from this liquidation value are certain additional costs and expense that will arise in the context of a chapter 7 liquidation, to wit: (A) chapter 7 trustee fees and expenses (approximate) of $18,468.50; (B) administrative Chapter 7 administrative costs and expenses (approximate) of $52,292.68; and (C) Chapter 11 administrative expenses (approximate) of $30,000.

The Debtor estimates the net recovery by a chapter 7 bankruptcy trustee, based upon the above referenced assumptions, will be $255,901.52. In short, it is the Debtor's opinion that if the case were converted to one under chapter 7 of the Bankruptcy Code, the dividend paid to the unsecured creditors would be substantially and significantly less than the dividends to be paid under the Plan.

B. **PLAN DIVIDENDS PAID**. The Debtor makes the following assumptions:

ASSUMPTION	COST
The Debtor is able to continue operating through the Plan term of six (6) years and will meet or exceed the projections provided herewith.	N/A
The Debtor will not liquidate any equipment or inventory.	N/A

The Plan currently provides for the payment to ALL Creditors (unsecured and secured) 100% of their respective Allowed Claims (approximately $1,789,563 over 6 years). Debtor contends the Plan provides for a greater dividend to all creditors than would a liquidation of assets under chapter 7.

ARTICLE XII
ALTERNATIVES TO CONFIRMATION

If the Plan is not confirmed and consummated, the alternatives to the Plan include: (A) liquidation of the Debtor under chapter 7 of the Bankruptcy Code; and (B) an alternative plan of reorganization or liquidation.

A. **Alternative Plan or Plan of Liquidation**. If the Plan is not confirmed, the Court could confirm a different plan. The Plan is, in essence, a reorganization of the Debtor's business enterprise. A different plan might include a different form of restructuring or a liquidation of the business. The Debtor believes that the Plan enables creditors and interest holders to realize the highest and best value under the circumstances. Further, the Debtor believes that any liquidation of the Debtor's assets or alternative form of chapter 11 is a much less attractive alternative to creditors than the Plan because of the far greater returns and certainty provided therein. Other alternatives would involve diminished recoveries, significant delay, uncertainty, and additional administrative costs.

B. Liquidation Under Chapter 7. If no Plan is confirmed, the Chapter 11 case may be converted to one under chapter 7 pursuant to which a trustee will be appointed to liquidate the Debtor's assets.

ARTICLE XIII
CRAMDOWN [§ 1129(b) OF THE BANKRUPTCY CODE]

In the event any Impaired Class of Claims shall fail to accept the Plan in accordance with § 1129(a) of the Bankruptcy Code, the Debtor shall request the Bankruptcy Court to confirm the Plan in accordance with the provisions of § 1129(b) of the Bankruptcy Code.

The Court may confirm a plan, even if it is not accepted by all impaired Classes, if the Plan has been accepted by at least one impaired Class of Claims and the Plan meets the "cramdown" provisions set forth in § 1129(b) of the Code. The "cramdown" provisions require that the Court find that a plan "does not discriminate unfairly" and is "fair and equitable" with respect to each non-accepting impaired Class. In the event that all impaired Classes do not vote to accept the Plan, the Debtor will request that the Bankruptcy Court nonetheless confirm the Plan pursuant to the provisions of § 1129(b) of the Code.

The Court may find that the Plan is "fair and equitable" with respect to a Class of non-accepting impaired Interests only if (a) the holder of an Interest will receive or retain under the Plan property of a value as of the Plan's Effective Date equal to the greatest of any fixed liquidation preference or redemption price or the value of such Interest or (b) the holder of any Interest that is junior to such Interest will not receive or retain any property under the Plan.

The Court may find that the Plan is "fair and equitable" with respect to a Class of non-accepting impaired Unsecured Claims only if (a) each impaired unsecured Creditor receives or retains under the Plan property of a value as of the Effective Date of such Plan equal to the amount of its Allowed Claim, or (b) the holder of any Claim or Interest that is junior to the Claims of the dissenting Class will not receive or retain any property under the Plan.

The Court may find that the Plan is "fair and equitable" with respect to a Class of non-accepting Secured Claims, only if, under the Plan, (a) the holder of each Secured Claim in such Class retains such holder's lien and receives deferred cash payments totaling at least the Allowed amount of such Secured Claim and having a value, as of the Effective Date of the Plan, equal to or in excess of the value of such holder's interest in the estate's interest in the collateral for the Secured Claim, (b) the collateral for such Secured Claim is sold, the lien securing such Claims attached to the proceeds, and such liens on proceeds are afforded the treatment described under clause (a) or (c) of this sentence, or (c) the holders of such Secured Claims realize the "indubitable equivalent" of their claims.

ARTICLE XIV
EFFECT OF CONFIRMATION

1. Discharge and Release of Debtor. Pursuant to Bankruptcy Code Section 1141(d), confirmation of this Plan DISCHARGES the Debtor as it is a reorganization of the Debtor's business enterprise.

2. Release. None of the officers, shareholders, financial advisors, attorneys, or employees of the Debtor ("**Released Parties**") shall have any liability for actions taken or omitted to be taken in good faith under or in connection with the Plan or financial obligations and claims dealt with in this Plan or in the bankruptcy case.

3. Temporary Injunction. Confirmation of the Plan shall result in a temporary injunction enjoining all Creditors from commencing or continuing any proceeding against any guarantor, partner, officer, manager or member of the Debtor that would otherwise be liable to such Creditor so long as the Reorganized Debtor is not in default respecting that Creditor's treatment under the Plan. The temporary injunction terminates as to each such Creditor when: (i) the Reorganized Debtor fails to cure any default as set forth in Section Q of ARTICLE XII of the Plan; or (ii) the Reorganized Debtor has tendered all payments to such Creditor as provided for in this Plan. Any statute of limitations relating to the collecting of an obligation from any guarantor, partner, officer, manager or member of the Debtor that is subject to the foregoing temporary injunction is tolled during the temporary injunction period.

4. Permanent Injunction. Confirmation of the Plan shall result in the issuance of a permanent injunction against the: (i) collecting of Claims against the Reorganized Debtor in any manner other than as provided for in the Plan; and (ii) collecting any disallowed Claim from any guarantor, partner, officer, manager or member of the Debtor that would otherwise be liable to the holder of such disallowed Claim.

ARTICLE XV
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE DEBTOR DOES NOT PURPORT TO PROVIDE TAX ADVICE TO THE HOLDERS OF CLAIMS. THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF POSSIBLE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FOREGOING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE

FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN ON THEIR TAX RETURNS AND TAX LIABILITIES.

A. **Tax Consequences of the Plan.** Implementation of the Plan may result in federal income tax consequences to holders of Claims, Equity Interest Holders, and to the Debtor. Tax consequences to a particular Creditor or Equity Interest Holder may depend on the particular circumstances or facts regarding the Claim of the Creditor or the interests of the Equity Interest Holder. IRS Publication 908, entitled "Bankruptcy Tax Guide" provides valuable information regarding the federal income tax aspects of bankruptcy. The "Bankruptcy Tax Guide" is available from the Debtor upon request made to robert@demarcomitchell.com, or directly from the IRS online at http://www.irs.gov/pub/irs-pdf/p908.pdf.

B. **Cancellation of Debt**. Cancellation of the Debtor's debt ("**COD**") is generally considered as taxable income of the Debtor. COD is the amount by which the indebtedness discharged exceeds any consideration given in exchange. However, there are exceptions which prevent COD from being treated as taxable income. To the extent the Debtor is insolvent or the Debtor is discharged in a bankruptcy proceeding, as is the case at bar, the Internal Revenue Code excludes COD from income. The statutory exclusion for COD from the Debtor's gross income in a chapter 11 bankruptcy case arises where a discharge is granted by the Court as is requested in the Plan.

C. **Consequences of COD**. The Debtor will, however, have certain tax attributes reduced to the COD income. The tax attributes are generally reduced in the following order: (i) Net Operating Loss ("**NOL**") for the year of the discharge and NOL carryovers from prior years; (ii) general business tax credit carryovers; (iii) minimum tax credit available as of the beginning of the year following the year of the discharge; (iv) net capital loss for the year of the discharge and capital loss carryovers from prior years; (v) basis of the Debtor's assets; (vi) passive activity loss and credit carryovers from the year of discharge; and foreign tax credit carryovers to or from the year of discharge. As a result of the implementation of the Plan, the Debtor will have COD and potential tax attribute reduction. *Because any reduction in tax attributes does not effectively occur until the first day of the taxable year following the taxable year in which the COD is incurred, the resulting COD, on its own, should not impair the ability of the Debtor to use their tax attributes (to the extent otherwise available) to reduce its tax liability, if any, otherwise resulting from the Plan implementation.*

D. **Holders of Allowed Claims**. The tax consequences associated with distributions under the Plan to the holders of Allowed Claim will depend on, among other things: (i) the consideration received or deemed to have been received by the holder of any such Claim; (ii) whether the Allowed Claim holder reports income on an accrual or cash basis; (iii) the taxable year in which any distributions under the Plan are received by the Allowed Claim holder; whether the Claim was allowed or disputed as of the Effective Date; and whether such Allowed Claim holder had previously written the obligation off as bad debt.

ALLOWED CLAIM HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

ARTICLE XVI
RECOMMENDATION OF THE DEBTOR

The Debtor believes that the Plan is in the best interests of all Creditors. Accordingly, the Debtor recommends that you vote for acceptance of the Plan and hereby solicit your acceptance of the Plan.

Respectfully submitted,

Dated: August 17, 2016

/s/ David Catter
David Catter
Vice-President
Clairex Technologies, Inc.

Presented by:

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