

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

IN RE: J3 GRADING AND HAULING, LLC

CASE NO. 18-50012

CHAPTER 11

**J3 GRADING AND HAULING, LLC'S DISCLOSURE STATEMENT, DATED MAY 22 , 2018**

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**I. INTRODUCTION**

This is the disclosure statement (the "Disclosure Statement") in the small business chapter 11 case of J3 Grading and Hauling, LLC (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the Chapter 11 Plan of Reorganization (the "Plan") filed by J3 Grading and Hauling, LLC, on May 17, 2018. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed at pages 5 - 6 of this Disclosure Statement. Secured creditors are described in Classes 1 – 4. General unsecured creditors are described in Class 5, and will receive a distribution of 10% of their allowed claims, to be distributed as follows on a quarterly basis over a 50 months period.

**A. Purpose of This Document**

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and

- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

**B. Deadlines for Voting and Objecting: Date of Plan Confirmation Hearing**

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedure pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan: see attached Notice of Hearing issued by the Court.*

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place telephonically in the Courtroom at the United States Bankruptcy Court, 660 N. Central Expressway, Suite 300, Plano, Texas 75074. The time and date of the hearing is listed on the attached Notice of Hearing issued by the Court.

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to David Ruff, 1915 Mall Drive, Texarkana, Texas 75503. See section IV.A. below for a discussion of voting eligibility requirements.

The deadline to submit your ballot is listed on the attached Notice of Hearing and Deadlines for voting.

3. *Deadline for Objecting to the Disclosure Statement and Confirmation of the Plan*

The deadline to for Objections to this Disclosure Statement or to the Confirmation of the Plan is listed on the attached Notice of Hearing and Deadlines for voting.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact David V. Ruff, II, 1915 Mall Drive, Texarkana, Texas 75503

**C. Disclaimer**

*The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until the date disclosed on the Notice of Hearing and Deadlines.*

## **II. BACKGROUND**

### **A. Description and History of the Debtor's Business**

The Debtor is a limited liability company. Since October, 2014, the Debtor has been in the business of dirt excavation. The Debtor levels and moves dirt for pond building and house foundations. The assets consist of a Caterpillar excavator and bulldozer and a dump truck.

### **B. Insiders of the Debtor**

Lance Johnson is the sole member and manager of the company.

In the two years prior to filing bankruptcy, the company paid Lance Johnson approximately 1,200.00 per year.

Since the filing of the bankruptcy, the company has paid Lance Johnson approximately \$2,700.00.

### **C. Management of the Debtor Before and During the Bankruptcy**

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively the "Managers") was Lance Johnson.

The Managers of the Debtor during the Debtor's chapter 11 case have been: Lance Johnson

After the effective date of the order confirming the Plan, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will be Lance Johnson. The responsibilities and compensation of these Post Confirmation Managers are described in Section III.D of this Disclosure Statement.

### **D. Events Leading to Chapter 11 Filing**

The Debtor became delinquent to multiple secured creditors due to wet weather conditions. Wet conditions prevent debtor from operating its dirt business.

### **E. Significant Events During the Bankruptcy Case**

Since the filing of the bankruptcy, the company has expanded the geographical territory on which it places bids. Expanding its service area will lessen the impact wet weather conditions have on revenue. Debtor will be able to continue to work on projects in drier areas instead of having to wait on wetter projects to dry out.

### **F. Projected Recovery of Avoidable Transfers**

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

## G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, 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. The procedures for resolving disputed claims are set forth in Article V of the Plan.

## H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in Exhibit B. The source of this information is Lance Johnson.

The most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy case is set forth in Exhibit D.

## III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

### A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

### B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

#### 1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

<b>Type</b>	<b>Estimated Amount Owed</b>	<b>Proposed Treatment</b>
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later

Within 20 Days Before the Petition Date		
Professional Fees, as approved by the Court.	\$5,000.00	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Clerk's Office Fees	\$1,717.00	Paid in full on the filing date of Petition
Other administrative expenses	\$0.00	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$650.00	Paid in full on the effective date of the Plan

## 2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The Debtor does not anticipate any § 507(a)(8) priority tax claims.

## C. **Classes of Claims and Equity Interests**

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

### 1. *Classes of Secured Claims*

There are four classes of secured claims.

- Class No. 1. Caterpillar
- Class No. 2. Caterpillar
- Class No. 3. Ledwell
- Class No. 4. Bowie County Appraisal District

### 2. *Classes of Priority Unsecured Claims*

There are no such claims.

### 3. *Class of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. Class No. 5.

The following chart identifies the Plan's proposed treatment of Classes 1-5:

Class #	Description	Impairment / Treatment	
Class 1 – Caterpillar Financial Services, Inc.	Impaired	The secured creditor shall retain its lien and be paid in full at 5% over 60 months at \$1,836.81 per month.	
Class 2 – Caterpillar Financial Services, Inc.	Impaired	The secured creditor shall retain its lien and be paid in full at 5% over 60 months at \$1,921.52 per month.	
Class 3 – Ledwell & Son Enterprises, Inc.	Impaired	The secured creditor shall retain its lien and be paid in full at 5% over 36 months at \$224.78 per month.	
Class 4 – Bowie CAD	Impaired	The secured creditor shall retain its lien and be paid in full at 12% over 60 months at \$100.00 per month.	
Class 5 - General Unsecured	Impaired	<b>Allowed Unsecured Creditors</b> shall be paid their Allowed Unsecured Claim on a pro rate basis from the Unsecured Creditors Pool. The Debtor shall make monthly payments of \$25.00 into the Unsecured Creditors Pool, which will include the unsecured claim of the IRS. The Debtor shall make distributions to the Class 1 Unsecured Creditors every 90 days commencing 90 days after the Effective Date. The Debtor will make a total of 14 disbursements to the Unsecured Class 1 Creditors. The Debtor shall make a total of \$1,500.00 in payments into the Unsecured Class 1 Creditor's pool. Based upon the Debtor's Schedules and the Proofs of Claim on filed the Debtor anticipates the total amount of Class 1 Creditors will be approximately \$1,500.00.	

#### 4. *Class of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

Class #	Description	Impairment	Treatment
Class #6	Equity interest Holders	Unimpaired	Will retain standing and ownership of shares

**D. Means of Implementing the Plan****1. Source of Payments**

Payments and distributions under the Plan will be funded by the following:

The Debtor will remain in possession of all company assets and continue to operate the business. Distributions will come from net operating profits of the Debtor.

**2. Post-confirmation Management**

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Lance Johnson	Member	Yes	Manager	Varies

**E. Risk Factors**

The proposed Plan has the following risks:

Debtors business is cyclical. It increases during warmer, drier months and decreases during colder, wetter months.

**F. Executory Contracts and Unexpired Leases**

The Plan, in Exhibit 5.1, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. Exhibit 5.1 also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Exhibit 5.1 will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

***The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract: see attached Notice of Hearing and Deadline for Claims .*** Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

**G. Tax Consequences of Plan**

***Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or/Advisors.***

**IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without continuing votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

**A. Who May Vote of Object**

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.

In this case, the Plan Proponent believes that Classes #1 - #5 are impaired and that holders of claims in those classes are therefore entitled to vote to accept or reject the Plan.

**1. *What Is an Allowed Claim or Allowed Equity Interest?***

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 (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an 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(1) of the Federal Rules of Bankruptcy Procedure.

***The deadline for filing a proof of claim in this case is May 21, 2018.***

**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:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- 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.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

***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.

**B. 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 later in Section [B.2.].

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 (1/2) 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 interest in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Non-accepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind non-accepting 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.

***You should consult your own attorney if a “cramdown” confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.***

### **C. Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a Chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit E.

### **D. 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 Plan Proponent believes that the Debtor 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. Tables showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to this disclosure statement as Exhibit F.

#### **2. Ability to Make Future Plan Payments and Operate Without Further Reorganization**

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections are listed in Exhibit G.

The Plan Proponent’s financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$53,000. The final Plan payment is expected to be paid on August 1, 2023.

Debtor’s estimated aggregate annual average cash flow is derived from an average of the prior two years of operations.

***You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.***

**V. EFFECT OF CONFIRMATION OF PLAN**

**A. DISCHARGE OF DEBTOR**

Discharge. On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the effective date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

**B. Modification of Plan**

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or re-voting on the Plan.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

**C. Final Decree**

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

/s/ Lance Johnson  
Lance Johnson, Manager, J-3 Grading and Hauling, LLC

/s/ David V. Ruff, II  
David V. Ruff, II, attorney for Debtor

**CERTIFICATE OF SERVICE**

This is to certify that a true copy of the Disclosure Statement was sent to all parties on the attached matrix on May 22, 2018

/s/ David V. Ruff, II  
David V. Ruff, II

## **VI. EXHIBITS**

**Exhibit A – Copy of Proposed Plan of Reorganization**

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

IN RE: J3 GRADING AND HAULING, LLC

CASE NO. 18-50012

CHAPTER 11

**J3 GRADING AND HAULING, LLC'S PLAN OF REORGANIZATION, DATED MAY 17, 2018**

**ARTICLE I**  
**SUMMARY**

This Plan of Reorganization (the "Plan") under chapter 11 of the Bankruptcy Code (the "Code") proposes to pay creditors of J3 Grading and Hauling, LLC (the "Debtor") from cash flow from operations or future income.

This Plan provides for 4 classes of secured claims; 1 class of unsecured claims; and 1 class of equity security holders. Unsecured creditors holding allowed claims will receive distributions, which the proponent of this Plan has valued at approximately 10 cents on the dollar. This Plan also provides for the payment of administrative and priority claims.

All creditors and equity security holders should refer to Articles III through VI of this Plan for information regarding the precise treatment of their children. A disclosure statement that provides more detailed information regarding this Plan and the rights of creditors and equity security holders has been circulated with this Plan. **Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one).**

**ARTICLE II**  
**CLASSIFICATION OF CLAIMS AND INTERESTS**

- 2.01 Class 1. Caterpillar Financial Services Corp., Claim #3.
- 2.02 Class 2. Caterpillar Financial Services Corp., Claim #4
- 2.03 Class 3. Ledwell & Son Enterprises, Inc., Claim #2
- 2.04 Class 4. Bowie County Appraisal District
- 2.05 Class 5. All unsecured claims allowed under § 502 of the Code.
- 2.06 Class 6. Equity Interest of Debtor

**ARTICLE III**  
**TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS,**  
**U.S. TRUSTEES FEES, AND PRIORITY TAX CLAIMS**

3.01 Unclassified Claims. Under section § 1123(a)(1), administrative expense claims and priority tax claims are not in classes.

3.02 Administrative Expense Claims. Each holder of an administrative expense claim allowed under § 503 of the Code will be paid in full on the effective date of this Plan (as defined in Article VII), in cash, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor.

3.03 Priority Tax Claims. **Priority Tax Creditor Claims** are impaired and shall be satisfied as follows: The Allowed amount of all Priority Tax Creditor Claims shall be paid out of the revenue from the continued operations of the business.

3.04 United States Trustee Fees. All fees required to be paid by 28 U.S.C. §1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the effective date of this Plan will be paid on the effective date.

**ARTICLE IV**  
**TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN**

4.01 Claims and interests shall be treated as follows under this Plan:

<b>Class</b>	<b>Impairment</b>	<b>Treatment</b>
Class 1 – Caterpillar Financial Services, Inc.	Impaired	The secured creditor shall retain its lien and be paid in full at 5% over 60 months at \$1,836.81 per month.
Class 2 – Caterpillar Financial Services, Inc.	Impaired	The secured creditor shall retain its lien and be paid in full at 5% over 60 months at \$1,921.52 per month.
Class 3 – Ledwell & Son Enterprises, Inc.	Impaired	The secured creditor shall retain its lien and be paid in full at 5% over 36 months at \$224.78 per month.
Class 4 – Bowie CAD	Impaired	The secured creditor shall retain its lien and be paid in full at 12% over 60 months at \$100.00 per month.
Class 5 – Unsecured Claims	Impaired	<b>Allowed Unsecured Creditors</b> shall be paid their Allowed Unsecured Claim on a pro rate basis from the Unsecured Creditors Pool. The Debtor shall make monthly payments of \$25.00 into the Unsecured Creditors Pool. The Debtor shall make distributions to the Class 5 Unsecured Creditors every 90 days commencing 90 days after the Effective Date. The Debtor will make a total of 20 disbursements to the Unsecured Class 5 Creditors. The Debtor shall make a total of \$1,500.00 in payments into the Unsecured

		Class 5 Creditor's pool. Based upon the Debtor's Schedules and the Proofs of Claim on file, the Debtor anticipates the total amount of Class 5 Creditors will be approximately \$16,000.00.	
Class 6 – Equity Holders	Unimpaired	Equity holders shall retain their equity.	

## **ARTICLE V**

### **ALLOWANCE AND DISALLOWANCE OF CLAIMS**

5.01 Disputed Claim. A disputed claim is a claim that has not been allowed or disallowed by a final non-appealable order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or unliquidated.

5.02 Delay of Distribution on a Disputed Claim. No distribution will be made on account of a disputed claim unless such claim is allowed by a final non-appealable order.

5.03 Settlement of Disputed Claims. The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

## **ARTICLE VI**

### **PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

6.01 Assumed Executory Contracts and Unexpired Leases.

No contract or unexpired leases in effect.

## **ARTICLE VII**

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

The plan will be implemented as required under §1123(a)(5) of the Code by the Debtor retaining possession of all of the property of the estate. The Plan will be funded from the continued operation of the business.

## **ARTICLE VIII**

### **GENERAL PROVISIONS**

8.01 Definitions and Rules of Construction. The definitions and rules of construction set for in §§ 101 and 102 of the Code shall apply when terms defined or construed in the Code are used in the Plan, and they are supplemented by the following definitions: None

8.02 Effective Date of Plan. The effective date of this Plan is the twentieth business day following the date of the entry of the order of confirmation. But if a stay of the confirmation order is in effect on that date, the effective date will be the first business day after that date on which no stay of the confirmation order is in effect, provided that the confirmation order has not been vacated.

8.03 Severability. If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

8.04 Binding Effect. The rights and obligations of any entity named or referred to in this Plan will be binding upon, and will inure to the benefit of the successors or assigns of such entity.

8.05 Captions. The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

8.06 Controlling Effect. Unless a rule of law or procedure is supplied by federal law (including the Code or the Federal Rules of Bankruptcy Procedure), the laws of the State of Texas govern this Plan and any agreements, documents, and instruments executed in connection with this Plan, except as otherwise provided in this Plan.

8.07 Corporate Governance. The Debtor shall amend its charter to include a provision consistent with 11 U.S.C. 1123(a)(6)

## **ARTICLE IX** **DISCHARGE**

Discharge. On the confirmation date of this Plan, the debtor will be discharged from any debt that arose before confirmation of this Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor will not be discharged of any debt: (i) imposed by this Plan; (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(d) of the Federal Rules of Bankruptcy Procedure; or (iii) of a kind specified in § 1141(d)(6)(B).

Respectfully submitted,

By: /s/ Lance Johnson  
Lance Johnson, J3 Grading and Hauling, L.L.C.

By: /s/ David V. Ruff, II  
David V. Ruff, II, attorney for Debtor



**Exhibit B – Identity and Value of Material Assets of Debtor**

Debtor's material assets include one CAT bulldozer, one CAT excavator and one Freightliner dump truck.

Debtor's estimated value of the total equipment is \$220,000.00

**Exhibit C – Prepetition Financial Statements**  
(to be taken from those filed with the court)

No financial statements were prepared by Debtor prior to the filing of the bankruptcy.

**Exhibit D –  
Monthly operating report**

**See Attachment.**

**Exhibit E – Liquidation Analysis*****Plan Proponent's Estimated Liquidation Value of Assets*****Assets**

a.	Cash on hand	\$	600.00
b.	Accounts receivable	\$	0.00
c.	Inventory	\$	0.00
d.	Office furniture & equipment	\$	0.00
e.	Machinery & equipment	\$	220,000.00
f.	Automobiles	\$	---
g.	Building & Land	\$	---
h.	Customer list	\$	---
i.	Investment property (such as stocks, bonds or other financial assets)	\$	---
j.	Lawsuits or other claims against third-parties	\$	---
k.	Other intangibles (such as avoiding powers actions)	\$	---

***Total Assets at Liquidation Value*****Less:**

Secured creditors' recoveries	\$	206,655.00
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**Less:**

Chapter 7 trustee fees and expenses	\$	14,000.00
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**Less:**

Chapter 11 administrative expenses	\$	
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**Less:**

Priority claims, excluding administrative expense claims	\$	0.00
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**[Less:**

Debtor's claimed exemptions]	\$	
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(1) Balance for unsecured claims	\$	0.00
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(2) Total dollar amount of unsecured claims	\$	16,355.00
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***Percentage of Claims Which Unsecured Creditors Would Receive Or Retain in a Chapter 7 Liquidation:***

0%

***Percentage of Claims Which Unsecured Creditors Will Receive or Retain under the Plan:***

10%

**Exhibit F – Cash on hand on the effective date of the Plan**

<b>Cash on hand on effective date of the Plan:</b>	<b>\$10,000.00</b>
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*Less –*

Amount of administrative expenses payable on effective date Of the Plan	- 5,000.00
Amount of statutory costs and charges	- 0.00
Amount of cure payments for executory contracts	- 0.00
Other Plan Payments due on effective date of the Plan	- 0.00
Balance after paying these amounts.....	<b>\$ 5,000.00</b>

The sources of the cash Debtor will have on hand be the effective date of the Plan are estimated as follows:

\$ 600.00	Cash in Debtor's bank account now
+ 9,400.00	Additional cash Debtor will accumulate from net earnings between now and effective date of the Plan
+ 0.00	Borrowing
+ 0.00	Capital Contributions
+ 0.00	Other
<b>\$10,000.00</b>	<b>Total</b>

**Exhibit G – Projections of Cash Flow and Earnings for Post-Confirmation Period**

The debtor anticipates a monthly net operating profit after post-confirmation taxes of \$4,400.00.