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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

IN RE:	§	
	§	
CELERITAS CHEMICALS, LLC	§	CASE NO. 16-42136-MXM
	§	(Chapter 11)
DEBTOR	§	

SECOND AMENDED DISCLOSURE STATEMENT IN SUPPORT OF CELERITAS CHEMICALS, LLC'S PLAN OF REORGANIZATION DATED APRIL ~~11~~14, 2017

THIS DISCLOSURE STATEMENT IS FILED IN SUPPORT OF THE DEBTOR'S ~~FIRST~~SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION (THE "PLAN").

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF MATERIAL PROVISIONS OF THE PLAN, INCLUDING PROVISIONS RELATING TO THE PLAN'S TREATMENT OF CLAIMS AGAINST AND INTERESTS IN THE DEBTOR, THE MEANS OF IMPLEMENTATION OF THE PLAN. THE DISCLOSURE STATEMENT ALSO SUMMARIZES CERTAIN FINANCIAL INFORMATION CONCERNING THE ASSETS OF THE ESTATE AND THE CLAIMS ASSERTED AGAINST THE DEBTOR IN THE CHAPTER 11 CASE. WHILE THE DEBTOR BELIEVES THAT THE DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS AND INFORMATION SUMMARIZED, CREDITORS AND INTEREST HOLDERS SHOULD REVIEW THE ENTIRE PLAN AND EACH OF THE DOCUMENTS REFERENCED THEREIN AND HEREIN, AND SHOULD SEEK THE ADVICE OF THEIR OWN COUNSEL AND OTHER ADVISORS BEFORE CASTING THEIR BALLOTS ON THE PLAN.

EXCEPT FOR THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO, NO REPRESENTATIONS CONCERNING THE DEBTOR, THE DEBTOR'S ASSETS AND LIABILITIES, THE OPERATIONS OF THE DEBTOR, THE PLAN AND ITS TERMS, OR ALTERNATIVES TO THE PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN

ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY INFORMATION WITH RESPECT TO SUCH TOPIC AREAS THAT IS PROVIDED TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN AND THAT IS NOT CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO IS UNAUTHORIZED AND SHOULD BE REPORTED IMMEDIATELY TO THE DEBTOR'S COUNSEL.

STATEMENTS AND FINANCIAL INFORMATION HEREIN CONCERNING THE ASSETS OF THE ESTATE, INCLUDING, WITHOUT LIMITATION, HISTORICAL INFORMATION, INFORMATION REGARDING THE DEBTOR'S ASSETS AND LIABILITIES, AND INFORMATION REGARDING CLAIMS AND INTERESTS ASSERTED OR OTHERWISE EVIDENCED IN THE DEBTOR'S CHAPTER 11 CASE, HAVE BEEN DERIVED FROM NUMEROUS SOURCES INCLUDING, WITHOUT LIMITATION, THE DEBTOR, THE DEBTOR'S BOOKS AND RECORDS, THE DEBTOR'S SCHEDULES AND STATEMENT OF FINANCIAL AFFAIRS, AND COURT RECORDS.

UNLESS INDICATED OTHERWISE, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF _____, AND NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE 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 THE DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN THE PREPARATION OF THE DISCLOSURE STATEMENT WERE COMPILED.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS PROJECTED FINANCIAL INFORMATION REGARDING THE ESTATE, RECOVERIES UNDER THE PLAN, AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS, ALL OF WHICH ARE BASED UPON VARIOUS ASSUMPTIONS AND ESTIMATES AS OF _____, OR SUCH OTHER TIME AS IS SPECIFIED. SUCH INFORMATION WILL NOT BE UPDATED TO REFLECT EVENTS OCCURRING AFTER SAID DATE(S), AND SUCH INFORMATION IS SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE RISKS. CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS, AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY SUCH PROJECTED FINANCIAL INFORMATION AND SUCH OTHER FORWARD-LOOKING STATEMENTS.

ON _____, AFTER NOTICE AND HEARING, THE BANKRUPTCY COURT ENTERED AN ORDER APPROVING THE DISCLOSURE STATEMENT AS CONTAINING INFORMATION OF THE KIND AND IN SUFFICIENT DETAIL TO ENABLE CREDITORS WHOSE VOTES ON THE PLAN ARE BEING SOLICITED TO MAKE AN INFORMED JUDGMENT ON WHETHER TO ACCEPT OR REJECT THE PLAN. A TRUE AND CORRECT COPY OF THE ORDER APPROVING THE DISCLOSURE STATEMENT IS

ATTACHED HERETO AS **EXHIBIT "__"** AND IS INCORPORATED HEREIN FOR ALL PURPOSES. THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTY OF THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT, EXPRESS OR IMPLIED, IS INTENDED TO GIVE RISE TO ANY COMMITMENT OR OBLIGATION OF THE DEBTOR OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED AS CONFERRING UPON ANY PERSON ANY RIGHTS, BENEFITS, OR REMEDIES OF ANY NATURE WHATSOEVER. THE DISCLOSURE STATEMENT IS INFORMATIONAL ONLY. ADDITIONALLY, CREDITORS AND INTEREST HOLDERS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH CREDITOR AND INTEREST HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS AS TO ANY MATTER CONCERNING THE PLAN, THE EFFECTS OF IMPLEMENTATION OF THE PLAN AND THE VOTING PROCEDURES APPLICABLE TO THE PLAN.

All initially capitalized terms not otherwise defined in this Disclosure Statement have the meanings defined in the Plan.

I.
INTRODUCTION

On June 2, 2016, (the "Petition Date"), Celeritas Chemicals, LLC ("Celeritas" or the "Debtor") filed a voluntary Chapter 11 petition with the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the "Bankruptcy Court") thereby initiating this bankruptcy case ("Bankruptcy Case").

The Debtor hereby submits this Disclosure Statement in connection with the solicitation of votes on the Plan, which is attached hereto as **Exhibit "A"** and incorporated herein for all purposes. The Disclosure Statement is being mailed to each holder of a Claim against and each holder of an Equity Interest in the Debtor. With respect to voting on the Plan, pursuant to the Bankruptcy Code, all Creditors holding Claims in impaired Classes 1 through 5 under the Plan are entitled to vote.

A. Overview of the Plan

The proposed Plan provides for the continued pursuit and recovery of the primary assets of the Estate, which are claims for recovery under final judgments and insurance claims, and then distribution of the recovered funds along with funds contributed by Percy Pinto.

B. The Purpose of this Disclosure Statement

The Bankruptcy Code generally requires the Debtor to prepare and file with the bankruptcy court a 'disclosure statement' that provides information of the kind, and in sufficient detail, that would enable a typical holder of claims or interests in a class impaired under the plan to make an informed judgment with respect to the plan. This Disclosure Statement provides such information, as well as information regarding certain deadlines with respect to confirmation of the Plan.

This Disclosure Statement is not intended to replace careful review and analysis of the Plan. Rather, it is submitted as an aid and supplement in your review of the Plan, and attempts to explain the terms and implications of the Plan. Every effort has been made to fully explain the various aspects of the Plan as it may affect Creditors and holders of Equity Interests. All Persons receiving this Disclosure Statement are urged to review all of the exhibits to this Disclosure Statement, in addition to reviewing the text of this Disclosure Statement.

If you have any questions, you may contact counsel for the Debtor. Contact information for such counsel is set forth within this Disclosure Statement, as well as on the cover page hereof. Creditors and Equity Interest holders should read this Disclosure Statement in its entirety prior to voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to this Disclosure Statement, an Order of the Bankruptcy Court approving this Disclosure Statement, and section 1125 of the Bankruptcy Code. No other party has been authorized to use any information concerning the Debtor or its assets and liabilities, other than the information contained in this Disclosure Statement, to solicit votes on the Plan

II.
BACKGROUND OF ESTATE'S ASSETS AND PLAN OVERVIEW

Background. The Debtor is owned and managed 100% by Percy Pinto. Celeritas was organized as a Limited Liability Company in Texas in 2005 and is in the business of importing guar gum that is used in various industrial applications but primarily for the extraction of natural gas. Like many companies tied to the energy markets, the recent downturn in the oil and gas economy has had a material impact upon operations and cash flow. Celeritas has downsized its operations and overhead considerably in response to market conditions. Moreover, and not surprisingly in a severe down market, Celeritas is a party to several different lawsuits, in some cases as plaintiff attempting to recover for unpaid product, and in other cases as defendant related to disputes over product shipments.

Litigation. Celeritas was unable to cash flow operations and litigation costs spread among multiple venues, and this bankruptcy case was a necessary step to allow Celeritas to address its operational issues and litigation matters. In 2013, Celeritas became involved in a dispute with Smith Oil Co. ("Smith Oil") over Smith Oil's nonpayment for delivered product. Celeritas obtained an arbitration award against Smith Oil in the amount of $2,342,631.29 in September 2015 ("Smith Oil Judgment"). Celeritas has not yet collected any of the amounts from Smith Oil, but is in the process of pursuing claims on available insurance against Euler Hermes Insurance ("Insurance Claim") under an insurance policy of $1,250,000.00 as well as unliquidated claims for bad faith, unfair settlement practices, misrepresentation of insurance policy, delay in payment of claim, and breach of contract related to the insurance policy. In addition to the Smith Oil Judgment, Celeritas obtained a judgment against Al-Kel Alliance, Inc., Prime Pack, Inc., and Maxxum Technologies, LLC on May 13, 2016 for approximately $350,000 on similar claims for breach of contract ("Prime Pack Judgment"), which it is in the process of pursuing as well.

The Euler Hermes Insurance Claim is a substantial asset. Celeritas originally filed an insurance claim on or about October 25, 2013. Euler refused to pay on the policy until Celeritas received what Euler deemed a "final judgment" in its related suit against Smith Oil (Cause No. No. DC-15-11324 in the 95th Judicial District Court in Dallas County, Texas) (hereinafter referred to as the "Smith Oil Matter"). While awaiting final judgment, Euler represented that:

> Euler has reviewed Celeritas' filed claim for loss payment under the Policy and determined that if and when a final and enforceable judgment is rendered in favor of Celeritas against Smith Oil such that the invoices under Celeritas' claim are no longer the subject of any litigation/dispute, there would be coverage under the Policy subject to all of the terms and conditions set forth in the policy (including without limitation co-insurance deductibles) in an amount not to exceed the credit limit of $1,250,000. As discussed with Stephen Georgetti prior to Celeritas commencing litigation, Euler was and remains prepared to make a loss payment to Celeritas, subject to the terms and conditions of the Policy, once the invoices underlying the claim are no longer the subject of any litigation/dispute between Smith Oil and Celeritas.

The trial court entered its Final Judgment in the Smith Oil Matter on November 22, 2015,

and an Amended Final Judgment February 18, 2016. Euler still refused to honor the policy, claiming that it would not pay until the judgment was no longer appealable. The District Court lost jurisdiction over the case and Euler still took no action to honor the policy. Because of Euler's delay in honoring the policy, Celeritas filed bankruptcy on June 2, 2016. Euler thereafter remained silent regarding whether it would honor the policy. Celeritas sought to retain its prior counsel and Manidhari objected to the engagement and funding of retainer. After Celeritas ultimately authorized to retain its prior counsel, Celeritas contacted Euler on November 16, 2016 to update the defendant on the retention and discuss payment of the claim. At that point, Euler Hermes suggested that it needed additional information on the underlying claim and loss. Even though this contradicted Euler's prior correspondence and failed to comply with Euler's duties owed under Texas law, Celeritas voluntarily produced documents to Euler Herms on November 19, 2016. Euler took no action after receiving the documents. Celeritas followed up with Euler Hermes on December 5, 2016 and was told that Euler took the new position that Celeritas' claim does not currently comply with all terms and conditions.

Euler's actions constitute a refusal to attempt in good faith to effectuate the prompt, fair, and equitable settlement of Celeritas' claim, for which Euler's liability has been reasonably clear for several years. Moreover, Euler's misrepresentation in February, 2016, that it "was and remains prepared to make a loss payment to Celeritas . . . once the invoices underlying the claim are no longer the subject of any litigation/dispute between Smith Oil and Celeritas" was made in a manner that would mislead a reasonably prudent person, and indeed did mislead Celeritas, to the false conclusion that Euler had considered all the information necessary and was prepared to make payment on Celeritas' claim. This misrepresentation led to even further delay in effectuation of settlement and payment of the claim for loss payment. As a result of these actions, on December 21, 2016, Celeritas informed Euler that it was adding claims against Euler under the Texas Insurance Code, including 'bad faith' claims and has been prosecuting these additional claim, and on January 9, 2017, Celeritas filed its First Amended Petition adding these additional claims.

The parties have been engaged in litigation on the enlarged scope of claims since that time, including new discovery on the subject claims. In March 2017, Euler requested a continuance of the prior set trial date due to the new claims asserted. A Second Amended Scheduling Order has been entered setting this case for trial the week of October 23, 2017 with various related deadlines set as soon as June 28, 2017.

Any description in this Disclosure Statement of any lawsuit, claim, action or value of the same is for informational purposes only and shall not be construed as a release, waiver, limitation, or any other modification of any claim, right or action, including the amount of damages or value. The Debtor expressly reserves all rights regarding its lawsuits, claims or actions, including all claims pending or that might be asserted against Euler Hermes.

Primary Assets. The Insurance Claim as explained above, the Prime Pack Judgment of approximately $350,000 and the Smith Oil Judgment of approximately $2.4MM are the primary assets of the bankruptcy estate. In addition, Manidhari Gums and Chemicals has asserted claims against entities related to the Debtor, namely the Debtor's managing member, PrimeNA Technologies, Inc. ("PrimeNA"), and Snap Holdings, LLC ("Snap") (collectively, the "Related

Entities") alleging that such entities are the alter-ego of the Debtor and that there exist avoidable, fraudulent transfers by the Debtor or by the Debtor's alter-ego to another of these entities. PrimeNA and Snap are two entities related to the Debtor and are also owned by Percy Pinto (the "Manidhari Litigation").[1] The claims asserted against the Related Entities are assets of the Debtor. An additional asset of the Debtor is a business income loss identified on the Debtor's 2015 federal tax return in the amount $1,226,633 ("Tax Loss").

Claims. JPMorgan Chase ("Chase") asserts a secured claim against the estate of approximately $879,861.88, plus post-petition interest and fees incurred which are estimated to of approximately $45,000 as of the date of this Disclosure Statement, with liens against, *inter alia*, the Euler Hermes Insurance Claim, the Smith Oil Judgment and the Prime Pack Judgment. Accordingly, Chase appears oversecured. There is also approximately $100,000 of claims for personal property taxes asserted against the Debtor and between $750,000 and $2.25MM approximately in asserted General Unsecured Claims.

The Plan. Celeritas has engaged the James M. Stanton and Stanton LLP (formerly the Stanton Law Firm, P.C.) (the "Stanton Law Firm") to assist in recovery of the Smith Oil Judgment, Insurance Claim, and Prime Pack Judgment with the financing such litigation to come from a $30,000 retainer provided by the Debtor and to be replenished by Percy Pinto, as needed, whenever the retainer dips below $10,000. The Debtor currently has authority from the Court to borrow up to the $50,000 from Percy Pinto for operations and funding of the Stanton Law Firm in the amounts above the initial retainer under the Debtor in Possession financing order ("DIP Order"). Chase will retain its lien against the Insurance Claim and the judgments with interest at the non-default contract rate to accrue until paid in full. Upon recovery of funds from the Insurance Claim, the Smith Oil Judgment and/or the Prime Pack Judgment, Chase will be paid on account of its liens with any remaining deficiency claim to be treated as a general unsecured claim.

A Claims Payment Fund (the "Claims Payment Fund") will be established with the remaining proceeds of the recovery on the Insurance Claim, the Smith Oil Judgment, the Prime Pack Judgment and a contribution of $100,000 cash from Percy Pinto. The unencumbered proceeds of the Claims Payment Fund will be distributed in accordance with the priority scheme of the Bankruptcy Code: first to Allowed, unpaid Administrative Expense Claims, second to any remaining unpaid unsecured Priority Claims, third to the Allowed General Unsecured Claims, fourth to the subordinated claims of Percy Pinto arising under the DIP Order and finally with any excess proceeds of the Claims Payment Fund to be paid to Allowed Interests.

As set forth Section 8.03 of the Plan, in the event all Holders of Allowed Claims consent, or are deemed to consent, to the release of claims against the Released Parties, Percy Pinto will contribute an additional $100,000 into the Claims Payment Fund in 10 equal monthly installments of $10,000 each ("Contingent Cash Payment") which will increase the available funds in the Claims Payment Fund.

As explained below in further detail in Article IV, all financing commitments of Percy

[1] *Manidhari Gums & Chemicals v. Celeritas Chemicals, et. al*, case number 2014-cv-00708.

Pinto, including the $100,000 cash payment and the Contingent Cash Payment are subject to confirmation of the Plan and that no other party purchase the Equity Interests in the Debtor at the Auction (defined below) to be held only under the circumstances described in Article IV, C.

Below is a summary of the treatment of classes of Allowed Claims under the Plan:

SUMMARY OF TREATMENT OF CLASSES UNDER THE PLAN		
Class	**Estimated Amounts**	**General Treatment Under the Plan**
Class 1 – Secured Claim of JPMorgan Chase Bank, N.A.	Face Amount of Asserted Claim: $879,861.88 plus post-petition interest and fees incurred which are estimated to of approximately $45,000 as of the date of this Disclosure Statement [2]	Chase to retain its lien against its collateral until payment in full as set forth herein.
Class 2 – Property Tax Claims	Face Amount of filed Claims: ~~$102,184.94~~[3] 103,507.22	To be paid pro rata from the Claims Payment Fund (See Sections 5.02 C and D of the Plan) with 12% annual interest as required by 11 U.S.C. §§ 511 and 1129(a)(9)(C).
Class 3 – General Unsecured Claims	Estimated Allowable Claims: Approximately $750K to 2.25MM[4]	To receive pro rata share of the remaining amounts in the Claims Payment Fund after payment of the Allowed Property Tax Claims and other Allowed, unpaid Priority Claims, if any.
Class 4 – Subordinated DIP Administrative Claim	Estimated Allowable Claims: $50,000.00	No likely distribution
Class 5 – Equity Interests	N/A	To be retained.

[2] As set forth further below, the law firm of Pennington Hill, LLP ("Pennington") has filed a UCC-1 asserting a security interest against property of the Debtor and the Debtor has scheduled a disputed claim for Pennington in the of $90,350.07. The Debtor asserts that Pennington has no security interest and therefore possesses only an Unsecured Claim against the Estate. As of the time of the filing of this Disclosure Statement, Pennington has not yet filed a proof of claim and the Debtor has disputed the claim it scheduled for Pennington. In the event Pennington should ultimately receive an Allowed Secured Claim, it will have a priority right to payment from its collateral equal to its rights under the Bankruptcy Code and non-bankruptcy law in the amount of its Allowed Claim.

~~[3] At this time the Debtor maintains that the ultimate Allowed amount of such claims may be reduced through filing objections to such claims.~~

[4] The Debtor disputes the majority of the asserted unsecured claims. However, if all disputed claims were allowed in full then the estimated total amount of claims would be approximately $4MM. However, the Debtor contends the ultimate Allowed amount of Unsecured Claims will be significantly less.

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Factors and Assumptions Applied in Arriving at Estimates

The estimated Allowable Claims per Class in the foregoing table have been derived from the Schedules for the Debtor's Estate prepared by the Debtor and its Professionals using information from the Debtor's books and records and other information available to them, as well as proofs of Claims filed by Creditors in the Bankruptcy Case and Orders entered by the Bankruptcy Court.

For those Claimants listed on the Schedules who also filed proofs of Claim in the Bankruptcy Case, applicable Bankruptcy Rules provide that the proofs of Claim have superseded any amounts reflected in the Schedules. To the extent Claims scheduled by the Debtor have not been superseded by proofs of Claim, the estimates in the foregoing table take into account contingent and Disputed Claims. Where duplicative or amended Claims appear to have been filed, including Scheduled Claims, the foregoing estimates assume that duplicates and superseded Claims will be Disallowed in favor of, at most, a single surviving Claim. The estimates also include application of merit-based objections known to the Debtor and its counsel as of the date of this Disclosure Statement and, therefore, constitute their best estimate, as of the date of Filing of this Disclosure Statement, of the ultimate allowable amount of Claims in each such Class.

The ultimate resolution of Claims is inherently uncertain. Moreover, the Debtor has not completed its evaluation of all Claims and cannot presume the validity of merit-based disputes or objections thereto. Any Claim which is a Disputed Claim may be Disallowed or reduced in amount if an objection has been or is timely hereafter filed and sustained by the Bankruptcy Court. Because the resolution of Disputed Claims involves many factual and legal issues which may or may not be resolved as anticipated, no assurance can be given that the anticipated amount of Allowable Claims in each Class would be achieved were these assumptions included in the foregoing estimates. The Debtor believes that the ultimate universe of Allowed Claims will be lower than the face amount of the filed proofs of Claims, and that the current estimates of Allowable Claims shown herein above in each Class are reasonably precise given the particular circumstances.

Notwithstanding, the foregoing estimates contained herein shall not be deemed as any admission on the part of the Debtor or the Estate as to the validity of any Claim. Any Claim which is not Allowed by an order of the Bankruptcy Court or pursuant to a settlement approved by an order of the Bankruptcy Court may be Disallowed or reduced in amount if an objection has been, or is timely hereafter, filed and sustained by the Bankruptcy Court. Except as otherwise provided in the Plan, all objections and other defenses to Disputed Claims are preserved under the Plan.

The Debtor has disclosed on the Statement of Financial Affairs (the "SOFA") filed at Docket No. 24 in the Bankruptcy Case payments during the year prior to the Petition Date payments in the following amounts to the following parties:

Percy Pinto - $351,979.10 for expense reimbursement, loan repayment and equity distribution

Nancy Mathias - $169,283.00 for repayment of loans

Roy Chirayil - $23,290.11 for salary (collectively, the "Insider Payments")

The Debtor believes that none of the prepetition payments to Roy Chirayil are avoidable as either fraudulent transfers or preferences under Section 547 of the Bankruptcy Code because such payments were for salary that was earned in the ordinary course by Mr. Chirayil and were paid contemporaneously with the provision of his services as employee. The Debtor believes that none of the payments to Ms. Mathias are avoidable as fraudulent transfers because they were in repayment of loans to the Debtor. However, some portion of the payments to Ms. Mathias may constitute avoidable preferences subject to the defenses set forth in Section 547(c) of the Bankruptcy Code. Nevertheless, Ms. Mathias is a citizen of Canada and retired school teacher such that collection would fall under Canadian law and would appear to be onerous and dubious. The payments to Mr. Pinto were primarily in repayment of loans Mr. Pinto made to the Debtor and expense reimbursements. Nevertheless, the payments to Mr. Pinto may constitute avoidable preferences subject to the defenses set forth in Section 547(c) of the Bankruptcy Code and some portion of such payments may be avoidable under alternate legal theories. It is unknown what amount of the Insider Payments may ultimately be recoverable even if a judgment avoiding all or a portion of the transfers to Mr. Pinto could be obtained. The release is provided in Section 8.02 of the Plan includes Avoidance Actions, which includes claims for return of the above detailed payments to Mr. Pinto and Ms. Mathias, and the claims of Fraudulent Transfer and Alter-Ego against the Related Entities asserted by Manidhari in the Manidhari Litigation.[5] Considering the costs of pursuing claims for the avoidance of such transfers and the continued participation and contribution of Mr. Pinto to the Debtor under the DIP Facility and the Plan, the Debtor believes the Release in Section 8.02 is appropriate and in the best interests of the estate.

The release of the Released Parties specified in Section 8.03 of the Plan includes a release of all Causes of Action, including Avoidance Actions, which includes all claims of misrepresentation asserted by Manidhari against the Related Entities in the Manidhari Litigation.[6] The Debtor has conducted a review and consideration of the misrepresentation and breach of contract claims against the Related Entities and believes they likely lack merit, although Manidhari disagrees with that assessment. Nevertheless, such claims are speculative and would be costly to pursue and therefore the Debtor believes the Release in Section 8.03 of the Plan is appropriate as provided for if all voting creditors holding general unsecured claims consent and non-voting general unsecured creditors do not opt-out in return for the $100,000 to be paid by Mr. Pinto.

In addition, the Debtor has disclosed on its SOFA payments during the 90 days prior to bankruptcy to the Stanton Law Firm PC in the amount of $132,168.08. The Debtor has reviewed

[5] In its Second Amended Complaint filed in the Manidhari Litigation, Manidhari makes generalized allegations that the Debtor is the alter ego of the Related Entities and the Related Entities are the alter ego of the Debtor and that the Related Entities received transfers of property of the Debtor prior to the filing of the Bankruptcy Case that are subject to avoidance under state fraudulent transfer law.

[6] In the Manidhari Litigation Manidhari makes generalized allegations against the Related Entities of representations regarding the financial viability of the Debtor to Manidhari.

the circumstances surrounding these payments and does not believe they are avoidable preferences under Section 547 of the Bankruptcy Code because the payments were made to the Stanton Law Firm PC on account of legal services provided contemporaneously with the payments made and/or the payments were further made within the terms of the parties and within what appears to be standard within the industry for such services and such payments. As is evident from the table summary below and the IOLTA account statements and correspondence from the Stanton Law Firm to Percy Pinto attached hereto as Exhibit "C", payments made during the preference period for on account of invoices dated either the same day as payment or within days of the payment and services continued to be provided up to the date before the Petition Date.

Below is further detail regarding the invoices from the Stanton Law Firm PC related to the preference period payments.

Matter Description/Invoice Number	**Defendants**	**Summary of Lawsuit**	**Amount Invoiced**	**Invoice Date**	**Date Paid**
Arlington ISD v. PrimeNA/347	PrimeNA, Celeritas in separate lawsuit	Property Tax Lawsuit	$ 1,601.96	2/15/2016	2/16/2016
Arlington ISD v. PrimeNA/375	PrimeNA, Celeritas in separate lawsuit	Property Tax Lawsuit	$ 2,150.70	3/15/2016	3/15/2016
Arlington ISD v. PrimeNA/398	PrimeNA, Celeritas in separate lawsuit	Property Tax Lawsuit	$ 49.63	4/15/2016	4/15/2016
Arlington ISD v. PrimeNA/443	PrimeNA, Celeritas in separate lawsuit	Property Tax Lawsuit	$ 5,887.50	6/1/2016	6/1/2016
		Subtotal	**$ 9,689.79**		
Matter Description/Invoice Number	**Defendants**	**Summary of Lawsuit**	**Amount Invoiced**	**Invoice Date**	**Date Paid**
Manidhari Gums & Chemicals/351	PrimeNA, Celeritas, Snap Holdings, Percy Pinto	Breach of Contract, Fraudulent Transfer, Alter Ego	$ 7,419.80	2/15/2016	2/16/2016
Manidhari/379	PrimeNA, Celeritas, Snap Holdings, Percy Pinto	Breach of Contract, Fraudulent Transfer, Alter Ego	$ 9,373.67	3/15/2016	3/15/2016

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Manidhari/401	PrimeNA, Celeritas, Snap Holdings, Percy Pinto	Breach of Contract, Fraudulent Transfer, Alter Ego	$ 3,193.52	4/15/2016	4/15/2016
Manidhari/445	PrimeNA, Celeritas, Snap Holdings, Percy Pinto	Breach of Contract, Fraudulent Transfer, Alter Ego	$ 18,389.80	6/1/2016	6/1/2016
		Subtotal	**$ 38,376.79**		
Matter Description/Invoice Number	**Defendants**	**Summary of Lawsuit**	**Amount Invoiced**	**Invoice Date**	**Date Paid**
Ruchi Soya/353	PrimeNA, Celeritas	Breach of Contract	$ 487.50	2/15/2016	2/16/2016
Ruchi Soya/381	PrimeNA, Celeritas	Breach of Contract	$ 5,711.50	3/15/2016	3/15/2016
Ruchi Soya/403	PrimeNA, Celeritas	Breach of Contract	$ 6,599.60	4/15/2016	4/15/2016
Ruchi Soya/447	PrimeNA, Celeritas	Breach of Contract	$ 6,266.84	6/1/2016	6/1/2016
		Subtotal	**$ 19,065.44**		
Matter Description/Invoice Number	**Defendants**	**Summary of Lawsuit**	**Amount Invoiced**	**Invoice Date**	**Date Paid**
Chase Bank/348	Celeritas, Percy Pinto	Suit on Note, Guaranty	$ 4,137.57	2/15/2016	2/16/2016
Chase Bank/376	Celeritas, Percy Pinto	Suit on Note, Guaranty	$ 352.00	3/~~16~~15/2016	3/15/2016
Chase Bank/399	Celeritas, Percy Pinto	Suit on Note, Guaranty	$ 2,470.25	6/1/2016	6/1/2016
		Subtotal	**$ 6,959.82**		
Matter Description/Invoice Number	**Defendants**	**Summary of Lawsuit**	**Amount Invoiced**	**Invoice Date**	**Date Paid**
La Porte/350	Celeritas	Property Tax Lawsuit	$ 1,952.05	2/15/2016	2/16/2016
La Porte/378	Celeritas	Property Tax Lawsuit	$ 122.90	3/15/2016	3/15/2016
		Subtotal	**$ 2,074.95**		

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Matter Description/Invoice Number	Defendants	Summary of Lawsuit	Amount Invoiced	Invoice Date	Date Paid
Euler Hermes/349	Euler Hermes - Celeritas is the plaintiff	Suit on insurance policy	$ 3,859.41	2/15/2016	2/16/2016
Euler Hermes/377	Euler Hermes - Celeritas is the plaintiff	Suit on insurance policy	$ 5,538.85	3/15/2016	3/15/2016
Euler Hermes/400	Euler Hermes - Celeritas is the plaintiff	Suit on insurance policy	$ 801.50	4/15/2016	4/15/2016
Euler Hermes/444	Euler Hermes - Celeritas is the plaintiff	Suit on insurance policy	$ 3,096.50	6/1/2016	6/1/2016
		Subtotal	**$ 13,296.26**		
Matter Description/Invoice Number	**Defendants**	**Summary of Lawsuit**	**Amount Invoiced**	**Invoice Date**	**Date Paid**
Prime Pack/352	Prime Pack/Celeritas is the Plaintiff	Breach of Contract	$ 2,398.55	2/15/2016	2/16/2016
Prime Pack/380	Prime Pack/Celeritas is the Plaintiff	Breach of Contract	$ 11,312.41	3/15/2016	3/15/2016
Prime Pack/402	Prime Pack/Celeritas is the Plaintiff	Breach of Contract	$ 2,295.97	4/15/2016	4/15/2016
Prime Pack/402	Prime Pack/Celeritas is the Plaintiff	Breach of Contract	$ 8,654.53	6/1/2016	6/1/2016
		Subtotal	**$ 24,661.46**		
Matter Description/Invoice Number	**Defendants**	**Summary of Lawsuit**	**Amount Invoiced**	**Invoice Date**	**Date Paid**
Smith Oil/354	Smith Oil/Celeritas is the Plaintiff	Confirm Arbitration Award in favor of Celeritas	$ 1,039.98	2/15/2016	2/16/2016
Smith Oil/382	Smith Oil/Celeritas is the Plaintiff	Confirm Arbitration Award in favor of Celeritas	$ 6,815.73	3/15/2016	3/15/2016

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Smith Oil/404	Smith Oil/Celeritas is the Plaintiff	Confirm Arbitration Award in favor of Celeritas	$ 6,182.25	4/15/2016	4/15/2016
Smith Oil/448	Smith Oil/Celeritas is the Plaintiff	Confirm Arbitration Award in favor of Celeritas	$ 5,353.00	6/1/2016	6/1/2016
		Subtotal	**$ 19,390.96**		
		Grand Total of Invoices	**$ 133,515.47**		

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In addition to potential claims under Section 547 of the Code against the Stanton Law Firm, the Debtor has considered possible claims for fraudulent transfer relating to the payments the Stanton Law Firm received from the Debtor prior to the petition date. A fraudulent transfer claim requires that the Debtor have not received reasonably equivalent value in return for the payments it provided to the Stanton Law Firm. Multiple courts that have considered whether payments made by a debtor to its law firm could be avoidable as fraudulent transfers have concluded that, so long as the debtor received a benefit from the services provided, the payments made could not be avoided as fraudulent transfers. *See, Friedman v. Grossman (In re Trauger),* 105 B.R. 120, 123 (Bankr. S.D. Fla., 1989); *Lawrence v. Bonadio, Insero & Co. (In re Interco Systems, Inc.),* 202 B.R. 188, 193 (Bankr. W.D.N.Y., 1996); *Alexander v. Delong, Caldwell, Novotny & Bridgers, L.L.C (In re Terry Mfg. Co., Inc*.), 2008 WL 4493240, at *12 (M.D. Ala., 2008).

Copies of the invoices for work provided by the Stanton Law Firm to Celeritas and its Related Entities are attached hereto as Exhibit "D". Applying this analysis to the payments to the Stanton Law Firm, it is helpful to view the above referenced matters in separate categories. First, there are four of the above matters, which include the Smith Oil, Prime Pack, Euler Hermes, and La Porte matters, in which the Debtor is the only party represented by the Stanton Law Firm. As such, in all of these matters there is no basis upon which the payments to the Stanton Law Firm might be avoidable as fraudulent transfers because the Debtor received a direct benefit and the payments to the Stanton Law Firm could not have possibly been on account of any other party, as the invoices reflect.

A second category of matters would include the matters where the Debtor is a party to the lawsuit, but there are other non-debtor, co-parties as well that were represented by the Stanton Law Firm. These are the Manidhari, Ruchi Soya, and Chase Bank matters. In the Chase Bank matter, the Debtor is the borrower of a note to Chase Bank. Percy Pinto, the only co-defendant, is the guarantor such that Percy Pinto's liability is directly related to Celeritas' liability under the note. In the Ruchi Soya matter, PrimeNA is alleged to have breached a contract to Ruchi Soya, Celeritas guaranteed payment for that breach of contract, and Celeritas is sued on account of its guaranty. In the Manidhari matter, Manidhari alleges breach of contract and misrepresentation against the Debtor and also alleges that the other, non-debtor co-defendants received property of the Debtor and/or are the alter ego of the Debtor. The defense of each of these matters necessarily benefitted the Debtor as it was a defendant. The claims all arise out of the same set of facts, with respect to each individual matter, such that a unity of defense was appropriate and would benefit the Debtor's ultimate liability. Because the Debtor received a direct benefit, under the cases cited above~~.~~ there does not appear to be a~~-~~ viable claim for fraudulent transfer for funds expended by the Debtor for the common defense of all co-defendants.

The final remaining matter is a set of two property tax lawsuits filed by Arlington ISD with one of the lawsuits being against PrimeNA and the other against Celeritas. Although there are two separate lawsuits, they were still defended by the Stanton Law Firm conjunctively and the Debtor paid the Stanton Law Firm's services. It appears in this case that the Debtor clearly did also ~~received~~receive a benefit from the Stanton Law Firm's services~~, however, since there are two separate lawsuits it is somewhat questionable~~ . A question may arise as to whether ~~that fact would serve as a basis to view~~ the Debtor received a benefit for the work done ~~separately and~~

~~conclude that Celeritas did not benefit from~~ on the separate PrimeNA lawsuit. However, because the defense ~~of the lawsuit where PrimeNA~~ work was ~~the~~done simultaneously for the Debtor and PrimeNA in the same fashion as if there were only ~~defendant, even though again, it was handled and billed for together~~one lawsuit, the Debtor benefited from all of the work done as with the ~~tax lawsuit against Celeritas~~other matters explained above. Nevertheless, the total amount paid to the Stanton Law Firm during the entire representation is $11,794.62. This relatively de minimis claim against the Stanton Law Firm is resolved by the Release contained in Section 8.02 of the Plan in return for the concessions provided by the Stanton Law Firm for the continued representation of the Debtor.

The Debtor believes that the Plan provides affected Creditors and holders of Equity Interests with Distribution rights on account of their Claims and Equity Interests which are at least equal to, if not greater than, what they would obtain if the Chapter 11 Case was converted to a Chapter 7 liquidation case, and the Debtor's assets were liquidated under Chapter 7 of the Bankruptcy Code. The Debtor further believes that the Plan is fair and equitable to all Classes of Claims and Interests under the Plan.

III.
VOTING PROCEDURES AND REQUIREMENTS

A. Ballots and Voting Deadlines

Each holder of a Claim in an impaired Class is entitled to vote on the Plan and will be provided a Ballot along with this Disclosure Statement. If a Creditor holds Claims in more than one impaired Class, such Creditor will be provided a separate Ballot for each such Class. The Ballot is to be used by the Creditor to accept or reject the Plan. To ensure that their Ballot is deemed timely and considered by the Balloting Agent, each Creditor must (a) carefully review the Ballot and the instructions set forth thereon, (b) provide all of the information requested on the Ballot, (c) sign the Ballot and (d) return the completed and signed Ballot to the Balloting Agent by the Voting Deadline. By Order of the Bankruptcy Court, the Voting Deadline is _____. Therefore, in order for a Ballot to be counted for voting purposes, the completed and signed Ballot must be **received** at the address specified below by not later than such Voting Deadline:

QUILLING SELANDER LOWNDS WINSLETT & MOSER, P.C.
ATTN: HUDSON M. JOBE
2001 BRYAN STREET, SUITE 1800
DALLAS, TEXAS 75201

B. Creditors Solicited to Vote

Each Creditor holding a Claim in an impaired Class under the Plan is being solicited to vote on the Plan. However, unless otherwise provided in the Plan, as to any Claim for which a proof of Claim was filed and as to which an objection has been lodged, if such objection is still pending as of the Voting Deadline, the Creditor's vote associated with such Claim will not be counted to the extent of the objection to the Claim, unless the Creditor properly files and serves a motion and obtains an order of the Bankruptcy Court temporarily allowing the Claim in an

amount that the Bankruptcy Court deems proper for the purpose of voting on the Plan. In addition, a Creditor's vote may be disregarded if the Bankruptcy Court determines that the Creditor's acceptance or rejection of the Plan was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code, or that the Creditor is an insider of a Debtor within the meaning of section 101(31) of the Bankruptcy Code.

C. Definition of Impairment

Pursuant to section 1124 of the Bankruptcy Code, except to the extent that the holder of a particular claim or equity interest within a class agrees to less favorable treatment of the holder's claim or equity interest, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such class, the plan does at least one of the following two (2) things:

1. The plan leaves unaltered the legal, equitable and contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest; or

2. Notwithstanding any contractual provision or applicable law that entitles the holder of such claim or equity interest to demand or receive accelerated payment of such claim or equity interest after the occurrence of a default, the plan:

   (i) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured;

   (ii) (ii) reinstates the maturity of such claim or equity interest as such maturity existed before such default;

   (iii) compensates the holder of such claim or equity interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law;

   (iii) if such claim or such equity interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensates the holder of such claim or equity interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and

   (iv) does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

D. Classes Impaired Under the Plan

Classes 1 through 5 are impaired Classes under the Plan. All holders of Allowed Claims or Allowed Equity Interests in Classes 1 through 5 are scheduled to receive on account of such Claims or Equity Interests at least some property interest having potential value under the Plan. Accordingly, holders of Claims within Classes 1 through 5 are being solicited to vote on the Plan.

E. Vote Required for Class Acceptance

Under section 1126(c) of the Bankruptcy Code, a Class of Claims under the Plan shall be deemed to have accepted the Plan if the Plan is accepted by Creditors holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims within such Class held by Creditors that have accepted or rejected the Plan.

Under section 1126(e) of the Bankruptcy Code, on request of a party in interest in the Bankruptcy Case, and after notice and a hearing, the Bankruptcy Court may designate the vote of any Creditor whose acceptance or rejection of the Plan was not (a) in good faith, (b) solicited or procured in good faith, or (c) made in accordance with the provisions of the Bankruptcy Code.

IV.
CONFIRMATION OF THE PLAN

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. The Confirmation Hearing has been scheduled to commence on _____ at _____. (prevailing Central Time), before the Honorable Mark X. Mullin, United States Bankruptcy Judge for the Northern District of Texas, Eldon B. Mahon U.S. Courthouse 501 W. 10th St. Fort Worth, TX 76102-3643. Any objection to confirmation of the Plan must be made in writing, and such written objection must be filed with the Bankruptcy Court and served on the following parties by not later than _____:

Debtor's Counsel:
Hudson M. Jobe
Quilling Selander Lownds Winslett &
Moser, PC
2001 Bryan Street, Suite 1800
Dallas, Texas 75201
(214) 871-2100 – Telephone
214) 871-2111 – Facsimile

United States Trustee:
Office of the United States Trustee
1100 Commerce Street, Room 976
Dallas, Texas 75242

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

B. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will determine whether the confirmation requirements of section 1129(a) of the Bankruptcy Code have been satisfied. Only in the event that all of these requirements have been satisfied, and that all other conditions to confirmation set forth in the Plan have been met, will the Bankruptcy Court enter an order confirming the Plan under section 1129(a). The requirements of section 1129(a) applicable to corporate debtors are as follows:

1. The plan complies with the applicable provisions of the Bankruptcy Code.

2. The Debtor complies with the applicable provisions of the Bankruptcy Code.

3. The plan has been proposed in good faith and not by any means forbidden by law.

4. Any payment made or to be made by the 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, has been approved by, or is subject to the approval of, the court as reasonable.

5. The Debtor has disclosed:

   (a) the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under the plan, and the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity interest holders and with public policy; and

   (b) the identity of any insider that will be employed or retained by the reorganized debtor, and the nature of any compensation for such insider.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

7. With respect to each impaired class of claims or interests:

(a) each holder of a claim or equity interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or equity interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date; or

(b) if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, each holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

8. With respect to each class of claims or interests, such class has accepted the plan or such class is not impaired under the plan.

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

(a) with respect to a claim of a kind specified in section 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(b) with respect to a class of claims of a kind specified in section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive (i) if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim, or (ii) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim;

(c) with respect to a claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of such claim will receive on account of such claim regular installment payments in cash (i) of a total value, as of the effective date of the plan, equal to the allowed amount of such claim, (ii) over a period ending not later than 5 years after the date of the order for relief under section 301, 302, or 303 of the Bankruptcy Code, and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under section 1122(b) of the Bankruptcy Code); and

(d) with respect to a secured claim which would otherwise meet the description of an unsecured claim of a governmental unit under section 507(a)(8) of the Bankruptcy Code, but for the secured status of that claim, the holder of that claim will receive on account of that claim, cash payments, in the same manner and over the same period, as prescribed in paragraph 9(c) above.

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

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

12. All fees payable under section 1930 of Title 28, as determined by the court at the hearing on confirmation of the plan, have been paid or the plan provides for the payment of all such fees on the effective date of the plan.

13. The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114 of the Bankruptcy Code, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.

14. All transfers of property under the plan shall be made in accordance with any applicable provisions of nonbankruptcy law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation, or trust.

If a sufficient number of Creditors and amounts of Claims in impaired Classes under the Plan vote to accept the Plan, the Debtor believes that the Plan will satisfy all of the applicable statutory requirements of section 1129(a) of the Bankruptcy Code. As discussed below, however, the Debtor believes that the Plan may be confirmed under the "cramdown" provisions of section 1129(b) of the Bankruptcy Code.

C. Cramdown

Pursuant to section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm the Plan at the request of the Debtor if: (a) all of the requirements of section 1129(a) of the Bankruptcy Code, with the exception of section 1129(a)(8) (set out in paragraph 8 above), are met with respect to the Plan; (b) at least one Class of Claims that is impaired under the Plan has accepted the Plan (excluding the votes of insiders); and (c) with respect to each impaired Class that has not accepted the Plan, the Plan does not "discriminate unfairly" and is "fair and equitable."

A plan does not "discriminate unfairly" within the meaning of the Bankruptcy Code if the classification of claims under the plan complies with the Bankruptcy Code and no particular class will receive more than it is legally entitled to receive for its claims or interests.

"Fair and equitable," on the other hand, has a different meaning for classes of secured

claims, classes of unsecured claims and classes of equity interests, as described below:

> With respect to a class of secured claims that rejects the plan, to be "fair and equitable" the plan must, among other things, provide:
>
> (a) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property;
>
> (b) for the realization of such holders of the indubitable equivalent of such claims; or
>
> (c) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under (a) or (b) above.
>
> With respect to a class of unsecured claims that rejects the plan, to be "fair and equitable" the plan must, among other things, provide:
>
> (a) that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or
>
> (b) that the holder of any claim or equity interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or equity interest any property.
>
> With respect to a class of equity interests that rejects the plan, to be "fair and equitable" the plan must, among other things, provide:
>
> (a) that each holder of an equity interest of such class receive or retain on account of such equity interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such equity interest; or
>
> (b) that the holder of any equity interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior equity interest any property.

In the event that at least one impaired Class of Claims under the Plan accepts the Plan, the Debtor requests the Bankruptcy Court confirm the Plan in accordance with the cramdown provisions of section 1129(b) of the Bankruptcy Code. The Debtor believes that all of the requirements of section 1129(a) of the Bankruptcy Code (with the exception of section

1129(a)(8)) will be satisfied, that at least one Class of impaired Claims will accept the Plan (excluding the votes of insiders), and that the Plan does not unfairly discriminate against and is fair and equitable in relation to each of the Classes that may vote to reject the Plan.

Percy Pinto is contributing new value to the Debtor under the Plan in the form of the litigation funding under the DIP Facility and for the recovery of the Smith Oil Judgment, Insurance Claim, and Prime Pack Judgment (the "Litigation Funding") as well as a $100,000 cash payment to the Claims Payment Fund to retain his Equity Interests in the Debtor as required under Section 1129(b)(2)(B) of the Bankruptcy Code (the "New Value"). In the event the Debtor proceeds under the "cramdown" provisions of the Bankruptcy Code, the Debtor asserts that New Value satisfies the Absolute Priority Rule. A creditor of the Debtor in this case may assert that the Plan violates the Absolute Priority Rule and that the litigation funding and payment of $100,000 by Percy Pinto does not constitute new value. This determination is reserved for the Bankruptcy Court.

In the event the Plan is not accepted by each Class of Claims, an auction will be held for the Equity Interests in the Reorganized Debtor one (1) business day prior to the Confirmation Hearing on the Plan at the offices of counsel for the Debtor at Quilling Selander Lownds Winslett & Moser, P.C. 2001 Bryan Street, Suite 1800 Dallas, Texas 75201 at 2 p.m. Central Time (the "Auction"). Bidders must qualify on or before seven (7) calendar days prior to the Auction by submitting a plan for recovery of the Euler Hermes Insurance Claim, Smith Oil Judgment and Prime Pack Judgment as well as a financial commitment and proof of financial ability to make a minimum bid that is all cash, non-contingent and in excess of the obligations in this Plan as further set forth below.. Bids over the initial qualifying amount must be in $25,000 increments. All financing commitments of Percy Pinto, including the $100,000 cash payment and the contingency cash payments in the event of the required consent or deemed consent to the Section 8.03 Release in the Plan, are subject to confirmation of the Plan and that no other party purchase the Equity Interests in the Debtor at the Auction. Any qualified bid is subject to overbid by Percy Pinto or another party at the Auction. In the event a qualified bidder is successful it takes the Debtor subject to all obligations of the Plan with the following modifications: (1) the successful bidder must contribute $100,000 to the Claims Payment Fund (defined above) on the Effective Date; (2) Percy Pinto has no obligation to pay the initial $100,000 or the additional $100,000 into the Claims Payment Fund as described above; (3) Percy Pinto's obligations to contribute any other funds to the Debtor, including the obligations set forth in Docket No. 43-1 are terminated, except for any past due amounts owed to the Stanton Law Firm; (4) the claim of Percy Pinto under the DIP Facility and DIP Order is no longer subordinated; (5) the Stanton Law Firm's services are immediately terminated and the Stanton Law Firm is permitted to withdraw as counsel to the Debtor in all pending matters; and (6) the releases granted to the Released Parties in sections 8.02 and 8.03 will be of no effect.

V.
SIGNIFICANT PLEADINGS FILED IN THE BANKRUPTCY CASE

A. Schedules and Statements

On July 5, 2016, the Debtor filed its schedules and statement of financial affairs which are available at Docket Nos. 23 and 24 in the Bankruptcy Case.

B. Debtor in Possession Financing

On August 18, 2016, the Debtor filed its *Motion for Interim and Final Order Authorizing (A) Borrowing in Return for Administrative Expense Claim Pursuant to Section 364(b) of the Bankruptcy Code, (B) Additional Lending Procedures and (C) Setting A Final Hearing* [Docket No. 42], pursuant to which the Debtor sought authority to borrower up to $50,000 from Percy Pinto in return for an administrative expense claim for purposes of payment of operational expenses and legal fees associated with the pursuit of estate assets. This motion was approved by order of the Bankruptcy Court [Docket No. 63] entered on October 11, 2016.

C. Employment of Professionals

(a) Quilling Selander Lownds Winslett & Moser

On June 23, 2016, the Debtor filed its *Application for Approval of Employment of Quilling, Selander, Lownds Winslett & Moser, PC. as Counsel for the Debtor* [Docket No. 17], pursuant to which the Debtor sought authority to employ Quilling, Selander, Lownds Winslett & Moser, P.C. ("QSLWM") as general counsel. This application was approved by order of the Bankruptcy Court [Docket No. 66] entered on October 13, 2016.

(b) Anderson Tobin, PLLC

On June 23, 2016, the Debtor filed its *Application for Approval of Employment of Anderson Tobin, PLLC. as Special Conflicts Counsel for the Debtor* [Docket No. 18], pursuant to which the Debtor sought authority to employ Anderson Tobin, PLLC ("Anderson Tobin") as the conflicts counsel. This application was approved by order of the Bankruptcy Court [Docket No. 67] entered on October 13, 2016.

(c) Sheldon E. Levy

On July 15, 2016, the Debtor filed its *Application for Approval of Employment of Sheldon E. Levy as Accountant* [Docket No. 35], pursuant to which the Debtor sought authority to employ Sheldon Levy as the Debtor's accountant and tax professional. This application was approved by order of the Bankruptcy Court [Docket No. 49] entered on August 24, 2016.

(d) Stanton Law Firm, PC

On August 18, 2016, the Debtor filed its *Application for Approval of Employment of*

Stanton Law Firm, PC as Special Counsel for the Debtor [Docket No. 43]], pursuant to which the Debtor sought authority to employ the Stanton Law Firm, PC ("Stanton Law Firm") as the special counsel. This application was approved by order of the Bankruptcy Court [Docket No. 65] entered on October 11, 2016.

D. Bar Date

On June 3, 2016, the Court set the bar date of October 13, 2016 (the "Bar Date") as the last day for Creditors and Governmental Entities to file proofs of claim.

VI.
SUMMARY OF THE CLAIMS, CLASSIFICATIONS, AND INTERESTS

A. Introduction

A summary of the principal provisions of the Plan relating to the treatment of Classes of Claims and Equity Interests is set out herein. The summary is qualified in its entirety by the Plan itself, which is controlling in the event of any conflict. Additionally, the estimated amount of allowable Claims in the various Classes are estimates only and are not intended to be exact determinations. While the Debtor has made every effort to reasonably estimate such amounts, there is no guarantee that such estimates shall constitute an admission on the part of the Debtor to the validity of any Disputed Claims. Any Claim which is not Allowed by an order of the Bankruptcy Court or pursuant to a settlement approved by an order of the Bankruptcy Court may be Disallowed or reduced in amount if an objection has been, or is timely hereafter, filed and sustained by the Bankruptcy Court.

B. Classification of Claims and Interests

The Plan provides for the division of Claims against and Equity Interests in the Debtor (except Administrative Claims) into Classes. A Claim is classified within a particular Class only to the extent that the Claim qualifies under the description of that Class. A proof of Claim asserting a Claim which is properly includable in more than one Class is only entitled to inclusion within a particular Class to the extent that it qualifies under the description of such Class, and shall be included within a different Class(es) to the extent that it qualifies under the description of such different Class(es). The Plan classifies Claims and Equity Interests as follows:

Unclassified Claims:
Allowed Administrative Claims

Classified Claims and Equity Interests:
Class 1 – JPMorgan Chase Bank, N.A.
Class 2 – Property Tax Claims
Class 3 – Unsecured Claims
Class 4 – Subordinated DIP Administrative Claim
Class 5 – Equity Interests

C. Unclassified Claims Under the Plan

Allowed Administrative Claims

The holder of an Administrative Claim that is incurred, accrued, or in existence prior to the Effective Date must file with the Bankruptcy Court and serve on all parties required to receive such notice a request for the allowance of such Administrative Claim on or before the Administrative Claim Bar Date. Such notice must include, at a minimum, (a) the name of the holder of the Claim, (b) the amount of the Claim, and (c) the basis for the Claim. *Failure to timely and properly file and serve the application required under this subsection shall result in the Administrative Claim being forever barred and discharged.* Any party-in-interest with standing to object to a request for allowance of an Administrative Claim may file such an objection thereto. The United States Trustee is not required to file an application for the allowance of an Administrative Claim with regards to fees due in accordance with 28 U.S.C. § 1930(a)(6).

An Administrative Claim shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order. Unless previously paid, each holder of an Allowed Administrative Claim shall receive in full satisfaction, release and discharge of, and in exchange for, such Allowed Administrative Claim: (i) the amount of such Allowed Administrative Claim, in cash, and without interest, attorney's fees (except as Allowed by the Bankruptcy Court), or costs, on the earlier of: (a) the Effective Date; or (b) the date that is ten (10) Business Days after such Administrative Claim becomes an Allowed Administrative Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim.

QSLWM currently holds retainer funds in the amount of $104,903.00 ("QSLWM Retainer") for payment of its incurred, allowed fees and expenses as counsel to the Debtor. Anderson Tobin currently holds retainer funds in the amount of $20,000.00 ("Anderson Tobin Retainer" and collectively the "Retainers") for payment of its incurred, allowed fees and expenses as conflicts counsel to the Debtor. QSLWM's fees and expenses to date are approximately the same amount as the QSLWM Retainer. Anderson Tobin has not incurred any material fees in this case and does not expect to in the event the Plan is confirmed without other significant proceedings being required. In the event the Plan is confirmed without substantial other proceedings being required, QSLWM and Anderson Tobin's fees through confirmation will be limited to the available Retainers, and post-confirmation fees will be paid by the reorganized entity.

The Professional Fee Claims of Sheldon Levy will be paid out of the DIP Facility on the later of the Effective Date or the date Sheldon Levy's Professional Fee Claims are allowed by Court order. The total estimated amounts owed to Sheldon Levy for his work on behalf of the bankruptcy estate totals approximately $6,623.75 as of the date of this Disclosure Statement.

On October 11, 2016, the Court entered an Order authorizing the Debtor to pay $30,000 as a retainer to the Stanton Law Firm for payment of attorneys' fees and costs incurred in conjunction with the Stanton Law Firm's engagement to pursue the Euler Hermes Insurance

Claim and collection of the Smith Oil Judgment and Prime Pack Judgment ("Stanton Retainer"). In the engagement agreement with the Stanton Law Firm at Docket No. 43-1, Percy Pinto further agreed to replenish the Stanton Retainer once it falls below $10,000 and to personally guarantee payment of attorneys' fees incurred under the engagement agreement in excess of the Stanton Retainer, as more fully set forth in the applicable agreement and subject to the conditions therein. Also on October 11, 2016, the Court entered the DIP Order authorizing Percy Pinto to advance up to $50,000.00 for the funding of the Debtor's ordinary course business operations and expenses and to allow for the replenishment of the Stanton Retainer. The DIP Order also provides a procedure for additional amounts to be advanced pre-confirmation. Any amounts advanced by Percy Pinto after the Confirmation Date will be a new and separate debt of the Debtor repayable in the ordinary course of the Debtor's business post-confirmation. The Stanton Law Firm shall have no claim or right to payment from the Claims Payment Fund.

D. Classified Claims and Equity Interests Under the Plan

CLASS 1 – Allowed Secured Claims of JPMorgan Chase Bank, N.A.

Class 1 Claims consist of the Allowed Secured Claims of JPMorgan Chase Bank, N.A., including its predecessors in interest, successors, and/or assigns, in the Debtor's Bankruptcy Case, including those under the Promissory Note in the original principal amount of $2,000,000.000, as amended and/or modified by the Business Loan Agreement dated May 30, 2012 (the "Business Loan Agreement") and the Promissory Note dated August 28, 2013 in the original amount of $2,000,000.00 (the "Renewal contract"), all guaranty agreements and any related documents (collectively, the "Loan Documents"). The holders of Claims in Class 1 are impaired and entitled to vote to accept or reject the Plan.

Treatment – Chase asserts a lien against the proceeds of the insurance with Euler Hermes as well as the proceeds of the Smith Oil Judgment and Prime Pack Judgment ("Chase Collateral"). Chase shall retain its liens in its collateral until its Allowed Claim is paid in full in the amount of $879,861.88 plus any postpetition accrued interest and fees as provided in the Loan Documents and as reflected by the proof of Claim Number 14-1 filed by JPMorgan Chase estimated to be approximately $45,000.00. To the extent Chase is entitled to post-petition and post-confirmation interest under Section 506(b) of the Bankruptcy Code and non-bankruptcy law, interest shall accrue to Chase under this Plan at the non-default rate of interest specified by the Loan Documents until Chase is paid in full.

Within 30 days of the recovery of funds from the Chase Collateral, Chase will be paid up to the allowed amount if its claim from such recovery on account of its liens. Any unsecured deficiency claim of Chase shall be treated as a Class 3 unsecured claim entitled to payment on a pro rata basis. The payment to Chase under the Plan will be in full satisfaction and discharge of all of Chase's claims against the Estate, all of Chase's claims under the Loan Documents, and all claims asserted or that could have been asserted in the Chase Litigation against all parties. Any and all guaranty agreements executed in connection with the Chase loan agreement shall remain in full force and effect until the Chase claim is paid in full.

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CLASS 2 – Property Tax Claims

Class 2 Claims consist of the Allowed Claims of property taxing authorities. The following proofs of claim have been filed against the Debtor on behalf of property taxing authorities:

Claimant	Face Amount of Claim	Proof of Claim No.	Disputed
Arlington ISD	$5,708.08	3	N
La Porte Tax Office	$67,922.31	6	N
San Jacinto CCD	$5,836.34	8	N
Harris County	$19,998.70	7	N
Tarrant County	$~~2,719.51~~1,976.84	1	N
Dallas County	$2,064.95	11-2	N

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Total Face Amount ~~$102,184.94~~ $103,507.22

Class 2 Claims are impaired and entitled to vote. The Property Tax Claims asserted against the Debtor have been filed as secured claims. However, the Debtor currently maintains ~~inventory of a value of not more than $10,000 (the "Inventory"), which is ultimately only so valuable as a willing buyer will pay. The Debtor currently maintains that some or all of the Property Tax Claims asserted against the Debtor are overstated and may be reduced by the Court following the Debtor's filing an Objection to such claim(~~no inventory against which a security could attach.).

~~**Treatment**. The Holders of Property Tax Claims shall retain their liens to the same extent, validity and priority as existing on the Petition Date in the Debtor's current inventory listed on its schedules (the "Inventory"). If any of the Inventory is liquidated by the Debtor, the proceeds of such sale will be paid to the Holders of Property Tax Claims with any valid liens against such Inventory in accordance with non-bankruptcy law.~~**Treatment**.

Any remaining Allowed, unpaid Property Tax Claims will be paid from the Claims Payment Fund (defined in Sections 5.02 C and D) with the statutory rate interest of 12% per annum in accordance with 11 U.S.C. §§ 511 and 1129(a)(9)(C).

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CLASS 3 – Unsecured Claims

Class 3 consists of the Allowed, General Unsecured Claims against the Debtor. Below is a table of the General Unsecured Claims either scheduled by the Debtor or for which proofs of claim have been filed in the Bankruptcy Case.

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Creditor	Scheduled Amount	Disputed	Claim No.	Claim Amount	Claim Type
Apex Resources Inc.	$625,000.00		13	680,890.80	General Unsecured
AT&T Mobility	$105.77				General Unsecured
Bank Direct	$1,427.65		10	$1,793.16	General Unsecured
BYK Additives	$663.00				General Unsecured
Hangzhou Jingyi Chemical Co., Ltd	$36,520.00				General Unsecured
Landrum & Evans, PC	$1,616.00				General Unsecured
Leaf Capital Funding, LLC	$918.33	Y	9	$5,108.85	Secured[7]
Manidhari Gums & Chemicals	$1,181,886.59	Y	4	$1,600,000.00	General Unsecured
National Telesystems, Inc.	$188.36				General Unsecured
Pennington Hill, LLP	$90,350.07	Y			Secured[8]
Pruitt's Frac Tanks South Texas LLC	$20,875.00				General Unsecured
Ruchi Soya Industries, Ltd.	$1,430,000.00	Y			General Unsecured
Shannon Gracey	$47,550.52				General Unsecured
Stim Teq, LLC	$7,250.00				General Unsecured
Smith Oil Co., Inc.	$0.00	Y			General Unsecured
Zeno Imaging	$777.60				General Unsecured
Law Offices of Paul C. Miniclier	Not Scheduled	Y	5	$240,021.24[9]	General Unsecured

Based upon the above table, the Debtor estimates the allowable General Unsecured Claims against the Estate to be in the range of $750,000 to $2.25MM. This wide range is due to the large amount of the asserted claims being disputed by the Debtor.

Treatment. Allowed, General Unsecured Claims will receive their pro rata share of the funds in the Claims Payment Fund as defined in Sections 5.02 C and D of the Plan after payment of the Allowed Property Tax Claims, and any Allowed, unpaid, Administrative Claims other than

[7] The Debtor disputes the secured status of Leaf Capital's claim as it is based upon a lease agreement and leased property that Leaf Capital has already repossessed.

[8] Pennington Hill, LLP filed a UCC-1 against the Debtor that the Debtor disputes. The Debtor scheduled the claim of Pennington as a secured claim, but believes it is unsecured.

[9] This claim is for attorneys' fees and expenses relating to the prosecution of the claims of Manidhari against the Debtor and the Related Entities and thus is contingent upon the claim of Manidhari.

ordinary course Administrative Claims and the Subordinated DIP Administrative Claim.

CLASS 4 – Subordinated DIP Administrative Claim

Class 4 consists of the subordinated DIP Administrative Claim under the Final DIP Order currently. The holders of Claims in Class 4 are impaired but not entitled to vote to accept or reject the Plan.

Treatment. Per the agreement between the Debtor and Percy Pinto, Mr. Pinto's claims under the Final DIP Order relating to the DIP Facility, including all amounts advanced by Mr. Pinto under the same terms as the DIP Order after the Confirmation Date, will be voluntarily subordinated to all Allowed Claims in the Bankruptcy Case.

CLASS 5 – Equity Interests in the Debtor

Class 5 consists of the Interests in the Debtor and are to be retained and not entitled to vote.

Treatment. The Equity Interests in the Reorganized Debtor shall remain as previously owned with Percy Pinto owning 100% of the interests in the Reorganized Debtor.

VII.
MEANS FOR IMPLEMENTATION OF THE PLAN

The Reorganized Debtor shall be organized and managed by Percy Pinto. The following are the means of funding the operations and payment of claims in the Plan.

A. Financing of Operations/Litigation. On October 11, 2016, the Court entered an Order authorizing the Debtor to pay $30,000 as a retainer to the Stanton Law Firm for payment of attorneys' fees and costs incurred in conjunction with the Stanton Law Firm's engagement to pursue the Euler Hermes Insurance Claim and collection of the Smith Oil Judgment and Prime Pack Judgment ("Stanton Retainer"). In the engagement agreement with the Stanton Law Firm at Docket No. 43-1, Percy Pinto further agreed to replenish the Stanton Retainer once it falls below $10,000 and to personally guarantee payment of attorneys' fees incurred under the engagement agreement in excess of the Stanton Retainer, as more fully set forth in the applicable agreement and subject to the conditions therein. Also on October 11, 2016, the Court entered the DIP Order authorizing Percy Pinto to advance the Debtor up to $50,000.00 for the funding of the Debtor's ordinary course business operations and expenses and to allow for the replenishment of the Stanton Retainer. The Stanton Law Firm shall have no claim or right to payment from the Claims Payment Fund. The DIP Order also provides a procedure for additional amounts to be advanced pre-confirmation. Any amounts advanced by Percy Pinto after the Confirmation Date will be a new and separate debt of the Debtor repayable in the ordinary course of the Debtor's business post-confirmation.

B. Source of Payment of Professional Fee Claims. QSLWM currently holds retainer funds in the amount of $104,903.00 ("QSLWM Retainer") for payment of its incurred, allowed

fees and expenses as counsel to the Debtor. Anderson Tobin currently holds retainer funds in the amount of $20,000.00 ("Anderson Tobin Retainer" and collectively the "Retainers") for payment of its incurred, allowed fees and expenses as conflicts counsel to the Debtor. QSLWM's fees and expenses to date are approximately the same amount as the QSLWM Retainer. Anderson Tobin has not incurred any material fees in this case and does not expect to in the event the Plan is confirmed without other significant proceedings being required. In the event the Plan is confirmed without substantial other proceedings being required, QSLWM and Anderson Tobin's fees through confirmation will be limited to the available Retainers, and post-confirmation fees will be paid by the reorganized entity. The Professional Fee Claims of Sheldon Levy will be paid out of the DIP Facility on the later of the Effective Date or the date Sheldon Levy's Professional Fee Claims are allowed by Court order. The total estimated amounts owed to Sheldon Levy for his work on behalf of the bankruptcy estate totals approximately $6,623.75 as of the date of this Disclosure Statement. The Professional Fee Claims of Sheldon Levy will be paid out of the DIP Facility on the later of the Effective Date or the date Sheldon Levy's Professional Fee Claims are allowed by Court order.

C. Claims Payment Fund. On or before the Effective Date, Mr. Pinto shall establish a fund for payment of Allowed Claims ("Claims Payment Fund"). Into the Claims Payment Fund Mr. Pinto will pay $100,000 within 30 days of the Effective Date. In addition, all remaining proceeds of the recovery under the Insurance Claim against Euler Hermes, the Smith Oil Judgment, and the Prime Pack Judgment after satisfaction of Chase's liens against such assets will also be paid into the Claims Payment Fund.

D. Third Party Release Funds. In the event all of the Holders of Claims consent, or are deemed to consent, to the Release contained in Section 8.03 herein, Mr. Pinto will pay an additional $100,000 into the Claims Payment Fund in 10 monthly installments of $10,000 each beginning on the first day of the month following the Effective Date.

E. Priority of Payment from the Claims Payment Fund. For the avoidance of doubt, the unencumbered proceeds of the Claims Payment Fund will be paid to each class of claims in accordance with the priorities established in the Bankruptcy Code as further described below:

First Priority –	All Allowed unpaid Administrative Expense Claims
Second Priority –	Any allowed, unsecured priority claims
Third Priority -	All Allowed General Unsecured Claims
Fourth Priority –	Subordinated claims of Percy Pinto arising under the DIP Order
Fifth Priority -	Equity Interests.

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VIII.
PRESERVED CAUSES OF ACTION

The Plan preserves all Causes of Action, unless expressly provided otherwise. The Plan contains definitions for "Causes of Action," and "Avoidance Actions," and all parties are strongly encouraged to review those definitions in the Plan and, if appropriate, seek advice of counsel to determine whether they may be a defendant in a preserved Causes of Action or Avoidance Actions.

Except as expressly otherwise provided in the Plan, after the Effective Date, the Debtor shall have authority and standing to prosecute, enforce, pursue, sue on, settle, or compromise (or decline to do any of the foregoing) such Causes of Action and Avoidance Actions.

Under section 542 of the Bankruptcy Code, an entity, other than a custodian, in possession, custody or control, during the case, of property of the bankruptcy estate can be compelled to turn over to the trustee (or debtor in possession pursuant to section 1107 of the Bankruptcy Code) such property or the value of such property, unless such property is of inconsequential value or benefit to the estate. Under sections 544, 548 and 550 of the Bankruptcy Code, a trustee (or debtor in possession pursuant to section 1107 of the Bankruptcy Code) may avoid fraudulent transfers of a debtor's interests in property and recover, for the benefit of estate, any such transfer from immediate or subsequent transferees. Under sections 547 and 550, a trustee (or debtor in possession pursuant to section 1107 of the Bankruptcy Code) may avoid preferential payments made within ninety (90) days immediately preceding the commencement of a Bankruptcy Case.

PLEASE TAKE NOTICE: WITH THE EXCEPTION OF THOSE CAUSES OF ACTION THAT ARE EXPRESSLY RELEASED OR WAIVED UNDER THE TERMS OF THE PLAN OR FINALLY ADJUDICATED BY ORDER OF THE BANKRUPTCY COURT, ALL CAUSES OF ACTION OF THE DEBTOR OR THE ESTATE (INCLUDING, WITHOUT LIMITATION, AVOIDANCE ACTIONS), WHETHER OR NOT SPECIFIED HEREIN, WILL BE PRESERVED AND TRANSFERRED TO THE REORGANIZED DEBTOR UNDER THE PLAN FOR ASSERTION BY THE REORGANIZED DEBTOR. THE REORGANIZED DEBTOR SHALL HAVE THE AUTHORITY AND STANDING TO PROSECUTE, ENFORCE, PURSUE, SUE ON, SETTLE, OR COMPROMISE (OR DECLINE TO DO ANY OF THE FOREGOING) CAUSES OF ACTION IN ACCORDANCE WITH SECTION 1123(b)(3) OF THE BANKRUPTCY CODE.

IX.
OTHER SIGNFICANT PLAN PROVISIONS

A. Distributions Under the Plan

1. Allowed Claims

Distributions under the Plan will only be made to Creditors holding Allowed Claims. A Claim or Equity Interest is "Allowed" under the Plan: (a) to the extent that it is listed in the Schedules in a liquidated, non-contingent, and undisputed amount, but only if no proof of Claim or proof of Equity Interest is filed with the Bankruptcy Court to evidence such Claim or Equity Interest on or before the Bar Date and no objection thereto has been timely filed; (b) as evidenced by a proof of Claim or proof of Equity Interest filed on or before the Bar Date, but only to the extent asserted in a liquidated amount, and only if no objection to the allowance of the Claim or Equity Interest or no motion to expunge the proof of Claim or Equity Interest has been timely filed; or (c) to the extent allowed by a final Order of the Bankruptcy Court.

2. Delivery of Distributions

The Plan provides that, subject to Bankruptcy Rule 9010, Distributions to holders of Allowed Claims will be made by mail at (a) the address of each such holder as set forth on the proofs of Claim filed by such holders, (b) the address set forth in any written notice of address change delivered to the Debtor after the date of any related proof of Claim, or (c) the address reflected in the Schedules if no proof of Claim is filed and the Debtor has not received a written notice or address change. If any Distribution is returned as undeliverable, no further Distributions to such holder will be made unless and until the Debtor is notified in writing of such Creditor's then current address. Such Distributions shall be placed in the Reserve until such time as all other funds in the Claims Payment Fund have been distributed.

3. Unclaimed Distributions and Uncashed Checks

Unclaimed Distributions shall be held in the Reserve for the benefit of the potential Claimants. All claims for undeliverable Distributions must be made within sixty days after the date on which delivery the Distribution was initially mailed. The Claim upon which an undelivered or unclaimed Distribution was made shall be treated as a Disputed Claim until such period has passed, and after that shall be treated as Disallowed in full by Final Order of the Bankruptcy Court. After such date, all unclaimed Distributions will revert to the Reserve for deposit into the Claims Payment Fund to be reallocated and distributed to the holders of Allowed Claims and the Claim of any holder with respect to such Distribution will be discharged and forever barred. Checks issued in respect of Allowed Claims will be null and void if not negotiated within ninety days after the date of issuance thereof, and such holder will forfeit its right to such Distribution. In no event shall any funds escheat to the State of Texas.

4. Due Authorization by Claimants

Under the Plan, each and every Claimant who elects to participate in the Distributions

provided for herein warrants that the Creditor is authorized to accept in consideration of its Claim against the Debtor the Distributions provided for in this Plan and that there are no outstanding commitments, agreements or understandings, express or implied, that may or can in any way defeat or modify the rights conveyed or obligations undertaken by the Creditor under the Plan.

5. Setoffs

The Plan also generally allows the Debtor, pursuant to sections 502(d) or 553 of the Bankruptcy Code or any applicable non-bankruptcy law, to setoff against any Distribution to be on account of an Allowed Claim any claims, rights, or Causes of Action held by the Estate against the holder of the Allowed Claim or in relation to the Allowed Claim, and further provides that neither the failure to effect such a setoff nor the allowance of any Claim shall constitute a waiver or release by the Debtor or the Debtor of any such claims, rights or Causes of Action. If the Debtor fails to setoff against a Claim and seeks to collect from the holder of such Claim after Distribution to that holder pursuant to the Plan, the Debtor shall be entitled to full recovery on the claims of the Debtor, or the Estate, if any, against the holder of such Claim.

6. Additional Charges

Under the terms of the Plan, no interest, penalty, attorney's fee, or late charges shall be allowed or paid with respect to any Claim, except as may be expressly provided in the Plan or allowed by Final Order of the Bankruptcy Court.

7. Compliance with Tax Requirements

In connection with the Plan, the Debtor shall comply with all withholding and reporting requirements imposed on it by any Governmental Unit, and all Distributions pursuant to the Plan shall be subject to such withholding and reporting requirements.

8. De Minimis Distributions and Rounding

The Plan provides that ratable Distributions to holders of Allowed Claims will not be made if such Distribution will result in a Distribution amount of less than $25.00, unless the affected Claimant makes a written request for such amount to the Debtor.

C. Means for Resolving Disputed Claims

Under the terms of the Plan, until a Contingent Claim becomes an Allowed Claim or is Disallowed, the Claim will be treated as a Disputed Claim for all purposes under the Plan. The holder of a Contingent Claim will be entitled to a Distribution under the Plan only when the Contingent Claim becomes an Allowed Claim. Any Contingent Claim for reimbursement or contribution held by a Person that may be liable with the Debtor on a Claim of a Creditor is Disallowed as of the Effective Date if: (a) that Creditor's Claim is Disallowed; (b) the Claim for reimbursement or contribution is contingent as of the Effective Date; or (c) that Person asserts a right of subrogation to the rights of the Creditor under section 509 of the Bankruptcy Code. To

facilitate the timely and effective administration of Claims, the Plan further provides that, except as otherwise expressly contemplated by the Plan, following the later of the Effective Date of the Plan or the applicable Bar Date, no original or amended proof of Claim may be filed in the Bankruptcy Case to assert a Claim against the Estate without prior authorization of the Bankruptcy Court, and any such proof of Claim which is filed without such authorization will be deemed null, void and of no force or effect; *provided*, *however*, that the holder of a Claim that has been evidenced in the Bankruptcy Case by the filing of a proof of Claim on or before the Bar Date shall be permitted to file an amended proof of Claim in relation to such Claim at any time if the sole purpose of the amendment is to reduce the amount of the Claim asserted.

The Reorganized Debtor shall have standing to object to Claims. The Plan also provides that the after the Effective Date of the Plan, the Reorganized Debtor will have the right, power, and authority to settle any Disputed Claim without the need for approval or Order of the Bankruptcy Court.

D. Conditions to Confirmation and Effectiveness of the Plan

In addition to meeting the requirements of section 1129 of the Bankruptcy Code, in order for the Plan to be confirmed, the Bankruptcy Court shall have entered the Confirmation Order in a form and substance satisfactory to the Debtor, which shall include, among other things, findings of fact and/or conclusions of law that: (a) enjoin and restrain all Creditors and Equity Interest holders of and in the Debtor from asserting any lien, security interest, Claim, interest, or encumbrance against the Debtor, or the Estate unless such lien, security interest, Claim, interest, or encumbrance is expressly preserved hereunder; (b) preserve jurisdiction of the Bankruptcy Court to implement and enforce the Plan; (c) provide, pursuant to section 1125(e) of the Bankruptcy Code, that Persons who have solicited acceptances or rejections of the Plan have acted in good faith and in compliance with the provisions of the Bankruptcy Code, and are not liable on account of such solicitation or participation for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan; and (d) find that the Plan and the payments required hereunder are feasible.

Following confirmation of the Plan, the following conditions precedent must be met before the Plan will become effective: (a) the Confirmation Order shall have become a Final Order; (b) execution of definitive documentation, if any, required to consummate the transactions contemplated in the Plan and satisfaction of the conditions precedent, if any, set forth therein in accordance with the terms thereof; (c) Entry of a final, non-appealable order of the bankruptcy court finding that the Debtor has the exclusive power and authority to execute the Release of the Related Entities and that such release is effective as to bar all parties-in-interest in the Debtor's bankruptcy case, including specifically Manidhari, from asserting any Released claim and (d) any actions, documents, and agreements necessary to implement the Plan shall have been effected or executed.

E. Effects of Confirmation of the Plan; Injunction and Exculpation

1. Legally Binding Effect of Plan

Upon the Effective Date of the Plan, the Plan and each of its provisions will be binding on all holders of Claims and/or Equity Interests, and all other parties in interest, whether or not they accept this Plan. On and after the Effective Date, all holders of Claims and Equity Interests shall be precluded and enjoined from asserting any Claim against the Debtor or the Estate based on any transaction or other activity of any kind that occurred prior to the Confirmation Date except as permitted under the Plan.

2. Preservation of Avoided Transfers and Liens

The Estate shall retain and preserve as Estate property transfers and liens avoided with respect to property of the Estate in accordance with section 551 of the Bankruptcy Code.

3. Protection of Certain Parties-In-Interest

Provided the respective officers, directors, shareholders, members, representatives, attorneys, financial advisors, and agents of the Debtor act in good faith, and subject to any limitations expressly stated in the "Exculpation" section below, they will not be liable, other than for fraud, willful misconduct, or gross negligence, to any holder of a Claim or Equity Interest or other party with respect to any action, forbearance from action, decision, or exercise of discretion in connection with: (a) the operation of the Debtor after the Petition Date; (b) the proposal or implementation of any of the transactions provided for, or contemplated in, the Plan; or (c) the administration of the Plan or the assets and property to be distributed pursuant to the Plan. The Debtor, and its affiliates, officers, directors, shareholders, members, employees, representatives, attorneys, advisors, agents, and contractors may rely upon the opinions of counsel, certified public accountants, and other experts or professionals employed by the Debtor or the Trustee, and such reliance will conclusively establish good faith. In any action, suit, or proceeding by any holder of a Claim or Equity Interest or other party-in-interest contesting any action by or non-action of, the Debtor or its affiliates, officers, directors, shareholders, members, employees, representatives, attorneys, advisors, agents, or contractors as not being in good faith, the reasonable attorney's fees and costs of the prevailing party will be paid by the losing party and as a condition to going forward with such action, suit, or proceeding at the outset thereof, all parties thereto will be required to provide appropriate proof and assurances of their capacity to make such payments of reasonable attorney's fees and costs in the event they fail to prevail.

4. Exculpation

On the Effective Date, and without the need for further order, document, or action, the Plan and Confirmation Order shall constitute a release and discharge of all actions, causes of action, claims, suits, debts, damages, judgments, liabilities, and demands whatsoever, whether matured or unmatured, whether at law or in equity, whether before a local, state, or federal court, state or federal administrative agency or commission, regardless of location and whether now known or unknown, liquidated or unliquidated, that any Person may have or be able to assert

against the following solely for any actions or inactions taken by the following in, or arising against the following as a result of, the Bankruptcy Case, the Disclosure Statement, and the Plan: (i) the Debtor; and (ii) Quilling Selander Lownds Winslett & Moser, PC; (iii) Anderson Tobin, PLLC, (iv) the Stanton Law Firm, PC, and their respective attorneys, employees, officers, agents, and shareholders; *provided, however*, that nothing contained in this Plan or the Confirmation Order shall relieve any of the foregoing from the normal requirements applicable to the allowance of an Administrative Claim if approval from the Bankruptcy Court for such allowance is required, and no defenses to said allowance are waived or released.

5. Injunction

Except and otherwise provided in the Plan, all Persons are enjoined from (a) threatening, commencing or continuing any lawsuit or other legal or equitable action against the Debtor, the Debtor's property or the Estate to recover on any Claim or Equity Interest, (b) committing any act to obtain possession of or exercise control over any property of the Debtor or the Estate, including the Claims Payment Fund or any Reserve, (c) committing any act to create, perfect, or enforce any lien, security interest, Claim, or other interest against any property or assets of the Debtor or its Estate, (d) committing any act to collect, assess, or recover on a Claim that arose prior to the Effective Date, and (e) setting off any debt owing to the Debtor that arose prior to the Petition Date against any Claim against the Debtor.

6. Releases

a. **Releases by the Debtor. Pursuant to Section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or any Plan Supplement, for good and valuable consideration, on and after the Effective Date, all Released Parties are released and discharged by the Debtor and the Estate from any and all claims, obligations, rights, suits, successor liability, damages, Causes of Action, including but not limited to the all Avoidance Actions, claims under the Texas Uniform Fraudulent Transfer Act, claims asserted in the Manidhari Lawsuit for Alter Ego and Fraudulent Transfer, and any remedies, and liabilities whatsoever and any other successor liability of the Debtor, including any derivative Causes of Action that may be asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise that the Debtor, the Estate, or its affiliates, and any party who has standing to assert claims on behalf of the foregoing parties, would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtor, the Chapter 11 Case, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtor and any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Case, the negotiation, formulation or preparation of the Plan and Disclosure Statement, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date.**

~~b.~~ **Releases by Holders of Class 3 Claims ~~and Interests.~~** **Holders of Class 3 Claims ~~and Interests~~ (a) voting to accept the Plan and consenting to this Section 8.03 Release or (b) abstaining from voting on the Plan and electing not to opt out of the release contained in this paragraph (which by definition, does not include Holders of Claims and Interests who are not entitled to vote in favor of or against the Plan), shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever, released and discharged the Debtor and any Released Party from any and all claims, interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Causes of Action that may be asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise. For the avoidance of doubt and notwithstanding any provision herein to the contrary, this Section 8.03 Release by Holders of Class 3 Claims shall not apply to the Class 1 Claim of Chase or an unsecured, Class 3 Claim of Chase, if any.**

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F. Modification of the Plan

In accordance with the Bankruptcy Code, the Debtor reserves the right to amend or modify the Plan at any time prior to the Confirmation Date. After the Effective Date, the Debtor may, upon Order of the Bankruptcy Court, amend or modify the Plan in accordance with section 1127(b) of the Bankruptcy Code or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purposes and intent of the Plan.

G. Retention of Jurisdiction

Pursuant to the Plan, from and after the Effective Date of the Plan, the Bankruptcy Court will retain jurisdiction, to the fullest extent legally permitted, over the Bankruptcy Case, all proceedings arising under, arising in or related to the Bankruptcy Case, the Confirmation Order, the Plan, and the administration thereof. The specific types of disputes and proceedings that the Bankruptcy Court will retain jurisdiction over are identified in Article X of the Plan.

XI
COMPARISON OF PLAN TO ALTERNATIVES

A. Chapter 7 Liquidation

The most realistic alternative to the Plan is conversion of the Bankruptcy Case from a proceeding under Chapter 11 of the Bankruptcy Code to a proceeding under Chapter 7 of the Bankruptcy Code. If the Bankruptcy Case is converted to Chapter 7 a Chapter 7 Trustee will be appointed to administer the assets of the Estate. As set forth at length above, the primary assets of the Estate are claims against third parties that must be litigated to be administered.

Below is an estimated analysis and comparison of the recovery and costs of recovery of the assets of the estate through this Chapter 11 Plan versus a Chapter 7 Liquidation using example figures for recoveries and expenses. The below is only an estimate for information purposes. The Debtor reserves all rights, claims, and actions related to the litigation summarized below and the below summary should not be construed as a waiver of any rights or an admission that would in any way limit the actual amount the Debtor

may recover on such claims.

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Below are example recoveries of the assets of the estate under the Chapter 11 Plan versus under a Chapter 7 liquidation.

Description	**Chp 11 Plan Estimates**	**Chp 7 Estimates**
Smith Oil Judgment	$400,000[10]	$400,000
Euler Hermes Claims	$1,600,000[11]	$1,300,000
Prime Pack Judgment	$175,000	$175,000
Atty Fees/Costs of Recovery	($0.00) (Net) [12]	($985,625)[13]
Percy Pinto Cash Settlement	$100,000	$0
Percy Pinto Contingent Cash Contribution	$100,000 (contingent)	$0
Chapter 5 Claims	$0	$200,000
Trustee Commission	N/A	($62,250)
Total Net Recovered	**$2,375,000**	**$1,027,125**
Est. Claim of JPMC	($925,000)	($925,000)
Remaining Funds for Unsecured Creditors	**$1,450,000**	**$102,125**

The above table demonstrates, under the estimated and example analysis, that the funds remaining to pay to unsecured creditors under the Chapter 11 Plan would be $1,450,000 compared to $102,125 in a Chapter 7 liquidation. As noted, the additional $100,000 contribution from Percy Pinto is contingent upon certain conditions being met in the Plan, however, even without that additional contribution the amount remaining for unsecured creditors is significantly more than under a Chapter 7 liquidation. As is also evident, the key difference between Chapter 11 and Chapter 7 is the commission of the Chapter 7 Trustee and the attorneys' fees that would be incurred by the Chapter 7 Trustee on litigation claims of the type present here, which are typically pursued on a contingency fee basis.

As explained in Article VII above, there is an agreement at Docket No. 43-1 in the Bankruptcy Case whereby Percy Pinto has an obligation to replenish the retainer of the Stanton Law Firm when it dips below $10,000. The DIP Order entered by the Court allows these advances for retainer replenishment and other advances for other expenses of the Debtor to be

[10] This estimated recovery under the Smith Oil Judgment is reduced by the recovery under the Euler Hermes insurance policy as Euler Hermes would presumably assert subrogation rights to the Debtor's rights against Smith Oil after payment under the insurance policy.

[11] The Debtor estimates it can recover a greater amount on the Euler Hermes claim under the Chapter 11 Plan because the Debtor has the benefit of the personal knowledge of Percy Pinto to aid in pursuit of the claim, which the Trustee would not have and the incentives for a Trustee in Chapter 7 slant toward a settlement of the claim in a fashion that may reduce the ultimate recovery.

[12] As explained elsewhere herein, Percy Pinto has agreed to fund the attorneys' fees and costs of collection of the litigation assets of the Debtor. The estimated, example cost for this is $175,000.00.

[13] This estimated cost of recovery includes 40% contingency fee for the attorney pursuing the action plus costs estimated at 7.5% of the total recovery.

added to the DIP Facility up to $50,000 and further provides additional procedures whereby additional advances can be made by Percy Pinto. Furthermore, as also explained in Article VII above, Percy Pinto's administrative expense claim for advances under the DIP Order is being subordinated to general unsecured claims. In other words, the costs of pursuing the Smith Oil Judgment, Prime Pack Judgment, and Insurance Claim will not be borne by the Class 3 general unsecured claims under the Chapter 11 Plan. As such, all of the assets of the Chapter 11 estate, subject to the lien of Chase and the priorities of the Bankruptcy Code, will be available for distribution without costs of collection of such assets as compared to the realities of Chapter 7 outlined by the table above.

If the Bankruptcy Case is converted to Chapter 7 where a Trustee will be appointed, the costs of the pursuit of the litigation assets will be subtracted out of the recovery from those assets first to pay the Trustee's costs of such administration as well as the Trustee's commission. The Trustee would have to expend funds to first familiarize himself and his professionals with the Euler Hermes Insurance Claim and the Smith Oil and Prime Pack Judgments and hire counsel to pursue recoveries of such assets. In addition, the Trustee would be required to litigate the Estate's claims against the Related Entities if any recovery is to be obtained for the Estate on such claims. Furthermore, as indicated by the financial statement of Percy Pinto attached hereto as Exhibit "B", it is not estimable that the recovery on the Chapter 5 Claims would be greater than the $100,000 Percy Pinto Cash Contribution that is made under the Plan, if confirmed. The financial statement of Percy Pinto indicates Mr. Pinto holds approximately $370,000 of apparently non-exempt property in the form of securities, which would be used to fund his defense of the actions against him that remain if the Plan is not confirmed. The remaining amount of such non-exempt property would be the total recovered that would then be netted against the contingency fee of the Trustee's counsel and costs and the Trustee's commission and this has been estimated above at a total recovery of $200,000 from Mr. Pinto before costs are subtracted.

The Trustee's counsel will not have the familiarity and background with the Debtor, the Related Entities, or the Insurance Claim and the judgments described herein and will be required to expend significantly more in fees and time to possibly effectuate a similar recovery to that proposed by the Plan. As such, the administrative costs of such endeavor would be significantly greater than those described in the Plan and would significantly reduce the ultimate recovery for all other creditors of the Estate.

As a commission, in addition to payment of incurred fees and costs, the Trustee will be entitled to a reasonable payment in relation to the level of disbursements made to creditors, as follows: (a) up to 25% of the first $5,000 disbursed; (b) up to 10% of the amount disbursed in excess of $5,000 but not in excess of $50,000; (c) up to 5% of any amount disbursed in excess of $50,000 but not in excess of $1,000,000; and (d) up to 3% of any amount disbursed in excess of $1,000,000. Perhaps most significantly, in a Chapter 7 there will be no financing for the litigation costs provided by a third party as is the case under this Plan and the financing from Percy Pinto. Moreover, in Chapter 7 there will be no additional funding of up to $200,000 by Mr. Pinto for payment of Allowed Claims. Furthermore, the Debtor's Tax Loss will likely not be a recoverable or beneficial asset to a Chapter 7 Bankruptcy Estate

The cash realized from liquidation is subject to distribution to creditors in accordance with section 726 of the Bankruptcy Code. Whether a bankruptcy case is one under Chapter 7 or Chapter 11, allowed secured claims, allowed administrative claims, and allowed priority claims, unless subordinated pursuant to section 510 of the Bankruptcy Code, are entitled to be paid in cash, in full, before unsecured creditors and Equity Interest holders receive anything. Thus, in a Chapter 7 case, the recovery, if any, to creditors holding non-priority unsecured claims will depend upon the net proceeds left in the estate after all of the debtor's assets have been reduced to cash and all claims of higher priority have been satisfied in full. Nonetheless, the priority of distribution in Chapter 7 would be similar to that proposed in the Plan.

It is difficult to estimate what recovery may be realized from the Smith Oil Judgment and Prime Pack Judgment. However, it is clear that whatever recovery there can be from those judgments will be less in Chapter 7 because of the administrative costs that will be borne by the Chapter 7 Bankruptcy Estate that are otherwise to be borne by Percy Pinto and the Reorganized Debtor through this Plan which will allow more of the recovered funds to be paid to Allowed Unsecured Claims.

Accordingly, with respect to the "best interest of creditors" test of section 1129(a)(7) of the Bankruptcy Code, the Debtor does not believe that holders of Allowed Claims or Allowed Equity Interests would achieve a greater recovery under Chapter 7 than under the Plan. Inasmuch as the Plan is a plan of liquidation, any comparison of likely distributions to holders of Allowed Claims under the Plan to likely distributions to holders of Allowed Claims in a Chapter 7 proceeding is similar.

B. Alternative Plans

To date, no other proposed Chapter 11 plans have been filed in the Bankruptcy Case, and the Debtor does not anticipate that any other Chapter 11 plan will be filed.

XI
MATERIAL UNCERTAINTIES AND RISKS

In considering whether to vote to accept or reject the Plan, Creditors entitled to vote should consider the following risks associated with the Plan: (a) that all of the conditions to confirmation of the Plan are not satisfied or waived (as applicable); (b) that all of the conditions to the effectiveness of the Plan are not satisfied or waived (as applicable) or that such conditions are delayed by a significant period of time; (c) that estimations and projections may ultimately prove to be materially inaccurate; and (d) that the prosecution of Causes of Action does not result in significant recoveries.

There can also be no assurance that the Plan will not be modified up to and through the Confirmation Date, and the Debtor reserves the right to modify the Plan, subject to compliance with the Bankruptcy Code, in the event the modification becomes warranted or necessary in furtherance of confirmation, effectiveness, or administration of the Plan.

XII
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction

Implementation of the Plan might have federal, state, and local tax consequences to the Debtor and its Estate, as well as to Creditors and Equity Interest holders of the Debtor. No tax opinion has been sought or will be obtained with respect to any tax consequences of the Plan, and the following disclosure does not constitute and is not intended to constitute either a tax opinion or tax advice to any Person.

This disclosure is provided for informational purposes only. Moreover, this disclosure summarizes only certain of the federal income tax consequences associated with the Plan's confirmation and implementation and does not attempt to comment on all such aspects. Similarly, this disclosure does not attempt to consider any facts or limitations applicable to any particular Creditor or Equity Interest holder that may modify or alter the consequences described below. This disclosure does not address state, local, or foreign tax consequences or the consequences of any federal tax other than the federal income tax.

This disclosure is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), the regulations promulgated thereunder, existing judicial decisions, and administrative rulings. In light of the expansiveness of such authorities, no assurance can be given that legislative, judicial, or administrative changes will not be forthcoming that would affect the accuracy of the discussion below. Any such changes could be material and could be retroactive with respect to the transactions entered into or completed prior to the enactment or promulgation thereof. Finally, the tax consequences of certain aspects of the Plan are uncertain due to a lack of applicable legal authority and may be subject to judicial or administrative interpretations that differ from the discussion below.

CREDITORS AND EQUITY INTEREST HOLDERS, THEREFORE, ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM AND TO THE DEBTOR OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES.

B. Federal Income Tax Consequences to the Creditors

In general, a holder of a Claim should recognize gain or loss equal to the amount realized under the Plan in respect to its Claim less the amount of such holder's basis in its Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss, or ordinary income or loss, depending upon the nature of the Claim and the holder, the length of time the holder held the Claim and whether the Claim was acquired at a discount. If the holder realizes a capital loss, its deduction of the loss may be subject to limitations under the Tax Code. The holder's aggregate tax basis for any Distribution received under the Plan generally will equal the amount realized. The amount realized by a holder generally will equal the sum of the Distributions the holder received less the amount (if any) allocable to interest.

C. Tax Withholding

The Plan provides for the Debtor to comply with all tax withholding and reporting requirements imposed upon him by any governmental authority. Accordingly, it provides that Distributions made under the Plan will be subject to all applicable withholding and reporting requirements and authorizes the Debtor to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including, without limitation, payment of applicable withholding taxes from a Claimant's Distribution and conditioning Distributions upon receipt of necessary tax reporting information from a Claimant.

D. Disclaimers

PERSONS CONCERNED WITH THE TAX CONSEQUENCES OF THE PLAN SHOULD CONSULT THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. THE DEBTOR MAKES THE ABOVE-NOTED DISCLOSURE OF POSSIBLE TAX CONSEQUENCES FOR THE SOLE PURPOSE OF ALERTING READERS TO TAX ISSUES THAT THEY SHOULD CONSIDER. THE DEBTOR CANNOT, AND DOES NOT, REPRESENT THAT THE TAX CONSEQUENCES MENTIONED ABOVE ARE COMPLETELY ACCURATE BECAUSE, AMONG OTHER THINGS, THE TAX LAW EMBODIES MANY COMPLICATED RULES THAT MAKE IT DIFFICULT TO STATE ACCURATELY WHAT THE TAX IMPLICATIONS OF ANY ACTION MIGHT BE.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, THE DEBTOR INFORMS ALL RECIPIENTS OF THIS DISCLOSURE STATEMENT THAT ANY U.S. TAX INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING THE EXHIBITS HERETO) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF (A) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE, OR (B) PROMOTING, MARKETING, OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION OR MATTER ADDRESSED HEREIN.

XIV
CONCLUSION

The Debtor believes that the Plan complies with section 1129 of the Bankruptcy Code and is fair and equitable and in the best interests of the Debtor, the Estate, Creditors, and Equity Interests holders. Accordingly, the Debtor urges Creditors and Equity Interests holders receiving Ballots to vote to accept the Plan.

Respectfully submitted,

/s/ Timothy A. York

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