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

In re	§	
	§	**CASE NO. 16-40956-rfn-11**
GREENHUNTER RESOURCES,	§	**Chapter 11**
INC., ***et al.***[1]	§	**(Jointly Administered)**
	§	
Debtors.	§	

DISCLOSURE STATEMENT FOR PLAN OF LIQUIDATION FOR GREENHUNTER RESOURCES, INC. AND ITS DEBTOR AFFILIATES

DATED March 13, 2017

Larry A. Levick
State Bar No. 12252600
Michelle E. Shriro
State Bar No. 18310900
SINGER & LEVICK, P.C.
16200 Addison Road, Suite 140
Addison, Texas 75001
Tel. (972) 380-5533
Fax (972) 380-5748
levick@singerlevick.com
mshriro@singerlevick.com

COUNSEL FOR DEBTORS AND DEBTORS-IN-POSSESSION

---

[1] The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's Federal Tax Identification Number, include: GreenHunter Resources, Inc. (4036), GreenHunter Water, LLC (5107), Blackwater Services, LLC (2968), Blue Water Energy Solutions, LLC (3666), GreenHunter Environmental Solutions, LLC (6684), GreenHunter Wheeling Barge, LLC (9348), Hunter Disposal, LLC (7989), Hunter Hauling, LLC (5682), Little Muskingum Drilling LLC (3441), MAG Tank Hunter, LLC (1247), Ritchie Hunter Water Disposal, LLC (2068), Virco Realty, LLC (2341) and White Top Oilfield Construction, LLC (3141). The location of the Debtors' service address is: 1048 Texan Trail, Grapevine, TX 76051. The Debtors are being jointly administered pursuant to a Court Order entered on March 1, 2016.

Table of Contents

I. INTRODUCTION 2

II. GENERAL INFORMATION AND BACKGROUND 2

A. History and Overview of the Debtors 2

1. Financial Problems Leading to Bankruptcy 3

2. Debt Structure 4

3. Bankruptcy Filing, DIP Financing and Milestones 5

4. Purchase Offer of TCF II 5

B. Commencement of the Chapter 11 Case 5

1. The Debtors' "First Day" Motions and Post-Petition Financing 5

2. Claims Objections 6

C. Sale of the Debtors' Assets to FQ Disposal, LLC 6

D. The Sale of The Debtors' Remaining Assets and Litigation 6

III. SUMMARY OF THE PROPONENTS' PLAN 7

A. Description of Chapter 11 8

B. Classification of Claims 8

1. Unclassified Claims 8

2. Classified Claims 8

C. Treatment of Claims 9

1. Unclassified Claims 9

2. Classified Claims 10

D. Means of Plan Implementation 12

1. Payments and Transfers by the Debtors and the Liquidating Trustee on and after the Effective Date 12

2. The Liquidating Trust. 12

3. Substantive Consolidation. 16

4. Setoffs 22

5. Establishment and Maintenance of Disputed Claims Reserves. ... 22

6. Minimum Distributions. ... 23

7. Cancellation of Existing Claims. ... 23

8. Termination of Shareholder (Equity Interest) Rights. ... 23

E. Treatment of Disputed Claims ... 23

1. Objections to Claims. ... 23

2. Payments and Distributions on Disputed Claims. ... 24

3. Disallowance of Claims without Further Order of the Court. ... 24

F. Releases and Injunction ... 24

1. Releases ... 24

2. Injunction ... 24

3. Exculpation ... 25

IV. RETENTION OF LITIGATION, RIGHTS AND CAUSES OF ACTION ... 25

V. ACCEPTANCE AND CONFIRMATION OF THE PLAN ... 26

A. Confirmation Hearing ... 26

B. Requirements to Confirmation ... 26

C. Acceptance of the Plan ... 27

D. Alternatives to Confirmation ... 28

VI. VOTING INSTRUCTIONS ... 28

A. Ballots and Voting Procedures ... 28

B. Parties Entitled to Vote ... 29

C. Vote Required for Class Acceptance of the Plan ... 29

THIS DISCLOSURE STATEMENT IS FOR THE JOINT PLAN OF LIQUIDATION FOR FIRSTPLUS FINANCIAL GROUP, INC. (THE "DISCLOSURE STATEMENT") PROPOSED BY GREENHUNTER RESOURCES, INC., ET AL. (COLLECTIVELY, THE "DEBTOR" AND/OR THE "DEBTORS" AND/OR THE "PROPONENTS"). THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO 11 U.S.C. § 1125 ON BEHALF OF THE DEBTORS AND DESCRIBES THE TERMS AND PROVISIONS OF THE PROPOSED PLAN OF LIQUIDATION FOR THE DEBTORS (THE "PLAN"), IN THE CASE PENDING BEFORE THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS, FORT WORTH DIVISION (THE "BANKRUPTCY COURT"), UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE. A COPY OF THE PLAN IS ATTACHED HERETO AS EXHIBIT A.

ALL CAPITALIZED TERMS USED AND NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS ASSIGNED TO THEM IN THE PLAN.

THE INFORMATION CONTAINED HEREIN HAS BEEN PREPARED BY THE PROPONENTS IN GOOD FAITH, BASED UPON INFORMATION AVAILABLE TO THE CHAPTER 11 TRUSTEE AND HIS PROFESSIONALS. MUCH OF THE INFORMATION HAS BEEN DERIVED FROM PUBLICLY AVAILABLE DOCUMENTS, INCLUDING DOCUMENTS PROVIDED, THE DEBTORS' FORMER PROFESSIONALS, AND VARIOUS PERSONS AND ENTITIES FAMILIAR WITH THE DEBTORS. THE INFORMATION HEREIN CONCERNING THE DEBTORS HAVE NOT BEEN FULLY VERIFIED AND HAS NOT BEEN THE SUBJECT OF A VERIFIED AUDIT. THE PROPONENTS BELIEVE THAT THIS DISCLOSURE STATEMENT COMPLIES WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE THE FACTS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY A PARTY, BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS OR INTERESTS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH 11 U.S.C. § 1125 AND BANKRUPTCY RULE 3016(b) AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR ANY OTHER NON-BANKRUPTCY LAW. THE SEC HAS NEITHER APPROVED OR DISAPPROVED THIS DISCLOSURE STATEMENT NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED

HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OF OR CLAIMS AGAINST THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THE DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ITSELF, WHICH IS INCLUDED AS AN EXHIBIT HERETO. EACH PARTY IS ENCOURAGED TO READ, CONSIDER, AND CAREFULLY ANALYZE THE TERMS AND PROVISIONS OF THE PLAN. IN CASE OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PROVISIONS OF THE PLAN WILL CONTROL.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS.

I.
INTRODUCTION

Purpose of this Disclosure Statement

The Debtors filed a voluntary petition under chapter 11 of the Bankruptcy Code on March 1, 2016. The Debtor and the Debtor Affiliates commenced with this Court their voluntary cases under Chapter 11 of Title 11 of the United States Code ("**Bankruptcy Code**"). Pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors continue to manage and operate their businesses as debtors in possession. On or about January 13, 2017, the Proponents jointly filed the Plan. The Plan provides for the establishment of a Liquidating Trust that will pursue certain litigation and seek to collect and liquidate certain assets, including the Debtors' receivables. This Disclosure Statement has been prepared by the Proponents for the purpose of disclosing information that the Bankruptcy Court has determined is material, important, and necessary for parties entitled to vote on the Plan to arrive at an informed decision with respect to the Plan.

Confirmation of the Plan will be facilitated by the receipt of a sufficient number of votes in favor of the Plan. Accordingly, if you hold Claims or Interests in an impaired Class, your vote is important.

II.
GENERAL INFORMATION AND BACKGROUND

A. History and Overview of the Debtors

The Debtor was incorporated in the state of Delaware on June 7, 2005 and is a diversified water management services company, headquartered in Grapevine, Texas that specializes in water

solutions required for the unconventional oil and natural gas shale resource plays. The Debtor was a publicly traded company and the common stock trades on the NYSE MKT under the symbol GRH. The Preferred Stock trades on the NYSE MKT under the symbol GRH.PRC. Through its wholly-owned subsidiaries, GreenHunter Water, LLC ("**GreenHunter Water**") and GreenHunter Environmental Solutions, LLC ("**GreenHunter Environmental Solutions**"), the Debtors provide Oilfield Fluid Management Solutions in the oilfield and within the shale plays of the Appalachian Basin.

The Debtors were leading providers of water management solutions for the oil and gas industry in the Appalachian Region where the Debtors were predominantly active, including both the Marcellus and Utica Shale areas. The Debtors operated commercial water service facilities including twelve disposal wells. The Debtors also provided fluid transportation services, as well as on site environmental solutions, including tank and rig cleaning, solid waste removal, remediation and spill response.

By way of background information, water management and disposal plays an important and necessary role in the oil and gas industry as oil and natural gas wells typically generate produced water, which is saltwater or brine from underground formations brought to the surface during the normal course of oil or gas production operations. Since this water has been in contact with hydrocarbon-bearing formations, it contains some of the chemical characteristics of the formations and the hydrocarbons. The water that is produced from these operations must be disposed of or treated in a manner approved by the U.S. Environmental Protection Agency ("**EPA**"). The primary method of handling this water is through injection into a Class II saltwater disposal well. The alternative option is treating the water for reuse in hydraulic fracturing operations or treatment to fresh water qualities and discharged under a National Pollutant Discharge Elimination System ("**NPDES**") permit.

GreenHunter Water operated a commercial water service facilities, including twelve disposal wells.

GreenHunter Water also offered fluid transportation trucking services through its fleet of trucks**.** GreenHunter Environmental offered onsite environmental solutions at the well pad and facilities including tank and rig cleaning, solid waste removal/remediation, solidification and spill response. MAG Tank Hunter, LLC also designed and engineered its own modular above-ground frac water storage tanks, which it offers for purchase or on a rental basis. GreenHunter Environmental also installed the panels in the Appalachian Region.

1. Financial Problems Leading to Bankruptcy

The reasons for the Debtors' bankruptcy filings were largely based on the poor economic conditions facing the energy industry. Since the Debtors' customers were largely oil and gas companies which have been adversely impacted by the severe and historic downturn in commodity prices, as well as weak demand, the Debtors' revenues have been similarly impacted. In addition, the Debtors were originally in the renewable energy business which was not profitable. Although the Debtors shut down the operations of such business in 2011 and shifted their focus to the water solutions aspect of its operations, the Debtors were still dealing with the legacy debt issue which affected the Debtors' cash flow going forward. Although the Debtors did engage in cost cutting

measures and succeeded in reducing their administrative and overhead costs, the Debtors' financial problems continued and the Debtors went into default with their senior secured lender, TCFII GH LLC ("**TCF II**"), who would not make any further advances of funds absent the protection provided by debtor in possession financing.

Operationally, the Debtors increased its efficiency and reduced its overhead**.** The Debtors undertook some cost cutting measures in the past year which have resulted in the elimination of approximately forty (40) positions. In addition, originally, the Debtors focused their operations on the three geographic regions which were South Texas, Oklahoma and the Appalachia Region. The disposal wells in South Texas suffered from low utilization and the Debtors were successful in selling those operations in 2014. The Debtors also decided to exit the market in Oklahoma in 2015 in order to focus its operations on Appalachia.

2. Debt Structure

The Debtors' assets were encumbered by a lien on virtually all of their assets in favor of TCF II, as administrative agent (the "***Agent***") for TCFII GH LLC (as successor in interest to BRe WNIC 2013 LTC Primary, BRe WNIC 2013 LTC Sub and BRe BCLIC Sub), as Purchaser thereunder ("***Purchaser***" or "***Pre-Petition Lender***") and the Debtors as borrowers were parties to the (a) Secured Term Note dated May 1, 2015 made by borrower[s] in favor of Purchaser (as successor in interest to BRe WNIC 2013 LTC Primary) in the original principal amount of $12,187,500, (b) Secured Term Note dated May 1, 2015, made by Company in favor of Purchaser (as successor in interest to BRe BCLIC Sub) in the original principal amount of $406,250, and (c) Secured Term Note dated May 1, 2015, made by borrower[s] in favor of Purchaser (as successor in interest to BRE WNIC 2013 LTC Sub) in the original principal amount of $406,250 (all as amended, supplemented or otherwise modified prior to the commencement of these Chapter 11 Cases, the "***Pre-Petition Notes***").

The Pre-Petition Notes were then guaranteed by the other Debtors. Pursuant to that Subsidiary Guaranty dated April 14, 2015, (as amended, the "***Guaranty Agreement***"), Blue Water Energy Solutions, LLC, GreenHunter Environmental Solutions, LLC, GreenHunter Water, LLC, Hunter Disposal LLC, Hunter Hauling LLC, Little Muskingum Drilling LLC, Ritchie Hunter Water Disposal, LLC, Virco Realty, LLC, MAG Tank Hunter, LLC, White Top Oilfield Construction, LLC, Blackwater Services, LLC and GreenHunter Wheeling Barge, LLC have guaranteed the obligations under the Pre-Petition Notes (the Pre-Petition Notes and the Guaranty Agreement, and any collateral and ancillary documents executed in connection therewith, collectively, the "***Pre-Petition Loan Documents***").

Other significant secured creditors included Plains Capital Bank has a first lien on the on real property located at 1048 Texan Trail, Grapevine, TX 76051("Real Property") and was owed $1,157,492.21 as of January 2016 Investment Hunter, LLC, which is owed $270,000.00 principal plus accrued interest and a second lien on the Real Property. Other creditors including Westbanco, the Commercial Credit Group, Ally Financial had a lien on some specific vehicles. Other creditors Baker Hughes Oilfield Operations, have filed Mechanics and Materialman's liens. The Debtors have about $13 million in unsecured debt.

3. Bankruptcy Filing, DIP Financing and Milestones

By letter dated January 12, 2016, TCF declared a default under the Pre-Petition Notes. By letter dated, February 12, 2016, TCF sent the Debtors a notice of foreclosure indicating that TCF II's collateral would be sold via a foreclosure sale to take place on March 2, 2016. At that point, the Debtors entered into negotiations concerning the terms of debtor in possession financing. TCF II agreed to fund the Debtors on a postpetition basis in the amount not to exceed $3,500.000.00. As a condition of such financing, TCF and the Debtors reached an agreement that the Debtors would market its assets for sale and to adhere to the following schedule for the Bankruptcy Case (the "**Milestones**"):

(a) On or before the earlier of (1) March 1, 2016 or (2) such later date as may be agreed to in writing by TCF, the Debtors shall file in the Chapter 11 Case and properly serve (i) the Sale Procedures Motion seeking approval of the Sale Procedures Order, (ii) the 363 Purchase Agreement, and (iii) an application to employ an investment banker to market and sell the Borrower's assets or businesses, provided that the terms of such employment shall be agreed to by the DIP Agent and the Borrower and approved by the Bankruptcy Court.

(b) On or before March 9, 2016, or such later date to which TCF consents in writing in its sole discretion, the Debtors shall begin marketing their assets for sale and require indications of interest no later than March 25, 2016.

(c) On or before March 18, 2016, or such later date to which TCF consents in writing in its sole discretion, the Bankruptcy Court shall have entered the Sale Procedures Order, which shall include a bid deadline of April 21, 2016.

(d) Unless the TCF shall have otherwise provided its prior written consent in its sole discretion on or before April 25, 2016, the Bankruptcy Court shall have entered the Sale Order approving the 363 Sale, the results of the auction and the winning bid received at the auction.

4. Purchase Offer of TCF II

In addition to financing the Debtors, TCF expressed an interest in acquiring the assets of the Debtors. TCF II and the Debtors executed an initial Asset Purchase Agreement that provided for a sale of substantially all of the Debtors' assets for a credit bid in the amount of $17,918,719.00. As explained below, the Debtors filed a motion for approval of bid procedures, of TCF II's bid as the "stalking horse," and of overbid protections for TCF II

B. <u>Commencement of the Chapter 11 Case</u>

On March 1, 2016 (the "<u>Petition Date</u>"), the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. Pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors continued to manage and operate their business.

1. The Debtors' "First Day" Motions and Post-Petition Financing

After commencing the Chapter 11 Case, the Debtors, through their counsel, filed several motions seeking Court authority to maintain its bank accounts and cash management system [Dkt.

No. 4], approve retention of its counsel [Dkt. No. 18], and a Motion to Pay Royalty Payments [Dkt. No. 9] as well as a Motion to Pay Regulatory Obligations [Dkt. No. 8]. On March 2, 2016, the Court entered an order authorizing the Debtor to borrow $2,040,076.00 from TCF II on an interim basis [Dkt. No. 32]. On March 24, the Court entered an order authorizing the Debtor to borrow the full $3,500,000.00 from TCF II [Dkt. No. 98]. The Court also entered orders granting other forms of relief for the Debtor including an order.

2. Claims Objections

In addition, the bar date set in this case was July 28, 2016. As of the Bar Date, the claims register showed 114 timely-filed proofs of claim with many creditors filing in multiple cases. As of the date of filing of this Disclosure Statement, neither the Debtors nor any other entity has completed reviewing filed Claims. This Plan contemplates that the Liquidating Trustee will review and object to Claims after the Effective Date.

C. Sale of the Debtors' Assets to FQ Disposal, LLC

On March 2, 2016, the Debtors filed a motion seeking approval of bid procedures, the bid of the TCF GH, LLC as a stalking horse bidder, overbid protections, procedures to assume and assign executory contracts and unexpired leases, and sale of substantially all of the Debtors' assets (the "Bid Procedures Motion") [Dkt. No. 16]. TCF II's original bid was a credit bid in the amount of $17,918,719 as set forth in an Asset Purchase Agreement filed with the Court [Dkt. No. 60].

The Debtors engaged in a sale process to allow a sufficient process to test the value of the Debtors' assets on the open market. The Debtor retained Northland Securities, Inc. ("Northland"), an investment banker via application filed with the Court on March 2, 2016 [Dkt. No. 19]. On April 5, 2016, the Court entered the Order Authorizing Employment of Northland Securities, Inc., *Nunc Pro Tunc*, as Investment Banker for Debtors and Debtors in Possession approving the retention of Northland [Dkt. No. 115].

After a marketing period, the Debtors received a bid from FQ Disposal, LLC ("FQ"). On April 22, 2016, the Debtors held an auction in which FQ was declared the winning bidder. The Court held a hearing on April 25, 2016 regarding the sale of the Debtors' assets to FQ according to the terms of the APA (the "Sale Hearing"). The Court entered the Order Granting the Debtors' Expedited Motion, Pursuant to Bankruptcy Code Sections 105(a), 363, and 365, and Bankruptcy Rules 2002, 6004, and 6006, for Entry of an Order Authorizing the Sale of Assets Free and Clear of All Liens, Claims, Encumbrances, and Other Interests and Granting Related Relief (the "Sale Order") on April 28, 2016 in which the Court approved the sale of substantially all of the Debtors' assets to FQ. The sale closed on May 5, 2016.

D. The Sale of The Debtors' Remaining Assets and Litigation

Although most of the Debtors' assets were sold to FQ, there were some assets including vehicles and real property which FQ did not acquire. With respect to the vehicles, the Debtors retained Auction Ohio via Application to Employ Auction Ohio As Auctioneer/Liquidator filed on June 21, 2016 [Dkt. No. 220]. The Court approved the retention of Auction Ohio on July 21, 2016. The Debtors filed their Motion to Sell Certain Property of the Estate (Vehicles) Free and Clear of

Liens, Claims and Encumbrances at Auction on June 21, 2016 [Dkt. No. 221] (the "Ohio Sale Motion"). The Court approved the Ohio Sale Motion on July 22, 2016 and the vehicles were sold shortly thereafter.

The real property in which the Debtors' headquarters is located at 1048 Texan Trail in Grapevine, Texas was also excluded from the FQ sale. The Debtors retained Sperry Van Ness | David Cook Co., LLC ("Cook") as its realtor pursuant to Debtors' Application for Entry of an Order (a) Authorizing the Employment and Retention of Sperry Van Ness | David Cook Co., LLC as Real Estate Broker for the Debtors and Debtors in Possession, Nunc Pro Tunc; and (B) Granting Related Relief on June 3, 2016 [Dkt. No. 208]. David Cook was approved as the broker on the property via order dated July 21, 2016 [Dkt. No. 241]. The Debtors filed a Motion to Sell Property of the Estate (1048 Texan Trail Building) Free and Clear of Liens, Claims and Encumbrances on December 20, 2016 [Dkt. No. 300]. The sale was approved by Order dated January 27, 2017 [Dkt. No. 306].

The Debtors also reached various agreements with secured creditors, which were also filed and approved by the Bankruptcy Court. The Debtor filed its application to approve compromise with TCF II on November 17, 2016 [Dkt. No. 278]. The Court approved it on December 15, 2016. The Debtors also filed their application to approve a deal with Baker Hughes Oilfield Operations, Inc. and Baker Petrolite, LLC on November 17, 2016 [Dkt. No. 277] and it was approved by the Court on December 15, 2016 [Dkt. No. 298].

The Debtors reached an agreement with FQ which was also filed and approved by the Bankruptcy Court. The Debtors filed their Motion for Approval of Compromise and Settlement Between the Debtors and FQ Disposal, LLC Relating to the APA on November 9, 2016 [Dkt. No. 269] and it approved by the Court on December 15, 2016 [Dkt. No. 296].

Under the FQ deal, the parties reached an agreement that resolved the outstanding amounts owed to each other under the APA and an accompanying Transition Services Agreement as well as provide that certain Assets purchased by FQ pursuant to the APA were transferred back to the Debtors. Specifically, the Debtors retained the accounts receivable proceeds, and FQ will have no further obligation to the Debtors or their bankruptcy estates. In addition, FQ transferred certain furniture and litigation assets including four preference actions to the Debtors' bankruptcy estates.

III.
SUMMARY OF THE PROPONENTS' PLAN

The principal provisions of the Plan are summarized below. This summary is a broad outline of the Plan and is qualified in its entirely by reference to the Plan, which is attached to this Disclosure Statement as Exhibit A.

The Plan designates certain classes of claims as outlined below. All Claims are only allowed to (i) the extent the Bankruptcy Court has approved them or (ii) there is no pending Claim Objection or adversary proceeding on file with regard to that Claim by the Claim Objection Bar Date.

A. Description of Chapter 11

Once a petition in bankruptcy is filed, actions to collect pre-petition indebtedness are stayed, and other contractual obligations may not be enforced against a debtor. These protections give debtors the opportunity to restructure under court supervision and guarantee that all creditors and interest holders will receive fair and equitable treatment. After the petition date, a debtor is given the opportunity to restructure its operations and may obtain credit, sell assets, and reject executory contracts and lease obligations, all subject to court approval. A debtor may then propose a chapter 11 plan to restructure its obligations. Substantially all liabilities of a debtor as of a petition date are subject to settlement under a chapter 11 plan and are to be voted upon by all impaired classes of creditors and interest holders and approved by a bankruptcy court. The approval of a chapter 11 plan allows a debtor to emerge from bankruptcy.

B. Classification of Claims

All Claims and Interests, except Administrative Claims and Priority Tax Claims, are placed in Classes. The classification of Claims is made for purposes of voting on the Plan, making distributions under the Plan, and for ease of administration. The manner for satisfying each Claim or Interest will depend on how the Claim or Interest is classified.

1. Unclassified Claims

Unclassified claims in the Chapter 11 Case will be Administrative Claims (including Professional Fees), United States Trustee Fees, and Priority Tax Claims. Administrative Claims include certain types of Claims that arise after the Petition Date. Section 503 of the Bankruptcy Code establishes the following categories of claims that are treated as Administrative Claims:

- actual and necessary costs and expenses of preserving the Debtors' estates, including wages, salaries, and commissions for services rendered after the Petition Date;
- certain taxes incurred by the Debtors' estates; and
- compensation and reimbursement for Professionals pursuant to 11 U.S.C. § 330(a) (i.e., Professional Fees).

United States Trustee Fees are all fees and charges assessed against any Estate by the United States Trustee and due pursuant to 28 U.S.C. § 1930.

2. Classified Claims

As required by the Bankruptcy Code, the Chapter 11 Trustee has divided Claims and Interests into the following Classes:

Class 1 — Priority Tax Claims.

Class 1 consists of Unsecured Claims against the Debtors that are entitled to priority under 11 U.S.C. §§ 507(a)(4)–(9) and includes Priority Tax Claims. This Class includes Claims for

certain wages, salaries, or commissions earned by employees of the Debtors during the one hundred eight (180) days preceding the Petition Date, but only to the extent of the statutory cap set forth in the Bankruptcy Code for each individual. Class 1 also includes payments to employee benefit plans.

Class 2 — Secured Claims of TCFII GH LLC.

Class 2 consists of the Secured Claims of TCFII GH LLC.

Class 3 – Secured Claims of U.S. Specialty.

Class 3 consists of the Secured Claims of U.S. Specialty and American Contractors Indemnity.

Class 4 – Claim of Steamroller Energy LLC.

Class 4 consists of the Claim of Steamroller Energy LLC.

Class 5 – Other Secured Claims.

Class 5 consists of Other Secured Claims.

Class 6 – Unsecured Claims.

Class 6 consists of Unsecured Claims of all claimants.

Class 7 – Equity Interests.

Class 7 consists of all Equity Interests in the Debtors.

C. Treatment of Claims

1. Unclassified Claims

Administrative Claims.

Administrative Claims are not impaired under the Plan. Each holder of an Allowed Administrative Claim that has not been previously paid will be paid by the Liquidating Trustee in full in cash by the later of (i) within sixty (60) days of the Effective Date; (ii) the date that is fifteen (15) days after the date upon which upon which the Administrative Claim becomes an Allowed Administrative Claim; or (iii) on such other less favorable terms as may be agreed upon by the holder of the Allowed Administrative Claim and the Debtors or the Liquidating Trustee. Notwithstanding the foregoing, any Administrative Claim that is an Ordinary Course Administrative Claim may be paid in accordance with the ordinary business terms, in accordance with the agreement giving rise to the Claim or, in the case of a Claim asserted by a governmental unit, in accordance with applicable law.

The Proponents believe that the Administrative Claims in the case will be the fees of the professionals retained by the Debtors. The Court has approved and authorized the payment off the

professional fees of the Debtors' investment banker Northland, which has been paid in full. The Proponents believe that the unpaid fees for the Debtors' counsel, Singer & Levick, P.C. ("S&L"), are approximately $150,000.00 through the filing of this Disclosure Statement. From the date of the filing of this Disclosure Statement to the Effective Date, the Proponents will similarly continue to have fees while negotiating any changes to the Disclosure Statement and Plan and working to overcome objections to either or both. In addition, the Debtors may, before the Confirmation Hearing, file objections to the priority of certain claims. It is difficult to estimate these fees, as they are largely dependent on the responses received to the Plan, Disclosure Statement, and Claims Objections to be filed. Fees on account of these activities for this period could easily exceed $25,000.00.

United States Trustee Fees.

United States Trustee Fees are not impaired under the Plan. United States Trustee Fees payable pursuant to 26 U.S.C. § 1930(a)(6) shall be paid within seven (7) days of the Effective Date by the Debtors or the Liquidating Trustee. Any such fees accruing after the Effective Date but prior to the closing of the Chapter 11 Case shall be paid by the Liquidating Trust as they become due.

2. Classified Claims

Class 1 — Priority Tax Claims.

Priority Tax Claims shall be reviewed by the Liquidating Trustee, as appropriate, and shall be objected to or not, in the discretion of the Liquidating Trustee, as applicable. Upon becoming an Allowed Priority Claim, each holder of an Allowed Priority Claim shall receive in exchange for and in full satisfaction of such Claim depending on the assets in the estate, payment of its pro-rata share of estate assets after payment of any Administrative Claims, Secured Claims, any costs of administering the Trust, and prior to payment of Unsecured Claims, or the time dictated by such other treatment as may be agreed upon in writing by the holder of such Claim and the Liquidating Trustee, as applicable. To the extent the holder of the Priority Tax Claim has a lien on real property, such claimant will be paid at closing of the real property.

Class 1 Priority Tax Claims are impaired under the Plan are entitled to vote to accept or reject the Plan.

Class 2 — Secured Claims of TCFII GH LLC.

The Secured Claim of TCF is Allowed against all of the Debtors in the amount of $3,658.995 plus interest, fees and costs. TCF will not be entitled to any distributions under this Plan under any circumstances.

Class 2 is impaired and the holders of Allowed Class 2 Claims are entitled to vote to accept or reject the Plan in all of the Debtors' cases.

Class 3 — Secured Claims of U.S. Specialty.

The claims of U.S. Specialty will be reviewed by the Liquidating Trustee and are subject to objection by him. The holders of the U.S. Specialty Claims will retain their security interests in their cash collateral of $10,000. To the extent any holder of the U.S. Specialty Claims has an unpaid balance, U.S. Specialty will be entitled to offset any unpaid balance against its security and will retain a balance for any unpaid amount as an Unsecured Claimant and will be treated as a Class 6 unsecured creditor.

Class 3 is impaired and holders of Allowed Class 3 Secured Claims are entitled to vote to accept or reject the Plan.

Class 4 — Claim of Steamroller Energy LLC.

The Claim of Steamroller Energy LLC will be reviewed by the Liquidating Trustee and is subject to objection by him. If the Claim becomes an Allowed Secured Claim, Steamroller Energy LLC will retain its security interests in the Property located in Dimmit, Texas. To the extent the Property can be sold, Steamroller Energy LLC will be paid at closing as agreed by the Trustee. Alternatively, Steamroller Energy LLC may make a bid in exchange for a dividend and the Trustee is authorized to enter into an agreement with Steamroller Energy LLC.

Class 4 is impaired and holders of Allowed Class 4 Secured Claims are entitled to vote to accept or reject the Plan.

Class 5 — Other Secured Claims.

All other Secured Claims will be reviewed by the Liquidating Trustee and are subject to objection by him. If the Secured Claims become Allowed Secured Claims, the holders of Allowed Secured Claims will retain their security interests in the Property of the Debtors and/or the Estate. The Liquidating Trustee will distribute to the holders of Secured Claims pursuant to the terms of this Plan cash or other property that is encumbered by the holder's security interest, subject to any senior Secured Claims, until such Allowed Secured Claims are paid off in full, unless the holder of a Secured Claim and the Liquidating Trustee agree in writing to different treatment.

Class 5 is impaired and holders of Allowed Class 5 Secured Claims are entitled to vote to accept or reject the Plan

Class 6 — Unsecured Claims.

Class 6 Unsecured Claims will be reviewed by the Liquidating Trustee and are subject to objection by him. Each holder of an Allowed Unsecured Claim shall receive in full satisfaction, settlement, and release of and in exchange for such Allowed Claim, such holder's Pro Rata Share of cash distributed by the Liquidating Trust to the holders of Allowed Unsecured Claims after payment in full of holders of Administrative Claims and Claims in Classes 1–5 as well as the cost of administration of the Trust.

As of the filing of the Disclosure Statement, there are approximately $13,000,000.00 in Class 4 Unsecured Claims that have been scheduled and/or for which proof of claim have been filed, not including deficiency claims of Holders of Secured Claims. The Proponents have not reviewed such Claims.

Class 6 Unsecured Claims are impaired under the Plan, and the Holders of Class 4 Claims are entitled to vote on the Plan.

Class 7 — Equity Interests.

Upon the Effective Date, all Equity Interests in the Debtors shall be cancelled, voided, and of no further force or effect whatsoever**. No distributions will be made on account of any Equity Interest in the Debtors.**

D. Means of Plan Implementation

1. Payments and Transfers by the Debtors and the Liquidating Trustee on and after the Effective Date.

On the Effective Date, the Liquidating Trust Assets shall be deemed to have been transferred by the Debtors to the Liquidating Trust, free and clear of all liens, Claims, and encumbrances, but subject to any obligations imposed by this Plan. In satisfaction of the requirements of 11 U.S.C. § 1129(a)(16), all transfers of property under this Plan shall be deemed to have been made in accordance with any applicable provisions of non-bankruptcy law governing the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

On or after the Effective Date, in the time and manner set forth herein, the Liquidating Trust shall remit to the respective holders of all remaining and unpaid Allowed Administrative Expense Claims, Allowed Priority Claims, an amount in Cash equal to 100% of the amount of such Allowed Claim. Subject to the foregoing, on and after the Effective Date, the Liquidating Trust shall satisfy all Allowed Class 1 through 6 Claims in the time and manner, and to the extent, set forth in Article IV of the Plan.

After the Effective Date, all remaining Allowed Administrative Claims (including Professional Fee Claims), and any and all Allowed Priority Claims against the Debtors that were not paid in full on the Effective Date shall be paid by the Liquidating Trust.

2. The Liquidating Trust.

Execution of the Liquidating Trust Agreement. On or prior to the Effective Date, the Liquidating Trust Agreement shall be signed, and all other necessary steps shall be taken to establish the Liquidating Trust without any requirement of further action by any governing body of the Debtors. Section 5.6 of the Plan sets forth certain of the rights, duties, and obligations of the Liquidating Trust and the Liquidating Trustee. In the event of any conflict between the terms of the Plan and the terms of the Liquidating Trust Agreement, the terms of the Plan shall govern.

Purpose of the Liquidating Trust. The Liquidating Trust will be established for the purpose of receiving, holding, liquidating and distributing the Debtors' assets to the holders of Allowed Claims as provided in the Plan and Confirmation Order and to make other payments called for in the Plan, with no objective to continue or engage in the conduct of a trade or business.

The Liquidating Trust Assets. The Liquidating Trust's *res* shall consist of the Liquidating Trust Assets. Any Cash or other property received following the Effective Date by the Liquidating Trust from third parties from the prosecution, settlement, or compromise of any Avoidance Actions, or Other Causes of Action (including any proceeds from any insurance policies); from the sale of Property; or otherwise will constitute Liquidating Trust Assets.

On the Effective Date or as soon as practicable thereafter, the Debtors shall transfer all of the Liquidating Trust Assets to, and such assets will vest in, the Liquidating Trust free and clear of all liens, Claims, and encumbrances, except to any extent otherwise provided in the Plan and the Liquidating Trust Agreement.

Upon the transfer of the Liquidating Trust Assets to the Liquidating Trust, the Liquidating Trustee will be a representative of the Estate pursuant to 11 U.S.C. §§ 1123(a)(5), 1123(a)(7), and 1123(b)(3)(B) with respect to the Liquidating Trust Assets and will be automatically deemed substitute as named Plaintiff in any pending or potential litigation and shall have all rights, standing and interest of the Estate and the Debtors in that litigation. **ALL LITIGATION AND OTHER CAUSES OF ACTION (INCLUDING, WITHOUT LIMITATION, ALL THE LITIGATION, ALL OTHER CAUSES OF ACTION AND ALL AVOIDANCE ACTIONS) SHALL SURVIVE CONFIRMATION AND CONSUMMATION OF THE PLAN AND THE COMMENCEMENT OR PROSECUTION OF SAME SHALL NOT BE BARRED BY ANY ESTOPPEL, WHETHER JUDICIAL, EQUITABLE, OR OTHERWISE.**

The Liquidating Trustee. Christopher J. Moser, not individually, but solely as a fiduciary for the Liquidating Trust, shall be the initial Liquidating Trustee. The designation of Christopher J. Moser as the initial Liquidating Trustee shall be effective on the Effective Date without the need for (i) any further order of the Bankruptcy Court or (ii) any further action by any other governing body of the Debtors.

Role of the Liquidating Trustee.

(a) In furtherance of and consistent with the purpose of the Liquidating Trust and the Plan, after payment in full of Allowed Class 1 Claims, Allowed Administrative Claims (including Professional Fee Claims), and Allowed Priority Non-Tax Claims, the Liquidating Trustee will have the power and authority to, *inter alia* (as may be set forth in the Liquidating Trust Agreement): (1) manage, invest, and distribute the Liquidating Trust Assets to the holders of Allowed Class 1-5 Claims; (2) hold, manage, sell, and distribute Cash or other Liquidating Trust Assets obtained through the exercise of his power and authority for the benefit of the Debtors; (3) prosecute, settle, and otherwise resolve, in the names and on behalf of the Debtors, their Estate, or the Liquidating Trust, the Liquidating Trust Assets, and the Avoidance Actions, including the power and authority to continue and to commence litigation or pursue any claims or causes of action; (4) prosecute and resolve objections to any Claim (or any portion thereof) in the name and on behalf of the Debtors, or their Estate, or the Liquidating Trust, and any Disputed Administrative Expense Claims, Disputed

Claims in Classes 1-5; (5) perform such other functions as are provided in the Plan and the Liquidating Trust Agreement; (6) without Bankruptcy Court oversight, retain and compensate professionals to assist him in performing the functions as provided in the Plan and the Liquidating Trust Agreement; (7) perform or delegate such other functions and services and duties as he deems reasonably necessary or appropriate; (8) administer the closure of the Chapter 11 Case; and (9) take any and all reasonably necessary or appropriate steps to effectuate the dissolution of the Debtors pursuant to the terms of the Plan and applicable law. The Liquidating Trustee shall be responsible for all decisions and duties with respect to the Liquidating Trust and the Liquidating Trust Assets, subject to (a) the approval of the Bankruptcy Court after notice and a hearing (as appropriate) and (b) the terms and conditions of the Liquidating Trust Agreement. In all circumstances, the Liquidating Trustee shall act in the best interests of the Liquidating Trust and the holders of Allowed Claims against the Debtors.

(b) The Liquidating Trustee will be authorized to exercise all powers regarding the Debtors' tax matters, including filing tax returns, to the same extent as if the Liquidating Trust was the Debtors. The Liquidating Trustee (i) shall complete and file, to the extent not previously filed, the Debtors' pre- and post-petition federal, state, and local tax returns; (ii) may, to the extent not previously requested, request an expedited determination of any unpaid tax liability of the Debtors under 11 U.S.C. § 505(b) for all tax periods starting after the Petition Date through the Effective Date as determined under applicable tax laws; and (iii) shall represent the interests and account of the Debtors before any taxing authority in all matters, including, but not limited to, any action, suit, proceeding, or audit. The Liquidating Trustee shall also file tax returns (if any) for the Liquidating Trust as a grantor trust under section 671 of the Internal Revenue Code and Treasury Regulation Section 1.671-4.

Cash. The Liquidating Trustee may invest cash (including any earnings thereon or proceeds therefrom) as permitted by 11 U.S.C. § 345, or other controlling authorities.

Costs and Expenses of the Liquidating Trust. The costs and expenses of the Liquidating Trust, including the fees and expenses of the Liquidating Trustee and the professionals retained in accordance with section 5.3(ix) of this Plan (including the costs and expenses incurred in connection with the pursuit of the Avoidance Actions, or Other Causes of Action), will be paid out of the Liquidating Trust Assets. All such costs and expenses will be paid in the manner set forth in this Plan and in the Liquidating Trust Agreement.

Compensation of the Liquidating Trustee. The Liquidating Trustee will be entitled to reasonable compensation and reimbursement of expenses without subsequent Bankruptcy Court approval upon such terms as are approved by the Bankruptcy Court at or after the Confirmation Hearing. The Liquidating Trustee will be paid on the same terms as provided in 11 U.S.C. § 326.

Retention of Professionals by the Liquidating Trust. The Liquidating Trustee may retain and compensate legal counsel and other professionals to provide professional services, including in connection with the Plan or the Liquidating Trust Agreement, without the need for any Bankruptcy Court approval, including in connection with the prosecution or settlement of the Liquidating Trust Assets, or objections to Disputed Claims. Without limiting the generality of the foregoing, the Liquidating Trust and the Liquidating Trustee may retain any professional who

previously represented any party-in-interest in this Chapter 11 Case on or prior to the Effective Date.

Distribution of the Liquidating Trust Assets. The Liquidating Trustee shall, at his discretion, make distributions of the Liquidating Trust Assets on hand commencing as soon as practicable after the Effective Date, retaining appropriate reserves for amounts that: (a) would be distributable to a holder of a Disputed Claim if such Disputed Claim had been Allowed prior to the time of such distribution (but only until such Claim is resolved); (b) are reasonably necessary to meet contingent liabilities (including with respect to any indemnification obligations owed to the Liquidating Trustee, pursuant to the terms and conditions of the Plan and the Liquidating Trust Agreement) and to maintain the value of the Liquidating Trust Assets during liquidation; (c) are necessary to pay anticipated future reasonable expenses (including, but not limited to, any taxes imposed on the Liquidating Trust or in respect of the Liquidating Trust Assets) as determined by the Liquidating Trustee; and (d) are needed to satisfy other anticipated liabilities (including a reasonable reserve for unanticipated future liabilities, fees, and expenses) to be incurred by the Liquidating Trust in accordance with this Plan or the Liquidating Trust Agreement.

Final Distributions. Prior to making a final distribution, dissolving the Liquidating Trust and closing the Chapter 11 Case, the Liquidating Trustee may apply to the Bankruptcy Court for (i) an order authorizing final distribution, closing the Chapter 11 Case, and releasing the Liquidating Trustee and the Liquidating Trust from any and all claims, debts, or liabilities, including any and all claims, debts, or liabilities for taxes to any and all taxing authorities; and/or (ii) to any applicable authority, pursuant to under 11 U.S.C. § 505, for a determination of any tax liability payable by the Debtors or the Liquidating Trust. The Liquidating Trustee will not be required to make a final distribution unless and until the Liquidating Trustee determines that the Liquidating Trust and the Debtors have no remaining liabilities for taxes of any kind. Under no circumstances will the Liquidating Trustee have any personal liability for any taxes related to the Debtors, the Liquidating Trust or the Liquidating Trust Assets.

Beneficial Trust Interests. The Liquidating Trust Agreement provides that neither the Liquidating Trustee nor the Debtors will not make, facilitate making, or encourage any other party to make a market in the beneficial interest in the Liquidating Trust nor Claims against the Debtors. Those interests will not be listed on any securities exchange or over the counter trading service. There are no put, call, rights of first refusal, right to tender or similar rights of any party provided for in the Liquidating Trust Agreement or the Plan. It is not expected that any other person will make or facilitate making a market in the beneficial interests and there may be no or few potential purchasers of such interests and thus, they are likely to be relatively illiquid as a practical matter. There can be no assurance as to the amount or timing of recoveries into the Liquidating Trust, the costs of administering the Liquidating Trust and/or distributions from the Liquidating Trust to the trust beneficiaries or the value (if any) of beneficial interest in the Liquidating Trust or Claims against the Debtors.

None of the issuance of the beneficial interest or any Claims will be registered under the Securities Act of 1933, and they will not be registered under the Securities Exchange Act of 1934 (the "Exchange Act") and will not be listed on any stock exchange or quoted on any trading service. Therefore, neither the Liquidating Trust nor the Debtors will be subject to the reporting requirements of the Exchange Act and will not file reports with the SEC thereunder or any state

securities agency. The Liquidating Trustee is not authorized to facilitate the development of an active trading market for the beneficial interest, Claims against the Debtors, or (the cancelled) Interests in the Debtors and will not engage the services of any market maker or other person to facilitate the development of such a market or publish information about prices at which such interests or Claims may be transferred. No trading market in the Claims or Equity Interests exists or is likely to develop. Therefore, holders of Claims and/or Equity Interests are notified that they will be subject to substantial restrictions on transfer, and holders must be prepared to hold the Claims for an indefinite period of time.

The value of the Claims and Interests may be adversely affected by (i) the absence of publicly available information regarding the Liquidating Trust and/or the Debtors and (ii) the absence of a securities exchange or any other trading market in which to trade the Claims or Interests.

There will be a short-form annual report filed with the Bankruptcy Court. Neither the Liquidating Trust nor the Debtors intend to provide claimants or interest holders with pleadings in or summaries of developments regarding any litigation beyond what it reports in the annual report filed with the Bankruptcy Court.

3. Substantive Consolidation.

This Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating each of the Estates of the Debtors into a single consolidated Estate solely for the purposes of voting and Distributions under this Plan, On and after the Effective Date, solely for the purpose of Distributions under this Plan, (1) all assets and liabilities of the substantively consolidated Debtors will be deemed to be merged, (2) the obligations of each Debtor will be deemed to be the obligation of the substantively consolidated Debtors, (3) any Claims filed or to be filed in connection with any such obligations will be deemed Claims against the substantively consolidated Debtors, (4) each Claim filed in the Chapter 11 Case of any Debtor will be deemed filed against the Debtors in the consolidated Chapter 11 Cases in accordance with the substantive consolidation of the assets and liabilities of the Debtors, (5) all transfers, disbursements and distributions made under this Plan will be deemed to be made by the substantively consolidated Debtors and (6), all guarantees by a Debtor of the obligations of any other Debtor and any joint or several liability of any of the Debtors shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the substantively consolidated Debtors. Holders of Allowed Claims in each Class shall be entitled to their share of assets available for distribution to such Class without regard to which Debtor was originally liable for such Claim.

The substantive consolidation effected pursuant to this section shall not (other than for purposes related to funding Distributions under the Plan) result in the merger or otherwise affect the separate legal existence of each Debtor, and shall not affect (1) defenses to any Claims and/or Causes of Action or requirements for any third party to establish mutuality in order to assert a right to setoff under section 553 of the Bankruptcy Code, (2) distributions out of any insurance policies or proceeds of such policies, (3) executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed or rejected or (4) the Liquidating Trust's ability to subordinate or otherwise challenge Claims on an entity by entity basis.

Certain U.S. Federal Income Tax Considerations

The following discussion summarizes certain material U.S. Federal income tax consequences of the implementation of the Plan to the Debtors, certain holders of Claims and the holders of Interests. The following summary generally does not address U.S. federal income tax consequences to holders whose Claims are unimpaired or otherwise entitled to payment in full in Cash under the Plan.

This summary is based upon the Internal Revenue Code of 1986, as amended ("Tax Code"), the Treasury Department regulations promulgated thereunder ("Treasury Regulations"), judicial authority and current administrative rulings and practice now in effect. These authorities are all subject to change at any time by legislative, judicial or administrative action, and such change may be applied retroactively in a manner that could adversely affect the Debtors or holders of Claims or Interests.

The federal income tax consequences to any particular holder of a Claim or Interest may be affected by matters not discussed below. For example, in general, neither the impact of the Plan on holders of Claims or Interests who are not U.S. persons as defined in the Tax Code or the Treasury Regulations nor the impact under any state or local law is discussed herein. Further, this summary generally does not address the tax consequences to Claim holders who may have acquired their Claims from the initial holders nor does it address the tax considerations applicable to Claim holders or Interest holders that may be subject to special tax rules such as financial institutions, insurance companies, dealers in securities or currencies, tax-exempt organizations or taxpayers subject to the alternative minimum tax.

No ruling will be sought from the Internal Revenue Service ("IRS"), and no opinion of counsel has been or will be sought, with respect to any of the tax aspects of the Plan. The discussion set forth below is for general information only and no assurances are given by the Debtors in this regard. This description does not cover all aspects of federal income taxation that may be relevant to the Debtors or holders of Claims or Interests. Each Claim and Interest holder is urged to consult with its own tax advisor regarding the federal, state, local and foreign tax consequences of the Plan.

IRS CIRCULAR 230 NOTICE. TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE TAX CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS OR INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Tax Characterization of the Liquidating Trust. The Liquidating Trust will be considered a "grantor" trust for federal income tax purposes, created by the Debtors to liquidate its assets to pay Allowed Claims, and will therefore not have separate liability for federal income taxes relating to,

or arising from, the transfer of Liquidating Trust Assets from the Debtors or the liquidation of the Liquidating Trust Assets. As such, for federal income tax purposes, the Debtors will be treated as the owner of the Liquidating Trust Assets. In accordance with the decision of the United States Supreme Court in *Holywell Corp. v. Smith*, 112 S. Ct. 1021 (1992), the Liquidating Trustee shall file the income tax returns that the Debtors would have filed if its assets had not been conveyed to the Liquidating Trust and the Liquidating Trust will promptly pay any tax liability created by the liquidation of the Liquidating Trust Assets. The Liquidating Trustee shall reserve a sum sufficient to pay any accrued or potential Debtors tax liability arising from the liquidation of Liquidating Trust Assets.

Notwithstanding the foregoing, the IRS has announced in Rev. Proc. 94-45 that if certain conditions are met, it will issue a ruling that a liquidating trust created pursuant to a bankruptcy plan under Chapter 11 of the Bankruptcy Code will be treated as grantor trust of which either the shareholders of the debtor or the creditors (but not the debtor) is the grantor. If the Liquidating Trust is characterized as a liquidating trust of which the holder of Allowed Claims are the grantors, then the transfer of the Debtors' assets to the Liquidating Trust will constitute a taxable disposition of those assets by the Debtors, and any subsequent income, gain, or loss realized with respect to the Liquidating Trust Assets would be allocated to the holders of Allowed Claims, rather than to the Debtors.

The Debtors, however, do not intend to obtain a ruling from the IRS. Accordingly, there can be no assurance that the IRS would not take a contrary position. A different classification could result in a different income tax treatment of the Liquidating Trust or a reserve within the Liquidating Trust. Such treatment could include, but is not limited to, the imposition of an entity-level tax on either the Liquidating Trust or a reserve within the Liquidating Trust. Such a tax, if imposed, could result in a material reduction in the amount that would otherwise be available for distribution to holders of Allowed Claims.

Tax Consequences to the Debtors. Under the Plan, the Debtors' Property will be transferred to the Liquidating Trust. Because income from the Liquidating Trust Assets may only be used to pay the Debtors' liabilities, the Proponents believe that (i) the transfer of the Liquidating Trust Assets to the Liquidating Trust will not constitute a taxable disposition of the Liquidating Trust Assets and (ii) the Liquidating Trust should be classified for federal income tax purposes as a "grantor" trust of which the Debtors are the grantor. In accordance with the decision of the United States Supreme Court in *Holywell Corp. v. Smith*, 112 S. Ct. 1021 (1992), the Liquidating Trustee will be required to file the income tax returns that the Debtors would have filed if their assets had not been conveyed to the Liquidating Trust. Therefore, to the extent that the operation or liquidation of Liquidating Trust Assets or creates tax liability for the Debtors, the Liquidating Trust shall promptly pay such tax liability, and any such payments shall be considered costs and expenses of operation of the Liquidating Trust. The Liquidating Trustee may reserve a sum sufficient to pay any accrued or potential tax liability arising out of the operations of the Liquidating Trust.

The Proponents are not certain at this time as to the existence, or the size of, any net operating loss carryovers ("NOLs"), or other tax attributes. The Proponents believe that the Debtors should be entitled to utilize its NOLs, if any exist, to offset in whole or in part any regular

tax liability that may arise as a result of the operations of the Liquidating Trust. If the IRS successfully asserts that the holders of Allowed Claims are the grantors of the Liquidating Trust, then the Debtors would recognize gain or loss on the transfer of its assets to the Liquidating Trust in an amount equal to the difference between the fair market value of the assets transferred and the tax basis of those assets. In the event that the Debtors' NOLs would be sufficient to offset any resulting gain for regular tax purposes, it is still possible that the Debtors might owe alternative minimum tax ("AMT") on any such gain, as discussed below. Generally, taxpayers are entitled to carry their NOLs forward twenty years from the year the losses were incurred to offset taxable income earned in those years. The Proponents have assumed that the Debtors' NOLs, to the extent thereof, if any, will be available for regular income tax purposes to offset taxable income of the Liquidating Trust produced after implementation of the Plan. If the assumption that there are NOLs available to offset any taxable income recognized by the Liquidating Trust is incorrect, the ramifications to the holders of Allowed Claims and Interests could be material because the assets of the Liquidating Trust would be reduced by the required payment of any federal income taxes imposed on the Debtors.

Alternative Minimum Tax. Special limitations on the utilization of the NOLs would apply if the Debtors becomes subject to the AMT. In general, AMT is imposed on a corporation's U.S. alternative minimum taxable income ("AMTI") at a 20% tax rate if and to the extent such tax exceeds the corporation's regular U.S. federal income tax. For purposes of computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. For example a corporation is generally not allowed to offset more than 90% of its taxable income for AMT purposes by available NOL carry forwards (as computed for AMT purposes). Therefore, the Debtors will be required to pay AMT, at a minimum effective rate of 2% (10% of the 20% AMT rate), in any succeeding taxable year during which it has AMTI and its regular U.S. federal income tax is fully offset by NOLs. Moreover, any COD income that the Debtors may realize should be excluded from the calculation of AMTI.

Realization of Cancellation of Indebtedness Income. Generally, a taxpayer recognizes cancellation of indebtedness ("COD") income upon satisfaction of its outstanding indebtedness for less than it adjusted issue price. The amount of COD income is, in general, the excess of (i) the adjusted issue price of the indebtedness satisfied, over (ii) the issue price of any new indebtedness of the taxpayer issued, the amount of cash and the fair market value of any other consideration (including stock of the taxpayer) given in exchange for the indebtedness satisfied. Certain statutory or judicial exceptions can apply to limit the amount of COD income and attribute reduction, as described below (such as where the payment of the canceled indebtedness would have given rise to a tax deduction).

However, COD income is not included in gross income if the discharge occurs in a Title 11 case or the discharge occurs when the taxpayer-debtor is insolvent but rather the debtor must, first reduce the NOL for the year of discharge, then the NOLs to the year of discharge and other tax attributes, such as capital loss carryovers, after the calculation of its tax for the taxable year of discharge, and thereafter must reduce the tax basis of the assets held by the debtor on the first day of the taxable year following the discharge by the amount of COD income excluded from gross income by this exception.

Tax Consequences to Holder of Claims. Although the Proponents do not believe that the conveyance of the Debtors' assets to the Liquidating Trust will be considered a taxable event, the holders of Claims may, at some point in time, be required to recognize income or be allowed a deduction as a result of the implementation of the Plan. The exact tax treatment depends on each holder's method of accounting, the basis of each Claim holder's interest, the amount of distributions received, and upon whether and to what extent such creditor has taken a bad debt reduction in prior taxable years with respect to a particular debt owed to it by the Debtors. In the event that the Liquidating Trust is treated as a grantor trust for the benefit of the creditors, any income, gain or loss attributable to the ownership, operation, or disposition of the Liquidating Trust Assets would be taxable to the creditors, in accordance with their interests in the Liquidating Trust Assets, whether or not the creditor had received any cash distributions from the Liquidating Trust. Gain or loss on the subsequent disposition of Liquidating Trust Assets would be equal to the difference between the amount realized on the disposition of those assets and their tax bases in the hands of the Liquidating Trust (initially, the fair market value of the Liquidating Trust Assets at the time of the transfer to the Liquidating Trust).

Tax Consequences to Holders of Equity Interests. Equity Interests shall be cancelled and the holders of such Interests shall not receive any property or an interest in property on account of such Interests. Each Holder of an Equity Interest shall receive a capital loss equal to the amount of tax basis it has in its Interest.

Information Reporting and Backup Withholding. Under the IRC's backup withholding rules, a claimant may be subject to back-up withholding with respect to distributions or payments made pursuant to the Plan unless that claimant (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Claimants may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

THE FOREGOING DISCUSSION IS NOT INTENDED AS TAX ADVICE TO THE CREDITORS AND SHAREHOLDERS REGARDING THE FEDERAL INCOME TAX CONSEQUENCES TO THEM UNDER THE PLAN. EACH CLAIMANT SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR WITH RESPECT TO THE CONSEQUENCES OF THE PLAN UNDER FEDERAL, STATE AND LOCAL TAX LAWS.

FOR THESE REASONS, ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF IMPLEMENTATION OF THE PLAN TO THEM UNDER APPLICABLE FEDERAL AND STATE TAX LAWS.

Closing the Liquidating Trust. The Liquidating Trust shall be responsible for payments, out of the Liquidating Trust Assets, of any taxes imposed on the Liquidating Trust or the Liquidating Trust Assets.

Prior to making a final distribution, dissolving the Liquidating Trust and closing the Debtors' Case, the Liquidating Trustee may apply (i) to the Bankruptcy Court for an order authorizing final distribution, closing the Chapter 11 Case, and releasing the Liquidating Trustee and the Liquidating Trust from any and all claims, debts, or liabilities, including any and all claims, debts, or liabilities for taxes to any and all taxing authorities, and /or (ii) to the Bankruptcy Court, under 11 U.S.C. § 505, the IRS and/or any other taxing authority for a determination of any tax liability payable by the Debtors or the Liquidating Trust. The Liquidating Trustee shall not be required to make a final distribution unless he determines that the Liquidating Trust, the Debtors and the Liquidating Trustee have no remaining liabilities for taxes of any kind.

Dissolution. The Liquidating Trustee and the Liquidating Trust will be discharged or dissolved, as the case may be, when: (i) all Disputed Claims have been resolved, (ii) all of the Liquidating Trust Assets have been liquidated, and (iii) all distributions required to be made by the Liquidating Trust under the Plan have been made; but in no event shall the Liquidating Trust be dissolved later than five (5) years from the Effective Date unless the Bankruptcy Court, upon notice and opportunity for a hearing, determines that one or more fixed period extensions (not to exceed five (5) years each) is necessary to facilitate or complete the recovery and liquidation of the Liquidating Trust Assets or the dissolution of the Liquidating Trust and the Debtors.

Indemnification of the Liquidating Trustee. The Liquidating Trustee and the Liquidating Trust's agents and professionals will not be liable for actions taken or omitted in his or their capacity as, or on behalf of, the Liquidating Trust, except upon a finding by the Bankruptcy Court that he or they acted or failed to act as the result of gross negligence, or in reckless disregard of his or their duties, and each will be entitled to indemnification and reimbursement for fees and expenses in defending any and all of his or their actions or inactions in his or their capacity as, or on behalf of, the Liquidating Trust, except for any actions or inactions involving gross negligence, or in reckless disregard of his or their duties. Any indemnification claim of the Liquidating Trustee or the Liquidating Trust's professionals or agents shall be satisfied from the Liquidating Trust Assets, subject to the approval of the Bankruptcy Court after notice and opportunity for a hearing. The Liquidating Trustee shall be entitled to rely, in good faith, on the advice of retained professionals.

Closing of the Chapter 11 Case. When all Disputed Claims have become Allowed Claims, have been disallowed by a Final Order, or have been otherwise fully resolved, and all of the Liquidating Trust Assets have been distributed in accordance with the Plan, the Liquidating Trustee shall seek authority from the Bankruptcy Court to close the Chapter 11 Case in accordance with the Bankruptcy Code and the Bankruptcy Rules and to dissolve the Debtors; provided, however, that nothing in the Plan or the Liquidating Trust Agreement shall prevent the Liquidating Trustee from seeking authority from the Bankruptcy Court to close the Chapter 11 Case at any time prior thereto, in accordance with the Bankruptcy Code and the Bankruptcy Rules.

If at any time the Liquidating Trustee determines that the expense of administering the Liquidating Trust to make a final distribution to holder of Allowed Claims is likely to exceed the value of the Liquidating Trust Assets, the Liquidating Trustee shall apply to the Bankruptcy Court for authority to (i) reserve any amounts necessary to close the Chapter 11 Case; (ii) donate any balance to a charitable organization exempt from federal income tax under section 501(c)(3) of the

Tax Code that is unrelated to any of the Debtors, the Liquidating Trustee, and any insider of the Liquidating Trustee; and (iii) close the Chapter 11 Case in accordance with the Bankruptcy Code and Bankruptcy Rules. Notice of such application shall be given electronically, to the extent practicable, to those parties who have filed requests for notices in the Chapter 11 Case and who hold unpaid Allowed Claims or Disputed Claims.

Books and Records. Upon the Effective Date, or as soon thereafter as is reasonably practicable, the Debtors shall transfer and assign to the Liquidating Trust full title to, and the Liquidating Trust will be authorized to take possession of, all of the books and records of the Debtors. The Liquidating Trust shall store and maintain the books and records transferred hereunder until the later of (i) one year after the Debtors are dissolved in accordance with this Plan or (ii) the resolution of each of the Avoidance Actions or the Other Causes of Action that is commenced prior to or after the Effective Date, after which time such books and records may, subject to the Effective Date, be abandoned or destroyed without further order of the Bankruptcy Court. For purposes of this section, books and records include computer generated or computer maintained books and records and computer data, as well as electronically generated or maintained books and records or data. The Debtors shall also transfer and assign to the Liquidating Trust all of its claims and rights in and to its books and records that are maintained by, or in possession of, third parties (including any governmental entities), wherever located.

4. Setoffs.

The Debtors or the Liquidating Trust may, but will not be required to, set off against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made), any claims of any nature whatsoever that the Debtors may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder or under any order of the Bankruptcy Court will constitute a waiver or release by the Debtors or the Liquidating Trust of any such claim the Debtors may have against the holder of such Claim.

5. Establishment and Maintenance of Disputed Claims Reserves.

Administrative Claims Reserve. On the Confirmation Date, the Debtors shall provide a good faith estimate of the aggregate amount of unpaid Administrative Claims and, within seven (7) days of the Administrative Claim Bar Date, shall establish an Administrative Claims Reserve in order to make the payments to holders of Administrative Claims as such Administrative Claims become Allowed.

General Distribution Provisions. Subject to Bankruptcy Rule 9010 and except as otherwise provided herein, distributions to the holders of Allowed Claims shall be made by the Liquidating Trustee at (a) the address of each holder as set forth in its filed Proof of Claim or written change of address, if any; (b) the address of each holder as set forth in the Schedules (if no Claim was filed); or (c) the last known address of such holder if no proof of Claim was filed and the address in the Debtors' Schedules is no longer correct.

Undeliverable or Unclaimed Distributions. In the event that any distribution to any holder of an Allowed Claim is returned as undeliverable, no further distributions will be made to such holder unless and until the Liquidating Trustee is notified of such holder's then-current address.

The Liquidating Trustee will send a letter to any holder of an Allowed Claim that does not negotiate a distribution check within ninety (90) days of the check's issuance. If (i) there is no contact from the holder of the Allowed Claim within ninety (90) days of the sending of the Liquidating Trustee's letter and (ii) the check is not negotiated during that ninety (90) day period, the Claim will be disallowed and the holder of the Claim will be forever barred and enjoined from asserting the Claim against the Debtors, the Estate, the Liquidating Trust, the Liquidating Trustee or the Liquidating Trust Assets, or the property or assets of any of them and no further distribution shall be made to the holder of that Claim, with the funds reserved for such Claim to be distributed among the remaining Allowed Claims remaining unpaid. Nothing contained in this Plan or the Liquidating Trust Agreement shall require any of the Debtors, the Liquidating Trust, or the Liquidating Trustee to attempt to locate any holder of an Allowed Claim.

6. Minimum Distributions.

Notwithstanding anything herein to the contrary, if a distribution to be made to a holder of an Allowed General Unsecured Claim on any Distribution Date would be $100 or less, no such distribution is required to be made to that holder at that time. Such undistributed funds shall be held by the Liquidating Trustee for subsequent distribution to that Claim holder either (i) when further amounts become available such that the distribution to that holder will exceed $100 or (ii) when final distributions are made (this provision shall not apply to final distributions).

7. Cancellation of Existing Claims.

On the Effective Date, any document, agreement or instrument evidencing a Claim against or an Interest in the Debtors is and shall be deemed cancelled and of no force or effect without any further act or action under the any applicable agreement, law, regulation, order or rule and the obligations of the Debtors under such documents, instruments or agreements evidencing such Claims shall be discharged, except obligations under the Plan. For the avoidance of doubt, Allowed Class 2 Claims, Allowed Class 3 Claims, and Allowed Class 4 Claims will be discharged as payments (if any) are made from the Liquidating Trust to a holder of an Allowed Class 2 Claim, Allowed Class 3 Claim, or Allowed Class 4 Claim.

8. Termination of Shareholder (Equity Interest) Rights.

On the Effective Date, all Equity Interests in the Debtors shall cease to exist. Any right associated with any Equity Interest issues prior to the Effective Date will be null and void.

E. <u>Treatment of Disputed Claims</u>

1. Objections to Claims.

Objections to Claims must be filed, if at all, on or before the Claim Objection Bar Date by the Liquidating Trustee or any other entity entitled to do so. All Claims shall be subject to 11 U.S.C. § 502(d), notwithstanding the expiration of the Claim Objection Bar Date. The failure by the Debtors to object to, or to examine for purposes of voting, any Claim as of the Confirmation Date shall not be deemed to be a waiver of his right or the right of the Liquidating Trustee to object to, or to re-examine, such Claim in whole or in part after the Confirmation Date.

2. Payments and Distributions on Disputed Claims.

Notwithstanding any other provision in this Plan, no distributions will be made with respect to a Disputed Claim until the resolution of such dispute by settlement or Final Order. As soon as practicable after a Disputed Claim becomes an Allowed Claim, the holder of such Allowed Claim will receive all distributions to which such holder is then entitled under the Plan. Except as provided in 11 U.S.C. § 502(d), any Person who holds both an Allowed Claim and a Disputed Claim will receive the appropriate distribution on the Allowed Claim, although no distribution will be made on the Disputed Claim until such dispute is resolved by settlement or Final Order.

3. Disallowance of Claims without Further Order of the Court.

As of the Confirmation Date, any Claim designated as disputed, contingent, or unliquidated in the Debtors' Schedules, as amended, and for which a proof of claim has not been filed by the Creditor, shall be deemed expunged, without further act or Order of the Bankruptcy Court.

F. <u>Releases and Injunction</u>

1. Releases.

This Plan and the distributions made under this Plan will be in full and final satisfaction, settlement and release as against the Debtors of any Claim or debt that arose before the Effective Date and any debt of a kind specified in 11 U.S.C. §§ 502(g), (h) or (i), and all Claims and Interests of any nature, including any interest accrued thereon, before, on and after the Petition Date, whether or not a (i) proof of Claim or Interest based on such debt, obligation or Interest was filed or deemed filed under 11 U.S.C. §§ 501 or 1111(a); (ii) such Claim or Interest is allowed under 11 U.S.C. § 502; or (iii) the holder of such Claim or Interest has accepted the Plan.

2. Injunction.

As of the Confirmation Date, except as provided in the Plan or the Confirmation Order, all Persons that have held, currently hold, or may hold a Claim, Interest, or other debt or liability that is addressed in the Plan are permanently enjoined from taking any of the following actions on account of any such Claim, Interest, debt or liability, other than actions brought to enforce any rights or obligations under the Plan: (i) commencing or continuing in any manner any action or other proceeding against the Debtors, the Liquidating Trust, the Liquidating Trustee, Property of the Estate, or the Liquidating Trust Assets; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors, the Liquidating Trust, the Liquidating Trustee, Property of the Estate, or the Liquidating Trust Assets; (iii) creating, perfecting or enforcing any lien or encumbrance against the Debtors, the Liquidating Trust, the Liquidating Trustee, Property of the Estate, or the Liquidating Trust Assets; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors, the Liquidating Trust, the Liquidating Trustee, Property of the Estate, or the Liquidating Trust Assets; and (v) commencing or continuing, in any manner or any place, any action that does not comply with, or is inconsistent with, the provisions of the Plan or the Confirmation Order.

3. Exculpation.

The Proponents and their respective employees, representatives, legal counsel, financial advisors, consultants, and agents, will not have nor incur any liability to any Person for any act taken or omission occurring on or after the Petition Date in connection with or related to the Debtors or the Chapter 11 Case, including, but not limited to: (i) formulating, preparing, disseminating, implementing, confirming, consummating or administrating the Plan (including soliciting acceptances or rejections thereof); (ii) the Disclosure Statement; (iii) any contract, instrument, release or other arrangement entered into or any action taken or not taken in connection with the Plan or the Chapter 11 Case; or (iv) any distributions made pursuant to the Plan except for acts constituting willful misconduct, gross negligence or breach of fiduciary duty, and in all respects such parties shall be entitled to rely upon the advice of legal counsel with respect to their duties and responsibilities under the Plan.

IV.
RETENTION OF LITIGATION, RIGHTS AND CAUSES OF ACTION

Preservation of Causes of Action. All Avoidance Actions and Other Causes of Action, claims, rights of setoff and other legal and equitable defenses of the Debtors and/or their Estate are preserved for the benefit of the Liquidating Trust unless expressly released, waived, or relinquished in this Plan or the Confirmation Order. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any cause of action against them as an indication that the Liquidating Trust will not pursue a cause of action (including, but not limited to claims, rights, defenses, third-party claims, damages, executions, demands, cross-claims, counterclaims, suits, causes of action, choses in action, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims whatsoever, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly, indirectly or derivatively, at law, in equity or otherwise) against them. The causes of action that are preserved for the benefit of the Liquidating Trust and for which the Liquidating Trustee shall be appointed representative of the Estate pursuant to 11 U.S.C. § 1123(b)(3)(B) shall include, but not be limited to, those causes of action described below:

(a) those set forth in the Schedules;

(b) the Other Causes of Action;

(c) those set forth in any lawsuit, court proceeding, adversary proceeding or contested matter pending filed by the Debtors on or before the Effective Date; and

(d) any and all Avoidance Actions not subject to the Sale to FQ, claims, causes of action or enforceable rights of the Debtors against third parties, or assertable by the Debtors or Liquidating Trustee on behalf of Creditors, its Estate, or itself for recovery, turnover or avoidance of obligations, or preferential or fraudulent transfers of property or interests in property and other types or kinds of property or interests in property recoverable or avoidable pursuant to Chapter 5 or other sections of the Bankruptcy Code or any applicable law including, without limitation, 11 U.S.C. §§ 502, 510, 522(f), 522(h), 542, 543, 544, 545, 547, 548, 549, 550, 551, or 553 which

include actions against B Asset Manager, Commercial Credit Group, GE Transportation Finance and Main Street Bank Corp.

For the avoidance of doubt, the Liquidating Trustee is being designated and appointed as the representative of the Debtors, the Estate, and the Liquidating Trust and is empowered to pursue all of the actions set forth above, pursuant to, *inter alia*, 11 U.S.C. § 1123(b)(3)(B). Further, no causes of action, claims, rights, defenses, third-party claims, damages, executions, demands, cross-claims, counterclaims, suits, causes of action, choses in action, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims whatsoever related thereto owned by the Debtors as of the Petition Date or owned by the Estate at any time prior to or on the Effective Date are released, waived, or otherwise abandoned as a result of the confirmation of the Plan, except any of the foregoing specifically released in the Plan or through a Court-approved settlement pursuant to Bankruptcy Rule 9019.

V.
ACCEPTANCE AND CONFIRMATION OF THE PLAN

A. Confirmation Hearing

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on _________________, 2017 at __:__ _.m. C.S.T. That hearing will be held at the Courtroom of the United States Bankruptcy Court, Northern District of Texas, Fort Worth Division, Room 204, U.S. Courthouse 501 W. Tenth Street, Fort Worth, Texas, before the Honorable Russell F. Nelms. At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether the Plan is feasible and whether the Plan is in the best interest of the claimants. At that time, the Debtors will submit a report to the Bankruptcy Court concerning the votes for acceptance and rejection of the Plan by the parties entitled to vote.

The hearing on confirmation may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement made at the hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. Any objections to the Plan must be made in writing and filed with the Bankruptcy Court and served on all parties required to be given notice, no later than _________, 2017 at 4:00 p.m. C.S.T.

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

B. Requirements to Confirmation

At the Confirmation Hearing, the Bankruptcy Court will determine whether the provisions of 11 U.S.C. § 1129 have been satisfied. If all of the provisions of section 1129 are met, the Bankruptcy Court may enter an order confirming the Plan. The Proponents believes that the Plan satisfies all the requirements of section 1129, including that:

- the Plan complies with the applicable provisions of the Bankruptcy Code (see section 1129(a)(1)), including section 1123, which specifies the mandatory contents of a plan, and section 1122, which requires that claims and interests be placed in classes with "substantially similar" claims and interests;

- the Debtors complies with the applicable provisions of the Bankruptcy Code (section 1129(a)(2));

- the Proponents, as the proponent of the Plan, have proposed the Plan in good faith and not by any means forbidden by law (section 1129(a)(3));

- the disclosure(s) required by 11 U.S.C. § 1125 have been made;

- the Plan has been accepted by the requisite votes of creditors and equity interest holders and/or cramdown is available under 11 U.S.C. § 1129(b);

- the Plan is feasible and confirmation of the Plan will not likely be followed by the need for further financial reorganization of the Debtors;

- the Plan is in the "best interests" of all holders of Claims or Interests in an impaired class by providing to creditors or interest holders on account of such Claims or Interests property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a claim or interest in such class has accepted the Plan;

- all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court, have been paid or the Plan provides for the payment of such fees; and

- the disclosures required under section 1129(a)(5) concerning the identity and affiliations of persons who will serve as officers, directors, and voting trustees have been made.

The Proponents believe that all of these requirements have been satisfied and urge all creditors and interest holders to support the Plan.

C. <u>Acceptance of the Plan</u>

A plan is accepted by an impaired class of claims if holders of at least two-thirds in dollar amount and a majority in number of claims of that class vote to accept the plan. Only those holders of Claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. In addition to this voting requirement, 11 U.S.C. § 1129 requires that a plan be accepted by each holder of a Claim or Interest in an impaired Class or that the Plan otherwise be found by the Bankruptcy Court to be in the best interests of each holder of a Claim or interest in an impaired Class.

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in 11 U.S.C. § 1129(b). As indicated above, the Plan may be confirmed under the cramdown provisions if in addition to satisfying the other requirements of section 1129 of the Bankruptcy Code, it (a) is "fair and equitable" and (b) "does not discriminate unfairly" with respect to each class of claims or interests that is impaired under, and has not accepted, the Plan, including Class 7, which is deemed to have rejected the Plan.

Copies of the Ballot for Classes 1, 2, 3, 4, 5, and 6 which are the only Classes entitled to vote, are attached hereto as Exhibits B through G.

D. Alternatives to Confirmation

The Proponents believe that the Plan is the best option for maximizing the recovery of holders of Claims. The alternatives to the Plan are (i) a different plan of liquidation, (ii) a plan of reorganization, or (iii) Chapter 7 liquidation.

Any other plan, whether proposing liquidation or reorganization, would require significant additional expense to craft. The Proponents do not believe that a reorganization of the Debtors, which has no on-going business and no significant assets with which to operate, is viable. The Proponents believe that the present Plan distributes assets consistently with the Bankruptcy Code and that any other confirmable plan of liquidation would do the same, making the additional time and expense of an alternative plan of liquidation unnecessary and wasteful.

Conversion to chapter 7 would necessitate the appointment of a trustee and the attendant expense of that trustee (and potentially new professionals) transitioning into the case and re-creating the Proponents' and their professionals' institutional knowledge of the case, and would likely lead to a worse result for creditors because of the diminution of assets caused by the fees of the new trustee and his professionals in learning the case.

In short, the Proponents believe that confirmation of the Plan is better for the Debtors' creditors than any alternative available.

VI.
VOTING INSTRUCTIONS

A. Ballots and Voting Procedures

The Plan has been distributed to you simultaneously with this Disclosure Statement. Accompanying this Disclosure Statement are also (i) a ballot and (ii) a notice of hearing on confirmation of the Plan. A hearing on acceptance and Confirmation of the Plan has been set for ____________, 2017 at __:__ _.m. C.S.T. before the Honorable Russell F. Nelms, in the Courtroom of the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division, Room 204, Eldon B. Mahon U.S. Courthouse, 501 W. Tenth Street, Fort Worth, Texas 76102-3643.

To vote on the Plan, indicate on the enclosed respective ballot whether you accept or reject the Plan. Return the completed ballots according to the instructions contained therein.

Ballots must be received by ____________, 2017, at 4:00 p.m. C.S.T.

ALTHOUGH YOU MAY HOLD CLAIMS IN MORE THAN ONE CLASS, YOU WILL ONLY RECEIVE A BALLOT IF YOU HAVE A CLAIM OR AN INTEREST IN AN IMPAIRED CLASS. YOU SHOULD VOTE THE BALLOT YOU RECEIVE. IF THE PLAN IS CONFIRMED AND BECOMES EFFECTIVE, ANY PREPETITION CLAIMS WHICH YOU HELD AGAINST THE DEBTORS SHALL BE RELEASED.

B. Parties Entitled to Vote

ONLY CLAIMS IN CLASSES 1 – 6 ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. ALL OTHER CLASSES ARE UNIMPAIRED UNDER THE PLAN OR ARE DEEMED TO REJECT THE PLAN AND ARE THEREFORE NOT ENTITLED TO VOTE WITH RESPECT TO ACCEPTANCE OR REJECTION OF THE PLAN.

C. Vote Required for Class Acceptance of the Plan

As a condition to confirmation, the Bankruptcy Code requires that each impaired Class of Claims or Interests accept the Plan, subject to the exceptions above. At least one impaired Class of Claims or Interests must accept the Plan in order for the Plan to be confirmed.

Section 1126 of the Bankruptcy Code defines acceptance of a plan by a class of claims or interests as acceptance by holders of two-thirds in dollar amount and a majority in number of claims of that class, in both cases counting those claims which are actually voting to accept or reject the plan. Holders of claims or interests which fail to vote are not counted as either accepting or rejecting a plan.

Classes of claims or interests that are not "impaired" under a plan are deemed, as a matter of law, to have accepted the plan and therefore are not permitted to vote for such plan.

VOTES TO ACCEPT THE PLAN ARE BEING SOLICITED ONLY FROM CLASSES 1 – 6.

Dated: March 13, 2017

Filed & submitted by:

Singer & Levick, P.C.

By: /s/Michelle E. Shriro
Larry A. Levick
State Bar No. 12252600
Michelle E. Shriro
State Bar No. 18310900

16200 Addison Road, Suite 140
Addison, Texas 75001
Tel. (972) 380-5533
Fax (972) 380-5748
levick@singerlevick.com
mshriro@singerlevick.com

COUNSEL FOR GREENHUNTER RESOURCES, ET AL.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing was sent electronically by the Court's CM/ECF system to all parties receiving CM/ECF notice in this case on March 13, 2017.

/s/Michelle E. Shriro
Michelle E. Shriro