

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:	§	CASE NO. 15-36563
	§	
NOVA DIRECTIONAL, INC.,	§	Chapter 11
	§	
Debtor.	§	

FIRST AMENDED DISCLOSURE STATEMENT

(Dated: November 11, 2016)

THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

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INTRODUCTION

This Disclosure Statement (the “**Disclosure Statement**”) and the accompanying ballots (the “**Ballots**”) are being furnished by Chapter 11 debtor Nova Directional, Inc. (the “**Debtor**”) to the holders of Claims against and Interests in the Debtor pursuant to Section 1125 of title 11 of the United States Code (the “**Bankruptcy Code**”) in connection with the solicitation of ballots for the acceptance of the Debtor’s First Amended Plan of Reorganization (the “**Plan**”).

Capitalized terms used in this Disclosure Statement and not defined herein shall have their respective meanings as defined in the Plan or, if not defined in the Plan, as defined in the Bankruptcy Code.

On December 16, 2015 (the “**Petition Date**”), the Debtor filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court, Southern District of Texas, Houston Division (the “**Bankruptcy Court**”). No Official Committee of Unsecured Creditors has been appointed by the United States Trustee in this case.

After notice and a hearing on November __, 2016, the Bankruptcy Court approved this Disclosure Statement and authorized the Debtor to solicit votes with respect to the Plan.

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

This Disclosure Statement was approved by the Bankruptcy Court on November __, 2016 as containing adequate information to enable persons whose votes are being solicited to make an informed judgment with respect to acceptance or rejection of the Plan. A copy of the Bankruptcy Court’s order approving this Disclosure Statement and establishing procedures for voting on the Plan (the “**Approval Order**”) is enclosed with your copy of this Disclosure Statement. The Approval Order is not a guarantee of the accuracy or completeness of the information contained herein or an endorsement of any of the information contained in this Disclosure Statement or the Plan.

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

BALLOTS SHOULD BE MARKED, SIGNED, DATED AND RETURNED SO THAT THEY ARE *ACTUALLY RECEIVED* BY NO LATER THAN 5:00 P.M., (CST) ON [], 2016 (THE “VOTING DEADLINE”) AT THE FOLLOWING ADDRESS, AS SET FORTH ON THE ENCLOSED RETURN ENVELOPE:

**KILMER CROSBY & WALKER PLLC
c/o BRIAN KILMER
5100 Westheimer, 2nd Floor
Houston, Texas 77056
Telephone: 713-588-4344
Facsimile: 214-731-3117**

BALLOTS MAY BE SENT BY FACSIMILE OR E-MAIL PROVIDED THEY ARE RECEIVED BY THE ABOVE DEADLINE AND AN ORIGINAL FOLLOWS PROMPTLY BY MAIL OR OTHER DELIVERY METHOD. ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED (UNLESS OTHERWISE ORDERED BY THE BANKRUPTCY COURT). BALLOTS THAT ARE RECEIVED AFTER THE VOTING DEADLINE MAY NOT BE USED IN CONNECTION WITH THE DEBTOR’S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF, EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT.

THE DEBTOR BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF ALL CLAIMANTS OF THE DEBTORS AND, CONSEQUENTLY, THE DEBTOR URGES ALL CLAIMANTS TO VOTE TO ACCEPT THE PLAN.

This Disclosure Statement has been compiled by the Debtor to accompany the Plan. The factual statements, projections, financial information, and other information contained in this Disclosure Statement have been taken from documents prepared by the Debtor, including the Debtors’ Schedules and Statements of Financial Affairs, pleadings filed in the Bankruptcy Case, and information obtained in the Bankruptcy Case. Nothing contained in this Disclosure Statement shall have any preclusive effect against the Debtor (whether by waiver, admission, estoppel or otherwise) in any cause or proceeding which may exist or occur in the future. This Disclosure Statement shall not be construed or deemed to constitute an acceptance of fact or an admission by the Debtor with regard to any of the statements made herein, and all rights and remedies of the Debtor are expressly reserved in this regard. This Disclosure Statement contains statements which constitute the Debtor’s or other third parties’ views of certain facts. All such disclosures should be read as assertions of such parties. To the extent any paragraph does not contain an express reference that it constitutes an assertion of a particular party, it should be read as an assertion of the party indicated by the context and meaning of such paragraph.

The statements contained in this Disclosure Statement are made either as of the Petition Date or the date hereof unless another time is specified herein, and neither delivery of this Disclosure Statement nor any exercise of rights granted in connection with the Plan shall, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Disclosure Statement.

Certain of the information contained in this Disclosure Statement, by its nature, is forward looking, contains estimates and assumptions which may prove to be inaccurate, and contains projections which may prove to be wrong, or which may be materially different from actual future results. Each Claimant should independently verify and consult its individual attorney and accountant as to the effect of the Plan on such individual Claimant or Interest holder.

The Debtor strongly urges each recipient entitled to vote on the Plan to review carefully the contents of this Disclosure Statement, the Plan, and the other documents that accompany or are referenced in this Disclosure Statement in their entirety before making a decision to accept or reject the Plan.

IT IS OF THE UTMOST IMPORTANCE TO THE DEBTOR THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN BY COMPLETING AND SIGNING THE BALLOT ENCLOSED HERewith AND RETURNING IT TO COUNSEL FOR THE DEBTOR, AT THE ADDRESS SET FORTH IN THE BALLOT INSTRUCTIONS THAT ACCOMPANY THE BALLOT. SHOULD YOU HAVE ANY QUESTIONS REGARDING THE VOTING PROCEDURES, YOUR BALLOT, OR THE BALLOT INSTRUCTIONS, OR IF YOUR BALLOT IS DAMAGED OR LOST, CONTACT COUNSEL FOR THE DEBTOR AT THE FOLLOWING ADDRESS:

**KILMER CROSBY & WALKER PLLC
c/o BRIAN KILMER
5100 Westheimer, 2nd Floor
Houston, Texas 77056
Telephone: 713-588-4344
Facsimile: 214-731-3117**

The Approval Order fixes _____, 2016 at _____, Central Standard Time, in the Courtroom of the Honorable Letitia Z. Paul, United States Bankruptcy Judge, United States Bankruptcy Court for the Southern District of Texas, Houston Division, 515 Rusk, Courtroom 401, Houston, Texas, as the date, time, and place for the hearing on Confirmation of the Plan, and fixes _____, 2016 as the date by which all objections to Confirmation of the Plan must be filed with the Bankruptcy Court and received by counsel for the Debtor. The Debtor will request Confirmation of the Plan at the Confirmation Hearing.

ARTICLE I HISTORICAL BACKGROUND AND PREPETITION BUSINESS OPERATIONS

The Debtor is an oil-field service oriented company whose founders have over thirty years of experience in directional and horizontal drilling. The Debtor is a privately owned and operated company that understands the domestic drilling market and strives to deliver the best customer service by providing experienced personnel and supervision and a wide range of tools to best suit the specific drilling environment.

The specific services the Debtor provides to its customers include: a) engineering and wellbore design; b) directional drilling services; c) directional drilling supervision services; d) performance drilling motors; e) logging while drilling (LWD) and measurement while drilling (MWD) services; and f) consulting services related to engineering, production and completion of wells.

ARTICLE II FACTORS LEADING TO FILING OF THE CHAPTER 11 CASES

Beginning in 2012, the Debtor began to undertake a series of loans from two lenders in order to fund purchases of the Debtor's equipment and other operational needs. The first of these lenders is MidSouth Bank, N.A. ("MSB"). The Debtor's obligations to MSB are secured, properly perfected, and of first-priority. While the Debtor has remained current on its obligations to MSB (both prior to and subsequent to the Petition Date), there remains approximately \$2,116,951.77 in outstanding principal on the obligation to MSB. The second of these lenders is the United States Small Business Administration (the "SBA"), as successor-in-interest to Capital CDC. These obligations are secured, properly perfected, and of second-priority. While the Debtor has remained current on its obligations to the SBA (both prior to and subsequent to the Petition Date), there remains approximately \$1,388,612.04 in outstanding principal on the obligation to the SBA.

Subsequent to the Debtor's entry into these obligations, the precipitous decline of oil and gas prices over the past year has had a significant negative impact on the Debtor's drilling business. Indeed: (i) the Debtor's revenues dropped over fifty percent in 2015 (compared to 2014) and EBITDA has fallen off steeply as a result; (ii) the Debtor's rig count has been reduced to 522 as of September 2016 from 1,931 in September 2014; and (iii) the Debtor has run only 17 jobs year-to-date versus 202 jobs run during the same year-to-date period in 2014. In response, the Debtor has undertaken aggressive measures to combat the significant drop in its revenues, including laying off a significant number of employees, cutting management numbers and salaries and also cutting general administrative costs significantly.

Unfortunately, due to the significant drop in drilling opportunities, the consequent significantly reduced revenues, and the Debtor's debt load, the Debtor's management believed that the value of the Debtor's assets were now less than the outstanding liabilities and management had become increasingly concerned about its ability to pay the current and potential claims. After exploration of all viable restructuring opportunities, including the sale of some or all of the Debtor's asset both inside and outside of the bankruptcy process, the Debtor's management concluded that it should undertake an orderly restructuring of its business in a Chapter 11 proceeding in order to try to maximize value for its creditors.

ARTICLE III PURPOSE OF CHAPTER 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. The commencement of a Chapter 11 case creates an "estate" comprised of all the legal and equitable interests of a debtor. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may remain in possession of its property and continue to operate its business as a "debtor-in-

possession.” Thus, since the Petition Date, the Debtor has been operating and managing its business operations in the ordinary course of business and under the supervision of the Bankruptcy Court.

Confirmation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan is the vehicle for satisfying the holders of claims against and equity interests in a debtor. Under the Bankruptcy Code, when soliciting acceptance or rejection of a plan of reorganization, a debtor must transmit to the holders of claims or interests a disclosure statement approved by the court as containing “adequate information.” On November ___, 2016, the Bankruptcy Court ruled that this Disclosure Statement contained information that is in compliance with the adequate information requirement of the Bankruptcy Code. The Disclosure Statement describes various transactions contemplated under the Plan and is supplied to you for purposes of assisting in your evaluation of, and your decision of how to vote on, the Plan. The Plan is attached hereto as **Exhibit A**.

ARTICLE IV ASSETS OF THE DEBTORS

The following is a summary description of each of the Debtor’s principal assets as they existed as of the date the Debtor filed its Schedules of assets and liabilities. The information has been compiled from the Debtor’s records and the Schedules.

4.1 Nova Directional, Inc.

Cash/Cash Equivalents: The Schedules filed by the Debtor indicate that the Debtor had funds in checking and deposit accounts, certificates of deposit, and U.S. Treasury Bonds totaling approximately \$1,535,000.00 as of the time of the filing of the Schedules.

Deposits/Prepayments: The Schedules filed by the Debtor indicate that the Debtor had made security deposits and contractual prepayments in the approximate amount of \$184,000.00 as of the time of the filing of the Schedules.

Accounts Receivable: The Schedules filed by the Debtor indicate that the Debtor had accounts receivable in the approximate amount of \$532,000.00 as of the time of the filing of the Schedules.

Office Equipment, Furnishings, and Supplies: The Schedules filed by the Debtor indicate that the Debtor owned office equipment, furnishings, computers, servers and supplies valued at approximately \$112,000.00 as of the time of the filing of the Schedules.

Machinery, Fixtures, and Equipment: The Schedules filed by the Debtor indicate that the Debtor had owned machinery and equipment, consisting primarily of MWD kits, valued at approximately \$1,533,000.00 as of the time of the filing of the Schedules.

Inventory: The Schedules filed by the Debtor indicate that the Debtor had owned inventory, primarily consisting of repair parts, valued at approximately \$48,000.00 as of the time of the filing of the Schedules.

Intangibles. The Schedules filed by the Debtor indicate that the Debtor had oil and gas working interests valued at approximately \$621,000.00 as of the time of the filing of the Schedules.

Claims and Causes of Action: All Debtors: The Debtor owns the following claims and causes of action:

(a) **Preferential Transfers/Fraudulent Transfers.** Within 90 days of the Petition Date, the Debtor made a number of payments to creditors. Each of these payments is potentially an avoidable preference or fraudulent transfer (collectively, the “**Avoidance Actions**”). A list of the payments made by the Debtor within the 90 day period preceding the Petition Date is contained in the Statement of Financial Affairs filed by the Debtor in response to question 3 therein. In addition, the Debtor may have made other payments or transfers more than ninety days before the Petition Date that may be avoidable and are listed in response to question 4 of the Statement of Financial Affairs. Section 546 of the Bankruptcy Code provides a time frame of two years from the entry of Order for Relief (the Order for Relief is the same as the Petition Date for the Debtor) within which to bring an action to set aside an avoidable preference or fraudulent transfer. While the Debtor has not attempted to estimate the potential recoveries on such avoidance causes of action, the Debtor does not estimate any substantial recoveries on the Avoidance Actions.

General Causes of Action. At the present time, the Debtor does not believe that it possesses any claims or causes of action against third-parties. However, to the extent it is determined that the Debtor possesses any existing causes of action, the Debtor specifically retains any such causes of action, including any and all claims, rights and causes of action that have been or could have been brought by or on behalf of the Debtor arising before, on or after the Petition Date, known or unknown, in contract or in tort, at law or in equity or under any theory of law, including, but not limited to any and all claims, rights and causes of the Debtor or the Estate may have against any Person arising under chapter 5 of the Bankruptcy Code, or any similar provision of state law or any other law, rule, regulation, decree, order, statute or otherwise including avoidance actions as stated above, any and all claims, causes of action, counterclaims, demands, controversies, against third parties on account of costs, debts, sums of money, accounts, reckonings, bonds, bills, damages, obligations, liabilities, objections, and executions of any nature, type, or description which the Debtor has or may come to have, including, but not limited to, negligence, gross negligence, usury, fraud, deceit, misrepresentation, conspiracy, unconscionability, duress, economic duress, defamation, control, interference with contractual and business relationships, conflicts of interest, misuse of insider information, concealment, disclosure, secrecy, misuse of collateral, wrongful release of collateral, failure to inspect, environmental due diligence, negligent loan processing and administration, wrongful setoff, violations of statutes and regulations of governmental entities, instrumentalities and agencies (both civil and criminal), racketeering activities, securities and antitrust laws violations, tying arrangements, deceptive trade practices, breach or abuse of fiduciary duty, breach of any alleged special relationship, course of conduct or dealing, obligation of fair dealing, obligation of good faith, whether or not in connection with or related to this Plan, at law or in equity, in contract in tort, or otherwise, known or unknown, suspected or unsuspected.

ARTICLE V
LIABILITIES OF THE DEBTOR

51 Administrative Claims: Administrative Claims are any Claims defined in section 503(b) of the Bankruptcy Code as “administrative expenses” and granted priority under section 507(a)(1) of the Bankruptcy Code, including:

- (1) a Claim for any cost or expense of administration in connection with these cases, including, without limitation, any actual, necessary cost or expense of preserving the Debtor’s Estate and of operating the businesses of the Debtor incurred on or before the Effective Date;
- (2) the full amount of all Claims for compensation for legal, accounting and other services or reimbursement of costs under sections 330, 331 or 503 of the Bankruptcy Code;
- (3) all fees and charges assessed against the Debtor’s Estate under Chapter 123 of Title 28 of the United States Code; and
- (4) a Claim for post-petition Taxes and related items, including any interest and penalties on such post-petition Taxes.

(a) **Professionals.** With Court approval, the Debtor: (i) employed the law firm of Kilmer Crosby & Walker PLLC (“**KCW**”) as their bankruptcy counsel; and (ii) employed the law firm of Dore Law Group, P.C. (“**Dore**,” and collectively with KCW, the “**Professionals**”) as special counsel in connection with (a) the analysis of the validity of various liens against the Debtor’s Assets and (b) the protection and preservation of certain mineral liens held by the Debtor that reside in the bankruptcy estates of Ricochet Energy, Inc., et al. (W.D.T.X., Case No. 16-511,48, jointly administered). Under the Plan, the Professionals will be required to file with the Bankruptcy Court a final fee application within thirty (30) days after the Effective Date.

(b) **Other Asserted Administrative Claims.** No other requests for administrative expense payments have been filed in this case.

52 Priority Claims. Priority Claims are unsecured Claims which are entitled to priority above General Unsecured Claims under section 507(a)(1) of the Bankruptcy Code. The Debtor does not believe that it has any outstanding priority claims as of the time of the filing of this Disclosure Statement.

53 Creditors Holding Secured Claims. The Schedules of the Debtor reflect a few asserted Secured Claims as listed below. The scheduled and filed Claim amounts listed below do not include the accrual of interest after the filing of the cases, to the extent such post-petition interest may be applicable.

(a) **MidSouth Bank, N.A. (First Priority, \$2,468,858.00 as of Petition Date)**¹

In order to obtain funding for equipment purchases and other operational costs, the Debtor entered into five loan transactions with MSB. The first of these loans is evidenced by that certain Promissory Note, by and between the Debtor as borrower and MSB as lender, dated February 9, 2012 and in the principal amount of \$1,835,981.00 (the “**First MSB Note**”). The First MSB Note is secured by that certain Commercial Security Agreement (the “**First MSB Security Agreement**”), dated February 9, 2012 and encumbering the entirety of the Debtors’ equipment.

The second of these loans is evidenced by that certain Promissory Note, by and between the Debtor as borrower and MSB as lender, dated August 6, 2012 and in the principal amount of \$318,950.00 (the “**Second MSB Note**”). The Second MSB Note is secured by that certain Commercial Security Agreement (the “**Second MSB Security Agreement**”), dated August 6, 2012 and encumbering the entirety of the Debtors’ equipment.

The third of these loans is evidenced by that certain Promissory Note, by and between the Debtor as borrower and MSB as lender, dated May 23, 2014 and in the principal amount of \$184,577.00 (the “**Third MSB Note**”). The Third MSB Note is secured by that certain Commercial Security Agreement (the “**Third MSB Security Agreement**”), dated May 23, 2014 and encumbering the entirety of the Debtors’ equipment.

The fourth of these loans is evidenced by that certain Promissory Note, by and between the Debtor as borrower and MSB as lender, dated December 16, 2014 and in the principal amount of \$806,917.00 (the “**Fourth MSB Note**”). The Fourth MSB Note is secured by that certain Commercial Security Agreement (the “**Fourth MSB Security Agreement**”), dated December 16, 2014 and encumbering the entirety of the Debtors’ equipment.

The fifth of these loans is evidenced by that certain Promissory Note, by and between the Debtor as borrower and MSB as lender, dated June 5, 2015 and in the principal amount of \$56,000.00 (the “**Fifth MSB Note**”). The Fifth MSB Note is secured by that certain Commercial Security Agreement (the “**Fifth MSB Security Agreement**,” and collectively with the First MSB Security Agreement, the Second MSB Security Agreement, the Third MSB Security Agreement, and the Fourth MSB Security Agreement, the “**MSB Security Agreements**”), dated June 5, 2015 and encumbering the entirety of the Debtors’ equipment.

The MSB Security Agreements are perfected by those certain UCC-1 financing statements filed with: (i) the Delaware Department of State,

¹ The Debtors have paid down \$368,088.00 of this amount since the Petition Date.

numbered 2012-0936619, 2012-0936692, 2013-2221688, 2015- 2556495, and 2015-2640141; and (ii) with the Secretary of State of Texas, numbered 12-006008057, 12-006008178, 12-0026138801, and 15-0019956298

(b) **SBA (Second-Priority, \$1,596,261.00 as of Petition Date).**²

In order to obtain further funding for equipment purchases and other operational costs, the Debtor also entered into two loan transactions with SBA. The first of these loans is evidenced by that certain Promissory Note, by and between the Debtor as borrower and SBA as lender, dated July 30, 2012 and in the principal amount of \$1,323,000.00 (the “**First SBA Note**”). The First SBA Note is secured by that certain Security Agreement (the “**First SBA Security Agreement**”), dated July 30, 2012 and encumbering the entirety of the Debtors’ equipment.

The second of these loans is evidenced by that certain Promissory Note, by and between the Debtor as borrower and SBA as lender, dated April 15, 2015 and in the principal amount of \$667,000.00 (the “**Second SBA Note**”). The Second SBA Note is secured by that certain Security Agreement (the “**Second SBA Security Agreement**,” and collectively with the First SBA Security Agreement, the “**SBA Security Agreements**”), dated April 2, 2015 and encumbering the entirety of the Debtors’ equipment.

The SBA Security Agreements are perfected by those certain UCC-1 financing statements filed with: (i) the Delaware Department of State, numbered 2015-1944940; and (ii) the Secretary of State of Texas, numbered 12-0024874139.

(c) **Taxing Authorities.** Certain state or relevant municipalities and government entities within Texas are entitled to automatic first lien priority pursuant to their state laws or are entitled to secured status by virtue of the Collateral that is located in such state. The Debtor has made Bankruptcy Court-approved payments as to all of its taxes, and does not believe that any secured claims are owed on account of taxes.

54 General Unsecured Claims. The Debtor has filed Schedules which list Creditors holding General Unsecured Claims in the aggregate amount of \$211,742.00. Various Bankruptcy Court-approved payments have reduced this amount to \$81,232.00 as of September 30, 2016.

55 Pending Litigation Involving the Debtor: The Debtor is a defendant to a certain piece of litigation brought by a former employee and certain other ostensibly similarly plaintiffs under the Fair Labor Standards Act (the “**Shorter Litigation**”) in the District Court for the Southern District of Texas (styled *Shannon Shorter, Individually and on Behalf of Others Similarly Situated v. Nova Directional, Inc.*, Case No. 15-00936, S.D.T.X. 2015, the “**Shorter Litigation**”). The Shorter Litigation has been stayed by the Debtor’s bankruptcy filing. The Debtor is not involved

² The Debtors have paid down \$196,863.00 of this amount since the Petition Date

in any active litigation which resides outside of its primary bankruptcy case; rather, the Debtor has challenged the validity of certain proofs of claim filed against it which the Debtor believes to be, to some extent, invalid:

<u><i>Counterparty</i></u>	<u><i>Nature of Dispute</i></u>
<i>Nova Directional, Inc. v. New Tech Global Ventures, LLC (Contested Matter, Main Case No. 15-36563)</i>	Contestation by the Debtor of defendant's proof of claim (contestation based on lack of support for claim, contestation of offset rights)
<i>Nova Directional, Inc. v. Shannon Shorter and Matthew Taylor (Contested Matter, Main Case No. 15-36563)</i>	Contestation by the Debtor of defendants' proof of claim (contestation of defendants' FLSA claims based on right to overtime pay and liquidated damages resultant from Debtor's bankruptcy)

ARTICLE VI MATTERS ARISING DURING THE CHAPTER 11 CASES

6.1 Commencement of the Debtor's Cases. The Debtor's Chapter 11 Case was commenced by the filing of a voluntary petition under Chapter 11 on the Petition Date. Shortly after this Case was commenced, the Debtor filed several motions incident to the management of the Bankruptcy Case that were granted by the Court, including motions for authority to use cash collateral and provide adequate protection to the Debtor's secured creditors, motion to pay prepetition wages/benefits above the statutory cap, motion to maintain current cash management system, motion to pay salaries and benefits, motions to maintain current insurance programs, motion to pay critical vendors, motion to pay and provide adequate assurance to the Debtor's utilities, and motion to pay outstanding and ongoing amounts owing to taxing authorities.

6.2 Actions Subsequent to Commencement of Cases. Subsequent to the commencement of the Debtors' cases, the Debtor initiated the FLSA Contested Matter and the New Tech Contested Matter with the goal of dismissing certain claims believed to be invalid by the Debtors. The Debtor also retained The Dore Law Group, P.C to as special counsel in connection with: (i) the analysis of the validity of various liens against the Debtor's Assets; and (ii) the protection and preservation of certain mineral liens held by the Debtor that reside in the bankruptcy estates of Ricochet Energy, Inc., et al. (W.D.T.X., Case No. 16-51148, jointly administered). Furthermore, the Debtor also engaged in productive and substantive

negotiations with its two primary secured lenders, MSB and the SBA, regarding the lenders' treatment under the prospective Plan in order to arrive at a potentially consensual treatment of the claims of the Debtor's secured claim, reduce the likelihood of objections to the Plan, and ensure a maximization of value to both the Debtor's secured and unsecured classes of creditors. The SBA has agreed to the Debtor's proposed treatment under the Plan and the Debtor is hopeful that MSB will also support the Debtor's Plan.

ARTICLE VII THE PLAN OF REORGANIZATION

The Debtor believes that the Plan provides the best vehicle by which Holders of Allowed Unsecured Claims can maximize the recovery on their Allowed Claims. A copy of the Plan is attached as **Exhibit A**. The Debtor urges you to review carefully and then vote to accept the Plan.

7.1 Summary of the Plan

The Plan provides for a continuance of the Debtor as a going concern (the "**Reorganized Debtor**"), a restructuring of the Debtor's obligations, and a satisfaction of the claims of the Debtor's creditors as provided in the terms and timeframes as follows:

1. The Reorganized Debtor will continue to operate as a going concern after Confirmation. Salesmen have been added in Texas and Oklahoma, which the Debtor anticipates will generate 5 new customers and an average of 3 to 4 new jobs per month. In addition, the Debtor is anticipating a major upcoming project in the Bakken Formation which is scheduled to begin in November 2016. Shareholders currently employed in management positions will be given appropriate salaries in order to maintain the Reorganized Debtor's continued operations. The Debtor believes that the post-Confirmation operations of the Reorganized Debtor will generate enough cash to effectively fund the Plan.
2. The underlying loan documents for the Allowed Secured Claims of MSB will be reinstated, but modified as follows: (i) payments to MSB will be made at full value through December 2016; (ii) payments will be made at 77.7% to MSB from January 2017 through December 2017; (iii) full payments to MSB shall resume in full beginning in January 2018; (iv) the payments shall be paid on a monthly basis and shall be comprised of principal and interest; and (v) MSB will retain its Liens against the Collateral securing its Claims.
3. The underlying loan documents for the Allowed Secured Claim of the SBA will be modified as follows: (i) payments to the SBA will be made at full value through December 2016; (ii) interest only payments will be made to the SBA from January 2017 through December 2017; (iii) full payments to the SBA shall resume in full beginning in January 2018; (iv) the payments shall be paid on a monthly basis and shall be comprised of

principal and interest; and (v) the SBA will retain its Liens against the Collateral securing its Claims.

4. All Allowed Secured Tax Claims will receive the following treatment: (i) interest will be paid from the Petition Date through the Effective Date at the rate of 1% per month; (ii) payments will be made in equal quarterly installments with post- Effective Date interest of 12% per annum, with the last installment to be paid no later than four years after the Petition Date. Holders of Secured Tax Claims shall retain their liens against their Collateral until full payment is made on the entirety of their obligations.
5. All Allowed Priority Tax Claims will be treated in accordance with 1129(a)(9)(c) of the Bankruptcy Code.
6. All Allowed General Unsecured Claims will either be paid, at the General Unsecured Claimant's option: (i) 35% of the Allowed Amount of their Claims within 10 days of the Effective Date; or (ii) in full over five years in 20 equal quarterly installments. The Reorganized Debtor will have the option to immediately pay off Allowed General Unsecured Claims at any time should sufficient liquidity exist. No interest will be paid on General Unsecured Claims.
7. All Allowed Shareholder Unsecured Claims shall be granted promissory notes payable on a monthly basis at an interest rate set forth in the notes. Holders of Allowed Shareholder Unsecured Claims will not be paid any cash or interest prior to satisfaction in full of all Allowed General Unsecured Claims, and shall only receive payment on such Allowed Shareholder Claims if full monthly payments to the Allowed Secured Claims have resumed.
8. Holders of Interests in the Debtor shall be given equivalent interest allocations in the Reorganized Debtor, subject to the satisfaction of all obligations to pay all Allowed Claims as set forth in the Disclosure Statement and the Plan. Holders of Interests in the Reorganized Debtor shall receive no dividends or tax remittances until all Allowed Claims are paid in full

7.2 Acceptance and Confirmation of the Plan

- (a) **Requirements for Confirmation.** At the confirmation hearing, the Court will determine whether the provisions of section 1129 of the Bankruptcy Code have been satisfied. Section 1129 of the Bankruptcy Code, as applicable here, provides as follows:

The Plan must comply with the applicable provisions of the Code, including section 1123 which specifies the mandatory contents of a plan and section 1122

which requires that Claims and Interests be placed in Classes with “substantially similar” Claims and Interests (section 1129(a)(1)).

The Debtor proposing the Plan must comply with the applicable provisions of the Code (section 1129(a)(2)).

The Plan must have been proposed in good faith and not by any means forbidden by law (section 1129(a)(3)).

Any payment made or to be made by the Debtor, or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Case, or in connection with the Plan and incident to the Case, must be disclosed to the Court and approved or be subject to the approval of the Court as reasonable (section 1129(a)(4)).

The Debtor must disclose the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the reorganized debtor, of an affiliate of the Debtor participating in the Plan with the Debtor, or of a successor to the Debtor under the Plan. The appointment to, or continuance in, such office of such individual must be consistent with the interests of the Debtor’s creditors, equity holders, and with public policy. The Debtor must also disclose the identity of any insider that will be employed or retained by the reorganized debtor and the nature of any compensation for such insider (section 1129(a)(5)).

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

Each Class of Claims or Interests must either accept the Plan or not be impaired under the Plan (section 1129(a)(8)). Alternatively, as discussed herein, the Plan may be confirmed over the dissent of a Class of Claims or Interests if the “cramdown” requirements of section 1129(b) of the Code are met.

Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan must provide that holders of Administrative Claims and Priority Claims (other than tax claims) will be paid in full in cash on the Effective Date of the Plan, and that holders of Priority Tax Claims will receive on account of such Claims deferred cash payments, over a period not exceeding six (6) years after the date of assessment of such tax, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim (section 1129(a)(9)).

At least one impaired Class must accept the Plan, determined without including the acceptance of the Plan by any insider holding a Claim of such Class (section 1129(a)(10)).

The Plan must be “feasible.” In other words, it cannot be likely that Confirmation will be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan, unless such liquidation is proposed in the Plan (section 1129(a)(11)).

All fees required to be paid under the Code have been paid or the Plan provides for such payment on its Effective Date (section 1129(a)(12)).

- (b) **The Plan Meets All of the Requirements for Confirmation.** The Debtor believes that the Plan satisfies all statutory requirements of Chapter 11 of the Code and should be confirmed. More specifically:
- (i) The Plan complies with all of the applicable provisions of the Bankruptcy Code;
 - (ii) The Debtor has complied with the Bankruptcy Code and has proposed the Plan in good faith;
 - (iii) All disclosure requirements concerning payments made or to be made for services rendered in connection with the Chapter 11 case or the Plan have been, or will be met prior to or at the Confirmation Hearing; and
 - (iv) Administrative Claims, Priority Claims, and fees required to be paid under the Code are appropriately treated under the Plan.

ARTICLE IX LIQUIDATION ANALYSIS

A liquidation analysis of the Debtor’s businesses is attached hereto as **Exhibit B**. The Debtor has considered alternatives to the Plan, such as a liquidation of the Debtor’s holdings in a

Chapter 7 case or a sale of a portion or all of the Debtor's assets, and does not believe that a Chapter 7 liquidation would afford the holders of Claims or Interests a return as great as may be achieved by the continuation of the Reorganized Debtor as a going concern as provided for under the Plan. The Debtor's expansion of its sales force is expected to generate significant new customers and jobs. Moreover, the Debtor's upcoming project in the Bakken Formation is expected to generate significant revenue in the short term.

Moreover, under Chapter 7, a trustee would be appointed to administer the Estate, to resolve pending controversies against the Debtor and claims of the Estate against other parties, and to make distributions to Creditors. If the Case was converted to cases under Chapter 7, significant additional Administrative Expenses would be incurred. Any distributions to holders of Claims would be substantially delayed and, in all likelihood, reduced as compared to the anticipated results of Confirmation of the Plan. A Chapter 7 trustee would be entitled to compensation in accordance with the scale set forth in section 326 of the Bankruptcy Code. A Chapter 7 trustee might also seek to retain new professionals, including attorneys and accountants, in order to resolve any disputed Claims and possibly to pursue claims of the Estate against other parties. As the Plan affords creditors the potential for the greatest realization from the Debtor's assets, it is therefore in the best interests of Creditors.

THE DEBTOR BELIEVES THAT CONFIRMATION AND IMPLEMENTATION OF THE PLAN IS PREFERABLE TO ANY OF THE ALTERNATIVES DESCRIBED HEREIN BECAUSE IT SHOULD PROVIDE GREATER RECOVERIES THAN THOSE AVAILABLE IN A CHAPTER 7 LIQUIDATION TO THE HOLDERS OF SECURED AND UNSECURED CLAIMS WHO WOULD LIKELY RECEIVE LESS IN A CHAPTER 7 LIQUIDATION. IN ADDITION, OTHER ALTERNATIVES WOULD INVOLVE DELAY, UNCERTAINTY, AND SUBSTANTIAL ADMINISTRATIVE COSTS.

ARTICLE X VOTING PROCEDURES

ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DETERMINED, PURSUANT TO THE BANKRUPTCY CODE, BASED UPON THE ALLOWED CLAIMS AND ALLOWED INTERESTS THAT ACTUALLY VOTE ON THE PLAN. THEREFORE, IT IS IMPORTANT THAT CLAIMANTS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN.

10.1 Classes Entitled to Vote on the Plan

All members of Impaired Classes who hold Allowed Claims are entitled to vote to accept or reject the Plan. Section 1124 of the Bankruptcy Code generally provides that a class of claims or interests is considered to be Impaired under a plan unless the plan does not alter the legal, equitable and contractual rights of the holders of such claims or interest. For purposes of Plan solicitation, all Classes of Claims except for Class 1 are Impaired and are, therefore, entitled to cast ballots on this Plan.

10.2 Persons Entitled to Vote on the Plan

Only holders of Allowed Claims and holders of Disputed Claims which have been temporarily allowed for voting purposes are entitled to vote on the Plan. For purposes of the Plan, an Allowed Claim is: (i) a Claim against or Interest in the Debtor, proof of which, if filed on or before the Bar Date, which is not a Contested Claim or Contested Interest; (ii) if no proof of Claim or Interest was so filed, a Claim against or Interest in the Debtor that has been or hereafter is listed by the Debtor in the Schedules as liquidated in amount and not disputed or contingent; or (iii) a Claim or Interest allowed hereunder or by Final Order. An Allowed Claim or Allowed Interest does not include any Claim or Interest or portion thereof which is a Disallowed Claim or Disallowed Interest which has been subsequently withdrawn, disallowed, released or waived by the holder thereof, by this Plan, or pursuant to Final Order. Unless otherwise specifically provided in the Plan, an Allowed Claim or Allowed Interest shall not include any amount for punitive damages or penalties. Therefore, although the holders of Disputed Claims will receive ballots, these votes will not be counted unless such Claims become Allowed Claims as provided under the Plan or are temporarily allowed for voting purposes by the Court.

THE CLAIMS IN ALL CLASSES UNDER THE PLAN, WITH THE EXCEPTION OF CLASS 1, ARE IMPAIRED AND ARE ENTITLED TO VOTE WITH RESPECT TO ACCEPTANCE OR REJECTION OF THE PLAN.

10.3 Vote Required For Class Acceptance

During the Confirmation Hearing, the Bankruptcy Court will determine whether the Classes voting on the Plan have accepted the Plan by determining whether sufficient acceptances have been received from the holders of Allowed Claims actually voting in such Classes. A Class of Claims will be determined to have accepted the Plan if the holders of Allowed Claims in the Class casting votes in favor of the Plan (i) hold at least two-thirds of the total amount of the Allowed Claims of the holders in such Class who actually vote and (ii) constitute more than one-half in number of holders of the Allowed Claims in such Class who actually vote on 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 “cramdown” exception of section 1129(b) described herein. To effectuate the section 1129(b) exception, at least one impaired Class of Claims must accept the Plan.

10.4 Voting Instructions

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

EACH CREDITOR WILL RECEIVE A SINGLE BALLOT ONLY. IF YOU HAVE MORE THAN ONE CLAIM AGAINST THE DEBTOR, YOU MAY REPRODUCE THIS BALLOT AS MANY TIMES AS NECESSARY TO PROPERLY VOTE YOUR CLAIMS. IF YOU HAVE ANY QUESTIONS CONCERNING THE BALLOT OR VOTING PROCEDURES, YOU SHOULD CONTACT COUNSEL FOR THE DEBTORS:

**BRIAN A. KILMER
KILMER CROSBY & WALKER PLLC
5100 Westheimer, 2nd Floor
Houston, Texas 77056
Telephone: 713-588-4344
Facsimile: 214-731-3117**

BALLOTS THAT ARE SIGNED AND RETURNED, BUT NOT EXPRESSLY VOTED EITHER FOR ACCEPTANCE OR REJECTION OF THE PLAN, SHALL BE COUNTED AS BALLOTS FOR THE ACCEPTANCE OF THE PLAN IF PERMITTED BY THE BANKRUPTCY COURT.

- (b) **Returning Ballots and Voting Deadline.** You should complete and sign each Ballot that you receive and return it in the pre-addressed envelope enclosed with each Ballot to the counsel for the Debtor in the self-addressed envelope provided, by the Voting Deadline.

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

- (c) **Incomplete or Irregular Ballots.** Ballots which fail to designate the Class to which they apply shall be counted in the appropriate Class as determined by the Debtor, subject only to contrary determinations by the Bankruptcy Court.
- (d) **Changing Votes.** Bankruptcy Rule 3018(a) permits a Claimant, for cause, to move the Bankruptcy Court to permit such claimant to change or withdraw its acceptance or rejection of a plan of reorganization.

10.5 Contested and Unliquidated Claims

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

10.6 Possible Reclassification of Creditors and Interest Holders

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

ARTICLE XI CRAMDOWN OR MODIFICATION OF THE PLAN

11.1 “Cramdown”: Section 1129(b) of the Bankruptcy Code

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

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

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

The Court may find that the Plan is “fair and equitable” with respect to a Class of non-accepting impaired Unsecured Claims only if (a) each impaired unsecured Creditor receives or retains under the Plan property of a value as of the Effective Date of such Plan equal to the amount of its Allowed Claim, or (b) the holder of any Claim or Interest that is junior to the Claims of the

dissenting Class will not receive or retain any property under the Plan.

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

If all of the provisions of section 1129 are met, the Court may enter an order confirming the Plan.

11.2 The Plan Meets the “Best Interests of Creditors” Test

The “best interest of creditors” test requires that the Court find that the Plan provides to each non-accepting holder of a Claim or Interest treated under the Plan a recovery which has a present value at least equal to the present value of the distribution that such person would receive from the Debtor if the Debtor were liquidated under Chapter 7 of the Code. An analysis of the likely recoveries and effect on Creditors in the event of liquidation under Chapter 7 of the Code is attached hereto as **Exhibit B**.

11.3 The Plan is Feasible

The Code requires that, as a condition to Confirmation of a plan, the Court find that Confirmation is not likely to be followed by a liquidation or a need for further financial reorganization except as proposed in that plan. The Plan provides for the Reorganized Debtor to continue operating as a going concern, and the Debtor anticipates that cash flow from ongoing operations will adequately fund payments to all constituencies under the Plan. Projections detailing the Reorganized Debtor’s future financial performance and Plan payments are attached hereto as Exhibit C. Accordingly, the Plan is unlikely to be followed by a liquidation or a need for further financial reorganization, and is therefore feasible under the Bankruptcy Code.

11.4 The Plan Meets the Cramdown Standard With Respect to Any Impaired Class of Claims Rejecting the Plan

The Plan satisfies the provisions for cramdown under section 1129(b)(2) of the Bankruptcy Code. Secured Creditors are retaining their Liens and receiving the value of their interest in the Debtors’ property totaling the Allowed Amount of their Secured Claims. Interest holders are not receiving or retaining any property under the Plan on account of their Interests unless and until all senior Creditors are paid in full. In the event an Impaired Class rejects the Plan, the Plan shall be deemed a motion for cramdown of such Class under section 1129(b)(2) of the Bankruptcy Code.

11.5 Modification or Revocation of the Plan; Severability

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code and any applicable notice requirements, the Debtor reserves the right to alter, amend or modify the Plan before its substantial consummation. The Debtor also reserves the right to withdraw the Plan prior to the Confirmation Date. If the Debtor withdraws the Plan, or if Confirmation does not occur, then the Plan shall be null and void in all respects, and nothing contained in the Plan will: (1) constitute a waiver or release of any Claims or rights against, or any Interest in, the Debtor; or (2) prejudice in any manner the rights of the Debtor.

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, at the request of the Debtor, has the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

ARTICLE XII RISK FACTORS

The following is intended as a summary of certain risks associated with the Plan, but is not exhaustive and must be supplemented by the analysis and evaluation of the Plan and this Disclosure Statement made by each Claimant as a whole in consultation with such Claimant's own advisors.

12.1 Cash Flow

In order for Creditors to be paid, the Plan requires that the Reorganized Debtor's operations produce a minimum level of cash flow for distribution. It is possible that the Reorganized Debtor's future cash flow from its operations may not meet the projections attached hereto as **Exhibit C**. Despite these risks, the Debtor believes that the most realistic and timely avenue by which Creditors will be paid is through future cash flow produced by the Reorganized Debtor's operations as proposed in the Plan.

12.2 Uncertain Results of Pending and Future Litigation.

As mentioned above, the Debtors are involved in: (i) one piece of federal district court litigation surrounding claims by former Debtor employees under the Fair Labor Standards Act which have been stayed by this Case; and (ii) two contested matters with potential Claimants which are currently pending in the Bankruptcy Court. The results of these pending pieces of litigation should be considered in any decision as to accept or reject the Plan.

12.3 Insufficient Acceptances

The Plan may not be confirmed without sufficient accepting votes. Each impaired Class of Claims and Interests receiving a distribution under the Plan is given the opportunity to vote to accept or reject the Plan. The Plan will be accepted by a Class of impaired Claims if the Plan is accepted by Claimants in such Class actually voting on the Plan who hold *at least* two-thirds (2/3) in amount and *more than* one-half (1/2) in number of the total Allowed Claims of that Class which actually vote. The Plan will be accepted by a Class of Impaired Interests if it is accepted by holders of Interests in such Class actually voting on the Plan who hold *at least* two-thirds (2/3) in amount of the total Allowed Interests of the Class which actually vote. However, an Interest Holder is deemed to have rejected the Plan and is therefore not entitled to vote on the Plan. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes.

If any impaired Class of Claims under the Plan fails to provide acceptance levels sufficient to meet the minimum Class vote requirements but at least one Impaired Class of Claims accepts the Plan, then, subject to the provisions of the Plan, the Debtor intends to request Confirmation of the Plan under Section 1129(b) of the Bankruptcy Code.

ARTICLE XIII CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain possible federal income tax consequences of the Plan to the Debtor, and to the holders of Claims and Interests. It is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations, and administrative and judicial interpretations thereof which are now in effect, but which could change, even retroactively, at any time. This discussion does not address all aspects of federal, state and local tax laws that could impact the various classes of Claimants, the holders of Interests or the Debtor.

NO RULING HAS BEEN SOUGHT OR OBTAINED FROM THE IRS WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN OBTAINED BY THE DEBTOR WITH RESPECT THERETO. NO REPRESENTATIONS OR ASSURANCES ARE BEING MADE WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES AS DESCRIBED HEREIN. CERTAIN TYPES OF CLAIMANTS AND INTEREST HOLDERS MAY BE SUBJECT TO SPECIAL RULES NOT ADDRESSED IN THIS SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES. FURTHER, STATE, LOCAL, OR FOREIGN TAX CONSIDERATIONS MAY APPLY TO A HOLDER OF A CLAIM OR INTEREST WHICH ARE NOT ADDRESSED HEREIN. BECAUSE THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND MAY VARY BASED ON INDIVIDUAL CIRCUMSTANCES, EACH HOLDER OF A CLAIM OR INTEREST AFFECTED BY THE PLAN MUST CONSULT, AND RELY UPON, HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO THAT HOLDER’S CLAIM OR INTEREST. THIS INFORMATION MAY NOT BE USED OR QUOTED IN WHOLE OR IN PART IN CONNECTION WITH THE OFFERING FOR SALE OF SECURITIES.

131 Tax Consequences to the Debtor. Under the IRC, a taxpayer generally must include in gross income the amount of any discharge of indebtedness income realized during the taxable year. Section 108(a)(1)(A) of the IRC provides an exception to this general rule, however, in the case of a taxpayer that is under the jurisdiction of a bankruptcy court in a case brought under the Bankruptcy Code where the discharge of indebtedness is granted by the court or is pursuant to a Plan approved by the court, provided that the amount of discharged indebtedness that would otherwise be required to be included in income is applied to reduce certain tax attributes of the taxpayer. Section 108(e)(2) of the IRC provides that a taxpayer shall not realize income from the discharge of indebtedness to the extent that satisfaction of the liability would have given rise to a deduction. As a result of sections 108(a)(1)(A) and 108(e)(2) of the IRC, the Debtor does not anticipate that any of them will recognize any taxable income from the discharge of indebtedness through the Chapter 11 Cases. Reductions in tax attributes (net operating loss carryover) will occur to the extent of cancellation of indebtedness income not recognized due to the above.

Under section 1141 of the Bankruptcy Code, confirmation of the Plan will discharge the Debtor from all debts except as provided for in the Plan. Implementation of the Plan may result in discharge of indebtedness to the Debtor as a matter of tax law to the extent of any unsatisfied portion of such Claims. Any such discharge of indebtedness should not be included in gross income of the Debtor, however, because of the exceptions to such inclusion discussed above.

132 Tax Consequences to Creditors. A Creditor who receives cash or other consideration in satisfaction of any Claim may recognize ordinary income. The impact of such ordinary income, as well as the tax year for which the income shall be recognized, shall depend upon the individual circumstances of each Claimant, including the nature and manner of organization of the Claimant, the applicable tax bracket for the Claimant, and the taxable year of the Claimant. Each Creditor is urged to consult with its tax advisor regarding the tax implications of any payments or distributions under the Plan.

In general, the principal federal income tax consequences of the Plan to holders of Claims will be (a) recognition of loss or a bad debt deduction to the extent that the total payments received under the Plan with respect to the Claim are less than the adjusted basis of the holder in such Claim, or (b) recognition of taxable income by the holder of the Claim to the extent of the excess of the amount of any payments made under the Plan in respect of the Claim over the holder's adjusted basis therein.

Common examples of holders of Claims who may recognize taxable income upon receipt of payments under the Plan include (a) former employees with Claims for services rendered while serving as employees of the Debtor, (b) trade creditors whose Claims represent an item not previously reported in income (including Claims for lost income upon rejection of leases or other contracts with the Debtor), (c) holders of Claims who had previously claimed a bad debt deduction with respect to their Claims in excess of their ultimate economic loss, and (d) holders of Claims that include amounts of pre-petition interest that had not previously been reported in income. Common examples of Claims who may recognize a loss or deduction for tax purposes as a result of implementation of the Plan, provided that such holders are not paid in full, include holders of Claims that arose out of cash actually loaned or advanced to the Debtor, and holders of Claims consisting of items that were previously included in income of such holders on the accrual method of

accounting, to the extent, in both cases, that the economic loss to such holders has not been allowed as a tax deduction in a prior year.

The amount and character or any resulting income or loss recognized for federal income tax consequences to a holder of any Claim as a result of implementation of the Plan will, however, depend on many factors. The most significant of these factors include (a) the nature and origin of the Claim, (b) whether the holder is a corporation (c) the extent to which the Plan provides for payment of the particular Claim, (d) the extent to which any payment made is allocable to pre-petition interest which is part of such Claim, and (e) the prior tax reporting positions taken by the holder with respect to the item that constitutes the Claim. As to the last factor, relevant tax reporting positions include whether the holder had to report under its method of accounting any portion of the Claim (including accrued and unpaid interest) as income prior to receipt and whether the holder previously claimed a bad debt or worthlessness deduction with respect to the Claim, which would affect the adjusted basis of the holder in the Claim.

General rules for the deduction of bad debts are provided in IRC section 166 as follows:

If either (a) the creditor is a corporation, or (b) the debt is a business bad debt in the hands of the creditor, and the creditor demonstrates that the debt is collectable only in part, a deduction for partial worthlessness of the debt will be allowed to the extent that the debt is charged off in the accounting records of the creditor.

For a creditor not described in the previous paragraph, a bad debt deduction is allowable only in the year that the debt becomes wholly worthless.

If the creditor is not a corporation and the debt is a nonbusiness bad debt, the bad debt deduction is treated as a short-term capital loss, which can offset only capital gain income and a limited amount of ordinary income.

For purposes of IRC section 166, a “nonbusiness debt” means a debt other than (i) a debt created or acquired in connection with the creditor’s trade or business, or (ii) a debt the loss from the worthlessness of which was incurred during the operation of the creditor’s trade or business.

The time as of which a debt becomes worthless (or partially worthless), and therefore the tax year in which a creditor may claim a bad debt deduction, is a question of fact. Pursuant to Income Tax Regulations (“Regs.”) section 1.166-2(c), as a general rule, bankruptcy is an indication of the worthlessness of at least a part of an unsecured, non-priority debt. In bankruptcy cases, a debt may become worthless before settlement in some instances, and only when a settlement in bankruptcy has been reached in other instances. The mere fact that bankruptcy proceedings instituted against the debtor are terminated in a later year, thereby confirming the conclusion that the debt is worthless (or partially worthless), does not necessarily shift the deduction to such later year. Thus, even though the precise amount that holders of General Unsecured Claims or other Claims will receive under the Plan may not be known until the final distribution date, the determination of the precise amount that will be paid under the Plan with respect to a Claim, or that no amount will be paid, does not necessarily establish that any resulting bad debt deduction is properly allowable in the Creditor’s tax year in which the final distribution is made, rather than in an earlier year. Accordingly, to the extent

that a Creditor may claim a bad debt deduction which it has not previously claimed, it is possible that the Creditor will be required to amend its return for a prior year and claim the deduction in that year, rather than in the year in which the final distribution is made. Creditors should consult with their individual tax advisors with respect to this issue.

The extent to which gain or loss may be recognized by a holder of a Claim upon implementation of the Plan may be significantly affected by any bad debt deduction that may have been claimed by the holder in a prior year with respect to the debt on which the Claim is based. If the holder took a bad debt deduction in a prior year which is recovered in whole or part through a payment made to the holder pursuant to the Plan, the holder will generally be required to include in income the amount recovered in the year the holder receives the payment. An exception to this rule permits exclusion of a recovery of a prior bad debt deduction to the extent that the earlier bad debt deduction did not produce a tax benefit to the holder.

THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING OR CONSULTATION WITH A TAX ADVISOR. THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS OR HER OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

**ARTICLE XIV
RECOMMENDATION OF THE DEBTOR**

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

DATED: November 11, 2016

DEBTOR:

NOVA DIRECTIONAL, INC.

By: /s/Edward Chiaramonte
Edward Chiaramonte, President

KILMER CROSBY & WALKER PLLC

By: /s/ Brian A. Kilmer

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Houston, Texas 77056

Telephone: 713.588.4344

Facsimile: 214.763.6801

COUNSEL FOR THE DEBTOR

Exhibit A

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:	§	CASE NO. 15-36563
	§	
NOVA DIRECTIONAL, INC.,	§	Chapter 11
	§	
Debtor.	§	

**FIRST AMENDED
CHAPTER 11 PLAN OF REORGANIZATION OF NOVA DIRECTIONAL, INC.
(Dated: November 11, 2016)**

Nova Directional, Inc. (the “**Debtor**”) proposes the following First Amended Chapter 11 Plan of Reorganization of Nova Directional, Inc. (the “**Plan**”) pursuant to title 11 of chapter 11 of the United States Code (the “**Bankruptcy Code**”).

SUMMARY OVERVIEW

The Debtor is an oil-field service oriented company whose founders have over thirty years of experience in directional and horizontal drilling. The Debtor is a privately owned and operated company that understands the domestic drilling market and strives to deliver the best customer service by providing experienced personnel and supervision and a wide range of tools to best suit the specific drilling environment.

The specific services the Debtor provides to its customers include: a) engineering and wellbore design; b) directional drilling services; c) directional drilling supervision services; d) performance drilling motors; e) logging while drilling (LWD) and measurement while drilling (MWD) services; and f) consulting services related to engineering, production and completion of wells.

The precipitous decline of oil and gas prices over the past year has had a significant negative impact on the Debtor’s drilling business. Indeed, the Debtor’s revenues dropped over fifty percent in 2015 (compared to 2014) and EBITDA has fallen off steeply as a result. In response, the Debtor has undertaken aggressive measures to combat the significant drop in its revenues, including laying off a significant number of employees, cutting management numbers and salaries and also cutting general administrative costs significantly.

Unfortunately, due to the significant drop in drilling opportunities, the consequent significantly reduced revenues, and the Debtor’s debt load, the Debtor’s management was concerned that the value of the Debtor’s assets were less than the outstanding liabilities and management became increasingly concerned about its ability to pay the current and potential claims. After exploration of all viable restructuring opportunities, including the sale of some or all of the Debtor’s asset both inside and outside of the bankruptcy process, the Debtor’s management concluded that it should undertake an orderly restructuring of its business in a Chapter 11 proceeding in order to try to maximize value for its creditors.

The Plan provides for a continuance of the Debtor as a going concern (the “**Reorganized Debtor**”), a restructuring of the Debtor’s obligations, and a satisfaction of the claims of the Debtor’s creditors as provided in the terms and timeframes as follows:

1. The Reorganized Debtor will continue to operate as a going concern after Confirmation. Salesmen have been added in Texas and Oklahoma, which the Debtor anticipates will generate 5 new customers and an average of 3 to 4 new jobs per month. In addition, the Debtor is anticipating a major upcoming project in the Bakken Formation which is scheduled to begin in November 2016. Shareholders currently employed in management positions will be given appropriate salaries in order to maintain the Reorganized Debtor’s continued operations. The Debtor believes that the post-Confirmation operations of the Reorganized Debtor will generate enough cash to effectively fund the Plan.
2. The underlying documents supporting the Allowed Secured Claims of MSB will be modified as follows: (i) payments to MSB will be made at full value through December 2016; (ii) payments will be made at 77.5% to MSB from January 2017 through December 2017; (iii) full payments to MSB shall resume in full beginning in January 2018; (iv) the payments shall be paid on a monthly basis and shall be comprised of principal and interest; and (v) MSB will retain its Liens against the Collateral securing its Claims.
3. The underlying documents supporting the Allowed Secured Claims of SBA will be modified as follows: (i) payments to SBA will be made at full value through December 2016; (ii) interest only payments will be made to SBA from January 2017 through December 2017; (iii) full payments to SBA shall resume in full beginning in January 2018; (iv) the payments shall be paid on a monthly basis and shall be comprised of principal and interest; and (v) SBA will retain its Liens against the Collateral securing its Claims.
4. All Allowed Secured Tax Claims will receive the following treatment: (i) interest will be paid from the Petition Date through the Effective Date at the rate of 1% per month; (ii) payments will be made in equal quarterly installments with post-Effective Date interest of 12% per annum, with the last installment to be paid no later than four years after the Petition Date. Holders of Secured Tax Claims shall retain their liens against their Collateral until full payment is made on the entirety of their obligations.
5. All Allowed Priority Tax Claims will be treated in accordance with 1129(a)(9)(c) of the Bankruptcy Code.
6. All Allowed General Unsecured Claims will either be paid, at the General Unsecured Claimant’s option: (i) 35% of the Allowed Amount of their Claims within 10 days of the Effective Date; or (ii) in full over five years in 20 equal quarterly installments. The Reorganized Debtor will have the option to

immediately pay off Allowed General Unsecured Claims at any time should sufficient liquidity exist. No interest will be paid on General Unsecured Claims.

7. All Allowed Shareholder Unsecured Claims shall be granted promissory notes payable on a monthly basis at an interest rate set for in the notes. Holders of Allowed Shareholder Unsecured Claims will not be paid any cash or interest prior to satisfaction in full of all Allowed General Unsecured Claims, and shall only receive payment on such Allowed Shareholder Claims if full monthly payments to the Allowed Secured Claims have resumed.
8. Holders of Interests in the Debtor shall be given equivalent interest allocations in the Reorganized Debtor, subject to the satisfaction of all obligations to pay all Allowed Claims as set forth in the Disclosure Statement and the Plan. Holders of Interests in the Reorganized Debtor shall receive no dividends or tax remittances until all Allowed Claims are paid in full.

ARTICLE I

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings when used in initially capitalized form in this Plan. Such meanings shall be equally applicable to both the singular and plural forms of such terms. Any term used in initially capitalized form in this Plan that is not defined herein, but that is defined in the Bankruptcy Code, shall have the meaning assigned to such term in the Bankruptcy Code.

11 Administrative Claim means a Claim for payment of an administrative expense under sections 503(b) or 1114(e)(2) of the Bankruptcy Code and entitled to priority under section 507(a)(1) of the Bankruptcy Code, including (a) actual, necessary costs and expenses, incurred after the Petition Date, of preserving the Debtor's Estate and operating their business, including wages, salaries, or commissions for services rendered after the Petition Date, (b) Fee Claims, (c) all fees and charges assessed against the Estate under 28 U.S.C. §1930 and (d) all Allowed Claims entitled to be treated as Administrative Claims by virtue of a Final Order entered under section 546(c)(2)(A) of the Bankruptcy Code.

12 Allowed Amount means the amount in lawful currency of the United States of any Allowed Claim, or the percentage of partnership interest representing any Allowed Interest.

13 Allowed Claim and Allowed Interest means, with reference to any Claim or Interest: (i) a Claim against or Interest in the Debtor, proof of which, if required, was Filed on or before the Bar Date, which is not a Contested Claim or Contested Interest; (ii) if no proof of claim or interest was so Filed, a Claim against or Interest in the Debtor that has been or hereafter is listed by the Debtor in its Schedules as liquidated in amount and not disputed or contingent; or (iii) a Claim or Interest allowed hereunder or by Final Order. An Allowed Claim or Allowed Interest does not include any Claim or Interest or portion thereof which is a Disallowed Claim or Disallowed Interest or which has been subsequently withdrawn, disallowed, released or waived by the holder thereof, by this Plan, or pursuant to a Final Order. Unless otherwise specifically provided in this Plan, an Allowed Claim or Allowed Interest shall not include any amount for punitive damages or penalties.

1.4 **Avoidance Actions** means any claim or cause of action belonging to the Debtors or Reorganized Debtors and arising under the Bankruptcy Code, including but not limited to sections 544, 547, 548 and 550.

1.5 **Bankruptcy Court** means the United States Bankruptcy Court for the Southern District of Texas, Houston Division.

1.6 **Bar Date** means the deadline by which a Claim must have been timely Filed, and has been set at April 13, 2016.

1.7 **Business Day** means any day other than a Saturday, Sunday, or legal holiday (as that term is defined in Bankruptcy Rule 9006(a)).

1.8 **Chiaramonte** means Edward Chiaramonte, an equity holder in the Debtor.

1.9 **Claim** means right of payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured.

1.10 **Claimant** means a holder of a Claim.

1.11 **Class** means all of the holders of Claims against or Interests in the Debtor that have been designated as a class in Article III hereof.

1.12 **Collateral** means any property or interest in property of the Debtor's Estate that is subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance under the Bankruptcy Code.

1.13 **Confirmation** means the Bankruptcy Court's confirmation of the Plan.

1.14 **Confirmation Date** means the date of entry by the Court of an order confirming the Plan.

1.15 **Confirmation Hearing** means the hearing to be held before the Bankruptcy Court in which the Plan Proponents shall seek Confirmation of this Plan.

1.16 **Confirmation Order** means the Final Order confirming this Plan.

1.17 **Consummation** shall mean the instant upon which the first distributions of cash or property has been made to any class of Creditors under this Plan, at which time this Plan shall be deemed fully consummated and on which date this Plan shall be fully effective.

1.18 **Contested** when used with respect to a Claim or Interest, means a Claim against or Interest in the Debtor that is: (i) listed in one of the Debtor's Schedules as disputed, contingent, or unliquidated and as to which a proof of claim has been timely Filed; (ii) listed in one of the Debtor's Schedules as undisputed, liquidated, and not contingent and as to which a proof of Claim or Interest has been Filed with the Bankruptcy Court, to the extent the proof of Claim or Interest amount exceeds the amount provided for in one of the Debtor's Schedules; or (iii) the subject of an objection which has been or may be timely Filed and which claim has not been allowed or disallowed by Final Order. Further, except as otherwise provided in this Plan, a Contested Claim shall also include any Claim as to which the holder has retained property of the Estate. To the extent an objection relates to the allowance of only a part of a Claim or Interest, such a Claim or

Interest shall be a Contested Claim or Contested Interest only to the extent of the objection.

1.19 Creditor means the holder of a Claim as of the Petition Date.

1.20 Debtor's Assets means all assets of any kind or description comprising the Debtor's Estate.

1.21 Disallowed Claim or Disallowed Interest means a Claim against or Interest in the Debtor, or any portion thereof: (i) that has been disallowed by Final Order; (ii) for which a proof of claim has been untimely Filed and as to which no Order of allowance has been entered by the Bankruptcy Court; or (iii) listed as disputed, contingent, or unliquidated and as to which no proof of claim or proof of interest has been timely Filed.

1.22 Disclosure Statement means the written disclosure statement approved by the Bankruptcy Court that the Debtor has distributed to solicit acceptances of the Plan.

1.23 Effective Date means the date on which the Debtor takes the steps necessary to effectuate the Plan, which date is not later than 14 days after the date of entry of the Confirmation Order. Notice of the occurrence of the Effective Date shall be filed herein by the Reorganized Debtor.

1.24 Entity includes any individual, partnership, corporation, estate, trust, governmental unit, person, and the United States Trustee.

1.25 Estate means the estate of the Debtor, being all non-exempt assets of the Debtor, as created under section 541 of the Bankruptcy Code upon the commencement of the chapter 11 Cases.

1.26 Fee Claim means a Claim for fees and expense reimbursements under sections 330 or 503(b) of the Bankruptcy Code.

1.27 Filed means filed with the Bankruptcy Court.

1.28 Final Order means an order or judgment, entered by the Bankruptcy Court or other court of competent jurisdiction, that has not been amended, modified or reversed and as to which: (i) no stay is in effect; (ii) the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing, shall then be pending; or (iii) in the event that an appeal, writ of certiorari, reargument or rehearing thereof has been sought, such order shall have been affirmed by the highest court to which such order may be appealed, or certiorari has been denied, and the time to take any further appeal, petition for certiorari or move for re-argument or rehearing shall have expired.

1.29 FLSA Contested Matter means that certain *Objection to Claim Filed by Shannon Shorter and Matthew Taylor*, filed by the Debtor in this Chapter 11 Case [Docket No. 96] on October 3, 2016.

1.30 General Unsecured Claims means an Unsecured Claim that: (i) is not entitled to priority under section 507 of the Bankruptcy Code; (ii) does not constitute a Shareholder Unsecured Claim.

1.31 Governmental Bar Date means the deadline by which a Claim must have been

timely Filed by a Governmental Entity, and has been set at June 14, 2016

132 Governmental Unit shall have the meaning accorded it in section 101(27) of the Bankruptcy Code.

133 Harper means Joe Harper, an equity holder in the Debtor.

134 Impaired means the treatment of an Allowed Claim or Allowed Interest under this Plan unless, with respect to such Claim or Interest, either: (i) this Plan leaves unaltered the legal, equitable, and contractual rights to which such Claim or Interest entitles the holder of such Claim or Interest; or (ii) notwithstanding any contractual provision or applicable law that entitles the holder of such Claim or Interest to demand or receive accelerated payment of such Claim or Interest after occurrence of a default by the Debtor (A) cures any default that occurred before, on or after the commencement of the Chapter 11 case other than default of the kind specified in section 365(b)(2) of the Bankruptcy Code; (B) reinstates the maturity of such Claim or Interest as such maturity existed before such default; (C) compensates the holder of such Claim or Interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and (D) does not otherwise alter the legal, equitable or contractual rights to which such Claim or Interest entitles the holder of such Claim or Interest.

135 Interest means an equity ownership interest in the Debtor.

136 Krajnik means Mike Krajnik, an equity holder in the Debtor.

137 Lien means all valid and enforceable liens, security interests, claims and encumbrances against any property of the Debtor's Estate which are permitted by, or not avoided pursuant to, the Bankruptcy Code.

138 New Tech Contested Matter means that certain *Objection to Claim Filed by New Tech Global Ventures, LLC*, filed by the Debtor in this Chapter 11 Case [Docket No. 95] on October 3, 2016.

139 MSB means MidSouth Bank, N.A.

140 MSB Loan Documents means: (i) that certain promissory note in the original principal amount of \$1,835,981.00 and dated February 9, 2012; (ii) that certain promissory note in the original amount of \$381,950.00 and dated August 6, 2012; (iii) that certain promissory note in the original amount of \$184,577.00 and dated May 23, 2014; (iv) that certain promissory note in the original amount of \$806,917.00 and dated December 16, 2014; (v) that certain promissory note in the original amount of \$56,000.00 and dated June 5, 2015; (vi) that certain Commercial Security Agreement, dated February 2, 2012; (vii) that certain Commercial Security Agreement, dated August 6, 2012; (viii) that certain Commercial Security Agreement, dated May 23, 2014; (ix) that certain Commercial Security Agreement, dated December 16, 2014; (x) that certain Commercial Security Agreement, dated June 5, 2015; (xi) those certain UCC-1 financing statements filed with the Delaware Department of State, numbered 2012-0936619, 2012-0936692, 2013-2221688, 2015- 2556495, and 2015-2640141; and (xii) those certain UCC-1 financing statements filed with the Secretary of State of Texas, numbered 12-006008057, 12-006008178, 12-0026138801, and 15-0019956298.

141 Order means an order or judgment of the Bankruptcy Court.

142 Person means an individual, corporation, partnership, joint venture, association,

joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization or other entity.

143 **Petition Date** means December 16, 2015.

144 **Plan Documents** means this Plan, the Disclosure Statement, and any and all other documents necessary to effectuate this Plan, and all exhibits and attachments to any of the foregoing.

145 **Priority Claim** means all Claims entitled to priority under sections 507(a)(2)-(a)(7) and (a)(9) of the Bankruptcy Code.

146 **Priority Tax Claim** means any claim of a Governmental Unit of the kind specified in section 507(8)(a) of the Bankruptcy Code.

147 **Puente** means Andres Puente, an equity holder of the Debtor.

148 **Rangel** means Rafael Rangel, an equity holder in the Debtor.

149 **Reorganized Debtor** means the Debtor as reorganized pursuant to and under the Plan.

150 **SBA** means United States Small Business Administration.

151 **SBA Loan Documents** means: (i) that certain Promissory Note, dated July 30, 2012 and in the principal amount of \$1,323,000.00; (ii) that certain Promissory Note, dated April 2, 2015 and in the principal amount of \$667,000.00; (iii) that certain Security Agreement, dated April 2, 2015; (iv) that certain financing statement filed with the Secretary of State of Texas, numbered 12-0024874139; and (v) that certain financing statement filed with the Delaware Department of State, numbered 2015-1944940.

152 **Schedules** means those schedules and statements of financial affairs filed by the Debtor under Federal Rule of Bankruptcy Procedure 1007, as same may be amended from time to time.

153 **Secured Tax Claim** means any Secured Claim that, absent its secured status, would be entitled to right of payment under 507(a)(8) of the Bankruptcy Code (determined irrespective of time limitations), including any related Secured Claim for penalties.

154 **Secured Claim** means an Allowed Claim that is secured by a lien on or security interest in property in which the Debtor's Estate has an interest, or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of a Claimant's interest in a Debtor's Estate's interest in such property, or to the extent of the amount subject to setoff, as the case may be.

155 **Shareholder Unsecured Claim** means an Unsecured Claim against the Debtor that is held by a holder of an Interest in the Debtor.

156 **Shorter Litigation** means that certain piece of litigation between Shannon Shorter and other ostensibly similarly situated plaintiffs, styled *Shannon Shorter, Individually and on Behalf of Others Similarly Situated v. Nova Directional, Inc.* (Case No. 15-00936, S.D.T.X. 2015).

157 **Taxes** means and includes all federal, state, county and local income, ad valorem, excise, stamp and other taxes of any type or nature whatsoever.

158 **Tax Claims** means any and all Secured or Priority Claims of any Entity for the payment of any Taxes: (i) accorded a priority pursuant to section 507(a)(8) of the Code; or (ii) secured by valid Liens on assets of the Debtor existing on the Confirmation Date. Additionally, all Liens securing Tax Claims shall be deemed and legally treated as released, voided and discharged upon payment of such Claims in full.

159 **Unsecured Creditor** means the holder of a Claim that is not secured by a Lien and includes General Unsecured Claims, Shareholder Unsecured Claims, Administrative Claims, Priority Claims, or Priority Tax Claims.

ARTICLE II

TREATMENT OF NON-CLASSIFIED CLAIMS

2.1 **Administrative Claims:**

- (a) **In General.** Each holder of an Administrative Claim except as otherwise set forth in this Article 2 (and specifically excluding Priority Tax Claims as set forth in Section 2.2 below) shall receive either: (i) with respect to Administrative Claims which are Allowed Claims on the Effective Date, the amount of such holder's Allowed Claim in one cash payment, within 10 days after the Effective Date, from the Reorganized Debtor; (ii) with respect to Administrative Claims which become Allowed Claims after the Effective Date, the amount of such holder's Allowed Claim, in one cash payment from the Reorganized Debtor within 10 days after such claim becomes an Allowed Administrative claim; or (iii) such other treatment agreed upon by the Debtor and such holder.
- (b) **Fee Claims.** Each professional person whose retention with respect to the Debtor's case has been approved by the Bankruptcy Court or who holds, or asserts, an Administrative Claim that is a Fee Claim shall be required to file with the Bankruptcy Court a final fee application within thirty (30) days after the Effective Date and to serve notice thereof on all parties entitled to such notice. The failure to file timely any such application as required under this Section 2.1(b) of this Plan shall result in the Fee Claim being forever barred and discharged. A Fee Claim, with respect to which a Fee Application has been properly Filed pursuant to this Section 2.1(b) of this Plan, shall become an Administrative Claim only to the extent allowed by Final Order. Fee Claims shall be paid either: (i) with respect to Fee Claims which are Allowed Claims on the Effective Date, the amount of such holder's Allowed Claim in one cash payment, within 10 days after the Effective Date, from the Debtor; (ii) with respect to Fee Claims which become Allowed Claims after the Effective Date, the amount of such holder's Allowed Claim, in one cash payment from the Reorganized Debtor within 10 days after such claim becomes an Allowed Fee Claim; or (iii) such other treatment agreed upon by the Debtor and such holder.

- (c) **Administrative Claims Bar Date.** Any other person or Entity who claims to hold an Administrative Claim (other than a Fee Claim) shall be required to file with the Court an application within thirty (30) days after the Effective Date and to serve notice thereof on all parties entitled to such notice. The failure to file timely the application as required under this Section 2.1(c) of this Plan shall result in the Claim being forever barred and discharged. An Administrative Claim with respect to which an application has been properly Filed pursuant to this Section 2.1(c) of this Plan and to which no timely objection has been filed or an objection has been filed but overruled by the Court, shall become an Allowed Administrative Claim to the extent such claim is allowed by Final Order.

2.2 Administrative and Priority Tax Claims:

- (a) **Administrative Tax Claims.** Each holder of an Administrative Claim that is an Allowed Claim for Taxes for the Debtor is responsible for the period during which the Debtor's Chapter 11 Case is being administered, and any other Taxes of the Debtor payable pursuant to Section 507(a)(1) of the Bankruptcy Code, if any, shall be paid the Allowed Amount of such holder's Claim in cash, in full, within 10 days after the Effective Date.
- (b) **Priority Tax Claims.** Each Allowed Priority Tax Claim shall be paid within 10 days after the Effective Date.

2.3 U.S. Trustee Fees. All fees payable under 28 U.S.C. § 1930 shall be paid in cash in full within 10 days after the Effective Date or as they come due.

ARTICLE III

DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS

For purposes of repayment of the Debtor's indebtedness under the Plan, the Claims and Interests are divided into the following categories:

31 Class 1: Priority Claims. This Class consists of Allowed Claims entitled to priority under section 507(a) of the Bankruptcy Code other than Priority Tax Claims.

32 Class 2: Secured Claim of MSB. This Class consists of the Allowed Secured Claim of MSB against the Debtor and is secured by those assets demarcated within the MSB Loan Documents.

33 Class 3: Secured Claim of SBA. This Class consists of the Allowed Secured Claim of SBA against the Debtor and is secured by those assets demarcated within the SBA Loan Documents.

34 Class 4: Secured Tax Claims. This Class consists of the Allowed Secured Claims of any Governmental Entities against the Debtor for sales or property taxes that are entitled to automatic first lien priority pursuant to their state laws or are entitled to secured status by virtue of the Collateral that is located in such state.

35 Class 5: General Unsecured Claims. This Class consists of Allowed Unsecured Claims which: (i) are not entitled to priority under section 507(a) of the Bankruptcy Code; and (ii) are not Shareholder Unsecured Claims.

36 Class 6: Shareholder Unsecured Claims. This Class consists of Allowed Unsecured Claims which: (i) are not entitled to priority under section 507(a) of the Bankruptcy Code; and (ii) are held by holders of Interests in the Debtor.

37 Class 7: Interests in the Debtor. This class consists of all Interests in the Debtor.

ARTICLE IV

PROVISION FOR SATISFACTION OF CLAIMS AND INTERESTS

The Claims and Interests as classified in Article III hereof shall be satisfied in the manner set forth in this Article IV. The treatment of, and the consideration to be received by, Entities holding Allowed Claims against the Debtor pursuant to this Plan shall be in full satisfaction of their respective Allowed Claims against the Debtor, but shall not affect the liability of any other Entity on such Claim or Interest.

41 Class 1: Priority Claims. Claims in Class 1 will be paid 100% of the Allowed Amount of their Claims on the later of 10 days after the Effective Date or 10 days after their Claims are Allowed.

42 Class 2: Secured Claim of MSB. The Class 2 Claimant will receive the following treatment: (i) monthly payments will be made at full value through December 2016; (ii) monthly payments will be made at 77.7% from January 2017 through December 2017; (iii) full payments shall resume in full beginning in January 2018; and (iv) the payments shall be comprised of principal and interest.

43 Class 3: Secured Claim of SBA. The Class 3 Claimant will receive the following treatment: (i) monthly payments will be made at full value through December 2016; (ii) interest only payments will be made from January 2017 through December 2017; (iii) full payments shall resume in full beginning in January 2018; and (iv) the payments shall be comprised of principal and interest.

44 Class 4: Secured Tax Claims. Claims in Class 4 will receive the following treatment: (i) interest will be paid from the Petition Date through the Effective Date at the rate of 1% per month; (ii) payments will be made in equal quarterly installments with post- Effective Date interest of 12% per annum, with the last installment to be paid no later than four years after the Petition Date. Holders of Secured Tax Claims shall retain their liens against their Collateral until full payment is made on the entirety of their obligations.

45 Class 5: General Unsecured Claims. Claims in Class 5 will receive the following treatment at their election: (i) payment of 35% of the Allowed Amount of their Claims within 10 days of the Effective Date; or (ii) payment in full over five years in 20 equal quarterly installments. The Reorganized Debtor will have the option to immediately pay off Allowed General Unsecured Claims at any time should sufficient liquidity exist. No interest will be paid on General Unsecured Claims.

46 Class 6: Shareholder Unsecured Claims. Allowed Claims in Class 6 shall be

granted promissory notes payable at the interest rate called for in the notes. Holders of Allowed Shareholder Unsecured Claims will not be paid any cash or interest prior to satisfaction in full of all Allowed General Unsecured Claims, and shall only receive payment on such Allowed Shareholder Claims if full monthly payments to the Allowed Secured Claims have resumed.

47 Class 7: Interest Holders. Holders of Interests in the Debtor shall receive equivalent interests in the Reorganized Debtor, subject to the satisfaction of all obligations to pay all Allowed Claims as set forth in the Disclosure Statement and the Plan. Holders of Interests in the Debtor shall receive no dividends or tax remittances until all Allowed Claims are paid in full.

ARTICLE V

DESIGNATION OF THE CLASSES OF CLAIMS IMPAIRED UNDER THIS PLAN

5.01 Impairment.

Class	Claim or Interest	Status	Voting Rights
1	Priority Claims	Unimpaired	Presumed to Accept
2	Secured Claim of MSB	Impaired	Entitled to Vote
3	Secured Claim of SBA	Impaired	Entitled to Vote
4	Secured Tax Claims	Impaired	Entitled to Vote
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Shareholder Unsecured Claims	Impaired	Entitled to Vote
7	Interest Holders	Impaired	Entitled to Vote

ARTICLE VI

MEANS FOR IMPLEMENTATION OF PLAN

Post-Confirmation Management. The Reorganized Debtor will continue to operate as a going concern after Confirmation. Shareholders currently employed in management positions will be given appropriate salaries in order to maintain the Reorganized Debtor's continued operations, with such amounts being disclosed to the Court at confirmation or provided to any parties upon execution of a confidentiality agreement.

6.1 Ongoing Operations. The Debtor's (i) obligations under the PI will be satisfied out of the cash flow generated by the ongoing operations of its business; in the event that the reorganization contemplated by the Plan is unsuccessful, via a liquidation of the Debtor's assets.

ARTICLE VII

PROVISIONS REGARDING DISTRIBUTIONS AND OBJECTIONS TO CLAIMS

7.01 No Distribution Pending Allowance or Estimation of Claims. No payments or distributions shall be made with respect to all or any portion of a Contested Claim unless and until such Claim becomes an Allowed Claim or Allowed Interest, as determined by Final Order. No

holder of a Claim shall be entitled to any payment under the Plan if such holder has retained property of the Estate.

ARTICLE VIII

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 Assumption of Certain Executory Contracts. All Executory Contracts which have been previously assumed or are on the list of assumed contracts shall be filed by the Debtor with the Court 10 days prior to the hearing on the Confirmation of the Plan.

8.2 General Rejection of Executory Contracts. All Executory Contracts which have not been previously assumed or are not on the list of assumed contracts filed by the Debtor with the Court 10 days prior to the hearing on the Confirmation of the Plan are rejected.

8.3 Cure of Defaults. Debtor shall cure all defaults existing under any assumed Executory Contract pursuant to the provisions of sections 1123(a)(5)(G) and 365(b) of the Bankruptcy Code by paying the amount, if any, determined by the Court required to be paid in order to assume such Executory Contract. Payment of such amounts shall be made by the Reorganized Debtor as soon as possible after the Effective Date.

8.4 Claims for Damages. Each person who is a party to an Executory Contract rejected pursuant to this Article shall be entitled to file, not later than 60 days after the Confirmation Date, which is the deemed date of such rejection, a proof of claim for damages alleged to arise from the rejection of the Executory Contract to which such person is a party. The Court shall determine any such objections, unless they are otherwise resolved. All Allowed Claims for rejection damages shall be treated as General Unsecured Claims.

ARTICLE IX

PROVISIONS FOR THE DISCHARGE, SETTLEMENT, AND ADJUSTMENT OF CLAIMS

9.1 Reservation of Claims and Causes of Action. Any and all claims, causes of action, cross claims or counterclaims held or assertable by the Debtor or the Reorganized Debtor, including but not limited to: (i) the FLSA Contested Matter; (ii) the New Tech Contested Matter; (iii) the Shorter Litigation; and (iv) any and all claims, causes of action, counterclaims, demands, controversies, against third parties on account of costs, debts, sums of money, accounts, reckonings, bonds, bills, damages, obligations, liabilities, objections, and executions of any nature, type, or description which the Debtor or Reorganized Debtor has or may come to have, including, but not limited to, negligence, gross negligence, usury, fraud, deceit, misrepresentation, conspiracy, unconscionability, duress, economic duress, defamation, control, interference with contractual and business relationships, conflicts of interest, misuse of insider information, concealment, disclosure, secrecy, misuse of collateral, wrongful release of collateral, failure to inspect, environmental due diligence, negligent loan processing and administration, wrongful setoff, violations of statutes and regulations of governmental entities, instrumentalities and agencies (both civil and criminal), racketeering activities, securities and antitrust violations, tying arrangements, deceptive trade practices, breach or abuse of fiduciary duty, breach of any alleged special relationship, course of conduct or dealing, obligation of fair dealing, obligation of good faith, whether or not in connection with or related to this Plan, at law or in equity, in contract or in tort, or otherwise, known or unknown, suspected or unsuspected; (iv) any claim or cause of action under a policy of liability insurance or otherwise; and (v) the Avoidance Actions (to the extent any exist), are hereby preserved and retained for enforcement by the Debtor as of the Confirmation

Date. It is the intent of the Debtor that this reservation of claims shall be as broad as permitted by applicable law and shall include all claims, whether or not disclosed in the Debtor's schedules, and shall include any claims referenced in any disclosure statement filed in this case.

92 Sole Right to Pursue Causes of Action. The Debtor or Reorganized Debtor will possess the sole right to pursue all causes of action, including but not limited to the FLSA Contested Matter, the New Tech Contested Matter, the Shorter Litigation, and (while the Debtor is unaware of the existence of any Avoidance Actions) the Avoidance Actions, on behalf of the Estates. Unless the Debtor or Reorganized Debtor consents, or unless otherwise ordered by the Bankruptcy Court, no other party shall have the right or obligation to pursue any such actions.

93 Return of Fraudulent Transfers. Any creditor determined to have received a transfer that is voidable pursuant to section 544, 547, 548, 549, and/or 550 of the Bankruptcy Code (to the extent such transfers exist) or any other applicable law shall be required to remit to the Debtor or Reorganized Debtor the determined amount of the avoided transfer prior to receiving any distribution.

ARTICLE X

EFFECT OF CONFIRMATION, DISCHARGE, RELEASES, AND INJUNCTION

101 Vesting of Property. All property of the Estates shall vest in the Reorganized Debtor.

102 Property Free and Clear. Except as otherwise provided in the Plan, all property dealt with by the Plan shall be free and clear of all claims, liens, and interests of any party as of the Confirmation of the Plan. This Plan will evidence the release of any and all Liens or encumbrances against all property dealt with by the Plan, unless such Lien or encumbrance is specifically retained in the Plan.

103 Legal Binding Effect; Discharge of Claims and Interests. The provisions of this Plan shall: (i) bind all holders of Claims and Interests, whether or not they accept this Plan; and (ii) except with respect to Allowed Claims, discharge the Debtor, along with the Debtor's past and present officers, directors, agents, servants, representatives and counsel, in their capacity as such, from all Claims, claims, debts, and liabilities, including without limitation, any Claims, claims, debts, and liabilities of a kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, that arose, or has been asserted against, the Debtor or its past and present officers, directors, agents, servants, representatives and counsel, in their capacity as such, at any time before the entry of the Confirmation Order or that arises from any pre-Confirmation conduct of the Debtor or its past and present officers, directors, agents, servants, representatives and counsel, in their capacity as such, whether or not the Claims, claims, debts, and liabilities are known or knowable by the Claimant or Interest holder. This discharge with respect to Allowed Claims shall be in accordance with section 1141(d)(5) of the Bankruptcy Code.

104 No Release of Guarantors/Plan Exclusive Remedy. Notwithstanding anything contained herein to the contrary, no third-party guarantors (including any guarantors on the Class 2 secured claims of MSB and Class 3 secured claims of the SBA) shall be discharged and released from any guaranty liabilities under this Plan; provided, however, that absent further order of the Court upon notice and a hearing, the Plan shall be the exclusive remedy as to any collector on a guaranty so long as the Plan shall not be in default. To the extent necessary, any applicable statute of limitations against collection from the guarantors is specifically tolled from the period of time from the Petition Date until the date upon which the Reorganized Debtor fails to cure any written

notice of default as set forth in the Plan.

105 Satisfaction of Claims and Interests. Except as otherwise provided by the Plan, the consideration distributed under the Plan shall be in complete satisfaction of all Claims of any Creditor, including Claims arising prior to the Effective Date.

106 Permanent Injunction. Except as otherwise expressly provided in, or permitted under, this Plan, the Confirmation Order shall provide, among other things, that all Creditors and persons who have held, hold, or may hold Claims or Interests against the Debtor or its past and present officers, directors, agents, servants, representatives and counsel, in their capacity as such, are permanently enjoined on and after the Effective Date as long as the Plan is not in default against the: (i) commencement or continuation of any judicial, administrative, or other action or proceeding against the Debtor or its past and present officers, directors, agents, servants, representatives and counsel, in their capacity as such, on account of Claims against the Debtor or its past and present officers, directors, agents, servants, representatives and counsel, in their capacity as such; (ii) enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtor (along with its past and present officers, directors, agents, servants, representatives and counsel, in their capacity as such) or any assets or property of same; or (iii) creation, perfection, or enforcement of any encumbrance of any kind against the Debtor (along with its past and present officers, directors, agents, servants, representatives and counsel, in their capacity as such) arising from a Claim.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 Request for Relief Under Section 1129(b). In the event any Impaired Class of Claims or Interests shall fail to accept this Plan in accordance with section 1129(a) of the Bankruptcy Code, the Debtor requests that the Bankruptcy Court confirm this Plan in accordance with the provisions of section 1129(b) of the Bankruptcy Code.

11.2 Headings. All headings utilized in this Plan are for convenience and reference only, and shall not constitute a part of this Plan for any other purpose.

11.3 Due Authorization. Each and every Claimant who elects to participate in the distributions provided for herein warrants that such Claimant is authorized to accept, in consideration of such Claim against the Debtor, the distributions provided for in this Plan and that there are not outstanding commitments, agreements, or understandings, express or implied, that may or can in any way defeat or modify the rights conveyed or obligations undertaken by such Claimant under this Plan.

11.4 Further Assurances and Authorizations. The Debtor or Reorganized Debtor shall seek such orders, judgments, injunctions, and rulings that may be required to carry out further the intentions and purposes, and to give full effect to the provisions of, this Plan.

11.5 Applicable Law. Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights, duties, and obligations arising under this Plan shall be governed by and construed and enforced in accordance with the internal laws of the State of Texas without reference to the laws of other jurisdictions.

11.6 No Interest. Except as expressly stated in this Plan, or allowed by the Court, no

interest, penalty, or late charge is to be Allowed on any Claim subsequent to the Petition Date.

11.7 Post-Confirmation Actions. After Confirmation, the Debtor or Reorganized Debtor may, with the approval of the Court, and so long as it does not materially or adversely affect the interests of the Creditors, remedy any defect or omission, or reconcile any inconsistencies in the Plan or in the Confirmation Order, in such manner as may be necessary to carry out the purposes and effect of the Plan.

11.8 Notices of Default. Notwithstanding anything contained herein to the contrary, no Claimant shall have the right to exercise any rights under the Plan until the Debtor or Reorganized Debtor fails to cure any default within 30 days of receipt of written notice of such default to the Debtor and Reorganized Debtor.

11.9 Notices. All notices, requests, elections, or demands in connection with the Plan shall be in writing and shall be deemed to have been given when received or, if mailed, 5 days after the date of mailing provided such writing shall have been sent by registered or certified mail, postage prepaid, return receipt requested.

11.10 Payment Dates. Whenever any payment or distribution to be made under the Plan shall be due on a day other than a Business Day, such payment or distribution shall instead be made, without interest, on the next Business Day, except as may be provided in negotiable instruments requiring such payments.

ARTICLE XIII

RETENTION OF JURISDICTION

The Bankruptcy Court shall retain exclusive jurisdiction over this Chapter 11 Case after Confirmation for the following purposes:

- (a) to consider and effect any modification of this Plan under section 1127 of the Bankruptcy Code;
- (b) to hear and determine all controversies, suits and disputes that arise in connection with the interpretation, implementation, effectuation, consummation or enforcement of this Plan;
- (c) to hear and determine all requests for compensation and/or reimbursement of expenses for the period commencing on the Petition Date through the Confirmation Date;
- (d) to hear and determine all objections to Claims and Interests, and to determine the appropriate classification of any Claim or Interest, and other controversies, suits and disputes that may be pending at or initiated after the Confirmation Date, except as provided in the Confirmation Order;
- (e) to hear and determine all causes of action, including the FLSA Contested Matter, the Shorter Litigation, the New Tech Contested Matter, and the Avoidance Actions;

- (f) to consider and act on such other matters consistent with this Plan as may be provided in the Confirmation Order;
- (g) to make such orders as are necessary and appropriate to carry out and implement the provisions of this Plan; including to effect the further assurances provided in this Plan;
- (h) to approve the reasonableness of any payments made or to be made, within the meaning of section 1129(a)(4) of the Bankruptcy Code;
- (i) to exercise the jurisdiction granted pursuant to section 505(a) and (b) of the Bankruptcy Code to determine any and all federal, state, Commonwealth, local and foreign tax liabilities of, and any and all refunds of such taxes paid by the Debtor;
- (j) to hear and determine any issues or matters in connection with any property not timely claimed as provided in this Plan; and
- (k) to determine any and all motions, applications, adversary proceedings and contested matters whether pending in the Case as of the Effective Date or brought subsequently by the Debtor or Reorganized Debtor.

Nothing contained in this Article shall be construed so as to limit the rights of the Debtor or Reorganized Debtor to commence or prosecute any claim in any court of competent jurisdiction.

DATED: November 11, 2016

DEBTOR:

NOVA DIRECTIONAL, INC.

By: /s/Edward Chiaramonte
Edward Chiaramonte, President

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COUNSEL FOR THE DEBTOR

Exhibit B

EXHIBIT B – LIQUIDATION ANALYSIS

Will Be Provided

Exhibit C

EXHIBIT C

CASH FLOW AND PAYMENT PROJECTIONS

Will Be Provided