IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
CORPUS CHRISTI DIVISION

IN RE:	§	
	§	
EMR ELECTRIC MOTOR REWIND, L.P.	§	**CASE NO. 16-20184**
AND	§	
EMR HOLDINGS, L.L.P.,	§	**CASE NO. 16-20185**
	§	**Chapter 11**
Debtors.	§	**Jointly Administered Under**
	§	**Case No. 16-20184**

EMR ELECTRIC MOTOR REWIND, L.P.'S AND EMR HOLDINGS, L.L.P.'S FIRST AMENDED JOINT DISCLOSURE STATEMENT FOR THEIR JOINT PLAN OF REORGANIZATION PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE

DATED: December 29, 2016
CORPUS CHRISTI, TEXAS

Respectfully submitted,

LAW OFFICES OF WILLIAM B. KINGMAN, P.C.
4040 Broadway, Suite 350
San Antonio, Texas 78209
Telephone: (210) 829-1199
Facsimile: (210) 821-1114

By: */s/ William B. Kingman*
William B. Kingman, State Bar No. 11476200
ATTORNEYS FOR THE DEBTORS

NOTICE: THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE DEBTORS' PLAN OF REORGANIZATION. THE DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN PROPOSED BY THE DEBTORS. PLEASE READ THIS DOCUMENT WITH CARE. THE DEBTORS URGE YOU TO VOTE IN FAVOR OF THE PLAN.

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EMR ELECTRIC MOTOR REWIND, L.P.'S AND EMR HOLDINGS, L.L.P.'S FIRST AMENDED JOINT DISCLOSURE STATEMENT FOR THEIR FIRST AMENDED JOINT PLAN OF REORGANIZATION
PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE

INTRODUCTION

A. Identity of Debtors

On May 11th, 2016, EMR Electric Motor Rewind, L.P. and EMR Holding, L.L.P. (the "Debtors") filed their respective voluntary petitions pursuant to Chapter 11 of Title 11 of the United States Code (the "Code") with the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division. An Order for relief was entered in each case on the respective date of filing. On May 12th, 2016, the Bankruptcy Court approved the joint administration of these two cases.

B. Sophisticated Nature of Creditors and this Disclosure Statement.

The Debtors' Joint Plan of Reorganization (the "Plan") deals with the payment of debt held by highly sophisticated Creditors and parties-in-interest, and for that reason, the Debtors consider the Creditors as sophisticated investors and has included information concerning operations, values and other analysis intended to furnish financial and legal information which should be reviewed only after each Creditor has a complete understanding of the Plan.

C. Important Plan Definitions/Explanations.

The Plan contains numerous definitions found in Article I of the Plan. These terms are generally capitalized to indicate that they are defined terms. Such definitions include explanations which are enforceable as the terms of the Plan. Reference should be made to the definition section. Several of these definitions are explained throughout this Disclosure Statement; however, such explanation is not intended as a substitute for a full and complete reading and understanding of the definitions. Emphasis is placed on these definitions as they are

an integral part of the Plan.

D. Nature and Purpose of this Disclosure Statement

Pursuant to §1125 of the Code, the Bankruptcy Court for the Southern District of Texas, Corpus Christi Division, the Honorable Marvin Isgur presiding, (the "Court") may approve this Disclosure Statement for submission to the holders of claims against the Debtors. The purpose of this Disclosure Statement is to provide such information as the Bankruptcy Court deems material and necessary for the creditors, investors and other parties in interest to make a reasonably informed decision in exercising their right to vote for acceptance or rejection of the Debtors' Plan of Reorganization (the "Plan"). A copy of the Plan has been simultaneously herewith filed with the Court and is incorporated herein for all purposes. A copy of the Plan is available for review at the United States Bankruptcy Clerk's office in Corpus Christi, Texas or is available upon written request from the Debtors' counsel.

The Court's approval means that this statement contains adequate information. Such approval does not constitute a judgment by the Court as to the desirability of the Plan or as to the value of any consideration offered thereby. Interested parties are referred to 11 U.S.C. §1125 which reads, in part:

"... (b) An acceptance or rejection of a plan may not be solicited after the commencement of the case under this title from a holder of a claim or interest with respect to such claim or interest unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing adequate information. The court may approve a disclosure statement without a valuation of the Debtors or an appraisal of the Debtors' assets ..."

"(d) Whether a disclosure statement...contains adequate information is not governed by any otherwise applicable non-bankruptcy law, rule, or regulation, but an agency or official whose duty is to administer or enforce such a law, rule, or regulation may be heard on the issue of whether a disclosure statement contains adequate information. Such an agency or official may not appeal from an order approving a disclosure statement..."

"(e) A person that solicits acceptance or rejection of a plan, in good faith and in compliance with the applicable provisions of this title, or that participates, in good faith and in compliance with the applicable provisions of this title, in the offer, issuance, sale, or purchase of a security, offered or sold under the plan, of the Debtors, of an affiliate participating in a joint plan with the Debtors, or of a newly organized successor to the Debtors under the plan, is not liable, on account of such solicitation of participation, for violation of any applicable law, rule, or regulation governing solicitation of acceptance or rejection of a plan or the offer, issuance, sale, or purchase of securities."

E. Nature of Chapter 11 of Title 11 of the United States Code

Chapter 11 of the Bankruptcy Code was designed by Congress to allow a financially troubled Debtors to attempt to reorganize and restructure his, her or its debts. Chapter 11

contemplates allowing the Debtors or its creditors or other parties to prepare a Plan of Reorganization which provides for the Debtors' payment of all or part of its debts over a specified period of time. After the Plan is filed and the Disclosure Statement is approved, the creditors are given an opportunity to accept or reject the Plan. If the requisite number of creditors approve the Plan and/or the Court deems the Plan to be confirmable pursuant to §1129 of the Code, then the reorganized Debtors then pay all or a portion of its debts pursuant to the terms of the Plan.

F. Process of Confirmation

1. The Hearing.

The Bankruptcy Court has set a hearing on the confirmation of the Plan for January 31st, 2017 at 2:00 p.m. CST, such hearing to be held at the U.S. Bankruptcy Court, 1133 N. Shoreline Blvd., 2nd Floor, Corpus Christi, Texas 78401,

2. Requirements of Plan Confirmation.

A Creditor, in order to vote, must have filed a Proof of Claim or Interest at or prior to the Bar Date or must be listed as holding a claim that is undisputed and not contingent or unliquidated in the Debtors' Bankruptcy Schedules on file with the Court. Absent an affirmative act constituting a vote accepting or rejecting the Plan, such Creditor and such Creditor's Claim will not be included in the tally.

If a Creditor is eligible to vote, he may vote to accept the Plan by filling out and mailing the ballot which the Debtors have provided him/her/it as instructed. Whether the Creditor votes on the Plan or not, such person will be bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities of Creditors and/or otherwise confirmed by the Court.

In order for the Plan to be accepted by Creditors, a majority in number, and a two-thirds majority in amount of Claims filed and allowed and actually voting, of each impaired class of Creditors must vote to accept the Plan. In order for the Plan to be accepted by equity holder, if any, a two-thirds majority in amount of interest allowed (for voting purposes) and voting of each impaired class of interests must vote to accept the Plan.

Upon your receipt of the Court approved Disclosure Statement and a copy of the Plan attached hereto, you are urged to fill in, date, sign and promptly mail the enclosed ballot which the Debtors will be furnishing to you. PLEASE BE SURE TO PROPERLY COMPLETE THE BALLOT AND IDENTIFY THE NAME OF THE CLAIMANT.

The Debtors or others may solicit your vote. The cost of any solicitation by the Debtors will be borne by the Debtors. No representative of the Debtors, other than its attorney, shall receive any additional compensation for any solicitation.

3. Cramdown.

If the Plan is rejected by one or more impaired Classes of Claims or interests held by the Debtors' Creditors, the Plan or a modification thereof may still be confirmed by the Court if the Court determines, among other federal requirements, that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class or Classes of Claims or interests impaired by the Plan. The Debtors, as the Plan proponent, have requested in the Plan and do hereby request that such a determination (commonly referred to as a "cram-down") be made if the Plan or modification thereof is not accepted by all of the impaired classes of Claims or interests held by Creditors or investors.

G. Voting Procedures and Requirements

1. Ballots and Voting Deadline

In addition to this Disclosure Statement and a copy of the Plan, each Creditor entitled to vote will be provided with a ballot to be used for voting to accept or reject the Plan, together with a postage paid return envelope.

In order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be completed and returned (by electronic mail, facsimile, hand deliver or regular mail) to the Debtors' counsel on or before. Furthermore, any creditor or party in interest desiring to object to the Plan must do so by filing a written objection in the United States Bankruptcy Clerk's office at the United States Courthouse, 1133 N. Shoreline Boulevard, Corpus Christi, Texas 78401 on or before January 27th, 2017**.** Such written objection must also be served on Debtors' counsel at the address below.

Whether or not the Creditor entitled to vote expects to be present at the hearing, each Creditor is urged to, no later than 5:00 p.m. CST on January 27th, 2017, complete, date, sign and send (by electronic mail, facsimile, hand delivery or regular mail) the ballot to the Debtors' counsel at the following address:

William B. Kingman
Law Office of William B. Kingman, P.C.
4040 Broadway, Suite 350
San Antonio, Texas 78209
Telephone-(210) 829-1199
Facsimile-(210) 821-1114
Email-bkingman@kingmanlaw.com

2. Creditors Entitled to Vote

Any Creditor whose Claim is impaired under the Plan is entitled to vote, if it has filed a Proof of Claim on or before the Bar Date of September 27th, 2016 for non-governmental Creditors and November 30th, 2016 for governmental Creditors, which are the dates set by the Bankruptcy Court for such filings or if it is scheduled as a holder of a claim that is undisputed, liquidated and is not listed as contingent in the Debtors' Schedules on file with the Court.

Claims filed pursuant to assumption or rejection of Executory Contracts should also refer to Section VII of the Plan for special requirements regarding their Claims.

Any Claim as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court temporarily allowed the Claim in an amount which it deems proper for the purpose of accepting or rejecting the Plan upon application by the Creditor. Such application must be heard and determined by the Bankruptcy Court at such time as specified by the Bankruptcy Court. A Creditor's vote may be disregarded if the Bankruptcy Court determines that the Creditor's acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

3. Definition of Impairment

Under Section 1124 of the Bankruptcy Code, a class of Claims or equity security interests is impaired under a Chapter 11 plan unless, with respect to each Claim or interest of such Class, the Plan:

1. Leaves unaltered the legal, equitable, and contractual rights of the holder of such Claim or equity security interest; or

2. Notwithstanding any contractual provision or applicable law that entitles the holder of a Claim or equity security interests to receive accelerated payment of his Claim or equity security interests after the occurrence of default:

   a. Cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default that consists of a breach of any provision relating to the insolvency or financial condition of the Debtors at any time before the closing of the case, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code;

   b. Reinstates the maturity of such Claim or equity security interest as it existed before the default;

   c. Compensates the holder of such Claim or equity security interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and

   d. Does not otherwise alter the legal, equitable, or contractual rights to which such Claim or equity security interest entitles the holder of such Claim or equity security interest; or

3. Provides that, on the Plan Effective Date, the holder of such Claim or equity security interest, receives, on account of such Claim or equity security interest, cash equal to:

a. With respect to a Claim, the allowed amount of such Claim; or

b. With respect to an equity security interest, if applicable, the greater of:

(i) Any applicable fixed liquidation preference;

or

(ii) Any fixed price at which the Debtors, under the terms of the security, may redeem the security.

4. Classes Impaired Under the Debtors' Plan

The following Classes of Claims are impaired under the Plan, and Creditors holding Claims in such Classes are entitled to vote to accept or reject the Plan:

Classes: 1, 2, 3, 4 and 5

There are no Classes that are an unimpaired class under the Plan.

II.
REPRESENTATIONS

A. Disclaimers

1. NO REPRESENTATIONS CONCERNING THE DEBTORS OR THE PLAN OF REORGANIZATION ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE YOUR VOTE WHICH ARE OTHER THAN HEREIN CONTAINED SHOULD NOT BE RELIED UPON AND SUCH REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS, WHO SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT.

2. THE COURT'S APPROVAL OF THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF ANY OF THE REPRESENTATIONS CONTAINED IN EITHER THE DISCLOSURE STATEMENT OR THE PLAN, NOR DOES IT CONSTITUTE AN ENDORSEMENT OF THE PLAN ITSELF.

III.
BACKGROUND INFORMATION ON DEBTORS AND THE PLAN AND THE NATURE AND HISTORY OF THE DEBTORS

A. Financial History and Background of the Debtors

1. History

In 1972, the first generation of the Lopez family created EMR Electric Motor in order to repair, test and redesign electric motors. In 1984, Raymond Lopez, Sr. took over the business from his father and expanded its scope by providing local refineries and the power industry electric motor maintenance and emergency electric motor repair. Since 1997, EMR Electric Motor Rewind has generated approximately $69,000,000.00 in revenues.

Raymond Lopez, Sr. is the 100% owner of EMR Holdings, L.L.P, which is a limited partner of EMR Electric Motor Rewind, L.P. and which owns 99% of EMR Electric Motor Rewind, L.P. EMR Holdings, L.L.P. also owns 100% of EMR Management, Inc. which, as general partner, owns the remaining 1% of EMR Electric Motor Rewind, L.P.

2. Factors Leading to Bankruptcy Filing

In the Fall of 2015, Raymond Lopez, Sr. had some significant health issues, compounded by the sudden death of his brother. As a result, he was absent from the business for a considerable amount of time. During such absence, the company, through lack of management, experienced financial difficulties.

Despite his return to the business after his health improved, EMR Electric Motor Rewind, L.P. continued to have financial problems in early 2016. While they had a long standing factoring relationship with New Century Financial, Inc., the cost of such factoring compounded the Debtors' problems. The company's cash flow suffered significantly and consequently, EMR Electric Motor Rewind, L.P.'s could not satisfy all of its operating expenses and debt service. As a result, in May 2016, the Debtor EMR Electric Motor Rewind, L.P. determined that its best alternative was to file a Chapter 11 reorganization proceeding in order to restructure its debts. EMR Holdings, L.L.P., as the limited partner of EMR Electric Motor Rewind, L.P. is not an operating entity that generates any revenue but is likely jointly and severally liable for some of the EMR Electric Motor Rewind, L.P. debt. As a result, it was required to file its own bankruptcy proceeding.

B. Operations in Chapter 11

Upon the filing of the bankruptcy proceeding, EMR Electric Motor Rewind, L.P. significantly reduced its operating expenses and continued performing services for its clients. Because of the pending bankruptcy, some customers have been reticent to send business to EMR Electric Motor Rewind, L.P. Furthermore, one of its largest customers, Sherwin Alumina, determined that it was going to discontinue its business in Corpus Christi. However, through its sale efforts, the company has gained new customers. Furthermore, several customers have indicated that as soon as the Debtors' plan of reorganization is confirmed, they intend to provide additional business to EMR Electric Motor Rewind, L.P. Such work, coupled with reduced expenses, should cause the Debtors to operate profitably.

The Debtors' monthly operating reports filed in the Case for the period of May 11th, 2016 through November 30th, 2016 are on file with the Court and are available for creditors' review. A copy of the monthly operating report for the period ending November 30th, 2016 (which includes a summary of the Debtors' operations during for the period of May 11th, 2016 through November 30th, 2016) is attached hereto as **Exhibit "A".** The Debtors will timely file all future

monthly operating reports. If a Creditor would like a copy of these operating reports, they may request a copy in writing from the Debtors' counsel.

C. Future Income and Expenses under the Plan

EMR Electric Motor Rewind, L.P. will continue to generate revenue from existing and future projects. As a result, the Debtors believes that they will and can pay their creditors with allowed claims more than the amount that they would receive if this case were converted to a Chapter 7 liquidation proceeding. Attached hereto as Exhibit "B" is a copy of EMR Electric Motor Rewind, L.P.'s projections relating to 2017 income and expenses (including plan payments described below). In connection herewith, to the extent necessary, the Debtors shall, pursuant to Section 365 of the Bankruptcy Code, assume all pre-petition construction contracts that have not been terminated or completed.

D. Future Management of Debtors' Businesses

EMR Electric Motor Rewind, L.P.'s general partner's President, Raymond Lopez, Sr., will continue to manage the Debtors' business after plan confirmation.

E. Accounting Method and Source of Financial Information

The accounting method used by the Debtors is a cash method. The financial information submitted in connection herewith was compiled by the Debtors from its business records and monthly operating reports filed in the Case.

IV.
ANALYSIS AND VALUATION OF PROPERTY

A. Schedule of Assets, Value Listed in Debtors' Schedules, Current Market Value and Lienholder Information

Exhibit "C" attached hereto is a schedule of Debtors' assets, values from Debtors' schedules, approximate current market and liquidation values and lienholder information:

B. Liquidation Analysis

If this case were converted to a Chapter 7 proceeding, the Debtors do not believe that the unsecured creditors would receive any of their respective claims since the Debtors' lienholders (including ad valorem taxing authorities) would probably seek relief from the automatic stay in order to obtain authorization to foreclose on their collateral. Furthermore, if the case were converted to a Chapter 7 proceeding, EMR Electric Motor Rewind, L.P. would default under its existing contracts that are currently in progress and EMR Electric Motor Rewind, L.P.'s customers would likely assert administrative claims for damages. In connection herewith, EMR Electric Motor Rewind, L.P. currently has various purchase orders pending, with work under such contracts being in various stages of completion. Therefore, administrative claims arising

from defaults if this case were converted could be significant.

However, if the Debtors are allowed to continue to operate through its Plan, the Debtors believe that all unsecured creditors with Allowed Claims will be at least partially paid. In connection therewith and as set forth above, attached hereto as **Exhibit "B"** is the Debtors' projection of monthly income and expenses for 2017 and that evidences the Debtors' ability to satisfy its obligations under the Plan. Although it is difficult to project revenues beyond a year in EMR Electric Motor Rewind, L.P.'s business, EMR Electric Motor Rewind, L.P. believes that, based upon historical data, revenues and expenses in 2018 and thereafter will be similar to 2017, subject to adjustments for inflation.

C. Source and Basis of Valuation Analysis

The above-described market value of Debtors' property is based upon the Debtors' current estimates of the property's value. The Debtors' liquidation analysis is based upon Debtors' representatives' opinion of value (after reviewing published information relating to values of similar assets) and from the Debtors' books and records.

V.
SUMMARY OF PLAN OF REORGANIZATION

If a Creditor does not receive a copy of the Plan, the Plan will be provided upon request to all Creditors or possible Creditors. The Plan should be read carefully and independently of this Disclosure Statement. The following summary is not intended as a substitute for reading the Plan.

The Plan is simple in concept. The Plan provides for the full or partial satisfaction of the Allowed Claims of all Creditors. However, only Allowed Claims will receive the treatment and distributions specified in the Plan. Under the Plan, the Creditors will receive distributions in the form of cash on and/or after the Initial Distribution Date.

With respect to filing and allowance of Claims, all Claims assertable and arising prior to the Petition Date and all Claims assertable and arising during the Case, excluding Rejection Claims and Administrative Claims incurred for Professional Fees, shall be Allowed Claims, unless the Court disallowed by the Court after notice and opportunity for hearing. If a Claimant has already filed a Proof of Claim with the Bankruptcy Clerk, another Proof of Claim need not be filed by such Claimant, unless such previously filed Proof of Claim does not state the total dollar amount of indebtedness owed to such Claimant, including, without limitation, penalties and/or interest on such Claim. Claims filed pursuant to assumption or rejection of Executory Contracts should also refer to Section VI of the Plan for special requirements regarding their Claims. The Debtors reserves the right to dispute, or assert offsets or defenses against any Claims as to amount, liability or status.

Furthermore, all Administrative Claims in the Case: (i) for Professional Fees under Section 330 of the Bankruptcy Code, including, but not limited to attorneys' and accountants' fees, and for any other administrative expenses which arose on or before the Confirmation Date

shall be filed with the United States Bankruptcy Clerk in Corpus Christi, Texas within ninety (90) days after the Effective Date.

A. Summary of Classes and Estimation of Administrative Claims and Scheduled Claims

1. Administrative Claimants: Creditors holding Allowed Administrative Claims relative to the Case, including the U.S. Trustee's Claim for allowed fees-Estimated Amount of Claims-$60,000.00

2. Class 1: Secured creditors holding Allowed Property Tax Claims against the Debtors-$56,000.00

3.. Class 2: Creditors Allowed Priority Claims against the Debtors;-$312,000.00

4. Class 3: New Century Financial, Inc., to the extent it holds an Allowed Secured Claim against the Debtors-$1,800,159.08.

5. Class 4: Creditors Holding Allowed Unsecured Claims-$2,683,816.32 (including insiders' claims); and

6. Class 5: Equity Security or Interest Holders and Creditors with Allowed Claims whose Claims are deemed subordinated pursuant to Section 510(b) of the Bankruptcy Code

The estimated amount of the claims above is based upon the Debtors' records and the claims that have been filed in this proceeding. However, it should be noted that the claims in each of the above-referenced classes are subject to objection and disallowance.

B. Treatment of Administrative Claims and Classes

1. Administrative Claims. Each holder of an Allowed Administrative Claim (the Debtors' accountant and attorney) shall be paid in full in cash upon the Distribution Date, except as may be otherwise agreed upon in writing between Debtors and each respective Administrative Claimant. It should be noted that, to the extent that Debtors' counsel's retainer is insufficient to pay all of its allowed fees, it has agreed to, if necessary, accept payment of its allowed fees in installments. In addition, at plan confirmation, the Debtors will have at least $25,000.00 in cash available to pay Administrative Claims other than trade debts.

Furthermore, all trade debts, if any, and all other obligations incurred in the normal course of business by the Debtors after the Petition Dates shall be paid in full when due in the ordinary course of business. Such payments shall be distributed from the cash and the Debtors' operations on or after the Distribution Date.

2. Impaired Classes The Creditors holding an Allowed Claim in Classes 1, 2, 3, 4 and 5 are impaired and will be entitled to vote to accept or reject their respective treatment under the Plan.

a. Class 1: The Revested Debtors, commencing on the Distribution Date and continuing monthly thereafter for a period of fifty-nine (59) consecutive months after the Distribution Date to the Class 1 Creditor, shall pay the Class 1 Creditor's Allowed Claim in sixty equal monthly installments with interest accruing thereon at the rate of 12% per annum. The interest to be paid as described herein shall be deemed to have commenced accruing as of the Effective Date. The monthly payment to the Class 1 Creditor shall be determined by amortizing the Allowed Claim over a period of 60 months and applying an interest rate of 12.0%. Class 1 Creditors will retain their lien on the property securing payment of their respective claims until such Allowed Claims are paid in full.

b Class 2: The Revested Debtors shall, commencing on the Distribution Date and continuing monthly thereafter for a period of an additional fifty-nine (59) consecutive months after the Distribution Date to the Class 2 Creditor, pay the Class 2 Creditor a monthly payment determined by amortizing the Allowed Claim over a period of 60 months and applying an interest rate as determined on the Petition Date under 26 U.S.C. sec. 6621. The Internal Revenue Service ("IRS") shall be treated as a Class 2 Creditor despite its previous assertion of a Secured Claim. Because the IRS is being treated as a Class 2 Creditor, the IRS shall release its lien on all post-confirmation accounts and the Debtor's other assets to allow the factoring, and confirmation of the Plan shall automatically release the IRS's lien against the Debtors' accounts, proceeds thereof, any purchase orders and/or rights to payment.

This plan provision will have no effect on the IRS's ability to assess taxes and file liens against any other parties responsible for the payment of Debtors' Class 2 Creditors. Furthermore, any payments of the Class 2 Allowed Claims made by any responsible parties other than the Debtors shall be applied first to the actual tax owed by the Debtors and then to accrued interest and then to accrued penalties, if any.

Furthermore, a failure by the Debtors to make a payment to the IRS pursuant to the terms of the Plan shall be an event of default; as to the IRS, there is an event of default if payment is not received by the 15th day of each month; if there is a default to IRS, IRS must send written demand for payment to the Debtors and said payment must be received by the IRS within fifteen (15) days of the date of the demand letter; Debtors can receive up to five (5) notices of default from the IRS; however, on the fifth notice of default from the IRS, the fifth default cannot be cured, and the IRS may accelerate its Allowed Claim(s), past or future, and declare the outstanding amount of such claim(s) to be immediately due and owing, and pursue any and all available state and federal rights and remedies.

Finally, the IRS is bound by the provisions of the confirmed plan and is barred under section 1141 from taking any collection action against Debtors for pre-petition claims during the duration of the plan (provided there is no default as to the IRS). The period of limitations on collection remains suspended under 26 U.S.C. sec. 6503(h) for tax periods being paid under the plan and terminates on the earlier of (1) all required payments to the IRS have been made; or, (2) 30 days after the date of a demand letter (described above) for which the Debtors failed to cure the default.

c. Class 3: New Century Financial, Inc. ("NCF")'s Allowed Class 3 Claim, will be

treated as follows:

(i) The claim of NCF shall be allowed in the amount of $1,800,159.08 ("New Century Claim"), which includes $1,368,995 plus attorney's fees on the factoring line described below (the "Pre-Petition Factoring Line"). NCF may assert that its claim is greater than the amount stated and the Debtors reserve the right to object to such increased claim.

(ii) The New Century Claim shall continue to be secured by the existing collateral securing the New Century Claim, including all pre-petition and all post-petition assets of the Debtors, and shall constitute a first priority security interest in and to all assets of the Debtors. The New Century Claim shall be, and hereby is, declared to be a fully secured claim. For avoidance of the doubt, the New Century Claim shall be secured by a first priority lien and security interest in all of the Debtors' pre-petition assets and post-petition assets. The New Century Claim shall continue to be guaranteed by Ray Lopez, Sr. and he shall reaffirm his guaranty on the Effective Date of the Plan.

(iii) The Debtors shall reinstate and assume all obligations they have under: (i) the three (3) term notes dated August 18, 2015 and payable to NCF (the "Term Notes"), and (ii) their obligations under the Agreement for Purchase and Sale of Accounts dated February 6, 2015, as Amended and related documents (the "Pre-Petition Factoring Documents") The Pre-Petition Factoring Documents and the Terms Notes shall be referred to as the "Pre-Petition Obligations", with such obligations being amended and modified as set forth herein.

(iv) The Term Notes shall be paid (amended notes issued and re-amortized) as follows:

(a) Term Note dated August 18, 2015 in the original principal amount of 508,687.50 with the existing balance being $381,515.63. Interest will accrue on the outstanding balance at 14% per annum. The Debtors shall pay such claim in 36 consecutive monthly installments of $13,039.30 commencing on the Initial Distribution Date and continuing through January 2020, when all remaining principal and interest balance shall be due and payable in full. Interest that accrued on this term note during the period of December 1st, 2016 through January 31st, 2017 shall be included in the final payment on the maturity date.

(b) Term Note dated August 18, 2015 in the original principal amount of $41,566.14 with the existing balance being $24,489.92. Interest will accrue on the outstanding balance at 12% per annum. The Debtors shall pay such claim in 24 consecutive monthly installments of $1,141.39 per month commencing on the Initial Distribution Date and continuing through January 2019, when all remaining principal and interest balance shall be due

and payable in full. Interest that accrued on this term note during the period of December 1st, 2016 through January 31st, 2017 shall be included in the final payment on the maturity date.

(c) Term Note dated August 18, 2015 in the original principal amount of $41,566.14 with the existing balance being $24,489.92. Interest will accrue on the outstanding balance at 12% per annum. The Debtors shall pay such claim in 24 consecutive monthly installments of $1,141.39 per month commencing on the Initial Distribution Date and continuing through January 2019, when all remaining interest and principal balance shall be due and payable in full. Interest that accrued on this term note during the period of December 1st, 2016 through January 31st, 2017 shall be included in the final payment on the maturity date.

(d) Each of the above Term Notes shall be secured by a first priority lien on all assets of the Debtors in accordance with the existing security agreement and financing statements. For purposes hereof, the Initial Distribution Date shall occur no later than the first day of the month following the Effective Date.

(v) With respect to the Pre-Petition Factoring Line, the Debtors shall execute a new Promissory Note on the Effective Date in the amount of $1,368,995.00 which shall bear interest at the rate of 14% per annum ("Factoring Line Note"). Pursuant to the provisions of the Factoring Line Note, the Debtor shall, commencing in May 2017 and continuing for, at most, an additional fifty-nine (59) consecutive months, pay to NCF minimum, required, monthly $31,854.12 payments, at which time the entire remaining principal and interest balance shall be due and payable in full. Interest that accrues on the Factoring Line Note during the period of February 1st, 2017 through April 30th, 2017 shall be included in the final payment under this note. Payment of the Factoring Line Note shall be secured by all assets of the Debtor, including the collateral described in the Agreement of Purchase and Sale. Additionally, commencing on July 15th, 2017, Debtor EMR Electric Motor Rewind, L.P. shall pay NCF an additional monthly payment to reduce the principal balance of the Factoring Line Note. Such payment shall equal 50% of Free Cash Flow as that term is defined in Exhibit "B" attached hereto. As set forth in Exhibit "B", if the Debtors' projections prove to be accurate, then the Factoring Line Note will be paid in full in year 3, thereby providing additional Free Class Flow in years 4 and 5, if necessary, to pay the Class 4 Allowed Claims.

(vi) It is possible that the Debtor will, prior to the Effective Date and with Court approval, transfer and assign one vehicle to NCF in satisfaction of one of the term notes described in (d)(ii) or (d)(iii) above. If that occurs, NCF shall, upon

Court approval, shall provide a new loan to the Debtor EMR Electric Motor Rewind, LP to allow it to purchase a vehicle for no more than $25,000. Such vehicle note shall be payable in 36 equal monthly installments, with such payments to be determined by amortizing the principal balance over a thirty-six month period and utilizing a 12% per annum interest rate. Payment of such new loan shall be secured by such new vehicle and all other assets of the Debtors and shall be guaranteed by Ray Lopez, Sr.

(vii) Upon the Effective Date, the Debtors shall dismiss, with prejudice, the adversary proceeding styled, *EMR Electric Motor Rewind, L.P. and EMR Holdings, L.L.P. v. New Century Financial, Inc. and Jimmy Enriquez*, assigned case number 16-2006 and pending in this court. In addition, NCF, Jimmy Enriquez and their officers, directors, affiliates shall receive a broad general release from the Debtors and Ray Lopez, Sr.. Confirmation of the Plan shall confirm the Debtors' and Ray Lopez's release of NCF, Jimmy Enriquez, their officers, directors, affiliates and employees.

(viii) The Guarantor (Ray Lopez, Sr.) shall agree to a judgment in the full amount owed to NCF, however, NCF may abstract such judgment but may not seek enforcement of same so long as the Debtors do not default under the Plan, does not default in the payments due on the Term Notes, or under the factoring agreement.

(ix) To assist the Debtors in performing its obligation under its confirmed Plan, NCF shall provide to the Debtors a post-confirmation factoring line as an exit facility in an amount to be determined and on terms to be agreed (with a 70% advance rate, and 30% reserve) (the "Post Confirmation Factoring Line"). The Guarantor shall guaranty the Post Confirmation Factoring Line and shall sign a new guaranty. As set forth above, because the IRS is being treated as a Class 2 Creditor, the IRS shall release its lien on all post-confirmation accounts and the Debtor's other assets to allow the factoring, and confirmation of the Plan shall automatically release the IRS's lien against the Debtors' accounts, proceeds thereof, any purchase orders and/or rights to payment. It is agreed that if the Debtor's obtain Bankruptcy Court approval of a post-petition factoring line prior to confirmation, such line shall be replaced with the Post Confirmation Factoring Line. The Post-Confirmation Factoring Line and the Pre-Petition Factoring Line shall be cross collateralized and cross defaulted. The Plan shall authorize and direct the Debtor to enter into the Post Confirmation Factoring Line and confirmation of the Plan shall constitute approval of the Post Confirmation Factoring Line as an exit facility without the necessity of further order of the Court. Any reserves

created under the Post Confirmation Factoring Line shall first be used to satisfy any charges, fees or other amounts due by Debtors under the Post Confirmation Factoring Line, including, without limitation, factoring expense, reserve charges, etc., and then may be applied to any other amounts due to NCF under this Plan.

(x) Appropriate and additional documentation in the form and content approved by the Debtor and NCF shall be executed on the Effective Date to effectuate the transactions stated above.

d. Class 4 (Unsecured Creditors with Allowed Claims):

The Debtors shall, after payment of all operating expenses and the monthly amounts due hereunder to the Class 1 and 2 Creditors and the 3 Creditor (on the Term Notes and Factoring Line Note only), then commencing on July 15th, 2017 and continuing quarterly thereafter (on October 15th, January 15th and April 15th) for nineteen (19) additional quarters, pay its Class 4 non-insider Creditors their pro rata share of 20% of the Net Cash Flow (as that term is defined in Exhibit "B" attached hereto).

Based upon the Debtors' projections set forth in Exhibit "B" and depending on the outcome of any claim objection litigation, the Debtors estimate that the Class 4 Creditors shall receive at least 65% of their respective Allowed Claims.

Furthermore, in the event that the Debtors meet their projections described in Exhibit "B" and the Factoring Line Note is paid in full in year 3, the Debtors will utilize, in year 4 and 5, 50% of the Free Class Flow to satisfy the Class 4 Creditors' Allowed Claims. For illustration purposes, if the Debtors' projections prove to be accurate, they will, at the end of year 4, owe their non-insider Class 4 Creditors at most $821,042.45 (assuming all filed and/or scheduled claims are allowed in full) and will have $2,497,092.63 in Free Cash Flow. In such case, the Debtors will utilize such Free Cash Flow at the end of year 4 to fully satisfy the non-insider Class 4 Allowed Claims.

After all non-insider Class 4 Creditors are paid in full, then the Debtors shall be authorized to satisfy the Allowed Claims of Class 4 Creditors who are insiders.

After paying the Class 4 Creditors, the remaining balance of available funds (identified as Free Cash Flow shall be divided as follows: (a) 50% shall be utilized for the Debtor's future working capital needs and (b) 50% shall be paid to the Class 3 Creditor to further reduce its Allowed Claim.

e. Class 5 (Interest Holders and Creditors with Allowed Claims that are deemed subordinated pursuant to Section 510of the Bankruptcy Code)

Equity Interest Holder Raymond Lopez, Sr. who owns 100% of EMR Holdings,

L.L.P. (which owns 100% of EMR Management, Inc. [which is EMR Electric Motor Rewind, L.P.'s general partner] and 99% of EMR Electric Motor Rewind, L.P.) shall, upon confirmation of the Plan and upon his $25,000.00 capital contribution to EMR Holdings, L.L.P. (who will then, in turn contribute it to EMR Electric Motor Rewind, L.P.), retain his interest in the Debtor EMR Holdings L.L.P. In addition, as a result of EMR Holdings, L.L.P.'s contribution to EMR Electric Motor Rewind, L.P., EMR Holdings, L.L.P. and EMR Management, Inc. shall retain their interest in EMR Electric Motor, L.P.

Furthermore, Creditors with Allowed Claims that are deemed subordinated pursuant to Section 510(b) of the Bankruptcy Code shall not receive any distributions under this Plan unless they purchase any equity interest pursuant to the following paragraph. In the event that these Creditors become equity holders, they will not receive any distributions until all plan obligations are satisfied.

In addition, Creditors with Allowed Claims and parties who have previously shown an interest in purchasing equity in the Debtors shall, as part of the Plan confirmation process, be given the opportunity to purchase newly issued partnership interests in the Debtor EMR Holdings, L.L.P.. Specifically, if, on or before the deadline to submit ballots relating to the Plan, a party or parties indicate an interest in purchasing the equity in EMR Holdings, L.L.P and provide evidence of her, his and/or its ability to pay for such equity, the Debtors will request the Court to conduct an auction for the equity in EMR Holdings, L.L.P. If any party purchases such partnership, the investor must execute a partnership agreement that describes the partners' rights and obligations as partners.

C. Operation of the Plan

1. Feasibility of the Plan

This Plan is feasible as a result of the fact that, based upon historical operating data, the Debtors will have sufficient cash available to pay the Creditors' Allowed Claims on the Initial Distribution Date and subsequent distribution dates in accordance with the provisions of the Plan.

2. Retention of Jurisdiction

The Court shall retain jurisdiction of this Case pursuant to the provisions of Chapter 11 of the Bankruptcy Code, until final allowance or disallowance of all Claims, or to resolve all controversies affected by the Plan in respect to the following matters:

a. To enable the Debtors or Revested Debtors to consummate any and all proceedings which it may bring prior to or subsequent to entry of the Order of Confirmation, to avoid or set aside the Order of Confirmation, or to avoid or set aside liens or encumbrances, to object to Claims or the allowance thereof, or to hear and determine pending litigation in the Court, or preference litigation, or to recover any transfers, assets or damages to which the Debtors may be entitled under the applicable provisions of the Bankruptcy Code or other federal, State or local law; and to hear and determine all related litigation, contested matters or adversary proceedings pending on Confirmation Date or properly and timely filed

in the Court thereafter;

b. To Classify, allow or disallow Claims, and direct distributions of funds under the Plan by the Revested Debtors, and adjudicate all controversies concerning the Classification or allowance of any Claim or security interest against the Debtors' property or Property of the Estate, if any;

c. To enforce the payment and performance of the Plan against the Debtors or against the Creditors (whether or not filing or holding Claims against the Debtors) or any Party In Interest;

d. To hear and determine all Claims arising from the rejection of Executory Contracts or leases, and to consummate the rejection and termination thereof or with respect to the Debtors' Executory Contracts, or application for determination, rejection or termination thereof having been filed prior to the entry of the Order of Confirmation, or filed in compliance with the Plan thereafter;

e. To liquidate damages in connection with any disputed, contingent or otherwise unliquidated Claim as provided in the Plan or as provided in the Bankruptcy Code;

f. To adjudicate all Claims to a security or ownership interest in any of the Debtors' property or Property of the Estate;

g. To adjudicate all Claims or controversies arising out of any purchases, sales, transactions or conveyances undertaken by Debtors during the pendency of the proceedings or any Creditors after the Confirmation Date;

h. To recover all assets and properties comprising Property of the Estate or of the Debtors under this Plan, wherever located;

i. To hear and determine matters concerning State, local and federal taxes pursuant to §§§ 505, 525 and 1146 of the Bankruptcy Code or otherwise;

j. To hear and determine matters or controversies relating to the Debtors or any attorneys or professionals retained on behalf of the Debtors after the Confirmation Date; and

k. To make, hear and determine such matters and enter such Orders as are necessary and appropriate to carry out the provisions of this Plan.

3. Modification of Plan

The Plan proponent may propose amendments or modifications to the Plan and Exhibits or the Exhibits incorporated in the Plan and attached to the Approved Disclosure Statement at any hearing on or before the Court's entry of the Order Confirming the Plan, with leave of the

Court and upon notice to Creditors or parties as is deemed necessary by the Court. Either prior to or after the date of the Final Order approving the Approved Disclosure Statement, any modification is subject to Approval of the Court, and so long as the proposed modification to the Plan or Exhibits to the Plan or Approved Disclosure Statement do not materially or adversely affect any Class of Creditors, or is made to remedy any defects, omissions or reconcile any inconsistencies in the Plan or Order Confirming the Plan in such a manner as may be necessary to carry out the purpose and intent of this Plan or any Class of Creditor(s) affected by the modification consent in writing, the Court shall approve such Modification.

4. General Information about the Claims Procedure

Procedures for Resolving Contested Claims

The Debtors, Revested Debtors or any Party in Interest may file with the Bankruptcy Court an objection to the Proof of Claim filed by any party or Claimant. Any objection must be in writing, must set out the name of the Creditor who filed the Claim (and any assignee), the dollar amount of the Claim and the character of the Claim. Each specific ground for objection or defense to the Claim shall be listed in a separate paragraph. Service of the objection shall be made upon the attorney of record for the Claimant (or the Creditor directly if not represented by an attorney), by serving a true and correct copy of the objection and shall be deemed complete upon mailing as set out in Bankruptcy Rule 9006(e). A certificate of service shall promptly be attached to each objection and shall comply with Local Bankruptcy Rule 9013(f).

If an Objection to a Claim is filed, the Creditor shall file a response to any such objection within twenty (20) days from the mailing date set out in the certificate of service for the objection. Responses may take one of two forms namely, a consent to the objection, or a non-consenting response. A non-consenting response shall state specific reasons for objection to each ground or defense, shall list the names and addresses of any and all witnesses to be called in support of the response, and shall include copies of all documents (including invoices, security documents and the like) relied upon by the non-consenting party to support allowance of the Claim or interest. Copies of such responses shall be served upon the Debtors, and attorneys for the Debtors. Failure to timely file a response shall result in a deemed consent to the objection, and upon the expiration of the 20-day period, the Court may enter an order without further notice of hearing. In the event a timely non-consenting response is filed, the Court shall set a hearing on not less than thirty (30) days' notice to the parties in accordance with Bankruptcy Rule 3007.

5. Debtors' Retention of Interest, Revesting of Property in Debtors, and Default Provision

The Revested Debtors shall retain their interest in the Debtors' assets under this Plan. Upon the Effective Date, title to all assets and properties whatsoever of the Debtors, sometimes referred to herein as "Property of the Estate," shall be retained by and revest in the Debtors free and clear of all Claims, liens, security and equitable interests. The Order Confirming the Plan shall be a judicial determination of the discharge of the liabilities of and Claim against the Debtors, except only as may be otherwise provided for in this Plan.

In the event a default by the Revested Debtors occurs under the Plan, whether monetary

or non-monetary, the affected Creditor shall provide written notice of such default to:

EMR Electric Motor Rewind, L.P.
c/o Raymond Lopez
102 S. Navigation
Corpus Christi, TX 78405

and

William B. Kingman
Law Offices of William B. Kingman, P.C.
4040 Broadway, Suite 350
San Antonio, Texas 78209

both by United States certified mail-return receipt requested, and by United States first class mail, postage prepaid. Thereafter, the Revested Debtors shall have thirty (30) days from the earlier to occur of: (i) the date of receipt of the written notice sent by certified mail, or (ii) the date of receipt of the written notice sent by first class mail to cure the default (For the purposes of the written notice by United States first class mail, postage prepaid, such notice will be deemed received five (5) days after depositing the same in the United States mail.). In the event the Revested Debtors do not cure the default within the thirty (30) day period provided herein, the affected Creditor shall be entitled to pursue its state law remedies without further notice or hearing before the Court.

Within fifteen (15) days of the date upon which the Revested Debtors make the initial distribution to all Creditors in Class 1 (such date being the date of the substantial consummation of the Plan), the Revested Debtors shall apply to the Bankruptcy Court for entry of a Final Decree in the Case. Pursuant to Section 350 and Bankruptcy Rule 3022, the Final Decree shall close the Case and make provisions by way of injunction or otherwise as may be equitable.

VI.
ALTERNATIVES TO THE PLAN

Although this Disclosure Statement is intended to provide information to assist in the formation of the judgment as to whether to vote for or against the Plan and although Creditors are not being offered, through that vote, an opportunity to express an opinion concerning alternatives to the Plan, a brief discussion of alternatives to the Plan may be useful. These alternatives include continuation of the Chapter 11 case, conversion to Chapter 7 for liquidation, dismissal of the proceedings or a Party in Interest's proposal of an alternative plan pursuant to §1121 of the Code. The Debtors, of course, believe the Plan to be in the best interest of Creditors and the Debtors. Thus, the Debtors do not favor any alternative to the Plan.

1. If this Chapter 11 proceeding continues without a confirmed Plan, there would be further delay in payments to Creditors.

2. The Debtors believe that a liquidation under Chapter 7 would not be in the best

interests of all parties. As discussed in IV. B. above, the Debtors do not believe that the unsecured creditors would receive any distribution in a Chapter 7 proceeding.

3. If this case were dismissed, the rights of all creditors would be prejudiced. The Creditors who were able to obtain State Court remedies against Debtors first would have an advantage over other Creditors. The dismissal would also create a large amount of litigation.

VII.
RISKS TO CREDITORS UNDER PLAN

In the event that the Plan is confirmed, the Debtors believe that the only reason why it could not perform their obligations under the Plan is if revenues declined. Therefore, barring some catastrophe outside of the control of the Debtors, the Debtors have and will have assets available to pay Creditors holding Allowed Claims on the Initial Distribution Date and subsequent Distribution Dates pursuant to the provisions of the Plan.

VIII.
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The implementation of the Plan may have significant federal income tax consequences with respect to the Creditors and the Debtors. The following discussion summarizes such federal income tax consequences based upon the Internal Revenue Code of 1986, as amended (the "Tax Code") and the Treasury Regulations promulgated thereunder.

The Plan and its related tax consequences are complex. Treasury Regulations have not yet been promulgated with respect to many of the substantive provisions of the Tax Code that have been amended by legislation in recent years. The Debtors have not requested a ruling from the Internal Revenue Service, nor has it obtained an opinion of counsel. Accordingly, no assurance can be given as to the interpretation that the Internal Revenue Service will adopt. Further, the federal income tax consequences to any particular Creditor and the Debtors may be affected by matters not discussed below. There also may be state or local tax considerations applicable to each Creditor. THE DISCUSSION SET FORTH BELOW IS INCLUDED FOR GENERAL INFORMATION ONLY. BECAUSE THE TAX CONSEQUENCES OF THE PLAN MAY VARY DEPENDING UPON INDIVIDUAL CIRCUMSTANCES, EACH CREDITOR AND INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN UNDER APPLICABLE FEDERAL, STATE, AND LOCAL TAX LAWS.

A. Federal Income Tax Consequences to Creditors

The federal income tax consequences of the implementation of the Plan to a Creditor will depend in part on whether, for federal income tax purposes, the obligation from which a Creditor's Claim arose constitutes a "security." The determination as to whether an obligation from which a Creditor's Claim arose constitutes a "security" for federal income tax purposes is complex. It depends on the facts and circumstances surrounding the origin and nature of the

obligation. Generally, corporate debt obligations evidenced by written instruments with original maturities of ten years or more constitute "securities." Although it appears that most of the Creditors' Claims do not constitute "securities," the Debtors express no views with respect to whether the obligation from which a particular Creditor's Claim arose constitutes a "security" for federal income tax purposes. Creditors are urged to consult their own tax advisors in this regard.

Exchanges by Creditors whose claims arise from obligations that do not constitute "securities," or whose claims are for wages or services, will be fully taxable exchanges for federal income tax purposes. Such Creditors who receive solely cash in discharge of their Claims, will recognize gain or loss, as the case may be, equal to the difference between (i) the amount realized by the Creditor in respect of its Claim (other than any Claim for accrued interest) and (ii) the Creditor's tax basis in its Claim (other than any Claim for accrued interest). For federal income tax purposes, the "amount realized" by a Creditor who receives solely cash in discharge of its Claim will be the amount of cash received by such Creditor.

Where gain or loss is recognized by a Creditor, the character of such gain or loss as a long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Creditor, whether the obligation from which a claim arose has been held for more than six months, and whether and to what extent the Creditor has previously claimed a bad debt deduction. The capital gains deduction for individuals and the alternate tax for corporate net capital gain has been repealed and capital gain is currently taxed to individuals and corporations at their respective maximum tax rates. However, the definitions of long-term and short-term capital gain or loss have not been repealed.

To the extent any amount received (whether cash or other property) by a Creditor is received in discharge of interest accrued on its Claim during its holding period, such amount will be taxable to the Creditor as interest income (if not previously included in the Creditor's gross income). Conversely, a Creditor will recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) to the extent any interest accrued on its Claim was previously included in the Creditor's gross income and is not paid in full.

IX.
PENDING LITIGATION OR ACTIONS PERTAINING TO FRAUDULENT TRANSFERS, VOIDABLE PREFERENCES AND EQUITABLE SUBORDINATION IN THE BANKRUPTCY PROCEEDING

Save and except for the adversary proceeding styled, *EMR Electric Motor Rewind, L.P. and EMR Holdings, L.L.P. v. New Century Financial, Inc. and Jimmy Enriquez*, assigned case number 16-2006 and pending in this court, which shall be dismissed with prejudice on the Effective Date, no preference, lien avoidance or fraudulent transfer litigation has been commenced by the Debtors; however, the Debtors reserve all claims and rights to pursue claims against its Secured and Unsecured Creditors. In connection herewith, the Debtors shall retain all preference claims and any other causes of action set forth in Chapter 5 of the Bankruptcy Code and/or provided by state law including avoidance actions to set aside security interests claim to be held by the Creditors. Such avoidance actions are based upon, among other facts, the timing of the Creditors' attempts and/or timing of such respective attempts to perfect security interests

in the Debtors' assets.

Furthermore, the Debtors are continuing to review certain documents and claims to determine if there are additional claims and causes of action under Chapter 5 of the Bankruptcy Code that they will retain and/or pursue after Plan confirmation. As part of such investigation, the Debtors, in their Statement of Financial Affairs on file in these proceedings, has listed all payments to creditors occurring within 90 days prior to the Petition Date and all payments to "insiders" made within a year prior to the bankruptcy proceeding. Some of these payments might be avoidable pursuant to the provisions of Chapter 5 of the Bankruptcy Code. In addition, there might be transfers that are avoidable pursuant to Chapter 5 of the Bankruptcy Code and applicable state law. Each Creditor authorized to vote on the Debtors' Plan should review his/her/its records to determine if it received a payment of transfer that might be avoidable pursuant to the provisions of the Bankruptcy Code and applicable state law. The Debtors will, at Plan confirmation, provide a schedule of claims that they shall retain. Therefore, the Debtors reserve all rights to amend, modify, or supplement the schedule of retained causes of action.

All litigation that was pending prior the initiation of this bankruptcy proceeding is stayed and all parties who asserted a claim against the Debtors prior to the initiation of the case has had the opportunity to file their respective proof of claim in this bankruptcy proceeding.

X.
SUMMARY OF SIGNIFICANT ORDERS ENTERED DURING THE CASE

Order Approving Joint Administration of Cases
Orders Authorizing Use of Cash Collateral
Order Approving Settlement with AmeriMex Motor & Controls, LLC

XI.
CONCLUSION

The materials provided in this Disclosure Statement are intended to assist you in voting for the Plan of Reorganization in an informed manner. If the Plan is confirmed you will be bound by its terms, so you are urged to review this material and make such further inquiries as you may deem appropriate and then cast an informed vote on the Plan. The Debtors believes that a reorganization of the Debtors pursuant to the Debtors' Plan will provide an opportunity for creditors to receive more than would be received by liquidation of assets under Chapter 7 of the Code. Upon approval of this disclosure statement, the Debtors will urge you to vote for the Plan.

Respectfully submitted on December 29th, 2016

EMR ELECTRIC MOTOR REWIND, L.P. and

EMR HOLDINGS, L.L.P.

By: */Raymond Lopez, Sr.*
Raymond Lopez, Sr., authorized agent of the Debtors

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this document has been served on December 29th, 2016 to the parties receiving service via the Court's ECF System in this case.

/s/ William B. Kingman
William B. Kingman