

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

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**A&D PROPANE, INC.
Debtor**

**CASE NO. 17-31502-H4-11
(Chapter 11)
JUDGE BOHM**

Debtor's Disclosure Statement

Comes now A&D PROPANE, INC., Debtor-in-Possession herein, and files this Disclosure Statement pursuant to the provisions of Section 1125 of Title 11 of the United States Code.

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NOTICE TO CREDITORS AND PARTIES IN INTEREST

THE DEBTOR RECOMMENDS THAT ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OF THE PLAN WHICH IS NOT CONTAINED IN THIS DISCLOSURE STATEMENT, NOT BE RELIED UPON BY YOU IN REACHING YOUR DECISION ON HOW TO VOTE ON THE PLAN. ANY REPRESENTATIONS OR INDUCEMENT MADE TO YOU NOT CONTAINED HEREIN SHOULD BE REPORTED TO THE ATTORNEYS FOR THE DEBTOR WHO SHALL DELIVER SUCH INFORMATION TO THE DISTRICT COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

I.
Introduction

On March 7, 2017, the Debtor filed a Voluntary Petition under Chapter 11 of the Bankruptcy Code (hereinafter the "Code"), in Case Number 17-31502-H4-11. The Debtor has remained in possession of its property pursuant to the provisions of 11 U.S.C. §§1107 and 1141, which provides that the Debtor shall retain possession of and manage its property. The Debtor has retained the law firm of Cooper & Scully, PC, Julie M. Koenig as Lead Counsel for the Debtor, on a \$10,000 retainer. This law firm has continued to represent the Debtor in these proceedings.

The first meeting of creditors pursuant to §341 of the Code was held and concluded on April 25, 2017, at 2:30 p.m. at the United States Trustee's office in Houston, Texas.

This Disclosure Statement ("Disclosure Statement") is provided pursuant to 11 U.S.C. §1125 to all of the Debtor's known creditors and other parties-in-interest in connection with the solicitation of acceptance of the Debtor's Plan of Reorganization, (the "Plan") filed by A&D Propane, Inc., Debtor-in-Possession. This Disclosure Statement contains important information about the Plan. The purpose of this Disclosure Statement is to provide information to enable a hypothetical, reasonable creditor, typical of the holders of claims in this case, to make an informed judgment in exercising its vote to either accept or reject the Plan. The Debtor has prepared this

Disclosure Statement in order to disclose such information which, in its opinion, is material, important, and necessary to an evaluation of the Plan.

THE PLAN IS NOT A PART OF THIS DISCLOSURE STATEMENT AND MUST BE REVIEWED INDEPENDENTLY.

This Disclosure Statement must be approved by the Bankruptcy Court and/or District Court, after notice and hearing, prior to the solicitation of creditors with respect to their acceptance of the Plan.

Your vote on the Plan is important. In order for the Plan to be deemed "accepted" by creditors, Sixty-Six and Two-Thirds Percent (66-2/3%) in amount of claims and more than Fifty Percent (50%) in number of claims voting in each class must accept the Plan. In the event the Plan is not accepted by any class, the Debtor will request confirmation of the Plan in accordance with the provisions of 11 U.S.C. §1129(b). Whether or not you expect to be present at the Confirmation Hearing, you are urged to date, sign and mail the Ballot to Julie M. Koenig, 815 Walker, Suite 1040, Houston, Texas 77002, Attorney for the Debtor.

II.
Nature of Chapter 11 Reorganization Proceedings

Chapter 11 of the Bankruptcy Code is a remedial statute designed to effect the rehabilitation and reorganization of financially distressed individuals and entities, or the orderly liquidation of the Debtor's property, to maximize the return to the Debtor's unsecured creditors. The statutory aims of reorganization/liquidation proceedings include the following:

- (a) Preservation of the Debtor's property as a "going concern" and the preservation of any going concern value of the Debtor's business and property;
- (b) Avoidance of the forced and destructive liquidation of the Debtor's assets;

- (c) The protection of the interest of the creditors, both secured and unsecured; and,
- (d) The restructuring of the debts of the Debtor and its finances to enable it to retain those assets necessary to rehabilitate its finances and produce the greatest recovery for its creditors.

While the formulation and confirmation of a Plan of Reorganization or Liquidation is the principal function of a Chapter 11 case, Congress recognized in 11 U.S.C. Section 1123(a)(5)(d), that the sale of all or any part of the property of the estate and the distribution of all or part of the property of the estate among those having an interest in the property is also a legitimate function of a Chapter 11 proceeding. Therefore, a Plan may affect the interest of all parties and creditors, reject executory contracts, and provide for prosecution and/or settlement of the Debtor's claims against third parties. For a Plan to be confirmed by the Court, the Code requires that the Court finds that the Plan has received the favorable votes of certain requisite classes and that the Plan be "fair, equitable and feasible," as to any dissenting classes of creditors. A more detailed description of the voting requirements of a Plan is set forth on pages 7 - 9 of this Disclosure Statement.

To be determined "fair and equitable", a Plan must comply with the so-called "absolute priority rule". The absolute priority rule requires that beginning with the most senior rank of claims of creditors against the Debtor, each class in descending rank or priority must receive full and complete compensation before an inferior or junior class may participate in the distribution. The Plan must be accepted by the affirmative vote of a majority of creditors unless adequate provisions are made for the classes of descending creditors. The foregoing is a brief summary of

the requirements for a Plan and should not be relied upon for voting purposes. Creditors are urged to consult their own counsel before making any decisions on a Plan filed herein.

In addition to the above, 11 U.S.C. §1125 requires that a Debtor compile a Disclosure Statement which provides "adequate information" to creditors before anyone may solicit acceptance of a Chapter 11 Plan. This Disclosure Statement is prepared in accordance with Section 1125 to provide "adequate information" to the creditors in this proceeding. Creditors are urged to consult with their own individual counsel or each other and to review all of the pleadings filed in this bankruptcy proceeding in order to fully understand the disclosures made herein, the Plan of Reorganization filed herein, and any other pertinent matters in this proceeding.

This Chapter 11 proceeding is conducted under the supervision of a Bankruptcy Judge of the United States Bankruptcy Court for the Southern District of Texas, Houston Division. Pursuant to the Code, the Court may:

- (a) Authorize the Debtor, as Debtor-in-Possession, to operate its business and manage its property;
- (b) Permit rejection of executory contracts;
- (c) Authorize the Debtor to issue certificates of indebtedness;
- (d) Authorize the Debtor-in-Possession to lease or sell the property of the Debtor;
- (e) Authorize the Debtor-in-Possession to compromise claims in the Estate;
- (f) Grant or deny relief from the stay or any suit against the Debtor and of any acts or proceedings to enforce a lien against the Debtor's property; and,
- (g) Approve and confirm any Plans of Reorganization.

III.
Considerations in Voting on The Chapter 11 Plan

Operation of Chapter 11. Chapter 11 of the Bankruptcy Code permits the adjustment of secured debts, unsecured debts, and equity interests. A Chapter 11 Plan may provide less than full satisfaction of senior indebtedness and payment of junior indebtedness or may provide for return of the stock in a Debtor corporation to its equity owners absent full satisfaction of indebtedness provided that an impaired class does not vote against the Plan.

If an impaired class votes against the Plan, implementation of the Plan is not necessarily impossible. Provided that the Plan is fair and equitable and that each class is afforded treatment as allowed by and defined in the Bankruptcy Code, treatment of a particular class may be very broadly defined as providing to a creditor the full value of its claim. The value of that creditor's claim is determined by the Court and balanced against the treatment afforded the dissenting class of creditors. If the latter is equal to or greater than the former, the Plan may be confirmed over the dissent of that class, depending on junior claims and interests.

In the event a class is unimpaired, it is automatically deemed to accept the Plan. A class is unimpaired if:

1. Its rights after confirmation are the same as existed (or would have existed absent any default) before the commencement of the Chapter 11 case, that any existing defaults are cured or provided for under the plan, and the class is reimbursed actual damages; or
2. The allowed claims of the class are paid in full in cash as they are matured.

If there is no dissenting class, the test for approval by the Court of a Chapter 11 Plan is whether the Plan is in the best interest of the creditors and interest holders and is feasible.

IN SIMPLE TERMS, A PLAN IS CONSIDERED BY THE COURT TO BE IN THE BEST INTEREST OF CREDITORS AND INTEREST HOLDERS IF THE PLAN WILL PROVIDE A BETTER RECOVERY TO THE CREDITORS AND INTEREST HOLDERS THAN THEY WOULD OBTAIN IF THE DEBTOR WERE LIQUIDATED AND THE PROCEEDS OF THE LIQUIDATION WERE DISTRIBUTED IN ACCORDANCE WITH THE BANKRUPTCY LIQUIDATION PRIORITIES. IN OTHER WORDS, IF THE PLAN PROVIDES CREDITORS AND INTEREST HOLDERS WITH MONEY OR OTHER PROPERTY OF VALUE EXCEEDING THE PROBABLE DIVIDEND IN LIQUIDATION BANKRUPTCY THEN THE PLAN IS IN THE BEST INTEREST OF CREDITORS AND INTEREST HOLDERS (THE COURT, IN CONSIDERING THIS FACTOR, IS NOT REQUIRED TO CONSIDER ANY OTHER ALTERNATIVE TO THE PLAN OTHER THAN LIQUIDATION BANKRUPTCY).

In considering feasibility, the Court is only required to determine whether the Plan can be accomplished by the Debtor. This entails determining:

- A. The availability of cash for payments required at confirmation;
- B. The ability of the Debtor to make payments called for under the Plan; and
- C. The absence of any other factor which might make it impossible for the Debtor to accomplish that which it promises to accomplish in the Plan as contemplated in the Plan.

In addition, in order to confirm a Plan the Court must find, among other things, that the Plan was proposed in good faith and that the Plan and its proponents are in compliance with the applicable provisions of Chapter 11.

These determinations by the Court occur at the hearing on confirmation of a Plan. The Court's judgment on these matters does not constitute an expression of the Court's opinion as to whether the Plan is a good one or an opinion by the Court regarding any debt instrument or equity interest or security interest issued to creditors under the Plan. Rather, the Court's judgment is merely that the Plan complies with the applicable Code provisions and has garnered sufficient votes by its creditors for confirmation.

UPON SATISFACTION OF THE §1129(a) GENERAL CONFIRMATION STANDARDS, BUT EXCLUDING PARAGRAPH (8), THE DEBTOR MAY REQUEST THAT THE COURT CONFIRM THE PLAN OVER THE DISSENT OF A CLASS. THE COURT IS REQUIRED TO CONFIRM IF THE PLAN MEETS WITH THE CRAM DOWN STANDARDS SET FORTH IN §1129(b). THIS PROCEDURE IS THE PROCESS BY WHICH A DISSENTING CLASS OF CREDITORS OR INTERESTS IS BOUND BY THE TERMS OF A CHAPTER 11 PLAN WITHOUT ITS CONSENT. THIS PLAN MAY BE CONFIRMED WITH REFERENCE TO A NON-ACCEPTING IMPAIRED CLASS IF TWO STANDARDS ARE MET: (1) THE PLAN DOES NOT DISCRIMINATE UNFAIRLY AGAINST THE CLASS, AND (2) THE PLAN IS FAIR AND EQUITABLE WITH REFERENCE TO THE CLASS. UPON SUCH DETERMINATION, THE COURT WILL BIND THE DISSENTING CREDITOR(S) TO THE PLAN WITHOUT ITS CONSENT.

IV.
History of The Debtor

A. Background

Personal Information: Robert Dobyms attended Arkansas State University where he majored in Sociology and English Literature. He entered into the propane industry in 1986 as a truck driver, eventually working his way into management. He started A & D Propane, Inc. 14 years ago, in Conroe, Texas, and remains the President and sole shareholder of the Debtor.

Corporate Information: A&D Propane, Inc. was formed on February 7, 2003, and remains in good standing with the Texas Secretary of State. Its initial focus was on propane bulk delivery to residential & commercial customers in Montgomery & North Harris Counties in Texas. After several successful years in business, it expanded into Walker & San Jacinto Counties and eventually opened additional offices in Bedia (Grimes County), and Corrigan (Polk County) in Texas.

B. Events Leading To The Chapter 11 Filing.

The two winters immediately following the opening of these two additional locations were unusually warm for Southeast Texas which substantially decreased the demand for propane and forced closure of these offices. At this same time, plans were being implemented for the entry into the propane cylinder exchange business under the PropaneExchange.com brand. It was expected that this business sector, which has summertime peaks, would help add balance to a business that historically relies on cold winters for stability. Unfortunately, the endeavor was undercapitalized and never reached a profitable state. This, along with the history breaking warm winter season of 2016-2017, left the business cash-strapped and unable to make timely payroll on a few occasions and incapable of paying creditors, as agreed. The accumulation of multiple late notes and the inability to timely pay tax obligations made it necessary to seek Chapter 11 protection and reorganization.

C. Operation and Present Condition.

On March 7, 2017, A&D Propane, Inc. laid off three employees and filed for Chapter 11. Post-petition the Debtor laid off an additional employee. These layoffs resulted in a savings to the Debtor of \$190,089.00 in salaries, 940 & 941 taxes and workmen's compensation.

On June 13, 2017, after an auction process, the Court authorized the sale of the Debtor's commercial retail operation to Jet Gas, Inc. for \$145,500.00 at Docket No. 82. This reduced the Debtor's secured debt to Montgomery County, UniFi Equipment Finance, Vision Financial Group/Susquehanna, and Direct Capital. It also paid off the Debtor's secured debt to P&F Trust and the Internal Revenue Service.

On July 10, 2017, the Court authorized the sale of the Debtor's propane tank washer, propane tank shot blaster, propane tank manual paint booth, and a generator to Superior Energy Systems for \$27,500.00 at Docket No. 88. This further reduced the Debtor's debt to Unifi Finance and Direct Capital leaving these two creditors with unsecured deficiency balances of \$30,032.50 and \$21,487.00, respectively, and no remaining secured debt.

Mr. Dobyms has spent the last two (2) months in negotiations with a large propane investor who was interested in investing in the Debtor post-confirmation in exchange for an 85% interest in the Reorganized Debtor. Although this investment would assist the Reorganized Debtor to pay priority claims in less than five (5) years, and provide additional working capital, the investors refused to honor the pre-paid propane contracts and wanted to exclude or limit them under the Plan. Not only did the Debtor previously testify before the Court that these pre-paid contracts would be honored, but also the pre-paid contract customers are an important part of the Debtor's business and the Debtor is committed to honoring those contracts. Therefore, the Debtor declined the investor's offer and will fund the Plan of Reorganization through continued operations of its business.

The Debtor continues to operate its residential propane service from its Huntsville location.

The Debtor's current employees are:

1. Robert Dobyms, CEO, at an annual salary of \$60,000.00;
2. Shelia Dobyms, Office Manager, at an annual salary of \$60,000.00;
3. Stephen Dobyms, Driver/Serviceman, at an annual salary of \$55,000.00;
4. Jonathan Dobyms, IT/Web/Social Media, at an annual salary of \$21,710.00;
5. Jordan Wedgewood, Secretary, at an annual salary of \$26,000.00;

6. A new, as yet undetermined, Driver, at an annual salary of \$40,000.00; and,
7. Ercie Traylor, Driver Trainee, at an annual salary of \$26,000.00¹.

The Debtor shall continue with these employees throughout the pendency of the Chapter 11 Plan with no salary increases².

Indebtedness on the filing date:

As of the date of filing, the Debtor's indebtedness was as follows:

1. Secured Debt:	\$743,934.85
2. Priority Debt:	\$499,349.63
3. Undisputed Unsecured Debt:	\$280,982.58
Total:	<u>\$1,524,267.06</u>

Indebtedness after deducting Court approved sales, compromises and pre-paid propane customers:

1. Secured Debt:	\$532,943.01 ³
2. Priority Debt:	\$109,478.77 ⁴
3. Undisputed Unsecured Debt:	\$332,502.08 ⁵
Total:	\$974,923.86

¹ Which will increase to \$35,000 per year once he finishes his training in about 4 - 6 weeks.

² However, as business increases, the Debtor reserves the right to hire additional employees at the same salary level(s) as disclosed herein.

³ However, the amount of secured debt will continue to decrease due to monthly payments in the ordinary course of the Debtor's business according to the representative contracts.

⁴ In addition there is approximately \$389,870.86 in pre-paid propane customers whose debt will be satisfied through the delivery of propane according to their respective contracts

⁵ The unsecured indebtedness has been increased by the unsecured deficiency balances due to UniFi Finance and Direct Capital in the aggregate amount of \$51,519.50.

V.

Anticipated Future of the Debtor

A. Liquidation Analysis: The Debtor has compiled a “Liquidation Analysis” to predict the outcome and payment to its creditors if the Debtor were to be liquidated under Chapter 7 of Title 11 of the United States Code. A true and correct copy of the "Liquidation Analysis" is attached hereto as Exhibit "A" and incorporated herein by reference.

The Debtor has also prepared five annual Cash Flow Projections setting forth estimated revenue, operating expenses and payments to the classes under the proposed Plan. These estimates are based on historical figures, current contracts and predicted profits of the Debtor’s business. The Cash Flow Projection is attached as Exhibit “B”.

B. Absolute Priority Rule: The “absolute priority rule” is the rule that states that the holder of any claim or interest that is junior to the claims of an impaired unsecured class of creditors will not receive or retain under the plan on account of their junior claim or interest any property (in this case, the membership interest in the Debtor) unless all senior claims are paid in full. Pursuant to the liquidation analysis, the unsecured creditors would receive nothing if this bankruptcy proceeding was converted to a Chapter 7 proceeding, but in this Chapter 11 proceeding, they will be receiving 100% of their claims. Therefore the absolute priority rule does not apply in this proceeding.

VI.

Source of Information for this Disclosure Statement

The information contained herein has not been subject to a certified audit. Much of the information, descriptions, values and facts contained herein are derived from the Debtor's principal’s experience in the propane business, and the unverified opinions of third parties.

Accordingly, the Debtor does not warrant or represent that the information contained herein is correct, although great effort has been made to be accurate. This Disclosure Statement contains, in entirety, the Plan itself which is controlling in the event of any inconsistencies. Each creditor is urged to review the Plan prior to voting.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified herein. The delivery of this Disclosure Statement shall not, under any circumstances, create an implication that there has not been any change in the facts as set forth herein since the date hereof. All the terms herein have the same meanings as in the Plan unless the context requires otherwise.

VII. **Disclaimer**

EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS, NO REPRESENTATIONS CONCERNING THE DEBTOR, ITS ASSETS, PAST OR FUTURE BUSINESS OPERATIONS, OR THE PLAN ARE AUTHORIZED NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY REPRESENTATIONS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR.

THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTOR IS NOT ABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ACCURACY. THE FACTUAL INFORMATION REGARDING THE DEBTOR, THE DEBTOR'S ESTATE, ITS ASSETS AND LIABILITIES HAS BEEN DERIVED FROM THE DEBTOR'S RECORDS, THE DEBTOR'S SCHEDULES, PUBLIC RECORDS AND RELATED DOCUMENTS SPECIFICALLY IDENTIFIED HEREIN.

NEITHER THE DEBTOR NOR ITS COUNSEL CAN WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT ANY INACCURACY, ALTHOUGH THEY DO NOT HAVE ACTUAL KNOWLEDGE OF ANY INACCURACIES.

APPROVAL OF THIS DISCLOSURE STATEMENT IS NOT A FINDING BY THE COURT THAT THE INFORMATION CONTAINED HEREIN IS ACCURATE AND COMPLETE. FURTHER, APPROVAL OF THE DISCLOSURE STATEMENT IS NOT AN INDICATION BY THE COURT OF THE CONFIRMABILITY OF THE PLAN.

THE ABILITY OF THE DEBTOR TO ACHIEVE ITS PROJECTIONS IS SUBJECT TO SUBSTANTIAL RISKS FROM SUCH FACTORS AS, BUT NOT LIMITED TO, THE PROPANE BUSINESS; THEREFORE, ANY PROJECTIONS PREPARED BY THE DEBTOR DO NOT CONSTITUTE GUARANTIES OF RESULTS.

VIII.
Professional Fees

The Debtor engaged the law firm of Cooper & Scully, Julie M. Koenig as Lead Counsel, to represent the Debtor in this Chapter 11 proceeding. The Court entered an Order approving retention of the law firm on March 29, 2017, at Docket No. 32. Cooper & Scully received an initial retainer in the amount of \$10,000.00. Although the Order authorizing employment of Cooper & Scully allows the Debtor to make monthly payments of \$3,500 to Cooper & Scully, the Debtor has not had sufficient cash flow to make these payments.

The Debtor has employed Bryan Brassell of Padgett Business Services as Enrolled Agents (“Padgett”) to assist in preparing the monthly operating reports, prepare the 2016 tax return, and the 940 and 941 returns. Padgett is charging approximately \$1,200 to prepare the 2016 tax return, \$260 a month to prepare the 940 and 941 returns and prepare the operating reports. The Court entered an order approving their retention on May 5, 2017, at Docket No. 49.

IX.
Description of Assets and Value

A complete listing of all assets is set forth in the Bankruptcy Schedules and Statement of Financial Affairs on file with the United States Bankruptcy Court for the Southern District of

Texas, Houston Division. After the Court approved sale of assets and the abandonment of one truck, the Debtor retains assets valued at \$725,857.86. A complete listing of the Debtor's assets are set forth on Schedule B filed at Docket No. 44. However, this list includes the assets sold by Court approval so the assets sold at Docket Nos. 82 and 88 must be disregarded.

X.
Summary of the Plan

The following is a brief summary of certain provisions of the proposed Plan of Reorganization to assure that the creditors affected understand its provisions. This summary should not be considered as solicitation for acceptance of that Plan. Additionally, creditors should not rely on this summary to decide whether or not to vote in favor of or against the Plan, but are expressly referred to the Plan itself since it contains many provisions which will not be summarized herein.

The Plan of Reorganization proposes the continuation of the Debtor's business utilizing the profits to fund the plan over a 5 to 10 year period. However, the Debtor reserves the right to pre-pay any class on a pro-rata basis as funds are available over the life of the Plan.

The Debtor's Plan of Reorganization will provide for classification of creditors in accordance with the United States Bankruptcy Code. Due to the seasonal nature of the Debtor's business the Debtor reserves the right, in the event it is unable to make the full quarterly or monthly payment to any Class of Creditors in any given year, to pay the unpaid amount during the remaining three quarters of that year. Such a delay in payment shall not constitute a default under the Plan of Reorganization.

A. Classes under the Plan

Class 1A- Administrative Expenses - Legal Fees. Class 1A is unimpaired. Class 1A

are Claims entitled to priority by Section 507(a)(2) of the Bankruptcy Code and will consist of fees and expenses incurred by the Court appointed Counsel. These fees are incurred prior to the effective date of the Plan, as the same are finally approved and allowed by final order of the Court, and any other expenses incurred during the course of the Chapter 11 proceeding that have not yet been paid. The members of this class are Cooper & Scully, PC, Counsel for the Debtor.

All claims in this class shall be paid in cash and in full in such amounts as may be allowed and approved by the Court on the effective date or after such claims are finally allowed, whichever is later, by the Debtor to the extent of available funds, or such claims may be paid in accordance with any agreement or waiver. In either event, claims in this class shall be paid in full within the one (1) year period of the initial plan. The anticipated total expenses to be paid in this class should not exceed \$50,000 to \$55,000.00

Class 1B - Administrative Expenses - Accounting Fees. Class 1B is unimpaired and consists of the administrative expense claim of Padgett Business Services. Padgett Business Services are the Enrolled Agents appointed by the Court to prepare the Debtor's 2016 Federal Income Tax Return, 940 and 941 reports, and assist in preparing the monthly operating reports. Padgett Business Services is paid on a monthly basis and shall continue to be paid monthly.

Class 2 - The United States Trustee. Class 2 is unimpaired and consists of the post-confirmation claim of the office of the United States Trustee for its fees from the date of confirmation until the Chapter 11 file is closed by the Bankruptcy Clerk. These fees are based on the amount of disbursements made by the Debtor and are paid on a quarterly basis. The reorganized Debtor shall be responsible for timely payment of the United States Trustee quarterly fees incurred pursuant to 28 U.S.C. §1930(a)(6). Any fees due as of the date of confirmation of

the plan will be paid in full on the effective date of the plan. After confirmation, the reorganized Debtor shall pay United States Trustee quarterly fees as they accrue until this case is closed by the Court. The Debtor shall file with the Court and serve on the United States Trustee a quarterly financial report for each quarter (or portion thereof) that the case remains open in a format prescribed by the United States Trustee.

All pre-confirmation quarterly fees shall be paid by the effective date of the Plan.

Class 3A - Priority Claim of the Internal Revenue Service. Class 3A is impaired and consists of the priority claim of the Internal Revenue Service in the amount of \$86,540.65. This claim will be paid in equal quarterly installments of \$2,163.52 over a ten year period⁶. The first payment shall be made on the 15th day of the first full month of the first full quarter following the effective date of the plan until paid in full.

If the reorganized debtor substantially defaults on the plan payments due to the IRS, the outstanding balance is immediately due and payable. Payments shall be for the entire amount owed to the IRS under the plan. The IRS may collect these unpaid tax liabilities through the administrative collection provisions of the Internal Revenue Code.

Class 3B - Priority Claim of the Texas Comptroller of Public Accounts. Class 3B is impaired and consists of the priority claim of the Texas Comptroller of Public Accounts in the amount of \$2,530.00. This claim will be paid in equal quarterly installments of \$126.50 over a five year period. The first payment shall be made on the 15th day of the first full month of the first full quarter following the effective date of the plan until paid in full. There is no penalty for

⁶ The Debtor is allowing a ten year payout in this Class in an abundance of caution based upon the cash flow for 2015 and 2016. The Debtor reserves the right to pay this class in full at any time during the ten year period, based upon actual accumulated cash.

pre-payment of this claim.

Class 3C - Priority Claims of the Pre-Paid Propane Customers. Class 3C is impaired and consists of the priority claims of the prepaid propane customers in the total amount of \$389,870.86. The Debtor shall continue to deliver propane to these customers according to their contracts until the full amount of propane has been delivered to each customer.

Class 4A - Secured Claims of Grimes Central Appraisal District and Montgomery County. Class 4 is impaired and consists of the secured claims of Grimes Central Appraisal District in the amount of \$110.40 with interest at the rate of 12% and Montgomery County. The claim for Grimes Central Appraisal District will be paid in full on the effective date of the Plan. Upon confirmation, Counsel for Grimes Central Appraisal District shall calculate and inform the Debtor of the exact amount of the payment.

The 2015 and 2016 pre-petition claim for Montgomery County were paid in full pursuant to the Order Approving Sale Free and Clear of All Liens, Claims and Encumbrances entered on June 13, 2017 at Docket No. 82. The Debtor's pro-rata portion of the 2017 taxes are estimated to be \$178.92 with interest at the rate of 12%. The 2017 pro-rata claim will be paid in full on the effective date of the Plan. Upon confirmation, Counsel for Montgomery County shall calculate and inform the Debtor of the exact amount of the payment.

The claimants in this class shall retain all statutory liens on the Debtor's property. Post-petition secured ad valorem taxes will be paid in the ordinary course of business and failure to do so shall result in a default under the terms of the confirmed Plan.

Default of the Plan shall be defined as the failure of the proponent of the plan to make payments or perform any action required to be made under the terms of the confirmed plan.

In the event of a default, there will be full reinstatement of the administrative collection powers and rights of this ad valorem Taxing Authority as they existed prior to the filing of the bankruptcy petition in this case, including, but not limited to, the assessment of taxes, the filing of Notices of Tax Liens and the powers of levy, seizure and sale.

Class 4B - Secured Claim of the Texas Workforce Commission. Class 4B is impaired and consists of the secured claim of the Texas Workforce Commission in the amount of \$2,080.04 with interest at the rate of 4.50%. This claim will be paid in full on the effective date of the plan.

Class 4C - Secured Claim of Financial Pacific Leasing, Inc. Class 4C is impaired and consists of the claim of Financial Pacific Leasing, Inc. in the approximate amount of \$66,967.93, secured by a lien on an 18,000 gallon propane storage tank and piers. This claim shall be paid in the amount of \$1,570.28 per month with interest as per the underlying contract until paid in full.

Class 4D - Secured Claims of Susquehanna Commercial Finance, Inc. Class 4D is impaired and consists of the secured claims of Susquehanna Commercial Finance, Inc. in the original amount of \$185,858.11. This claim was compromised pursuant to that Order Granting Debtor's Motion to Compromise Controversy (the "Compromise") at Docket No. 80. Pursuant to the terms of the Compromise, under Contract 1 the 5 months of arrearages shall be placed at the end of the contract term and the Debtor shall make monthly payments in the amount of \$2,751.47 until Contract 1 is paid in full. Pursuant to the terms of the Compromise, Contract 2 shall receive 36 total monthly payments of \$555.00, including payments made post-petition and pre-confirmation in total satisfaction of the indebtedness under Contract 2⁷.

Class 4E - Secured Claim of Stearns Bank. Class 4E is impaired and consists of the

⁷ The \$28,000 referenced in the Compromise was paid pursuant to the Order Approving Sale at Docket No. 82.

claim of Stearns Bank in the amount of \$8,838.47 secured by a lien on a 2007 International 4200 Truck (the "Truck"). The Debtor is abandoning the Truck in full satisfaction of this indebtedness. The Truck can be picked up from International Trucks of Houston, 660 Gellhorn, Houston, Texas 77029.

Class 4F - Secured Claims of Commonwealth Finance, Inc. Class 4F is impaired and consists of the nine secured claims of Commonwealth Finance, Inc. in the total amount of \$136,289.40 secured by liens on various propane tanks. These claims shall be paid in equal monthly installments of \$1,513.09 over a ten year period with interest at the rate of 6% per annum. The first payment shall be made on the 15th day of the first full month of the first full quarter following the effective date of the plan until paid in full.

Class 4G - Secured Claim of Direct Capital. Class 4G is impaired and consists of the claim of Direct Capital secured by a lien on a 2012 Ford F350 XL Truck. This claim shall be paid \$969.34 per month as per the underlying contract until paid in full.

Class 4H - Secured Claim of Simmons First National Bank. Class 4H is impaired and consists of the claim of Simmons First National Bank in the amount of \$30,887.00 secured by a lien on a 2008 GMC C7500 Truck with an Arrow Tank. This claim shall be paid \$1,715.97 per month as per the underlying contract until paid in full.

Class 4I - Secured Claim of Robert & Sheila Dobyys. Class 4I is impaired and consists of the claim of Robert & Sheila Dobyys in the amount of \$48,000.00 secured by commercial building leases for 14366 FM 1314, Conroe, Texas and 20514 State Hwy 90 N., Bedias, Texas. This claim will be paid in equal monthly installments of \$800.00 over a five year period without interest. The first payment shall be made on the 15th day of the first full month of the first full

quarter following the effective date of the plan until paid in full.

Class 4J - Potential Secured Claim of CAN Capitol Merchants Services, Inc. Class 4J is impaired and consists of the potential secured claim of CAN Capitol Merchants Services, Inc. in the amount of \$50,655.99, potentially secured by the Debtor’s future receivables. If allowed as a secured claim, this claim will be paid in equal monthly installments of 495.01 including interest at the rate of 3.25%⁸ over a ten year period⁹. The first payment shall be made on the 15th day of the first full month of the first full quarter following the effective date of the plan until paid in full.

Class 5 - Unsecured Claims under \$500.01. Class 5 is impaired and consists of the unsecured claims under \$500.01. There are 6 claims in this class for a total of \$1,518.96. The claimants in this class are:

1.	Advantage Route Systems.....	\$425.00
2.	Entergy.....	88.49
3.	Essentra.....	181.00
4.	Hanson Directory Service, Inc.....	183.00
5.	Pinnacle Propane Express.....	441.47
6.	Nexus Disposal.....	200.00
	Total	\$1,518.96

These claims shall be paid in full on the effective date of the Plan.

Any member of Class 6 who agrees to reduce their claim to \$500.00 may elect to be treated in Class 5 of the Plan. The election to accept treatment in Class 5 **shall be made in writing on the ballot.** The election to be treated in Class 5 by a Class 6 creditor is an election to accept \$500.00 **in full satisfaction of their entire claim.**

⁸ This consists of the Federal Funds Rate at 1.25% plus 2% - the *Till* Rate.

⁹ The Debtor is allowing a ten year payout in this Class in an abundance of caution based upon the cash flow for 2015 and 2016. The Debtor reserves the right to pay this class in full at any time during the ten year period, based upon actual accumulated cash.

Class 6 - Unsecured Claims over \$500.00. Class 6 is impaired and consists of the unsecured claims over \$500.00. These claims total approximately \$332,502.08¹⁰. These claims shall be paid 100% of their claims in equal quarterly installments over a 5 year period. The first payment shall be made on the 15th day of the first full month of the first full quarter following the effective date of the plan. The anticipated quarterly installment to these creditors is in the amount of \$16,625.10.

Any member of Class 6 who agrees to reduce their claim to \$500.00 may elect to be treated in Class 5 of the Plan. The election to accept treatment in Class 5 **shall be made in writing on the ballot.** The election to be treated in Class 5 by a Class 6 creditor is an election to accept \$500.00 in **full satisfaction of their entire claim.** **The claimants in Class 6 are strongly encouraged to review the list of plan payments attached hereto as Exhibit “C” for the treatment of their claim in making a decision on accepting treatment in Class 5 rather than the scheduled payments.**

Class 7 - Equity Security Holders. Class 7 is impaired and consists of the equity security holder of the Debtor, Robert Dobyns. As the Debtor is paying 100% to the unsecured creditors, he will retain his interest in the Reorganized Debtor.

B. Other Provisions

Notwithstanding confirmation of the Plan, the Court will retain jurisdiction (i) to determine the allowance of claims upon objection by a party-in-interest; (ii) to determine requests for payment of administrative claims and expenses, including compensation, entitled to priority under §507(a)(i) of the Code; (iii) to resolve disputes regarding interpretation of the Plan; (iv) to modify the Plan; (v)

¹⁰ The unsecured indebtedness has been increased by the unsecured deficiency balances due to UniFi Finance and Direct Capital in the aggregate amount of \$51,519.50.

to implement provisions of the Plan; (vi) to adjudicate any cause of action brought by the Debtor or Trustee as representatives of the estate; (vii) to enter a final decree; and (viii) for other purposes.

C. Bar dates for filing proofs of claim

Any creditor desiring to receive a distribution under the provisions of this Plan, and whose claim is not evidenced by a court order or set forth on the Debtor's schedules, must have filed a proof of claim or request for compensation with the Bankruptcy Court **not later than July 24, 2017**. The proof of claim deadline for governmental entities is September 19, 2017.

These bar dates are set by the Bankruptcy Court and noticed to all creditors pursuant to the Notice of Creditor's Meeting.

The Debtor has filed as a part of its schedules a list of all creditors, setting forth the identity of each creditor and an indication of the amount due each creditor. Unless a claim is listed as disputed, contingent or unliquidated, each creditor's claim will be allowed in the amount and status stated on the Debtor's schedules. Any creditor who disputes the amount listed on the Debtor's schedules must have filed a proof of claim in a different amount or status not later than July 24, 2017, or not later than September 19, 2017 for governmental entities. Failure to have filed a timely proof of claim will force a creditor to accept the amount of his/her claim as listed on the Debtor's schedules.

Claims listed as **disputed, contingent, or unliquidated** will not be allowed unless a proof of claim with all supporting documents was filed prior to July 24, 2017, or prior to September 19, 2017, for governmental entities. In the event a creditor has filed a proof of claim in these proceedings with which the Debtor disagrees, the Debtor has the option to file an objection to that claim and request the Court to determine the true value of the claim. The Debtor shall attempt to

resolve all objections to claims prior to confirmation. However, the Debtor shall have 60 days from the effective date of the plan to file objections to claims.

Any claim for a debt listed on the Debtor's Schedules as **disputed, contingent, or unliquidated** for which a proof of claim is not timely filed shall be of **no force and effect**. No distribution will be made to any creditor that has not timely complied with this provision.

XI. **Pending Litigation**

There is no litigation either pending against the Debtor or in which the Debtor is a Plaintiff.

XII. **Alternatives to the Plan Proposed**

The Debtor expects that the Plan will enable it to realize the maximum benefits for all of its creditors. However, if the Plan is not confirmed, the Debtor will continue to seek other avenues for reorganization.

A. Conversion

In the event no suitable alternative can be found, the Debtor would be compelled, as well as obligated, to recommend the conversion of the Chapter 11 case to a case under Chapter 7, and a subsequent liquidation by a duly appointed or elected Chapter 7 trustee. The plan provides that property of the estate will vest in the reorganized Debtor thirty days after entry of the final confirmation order. Creditors shall retain their ability to utilize rights under 11 U.S.C. § 1112(b)(8) to request conversion. Upon a conversion of this case to Chapter 7, all property re-vested in the Debtor under the Plan, or subsequently acquired, shall constitute property of the bankruptcy estate in the converted case. Although the Debtor is of the opinion that a straight liquidation of the assets would not be in the best interest of the creditors generally, the following is

likely to occur:

- (i) The newly appointed Chapter 7 trustee would have to become familiar with the Debtor's operations in order to evaluate all the Debtor's assets and liabilities;
- (ii) In addition to the duplication of efforts that would transpire as a result of the Chapter 7 Trustee having to review documents and interview persons in order to become sufficiently acquainted with the Debtor's business, the Chapter 7 Trustee would likely retain professionals to aid in administering the estate;
- (iii) An additional tier of administrative expenses entitled to priority over general unsecured claims would be incurred. Such administrative expenses would include Chapter 7 Trustee's commissions and fees for the professionals likely to be retained; and
- (iv) There would likely be no distribution at all to the creditors until the case is ready to be closed.

The Debtor will allow the creditors and parties-in-interest to draw their own conclusions with respect to the delay associated with a Chapter 7 liquidation. It is certain that the above factors would result in an additional dilution to the projected dividend. The Debtor believes that such a speculative projection should be made by the creditors themselves.

The Debtor believes if the assets of the Debtor were liquidated through a court trustee the payments to creditors would be less than provided in this Plan.

B. Dismissal

Dismissal of the proceeding would, in the Debtor's opinion, lead to an unsatisfactory result.

The Debtor has attempted to set forth possible alternatives to the proposed Plan. Accordingly, one should recognize that a vote against the Plan and the ultimate rejection of the Plan would not alter the present status of the Debtor. The vote on the Plan does not include a vote on alternatives to the Plan. There is no assurance what turn the proceedings will take if the Plan is

rejected. If you believe one of the alternatives referred to above is preferable to the Plan and you wish to urge it upon the Court, you should consult your counsel.

The economy is the only risk posed to creditors that would result in an amendment or change in the plan.

C. Default

Upon confirmation of a Chapter 11 Plan, the Plan operates as a contract between the Debtor and its creditors. A default occurs if the Debtor fails to make any required payments contained in the Plan. Each creditor, regardless of class, has the right upon a default under the plan to notify the Debtor and its Counsel of the default and allow 14 days for the Debtor to cure such default. Notice of default must be made in writing to the Debtor and its Counsel and mailed by certified mail, return receipt requested. The 14 day period shall begin on the date the Debtor executes the return receipt. Notice of default shall be given to the following:

Mr. Robert Dobyns
14353 Old Humble Pipeline Rd.
Conroe, Texas 77302

and

Julie M. Koenig
815 Walker, Suite 1040
Houston, Texas 77002

If the Debtor fails to cure the default within the 14 day period, the Creditor sending notice of default has the right to bring a lawsuit in the State District Court in Harris County, Texas against the Debtor or to apply to the Federal Bankruptcy Court for relief.

XIII.

Federal Income Tax Consequences to Creditors and the Debtor

A. Federal Tax Consequences to Creditors

The Debtor believes that the following discussion generally sets forth the Federal income tax consequences to Creditors upon confirmation and consummation of the Plan. No ruling has been sought or obtained by the Debtor from the IRS with respect to any of these matters. The following discussion of Federal income tax consequences is not binding on the IRS and is general in nature. No statement can be made herein with respect to the particular Federal income tax consequences to any Creditor.

AS A RESULT OF THE COMPLEXITY OF THE APPLICABLE PROVISIONS OF THE INTERNAL REVENUE CODE, EACH CREDITOR IS URGED TO CONSULT ITS OWN TAX ADVISOR IN ORDER TO ASCERTAIN THE ACTUAL TAX CONSEQUENCES TO IT, UNDER FEDERAL AND APPLICABLE STATE AND LOCAL LAWS, OF CONFIRMATION AND CONSUMMATION OF THE PLAN.

Creditors may be taxed on distributions they receive from the Estate. The amount of the income or gain, and its character as ordinary income or capital gain or loss, as the case may be, will depend upon the nature of the Claim of each particular Creditor. The method of accounting utilized by a Creditor for Federal income tax purposes may also affect the tax consequences of a distribution. In general, the amount of gain (or loss) recognized by any such Creditor distributee will be the difference between (i) the Creditor's basis for Federal income tax purposes, if any, in the Claim and (ii) the amount of the distribution received. Whether the distribution will generate ordinary income or capital gain will depend upon whether the distribution is in payment of a Claim or an item which would otherwise generate ordinary income on the one hand or in payment of a Claim which would constitute a return of capital.

B. Federal Tax Consequences to the Debtor

As the Debtor is considered insolvent within the 90 days prior to filing its Chapter 11 Proceeding, there will not be any tax consequences for “forgiveness of debt” as the Debtor is paying 100% under its Plan. Therefore, there are no tax consequences to the Debtor as a result of its filing for Chapter 11 Reorganization nor will there be any tax consequences as a result of completing its Plan of Reorganization.

**XIV.
Means for Implementation and Execution of the Plan**

Implementation of the Plan requires entry of an order by the Bankruptcy Court confirming the Plan. The Plan is to be implemented, if accepted and approved by the Bankruptcy Court, in its entire form as filed on November 7, 2017. The effective date of the plan shall be 30 days after the date the Plan is confirmed by this Court.

**XV.
Modification of Disclosure**

The Debtor may propose amendments to or modification of this Disclosure Statement at any time prior to the confirmation, with leave of the Court. After confirmation, the proponent may, with the approval of the Court, so long as it does not materially or adversely affect the interests of the creditors or other parties-in-interest as set forth herein, remedy any defect or omission, reconcile any inconsistencies in this Disclosure Statement, or in the Order Confirming Disclosure Statement, in such a manner as may be necessary to carry out the purposes and intent of this Disclosure Statement.

**XVI.
Disclosure Required by the Bankruptcy Code**

The Bankruptcy Code requires the disclosure to the Bankruptcy Court of payments made or

promised of the kind as set forth in Section 1129(a)(5) of the Bankruptcy Code. The Debtor retained Julie M. Koenig, Cooper & Scully, PC, as bankruptcy counsel on a \$10,000 retainer. The Bankruptcy Code requires that the Court approve all professional's fee applications prior to payment by a Debtor. Therefore all fees and costs incurred are subject to approval of the Bankruptcy Judge.

XVII.
Fraudulent and Preferential Transfers

To the best of Debtor's knowledge and belief there have not been any fraudulent or preferential transfers within one year of the bankruptcy filing.

XVIII.
Other Bankruptcies

The Debtor has not filed a prior bankruptcy.

XIX.
Conclusion

The Debtor believes that approval of its Plan will provide an opportunity for its creditors to receive more money in the foreseeable future on their claims than would be received in a straight liquidation by a Trustee in a Chapter 7 case or from a distress sale of all the assets. If the Plan is not approved, the Debtor will continue to seek other reorganization alternatives, but liquidation might ensue, with the consequences as discussed above in relation to the liquidation alternative.

This Disclosure Statement is subject to the approval by the Bankruptcy Court after notice and hearing.

THE APPROVAL BY THE UNITED STATES BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT WILL NOT CONSTITUTE AN ENDORSEMENT BY THE COURT OF THE DEBTOR'S PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

The Plan of Reorganization contains additional provisions and each creditor should review the provisions of the Plan with particularity.

Respectfully submitted this 7th day of November, 2017.

A&D Propane, Inc.

By: /s/ Robert Dobyys, President
Robert Dobyys, President

OF COUNSEL:

COOPER & SCULLY, PC.

By: /s/ Julie M. Koenig

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