

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

In re:	§	Case Nos. 17-33692 and 17-34048
Duron Systems, Inc. and	§	Chapter 11
Tri-L I, Ltd.,	§	
Debtors	§	Jointly administered under
	§	Case No. 17-33692

**Debtor Duron Systems, Inc.’s Third Amended Disclosure Statement  
and Chapter 11 Liquidating Plan of Reorganization**

Duron Systems, Inc. (“Duron” or the “Debtor”) proposes this Third Amended Disclosure Statement and Chapter 11 Liquidating Plan of Reorganization (the “Plan”) pursuant to §§ 1121 and 1125 of the Bankruptcy Code.

**I. Information Regarding the Debtor**

**A. The Debtor**

This Plan is proposed solely for Duron. A separate plan for Tri-L, Ltd. (“Tri-L”) has already been confirmed. [Doc. No. 156]. Duron is a Texas corporation with its principal place of business at 9110 Taub Road, Houston, Texas 77064. Where appropriate, references to the Debtor shall mean the reorganized debtor.

**B. Brief History of the Debtor and Cause of the Debtor’s Chapter 11 Filing**

Duron operates an oil and gas fabrication facility principally for equipment for the offshore oil and gas industry. The collapse in the offshore oil and gas industry resulted in a significant downturn in Duron’s business that eventually caused Duron to seek protection in chapter 11 bankruptcy.

### **C. Assets of the Debtor**

Duron's principal assets are the equipment it uses to operate its business. Collectively, its vehicles, machinery, and other equipment are valued at just over \$1,600,000. Duron also has assets in the form of accounts receivable and work in progress, valued at a net amount of approximately \$600,000; but the value of these assets may decrease in the next several weeks and months.

The Debtor's assets are set forth in detail on its bankruptcy schedules. For detailed information regarding the Debtor's assets, please see the Debtor's bankruptcy schedules and monthly reports.

### **D. Source of the Information Contained in This Disclosure Statement**

Unless otherwise indicated, the Debtor has submitted all of the information contained in this Plan and Disclosure Statement.

### **E. Present Condition and Post-Petition Operations of the Debtor**

Since filing the bankruptcy case, the Debtor has continued to operate its business.

The Debtor's post-petition financial operations are set forth in the monthly operating reports filed with the Bankruptcy Court. Attached as Exhibit A are the two most recent of the Debtor's monthly operating reports, which set forth the Debtor's cumulative post-petition operations.

Duron has been able to maintain customers and has continued its business since the filing of the chapter 11 case. Duron has also provided services for onshore oil and gas equipment needs. Duron believes that the present offshore business combined with the business that has been provided in the onshore market has been beneficial and has allowed it to continue to operate through this date. Unfortunately, the expectation for future business of Duron has been reduced

and future business is not forecast in an amount to allow Duron to continue in business for any extended time period. In order to best preserve value for the estate and creditors, Duron is proposing this liquidating plan of reorganization.

**F. Anticipated Future of the Debtor, Management of the Reorganized Debtor, and Feasibility**

Duron's president is Joseph Donald Lower. Its vice presidents are Thomas David Lower and Phillip M. Lower. Its comptroller is Jim Lower. Duron expects to retain its current management while it is operating.

Duron does not currently have enough business to continue making payroll and paying vendors and creditors. Furthermore, Allegiance Bank, who is one of Duron's major creditors, has indicated that it may foreclose its blanket lien on Duron's assets. Therefore, if this situation is allowed to continue for too long, the likely result will be a "fire-sale" liquidation or conversion to a chapter 7 case. Duron believes that its creditors and the estate will be in a much better position with the approval of this liquidating plan as opposed to a "fire-sale" of its assets or conversion to chapter 7.

Duron believes that a sale of its assets through a chapter 11 liquidating plan is feasible. Duron Tech, LLC ("DTech") has offered to purchase Duron's assets. DTech is the entity to whom Tri-L leased its facility, pursuant to its confirmed chapter 11 plan. *See* [Doc. No. 141 p. 3]. If Duron accepts DTech's offer, Duron and DTech will execute a sale agreement pursuant to which DTech will acquire Duron's equipment, inventory, and other "hard" assets. DTech will also acquire Duron's ISO certifications and "approved vendor list."

Duron's actual income and expenses from its operating reports are attached as Exhibit B. The projected operations income and expenses for the next several months are attached as

Exhibit B-1.

### G. Claims Summary

Duron's schedules reflect claims against it and their respective priorities. The bar date for filing claims against Duron was November 22, 2017 and has passed. The following table summarizes the claims currently filed against Duron:

Claim #	Creditor	Amount	Status	Collateral
1	UnitedHealthcare	\$70,004.44	General Unsecured	-
2	Harris County et al	\$32,179.53 (amended)	Secured	Vehicles and business personal property
3	Cypress-Fairbanks ISD	\$52,774.14 (amended)	Secured	Vehicles and business personal property
4	Accounting Principals	\$4,000.00	General Unsecured	-
5	Ford Motor Credit Company LLC	\$19,995.42	Secured	2014 Ford F450
6	WW Granger Inc.	\$829.37	General Unsecured	-
7	American Express Travel Related, Inc.	\$55,525.52	General Unsecured	-
8	American Express Travel Related, Inc.	\$115.00	General Unsecured	-
9	United Rentals, Inc.	\$3,322.74	General Unsecured	-
10	American Express Bank, FSB	\$5,752.94	General Unsecured	-
11	Internal Revenue Service	\$0.00	-	-
12	Delta Steel, Inc.	\$25,353.20	General Unsecured	-
13	Action Stainless	\$22,700.41	General Unsecured	-
14	Texas Workforce Commission	\$4,585.08	Priority	-
15	BFG Corporation	\$34,236.41	Secured	Computer software

16	Hartford Fire Insurance Company	Unliquidated	-	-
17	Green Mountain Energy Company	\$9,469.05	General Unsecured	-
18	Praxair Distribution, Inc.	\$22,694.56	General Unsecured	-
19	AllTex Welding Supply, Inc.	\$31,492.37	General Unsecured	-
20	Houston Plating & Coatings	\$14,442.95	General Unsecured	-
21	KGM Express, Inc.	\$11,200.00	General Unsecured	-
22	Arrav Coating Technology	\$599.97	General Unsecured	-
23	Frisa	\$10,103.00	General Unsecured	-
24	OurCo Supply Corp.	\$17,063.35	General Unsecured	-
25	Absolute Calibration	\$2,767.00	General Unsecured	-
26	Synchrony Bank	\$1,788.42	General Unsecured	-
27	Euler Hermes, N.A., as agent for JP Steel	\$7,186.63	General Unsecured	-
28	PNC Equipment Finance LLC	\$30,621.87	Secured	46 cameras and 2 recorders
29	McMaster-Carr	\$7,938.79	General Unsecured	-
30	CIT Finance, LLC	\$27,180.00	General Unsecured	-
31	Brazos Port Plastics	\$12,395.00	General Unsecured	-
32	Allegiance Bank	\$1,727,014.02	Secured	Blanket lien
33	King Cash Group	\$117,150.00	General Unsecured	-
34	Deere & Company	\$31,976.65	Secured	Utility tractor, farm loader, and box scraper
35	Cor-Pro Systems Operating, Ltd.	\$116,136.00	General Unsecured	-

36	Wells Fargo Equipment Finance, Inc.	\$58,262.34 (amended)	Secured	Mantis crane, forklift, and lift truck. Crane was sold on court order and amounts paid to Wells Fargo
37	Cyclone Steel Services, LLC	\$174,920.23	General Unsecured	-
38	Dahill	\$21,535.15	General Unsecured	-
39	Cintas Corporation No. 2, Location 082*	\$40,032.30	General Unsecured	-

\* Cintas Corporation filed its claim on February 27, 2018, after the bar date. The claim is untimely and the amount of the claim is excessive. Duron will object to it.

If a claim is classified by the Debtor as disputed, unliquidated, or contingent, then the creditor must file a proof of claim. If a claim was classified as disputed, unliquidated, or contingent on Schedule F by the Debtor and no proof of claim has been timely filed by the applicable bar date, then no payment will be made to that creditor.

The following table sets forth the secured and priority claims listed by the Debtor in its schedules as undisputed for which proofs of claim have not yet been filed. The Debtor has also scheduled undisputed general unsecured claims which can be viewed on Schedules E/F.

Creditor	Amount	Status	Collateral
EverBank Commercial Finance	\$5,479.00	Secured	Xerox copiers
Konica Minolta Business Sol	\$4,935.00	Secured	Copiers
Texas Commission on Environmental Quality	\$220.00	Secured	Unknown
Tri-L, Ltd.	\$2,214.00	Unsecured <sup>1</sup>	-

Copies of Schedules D (secured creditors) and E/F (priority and general unsecured

<sup>1</sup> Duron included Tri-L, Ltd. as a secured creditor on Schedule D of its bankruptcy schedules, but the classification was in error. Tri-L, Ltd. is an unsecured creditor of Duron.

creditors) are available from the Clerk of the Court or counsel for the Debtor.

#### **H. Liquidation as an Alternative to the Proposed Plan**

Duron is proposing a liquidating chapter 11 plan. If the proposed plan is not approved by the creditors and confirmed by the Court, Duron's primary alternative is liquidation under chapter 7 or dismissal of the case.

Duron estimates that its secured and priority creditors will not be paid in full in a chapter 7 liquidation. The total amount of secured and priority claims against Duron is approximately \$1,977,581.59. According to the most recent proof of claim filed by the Internal Revenue Service (the "IRS"), Duron owes no amounts to the IRS. Duron estimates that the total value of its assets is approximately \$2,200,000. But that value is uncertain and might not be obtained in a chapter 7 liquidation.

The Plan proposes that all creditors—secured, priority, and unsecured—be paid all amounts from the sale of Duron's business and assets to DTech. Duron's equity owners will not retain any amounts unless and until all creditors have been paid in full to the extent of their filed and allowed claims. Creditors are more likely to be paid in full through the Plan than through a chapter 7 liquidation.

Since this is a liquidating plan, no further liquidation analysis is provided.

#### **I. Estimated Administrative Expenses**

Duron estimates that administrative expenses for this case will be approximately \$100,000. Administrative expenses will include attorney fees, other professional fees, pre-confirmation U.S. Trustee quarterly fees, and a reserve for other possible administrative expenses.

#### **J. Avoidance and Contested Claims**

Duron will object to the claim of Cintas Corporation (Proof of Claim No. 39) on the basis of its timeliness and its excessive amount. Otherwise, at this time, Duron has not identified any preferential transfers or claims that should be disputed.

#### **K. Summary of Litigation.**

Duron is or was involved in the pending or recent litigation below:

- Yellowstone Capital, LLC v. Duron Systems, Inc. Case No. 806014/2017 in the Supreme Court of the State of New York. A collection case.

#### **L. Risks Posed to Creditors**

Duron cannot predict the possible conclusion of or proceeds from the sale of its assets and business to DTech. A sale has not yet been finalized and might not occur. The sale might not result in sufficient funds for the payments to creditors. DTech is responsible for making many of the payments under the Plan. Depending on its future business success or failure, DTech might not be able to make the payments. Although Duron believes that a sale will result in higher returns to the creditors than a chapter 7 liquidation, there is no guaranty of this result.

#### **M. Tax Ramifications**

An analysis of the federal income tax consequences of the Plan to creditors requires a review of the Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder, judicial authority, and current administrative rulings and practice. The federal income tax consequences to any particular creditor may be affected by the nature of the taxable entity. There may also be state, local, or foreign tax considerations applicable to each creditor. Each creditor is urged to consult its accountant or tax lawyer to determine the effect of this Plan



upon its claim.

#### **N. Affiliate Relationships**

Duron is owned by the Lower family members. Lower family members also own the following entities:

- Tri-L
- Duron Services, Inc. (“Duron Services”)
- Legion Holdings, Inc. (“Legion”)
- Duron Exports, Inc. (“Duron Exports”)
- Duron Riser Group, Inc. (“Duron Riser”)

Tri-L owned the building that Duron operated its business in. Duron Services employed Duron’s hourly workers. Legion is a holding company that owns Duron Services and Duron. Duron Exports is a domestic international sales corporation and was used for exporting. Duron Riser is inactive and not engaged in business at this time.

#### **O. Absolute Priority Rule**

The Bankruptcy Code provides that, with respect to each class of creditors, such class must accept the plan or such class is not impaired under the plan. If a class does not accept the plan, then the bankruptcy court may confirm a plan over the failure of a class to vote for the plan, provided that for a class of unsecured claims, the plan must provide that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of the claim of the creditor, or the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

Duron believes that its liquidating plan of reorganization complies with the absolute priority rule in 11 U.S.C. § 1129(b). Duron is proposing to pay the total amount of the sales proceeds to its creditors to the extent necessary to pay all allowed claims in full. Unless all creditors with allowed claims are paid in full, Duron's equity owners will not retain or receive any sales proceeds.

#### **P. Definitions**

The Bankruptcy Code refers to Title 11 of the United States Code.

The Court means the United States Bankruptcy Court of the Southern District of Texas.

The Debtor refers Duron Systems, Inc.

Duron refers to Duron Systems, Inc.

The Effective Date means the date that is fifteen (15) days after a final and non-appealed order is entered confirming the Duron's chapter 11 plan and disclosure statement.

Tri-L refers to Tri-L I, Ltd.

## **II. Liquidating Plan of Reorganization and Treatment of Claims**

### **A. Plan Concept**

Duron's Plan is a liquidating plan. DTech will purchase all of Duron's assets that are not surrendered to secured creditors pursuant to the terms of the Plan below. DTech will then assume responsibility for paying creditors pursuant to the terms of the Plan. To the extent that the distributions set forth in this Plan differ from the distribution priorities in the Bankruptcy Code, the distributions set forth in the Plan will supersede, so long as they have been approved by the Court.

### **B. Classes of Claims**

Duron's claims are divided into the classes described below in Table 1.

**Table 1. Classes of Claims**

<b>Class No.</b>	<b>Description</b>
1	<p><u>Administrative Claims as of the Effective Date.</u> Class 1 consists of the allowed claims entitled to priority under 11 U.S.C. § 507(a)(1). Class 1 includes fees for services rendered and expenses incurred through the Effective Date by the Debtor’s counsel and other professionals appointed for the Debtor by the Court. Class 1 also includes the U.S. Trustee’s pre-confirmation quarterly fees and other administrative expenses.</p> <p><b>Amount:</b> \$100,000 (estimated)</p> <p><b>Status:</b> Priority</p> <p><b>Impaired:</b> N/A</p>
2	<p><u>Claim of Harris County et al.</u> Class 2 consists of the secured claim of Harris County et al (“Harris County”). Harris County’s claim is secured in part by vehicles located at 9110 Taub Road and in part by other business personal property located at 9110 Taub Road.</p> <p><b>Amount:</b> \$32,179.53 plus 12% interest beginning from June 30, 2017</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>
3	<p><u>Claim of Cypress-Fairbanks ISD.</u> Class 3 consists of the secured claim of Cypress-Fairbanks ISD (“Cypress”). Cypress’s claim is secured in part by vehicles located at 9110 Taub Road and in part by other business personal property located at 9110 Taub Road.</p> <p><b>Amount:</b> \$52,774.14 plus 12% interest beginning from June 30, 2017</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>

4	<p><u>Claim of Allegiance Bank Against Duron</u>. Class 4 consists of the secured claim of Allegiance Bank (“Allegiance”). Allegiance’s claim is secured by a blanket lien on all of Duron’s assets.</p> <p><b>Amount:</b> \$1,727,014.02 plus 4.5% interest beginning from June 13, 2017</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>
5	<p><u>Claim of Ford Motor Credit Company LLC</u>. Class 5 consists of the secured claim of Ford Motor Credit Company LLC (“Ford”). Ford’s claim is secured by a 2014 Ford F-450 truck.</p> <p><b>Amount:</b> \$19,995.42 plus 5.99% interest beginning from June 13, 2017</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>
6	<p><u>Claim of the Texas Workforce Commission</u>. Class 6 consists of the priority claim of the Texas Workforce Commission (the “TWC”) for unemployment taxes.</p> <p><b>Amount:</b> \$4,585.08 plus 4.25% interest beginning from June 13, 2017</p> <p><b>Status:</b> Priority</p> <p><b>Impaired:</b> Yes</p>
7	<p><u>Claim of BFG Corporation</u>. Class 7 consists of the secured claim of BFG Corporation (“BFG”). BFG’s claim is secured by an unperfected lien on computer software.</p> <p><b>Amount:</b> \$34,236.41</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>

8	<p><u>Claim of PNC Equipment Finance LLC.</u> Class 8 consists of the secured claim of PNC Equipment Finance LLC (“PNC”). PNC’s claim is secured by 46 cameras and 2 recorders.</p> <p><b>Amount:</b> \$30,621.87</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>
9	<p><u>Claim of Deere &amp; Company.</u> Class 9 consists of the secured claim of Deere &amp; Company (“Deere”). Deere’s claim is secured by a utility tractor, a farm loader, and a box scraper.</p> <p><b>Amount:</b> \$31,976.65</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>
10	<p><u>Claim of Wells Fargo Equipment Finance, Inc.</u> Class 10 consists of the secured claim of Wells Fargo Equipment Finance, Inc. (“Wells Fargo”). Wells Fargo’s claim is secured by a fork lift and a lift truck.</p> <p><b>Amount:</b> \$58,262.34 plus 3.9% interest beginning from June 13, 2017</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>
11	<p><u>Claim of EverBank Commercial Finance.</u> Class 11 consists of the secured claim of EverBank Commercial Finance (“Everbank”). Everbank’s claim is secured by Xerox copiers.</p> <p><b>Amount:</b> \$5,479.00</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>

12	<p><u>Claim of Konica Minolta Business Sol.</u> Class 12 consists of the secured claim of Konica Minolta Business Sol (“Konica”). Konica’s claim is secured by copiers.</p> <p><b>Amount:</b> \$4,935.00</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>
13	<p><u>Claim of the Texas Commission on Environmental Quality.</u> Class 13 consists of the claim of the Texas Commission on Environmental Quality (the “TCEQ”). The Debtor believes that this claim is secured, but the Debtor does not know what specific property secures this claim. The TCEQ has not filed a proof of claim.</p> <p><b>Amount:</b> \$220.00</p> <p><b>Status:</b> Secured</p> <p><b>Impaired:</b> Yes</p>
14	<p><u>General Unsecured Claims.</u> Class 14 consists of all unpaid, pre-petition, allowed, unsecured, non-priority claims against Duron.</p> <p><b>Amount:</b> \$1,041,125.80 (estimated)</p> <p><b>Status:</b> General Unsecured</p> <p><b>Impaired:</b> Yes</p>
15	<p><u>Equity Owners.</u> Class 15 consists of all persons holding equity interests of Duron.</p> <p><b>Impaired:</b> Yes</p>

### C. Treatment of Claims

#### 1. *Administrative Claims (Class 1)*

Except as otherwise provided below, each creditor in Class 1 will be paid in cash on the Effective Date if the creditor’s claim has matured. In addition, the claim must also have been

approved or allowed by the Court, if approval or allowance is necessary.

Duron will pay, in the ordinary course of business, all fees for services rendered and expenses incurred after the Effective Date by its court-appointed counsel and other professionals. Duron will not need to file fee applications or seek approval or allowance from the Court to pay these fees and expenses. Duron will be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6).

On the Effective Date of the Plan, Duron will pay any pre-confirmation quarterly fees owed to the U.S. Trustee. After confirmation and until this case is closed by the Court, Duron will pay quarterly fees to the U.S. Trustee as they accrue. Duron will also serve on the U.S. Trustee a quarterly financial statement or affidavit of quarterly disbursements.

***2. Claims to be Paid by DTech (Classes 2 –Harris County and 3 – Cypress Fairbanks ISD)***

On behalf of the Debtor, DTech will pay monthly an approximately equal amount such that Classes 2 and 3 will be paid in full over a time period not to exceed five (5) years from the filing date of June 13, 2017. The assets acquired and owned by DTech from the Debtor will continue to be collateral for the ad valorem taxes. DTech will pay the full amount of each claim in Classes 2 and 3 to the respective creditor at the rate of interest specified in Table 1. The full amount of each claim is also that specified in Table 1.

***3. Claims Paid by Tri-L (Class 4- Allegiance Bank)***

DTech has previously agreed to make the payments to Allegiance Bank under the confirmed Tri-L chapter 11 plan. No further or additional payments will be made by DTech or the Debtor to Allegiance Bank.

**4. *Claims Paid by DTech (Class 5 -Ford)***

DTech has already paid Class 5 in full and obtained title to the truck. No further payments will be made to Class 5.

**5. *Claims to be Paid in Full Within 30 Days (Classes 6 – Texas Workforce Commission, 9 – Deere & Company, 10 – Wells Fargo Equipment Finance, and 13 – Texas Commission on Environmental Quality)***

Within 30 days following the Effective Date of the Plan, DTech will pay the full amount of each claim in Classes 6, 9, 10, and 13 to the respective creditor at the rate of interest, if any, specified in Table 1. The full amount of each claim is also that specified in Table 1.

Within 30 days following the Effective Date of the Plan, DTech will pay the full amount of each claim in Classes 6, 9, 10, and 13 to the respective creditor at the rate of interest, if any, specified in Table 1. The full amount of each claim is also that specified in Table 1.

**6. *Claims for Which Collateral Will Be Surrendered (Classes 7-8 and 11-12)***

On the Effective Date of the Plan, Duron will surrender to the respective creditor all property securing the claims in Classes 7, 8, 11, and 12. The property surrendered will be in full satisfaction of the claim it secures. If Duron files an objection to any claim in these classes, Duron will not surrender the property securing the claim until after an order of the Court allowing the claim has become final.

**7. *General Unsecured Claims (Class 14)***

**a. *Standard Payment Schedule***

Beginning on June 1, 2019, DTech will pay \$1,000 per month to Class 14.

Beginning on June 1, 2020, DTech will pay \$2,000 per month.



Beginning on June 1, 2021, DTech will pay \$3,000 per month. The monthly payments will continue at this final amount for a total of 36 payments. The total amount paid to Class 14 on this schedule will be \$144,000.

*b. Accelerated Payment Schedule*

DTech may, at any time, make payments to Class 14 in addition to the amounts and times described in the Standard Payment Schedule above. If DTech has paid at least \$125,000 to Class 14 by May 30, 2021, DTech will not need to make any additional payments to Class 14 notwithstanding the Standard Payment Schedule.

*c. Other Terms*

Each payment that DTech makes to Class 14 will be distributed among the creditors in Class 14 pro rata according to the amount of each creditor's claim.

**8. Equity Owners (Class 15)**

The equity owners of Duron will not receive any distributions as equity owners until and after all other creditors are fully paid under the terms of this plan. Duron does not estimate that any distributions will be made to the holders of its equity interests.

**D. Implementation of the Plan**

**1. Duron's Responsibilities and Duties**

From and after the Effective Date, Duron will be responsible for the use, sale, assignment, transfer, abandonment, or liquidation of its assets pursuant to its sale agreement with DTech. Duron is authorized to take any actions necessary to control, manage, and transfer its assets in accordance with their sale agreement without further judicial review or order of this Court; provided that all existing and valid liens and encumbrances against any asset of Duron

will continue and remain. Except for the sale of property from Duron to DTech in accordance with the sale agreement, neither Duron nor DTech may sell or transfer any property if the sale or transfer would adversely affect any liens or encumbrances of Allegiance Bank unless Allegiance Bank first gives its written consent or an order allowing the sale or transfer is obtained from a court of competent jurisdiction.

Duron is also authorized to take any actions otherwise necessary to consummate the Plan and to close the chapter 11 case. These actions may include, but are not limited to, the filing of any post-confirmation tax returns, certificates, and applying for a final decree pursuant to 11 U.S.C. § 350.

## ***2. Retention of Professionals***

Duron may retain additional professionals (including any professionals retained in the chapter 11 case) to assist it in its duties. The expenses for these professionals will be reimbursed and paid from Duron's assets as a claim in Class 1, after the payment of all Class 1 claims existing as of the confirmation date.

## ***3. Review of Claims***

Duron is responsible for the review of claims against it and for the filing of objections to them. If any objections are filed, Duron is responsible for prosecuting them.

## ***4. Payment of Allowed Claims***

Duron or DTech will pay the allowed claims in accordance with the terms of this Plan. To the extent Duron must make a payment on an allowed claim that is not provided for in the terms of the Plan, it will do so in accordance with the Bankruptcy Code.

**5. *Rights of Secured Creditors After Six Months***

If, within six months after the Effective Date, DTech and Duron fail to comply with the terms of the Plan as to secured creditors, any affected secured creditor may pursue the rights and remedies of creditors under existing state laws in Texas, unless those rights and remedies are modified by separate agreement with the creditor or by an order from a court of competent jurisdiction.

**E. Disputed Claims and Objections to Claims**

Duron may file an objection to any disputed claim within 60 days from the Effective Date of the Plan. Objections not filed within the foregoing time period will be deemed waived, except to the extent that the grounds for the objection could not have been discovered during or prior to that time period. If an objection is filed to any claim, payment on the claim will not begin until after an order of the Court allowing the claim has become final.

**F. Executory Contracts**

Upon confirmation of the Plan and as of the Effective Date, Duron will be deemed to have rejected all executory contracts.

**G. Acceptance or Rejection of the Plan**

Each impaired class of claims will be entitled to vote separately to accept or reject this Plan unless that class receives no distribution under the Plan. Any class receiving no distribution is deemed to have rejected the Plan. Any unimpaired class of claims will not be entitled to vote either to accept or to reject this Plan and is deemed to have accepted the Plan. Each creditor should read this Plan and Disclosure Statement, then complete and return the attached ballot.

Your acceptance of the Plan is important. In order for the Plan to be deemed “accepted” by creditors and holders of interests, at least sixty-six and two-thirds percent (66-2/3%) in amount of allowed claims voting and fifty-one percent (51%) in number of allowed claims voting in each class of claims must accept the Plan. Whether or not you expect to be present at the hearing, you are urged to fill in, date, sign, and properly mail the Ballot for Accepting or Rejecting Plan of Reorganization to Mr. Reese W. Baker, Attorney for Debtor, 950 Echo Lane, Ste. 200, Houston, Texas 77024.

**IF ANY CLASS REJECTS THE PLAN, THE DEBTOR MAY SEEK TO “CRAMDOW” THE CONFIRMATION OF THE PLAN PURSUANT TO 11 U.S.C. § 1129(b). THE BANKRUPTCY CODE ALLOWS THE DEBTOR TO REQUEST THE COURT TO CONFIRM THE PLAN NOTWITHSTANDING THE REJECTION OF ANY CLASS OR CLASSES OF CREDITORS IF THE DEBTOR CAN DEMONSTRATE THAT (i) THE PLAN DOES NOT DISCRIMINATE UNFAIRLY AND (ii) THE PLAN IS FAIR AND EQUITABLE WITH RESPECT TO EACH CLASS OF CLAIMS OR INTERESTS THAT IS IMPAIRED AND HAS NOT ACCEPTED THE PLAN. IN ORDER TO “CRAMDOW” THE PLAN, THE DEBTOR WILL HAVE TO DEMONSTRATE TO THE BANKRUPTCY COURT AT A HEARING THAT THESE TWO STANDARDS HAVE BEEN SATISFIED. THIS HEARING WOULD BE PART OF THE CONFIRMATION HEARING ON THE PLAN. ALL CREDITORS MAY BE PART OF THE CONFIRMATION HEARING AND WILL HAVE AN OPPORTUNITY TO PARTICIPATE IN IT.**

#### **H. Jurisdiction of the Bankruptcy Court**

The Bankruptcy Court will retain exclusive jurisdiction of the case after the confirmation date with respect to the parties to, and the subject matter of, this Plan and the claims, applications, orders, damages, and other events as described in the Plan.

### **III. Confirmation Requirements and Procedures**

To be confirmable, the Plan must meet the requirements listed in 11 U.S.C. §§ 1129(a) or (b) of the Code. These include the following requirements: the Plan must be proposed in good faith; at least one impaired class of claims must accept the Plan, without counting the votes of insiders; the Plan must distribute to each creditor at least as much as the creditor would receive in a chapter 7 liquidation case, unless the creditor votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in 11 U.S.C. § 1129 and they are not the only requirements for confirmation.

#### **A. Who May Vote or Object**

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

However, many parties in interest are not entitled to vote to accept or reject the Plan. A creditor has a right to vote for or against the Plan only if that creditor has a claim that is both (1) allowed or allowed for voting purposes; and (2) impaired.

In this case, Duron believes that all classes except Class 1 are impaired and that holders of claims in these classes are therefore entitled to vote to accept or reject the Plan.

#### **1. What Is an Allowed Claim?**

Only a creditor with an allowed claim has the right to vote on the Plan. Generally, a claim is allowed if either (1) the debtor has scheduled the claim on the debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim, unless an objection has been filed to such proof of claim. When a claim is not allowed, the creditor holding the claim cannot vote unless the Court, after notice and hearing,

either overrules the objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing proofs of claim was November 22, 2017.

## ***2. What Is an Impaired Claim?***

As noted above, the holder of an allowed claim has the right to vote only if it is in a class that is impaired under the Plan. As provided in 11 U.S.C. § 1124, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

## ***3. Who is Not Entitled to Vote?***

The holders of the following types of claims are *not* entitled to vote:

- holders of claims that have been disallowed by an order of the Court;
- holders of other claims that are not “allowed claims” (as discussed above), unless they have been “allowed” for voting purposes;
- holders of claims in unimpaired classes;
- holders of claims entitled to priority pursuant to 11 U.S.C. §§ 507(a)(2), (a)(3), and (a)(8);
- holders of claims in classes that do not receive or retain any value under the Plan; and
- administrative expenses.

*Even if you are not entitled to vote on the Plan, you may have a right to object to the confirmation of the Plan.*

## ***4. Who Can Vote in More Than One Class?***

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise holds claims in multiple classes, is entitled to accept or reject

the Plan in each capacity, and should cast one ballot for each claim.

## **B. Votes Necessary to Confirm the Plan**

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting classes.

### ***1. Votes Necessary for a Class to Accept the Plan***

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

### ***2. Treatment of Nonaccepting Classes***

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by 11 U.S.C. § 1129(b), including the “absolute priority rule.” Under the absolute priority rule, the Court may confirm the Plan over the failure of a class to vote for the Plan provided that for a class of unsecured claims, the Plan must provide that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the Effective Date of the Plan, equal to the allowed amount of the claim of the creditor, or the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or interest any property. Duron believes that the Plan complies with the absolute priority rule in the Bankruptcy

Code.

A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan. The Bankruptcy Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of 11 U.S.C. §1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

*You should consult your own attorney if a “cram down” confirmation will affect your claim, as the variations on this general rule are numerous and complex.*

### **C. Effect of Confirmation**

As provided for in 11 U.S.C. § 1141, the provisions of the Plan will bind Duron and any creditor under the Plan, whether or not the claim of the creditor is impaired under the Plan and whether or not the creditor has accepted the Plan. As provided for in 11 U.S.C § 1141(b), confirmation of the Plan vests all of the property of the estate in Duron. After confirmation of the Plan, all of Duron’s property dealt with by the Plan (which includes all of Duron’s property) is free and clear of all liens, claims, and interests of creditors and equity security holders, except to the extent provided in this Plan. So long as Duron and DTech make the payments proposed by this Plan, no creditor may seek to collect any amounts from Duron that were owed prior to the filing of the chapter 11 case or that are provided for in this Plan.

After Duron and DTech have made all payments set forth in this Plan, Duron may request that the case be re-opened for the purpose of entering an order of discharge. After the Court determines that Duron and DTech have made all payments required by the Plan, the Court may enter an order of discharge. An order of discharge from the Court will discharge Duron from any



debt that arose before confirmation of this Plan to the extent specified in 11 U.S.C. § 1141(d)(1)(A), except that it will not discharge Duron from any debt: (i) imposed by this Plan; (ii) of a kind specified in 11 U.S.C. § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure; or (iii) of a kind specified in 11 U.S.C. § 1141(d)(6)(B).

The rights afforded in the Plan will be in exchange for and in complete satisfaction, discharge, and release of all claims of any nature whatsoever occurring on or prior to the confirmation date, including any interest accrued thereon from and after the petition date, against Duron or any of its assets or properties. Except as otherwise provided herein, upon the payment of the amounts provided in this Plan, in accordance with 11 U.S.C. § 1141, all such claims against Duron will be satisfied, discharged, and released in full. Except as otherwise provided herein, all creditors will be precluded from asserting against Duron any other or further claim based upon any act or omission, transaction, or other activity of any kind or nature occurring on or prior to the confirmation date.

#### **IV. Additional Sources of Information**

##### **A. Financial Information Filed with the Court**

- Schedules A through H and Summary of Schedules
- Statement of Financial Affairs
- Monthly Operating Reports

*Please be advised that the bulleted financial information above is available in the office of the Clerk of the United States Bankruptcy Court, 515 Rusk, Houston, Texas.*

**B. Attached Exhibits**

The following documents are attached as exhibits to this Plan:

- Monthly operating reports for the two months prior to the date of this Plan

Dated: October 18, 2018

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Duron Systems, Inc.

*/s/ Phillip Lower*

By: \_\_\_\_\_  
Phillip Lower,  
Vice President of  
Duron Systems, Inc.

ATTORNEY FOR DURON:

*/s/ Reese Baker*

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Counsel for the Debtor has made no independent investigation of the information contained herein.