

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE

OSIES, INC.

DEBTOR

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CASE NO. 17-34996-H4-11

CHAPTER 11

**DISCLOSURE STATEMENT REGARDING
PLAN OF REORGANIZATION FILED BY THE DEBTOR, OSIES, INC.**

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**ATTORNEY FOR
OSIES, INC.
DEBTOR**

IMPORTANT

THIS DISCLOSURE STATEMENT IS SUBMITTED TO ALL CREDITORS OF THE DEBTOR ENTITLED TO VOTE ON THE PLAN OF REORGANIZATION HEREIN DESCRIBED AND CONTAINS INFORMATION THAT MAY AFFECT YOUR DECISION TO ACCEPT OR REJECT THE DEBTOR'S PLAN UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE. THIS DISCLOSURE STATEMENT IS INTENDED TO PROVIDE ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE AS TO THE DEBTOR'S PLAN OF REORGANIZATION. ALL CREDITORS AND INTEREST HOLDERS ARE URGED TO READ THE DISCLOSURE STATEMENT AND ATTACHMENTS WITH CARE AND IN THEIR ENTIRETY.

ON _____, 2018, THE BANKRUPTCY COURT APPROVED THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE. SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN OF REORGANIZATION HEREIN DESCRIBED IS BEING SOUGHT FROM CREDITORS AND INTEREST HOLDERS WHOSE CLAIMS AGAINST, AND INTERESTS IN THE DEBTOR ARE IMPAIRED UNDER THE PLAN OF REORGANIZATION. CREDITORS AND INTEREST HOLDERS ENTITLED TO VOTE ON THE PLAN OF REORGANIZATION ARE URGED TO VOTE IN FAVOR OF THE PLAN AND TO RETURN THE BALLOT INCLUDED WITH THIS DISCLOSURE STATEMENT UPON COMPLETION ADDRESSED TO KAREN R. EMMOTT, 4615 SOUTHWEST FREEWAY, STE 500, HOUSTON, TX 77027, NOT LATER THAN _____, 2018.

**1.
INTRODUCTION**

A. General Information Concerning Disclosure Statement and Plan.

Osies, Inc. (the "Debtor" or "Debtor-in-Possession") submits this Disclosure Statement ("the Disclosure Statement") under Section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016 to all of its known Creditors and Interest Holders. The purpose of this Disclosure Statement is to disclose information adequate to enable Creditors and Interest Holders who are entitled to vote to arrive at a reasonably informed decision in exercising their rights to vote on the Plan of Reorganization (the "Plan"). A summary of the Plan is incorporated herein. Capitalized terms used but not defined in this Disclosure Statement shall have the meanings assigned to them in the Plan or in the Bankruptcy Code and Bankruptcy Rules. All section references in this Disclosure Statement are to the Bankruptcy Code unless otherwise indicated.

_____ The Debtor has promulgated the Plan consistent with the provisions of the Bankruptcy Code. The purpose of the Plan is to provide the maximum recovery to each class of Claims and Equity Interests considering the assets and anticipated funds available for distribution to Creditors and Equity Interest Holders. The Debtor believes that the Plan permits the maximum recovery for all classes of Claims and Equity Interests.

This Disclosure Statement is not intended to replace a careful review and analysis of the Plan, including the specific treatment of Claims and Equity Interests under the Plan. It is submitted as an aid and supplement to your review of the Plan to explain the terms of the Plan. Every effort has been made to explain fully various aspects of the Plan as they affect the Creditors and Equity Interest Holders. If any questions arise, the Debtor urges you to contact the Debtor's counsel and she will attempt to resolve your questions. You may, of course, wish to consult with your own counsel.

B. Disclaimer.

NO SOLICITATION OF VOTES HAS BEEN OR MAY BE MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT AND SECTION 1125 OF THE BANKRUPTCY CODE, AND NO PERSON HAS BEEN AUTHORIZED TO USE ANY INFORMATION CONCERNING THE DEBTOR TO SOLICIT ACCEPTANCES OR REJECTIONS OF THE PLAN OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. CREDITORS AND EQUITY INTEREST HOLDERS SHOULD NOT RELY ON ANY INFORMATION RELATING TO THE DEBTOR OTHER THAN THAT CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS AND SCHEDULES ATTACHED.

EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS, NO REPRESENTATION CONCERNING THE DEBTOR, ITS ASSETS, PAST OR FUTURE OPERATIONS, OR CONCERNING THE PLAN IS AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT THE 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 TO THE DEBTOR.

UNLESS ANOTHER TIME IS SPECIFIED, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF. NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE CONCERNING THE DISCLOSURE STATEMENT AND THE PLAN SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THE DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THE DISCLOSURE STATEMENT WERE COMPILED.

WHILE THE INFORMATION PROVIDED HEREIN IS BELIEVED RELIABLE, THE DEBTOR HAS NOT UNDERTAKEN TO VERIFY OR INVESTIGATE SUCH INFORMATION, AND MAKES NO REPRESENTATIONS AS TO THE ACCURACY FOR COMPLETENESS OF THE INFORMATION.

DISTRIBUTION OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS ANY REPRESENTATION OR WARRANTY AT ALL, EITHER EXPRESS OR IMPLIED, BY THE DEBTOR OR ITS RESPECTIVE PROFESSIONAL CONSULTANTS THAT THE PLAN IS FREE FROM RISK, THAT THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OF THE COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT AND THE PLAN ATTACHED SHOULD BE READ IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN. FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS, THE TERMS OF THE PLAN ARE SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN, WHICH CONTROLS IN CASE OF ANY INCONSISTENCY.

C. Answers to Commonly Asked Questions.

As part of the Debtor's effort to inform Creditors and Interest Holders regarding the Plan and the Plan confirmation process, the following summary provides answers to questions which parties who receive a disclosure statement often ask.

Who is the Debtor?

The Debtor is Osies, Inc., a Texas Corporation. The Debtor was incorporated in December 2003 and has been conducting business since that time. The Debtor manufactures equipment for the production, processing, measuring, and/or transportation of natural gas and oil.

When did the Debtor file bankruptcy?

The Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the Bankruptcy Code on August 17, 2017 (the "Petition Date").

Why did the Debtor file bankruptcy?

The bankruptcy was filed because one of its lenders, Third Coast Bank, asserted its rights under a security agreement and instructed customers to make payments to the Bank instead of the Debtor. The Debtor was in default under a matured revolving promissory note, secured by a security agreement, pledging, *inter alia*, its accounts receivable to the Bank. The Debtor could not continue its operations without the use of its receivables. This situation, together with a slow economy, the unstableness of the oil and gas industry in years 2014 through 2017, and mounting debt to suppliers and creditors, led the Debtor to seek bankruptcy protection.

What is a chapter 11 bankruptcy?

Chapter 11 is the reorganization chapter of the Bankruptcy Code that allows financially distressed businesses to reorganize their debts. The commencement of a chapter 11 case creates an estate containing all the legal and equitable interests of the Debtor in property as of the date the petition is filed. Sections 1101, 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate the debtor's business as a debtor-in-possession. The Debtor remains in possession of its properties and assets. When a chapter 11 bankruptcy case is filed, creditors are prohibited from attempting to collect debts or enforce liens against the Debtor or its assets without first obtaining Bankruptcy Court approval.

Has a Creditors' Committee been formed?

No. Under the rules of bankruptcy, the office of the United States Trustee in its capacity of oversight in Chapter 11 cases is authorized to designate and appoint an official committee of creditors. In this case, the United States Trustee has been unable to solicit sufficient interest to form a committee.

If the Plan governs how my claim is treated, what is this Disclosure Statement?

The Bankruptcy Code requires that a plan proponent, the Debtor in this case, solicit acceptances and rejections of a proposed plan from creditors and shareholders whose claims and interests are impaired before the plan can be confirmed by the bankruptcy court. Before a plan proponent may solicit acceptances of a plan, the bankruptcy court must approve a disclosure statement and determine that the disclosure statement contains information adequate to allow creditors and shareholders to make an informed judgment about the plan. The disclosure statement and plan are formally distributed after the bankruptcy court approves the disclosure statement. At that time, creditors and shareholders also receive a voting ballot with the disclosure statement and plan.

Has this Disclosure Statement been approved by the Bankruptcy Court?

On _____, 2018, the Bankruptcy Court approved this Disclosure Statement as containing adequate information. "Adequate information" means information of a kind, and in sufficient detail, as far as is practicable considering the nature and history of the Debtor and the condition of the Debtor's books and records to enable a hypothetical reasonable investor typical of holders of claims or interest of the relevant classes to make an informed judgment whether to vote to accept or reject the Plan. The Bankruptcy Court's approval of this Disclosure Statement does not constitute an endorsement by the Court of any of the representations contained in either the Disclosure Statement or the Plan.

Do I have to attend the hearing on the Disclosure Statement and Plan?

If you do not believe that the Disclosure Statement contains adequate information or if you believe that there is a problem with the Debtor's Plan and you want to either obtain additional information from the Debtor or object to the plan, you must file a written objection stating your position on or before the deadlines imposed by the Court and come to the hearing. Debtor's counsel can discuss your concerns from the Debtor's perspective, but cannot give you legal advice and you may wish to consult your own counsel.

How do I determine how my Claim or Interest is classified?

To determine the classification of your Claim, you must first determine the nature of that claim or interest. Under the Plan, claims and interests are classified into a series of Classes. The pertinent sections of the Disclosure Statement and Plan disclose, among other things, the members of each particular Class, the size of each Class, what you will receive for your Claim or Equity Interest if the Plan is confirmed, and when you will receive such consideration if the Plan is confirmed.

Why is confirmation of the Plan important?

The Bankruptcy Court's confirmation of the Plan is a condition to the Debtor's right to carry out the treatment of creditors and shareholders under the Plan. Unless the Plan is confirmed, and any other conditions to confirmation or to the effectiveness of the Plan are satisfied, the Debtor is legally prohibited from satisfying Claims or Equity Interests as provided in the Plan.

What is necessary to confirm the Plan?

Under applicable provisions of the Bankruptcy Code, confirmation of the Plan requires among other things, that at least one class of impaired Claims or Interests vote to accept the Plan. Acceptance by a class of claims means that at least two-thirds in the total dollar amount and more than one-half in number of the allowed claims actually voting in the class vote in favor of the Plan. Because only those claims or interest who vote on a Plan will be counted for purposes of determining acceptance or rejection of Plan by an impaired class, a Plan can be approved with the affirmative vote of members of an impaired class who own less than two-thirds in amount and one-half in number of the claims. Besides acceptance of the Plan by each class of impaired creditors or interests, a Bankruptcy Court also must find that a Plan meets a number of statutory tests before it may confirm the Plan. The requirements and statutory tests generally are designed to protect the interests of holders of impaired claims or interests who do not vote to accept a plan but who will nonetheless be bound by the Plan's provisions if a Bankruptcy Court confirms a Plan. If one or more classes vote to reject a Plan, a Debtor may still request that the Bankruptcy Court confirm a plan under Section 1129(b) of the Bankruptcy Code. In this case, a Debtor must demonstrate that the Plan does not discriminate unfairly, and is fair and equitable with respect to each class of Claims or Interests that are impaired under and have not accepted the Plan. This method of confirming a Plan, is called a "cramdown." In addition to the statutory requirements imposed by the Bankruptcy Code, the Plan itself also provides for certain conditions that must be satisfied as conditions to confirmation.

When is the deadline for returning my ballot?

The Bankruptcy Court will direct that, to be counted for voting purposes, your ballot must be received by a date set at a later time. This date will be set forth in the Order Approving Disclosure Statement which will be sent to you.

IT IS IMPORTANT THAT ALL IMPAIRED CREDITORS AND INTEREST HOLDERS VOTE ON THE PLAN. THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST POSSIBLE RECOVERY TO CREDITORS. THE DEBTOR THEREFORE BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND RECOMMENDS THAT ALL IMPAIRED CREDITORS AND INTEREST HOLDERS VOTE TO ACCEPT THE PLAN.

II. OVERVIEW OF THE PLAN

An overview of the Plan is set forth below. This overview is qualified in its entirety by reference to the Plan. If the Court confirms the Plan, and in the absence of any applicable stay, and all other conditions set forth in the Plan are satisfied, the Plan will take effect on the Effective Date, i.e., on the first business day fourteen (14) days after the date on which the Confirmation Order becomes a Final Order (unless a stay of the Confirmation Order pending appeal is granted, in which case the Effective Date will be the first business day after the stay is terminated).

The Debtor will emerge from Bankruptcy as the Reorganized Debtor and will modify its loan agreements with its secured creditors, the terms of which are described in more detail in the respective class treatment in the Plan.

**III.
SOURCE OF INFORMATION**

The financial information contained in this Disclosure was collected from the records of the Debtor provided by the Debtor's principal, Jose L. Rodriguez and has not been the subject of an external audit. In fact, the Debtor does not have audited financial statements prepared and none are available for creditor review.

**IV.
THE DEBTOR**

A. Description of the Debtor and Events Leading to the Bankruptcy.

The Debtor is a Texas Corporation created under the laws of the State of Texas in 2003. The Debtor manufactures equipment for the production, processing, measuring, and/or transportation of natural gas and oil.

Due to the volatile and unstable business environment of the oil and gas industry in years 2014 through 2017, the Debtor's production and cash flow was reduced significantly.

Due to the cash flow shortage, the Debtor was unable to pay its monthly note obligations to Third Coast Bank and the SBA. Third Coast Bank asserted its rights under a security agreement and instructed the Debtor's customers to make invoice payments to the Bank. The Debtor was in default under a matured revolving promissory note, secured by a security agreement, pledging, *inter alia*, its accounts receivable to the Bank. The Debtor could not continue its operations without the use of its receivables. Not being able to operate without the proceeds from its accounts receivable, the Debtor elected to file Chapter 11 for an opportunity to restructure its liabilities owed to creditors.

B. Summary of the Assets and Liabilities of the Debtor.

Unless otherwise stated, the Debtor has relied upon the knowledge of its President, Jose L. Rodriguez and its Vice-President, Victor Hugo Rodriguez, in estimating the fair market value of its assets. The Debtor scheduled the following assets on its Bankruptcy Schedules:

Cash and Cash-Equivalent Assets.

Wells Fargo Bank	\$17,227.61
Third Coast Bank	\$ 1,811.20

Real Property. The Debtor owns, subject to a first lien in favor of Prosperity Bank and a second lien in favor of U.S. Small Business Administration, a 5.88388 acre tract of land with an improvement thereon consisting of a warehouse. This property is located at 12734 Tanner Road, Houston, TX. The Debtor operates its business at the warehouse. In 2017, HCAD valued the land at \$1,337,226 and the improvement at \$2,612,774.00 for a total value of \$3,950,000.00.

Accounts Receivable.

\$388,614 (100% collectible)

Personal Property.

Inventory for work in progress consisting of materials in the amount of \$44,520 and raw materials in the amount of \$11,669.

Equipment - \$899,210

Trailer - 2007 Amira Trailer Gooseneck \$1,500

2006 Ford Ranger - \$1,500

2007 Ford 450 4x2 - \$8,000

Office Furniture and Equipment - \$30, 630

Note Receivable - Unlimited Investors, LLC \$141,999

Note Receivable - Jose L.Rodriguez \$30,000

Note Receivable - Victor Hugo Rodriguez \$30,000

Liabilities:

Administrative Claims. Obligations incurred by the Debtor during its reorganization process and prior to the confirmation of the Plan will be paid in full and in cash on or before the Effective Date of the Plan or if required, when approved by the Court. These type of claims are not classified for reorganization for the reason that the Debtor is bound to pay such claims as they become due, unless they are of the specific type that require prior court approval such as professional fees of attorneys. The funds for any such payment will come from the business operations of the Debtor.

In this case, Administrative Claims include the statutory fees owed to the United States Trustee, the Claim of Karen R. Emmott, the professional retained by the Debtor, whose employment for legal services to be rendered to the Debtor, has been approved by the Bankruptcy Court, and the Administrative Expense Claim of the Texas Workforce Commission. Administrative Claims will be paid as follows:

United States Trustee fees incurred prior to the Confirmation Date shall be paid, in full, within ten (10) days of the Confirmation Date if not previously paid. United States Trustee fees incurred after the Confirmation Date, if any, shall be paid by the Reorganized Debtor, in full, as they become due.

Professionals retained by the Debtor shall be paid in full when the Administrative Claim is approved by the Court. The administrative professional claims against the Debtor are the claims for Professional Fees by the Debtor's court approved counsel of record, Karen R. Emmott. The Debtor advanced to Karen R. Emmott a pre-petition retainer of \$10,000 to be applied toward fees and expenses. The filing fee of \$1,717 was also advanced by the Debtor. The Debtor anticipates that through confirmation of the Plan, future legal fees will be incurred in the approximate amount of \$20,000.00 - \$30,000.00 in addition to the fees described above. This is an estimate only and the fees may be more or less. All payments to professionals shall be paid subject to Bankruptcy Court approval. The Professional fees incurred for services rendered and costs advanced subsequent to the Effective Date of the confirmed plan shall be the liability of the Reorganized Debtor and shall be paid by the Reorganized Debtor.

The Texas Workforce Commission filed an Administrative Expense Proof of Claim in the amount of \$431.82. This Claim shall be paid in full within ten (10) days of the Confirmation Date.

Priority Unsecured Claims. As of the Petition Date, the following creditors held Priority Unsecured Claims against the Debtor:

Internal Revenue Service (940 and 941 taxes for year 2017)
\$112,186.83 (Per IRS Second Amended Proof of Claim)

Pre-Petition Wages Owed to Employees (See **Exhibit A** attached hereto)
\$74,950.99 (net payroll owed to employees excluding Jose L. and Victor H. Rodriguez)

Texas Workforce Commission
\$3,513.95 (Per Proof of Claim)

Secured Claims. As of the Petition Date the following creditors held Secured Claims against the Debtor, per the Proof of Claims, if filed, otherwise as listed on the Bankruptcy Schedules:

Prosperity Bank	\$2,012,657.89
U.S. Small Business Administration	1,693,386.58
Third Coast Bank	918,409.53
Cypress Fairbanks ISD	227,772.34
Harris County	103,216.92
Horsepen Bayou MUD	69,971.85
De Lage Landen Financial	6,786.67 (see next paragraph)
Kubota Credit Corporation	16,969.16 (see next paragraph)
Muller Olpaden GmgH	11,999.00 (see next paragraph)

The following events occurred after the Petition Date which has changed the secured status of De Lage Landen Financial, Kubota Credit Corporation, and Muller Olpaden GmgH. The Debtor has agreed to return the collateral held by De Lage Landen Financial because the tractor is now inoperable. Its claim will be treated as a general unsecured claim, less any due credits. The Debtor has agreed to return the collateral held by Kubota Credit Corporation. In the Debtor's opinion, the collateral is no longer necessary for operations. Kubota's claim will be treated as a general unsecured claim, less any credits. The Debtor inadvertently listed the claim of Muller Olpaden GmgH as a secured claim. It is an unsecured claim and will be treated in the class of general unsecured claims.

General Unsecured Claims. As of the Petition Date, general unsecured claims against the Debtor were in the amount of \$1,038,211.58. A listing of liabilities owed to the general unsecured creditors is set forth in the attached **Exhibit B**, incorporated herein for all purposes.

Executory Contract Claims. As of the Petition Date, the Debtor was not a party to any executory contracts.

C. Management of the Debtor and the Reorganized Debtor.

The Debtor's management will continue as it existed prior to the Bankruptcy Petition. The President of the Debtor, Jose L. Rodriguez, is in charge of the business of the Debtor. Jose L. Rodriguez receives compensation from the Debtor for his services and he will receive compensation in the future. Currently, Jose L. Rodriguez is paid a gross annual salary of \$150,000. The Vice-President of the Debtor, Victor H. Rodriguez, is in charge of manufacturing. Victor H. Rodriguez receives compensation from the Debtor for his services and he will receive compensation in the

future. Currently, Victor Hugo Rodriguez is paid a gross annual salary of \$ 131,250. Both officers reduced their salary after the chapter 11 filing.

D. Significant Events During the Bankruptcy Case.

The following significant events have occurred in this bankruptcy case:

On August 17, 2017, the Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code. A week later, Hurricane Harvey devastated Houston. The Debtor's business did not get back to normal operations until mid September.

On August 22, 2017, the Debtor filed its Application to Employ and Retain Karen R. Emmott as its Counsel of Record. On September 13, 2017, an Order was entered granting the application.

On August 23, 2017, the Debtor filed a motion to extend the deadline to file its bankruptcy schedules and statement of financial affairs.

On September 5, 2017, the Debtor filed an emergency motion for a authority to pay pre-petition and post-petition employee compensation due prior to the Petition Date and after the Petition Date.

On September 11, 2017, the Debtor filed an emergency motion for authority to use cash collateral of Third Coast Bank.

On September 13, 2017, an Agreed Order was entered Authorizing the Use of Cash Collateral and Granting Adequate Protection to Third Coast Bank. Pursuant to the terms of the Order, the Debtor is to make monthly adequate protection payments to Third Coast Bank in the amount of \$4,020.00.

On September 21, 2017, the Schedules and Statement of Financial Affairs were filed.

On September 28, 2017, the Debtor filed an Emergency Motion for Authority to Pay Pre-Petition Employee Payroll Deductions for Child Support and Employee Funded Insurance from Post-Petition Funds. An Order was entered on October 10, 2017 granting the Motion.

On September 28, 2017, the Debtor filed an Emergency Motion for Authority to Pay Pre-Petition Claim to Critical Vendor. An Order was entered on October 10, 2017 granting the Motion.

On October 10, 2017, the Creditors Meeting was held. The Debtor appeared through its authorized representative, Jose L. Rodriguez. No further meetings were set.

On October 10, 2017, a Status Conference was held before Judge Bohm. The Debtor appeared through its authorized representative, Jose Rodriguez. An Order Regarding Status Conference was signed by the Debtor and the United States Trustee and entered on the same date. The Order provided, *inter alia*, that the Debtor's Plan and Disclosure Statement would be due by December 15, 2017.

On November 3, 2017, an Agreed Motion for Entry of Agreed Order Providing Adequate Protection along with an Agreed Order was filed by Prosperity Bank. The Agreed Order was signed by Judge Bohm on November 20, 2017. Pursuant to the Order, the Debtor is to make monthly interest-only payments to Prosperity Bank in the amount of \$7,893.26.

On November 21, 2017, the Debtor filed an Emergency Motion to Extend Exclusivity Period for Filing and Acceptance of Plan of Reorganization. An Order was entered on December 1, 2017, extending the deadline to March 15, 2018.

On January 5, 2018, a Second Interim Order Authorizing Use of Cash Collateral and Granting Adequate Protection to Third Coast Bank was filed. The Order was signed on January 8, 2018.

On February 12, 2018, the Debtor filed a Second Emergency Motion to Extend Exclusivity Period for Filing and Acceptance of Plan of Reorganization. An Order was entered on February 21, 2018, extending the deadline to May 15, 2018.

On May 7, 2018, Kubota Credit Corporation filed a Motion for Relief from Stay on collateral consisting of a tractor, post hole digger, rotary cutter, and pallet fork. The Debtor does not oppose the relief sought in the motion because the stated equipment is no longer necessary in the Debtor's operations.

E. Pending Litigation.

As of the Petition Date, the only pending litigation involving the Debtor is a lawsuit filed by Harris County, et al, for delinquent ad valorem taxes, Cause No. 2017-52686, in the 215th District Court, Harris County, Texas. The lawsuit is stayed as a result of the bankruptcy filing.

F. Affiliates.

The Debtor does not have any affiliates.

G. Financial Analysis and Projections for the Debtor.

Since the Petition Date, the Debtor has continued to operate its business. The Debtor anticipates that cash flow generated will increase as the economy improves and the oil and gas industry stabilizes. The Debtor believes it will have sufficient revenues to pay expenses and to pay creditor claims pursuant to the Plan. A six month projection is attached hereto as **Exhibit C**. The most recent monthly operating report is attached hereto as **Exhibit D**. The Debtor uses the accrual accounting system.

V.

SUMMARY OF THE PLAN

An overview of the Plan is set forth below. This overview is qualified in its entirety by reference to the Plan, attached as **Exhibit E**. If the Court confirms the Plan, and in the absence of any applicable stay, and all other conditions set forth in the Plan are satisfied, the Plan will take effect on the Effective Date, i.e., on the first business day fourteen (14) days after the date on which the Confirmation Order becomes a Final Order (unless a stay of the Confirmation Order pending appeal is granted, in which case the Effective Date will be the first business day after the stay is terminated).

The Debtor's assets consist primarily of real estate, equipment, and receivables. The Debtor will emerge from Bankruptcy as the Reorganized Debtor. The Plan, as confirmed by the Court, will modify the loan agreements with its lenders, Third Coast Bank, Prosperity Bank, and the SBA, the terms of which are described in more detail in the class treatment in the Plan and below. Each lender will retain its liens on its collateral. In the event that the Reorganized Debtor defaults under the terms of the Plan or the respective loan documents, as modified, the lenders may enforce all of their rights

and remedies under their respective modified loan documents and applicable law, and are not enjoined by the provisions of the Plan from exercising their rights and remedies, including but not limited to repossessing and foreclosing the collateral and/or filing suit in state court. The parties intend that each lender will be paid in full through a refinance of the indebtedness or payment pursuant to the terms of its loan documents as modified by the Plan.

The Plan, as confirmed by the Court, will pay the outstanding indebtedness owed to Harris County and Cypress-Fairbanks ISD, Horsepen Bayou MUD, and the Internal Revenue Service, in full, over a five (5) year period, commencing January 2019.

A. Classification and Treatment of Claims.

The following summary of certain provisions of the Plan does not purport to be complete. The provisions of the Plan, including definitions of certain terms which are incorporated by reference as a part of the summary, are terms which are qualified in their entirety by such reference.

The Bankruptcy Code requires that claims be treated as either impaired or as unimpaired under the Plan. Unimpaired claims are claims that are satisfied in accordance with non-bankruptcy law. Impaired claims are claims that are satisfied in a manner other than in accordance with non-bankruptcy law.

The Plan establishes ten (10) classes for claims. Such classes of claims and interests are outlined below.

Class 1 - Secured Claim of Prosperity Bank. The Allowed Prosperity Bank Secured Claim is secured by real estate, business equipment, and furniture and fixtures. The Claim shall be paid in full in the following manner:

Class 1 Modified Note: The Reorganized Debtor shall execute the necessary documents to amend or modify the pre-petition Prosperity Bank loan documents, including without limitation, the Prosperity Bank promissory note to address the treatment of Prosperity Bank's claim (the "Plan Note"). The Plan Note shall contain all of the terms of the current note, with the exception of the changes made under the Plan. To the extent that any current term conflicts with the Plan, the Plan term shall prevail. The Plan Note shall be guaranteed by the same persons and entities who guaranteed the underlying outstanding indebtedness and such parties agree to execute such documents, consistent with the treatment herein described, as Prosperity Bank may request. The Claim filed by Prosperity Bank is guaranteed by Jose L. Rodriguez and Victor H. Rodriguez, the owners of the equity in the Debtor.

Interest Rate: Interest on the unpaid outstanding principal balance of the Class 1 Plan Note shall be fixed at confirmation at the rate of 5.00 % per annum for the stated term.

Payment Terms: The Prosperity Bank Plan Note shall be amortized and paid in monthly installments of principal and interest, as though said note was being amortized on a 20 year amortized basis, commencing April 20, 2019. The principal balance of the Prosperity Bank Amended Note will be \$2,012,657.89, with a maturity date of March 20, 2026. The Claim may be paid at any time prior thereto without prepayment penalty or premium. The monthly principal and interest payments will be in the amount of \$13,282.65 commencing April 20, 2019. Prosperity Bank will continue to receive monthly interest only payments in the amount of \$7,893.26 through March 20, 2019. All post-petition adequate protection payments made by the Debtor to Prosperity Bank shall be credited against amounts owed to Prosperity Bank's secured claim.

Collateral: Prosperity Bank shall retain all of its liens and security interests in the Debtor's property and assets granted to it pursuant to the original loan documents, with the same validity, enforceability, attachment, perfection, priority and legal rights that existed on the Petition Date with the exception of the changes made under the Plan. To the extent that any current term conflicts with the Plan, the Plan term shall prevail.

Default Provisions: Upon a default by the Reorganized Debtor in the performance of its obligations under the Class 1 Plan Note, Prosperity Bank may exercise all of its rights and remedies set forth in its pre-bankruptcy lender documents, or any right or remedy available under applicable bankruptcy or non-bankruptcy law, or any right or remedy available under related security documents, including but not limited to, its rights to obtain possession and foreclose upon the Prosperity Bank collateral; provided, however, before exercising any such right or remedy, (a) Prosperity Bank shall give written notice of non-monetary default and an opportunity to cure such default for a period of 45 days from the date of service of such written notice of a non-monetary default, and (b) Prosperity Bank must give written notice of monetary default and an opportunity to cure such default for a period of 30 days from the date of service of such written notice of a monetary default. Such written notice shall be served by certified mail, return receipt requested, or by messenger, and shall be addressed to the maker of the Class 1 Plan Note and all Guarantors of the Prosperity Bank Claim.

Guarantors Limited Injunction: Although the Plan does not release any of the Guarantors of the Debt obligations treated in the Plan, the Plan provides that so long as the Debtor is current with respect to all of its obligations under the Plan and the Confirmation Order, Creditors may not pursue collection of their claims from any Guarantor.

Voting: Class 1 is impaired under the Plan. Class 1 is entitled to vote on the Plan.

Class 2 - Secured Claim of U.S. Small Business Administration. The Allowed U. S. Small Business Administration Secured Claim (the "SBA") has a second lien on the Debtor's real estate. This lien is subordinate to the lien of Prosperity Bank. The Claim shall be paid in full in the following manner:

Class 2 Modified Plan Note: The Reorganized Debtor shall execute the necessary documents to amend or modify the pre-petition SBA loan documents, including without limitation, the SBA promissory note to address the treatment of the SBA herein and the SBA Claim (the "Plan Note"). The Plan Note shall contain all of the terms of the current note, with the exception of the changes made under the Plan. To the extent that any current term conflicts with the Plan, the Plan term shall prevail. The Plan Note shall be guaranteed by the same persons and entities who guaranteed the underlying outstanding indebtedness and such parties agree to execute such documents, consistent with the treatment herein described, as the SBA may request. The Claim filed by the SBA is guaranteed by Jose L. Rodriguez and Victor H. Rodriguez, the owners of the equity in the Debtor.

Interest Rate: Interest on the unpaid outstanding principal balance of the Class 2 Plan Note shall be fixed at confirmation at the rate of 2.51% per annum for the stated term.

Payment Terms: The SBA promissory note, as modified or amended, shall be in the amount of \$1,693,386.50. The principal balance of the SBA Amended Note will be in the amount of \$1,693,386.50, with a maturity date of August 2039 with interest to accrue at the rate of 2.51%. The SBA will receive principal and interest payments in the amount of \$8,981.56 per month commencing on July 15, 2019 until paid in full. The Claim may be paid at any time prior thereto without prepayment penalty or premium.

Collateral: The SBA shall retain all of its liens and security interests in the Debtor's property

and assets granted to it pursuant to the original loan documents, with the same validity, enforceability, attachment, perfection, priority and legal rights that existed on the Petition Date with the exception of the changes made under the Plan. To the extent that any current term conflicts with the Plan, the Plan term shall prevail.

Default Provisions: Upon a default by the Reorganized Debtor in the performance of its obligations under the Class 2 Plan Note, the SBA may exercise all of its rights and remedies set forth in its pre-bankruptcy lender documents, or any right or remedy available under applicable bankruptcy or non-bankruptcy law, or any right or remedy available under related security documents, including but not limited to, its rights to obtain possession and foreclose upon its collateral; provided, however, before exercising any such right or remedy, (a) the SBA shall give written notice of non-monetary default and an opportunity to cure such default for a period of 15 days from the date of service of such written notice of a non-monetary default, and (b) the SBA must give written notice of monetary default and an opportunity to cure such default for a period of 30 days from the date of service of such written notice of a monetary default. Such written notice shall be served by certified mail, return receipt requested, or by messenger, and shall be addressed to the maker of the Class 2 Plan Note and all Guarantors of the SBA Claim.

Guarantors Limited Injunction: Although the Plan does not release any of the Guarantors of the Debt obligations treated in the Plan, the Plan provides that so long as the Debtor is current with respect to all of its obligations under the Plan and the Confirmation Order, Creditors may not pursue collection of their claims from any Guarantor.

Voting: Class 2 is impaired under the Plan. Class 2 is entitled to vote on the Plan.

Class 3 - Secured Claim of Third Coast Bank. The Allowed Third Coast Bank Secured Claim is secured by accounts, inventory, equipment, instruments, and general intangibles. The claim shall be paid in full in the following manner:

Class 3 Modified Plan Note: The Reorganized Debtor shall execute the necessary documents to amend or modify the pre-petition Third Coast Bank loan documents, including without limitation, the Prosperity Bank promissory notes to address the treatment of Third Coast Bank's claim (the "Plan Note"). The Plan Note shall contain all of the terms of the current notes, with the exception of the changes made under the Plan. To the extent that any current term conflicts with the Plan, the Plan term shall prevail. The Plan Note shall be guaranteed by the same persons and entities who guaranteed the underlying outstanding indebtedness and such parties agree to execute such documents, consistent with the treatment herein described, as Third Coast Bank may request. The Claim filed by Third Coast Bank is guaranteed by Jose L. Rodriguez and Victor H. Rodriguez, the owners of the equity in the Debtor.

Interest Rate: Interest on the unpaid outstanding principal balance of the Class 1 Plan Note shall be fixed at confirmation at the rate of 5.75% per annum for the stated term.

Payment Terms: The Third Coast Bank Plan Note shall be amortized and paid in monthly installments of principal and interest, as though said note was being amortized on a 12 year amortized basis, commencing April 20, 2019. The principal balance of the Third Coast Bank Amended Note will be \$918,409.53, with a maturity date of March 20, 2024. The Claim may be paid at any time prior thereto without prepayment penalty or premium. The monthly principal and interest payment will be in the amount of \$8,843.94. Third Coast Bank will continue to receive interest only payments in the amount of \$4,020.00 through March 31, 2019. All post-petition adequate protection payments made by the Debtor to Third Coast Bank shall be credited against amounts owed to Third Coast Bank's secured claim.

Collateral: Third Coast Bank shall retain all of its liens and security interests in the Debtor's property and assets granted to it pursuant to the original loan documents, with the same validity, enforceability, attachment, perfection, priority and legal rights that existed on the Petition Date with the exception of the changes made under the Plan. To the extent that any current term conflicts with the Plan, the Plan term shall prevail.

Default Provisions: Upon a default by the Reorganized Debtor in the performance of its obligations under the Class 3 Plan Note, Third Coast Bank may exercise all of its rights and remedies set forth in its pre-bankruptcy lender documents, or any right or remedy available under applicable bankruptcy or non-bankruptcy law, or any right or remedy available under related security documents, including but not limited to, its rights to obtain possession and foreclose upon the Third Coast Bank collateral; provided, however, before exercising any such right or remedy, (a) Third Coast Bank shall give written notice of non-monetary default and an opportunity to cure such default for a period of 15 days from the date of service of such written notice of a non-monetary default, and (b) Third Coast Bank must give written notice of monetary default and an opportunity to cure such default for a period of 30 days from the date of service of such written notice of a monetary default. Such written notice shall be served by certified mail, return receipt requested, or by messenger, and shall be addressed to the maker of the Class 3 Plan Note and all Guarantors of the Third Coast Bank Claim.

Guarantors Limited Injunction: Although the Plan does not release any of the Guarantors of the Debt obligations treated in the Plan, the Plan provides that so long as the Debtor is current with respect to all of its obligations under the Plan and the Confirmation Order, Creditors may not pursue collection of their claims from any Guarantor.

Voting: Class 3 is impaired under the Plan. Class 3 is entitled to vote on the Plan.

Class 4 - Secured Claim of Cypress-Fairbanks ISD and Harris County.

Harris County and Cypress-Fairbanks ISD (hereinafter collectively called "Tax Entities" or singularly "Tax Entity") are the holders of pre-petition claims for ad valorem property taxes for years 2017 and prior. Tax Entities shall be treated as follows:

- (a) Each Tax Entity shall retain their liens securing the payment of such allowed Secured Tax Claims with the same validity, extent and priority until all taxes and related interest, penalties, and fees (if any) have been paid in full.
- (b) Each Tax Entity shall be paid, on account of such allowed Secured Tax Claim, sixty (60) equal monthly cash payments, beginning on January 1, 2019 through December 2, 2023. The monthly principal and interest payment to Harris County shall be \$2,678.73. The monthly principal and interest payment to Cypress-Fairbanks ISD shall be \$5,911.25.
- (c) Interest on each allowed Secured Tax Claim shall accrue as follows:
 - (i) for the period beginning on the Petition Date and continuing through the Effective Date, interest shall accrue at the state statutory rate of 1% per month in compliance with sections 506(b) and 511 of the Bankruptcy Code; and
 - (ii) for the period beginning on the day after the Effective Date and continuing through the day on which such allowed Secured tax Claims are paid in full, interest shall accrue on the unpaid tax at the state statutory rate of 12% per annum in compliance with sections 511 And 1129 of the Bankruptcy Code.

- (d) In the event the Debtor sells, conveys or transfers any of the properties which are the collateral of a Tax Entity claim or post confirmation tax debt, the Debtor shall remit such sales proceeds first to the affected Tax Entity to be applied to the applicable tax debt incident to any such property/tax account sold, conveyed or transferred and such proceeds shall be disbursed by the closing agent at the time of closing prior to any disbursement of the sale proceeds to any other person or entity.
- (e) Notwithstanding any other provision herein, Debtor, creditors and all other parties of interest shall have ninety (90) days from the Effective Date to object to the Tax Entities' claims; otherwise, the Tax Entities' claims shall be deemed as allowed secured claims in the amount of their respective [roofs of claims.
- (f) Debtor shall pay all post-petition ad valorem tax liabilities (tax year 2018 and subsequent tax years) owing to the Tax Entities in the ordinary course of business as such tax debt comes due and prior to said ad valorem taxes becoming delinquent without the need of the Tax Entities to file an administrative expense claim and/or request for payment. The Tax Entities shall retain their liens for post-petition taxes until such time as the post-petition taxes are paid in full, including any applicable penalties and interest, which may ultimately accrue.
- (g) In the event of a default under the plan, the affected Tax Entity shall send notice of default to counsel for the Debtor/Reorganized Debtor via first class mail or electronic mail, and the Debtor shall have 15 days from the date of such notice to cure said default. In the event of failure to cure the default timely, the affected Tax Entity shall be entitled to pursue collection of all amounts owed pursuant to applicable nonbankruptcy law without further recourse to the Bankruptcy Court. The affected Tax Entity shall only be required to send two notices of default; upon a third event of default, the affected Tax Entity may proceed to collect all amounts owed pursuant to applicable nonbankruptcy law without further notice.
- (h) Failure to pay any post-petition ad valorem taxes prior to their becoming delinquent under Texas law shall constitute an event of default under the Plan.

Voting: Class 4 is impaired. Class 4 is entitled to vote on the Plan.

Class 5 - Secured Claim of Horsepen Bayou MUD.

Class 5 Secured Tax Claims of Horsepen Bayou Municipal Utility District (hereinafter collectively called "Horsepen Bayou MUD") is the holder of pre-petition claims for ad valorem property assessments for years 2017 and prior. Horsepen Bayou MUD shall be treated as follows:

- (a) Horsepen Bayou MUD shall retain its liens securing the payment of such allowed Secured Tax Claims with the same validity, extent and priority until all taxes and related interest, penalties, and fees (if any) have been paid in full.
- (b) Horsepen Bayou MUD shall be paid, on account of such allowed Secured Tax Claim, sixty (60) equal monthly cash payments beginning on January 15, 2019 through December 15, 2023. The monthly principal and interest payment to Horsepen Bayou MUD shall be \$1,697.02.
- (c) Interest on Horsepen Bayou MUD's allowed Secured Tax Claims shall accrue as follows:
 - (i) for the period beginning on the Petition Date and continuing through the Effective Date, interest shall accrue at the state statutory rate of 1% per month in compliance with sections 506(b) and 511 of the Bankruptcy Code; and

- (ii) for the period beginning on the day after the Effective Date and continuing through the day on which such allowed Secured tax Claims are paid in full, interest shall accrue on the unpaid tax at the state statutory rate of 12% per annum in compliance with sections 511 And 1129 of the Bankruptcy Code.
- (d) In the event the Debtor sells, conveys or transfers any of the property which is the collateral of Horsepen Bayou MUD's claim or post confirmation tax debt, the Debtor shall remit the proceeds of such sale, conveyance, or transfer first to Horsepen Bayou MUD and any other taxing entities that tax such property to be applied *pari passu* to the applicable tax debt incident to any such property/tax account sold, conveyed or transferred and such proceeds shall be disbursed by the closing agent at the time of closing prior to any disbursement of the sale proceeds to any other person or entity. Horsepen Bayou MUD shall credit any and all payments it receives on account of its proof of claim regardless of the source of such payment.
- (e) Notwithstanding any other provision herein, Debtor, creditors and all other parties of interest shall have ninety (90) days from the Effective Date to object to Horsepen Bayou MUD's claims; otherwise, Horsepen Bayou MUD's claims shall be deemed as allowed secured claims in the amount of its proof of claims.
- (f) Debtor shall pay all post-petition ad valorem tax liabilities (tax year 2018 and subsequent tax years) owing to the Tax Entities in the ordinary course of business as such tax debt comes due and prior to said ad valorem taxes becoming delinquent without the need of the Tax Entities to file an administrative expense claim and/or request for payment. The Tax Entities shall retain their liens for post-petition taxes until such time as the post-petition taxes are paid in full, including any applicable penalties and interest, which may ultimately accrue.
- (g) In the event of a default under the plan, Horsepen Bayou MUD shall send notice of default to counsel for the Debtor/Reorganized Debtor via first class mail or electronic mail, and the Debtor shall have 15 days from the date of such notice to cure said default. In the event of failure to cure the default timely, Horsepen Bayou MUD shall be entitled to pursue collection of all amounts owed pursuant to applicable nonbankruptcy law without further recourse to the Bankruptcy Court. Horsepen Bayou MUD shall only be required to send two notices of default; upon a third event of default, Horsepen Bayou MUD may proceed to collect all amounts owed pursuant to applicable nonbankruptcy law without further notice.
- (h) Failure to pay any post-petition ad valorem taxes prior to their becoming delinquent under Texas law shall constitute an event of default under the Plan, except that notwithstanding the notice of default and cure provisions set forth in paragraph (g) above, the Debtor shall not be entitled to any notice of default and opportunity to cure a default in the payment of any post-petition ad valorem taxes, and in the event the Debtor fails to make payment on a post-petition ad valorem tax account due to Horsepen Bayou Municipal Utility District, Horsepen Bayou Municipal Utility District may proceed to collect not only the delinquent post-petition taxes, penalties, and interest due under that account, but any and all unpaid delinquent pre-petition taxes, penalties, and interest due on that account, in state court pursuant to applicable nonbankruptcy law without further notice.

Voting: Class 5 is impaired. Class 5 is entitled to vote on the Plan.

Class 6 - Priority Unsecured Claim of Internal Revenue Service. The Allowed priority unsecured claim of the Internal Revenue Service (IRS) is for 941 taxes for tax periods ending 06/30/2017 and 09/30/17 in the amount of \$112,063.48 plus interest to the Petition Date in the amount of \$123.35 for a total amount of \$112,186.83. The IRS

Claim will be paid in monthly installments over a five year period in the amount of \$1,869.78 commencing January 25, 2019 through December 25, 2024 until the Claim is paid in full. The IRS general unsecured claim is in the amount of \$20,478.06.

Voting: Class 6 is impaired. Class 6 is entitled to vote on the Plan.

Class 7 - Priority Unsecured Claims of Employees for Pre-Petition Wages.

Allowed Claims in this Class total \$74,950.99 consisting of 53 employees owed pre-petition wages. These Claimants will be paid their net pay in full in 24 monthly installments commencing April 15, 2019. The wages owed to Jose L. Rodriguez and Victor Hugo Rodriguez will not be paid and are not included in the amount stated.

Voting: Class 7 is impaired. Class 7 is entitled to vote on the Plan.

Class 8 - Priority Unsecured Claim of Texas Workforce Commission.

The Allowed priority unsecured claim of the Texas Workforce Commission (TWC) is in the amount of \$3,513.95 for unemployment taxes for April 1, 2017 through September 30, 2017. The TWC claim will be paid in monthly installments over a one year period in the amount of \$292.82 commencing January 25, 2019 through December 25, 2019 until the claim is paid in full.

Voting: Class 8 is impaired. Class 8 is entitled to vote on the Plan.

Class 9 - General Unsecured Creditors: Class 9 creditors with Allowed General Unsecured Claims are listed on the attached **Exhibit A** which is incorporated herein for all purposes. These claims total \$1,038,211.58.

Class 9 creditors will be paid 10% of their Allowed Claim in monthly installments commencing March 2020 and continuing thereafter for 60 months.

Voting: Class 9 is impaired. Class 9 is entitled to vote on the Plan.

Class 10 - Equity Interests. Class 10 shall consist of the equity interest of the owners, Jose L. Rodriguez and Victor H. Rodriguez. The Class 10 holders will retain their interests in the Debtor and will not receive any payments under the Plan until all classes are paid pursuant to the terms of the Plan.

Voting: Class 10 is impaired. Class 10 is entitled to vote on the Plan.

B. Treatment of Executory Contracts and Unexpired Leases.

The Debtor does not have any executory contracts and unexpired leases to assume or reject.

C. Absolute Priority Rule.

Simply characterized, the absolute priority rule set forth in Section 1129 (b)(2)(B) of the Bankruptcy Code requires that confirmation obtained by “cramdown” meet an either/or test. Either (1) the members of each dissenting impaired class of unsecured claims must receive property of a value, as of the Effective Date of the Plan, equal in amount to such class members allowed claim; or (2) the holders of claims and interest that are junior to each dissenting impaired class of claims must not receive any property under

the Plan of Reorganization on account of such junior interest. The absolute priority rule applies only in cases where a class of claims is both impaired and does not accept the Plan. Thus, the absolute priority rule does not apply to all classes of claims but only to the dissenting class and classes junior to the dissenting class.

D. Cramdown.

In the event that any impaired class of Claims and Equity Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan if, as to each impaired class which has not accepted the Plan, the Plan does not discriminate unfairly and is "fair and equitable." A plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interests. If any impaired class of claims fails to accept the Plan in accordance with Section 1126 of the Bankruptcy Code, the Debtor will request the Bankruptcy Court to confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code and hereby will move the Court for confirmation in accordance therewith and specifically pleads that the Plan is fair and equitable to such class.

E. Compromise of Claims.

Any claim in any of the Classes may be paid in accordance with any agreement for waiver, deferral, installment payment or otherwise as agreed between the hold of any such claim and the Debtor. Pursuant to Section 1123(b)(3)(A) of the Bankruptcy Code, the Plan will constitute a compromise and settlement of a claim.

**VI.
PREFERENCES**

Under the Bankruptcy, a Debtor may recover certain preferential transfers of property, including cash, made while insolvent during the 90 days immediately prior to the filing of its bankruptcy petition with respect to pre-existing debts, to the extent the transferee received more than it would have in respect of the pre-existing debt had the Debtor been liquidated under chapter 7 of the Bankruptcy Code. In the case of "insiders", the Bankruptcy Code provides for a one year preference period. There are certain defenses to such recoveries. Transfers made in the ordinary of the Debtor's and transferee's business according to the ordinary business terms in respect of debts less than 90 days before the filing of a bankruptcy are not recoverable. Additionally, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension of credit may constitute a defense to recover, to the extent of any new value, against an otherwise recoverable transfer of property. If a transfer is recovered by the Debtor, the transferee has an Unsecured Claim against the Debtor to the extent of the recovery. In this case, and after careful review of its book and records, the Debtor is not aware of any payment outside the ordinary course of business during the preference periods. Therefore, the Debtor does not have a basis to pursue preference actions.

**VII.
FRAUDULENT TRANSFERS**

Under the Bankruptcy Code and various state laws, the Debtor may recover certain transfers of property, including the granting of a security interest in property, made while

insolvent or which rendered the Debtor insolvent. After review of its books and records, the Debtor is not aware of any fraudulent transfers at this time and does not anticipate filing any such actions.

VIII. FEASIBILITY OF PLAN AND RISK

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan. The Plan is to be implemented, if accepted and approved by the Bankruptcy Court, from the revenues generated by the business operations. The feasibility of the Plan is dependent on revenues generated from operations. The risk to creditors, if any, is dependent upon the Debtor's ability to maintain and increase production and the stabilization of the oil and gas industry. The Debtor believes that the Plan is feasible and meets the requirements of Section 1129(a)(11) of the Bankruptcy Code.

IX. ALTERNATIVES TO PLAN

The alternatives to the Plan are conversion of the case to a chapter 7 or dismissal of the case.

The Debtor believes that it is in the best interest of creditors and other parties in interest to reorganize. The Debtor is confident that it will have sufficient cash flow to pay its creditors in accordance with the Plan. By reorganizing in a Chapter 11 Plan, the Debtor will be able to continue business operations, allowing the Debtor to preserve its assets and generate cash flow to be distributed to the creditors.

The Debtor believes that in a Chapter 7 liquidation, the Debtor's business operations would cease and the Chapter 7 trustee would face limited options - either to auction and sell the Debtor's assets or permit the Creditors holding liens on the assets to foreclose.

The Debtor submits the Plan because it is the best alternative for creditors and other parties in interest in this bankruptcy case. Through the Plan, the Debtor will be able to reorganize its financial obligations. All of the Debtor's assets as described in Section IV (B) are pledged as collateral to Third Coast Bank, Prosperity Bank, and the SBA. It is likely that if the Debtor was converted to a chapter 7 bankruptcy case, the automatic stay would be lifted to allow these secured creditors to foreclose on all of the assets of the Debtor. In that instance, there would be no recovery and distribution to unsecured creditors.

X. EFFECT OF CONFIRMATION

Upon the date of the final order confirming the Plan:

1. The provisions of the Plan shall bind the Reorganized Debtor and any creditor, whether or not they have accepted the Plan.
2. Except as otherwise provided in the Plan, all property of the Debtor and of

the Estate shall vest in the Reorganized Debtor free and clear of liens, claims and encumbrances, except as otherwise provided in the Plan and other than any contractual secured claims granted under any lending agreement, on the condition that the Reorganized Debtor complies with the terms of the Plan, including the making of all payments to creditors provided for in the Plan. If the Reorganized Debtor defaults in performing under the provisions of this Plan and this case is converted to a case under chapter 7, all property vested in the Reorganized Debtor and all subsequently acquired property owned as of or after the conversion date shall re-vest and constitute property of the Bankruptcy Estate in the converted case.

**XI.
BAR DATE FOR FILING PROOFS OF CLAIM**

The Bankruptcy Court established December 26, 2017 as the last date to file proofs of claim (the “Bar Date”) for non-governmental claimants. Pursuant to the provisions of Bankruptcy Rule 3003, it is not necessary for any claimant to file a proof of claim unless their claim is scheduled by the Debtor as disputed, contingent or unliquidated. Additionally, in the event that the amount scheduled by the Debtor differs from the amount allegedly owed on the debt, a claim must be timely filed. In the event a creditor has filed a proof of claim with which the Debtor disagrees, the Debtor shall file an objection to said claim not later than thirty (30) days after confirmation of the Plan.

Any proof of claim which is not or has not been timely filed or scheduled shall be of no force and effect. No distribution will be made to any creditor that has not timely complied with this provision.

The failure of Debtor to object to any claim filed herein does not prejudice the Debtor’s rights to proceed against any part regarding any causes of action that it may have had at the time this case was filed or that may have accrued during the pendency of this against any creditor.

**XII.
MODIFICATION OF DISCLOSURE STATEMENT**

The Debtor may propose amendments to or modification of this Disclosure Statement at any time prior to confirmation, without leave of the court. After confirmation, the Debtor may, with approval of the Court, so long as it does not materially or adversely affect the interest 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 approving this Disclosure Statement, in such a manner as may be necessary to carry out the purposes and intent of this Disclosure Statement.

**XIII.
PAYMENT OF UNITED STATES TRUSTEE QUARTERLY FEES**

The Reorganized Debtor shall timely pay post-confirmation quarterly fees assessed pursuant to 11 U.S.C. Section 1930(a)(6) until such time as this Bankruptcy Court enters a final decree closing this chapter 11 case, or enters an order either converting his case to a case under chapter 7 or dismissing this case. After confirmation, the Reorganized Debtor shall file with the Bankruptcy Court and serve on the United States Trustee a financial report for each quarter, or portion thereof, that this chapter 11 case remains open in a format prescribed by the United States Trustee.

**XIV.
RELEASES IN THE PLAN**

Injunctions. Except as otherwise specifically provided in this Plan or in the Confirmation Order, if the Effective Date occurs, the Confirmation Order shall be deemed to permanently enjoin all Persons that have held, currently hold or may hold a Claim against, or be owed obligations by, the Debtor or the Estate or any Representative of the Debtor or the Estate, or have held, currently hold or may hold an Equity Interest in the Debtor, from taking any of the following actions on account of such Claim or Equity Interest: (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against the Debtor, the Estate, the Plan Assets, or any respective Affiliates or Representatives; (ii) enforcing, levying, attaching, collecting, or otherwise recovering in any manner or by any means, directly or indirectly, any judgment, award, decree, or order against the Debtor, the Estate, the Plan Assets, or any respective Affiliates or Representatives; (iii) creating, perfecting or enforcing in any manner, directly or indirectly, any lien, charge, encumbrance or other lien of any kind against the Debtor, the Estate, the Plan Assets, or any respective Affiliates or Representatives; (iv) asserting any set off, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtor, the Estate, the Plan Assets, or any respective Affiliates or Representatives; and (v) proceeding in any manner, directly or indirectly, in any place whatsoever against the Debtor, the Estate, the Plan Assets, or any respective Affiliates or Representatives.

No Liability for Solicitation or Participation. Pursuant to Section 1125 of the Bankruptcy Code, Persons that solicit acceptances or rejection of this Plan and/or that participate in the offer, issuance, sale, or purchase of securities offered or sold under or in connection with this Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or the offer, issuance, sale, or purchase of securities.

**XVI.
FEDERAL INCOME TAX CONSEQUENCES**

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 Internal Revenue Service ('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.

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 Internal Revenue Service ('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.

The federal income tax consequences of the Plan are complex and are the subject of significant uncertainties. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary does not address state, local or foreign income or other tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, organizations, certain expatriates, or former long term residents of the United States, or pass-through entities or investors in pass-through entities). Holders of claims and interest are urged to consult with their own tax advisors to determine the tax consequences to each of them.

XVII. CONCLUSION

The Debtor believes that approval of the Plan will provide an opportunity for creditors to receive more in payment on account of their claims than would be received in a liquidation by a Chapter 7 Trustee.

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

Respectfully submitted this 15th day of May, 2018.

Osies, Inc.

By: /s/ Jose L. Rodriguez
Jose L. Rodriguez, President

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