

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
MIDLAND DIVISION

In re:	§	
	§	
	§	Case No. 15-70162-RBK
ANIMAS WELL SERVICES, LLC,	§	
	§	(Chapter 11)
Debtor.	§	
	§	

DISCLOSURE STATEMENT FOR DEBTOR’S CHAPTER 11 PLAN OF LIQUIDATION

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***ATTORNEYS FOR DEBTOR AND
DEBTOR-IN-POSSESSION***

DATED: JUNE 6, 2016

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**DISCLOSURE STATEMENT FOR DEBTOR’S
CHAPTER 11 PLAN OF LIQUIDATION**

COMES NOW Animas Well Services, LLC (the “Debtor”), the debtor and debtor-in-possession in the above-captioned and numbered bankruptcy case (the “Bankruptcy Case”) and submits this *Disclosure Statement* (the “Disclosure Statement”) for *Debtor’s Chapter 11 Plan of Liquidation* (as may later be amended, modified, or otherwise altered, the “Plan”), respectfully stating as follows:

I. INTRODUCTION

A. IDENTITY OF THE DEBTOR

Debtor filed its Bankruptcy Case in the United States Bankruptcy Court for the Western District of Texas Midland Division (the “Bankruptcy Court”) on November 24, 2015. The Debtor operates an oil and gas services company in Midland, Texas. The Debtor in its Plan purposes to sell substantially all of its assets at an auction to the bidder with the highest and best bid, the proceeds of which will be used to maximize proceeds of the Debtor’s bankruptcy estate (the “Estate”) and pay creditors with allowed claims as much as possible.

B. PURPOSES OF THIS DISCLOSURE STATEMENT

The Debtor submits this Disclosure Statement pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”) to all known claimants of the Debtor for the purpose of disclosing that information which the Bankruptcy Court has determined is material, important, and necessary for creditors of the Debtor in order to arrive at an intelligent, reasonably informed decision in exercising the right to vote for acceptance or rejection of the Debtor’s Plan. This Disclosure Statement describes the operations of the Debtor contemplated under the Plan. You are urged to study the Plan in full and to consult with your counsel about the Plan and its impact upon your legal rights. Any accounting information contained herein has been provided by the Debtor.

C. EXPLANATION OF CHAPTER 11

Chapter 11 is the principal chapter of the Bankruptcy Code for most businesses that wish to preserve going-concern value. There are two fundamental types of Chapter 11 plans: (i) a reorganization of the business as a going-concern and (ii) a sale of the business as a going-concern. Where a debtor is insolvent and its secured creditors are undersecured, a reorganization in most instances will not be possible, absent an infusion of new equity investment and/or an agreement by secured creditors to accept a discount of their claims. Irrespective of whether a Chapter 11 plan is a plan of reorganization or a sale of substantially all of its assets, after a plan of reorganization has been filed, it must be accepted by holders of claims against, or interests in, the debtor. Section 1125 of the Code requires full disclosure before solicitation of acceptances of a plan of reorganization. This Disclosure Statement is presented to claimants to satisfy the requirements of section 1125 of the Bankruptcy Code.

D. EXPLANATION OF THE PROCESS OF CONFIRMATION

The Bankruptcy Code allows a debtor to place its various creditors into groups or classes. Each class of creditors consists of one or more creditors with substantially similar types of claims against a debtor. These classes of creditors are allowed to vote on a debtor's proposed Chapter 11 plan. Even if all classes of claims accept the plan, its confirmation may be refused by the court.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and, among other things, requires that a Chapter 11 plan be in the best interests of claimants and equity interest holders. It generally requires that the value to be distributed to claimants may not be less than what such parties would receive if the debtor was liquidated under Chapter 7 of the Bankruptcy Code.

Acceptance of the plan by the creditors and equity interest holders is important. In order for a Chapter 11 plan to be accepted by each class of claims, the creditors that hold at least two thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims actually voting on the plan in such class must vote for the plan, and the equity interest holders that hold at least two-thirds (2/3) in amount of the allowed interests actually voting on the plan in such class must vote in favor of confirming the plan. Chapter 11 of the Bankruptcy Code does not require that each holder of a claim against, or interest in, the debtor vote in favor of the plan in order for it to be confirmed by the court. The plan, however, must be accepted by: (i) at least the holder of one (1) class of claims by a majority in number and two-thirds (2/3) in amount of those claims of such class actually voting; or (ii) at least the holders of one (1) class of allowed interests by two-thirds (2/3) in amount of the allowed interests of such class actually voting.

The court may confirm a Chapter 11 plan even though less than all of the classes of claims and interests accept it. The requirements for confirmation of a plan over the objection of one or more classes of claims or interests are set forth in section 1129(b) of the Bankruptcy Code.

Confirmation of a Chapter 11 plan discharges the debtor from all of its pre-confirmation debts and liabilities except as expressly provided for in the plan and section 1141(d) of the Bankruptcy Code. Confirmation makes the plan binding upon the debtors and all claimants, equity interest holders and other parties-in-interest, regardless of whether or not they have accepted the plan.

E. VOTING PROCEDURES

All creditor and equity classes (i.e., classes 1 through 13) in the Debtor's Plan are impaired as that term is defined by section 1124 of the Bankruptcy Code. Accordingly, the Debtor is seeking the acceptance of the Plan by all creditor classes 1 through 13. Each holder of an allowed claim in classes 1 through 13 may vote on the Plan by completing, dating, and signing the ballot sent to each holder and filing the ballot as set forth below.

Except to the extent permitted by the Bankruptcy Court pursuant to Rule 3018 of the Federal Rules of Bankruptcy Procedure (hereinafter, the "Bankruptcy Rules"), ballots that are received after the voting deadline will not be accepted or used by the Debtor in connection with the Debtors' request for confirmation of the Plan.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt) acceptance, and revocation or withdrawal of ballots or master ballots will be determined by the Debtor in its sole discretion, whose determination will be final and binding.

For all classes, in order to be considered for purposes of Plan confirmation, the ballot must be RETURNED TO AND RECEIVED BY no later than at the time and on the date stated on the ballot:

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F. BEST INTEREST OF CREDITORS TEST

Section 1129(a)(7) of the Bankruptcy Code requires that each impaired class of claims or interests accept a Chapter 11 plan or receive or retain under the plan on account of such claim or interest, property of a value as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor was liquidated under Chapter 7 of the Bankruptcy Code. If section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, each holder of a claim of such class will receive or retain under the plan, on account of such claim, property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims. In order for

the plan to be confirmed, the Bankruptcy Court must determine that the plan is in the best interests of the debtor's creditors. Accordingly, the proposed plan must provide the debtor's creditors with more than they would receive in a Chapter 7 liquidation. It is anticipated that in a Chapter 7 liquidation, the Debtor's classes of creditors, other than the creditors of Classes 1 and 2 with allowed claims, would receive nothing. Accordingly, since the Plan proposes to, at a minimum pay creditor classes 1 and 3 with allowed claims, creditors in the Bankruptcy Case will receive more under the Plan than they would receive in a Chapter 7 liquidation. Accordingly, the Plan satisfies the requirements of section 1129(a)(7).

G. FEASIBILITY

The Bankruptcy Court must also find that a Chapter 11 plan proposed by a debtor is feasible, that is, that it has a reasonable prospect of success. As set forth in the projections attached to this Disclosure Statement as Exhibit "B", the Debtor believes it will have sufficient future income to make the payments required under the Plan.

H. CRAMDOWN

The Court may confirm a Chapter 11 plan even though less than all of the classes of claims and interests accept it. The requirements for confirmation of a plan over the objection of one or more classes of claims or interests are set forth in section 1129(b) of the Bankruptcy Code.

II. REPRESENTATIONS

This Disclosure Statement is provided pursuant to section 1125 of the Bankruptcy Code to all known creditors of the Debtor and other parties-in-interest in connection with the solicitation and acceptance of its Plan, as amended or modified. The purpose of this Disclosure Statement is to provide such information as will enable a hypothetical, reasonable investor, typical of the holders of claims, to make an informed judgment in exercising its rights either to accept or reject the Plan. A copy of the Plan is attached hereto as Exhibit "A".

After a hearing on notice, the Court approved this Disclosure Statement as containing information of the kind and in sufficient detail adequate to enable a hypothetical, reasonable investor typical of the classes being solicited to make an informed judgment about the Plan.

The information contained in this Disclosure Statement has been derived from the Debtor, unless specifically stated to be from other sources.

NO REPRESENTATIONS CONCERNING THE DEBTOR IS AUTHORIZED BY THE DEBTOR OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. THE DEBTOR RECOMMENDS THAT ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH IS NOT CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN REACHING YOUR DECISION ON HOW TO VOTE

ON THE PLAN. ANY REPRESENTATION OR INDUCEMENT MADE TO YOU NOT CONTAINED HEREIN SHOULD BE REPORTED TO THE ATTORNEYS FOR THE DEBTOR WHO SHALL DELIVER SUCH INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

ANY BENEFITS OFFERED TO THE CREDITORS ACCORDING TO THE PLAN WHICH MAY CONSTITUTE "SECURITIES" HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE FEDERAL SECURITIES AND EXCHANGE COMMISSION ("SEC"), THE TEXAS SECURITIES BOARD, OR ANY OTHER RELEVANT GOVERNMENTAL AUTHORITY IN ANY STATE OF THE UNITED STATES. IN ADDITION, NEITHER THE SEC, NOR ANY OTHER GOVERNMENTAL AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FOR THE FOREGOING REASON, AS WELL AS BECAUSE OF THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES, AND PROJECTIONS INTO THE FUTURE WITH ACCURACY, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETELY ACCURATE, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THAT SUCH INFORMATION IS ACCURATE. THE APPROVAL BY THE COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE COURT OF THE PLAN OR GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

THE DEBTOR BELIEVES THAT THE PLAN WILL PROVIDE CLAIMANTS WITH AN OPPORTUNITY ULTIMATELY TO RECEIVE MORE THAN THEY WOULD RECEIVE IN A LIQUIDATION OF THE DEBTORS ASSETS, AND SHOULD BE ACCEPTED. CONSEQUENTLY, THE DEBTOR URGES THAT CLAIMANTS VOTE FOR THE PLAN.

DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS CORRECT, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND EACH CREDITOR AND INTEREST HOLDER IS URGED TO CAREFULLY REVIEW THE PLAN PRIOR TO VOTING ON IT.

III. FINANCIAL PICTURE OF THE DEBTOR

A. FINANCIAL HISTORY AND BACKGROUND OF THE DEBTOR

The Debtor owns and operates as an oil and gas services company that specializes in contracting workover rig services to oil and gas exploration companies in the Permian Basin. Headquartered in Midland, Texas, the Debtor began its operations in August 2005 and had approximately twenty-seven (27) employees as of the Petition Date. The Debtor owned approximately ten (10) workover rigs, most of which were actively contracted out to clients. From its operations, the Debtor generated substantial annual revenues of between \$5 and \$7 million over the last three (3) years. While the Debtor's business has operated successfully, with the Debtor being generally current on its various obligations, the recent collapse of oil prices and corresponding downturn in the overall oil and gas industry has affected the Debtor's financial performance, ultimately resulting in the bankruptcy filing.

The Debtor generally has positive relationships with its creditors, including Commercial State Bank ("CSB") and Nations Fund I, Inc. ("Nations"), commonly known as Nations Equipment Finance. At times, demand for the Debtor's workover rig services among its current and prospective customer base actually exceeded the Debtor's operational capacity. However, the Debtor lacked sufficient capital to expand its operations in order to satisfy demands, and the Debtor's loan obligations of approximately \$4.3 million have matured. BaseLine Capital, Inc. ("BaseLine"), the Debtor's primary lender, refused to extend the terms of the Debtor's obligations or otherwise restructure the Debtor's primary loan obligations, absent terms and conditions that would in essence cede control over Debtor's operations and management. This, combined with the current down-cycle in the oil and gas industry, forced the Debtor to seek bankruptcy protection in order to restructure its debts, reorganize its business, preserve going concerns, and maximize returns for all creditors.

Pursuant to the terms of their loan agreement, BaseLine loaned the principal amount of \$4,113,195.51 to the Debtor at the interest rate of ten (10%) percent per annum and with a term expiration date of October 1, 2014 (the "BaseLine Loan"). Since the BaseLine Loan term expired on October 1, 2014, the Debtor has made monthly interest-only payments on account of its BaseLine Loan obligations, in accordance with the Debtor's agreement with BaseLine to do the same. While the Debtor's management invested significant time and energy attempting to negotiate forbearance and refinancing terms with BaseLine, such discussions ultimately came to an impasse over terms providing BaseLine with control over the Debtor's operations and management. As of the Petition Date, the balance of the outstanding principal and interest on the BaseLine Loan was approximately \$4 million.

On or about February 25, 2014, an authorized representative of the Debtor executed that certain *Promissory Note* with CSB, pursuant to which CSB agreed to provide the Debtor with a revolving line of credit in the principal amount of \$250,000.00, bearing interest at seven (7%) per annum on any unpaid principal, for a term of one (1) year (the "CSB Credit Line"). As of February 25, 2015, the expiration date of CSB Credit Line's one (1) year term, the Debtor has regularly made monthly interest-only payments to CSB on account of its outstanding principal and interest, in accordance with the Debtor's agreement with CSB to do the same. As of the

Petition Date, the outstanding principal and interest on the CSB Credit Line is approximately \$230,000.00. Prior to the BaseLine Loan and the Promissory Note, BaseLine agreed to subordinate its security interests in nearly all of its collateral, with the exception of arguably accounts receivable, to CSB's security interests and collateral in order for the Debtor to receive a line of credit from CSB.

As of the Petition Date, the balance of the Debtor's indebtedness owed to Nations was approximately \$1.35 million. Nations indebtedness is secured by the equipment it financed for the Debtor.

B. POSTPETITION OPERATIONS

Once this case was filed the Debtor sought an order from the Court to allow it to continue its operations using the alleged cash collateral of the BaseLine and CSB. With the ability to preserve going concern value and sell substantially all of its assets free and clear of all liens, interests, and other encumbrances, the Debtor believes it can maximize returns to creditors in a manner that will allow them to receive more than what creditors would receive in a Chapter 7 fire-sale type of liquidation.

C. FUTURE INCOME AND EXPENSES UNDER THE PLAN

Attached hereto as **Exhibit "B"** are projections of sale proceeds, revenue, expenses, and net operating income related the proposed auction of the Debtor's assets. Based upon the projections, the Debtor believes it can service the debt to its unclassified creditors and creditors in Classes 1 through 3.

D. POSTCONFIRMATION MANAGEMENT

Upon approval of the sale and confirmation of the Debtor's Plan, the Debtor will be under the management of either the stalking horse, Cogent Energy Systems, Inc. (the "**Stalking Horse**"), or the entity that submits a bid which the Court finds to be the highest and best bid (the "**Purchaser**"). Kenneth A. Krisa and Oscar Natividad are likely to have, at a minimum, a contract or consulting role with the Purchaser of the Debtor's business.

IV. ANALYSIS AND VALUATION OF PROPERTY

The Debtor owns and operates as an oil and gas services company that specializes in contracting workover rig services to oil and gas exploration companies in the Permian Basin. The value of the assets of the Debtor if liquidated in any manner other than in Chapter 11 as a going-concern would not be sufficient to pay its secured indebtedness. A liquidation analysis of the Debtor's assets is attached hereto as **Exhibit "C"**.

V. SUMMARY OF DEBTOR'S CHAPTER 11 PLAN OF LIQUIDATION

The Debtor will continue its business until its assets or sold to the Staling Horse or a Purchaser with the highest and best offer. The Debtor's Plan will break the existing claims into

twelve categories of claimants and one category for equity interests. To the extent funds are available, claimants holding allowed unsecured claims may receive cash payments generated from the proceeds of the sale. Equity interests, however, will be canceled, as the Debtor will not continue to operate after the effective date of the Plan (the “Effective Date”). Any assets of the Debtor that are not included in the sale, will be either turned over to the applicable secured creditor in exchange for a release of its respective claim, if applicable and such claim is allowed, or transferred to a liquidating trust.

Unless otherwise expressly provided, the treatment of and consideration to be received by holders of allowed claims or equity interests pursuant to the Debtor’s Plan shall be the sole an exclusive means for full settlement, release, and discharge of their respective claims, debts, or equity interests. The Purchaser will not have any successor liability. On the effective date of the Plan, the Distribution Agent and Liquidating Trustee shall assume all duties, responsibilities, and obligations for the implementation of this Plan. Any class of claimants failing to vote on this Plan shall be deemed to have accepted this Plan in its present form or as modified or amended as permitted by the Bankruptcy Court.

A. UNCLASSIFIED CLAIMS: PRIORITY TAX CLAIMS AND ADMINISTRATIVE CLAIMS

Unclassified claims consist of allowed priority tax claims and administrative claims, irrespective of whether said administrative claims arise from ordinary course transactions, professional fees and expenses, or other means, if allowed will be paid in full under the Plan.

1. Priority Tax Claims

Unless otherwise agreed to in writing with the Debtor (or after the Effective Date, the Liquidating Trustee), each holder of an Allowed Priority Tax Claim, in full and final satisfaction, settlement, release, extinguishment, and discharge, shall receive: (a) a Distribution of Sale Proceeds in the form of Cash equal to the full amount of the Allowed Priority Tax Claim, paid within fifteen (15) days following the later of (i) the Effective Date and (ii) the date the Priority Tax Claim becomes Allowed; or (b) Distributions of Sale Proceeds in the form of Cash paid in accordance with the terms of any Final Order Allowing the Priority Tax Claim. For the avoidance of doubt, the Debtor and the Estate retain all rights under section 505 of the Bankruptcy Code with respect to any Priority Tax Claim, all of which such rights shall automatically transfer to and vest in the Liquidating Trust on the Effective Date without any further action being necessary.

2. Administrative Claims

In full and final satisfaction, settlement, release, extinguishment, and discharge of Allowed Administrative Claims, each holder of an Allowed Administrative Claim shall receive (a) Distributions sufficient to satisfy the Allowed Administrative Claim in full, payment of which shall be made within fifteen (15) days following the later of (i) the Effective Date, (ii) the date the Debtor’s Sale is consummated, and (iii) the date the Administrative Claim becomes Allowed; or (b) a Distribution of Sale Proceeds in the form of Cash sufficient to pay an Allowed Administrative Claim in accordance with the terms of any Final Order Allowing the

Administrative Claim. Notwithstanding the foregoing, any Claim of the United States Trustee for fees due in accordance with 28 U.S.C. § 1930(a)(6) as of the Effective Date will be treated in accordance with section 1129(a)(12) of the Bankruptcy Code.

B. CLASS 1: ALLOWED SECURED TAX CLAIMS

1. Classification

Class 1 Claims are Impaired. Class 1 consists of Allowed Secured Tax Claims, which total approximately \$35,527.94. Holders of Allowed Secured Tax Claims shall retain liens attached to Property to the extent such liens are valid, properly perfected, and limited to the amount of the Allowed Secured Tax Claim; *provided, however*, that following consummation of the Debtor's Sale of the Purchased Assets, free and clear of any liens, interests, and encumbrances pursuant to section 363(l) of the Bankruptcy Code, such liens thereafter attaching to Sale Proceeds with the same validity and enforceability as the prior liens but limited to the amount of the then existing unpaid balance of the Allowed Secured Tax Claim, if any.

2. Treatment

In full and final satisfaction, settlement, release, extinguishment, and discharge of Allowed Secured Tax Claims and any liens securing the same, each holder of an Allowed Secured Tax Claim, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) Distributions of Sale Proceeds equal to the amount of the Allowed Secured Tax Claim, with payment to be made within fifteen (15) days following the later of (i) the Effective Date and (ii) the date that such Secured Tax Claim becomes Allowed; or (b) Distributions of Sale Proceeds paid in accordance with the terms of any Final Order Allowing the Secured Tax Claim. For the avoidance of doubt, no Distributions shall be received by holders of Allowed Class 1 Claims unless holders of Allowed Administrative Claims and Allowed Priority Tax Claims have been paid in full and the Liquidating Trust contains sufficient Cash to pay (a) any Disputed Administrative Claim and Disputed Priority Tax Claim, or in such other amounts as agreed upon in writing by each holder of Disputed Claims and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses. The Debtor and the Estate retain all rights under section 505 of the Bankruptcy Code with respect to any Secured Tax Claim, all of which such rights shall automatically transfer to and vest in the Liquidating Trust on the Effective Date without any further action being necessary.

C. CLASS 2: ALLOWED SECURED CSB CLAIMS

1. Classification

Class 2 Claims are Impaired. Class 2 consists of the Allowed Secured CSB Claims, which total approximately \$232,911.56. CSB asserts a first-priority security interest in substantially all of the Debtor's Property, with the purported exception of accounts receivable. Accordingly, CSB shall retain security interests in the Property to the extent such security interests are valid, properly perfected, and limited to the value of the Property (less the accounts

receivable); *provided, however*, that following consummation of the Debtor's Sale of the Purchased Assets, free and clear of any liens, interests, and encumbrances pursuant to section 363(l) of the Bankruptcy Code, such security interests thereafter attaching to the Sale Proceeds with the same validity and enforceability as the prior security interests but limited to the amount of the then existing unpaid balance of the Allowed Secured CSB Claim, if any.

2. Treatment

In full and final satisfaction, settlement, release, extinguishment, and discharge of the Allowed Secured CSB Claims and any security interests securing the same, each holder of an Allowed Secured CSB Claim, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed Secured CSB Claim, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such Secured CSB Claim becomes Allowed; or (b) Distributions of Sale Proceeds and/or Cash paid in accordance with the terms of any Final Order Allowing the Secured CSB Claim. For the avoidance of doubt, no Distributions shall be received by holders of Allowed Class 2 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Secured Tax Claims have been paid in full and the Liquidating Trust has sufficient Cash to pay (a) any Disputed Administrative Claims, Disputed Priority Tax Claims, Disputed Claims in Class 1, or such other amount as agreed upon in writing by each holder of Disputed Claims and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

D. CLASS 3: SECURED BASELINE CLAIMS

1. Classification

Class 3 Claims are impaired. Class 3 consists of the Allowed Secured BaseLine Claims, which Allowed Claims total approximately \$397,167.84, less aggregate amount of adequate protection payments made by the Debtor to BaseLine during the pendency of the Bankruptcy Case. BaseLine asserts a first-priority security interest in the Debtor's accounts receivable but is otherwise subordinated to CSB. Accordingly, BaseLine shall retain its security interests in the accounts receivable to the extent valid, properly perfected, and limited to the value of the accounts receivable; *provided, however*, that following consummation of the Debtor's Sale of the Purchased Assets, free and clear of any liens, interests, and encumbrances pursuant to section 363(l) of the Bankruptcy Code, such security interests shall thereafter attach to the Sale Proceeds with the same validity and enforceability as the prior security interests but limited to the amount of the then existing unpaid balance of the Allowed Secured BaseLine Claim, if any.

2. Treatment

In full and final satisfaction, settlement, release, extinguishment, and discharge of the Allowed Secured BaseLine Claims and any security interests securing the same, BaseLine, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent there are sufficient funds, Distributions of Sale

Proceeds and/or Cash equal to the amount of the Allowed Secured BaseLine Claim, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such Secured BaseLine Claim becomes Allowed; (b) the Debtor's accounts receivable equal to the unpaid balance of the Secured BaseLine Claim; or (c) Distributions of Sale Proceeds and/or Cash paid in accordance with the terms of any Final Order Allowing in whole or in part the Secured BaseLine Claim. For the avoidance of doubt, no Distributions shall be made on account of Allowed Class 3 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 and 2 have been satisfied in full, and the Liquidating Trust has sufficient Cash to pay Disputed Administrative Expenses Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 and 2 or such other amount as agreed upon in writing by each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

E. CLASS 4: ALLOWED SECURED NATIONS CLAIMS

1. Classification

Class 4 Claims are Impaired. Class 4 consists of Allowed Secured Nations Claims. Class 4 consists of the Allowed Secured Nations Claims. Nations asserts a first-priority security interest in certain equipment financed by Nations (the "Nations Equipment"). Accordingly, Nations shall retain its security interests in the Nations Equipment to the extent of the value of the Nations Equipment; *provided, however*, that if the Nations Equipment is included in the Sale and the Purchased Assets by agreement or otherwise, then following consummation of the Debtor's Sale of the Purchased Assets, free and clear of any liens, interests, and encumbrances pursuant to section 363(l) of the Bankruptcy Code, such security interests shall thereafter attach to the Sale Proceeds with the same validity and enforceability as the prior security interests but limited to the amount of the then existing unpaid balance of the Allowed Secured Nations Claim, if any.

2. Treatment

In full and final satisfaction, settlement, release, extinguishment, and discharge of the Allowed Secured Nations Claims and any security interests securing the same, Nations, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent funds are available, the Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed Secured Nations Claim, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such Secured Nations Claim becomes Allowed; (b) the Nations Equipment and mutual release; or (c) a reinstated Secured Nations Claim and related financing, as modified by the terms of that certain *Stipulation and Consent Order Among Nations Fund I, LLC and Debtor Animas Well Services, LLC*. For the avoidance of doubt, Distributions shall not be made on account of Allowed Class 4 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 3 have been satisfied in full, and the Liquidating Trust has sufficient Cash to pay Disputed Administrative Expenses Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 through 4, or such other amount as agreed upon in writing by

each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

F. CLASS 5: ALLOWED SECURED HITACHI CLAIMS

1. Classification

Class 5 Claims are Impaired. Class 5 consists of Allowed Secured Hitachi Claims. Hitachi asserts a first-priority security interest in a 2012 Chevrolet 3500, Vin # 1GB4KZCL1CF115492 (the "Hitachi Vehicle"). Accordingly, Hitachi shall retain its security interests in the Chevy Truck to the extent of the value of the Chevy Truck; *provided, however*, that if the Chevy Truck is included in the Sale and the Purchased Assets, then following consummation of the Debtor's Sale of the Purchased Assets, free and clear of any liens, interests, and encumbrances pursuant to section 363(l) of the Bankruptcy Code, such security interests shall thereafter attach to the Sale Proceeds with the same validity and enforceability as the prior security interests but limited to the amount of the then existing unpaid balance of the Allowed Secured Hitachi Claim, if any.

2. Treatment

In full and final satisfaction, settlement, release, extinguishment, and discharge of the Allowed Secured Hitachi Claims and any security interests securing the same, Hitachi, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent funds are available, the Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed Secured Hitachi Claim, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such Secured Hitachi Claim becomes Allowed; (b) the Chevy Truck and mutual release; or (c) a reinstated Secured Hitachi Claim and related financing, as modified by the terms of that certain *Agreed Order on Motion of Hitachi Capital America Corp. for Relief from the Automatic Stay and Waiver of Thirty (30) Day Hearing Requirement*, entered by the Bankruptcy Court on February 23, 2016, and any adequate protection payments made pursuant thereto. For the avoidance of doubt, Distributions shall not be made on account of Allowed Class 5 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 3 have been satisfied in full, and the Liquidating Trust has sufficient Cash to pay Disputed Administrative Expenses Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 through 5, or such other amount as agreed upon in writing by each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

G. CLASS 6: ALLOWED SECURED FFB CLAIMS

1. Classification

Class 6 Claims are Impaired. Class 6 consists of Allowed Secured FFB Claims. FFB asserts a first-priority security interest in two (2) Ford Trucks, 2012 Ford Super Duty Vehicle, VIN: 1FT7W28TXCEC45461 and a 2012 Ford Super Duty Vehicle, VIN:

1FT7W2868CEB32757 (collectively, the “FFB Trucks”). Accordingly, FFB shall retain its security interests in the FFB Trucks to the extent of the value of the FFB Trucks; *provided, however,* that if the FFB Trucks are included in the Sale and the Purchased Assets, then following consummation of the Debtor’s Sale of the Purchased Assets, free and clear of any liens, interests, and encumbrances pursuant to section 363(l) of the Bankruptcy Code, such security interests shall thereafter attach to the Sale Proceeds with the same validity and enforceability as the prior security interests but limited to the amount of the then existing unpaid balance of the Allowed Secured FFB Claims, if any.

2. Treatment

In full and final satisfaction, settlement, release, extinguishment, and discharge of the Allowed FFB Claims and any security interests securing the same, FFB, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent funds are available, the Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed Secured FFB Claim, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such Secured FFB Claim becomes Allowed; (b) the FFB Trucks and mutual release; or (c) a reinstated Secured FFB Claim and related financing, as modified by the terms of that certain *Agreed Order on Motion of First Financial Bank, N.A. for Relief from the Automatic Stay or Adequate Protection*, entered by the Bankruptcy Court on May 3, 2016, and any adequate protection payments made pursuant thereto. For the avoidance of doubt, Distributions shall not be made on account of Allowed Class 6 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 3 have been satisfied in full, and the Liquidating Trust has sufficient Cash to pay Disputed Administrative Expenses Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 through 6 or such other amount as agreed upon in writing by each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

H. CLASS 7: ALLOWED SECURED FORD MOTOR CLAIMS

1. Classification

Class 7 Claims are Impaired. Class 7 consists of Allowed Secured Ford Motor Claims. Ford Motor asserts a purchase money security interest in a 2012 Ford F250, Vehicle Identification No. 1FT7W2B65CEB61073 (the “Ford Truck”). Accordingly, Ford Motor shall retain its security interests in the Ford Truck to the extent of the value of the Ford Truck; *provided, however,* that if the Ford Truck is included in the Sale and the Purchased Assets, then following consummation of the Debtor’s Sale of the Purchased Assets, free and clear of any liens, interests, and encumbrances pursuant to section 363(l) of the Bankruptcy Code, such security interests shall thereafter attach to the Sale Proceeds with the same validity and enforceability as the prior security interests but limited to the amount of the then existing unpaid balance of the Allowed Secured Ford Motor Claims, if any.

2. Treatment

In full and final satisfaction, settlement, release, extinguishment, and discharge of the Allowed Ford Motor Claims and any security interests securing the same, Ford Motor, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent funds are available, the Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed Secured Ford Motor Claim, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such Secured Ford Motor Claim becomes Allowed; (b) the Ford Motor Truck and mutual release; or (c) a reinstated Secured Ford Motor Claim and related financing, as modified by the terms of that certain *Agreed Order on Motion for Adequate Protection of Ford Motor Credit Company, LLC*, entered by the Bankruptcy Court on February 23, 2016, and any adequate protection payments made pursuant thereto. For the avoidance of doubt, Distributions shall not be made on account of Allowed Class 7 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 3 have been satisfied in full, and the Liquidating Trust has sufficient Cash to pay Disputed Administrative Expenses Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 through 7 or such other amount as agreed upon in writing by each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

I. CLASS 8: ALLOWED SECURED TD AUTO CLAIMS

1. Classification

Class 8 Claims are Impaired. Class 8 consists of Allowed Secured TD Auto Claims. TD Auto asserts a purchase money security interest in a 2012 Ford F-250 Series, Vehicle Identification Number 1FT7W2B60CEA49815 (the "TD Truck"). Accordingly, TD Auto shall retain its security interests in the TD Truck to the extent of the value of the TD Truck; *provided, however*, that if the TD Truck is included in the Sale and the Purchased Assets, then following consummation of the Debtor's Sale of the Purchased Assets, free and clear of any liens, interests, and encumbrances pursuant to section 363(l) of the Bankruptcy Code, such security interest shall thereafter attach to the Sale Proceeds with the same validity and enforceability as the prior security interests but limited to the amount of the then existing unpaid balance of the Allowed Secured FFB Claims, if any.

2. Treatment

In full and final satisfaction, settlement, release, extinguishment, and discharge of the Allowed TD Auto Claims and any security interests securing the same, TD Auto, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent funds are available, the Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed Secured TD Auto Claim, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such Secured TD Auto Claim becomes Allowed; (b) the TD Truck and mutual release; or (c) a reinstated Secured TD Auto Claim and related financing, subject to any adequate protection payments made during the pendency of the Bankruptcy Case. For the avoidance of doubt,

Distributions shall not be made on account of Allowed Class 8 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 3 have been satisfied in full, and the Liquidating Trust has sufficient Cash to pay Disputed Administrative Expenses Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 through 8 or such other amount as agreed upon in writing by each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

J. CLASS 9: OTHER ALLOWED SECURED CLAIMS

1. Classification

Class 9 Claims are Impaired. Class 9 consists of Allowed Other Secured Claims. Upon information and belief, the Other Secured Claimants assert a security interest in certain of the Property (the “Collateral”). Accordingly, holders of Allowed Other Secured Claims shall retain their security interests in the Collateral; *provided, however*, that if the Collateral is included in the Sale and the Purchased Assets, then following consummation of the Debtor’s Sale of the Purchased Assets, free and clear of any liens, interests, and encumbrances pursuant to section 363(l) of the Bankruptcy Code, such security interests shall thereafter attach to the Sale Proceeds with the same validity and enforceability as the prior security interests but limited to the amount of the then existing unpaid balance of the Allowed Secured FFB Claims, if any.

2. Treatment

In full and final satisfaction, settlement, release, extinguishment, and discharge of the Allowed Other Secured Claims and any security interests securing the same, Other Secured Claimants, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent funds are available, the Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed Other Secured Claim, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such Other Secured Claim become Allowed; (b) a relinquishment of the Collateral and execution of a mutual release; or (c) a reinstated Other Secured Claim and related financing, subject only to any adequate protection payments made pursuant thereto. For the avoidance of doubt, Distributions shall not be made on account of Allowed Class 9 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 3 have been satisfied in full, and the Liquidating Trust has sufficient Sale Proceeds and/or Cash to pay Disputed Administrative Expenses Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 through 9 or such other amount as agreed upon in writing by each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

K. CLASS 10: ALLOWED PRIORITY NON-TAX CLAIMS

Class 10 Claims are Impaired. Class 10 consists of the Allowed Priority Non-Tax Claims held by Creditors. In full and final satisfaction, settlement, release, extinguishment, and discharge of Allowed Priority Non-Tax Claims, each holder of an Allowed Priority Non-Tax

Claim, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent funds are available, the Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed Priority Non-Tax Claim, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such Other Priority Non-Tax Claim becomes Allowed; or (b) if there are insufficient Sale Proceeds and/or Cash available to satisfy Allowed Priority Non-Tax Claims consistent with section 5.10.2(a) of this Plan, then each holder of an Allowed Priority Non-Tax Claim shall receive, from the available Sale Proceeds, Cash, and Liquidating Trust interests, regular, reoccurring *pro rata* quarterly Distributions, equal to the value of the Allowed Priority Non-Tax Claim as of the Effective Date, for a period ending not more than five (5) years after the Petition Date. For the avoidance of doubt, such Distributions shall not be made on account of Allowed Class 10 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 3 have been satisfied in full, and the Liquidating Trust has sufficient Sale Proceeds and/or Cash to pay Disputed Administrative Expenses Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 through 9 or such other amount as agreed upon in writing by each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

L. CLASS 11: ALLOWED GENERAL UNSECURED CLAIMS

Class 11 consists of Allowed General Unsecured Claims held by Creditors. Class 11 Claims are impaired. In full and final satisfaction, settlement, release, extinguishment, and discharge of Allowed General Unsecured Claims, holders of Allowed General Unsecured Claims, unless otherwise agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent funds are available, the Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed General Unsecured Claims, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that such General Unsecured Claim becomes Allowed; or (b) if there are insufficient Sale Proceeds and/or Cash available to satisfy Allowed General Unsecured Claims in full consistent with section 5.11.2(a) of this Plan, then holders of Allowed General Unsecured Claims shall from available Sale Proceeds, Cash, and Liquidating Trust interests, regular, reoccurring *pro rata* quarterly Distributions for a period ending not more than five (5) years from the Petition Date. For the avoidance of doubt, Distributions shall not be made on account of Allowed Class 11 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 10 have been satisfied in full, and the Liquidating Trust has sufficient Sale Proceeds and/or Cash to pay Disputed Administrative Expenses Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 through 11 or such other amount as agreed upon in writing by each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

M. CLASS 12: ALLOWED SUBORDINATED CLAIMS

Class 12 consists of Allowed Subordinated Claims held by Creditors. Class 12 Claims are impaired. In full and final satisfaction, settlement, release, extinguishment, and discharge of Allowed Subordinated Claims, holders of Allowed Subordinated Claims, unless otherwise

agreed to in writing with the Debtor (or the Liquidating Trustee after the Effective Date), shall receive: (a) to the extent funds are available, the Distributions of Sale Proceeds and/or Cash equal to the amount of the Allowed Subordinated Claims, with payment to be made as soon as practicable following the later of (i) the Effective Date and (ii) the date that an Allowed Subordinated Claim becomes Allowed; or (b) if there are insufficient Sale Proceeds and/or Cash available to pay Allowed Subordinated Claims in full consistent with section 5.12.2(a) of this Plan, then holders of Allowed Subordinated Claims shall receive regular, reoccurring *pro rata* monthly Distributions for a period ending not more than five (5) years from the Petition Date. For the avoidance of doubt, Distributions shall not be made on account of Allowed Class 12 Claims unless holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 11 have been satisfied in full, and the Liquidating Trust has sufficient Cash to pay Disputed Administrative Claims, Disputed Priority Tax Claims, and Disputed Claims in Classes 1 through 12 or such other amount as agreed upon in writing by each holder of a Disputed Claim and the Debtor (or after the Effective Date, the Liquidating Trustee) and (b) actual and anticipated Liquidating Trust expenses.

N. CLASS 13: ALLOWED EQUITY INTERESTS

Class 13 consists of Allowed Equity Interests. Class 13 Equity Interests are impaired. All Class 13 Equity Interests shall be deemed cancelled on the Effective Date. Class 13 Equity Interests shall not receive or retain any Property on account of their Equity Interests.

VI. IMPLEMENTATION OF THE PLAN

The Debtor anticipates that sale proceeds from the auction, in addition to cash from the Debtor's continued operations up until the sale, shall fund the Plan.

As specified in section 1125(e) of the Bankruptcy Code, persons that solicit acceptances or rejections of this Plan and/or that participate in the offer, issuance, sale, or purchase of securities offered or sold under this Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, are not liable on account of such solicitation or participation for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejection of this Plan or the offer, issuance, sale, or purchase of securities.

Neither the Debtor, its professionals employed in the Bankruptcy Case, nor any of its employees, officers, directors, agents, representatives, or any of their members, agents, representatives, attorneys, accountants, consultants, or advisors, shall have or incur any liability to any person or entity for any act taken or omission made in good faith in connection with or related to formulating, implementing, confirming, or consummating the Plan, the Disclosure Statement, or any contract, instrument, release, agreement, or document created in connection with the Plan.

VII. FEASIBILITY OF THE PLAN

The projections of the Debtor's operations and proceeds from the auction are attached hereto as **Exhibit "B"**. The Debtor believes that the projections are conservative based upon the historical operations of the business and the current offer to purchase the Debtor's assets by the

Stalking Horse. Based upon the projections, the Debtor believes the Plan to be feasible.

Neither the Debtor nor any member, officer, director, employee, agent, representative, attorney, accountant, consultant, or advisor shall have or incur any liability to any holder of a Claim or Equity Interest for any act, event, or omission in connection with, or arising out of, the Bankruptcy Case, the confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence.

VIII. RETENTION OF JURISDICTION

The Bankruptcy Court's jurisdiction shall be retained under the Plan as set forth in Article IX of the Plan.

THE PLAN SHALL BE THE SOLE AND EXCLUSIVE REMEDY FOR ANY CREDITOR OF THE DEBTOR DEALT WITH THEREIN, SO LONG AS DEBTOR OR THE REORGANIZED DEBTOR IS NOT IN DEFAULT UNDER THE PLAN.

IX. ALTERNATIVES TO DEBTOR'S PLAN

If the Debtor's Plan is not confirmed, the Debtor's Bankruptcy Case may be converted to a case under Chapter 7 of the Code. Under such circumstances, the Debtor's operations would come to an abrupt standstill, cause the Debtor to default under its existing contractual agreements with its customers, which in turn would trigger an immediate loss of the Debtor's good will and going-concern value. A Chapter 7 trustee would be appointed to liquidate the assets of the Debtor at fire-sale prices for distribution to creditors in accordance with the priorities of the Code. Generally, a liquidation or forced-sale yields a substantially lower amount. As set forth above, the Debtor owes secured indebtedness of approximately \$233,000.00 to CSB, \$397,000.00 to BaseLine, approximately \$277,000.00 in secured and priority tax claims, and approximately \$227,500.00 in estimated administrative claims, all of which must be paid prior to the unsecured creditors receiving any payment. The Debtor believes the value of the assets if liquidated would not exceed the \$1,134,500.00 in aggregate secured and priority claims, and, therefore, a liquidation is unlikely to result in distributions to general unsecured creditors.

A liquidation analysis is attached hereto as **Exhibit "C"**.

X. RISKS TO CREDITORS UNDER THE DEBTOR'S PLAN

Claimants and equity interest should be aware that there are a number of substantial risks involved in consummation of the Plan. The Plan contemplates not only that there will be an offer to purchase substantially all of the Debtor's assets constituting or comparable to the initial bid of the Stalking Horse, and that the Bankruptcy Court will enter an order approving the sale.

XI. TAX CONSEQUENCES TO THE DEBTOR

Implementation of the Plan may result in federal income tax consequences to holders of claims, equity interests, and the Debtor. Tax consequences to a particular creditor or equity interest may depend on the particular circumstances or facts regarding the claim of the creditor or the holder of an equity interest. **CLAIMANTS AND EQUITY INTEREST HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN TO THEM UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS.**

XII. PENDING OR ANTICIPATED LITIGATION

A. RETENTION AND PRESERVATION OF GENERAL RIGHTS

Notwithstanding the confirmation of the Plan and the entry of a confirmation order approving the Plan, and notwithstanding any principle of *res judicata* or estoppel, and unless specifically and explicitly released, waived, compromised, or otherwise treated in this Plan, the Debtor and the Estate retain any and all rights, property, and interests, all of which are transferred under this Plan to the Liquidating Trust, regardless of whether they are scheduled, filed, or asserted prior to the confirmation hearing, including, without limitation, all: (i) objections and defenses, affirmative or otherwise, to claims in the Bankruptcy Case; (ii) causes of action arising under the Bankruptcy Code or other federal statutory law; (iii) setoffs and recoupments against any claim, creditor, or other person; (iv) rights to turnover, accounting under any loan document modified by this Plan, but only as so modified; (v) rights to any tax refund; (vi) avoidance actions; (viii) state law causes of action in contract, tort, common law, or statutory; and (ix) claims and causes of action against any creditor or person whatsoever, including for affirmative relief and to reduce any liability.

B. RETENTION AND PRESERVATION OF SPECIFIC RIGHTS

Without limiting the effectiveness or generality of the foregoing, and out of an abundance of caution, the Debtor specifically reserves and retains the following rights, claims, causes of action, and defenses, to be transferred to the Liquidating Trust as otherwise provided for in this Plan:

1. all rights, defenses, claims, and all potential claims or causes of action that may be made by the Debtors against any present, former, or future insurer, insurance company, insurance carrier or policy, premium finance company, surety, or indemnified party, including AIG Property Casualty U.S., Inc., Flatiron Capital, or First Insurance Funding Corp., including for, on account of, and related to claims or causes of action made for breach of contract, ERISA claim, commercial general liability damage, property, casualty, automobile, personal injury, medical expenses, business interruption, cyber liability, employment practices liability, employers' liability, workers' compensation, officer and director liability, construction damage, flooding or water damage, weather damage, fire damage, machinery and tools, electrical damage, umbrella, unused premium, premium refunds or credits, offset, payment, billing, or denied coverage;

2. all rights, defenses, claims, and causes of action against any Governmental Unit, including any taxing authority, the Texas Comptroller of Public Accounts, the Internal Revenue Service, Midland, Texas, Midland Independent School District, Midland County, or any other holder of taxes, whether related to their respective claim or past, present, or future taxes, including any right for purposes of challenging amounts assessed or collected, future valuations, assessments, and taxes, including rights under or related to section 505 of the Bankruptcy Code;

3. all rights, defenses, claims, and causes of action, including, but not limited to 11 U.S.C. §§ 542, 543, 544, 545, 547, 548, 549, 550, and 553, Texas Fraudulent Transfer Act, Avoidance Actions or State Law Claims (as defined in the Plan), negligence, fraud, intentional interference with contract, intentional tort, default, breach, breach of contract, breach of lease, breach of fiduciary duty, bad faith, reach of any subsequent amendment or modification of contract, lease, and/or licensing agreement, non-payment, setoff, recoupment, attachment or perfection of a lien or security interest, lender liability, control, coercion, slander, liable, intentional or tortious interference with contract, tortious or intentional interference with prospective business opportunity, material defect or error in financial transaction or security document, and damages against any lender, including BaseLine, any customer, any non-Debtor party to a master services agreement with the Debtor, trade creditor, vendor, contractor, supplier, mechanic, subcontractor, or employee or officer of the Debtor;

4. all rights, defenses, claims, and causes of action, including, but not limited to, those based on debts owed or paid, and applicable to or asserted in the pending litigation *Integrity Diesel vs. Animas Well Services, LLC*, Case number CC-26199, in the County Court at Law of Ector County, Texas; and

5. all rights defenses, claims, and causes of action, whether related to tort, damages, products liability, product defect, consumer rights, negligence or otherwise, and applicable to and asserted in the pending litigation *Animas Well Services v. Ford Motor Company*, Case number CC-18342, in the District Court of Midland County, Texas.

DATED: JUNE 6, 2016

ANIMAS WELL SERVICES, LLC

By: /s/ Kenneth C. Krisa (w/ permission)
Name: Kenneth C. Krisa
Title: President of Animas Well Services,
LLC

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EXHIBITS “A” – “C”

To be filed as Supplements to the Disclosure Statement