
THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED UNDER SECTION 1125(B) OF THE BANKRUPTCY CODE BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION FOR USE IN CONNECTION WITH THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT IS NOT INTENDED AND SHOULD NOT IN ANYWAY BE CONSTRUED AS A SOLICITATION OF VOTES FOR THE DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION, NOR SHOULD THE INFORMATION CONTAINED HEREIN BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

IN RE:	§	
	§	CASE NO. 16-10398-HCM
CLEANFUEL USA, INC.	§	
	§	CHAPTER 11
DEBTOR.	§	

**DISCLOSURE STATEMENT IN SUPPORT OF
DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION, DATED AUGUST 8, 2016**

Date: August 8, 2016

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IMPORTANT NOTICE

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT INCLUDES FORWARD-LOOKING STATEMENTS BASED LARGELY ON THE CURRENT EXPECTATIONS OF THE DEBTOR AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTOR OR THE REORGANIZED DEBTOR'S BUSINESS. THE WORDS "BELIEVE," "MAY," "WILL," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT," AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES, AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER THE CAPTION "RISK FACTORS." IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR, AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. NEITHER THE DEBTOR NOR THE REORGANIZED DEBTOR HAS UNDERTAKEN ANY OBLIGATIONS TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE.

NO REPRESENTATIONS OR OTHER STATEMENTS CONCERNING THE DEBTOR (PARTICULARLY AS TO ITS FUTURE BUSINESS OPERATIONS OR THE VALUE OF ITS ASSETS) ARE AUTHORIZED BY THE DEBTOR, OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE, WHICH ARE OTHER THAN AS SET FORTH IN THIS STATEMENT, SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISIONS. ANY SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR WHO SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT, WHICH MAY TAKE SUCH ACTION AS IT DEEMS APPROPRIATE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN INDEPENDENTLY AUDITED, EXCEPT AS SPECIFICALLY REFERENCED HEREIN. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN SUBMITTED BY THE DEBTOR AND ITS INTERNAL ACCOUNTING STAFF, UNLESS SPECIFICALLY STATED TO BE FROM OTHER SOURCES. THE DEBTOR'S PLAN IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT,

AND EACH CREDITOR IS URGED TO REVIEW THE PLAN IN ITS ENTIRETY PRIOR TO VOTING ON IT.

THE DEBTOR MAKES NO REPRESENTATIONS WITH RESPECT TO THE EFFECTS OF TAXATION (STATE OR FEDERAL) ON THE CREDITORS WITH RESPECT TO THE TREATMENT OF THEIR CLAIMS OR INTERESTS UNDER THE PLAN, AND NO SUCH REPRESENTATIONS ARE AUTHORIZED BY THE DEBTOR. CREDITORS ARE ENCOURAGED TO SEEK THE ADVICE OF THEIR OWN PROFESSIONAL ADVISORS IF THEY HAVE ANY SUCH QUESTIONS.

I. **INTRODUCTION**

This Disclosure Statement is submitted by CleanFuel USA, Inc. (“CleanFuel,” the “Company,” the “Debtor,” and/or the “Debtor- in-Possession”) in connection with the Debtor’s efforts to solicit votes necessary to confirm the Debtor’s Chapter 11 Plan of Reorganization (the “Plan”). A copy of the Plan is attached hereto as Exhibit “1.”

1.1 The Chapter 11 Case

On April 2, 2016, the Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Western District of Texas, Austin Division (“Bankruptcy Court”). The Debtor continues to manage its affairs as a debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. This Disclosure Statement and the accompanying Plan are filed on behalf of the Debtor.

1.2 Purpose of Disclosure Statement

The purpose of this Disclosure Statement is to provide you, as the holder of a Claim against the Debtor, with information to enable you to make a reasonably informed decision on the Plan before exercising your right to vote to accept or reject the Plan.¹

On _____, after notice and a hearing, the Bankruptcy Court approved this Disclosure Statement as containing information, of a kind and in sufficient detail, adequate to enable the holders of Claims against the Debtor to make an informed judgment to accept or reject the Plan. **THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THIS INFORMATION OR THE BANKRUPTCY COURT’S ENDORSEMENT OF THE PLAN.**

YOU SHOULD READ ALL OF THIS DISCLOSURE STATEMENT BEFORE VOTING ON THE PLAN. HOWEVER, THE DISCLOSURE STATEMENT

¹ Capitalized terms that are not defined in this Disclosure Statement are defined in the Plan or the list of definitions attached to the Plan as Schedule 1. If a capitalized term is not defined in this Disclosure Statement, the Plan or Schedule 1 to the Plan, then the term is to be given its ordinary, plain language meaning.

IS NOT INTENDED TO REPLACE A CAREFUL, DETAILED REVIEW AND ANALYSIS OF THE PLAN ITSELF BY EACH HOLDER OF A CLAIM OR INTEREST. THIS DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT THAT REVIEW AND ANALYSIS. THE DESCRIPTION OF THE PLAN IS A SUMMARY ONLY. HOLDERS OF CLAIMS AND INTERESTS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE PLAN AND ANY RELATED ATTACHMENTS IN THEIR ENTIRETY FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN.

You are urged to consult with your own financial and other advisors in deciding whether to vote to approve or reject the Plan. No solicitation of votes may be made except pursuant to this Disclosure Statement, and no person has been authorized to use any information concerning the Debtor or their businesses other than the information contained in this Disclosure Statement.

About this Disclosure Statement:

- The statements contained in this Disclosure Statement are made as of the date that the Bankruptcy Court enters an order approving this Disclosure Statement, unless another time is specified in this Disclosure Statement. Neither the delivery of this Disclosure Statement nor any action taken in connection with the Plan implies that the information contained in this Disclosure Statement is correct as of any time after that date.

- Unless the context requires otherwise: (i) the gender (or lack of gender) of all words used in this Disclosure Statement includes the masculine, feminine, and neuter; (ii) references to articles and sections (other than in connection with the Bankruptcy Code, the Bankruptcy Rules, another specified law or regulation or another specified document) refer to the articles and sections of this Disclosure Statement; and (iii) "including" means "including, without limitation."

- Many capitalized words used in this Disclosure Statement have been defined in the context of the provisions in which they first appear within this Disclosure Statement. Any other capitalized terms used in this Disclosure Statement are intended to have the meanings ascribed to them in the Plan or the list of definitions accompanying the Plan. Any capitalized term not defined in the context of a provision in this Disclosure Statement, the Plan, or the list of definitions accompanying the Plan shall have the meaning ascribed to that term in the Bankruptcy Code or Bankruptcy Rules, whichever is applicable.

- You may not rely on this Disclosure Statement for any purpose other than to determine how to vote on the Plan. Nothing contained in this Disclosure Statement constitutes or will be deemed to be advice on the tax or other legal effects of the Plan on holders of Claims or interests.

- Certain information contained in this Disclosure Statement is forward-looking. This Disclosure Statement contains estimates and assumptions that may prove not to have been

accurate, and it contains financial projections that may be materially different from actual future occurrences.

▪ Acceptance or rejection of the Plan is subject to a number of risks. See “Risk Factors” in Article 8 herein.

1.3 Plan Balloting and Confirmation Procedures

1.3.1 Holders of Allowed Claims Entitled to Vote

Only holders of Allowed Claims that are (i) “impaired” by a plan of reorganization or liquidation; (ii) entitled to receive a distribution under such a plan; and (iii) are permitted by order of the Bankruptcy Court after notice and hearing are entitled to vote to accept or reject a plan under the Bankruptcy Code. Class 1 is not entitled to vote. Claims in Classes 2 through 7 are impaired under the Plan, and therefore, shall be entitled to vote to accept or reject this plan. Class 8 is presumed to have rejected the Plan. If a controversy arises as to whether any Claim or interest or any Class of Claims or Interests is impaired under the Plan, the Court shall, upon notice and a hearing, determine such controversy.

1.3.2 Voting Procedures

If you are entitled to vote to accept or reject the Plan, a Ballot (the “Ballot”) for acceptance or rejection of the Plan and a pre-addressed envelope for return of the Ballot are enclosed. **BALLOTS FOR ACCEPTANCE OR REJECTION OF THE PLAN ARE BEING PROVIDED ONLY TO HOLDERS OF ALLOWED CLAIMS IN CLASSES TWO THROUGH SEVEN.** If you are the holder of an Allowed Claim in one of these Classes entitled to vote and did not receive a Ballot, received a damaged or illegible Ballot, or lost your Ballot, or if you are a party-in-interest and have any questions concerning the Disclosure Statement, the Plan, or the voting procedures, please contact:

Kell C. Mercer
State Bar No. 24007668
Kell C. Mercer, PC
1602 E. Cesar Chavez Street
Austin, TX 78702
(512) 627-3512
kell.mercer@mercerc-law-pc.com

After carefully reviewing this Disclosure Statement, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan. Return the Ballot to the Debtor’s counsel at the address set forth on the Ballot by **5:00 p.m.** (prevailing Central Standard Time) on _____. You may also return your Ballot by courier or facsimile by following the instructions on the Ballot. Any Ballot not indicating an acceptance or rejection will be deemed an acceptance of the Plan. **ANY BALLOTS RECEIVED BY THE DEBTOR’S COUNSEL AFTER 5:00 P.M. (PREVAILING CENTRAL STANDARD TIME), ON____,**

WILL NOT BE COUNTED UNLESS THIS DATE IS EXTENDED BY THE BANKRUPTCY COURT.

1.3.3 Voting Requirements for Class Acceptance of the Plan

In order for the Plan to be “accepted” by Creditors, at least sixty-six and two-thirds percent (66.66%) in amount of Allowed Claims and more than fifty percent (50%) in number of Allowed Claims voting in each Class must accept the Plan.

1.3.4 Confirmation Hearing

The Bankruptcy Court has entered an order fixing at _____ (Prevailing Central Standard Time), Bankruptcy Courtroom for the Honorable H. Christopher Mott, Homer J. Thornberry Federal Judicial Building, 903 San Jacinto Boulevard, Suite 332, Austin, Texas 78701, as the date, time and place for the initial commencement of a hearing on the confirmation of the Plan, and _____, which all objections to Confirmation of the Plan must be filed with the Bankruptcy Court and served on counsel for the Debtor. The confirmation hearing may be adjourned from time to time without further notice except for the announcement of the adjourned time and date at the confirmation hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any creditor or party-in-interest may object to confirmation of a plan. Any objection to confirmation of the Plan must: (i) be in writing; (ii) conform to the Federal Rules of Bankruptcy Procedure and Local Rules of the Bankruptcy Court; (iii) set forth the name of the objecting party; (iv) the nature and amount of the Claim or Interest held or asserted by the objecting party against the Debtor’s Bankruptcy Estate; and (v) the basis for the objection. The objection, together with proof of service, must then be filed with the Bankruptcy Court, with copies served upon parties required to receive service under Local Rule 9013-1(d), and to the Debtor’s counsel at:

Kell C. Mercer
State Bar No. 24007668
Kell C. Mercer, PC
1602 E. Cesar Chavez Street
Austin, TX 78702
(512) 627-3512
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UNLESS AN OBJECTION IS TIMELY AND PROPERLY SERVED AND FILED BY __, AT 5:00 P.M. (PREVAILING CENTRAL STANDARD TIME), THE OBJECTION MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

II.

DEBTOR'S BACKGROUND

2.01 General and Causes of Bankruptcy Filing

The Debtor is a Delaware corporation. Founded in 1993, the Debtor was the first in the United States to develop liquid propane fuel injection systems. For over 20 years, CleanFuel has maintained a reputation for providing safe, reliable, and cost-effective vehicles, stations, and dispensers that comply with environmental regulations.

Offering turnkey fuel and refueling infrastructure solutions, propane-powered engine systems and conversions, and fleet management programs, the Debtor helps customers take advantage of U.S.-produced propane fuel to reduce the costs and emissions related to transportation of goods and services across the country. The company is also in the process of building the nation's largest autogas refueling network.

As research and development continues to be a core company function, customers reap big benefits with CleanFuel's consistent leading edge position in the alternative fuels industry. CleanFuel is headquartered in Georgetown, Texas with vehicle engineering offices in Wixom, Michigan.

Curtis Donaldson is the founder and president of the Debtor. Oliver G. "Rick" Richard, III, is the Chairman of the Debtor's board of directors. JD Wright is the CFO of the Debtor. James Jarrell is the Secretary of the Company. The following persons and entities hold the following ownership interests in the Debtor: CleanFUEL Holdings, LLC -- 95.86%; Integrated Metal Productions, Inc. -- 3.52%; Bruce Blakeman -- .28%; and Tulsa Gas Technologies, Inc. -- .34%.

The Ed Rachal Foundation (the "Foundation") asserts a first and prior security interest in all assets of the Debtor, including but not limited to, the Debtor's inventory, accounts receivable, equipment, intellectual property, general intangibles and the proceeds thereof. The Foundation has filed a proof of claim in the total amount of \$16,846,552.64.

ICOM North America, LLC ("ICOM") has filed an unsecured claim in an amount alleged to exceed \$2,466,250. The Debtor disputes ICOM's claim and intends to object to the claim.

Prior to the Petition Date, the Debtor was a party to an arbitration proceeding with ICOM being administered by Judicial Arbitration and Mediation Services, Inc., a United States-based for-profit organization of alternative dispute resolution service (the "Arbitration"). ICOM contends that the Debtor is utilizing trade secrets and other intellectual property in violation of alleged agreements between the Debtor and ICOM. The Debtor disputes all such allegations. ICOM also contends that the disagreements between ICOM and the Debtor are subject to an agreement to an arbitration agreement. A trial was scheduled to commence in the Arbitration on April 11, 2016. The Bankruptcy Case was filed to allow the Debtor to reorganize its debts and operations, and to emerge as a stronger company.

III.

SIGNIFICANT PROCEEDINGS IN THE DEBTOR'S BANKRUPTCY CASE

3.01 Commencement and Administration of the Case

The Debtor's Chapter 11 bankruptcy was commenced on April 2, 2016. The Debtor's Chapter 11 bankruptcy case is intended to reorganize the Debtor's operations and liabilities. The following is a description of the more significant matters to have come before the Court since the Petition Date.

3.02 Approval of Employment of C. Daniel Roberts, C. Daniel Roberts & Associates, PC, and Kell C. Mercer, Kell C. Mercer, PC as Debtor's Bankruptcy Counsel

C. Daniel Roberts (C. Daniel Roberts & Associates, PC) and Kell C. Mercer (Kell C. Mercer, PC) serve as the Debtor's bankruptcy counsel. As professionals retained under § 327(a) of the Bankruptcy Code, each firm is entitled to seek interim and final compensation from the Debtor's Bankruptcy Estate upon a duly noticed application and after a hearing before the Court [Dkt #88, 89].

3.03 Approval of Employment of Alan D. Albright and the Firm of Bracewell LLP

Alan D. Albright and the firm of Bracewell LLP serve as the Debtor's special counsel for intellectual property and related litigation matters [Dkt # 100].

3.04 Approval of Employment of Kevin E. Fincher and the Firm of Padgett, Stratemann & Co., LLP as Accountant

The Debtor has also engaged Kevin E. Fincher and the firm of Padgett, Stratemann & Co., LLP as accountant [Dkt # 99].

3.05 ICOM's Motion for Relief from the Automatic Stay to Continue Pending Arbitration Proceeding

On April 22, 2016, ICOM moved for relief from stay to allow the Arbitration to proceed [Dkt # 50]. The Debtor and The Ed Rachal Foundation opposed ICOM's Motion [Dkt # 72, 74, 75]. A hearing was held on the Motion on May 26, 2016. On June 16, 2016, the Bankruptcy Court granted ICOM limited relief from the automatic stay to permit the arbitrator to conduct hearings and issue a ruling and award as to: (a) whether CleanFuel has violated its agreements with ICOM and violated Delaware law by misappropriating ICOM's trade secrets and other intellectual property, not paying royalties to ICOM, not making the required website disclosures, and not permitting ICOM to audit CleanFuel, which includes ICOM's claims as set forth in Counts I, II, IV, V, VI, and VII of the Arbitration Demand; (b) the amount of any monetary damages that ICOM may have suffered as a result of CleanFuel's actions; and (c) the amount of attorney fees and costs to be awarded. The automatic stay was not modified to permit (a) ICOM to enforce any arbitration award that may be issued by the Arbitrator in the Arbitration Proceeding against CleanFuel, the CleanFuel bankruptcy estate, or its property; or (b) the issuance of any permanent injunction in the Arbitration Proceeding

by the Arbitrator prohibiting CleanFuel from distributing, marketing or selling any Clean Fuel systems [Dkt # 96]. The Bankruptcy Court also ordered the Debtor, ICOM and The Ed Rachal Foundation to mediate their disputes before the automatic stay would lift.

3.06 Motion to Use Cash Collateral and Motion to Obtain Post Petition Financing

As noted above, the Debtor's assets, including its cash and accounts receivable, serve as collateral for the debt owed to The Ed Rachal Foundation. The Debtor sought and obtained Bankruptcy Court approval on an interim and final basis to use cash collateral pursuant to an approved budget [Dkt # 12, 28, 56, 67]. In addition, the Debtor sought and obtained Bankruptcy Court approval of post-petition financing in the total aggregate amount of \$1,450,000.00 provided by The Ed Rachal Foundation pursuant to an approved budget [Dkt # 11, 27, 57, 66].

3.07 Commencement and Partial Dismissal of the ICOM Adversary Proceeding

On May 2, 2016, The Ed Rachal Foundation commenced an adversary proceeding against ICOM seeking the following declaratory relief: (i) a determination that the Debtor's 8.0L and 5.0L fuel injection systems are not based upon any trade secrets or confidential information of ICOM and may be sold with out restriction; (ii) a determination that The Ed Rachal's liens and securities interest in the Debtor's 8.0L and 5.0L fuel injection systems is a first priority lien and is unencumbered by any claims of ICOM; and (iii) a determination that nothing in the so-called settlement agreement restricts or impairs Debtor's right to sell and utilize its 8.0L system and 5.0L fuel injection system or the Foundations right to such property pursuant to its liens and securities agreements.

The Adversary Proceeding is styled and numbered *The Ed Rachal Foundation v. ICOM North America, LLC and CleanFuel USA, LLC*; Case No. 16-1043-HCM. The Debtor appeared and answered in the Adversary Proceeding, and asserted a cross-claim against ICOM for a declaratory judgment that its 8.0L propane injection system and its 5.0L system are owned by and may be sold without restriction, that the components of the Debtor's 8.0L and 5.0L propane injection systems are not based upon or contain any alleged trade secrets of ICOM, that the Debtor has the right to use such property pursuant to 28 U.S.C. section 1527(b)(2)(M) and that such systems and rights are property of the Debtor under 11 U.S.C. section 541 of the Bankruptcy Code unencumbered by any claim of ICOM.

ICOM moved to dismiss the claims of The Ed Rachal Foundation and the Debtor. The Bankruptcy Court granted in part, and denied in part ICOM's Motion to Dismiss. The Bankruptcy Court stayed the Adversary Proceeding pending a gateway determination by the JAMS arbitrator regarding whether or not the an alleged arbitration clause between ICOM and the Debtor arbitration clause applies to claims between CleanFuel and ICOM relating to the 5.0L system.

3.08 Motion for Authority to Execute Warehouse/Office Lease Covering Real Property Locally Known as 508 Leander Road, Georgetown, Texas

After the petition date, the Debtor continued to look for a more affordable office lease for its Goergetown, Texas operations. The base rent under this prepetition lease was \$14,368.00 per month.

Additionally, the Debtor was not a party to the lease. Instead the Debtor's parent, CleanFuel Holdings, LLC was the tenant. The Debtor occupied the premises and paid the monthly rent. The landlord terminated the pre-petition lease effective July 31, 2016. The Debtor reached an agreement to lease space locally known as 508 Leander Road, Georgetown, Texas 78626, subject to the Bankruptcy Court approval [Dkt # 109]. The landlord under the new lease is Ryan E. Crossland, the proposed base rent is \$3,250.00 per month, with a security deposit of \$15,760.00, and the proposed term is 3 years. The Bankruptcy Court approved the new lease on July 28, 2016 [Dkt # 113]. The Debtor took possession of the new leased premises effective August 1, 2016.

IV.

SUMMARY OF THE DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION

4.01 Explanation of Chapter 11 of the Bankruptcy Code

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under Chapter 11, a plan proponent, typically the debtor, attempts to restructure a debtor's financial affairs or effectively liquidate the debtor's assets for the benefit of the debtor's creditors, equity interest holders, and other parties-in-interest. The Chapter 11 plan of reorganization is a debtor's agreement with its creditors. The Chapter 11 plan of reorganization contains the terms and conditions for the operation and/or liquidation of a debtor's assets, and the treatment of Claims and interests of creditors and parties-in-interest.

Under § 1125 of the Bankruptcy Code, acceptances of a Chapter 11 plan of reorganization may be solicited by the debtor only after a written disclosure statement approved by a bankruptcy court as containing adequate information for each creditor or equity interest holder.

4.02 Terms of the Plan Control

The following represents the Debtor's best effort to describe the treatment afforded the Claims of the Creditors in various Classes. Creditors should be aware that the terms of the Plan control the treatment of all Claims. In the event of any inconsistencies between the Plan and this Disclosure Statement, the terms of the Plan shall be, in all events, determinative. The Debtor urges all Creditors to read the Plan for a complete understanding of the treatment of their Claims.

4.03 Treatment of Administrative Claims, Including Professional Fees and US Trustee Fees

Administrative Claims. Each holder of an Allowed Administrative Claim shall receive from the Debtor either: (i) the amount of such Allowed Administrative Claim in one Cash payment on the Effective Date or (ii) such other treatment as may be agreed upon in writing by the Debtor and the holder of the Allowed Administrative Claim. An Allowed Administrative Claim representing a liability incurred in the ordinary course of business of the Debtor shall be paid by the Debtor upon presentment or otherwise in accordance with the terms of the particular transaction and any agreements relating hereto.

Administrative Claim Bar Date. This Plan constitutes a motion to fix and establish a deadline to file

Administrative Claims, such deadline being thirty (30) days following the Confirmation Date (the “Administrative Claim Bar Date”). Upon entry of the Confirmation Order, the Debtor shall provide notice of such Administrative Claim Bar Date to every Person that may assert an Administrative Claim against the Debtor. Applications for compensation and reimbursement filed by professionals employed under Section 327 of the Bankruptcy Code shall also be filed no later than thirty (30) days after the Confirmation Date, or by a date set by the Bankruptcy Court.

Administrative Claim Reserve. On the Effective Date, the Reorganized Debtor will fund the Administrative Claim Reserve in an amount sufficient to pay all Allowed Administrative Claims in full (other than those Administrative Claims to be paid in the ordinary course of business of the Reorganized Debtor or as otherwise agreed). The funds in the Administrative Claim Reserve shall be released and paid over to those holders of Allowed Administrative Claims. Any funds remaining in the Administrative Claim Reserve following payment of all Allowed Administrative Claims shall be released to the Reorganized Debtor for further use in accordance with the Plan.

Claims of Professionals. Any Claims of Professionals approved by the Court, and not previously paid pursuant to any orders approving such payments, shall be paid in Cash in such amounts as are Allowed by Final Order of the Court: (i) within five (5) days following the date such Claim of a Professional becomes an Allowed Administrative Claim or (ii) upon such other terms as may be mutually agreed upon between the holder of a Claim for Professional Fees and the Reorganized Debtor.

Claims of Professionals Bar Date. This Plan constitutes a motion to fix and establish a bar date of thirty (30) days after the Confirmation Date for the filing of final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date. All Professionals seeking compensation for unpaid services rendered or reimbursement of expenses incurred through and including the Confirmation Date shall file their respective applications no later than such date as set forth in this Section. Upon entry of the Confirmation Order, the Debtor shall provide notice of such Professionals Bar Date to every Person that may assert a Claim for Professional fees against the Debtor.

Claims of Professionals Objection Deadline. This Plan constitutes a motion to fix and establish a deadline to object to timely filed Claims of Professionals, such deadline being thirty (30) days following the Professionals Bar Date.

Professionals Account. On the Effective Date, the Reorganized Debtor will fund the Professionals Account in an amount sufficient to pay all Allowed Claims of Professionals in full.

United States Trustee Requirements. All fees owing to the United States Trustee pursuant to 28 U.S.C. § 1930 shall be paid by the Reorganized Debtor in Cash as such fees become due. The Reorganized Debtor shall timely file quarterly post-confirmation reports until this case is closed, converted, or dismissed.

4.04 Classification and Treatment of Claims and Interests

Class	Impairment	Treatment
Class 1 – Allowed Priority Claims of Governmental Entities	Unimpaired	Each holder of an Allowed Priority Claim of a Governmental Entity shall be paid its Priority Claim in such amount as is Allowed, in full, in Cash, through equal Monthly Plan Payments, or as otherwise agreed, together with interest at the rate required by Bankruptcy Code section 511, or if applicable, the rate authorized by Texas Tax Code § 33.01, over a period through the fifth anniversary of the Petition Date. Each Governmental Entity shall retain its Liens until paid in full. There are not anticipated to be any Allowed Class 1 Claims.
Class 2 – Allowed Priority Claims of Non-Governmental Entities	Impaired	Each holder of an Allowed Priority Claim of a Non-Governmental Entity shall be paid its Priority Claim in such amount as is Allowed, in full, in Cash, through equal Monthly Plan Payments, or as otherwise agreed, together with interest at the Plan Interest Rate, over a period through the fifth anniversary of the Petition Date. There are not anticipated to be any Allowed Class 2 Claims.
Class 3 – Allowed Secured Claims of Governmental Entities	Impaired	Each holder of an Allowed Secured Claim of a Governmental Entity shall be paid its Secured Claim in such amount as is Allowed, in full, in Cash, through equal Monthly Plan Payments, or as otherwise agreed, together with interest at the rate required by Bankruptcy Code section 506(b), or if applicable, the rate authorized by Texas Tax Code § 33.01, over a period through the fifth anniversary of the Petition Date. Each Governmental Entity shall retain its Liens until paid in full.
Class 4 – Allowed Secured Claim of The Ed Rachal Foundation	Impaired	The Allowed Secured Claim of the Ed Rachal Foundation will be treated pursuant to the ERF Restructuring Agreement attached hereto as Schedule 4.4.

Class 5 – Allowed Other Secured Claims	Impaired	Each holder of an Allowed Other Secured Claim shall be paid its Secured Claim in such amount as is allowed, in full, in Cash, through equal Monthly Plan Payments, together with interest at the Plan Interest Rate, over the period through the fifth anniversary of the Effective Date, or, at the Reorganized Debtor's election, through return of such holder of an Allowed Other Secured Claim's collateral on the Effective Date in full and final satisfaction of such Other Allowed Secured Claim.
Class 6 – Allowed Vendor Claims	Impaired	Each holder of an Allowed Vendor Claim shall be paid its Claim in such amount as is Allowed, in full, in Cash, commencing on the Effective Date and monthly thereafter, so long as there has been no Material Default by the Reorganized Debtor in treatment of Classes 1 through 5, through twelve (12) equal Monthly Payments, over a period through the first anniversary of the Effective Date.
Class 7 – Allowed Unsecured Claims (including the Alleged Claims, if Allowed, of ICOM North America, LLC)	Impaired	In full satisfaction of their claims, so long as there has been no Material Default by the Reorganized Debtor in treatment of Classes 1 through 6, holders of Allowed General Unsecured Claims shall receive, on a <i>Pro Rata</i> basis, Quarterly Plan Payments from the Unsecured Creditor Payment Fund. In addition, holders of Allowed General Unsecured Claims shall receive, on a <i>Pro Rata</i> basis, net recoveries from the prosecution of any Avoidance Actions.
Class 8 – Pre-Petition Equity Interests	Impaired	Class 8 shall receive nothing on account of their interests unless and until all holders of Allowed Claims in all classes of Claims are paid in full.

4.05 Discharge of Claims

Except as otherwise expressly provided in the Plan, after the Effective Date, all Persons who have been, are, or may be holders of Claims against the Debtors arising on or before the Effective Date shall be enjoined from taking any of the following actions against or affecting the Debtors, their estates, and the estate property regarding such Claims (other than actions brought to enforce any rights or obligations under the Plan) to the fullest extent provided under

Bankruptcy Code sections 1141 and 524:

(i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind against the Reorganized Debtor, its estate, or the estate property, including without limitation, the revested estate property, including, all suits, actions, and proceedings that are pending against the Debtor and/or the Reorganized Debtor on the Effective Date, which shall be deemed withdrawn and dismissed with prejudice;

(ii) enforcing, levying, attaching, collecting, or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree, or order against the Debtor and/or Reorganized Debtor, its estate, or the estate property, including without limitation, the revested estate property;

(iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtor and/or the Reorganized Debtor, its estate, or the estate property, including the revested estate property;

(iv) asserting any right of subrogation, setoff, or recoupment of any kind, directly or indirectly, against any obligation due the Debtor and/or the Reorganized Debtor, the estate, or the estate property, including without limitation, the revested estate property; and

(v) proceeding in any manner and in any place whatsoever that does not conform to or comply with the provisions of the Plan.

V.

IMPLEMENTATION OF THE DEBTOR'S PLAN

5.01 Summary of the Implementation of the Plan

Revesting of Property of the Estate. Except as otherwise provided in the Plan, on the Effective Date, the Property of the Estate of the Debtor shall revert in the Reorganized Debtor. Subject to the terms and conditions of the Plan, the Reorganized Debtor may operate his business and use, acquire, and disburse Property without supervision by the Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules. As of the Effective Date, all Property of the Reorganized Debtor shall be free and clear of all Claims, Liens, encumbrances and other interests of Creditors, except as otherwise provided in the Plan.

Net Cash Flow from Operations. After the Effective Date, the Reorganized Debtor will continue to operate its business, including, without limitation, its fuel and refueling infrastructure solutions; its propane-powered engine systems and conversions, and its fleet management programs. The Reorganized Debtor will, without limitation, continue to develop, market and sell its 5.0L propane injection system, its 6.0L propane injection system, its 8.0L propane injection system, and any other propane injection system it develops thereafter. The Reorganized Debtor will continue to develop, market and sell any other product and/or line of business permitted under its organizational documents, as may be amended from time to time. The Debtor has prepared projections of its Net Cash Flow for the 60-month Plan Period. Such projections are

attached hereto in Schedule 7.2 The Debtor's projections provide a good-faith estimate, but not a guarantee of the Net Cash Flow to be generated during the Plan Period.

The Ed Rachal Foundation Capital Contribution. On or before the Effective Date, pursuant to the terms of the ERF Restructuring Agreement, The Ed Rachal Foundation will make the ERF Capital Contribution.

Sales of Assets. Before and after the Effective Date, the Reorganized Debtor will market and attempt to sell its Dispenser Division. The proceeds of such sale will be utilized to pay Allowed Claims in Classes 4 and 5, and if funds remain, to pay Allowed Claims in Class 7. Any surplus funds remaining, if any, after payment in full of Allowed Claims in Class 7 will be retained by the Reorganized Debtor.

Management of the Reorganized Debtor. Upon the Effective Date, the following individuals shall comprise the Board of Directors of the Reorganized Debtor: (1) [Individual selected by The Ed Rachal Foundation]; (2) [Individual selected by The Ed Rachal Foundation]; and (2) [Individual selected by the Holders of Allowed General Unsecured Claims].

Effective Date of Plan. The Effective Date of this Plan is the first business day following the date that is fourteen days after the entry of the order of confirmation. If, however, a stay of the confirmation order is in effect on that date, the effective date will be the first business day after the date on which the stay of the confirmation order expires or is otherwise terminated.

Conditions to Occurrence of Effective Date. The effectiveness of this Plan is subject, in addition to the requirements provided in § 1129 of the Bankruptcy Code, to satisfaction of the following conditions precedent (any of which may be waived by the Debtor, with the written consent of The Ed Rachal Foundation):

- a. All actions, documents and agreements necessary to implement the Plan shall have been effected or executed;
- b. The Debtor shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents that are determined by the Debtor to be necessary to implement the Plan; and
- c. Entry of a Confirmation Order that is a Final Order in form and substance suitable to Debtor and The Ed Rachal Foundation.

5.02 The Reorganized Debtor's Obligations Under the Plan

Following the Effective Date, the Reorganized Debtor may pay its post-Effective Date operating expenses in the ordinary course of its business without notice or orders of this Court. The Reorganized Debtor shall continue to perform the statutory duties of the Debtor, as applicable, and those conferred by and contemplated under this Plan until this Case is closed.

5.03 Exemption from Transfer Taxes

Pursuant to § 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan or the making or delivery of any deed or other instrument or transfer under, in furtherance of, or in connection with the Plan, including without express or implied limitation, any transfers to or by the Reorganized Debtor shall not be subject to any transfer, sales, stamp, or other similar tax.

5.04 Claims Objections

Except as otherwise provided in this Plan in connection with Administrative Claims and Claims of Professionals, objections to Claims must be filed with the Court and served in accordance with the Bankruptcy Rules by the later of (i) ninety (90) days following the Confirmation Date or (ii) thirty (30) days following the date such proof of Claim was timely filed; otherwise, such Claims shall be deemed Allowed in accordance with § 502 of the Bankruptcy Code, unless an extension of such time period is sought by the Reorganized Debtor.

Prior to the expiration of twenty-one (21) days from receipt of an objection, the claimant whose Claim has been objected to must file with the Court and serve upon the objecting party a response to such Claim objection. Failure to file such a response within the twenty-one (21) day time period shall cause the Court to enter a default judgment against the non-responding claimant and thereby grant the relief requested in the claim objection.

5.05 Contingent Claims

Until a Contingent Claim becomes an Allowed Claim or is Disallowed, the Claim will be treated as a Disputed Claim for all purposes under the Plan. The holder of a Contingent Claim will be entitled to a distribution under this Plan only when the Contingent Claim becomes an Allowed Claim. Any Contingent Claim for reimbursement or contribution held by a Person that may be liable with the Debtor on a claim of a Creditor is Disallowed as of the Effective Date if: (a) that Creditor's Claim is Disallowed; (b) the Claim for reimbursement or contribution is contingent as of the Effective Date; or (c) that Person asserts a right of subrogation to the rights of the Creditor under § 509 of the Bankruptcy Code.

5.06 Distributions on Allowance or Disallowance of Disputed Claims

No distributions will be made to any holder of a Claim unless and until the Claim becomes an Allowed Claim. If a Claim is not an Allowed Claim as of the Effective Date, distributions on account of that Claim will commence only when the Claim becomes an Allowed Claim. If a Disputed Claim becomes an Allowed Claim, the Reorganized Debtor will make a distribution in accordance with the terms of this Plan applicable to Claims of the Class in which that Claim is placed.

5.07 Undeliverable or Returned Distributions

Any distribution to be made to a Creditor will be sent to that Creditor at the address set forth on the proof of claim filed for such Creditor, or if no proof of claim is filed, at the address set forth on the proof of claim filed for such Creditor, or if no proof of claim is filed, at the address set

forth on the Debtor's Schedules. In the event that a distribution as herein provided is returned as undeliverable, or a distribution is returned on account of there being no payment due to the affected Creditor, the Reorganized Debtor shall hold such distribution for the affected Creditor for a period of sixty (60) days following the Date of that distribution for the benefit of the Creditor. If the affected Creditor does not make a demand, in writing, for such unclaimed distribution within the sixty-day period, the Creditor shall forfeit all entitlement to the distribution, and the distribution shall revert to the Reorganized Debtor.

All un-cashed distributions shall be handled in accordance with this Article, unless provided otherwise by applicable law. Checks issued by the Debtor with respect to any Allowed Claim shall be null and void if not negotiated within ninety (90) days after the date of issuance thereof. The holder of the Allowed Claim to whom such check originally was issued shall make a request for re-issuance of any check to the Reorganized Debtor. Any Claim with respect to a voided check shall be made on or before thirty (30) days after the expiration of the ninety (90) day period following the date of issuance of such check; provided however checks issued for the final distribution that become null and void in accordance with provisions contained herein shall not be re-issued and the holders of such Claims shall waive any right to the reissuance of such checks. After such date, all funds held on account of such voided check shall be remitted to the Reorganized Debtor; the holder of any such Claim shall not be entitled to any other or further distribution under this Plan on account of such Claim and such Claim shall be deemed Disallowed for purposes of any such distribution.

5.08 Establishment of a Disputed Claims Reserve

On the occasion of each payment required under the Plan, the Reorganized Debtor shall deposit Cash in a segregated, interest bearing account in such amount necessary to pay all Disputed Claims in accordance with the terms of this Plan if such Claims were to become Allowed Claims. This account shall be called Disputed Claim Reserve. The Reorganized Debtor shall hold the Disputed Claim Reserve in trust for the benefit of the holders of Allowed Claims whose distributions are unclaimed and the holders of Disputed Claims pending determination of their entitlement thereto under the terms of the Plan. When a Disputed Claim becomes an Allowed Claim, the Reorganized Debtor shall release and deliver the distributions reserved for such Allowed Claims (net of distribution costs) from the Disputed Claim Reserve. To the extent that any funds exist in the Disputed Claim Reserve after resolution of all Disputed Claims and distribution to all Allowed Claims, such funds shall be released to the Reorganized Debtor.

5.09 Additional Charges

Except as may be expressly provided in the Plan or allowed by the Bankruptcy Court, no interest, penalty, attorney's fee or late charge shall be allowed or paid with respect to any Claim.

5.10 Treatment of Executory Contracts and Unexpired Leases

- a. Assumption or Rejection of Executory Contracts and Unexpired Leases

On the Effective Date all Executory Contracts or unexpired leases that have not been previously assumed or rejected by the Debtor shall be deemed rejected by the Debtor under §§ 365(a) and 1123 of the Bankruptcy Code. Entry of the Confirmation Order shall constitute approval of such rejection of these Executory Contracts or unexpired leases.

b. Objections to Assumption and Assignments of Executory Contracts and Unexpired Leases

To the extent that any party to an Executory Contract or unexpired lease identified for assumption: (i) asserts arrearages or damages pursuant to § 365(b)(1) of the Bankruptcy Code in an amount different from the amount, if any, set forth in the Debtor's Schedules; (ii) has any objection to the proposed adequate assurance of future performance, if required; or (iii) has any other objection to the proposed assumption or cure of a particular Executory Contract or unexpired lease on the terms and conditions provided for herein, all such asserted arrearages or damages, and any other objections shall be filed and served within the same deadline and in the same manner established for filing objections to Confirmation.

Failure to assert arrearages or damages different from the amount set forth in the Schedules, or failure to file an objection within the time period set forth above, shall constitute consent to the assumption on the terms provided for herein, including acknowledgement that: (i) the Debtor has provided adequate assurance of future performance, if required; (ii) the amount identified for "cure," if any, is the amount necessary to compensate for any and all outstanding defaults or actual pecuniary loss under the Executory Contract or unexpired lease to be assumed; and (iii) no other defaults exist under such Executory Contract or unexpired lease. If an objection to assumption and assignment is filed based upon lack of adequate assurance of future performance or otherwise, and the Court determines that the Debtor cannot assume the Executory Contract or unexpired lease either as proposed or as may be proposed pursuant to a modified proposal submitted by the Debtor, then the Executory Contract or unexpired lease shall be deemed to have been rejected.

c. Payments Related to Assumption of Executory Contracts and Unexpired Leases

Any monetary defaults, including claims for actual pecuniary loss, under each Executory Contract and unexpired lease to be assumed under the Plan shall be satisfied, pursuant to § 365(b)(1) of the Bankruptcy Code, by payment of the cure amount, if any, or as otherwise agreed by the parties, or as ordered by the Bankruptcy Court in cash within ninety (90) days following the Effective Date, or on such other terms as may be agreed to by the parties to such Executory Contract or unexpired lease. In the event of a dispute regarding: (i) the amount of any cure or pecuniary loss payment; (ii) the ability of Reorganized Debtor to provide adequate assurance of future performance under the contract or lease to be assumed, if required; (iii) any other matter pertaining to assumption, the cure, or pecuniary loss payments required by § 365(b)(1) of the Bankruptcy Code shall be made within a reasonable time following entry of a Final Order resolving the dispute and approving assumption.

d. Bar Date for Rejection Damages

If the rejection of an Executory Contract or unexpired lease pursuant to Article 6 of the Plan gives rise to a Rejection Claim by the other party or parties to such contract or lease, such Rejection Claim, to the extent that it is timely Filed and is an Allowed Claim, shall be classified in Class 5; provided, however, that the Unsecured Claim arising from rejection shall be forever barred and shall not be enforceable against the Debtor, the Reorganized Debtor, their successors or properties, unless a proof of Claim is Filed and served on the Reorganized Debtor within thirty (30) days after the Bankruptcy Court's entry of the Confirmation Order.

5.11 Pending Claims and Causes of Action

After the Effective Date, the Reorganized Debtor, in its sole discretion, shall evaluate the potential Causes of Action, including Avoidance Actions, and determine whether to pursue any such Causes of Action, including Avoidance Actions, for the benefit of the holders of Allowed General Unsecured Claims. The Debtor's Disclosure Statement of Financial Affairs identifies the parties who received payments and transfers from the Debtor, which payments and transfers may be avoidable under the Bankruptcy Code. In particular, Part 3 of the Debtor's Statement of Financial Affairs identifies those parties that received transfers from the Debtor during the ninety (90) days preceding the Filing Date, which transfers may be avoidable under Chapter 5 of the Bankruptcy Code. The Reorganized Debtor will continue to litigate, compromise or otherwise resolve any Avoidance Actions and other Causes of Action commenced prior to the Effective Date by the Debtor-in-Possession, including without limitation, the third-party claims and defenses asserted in the Adversary Case No. 16-10398-HCM, *The Ed Rachal Foundation v. ICOM North America, LLC*, in the United States Bankruptcy Court for the Western District of Texas, Austin Division.

THE PLAN DOES NOT AND IS NOT INTENDED TO RELEASE CAUSES OF ACTION, INCLUDING AVOIDANCE ACTIONS, AND ALL SUCH RIGHTS OF CAUSES OF ACTION, INCLUDING AVOIDANCE ACTIONS, ARE SPECIFICALLY RESERVED IN FAVOR OF THE REORGANIZED DEBTOR ON BEHALF OF THE HOLDERS OF ALLOWED GENERAL UNSECURED CLAIMS.

After the Effective Date, the Reorganized Debtor shall prosecute, compromise or otherwise resolve any and all Causes of Action, including Avoidance Actions that the Reorganized Debtor determines should be pursued. The Reorganized Debtor shall retain counsel on an appropriate basis to prosecute any Causes of Action including the Avoidance Actions. The Bankruptcy Court shall retain jurisdiction to adjudicate any and all Causes of Action including Avoidance Actions and approve any settlement thereof. The net proceeds of the Causes of Action, including Avoidance Actions, shall be distributed, first, in payment of the litigation fees and expenses of the Reorganized Debtor, and second, for distribution to holders of Allowed Claims.

THE FOLLOWING DISCUSSION IS NOT INTENDED TO BE EXHAUSTIVE AND SHALL NOT LIMIT OR MODIFY ANY CLAIMS OR CAUSES OF ACTION OF THE ESTATE, INCLUDING AVOIDANCE ACTIONS. ALL CLAIMS OF THE

BANKRUPTCY ESTATE ARE BEING PRESERVED AND TRANSFERRED TO THE REORGANIZED DEBTOR UNDER THE PLAN. ADDITIONALLY, THE PLAN DOES NOT AND IS NOT INTENDED TO RELEASE ANY CAUSES OF ACTION.

Any and all Causes of Action that the Debtor may have, including, but not limited to Avoidance Actions, which may be enforceable under any statute, shall be preserved and shall constitute Property of the Estate to be conveyed to Reorganized Debtor in accordance with the Plan. After the Effective Date, the Reorganized Debtor, in its sole discretion, shall evaluate the potential Causes of Action including, but not limited to, Avoidance Actions and determine whether to pursue any such Causes of Action for the benefit of the holders of Allowed General Unsecured Claims. The Reorganized Debtor may prosecute, compromise, or otherwise resolve any and all Causes of Action, including Avoidance Actions, that the Reorganized Debtor determines should be pursued. The Reorganized Debtor shall retain counsel on an appropriate basis to prosecute any Causes of Action, including Avoidance Actions. The Bankruptcy Court shall retain jurisdiction to adjudicate any and all Causes of Action including Avoidance Actions and approve any settlement thereof. The Net Proceeds of the Causes of Action, including the Avoidance Actions, shall be distributed, first, in payment of the litigation fees and expenses of the Reorganized Debtor, and, second, for pro rata distribution to the holders of Allowed General Unsecured Claims.

The Debtor's Statement of Financial Affairs identifies the parties who received payments and transfers from the Debtor, which payments and transfers may be avoidable under the Bankruptcy Code. In particular, Part 3 of the Debtor's Statement of Financial Affairs identifies those parties that received transfers from the Debtor during the ninety (90) days preceding the Filing Date, which transfers may be avoidable under Chapter 5 of the Bankruptcy Code.

The Debtor may have Causes of Action, including Avoidance Actions, against the above-listed creditors. The Reorganized Debtor may prosecute, compromise, or otherwise resolve any and all Causes of Action, including Avoidance Actions, against the above-listed creditors.

ADDITIONALLY, YOU MAY BE SUED IF:

1. You were or are a creditor and you received a payment on a prior debt within ninety (90) days before the Petition Date;
2. You were an insider of the Debtor and you received a payment on a prior debt within one (1) year before the Petition Date;
3. You received any payments or property from the Debtor for goods or services you did not deliver or provide before the Petition Date;
4. You received any payments of property from the Debtor without providing reasonably equivalent value;
5. You received pre-payments, advances, or deposits from the Debtor which you did

not earn;

6. You were involved in pending litigation with the Debtor at the time of the Petition Date or have been sued thereafter;
7. You owe the Debtor any money under a contract or as a result of your breach of contract with the Debtor;
8. Potential claims against you or any of your affiliates are described or referred to in this Disclosure Statement; or
9. The Debtor has any claims against you under state or federal law, whether in contract or in tort, whether known or unknown.

VI.

CONFIRMATION OF THE PLAN

6.01 Feasibility

As a condition to confirmation of a plan, § 1129 of the Bankruptcy Code requires, among other things, that the Bankruptcy Court determine that confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor.

Because funding of this Plan is centered on the ERF Capital Contribution and the Reorganized Debtor's post-Effective Date operations, the Debtor has prepared projections for payments under the Plan. The Projections provide the revenues and expenses under the Plan, and demonstrate the Plan's feasibility.

6.02 Best Interests Test

In order to confirm the Plan, the Court must find that each holder of an impaired Claim or Equity Interest either (i) accepted the Plan or (ii) received or retained under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the debtor was liquidated under Chapter 7 of the Bankruptcy Code. In a typical Chapter 7 case the debtor ceases operations and a Chapter 7 trustee is appointed to conduct an orderly liquidation of the Debtor's assets. The liquidation proceeds, net of trustee's fees and other costs and expenses incurred in conducting the liquidation, are distributed to Creditors in accordance with their rights and statutorily prescribed priorities of payment under the Bankruptcy Code.

If this Case were converted to a Chapter 7 liquidation, the Court may lift the automatic stay to permit The Ed Rachal Foundation to foreclose upon its collateral. The Debtor believes that it is highly unlikely that The Ed Rachal Foundation would credit bid more than the amount of the Debtor's indebtedness in a foreclosure sale, meaning other creditors and parties-in-interest would likely recover nothing unless a higher cash bidder appeared at the sale. Thus, a foreclosure by The Ed Rachal Foundation would likely eliminate any possible distribution to other creditors.

Alternatively, a Chapter 7 Trustee may try to market and sell the Debtor's assets. The Debtor believes that a sale of the Debtor's assets by the Chapter 7 Trustee would likely not provide any recovery to holders of Allowed General Unsecured Claims. Once the assets are sold, and subject to prior orders of the Court, Claims would be paid in the following order:

1. Allowed Claims of Secured Creditors (Governmental Entities, The Ed Rachal Foundation);
2. The Chapter 7 Trustee's expenses, including the fees and expenses of Professionals retained by the Chapter 7 Trustee to assist in the marketing and sale of the Property;
3. Expenses incurred during the Chapter 11 case and allowed by the Court, including Allowed Administrative Claims from the Chapter 11 period of the case; and
4. A Pro Rata distribution of any remaining funds to the Allowed Claims of General Unsecured Creditors.

Given the foregoing, the Debtor believes that holders of Allowed General Unsecured Claims would receive under a distribution under the Plan that is equal to, if not substantially greater than, what they would receive in a Chapter 7 liquidation.

VII.

ALTERNATIVES TO THE PLAN

7.01 General

The Debtor believes that the Plan affords the holders of Claims the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interests of such holders. If the Plan is not confirmed, however, the theoretical alternatives include: (a) an alternative plan of reorganization; (b) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code; or (c) dismissal of the Chapter 11 Case.

7.02 Alternative Plans

If the Plan is not confirmed, the Debtor or any other party in interest in the case could attempt to formulate and propose a different plan. Other parties may propose alternative plans, but the Debtor does not believe that any other plan will provide a greater recovery for the Creditors than proposed by Debtor's Plan, or that any such plans will be feasible.

7.03 Liquidation Under Chapter 7 or Dismissal

As described above in Section 6.02, if this Case were converted to a Chapter 7 liquidation, the Court may lift the automatic stay to permit The Ed Rachal Foundation to foreclose its collateral. The Debtor believes that it is highly unlikely that The Ed Rachal Foundation would credit bid more than the amount of the Debtor's indebtedness in a foreclosure sale, meaning other creditors and parties-in-interest would likely recover nothing unless a higher cash bidder appeared at the

sale. Thus, a foreclosure by The Ed Rachal Foundation likely would eliminate any possible distribution to other creditors.

Alternatively, the Chapter 7 Trustee may try to market and sell the Debtor's assets. The Debtor believes that a sale of the Debtor's assets by the Chapter 7 Trustee would likely not provide any recovery to holders of Allowed General Unsecured Claims. Once the assets are sold, and subject to prior orders of the Court, Claims would be paid in the following order:

1. Allowed Claims of Secured Creditors (Governmental Entities, The Ed Rachal Foundation);
2. The Chapter 7 Trustee's expenses, including the fees and expenses of Professionals retained by the Chapter 7 Trustee to assist in the marketing and sale of the Property;
3. Expenses incurred during the Chapter 11 case and allowed by the Court, including Allowed Administrative Claims from the Chapter 11 period of the case; and
4. A Pro Rata distribution of any remaining funds to the Allowed Claims of General Unsecured Creditors.

Given the foregoing, the Debtor believes that holders of Allowed General Unsecured Claims would receive under a distribution under the Plan that is equal to, if not substantially greater than, what they would receive in a Chapter 7 liquidation.

VIII.

RISK FACTORS

The Projections are based on numerous assumptions that are an integral part of the Projections. The assumptions and estimates underlying the Projections are inherently uncertain, and are subject to business risk, economic risk, competitive risk, and other uncertainties that could materially affect the accuracy of the Projections. Consequently, the Projections contained in this Disclosure Statement are not intended to be, nor should they be received as, representations that the Projections will be achieved.

IX.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The transactions contemplated by the confirmation of the Plan may have an impact on the tax treatment received with respect to distributions under the Plan. That impact may be adverse to a creditor or interest holder. The Debtor has attempted to structure the Plan to preserve any valuable tax attributes.

An analysis of federal income tax consequences of the Plan to Creditors, interest holders, and the Debtor requires a review of the Internal Revenue Code, the Treasury regulations promulgated thereunder, judicial authority, and current administrative rulings and practice. The Plan and its related tax consequences are complex. Neither the Debtor nor the Debtor's counsel have

requested a ruling from the Internal Revenue Service with respect to these matters. Accordingly, no assurance can be given as to the Internal Revenue Service's interpretation of the Plan.

THE TRANSACTION CONTEMPLATED BY THE CONFIRMATION OF THE PLAN MAY HAVE AN IMPACT ON THE TAX TREATMENT OF ANY CREDITOR OR INTEREST HOLDER. THAT IMPACT MAY BE ADVERSE TO THE CREDITOR OR INTEREST HOLDER. NOTHING HEREIN INTENDED TO BE ADVICE OR OPINION AS TO THE TAX IMPACT OF THE PLAN ON ANY INDIVIDUAL CREDITOR OR INTEREST HOLDER. EACH CREDITOR OR INTEREST HOLDER IS CAUTIONED TO OBTAIN INDEPENDENT AND COMPETENT TAX ADVICE PRIOR TO VOTING ON THE PLAN.

X.
JURISDICTION OF THE COURT

The Bankruptcy Court shall retain and have exclusive jurisdiction over this Case for the purposes stated in items one through thirteen below. If the Bankruptcy Court abstains from exercising, or declines to exercise jurisdiction, or is otherwise without jurisdiction over any matter arising out of or relating to this Case, this section shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

1. To determine any and all objections and proceedings involving the allowance, estimation, classification and subordination of Claim, including any counterclaim;
2. To determine any and all applications for allowance of compensation and reimbursement of expenses and any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or this Plan;
3. To determine any applications pending on the Effective Date for the rejection or assumption of executory contracts or unexpired leases or for the assumption and assignment, as the case may be, of executory contracts or unexpired leases to which the Debtor is a party or with respect to which the Debtor may be liable, and to hear and determine, and if need be to liquidate, any and all Claims arising therefrom;
4. To determine any and all applications, adversary proceedings, and contested or litigated matters that may be pending on the Effective Date;
5. To consider any modifications of this Plan, remedy any defect or omission or reconcile any inconsistency in any order of the Court, including the Confirmation Order, to the extent authorized by the Bankruptcy Code;
6. To determine all controversies, suits, disputes and proceedings that may arise in connection with the interpretation, enforcement, consummation or performance of the Plan or any Person's obligations hereunder;

7. To determine all controversies, suits, disputes and proceedings that may arise in connection with this Plan;
8. To hear and determine any Claim belonging to the Debtor, and to consider and act on the compromise and settlement of any other Claim against, or cause of action asserted by, the Debtor;
9. To recover all assets of the Debtor and property of the Debtor's Estate, wherever located;
10. To hear and determine matters concerning state, local, and federal taxes in accordance with §§ 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under § 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Petition Date through, and including, the date that any final distribution is made);
11. To enter a Final Decree closing the Case;
12. To issue orders in aid of execution of this Plan to the extent authorized by § 1142 of the Bankruptcy Code; and
13. To determine such other matters as may be set forth in the Confirmation Order or which may arise in connection with this Plan or the Confirmation Order.

XI.

MISCELLANEOUS

11.01 Amendment or Modification of the Plan

The Debtor's Plan may be amended or modified by the Debtor prior to the Confirmation Hearing pursuant to § 1127(a) of the Bankruptcy Code, and, to the extent applicable, Bankruptcy Rule 3019. Post-confirmation amendments or modifications of the Plan may be allowed by the Court under § 1127(b) of the Bankruptcy Code if the proposed amendment or modification is offered before the Plan has been substantially consummated. The sole right to amend or modify the Plan at any time shall be reserved to the Debtor and the Reorganized Debtor.

11.02 Effective Date

The Effective Date will be the first Business Day that is thirty (30) days after the Confirmation Date in which: (i) no stay of the Confirmation Order is in effect; and (ii) all conditions to the effectiveness set forth in the Plan have been satisfied or waived in accordance with the terms of the Plan. No payments to creditors will be made prior to the Effective Date.

XII.
MATERIAL DEFAULT PROVISIONS

12.01 Material Default Provisions

A failure to timely make a payment to a holder of an Allowed Claim, except a Class 4 Claim, pursuant to the terms of the Plan shall be an “Event of Default.” Following an Event of Default, each holder of an Allowed Claim shall have the right to enforce their rights under the Plan by sending a written “Notice of Default” to the Reorganized Debtor at the following address:

CleanFuel USA, LLC
508 Leander Road,
Georgetown, Texas 78628

with a copy to:

Dan Roberts
C. Daniel Roberts & Associates, PC
1602 E. Cesar Chavez Street
Austin, Texas 78702

-and-

Kell C. Mercer
Kell C. Mercer, PC
1602 E. Cesar Chavez Street
Austin, Texas 78702

If the Event of Default is not cured within ninety (90) days after service of a written Notice of Default then a “Material Default” shall have occurred and the holder of an Allowed Claim having provided such Notice of Default may enforce their rights as provided by the Plan. Events of Default and a Material Default for Class 4 Claims are contained in and governed by The Ed Rachal Foundation Restructuring Agreement.

XIII.
CONCLUSION & RECOMMENDATION

THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ANY OF THE ALTERNATIVES DESCRIBED ABOVE AND THAT THE PLAN IS DESIGNED TO PROVIDE GREATER RECOVERIES THAN THOSE AVAILABLE IN ANY OTHER FORM OF LIQUIDATION. ANY OTHER ALTERNATIVE WOULD CAUSE SIGNIFICANT DELAY AND UNCERTAINTY, AS WELL AS ADDITIONAL ADMINISTRATIVE COSTS. THUS, THE DEBTOR RECOMMENDS CONFIRMATION OF THE PLAN.