

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF TEXAS  
SAN ANTONIO DIVISION**

<b>In re: JPS Completion Fluids, Inc.,</b>	<b>§</b>	
	<b>§</b>	<b>CHAPTER 11</b>
<b>Debtor.</b>	<b>§</b>	<b>Case No. 16-51110-cag</b>

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**FIRST AMENDED DISCLOSURE STATEMENT ACCOMPANYING THE  
FIRST AMENDED PLAN OF LIQUIDATION UNDER CHAPTER 11 OF  
THE BANKRUPTCY CODE  
OF JPS COMPLETION FLUIDS, INC. AS DEBTOR AND DEBTOR IN  
POSSESSION**

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AND DEBTOR IN POSSESSION**

Dated: May 24, 2017.

**EXHIBITS TO DISCLOSURE STATEMENT**

**Exhibit A** ..... Plan of Liquidation of the Debtor and Debtor-in-Possession Under Chapter 11 of the United States Bankruptcy Code

**Exhibit B** ..... Plan Liquidating Trust Agreement

**Exhibit C** ..... HighTide Boundary Line Agreement

**Exhibit D** ..... Monthly Operating Report

## DISCLAIMER<sup>1</sup>

This disclosure statement contains a summary of certain provisions of the plan of liquidation of the debtor and debtor-in-possession under chapter 11 of the united states bankruptcy code (the “Plan”) proposed by JPS Completion Fluids, Inc. (“Debtor”) in this chapter 11 case.

This disclosure statement also contains summaries of certain other documents relating to the consummation of the plan or the treatment of claims and interests and certain financial information relating thereto.

The disclosure statement includes certain exhibits, each of which are incorporated into and made a part of this disclosure statement as if set forth in full herein. The statements and other information contained in this disclosure statement were made as of the date hereof, unless otherwise specified.

Holders of claims and interests reviewing this disclosure statement should not infer that the facts set forth herein have not changed since the date set forth on the cover page hereof. Holders of claims and interests must rely on their own evaluation of the debtor and their own analysis of the terms of the plan in deciding whether to accept or reject the plan.

All holders of claims and interests entitled to vote on the plan are encouraged to read and carefully consider this entire disclosure statement, including the risk factors cited herein and the plan attached hereto, before voting to accept or reject the plan.

The debtor is providing the information in this disclosure statement solely for purposes of soliciting holders of claims and interests to accept or reject the plans.

**Nothing in this disclosure statement may be used by any person for any other purpose. The contents of this disclosure statement shall not be deemed as providing any legal, financial, securities, tax, or business advice. The debtor urge each holder of a claim or interest to consult with its own advisors with respect to any such legal, financial, securities, tax, or business advice in reviewing this disclosure statement and the plans.**

Moreover, this disclosure statement does not constitute, and may not be construed as, an admission of fact, liability, stipulation, or waiver. The summary of the plan and other documents described in this disclosure statement are qualified in their entirety by reference to the actual documents themselves and the exhibits thereto.

The debtor believes that the information herein is accurate but are unable to warrant that it is without any inaccuracy or omission. The debtor has not authorized any party to give any information about or concerning the plan or the debtor or the value of their property, other than as set forth in this disclosure statement. Holders of claims and interests should not rely upon any

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<sup>1</sup> This proposed Disclosure Statement has not yet 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 Plan described herein. Accordingly, the filing and dissemination of this proposed Disclosure Statement is not intended and should not in any way be construed as a solicitation of votes on the Plan, 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.”

other information, representations, or inducements made to obtain acceptance or rejection of the plan.

The bankruptcy court's approval of the adequacy of this disclosure statement does not constitute the bankruptcy court's approval of the plan. Neither this disclosure statement nor the plan have been filed with or reviewed by the United States Securities and Exchange Commission (the "sec") under the Securities Act of 1933 (the "Securities Act"), or any securities regulatory authority of any state under any state securities law ("blue sky law"). The plans have not been approved or disapproved by the SEC or any state securities commission and neither the SEC nor any state securities commission has passed upon the accuracy or adequacy of the information contained herein.

This disclosure statement summarizes certain provisions of the plan, certain other documents, and certain financial information. The debtor believes that these summaries are fair and accurate. In the event of any inconsistency or discrepancy between a description contained in this disclosure statement and the terms and provisions of the plan or the other documents or financial information incorporated herein by reference, the plans, or such other documents, as applicable, shall govern for all purposes.

Each holder of an impaired claim or an impaired interest that is allowed to vote should review the entire plan attached as exhibit A to this disclosure statement before casting a ballot. No party is authorized by the bankruptcy court to provide any information with respect to the plan other than that contained in this disclosure statement.

To ensure compliance with Treasury Department Circular 230, each holder of a claim or interest is hereby notified that: (a) any discussion of U.S. federal tax issues in this disclosure statement is not intended to be relied upon, and cannot be relied upon, by any holder for the purpose of avoiding penalties that may be imposed on a holder under the tax code; (b) such discussion is included hereby by the debtor in connection with the promotion or marketing (within the meaning of Circular 230) by the debtor of the transactions or matters addressed herein; and (c) each holder should seek advice based on its particular circumstances from an independent tax advisor.

This disclosure statement contains projected financial information regarding the debtor and certain other forward-looking statements, all of which are based on various estimates and assumptions and will not be updated to reflect events occurring after the date hereof. Such information and statements are subject to inherent uncertainties and to a wide variety of significant business, economic, and competitive risks, including, among others, those described herein. Consequently, actual events, circumstances, effects and results may vary significantly from those included in or contemplated by such projected financial information and such other forward-looking statements. Consequently, the projected financial information and other forward-looking statements contained herein should not be regarded as representations by the debtor or any other person that the projected financial condition or results can or will be achieved.

The financial information contained in or incorporated by reference into the disclosure statement has not been audited, except as specifically indicated otherwise.

For a vote on the plan to be counted, the ballot indicating acceptance or rejection of the plan must be received by the debtor's counsel no later than **5:00 p.m. central standard time, on July 3, 2017**. Such ballots should be cast in accordance with the solicitation procedures described in the disclosure statement. Any ballot received after the voting deadline shall not be counted unless otherwise determined by the debtor in their sole and absolute discretion. **The confirmation hearing will commence on July 12, 2017 at 10:00 a.m. central standard time**, in the United States Bankruptcy Court For The Western District Of Texas, San Antonio Division, 615 E Houston St., San Antonio, TX 78205. The debtor may continue the confirmation hearing from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the bankruptcy court and served on the master service list and the entities who have filed an objection to the plan, without further notice to any other parties in interest. The bankruptcy court, in its discretion and before the confirmation hearing, may put in place additional procedures governing the confirmation hearing. The plan may be modified, if necessary, prior to, during, or as a result of the confirmation hearing, without further notice to parties in interest.

**The plan objection deadline is July 3, 2017 at 5:00 p.m. central standard time.** All objections to the plan must be filed with the bankruptcy court and served on the debtor and certain other parties in interest in accordance with the disclosure statement order so that they are received on or before the plan objection deadline.

## ARTICLE I INTRODUCTION

### A. Explanation of Chapter 11

Chapter 11 is the principal reorganization chapter of the United States Bankruptcy Code. Under chapter 11, a person or entity attempts to reorganize its business and financial affairs for the benefit of its creditors, shareholders and other interested parties.

The commencement of a chapter 11 case creates an estate comprising all of the Debtor's legal and equitable interests in property as of the date the petition is filed. Unless the Bankruptcy Court orders the appointment of a chapter 11 trustee, Bankruptcy Code sections 1101, 1107 and 1108 provide that a chapter 11 debtor may continue to operate its business and control the assets of its estate as a "debtor-in-possession" ("DIP") as the Debtor has done in this chapter 11 case since the Petition Date.

The filing of a chapter 11 petition also triggers the automatic stay under section 362 of the Bankruptcy Code. The automatic stay is an injunction that halts essentially all attempts to collect pre-petition claims from the Debtor or to otherwise interfere with a Debtor's business or Estate.

Formulation of a plan of reorganization is the principal purpose of a chapter 11 bankruptcy case. The plan sets forth the means for satisfying the claims of creditors against, and interests of equity security holders in, the debtor. Unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a chapter 11 case (the "Exclusive Period"). Only after the Exclusive Period has expired or is terminated by the Bankruptcy Court, a creditor or any other interested party may file a plan, unless the debtor files a plan within the Exclusive Period or receives an

extension of such period by order of the Bankruptcy Court. If a debtor files a plan within the Exclusive Period, the debtor is given sixty (60) additional days (the "Solicitation Period") to solicit acceptances of its plan. Bankruptcy Code section 1121(d) permits the Bankruptcy Court to extend or reduce the Exclusive Period and the Solicitation Period upon a showing of adequate "cause."

Although usually referred to as a plan of reorganization, a plan may simply provide for a sale of a Debtor's assets and liquidation, as is the current case. In this case, the Debtor spent significant resources in marketing their assets to potential bidders before their bankruptcy filing. The Debtor believes that the proposed sale of the Debtor's assets to the Purchaser through this Plan represents the highest and best bid for the Debtor's assets.

After the plan has been filed, the holders of claims against, or interests in, a Debtor is permitted to vote on whether to accept or reject the plan. Chapter 11 does not require that each holder of a claim against, or interest in, a debtor vote in favor of a plan in order for the plan to be confirmed. At a minimum, however, a plan must be accepted by a majority in number (i.e., more than 50%) and at least two-thirds (2/3) in amount of those claims actually voting, from at least one class of impaired claims under the plan. The Bankruptcy Code also defines acceptance of a plan by a class of interests (equity securities) as acceptance by holders of at least two-thirds of the number of interests that actually voted.

Classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan, and therefore are not entitled to vote. A class is "impaired" if the plan modifies the legal, equitable, or contractual rights attaching to the claims or interests of that class. Modification for purposes of impairment does not include curing defaults and reinstating maturity or payment in full in cash. Conversely, classes of claims or interests that receive or retain no property under a plan of reorganization are conclusively presumed to have rejected the plan, and therefore are not entitled to vote.

Even if all classes of claims and interests accept a plan of reorganization, the Bankruptcy Court may nonetheless still deny confirmation. Bankruptcy Code section 1129 sets forth the requirements for confirmation and, among other things, requires that a plan be in the "best interests" of impaired and dissenting creditors and interest holders and that the plan be feasible. The "best interests" test generally requires that the value of the consideration to be distributed to impaired and dissenting creditors and interest holders under a plan may not be less than those parties would receive if the debtor were liquidated under a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. A plan must also be determined to be "feasible," which generally requires a finding that there is a reasonable probability that the debtor will be able to perform the obligations incurred under the plan and that the debtor will be able to continue operations without the need for further financial reorganization or liquidation.

The Bankruptcy Court may confirm a plan of reorganization even though fewer than all of the classes of impaired claims and interests vote to accept such plan. The Bankruptcy Court may do so under the "cramdown" provisions of Bankruptcy Code section 1129(b). In order for a plan to be confirmed under the "cramdown" provisions, despite the rejection of a class of impaired claims or interests, the plan proponent must show, among other things, that the plan does not

discriminate unfairly and that it is fair and equitable with respect to impaired classes of claims or interests that have not accepted the plan.

The Bankruptcy Court must further find that the economic terms of the plan meet the specific requirements of Bankruptcy Code section 1129(b) with respect to the subject objecting class. If the plan proponent proposes to seek confirmation of the plan under the provisions of Bankruptcy Code section 1129(b), the plan proponent must also meet all applicable requirements of Bankruptcy Code section 1129(a) (except section 1129(a)(8)). Those requirements include, among other things, that (i) the plan complies with applicable Bankruptcy Code provisions and other applicable law, (ii) the plan be proposed in good faith, and (iii) at least one impaired class of creditors or interest holders has voted to accept the plan.

## **B. The Debtor's Chapter 11 Plan and Disclosure Statement**

### **1. The Debtor's Plan of Liquidation Attached Hereto**

JPS Completion Fluids, Inc. as Debtor and Debtor-in-Possession in the above-captioned chapter 11 reorganization case submits this Disclosure Statement pursuant to Bankruptcy Code section 1125 for use in the solicitation of votes on their Plan of Liquidation Under Chapter 11 of the United States Bankruptcy Code.<sup>2</sup> This Disclosure Statement discusses not only the Plan terms but also the history, background, assets, liabilities, insiders and related operational and business aspects of this Debtor.

### **2. This Disclosure Statement**

This Disclosure Statement is submitted in accordance with section 1125 of the Bankruptcy Code for the purpose of soliciting acceptances of the Plan from holders of certain Classes of Claims against and Interests in the Debtor. The only holders of Claims and Interests whose acceptances of the Plan are sought are those whose Claims are "impaired" (as that term is defined in Bankruptcy Code section 1124) by the Plan and who are receiving distributions under the Plan. Holders of Claims that are not "impaired" are deemed to have accepted the Plan.

The Debtor has prepared this Disclosure Statement pursuant to Bankruptcy Code section 1125, which requires that a copy of the Plan, or a summary thereof, be submitted to all holders of Claims against and Interests in the Debtor, along with a written disclosure statement containing adequate information about the Debtor of a kind, and in sufficient detail, as far as is reasonably practicable, that would enable a hypothetical, reasonable investor typical of Claimholders to make an informed judgment in exercising their right to vote on the Plan. A copy of the Plan is attached hereto as **Exhibit A**. Terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

This Disclosure Statement sets forth certain relevant information regarding the Debtor's pre-petition operations and financial history, the need to seek chapter 11 protection, significant events that have occurred during the chapter 11 case, and the anticipated procedures for administering and selling the Debtor's assets. This Disclosure Statement also describes terms

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<sup>2</sup> Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which distributions will be made under the Plan. Additionally, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims and Interests must follow for their votes to be counted.

This Disclosure Statement was approved by the Bankruptcy Court. Such approval is required by the Bankruptcy Code, and does not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or as to the value or suitability of any consideration offered thereunder. Such approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement meets the requirements of Bankruptcy Code section 1125 and contains adequate information to permit the Claimholders whose acceptance of the Plan is solicited, to make an informed judgment regarding acceptance or rejection of the Plan.

**The approval by the bankruptcy court of this disclosure statement does not constitute an endorsement by the bankruptcy court of the plan or a guarantee of the accuracy or completeness of the information contained herein. The material contained herein is intended solely for the use of creditors with claims against, and holders of interests in, the debtor in evaluating the plan and voting to accept or reject the plan and, accordingly, may not be relied on for any purpose other than the determination of how to vote on, or whether to object to, the plan.**

**The debtor believes that the plan and the treatment of claims and interests hereunder is in the best interests of holders of claims and interests, and provides for a greater return than under a chapter 7 liquidation and urge that you vote to accept the plan.**

**This disclosure statement has not been approved or disapproved by the securities and exchange commission, nor has the commission passed on the accuracy or adequacy of the statements contained herein. Any representation to the contrary is unlawful. The plan should be reviewed carefully.**

### **C. Sources of Information**

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtor, their business, properties and management, and the Plan have been prepared from publicly-available information regarding the Debtor. Certain of the materials contained in this Disclosure Statement are taken directly from other readily accessible documents or are digests of other documents. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of such document shall govern and apply.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified, and neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with it shall, under any circumstances, create an implication that there has been no change in the facts set forth herein since the date of this Disclosure Statement.

No statements concerning the Debtor, the value of the Debtor's property, or the value of any benefit offered to the holder of a Claim or Interest in connection with the Plan should be relied on other than as set forth in this Disclosure Statement. In arriving at a decision, parties should



not rely on any representation or inducement made to secure their acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be immediately reported to counsel for the Debtor, Jordan, Hyden, Womble, Culbreth & Holzer, P.C., Shelby Jordan or Nathaniel Peter Holzer [361-884-5678]

#### **D. Rules of Interpretation**

The following rules for interpretation and construction shall apply to the Disclosure Statement: (1) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (2) unless otherwise specified, any reference in the Disclosure Statement to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (3) unless otherwise specified, any reference in the Disclosure Statement to an existing document, schedule, or exhibit, whether or not filed, shall mean such document, schedule, or exhibit, as it may have been or may be amended, modified, or supplemented; (4) any reference to an Entity as a holder of a Claim or Interest includes that Entity's successors and assigns; (5) unless otherwise specified, all references in the Disclosure Statement to Articles are references to Articles of the Disclosure Statement; (6) unless otherwise specified, all references in the Disclosure Statement to exhibits are references to exhibits to the Disclosure Statement; (7) the words "herein," "hereof," and "hereto" refer to the Disclosure Statement in its entirety rather than to a particular portion of the Disclosure Statement; (8) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Disclosure Statement; (9) unless otherwise set forth in the Disclosure Statement, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (10) any term used in capitalized form in the Disclosure Statement that is not otherwise defined in the Disclosure Statement, Plan, or exhibits to the Disclosure Statement Order, but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as applicable; (11) all references to docket numbers of documents filed in the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (12) all references to statutes, regulations, orders, rules of courts, and the like shall mean as amended from time to time, unless otherwise stated; (13) in computing any period of time prescribed or allowed, the provisions of Bankruptcy Rule 9006(a) shall apply, and if the date on which a transaction may occur pursuant to the Disclosure Statement shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day; and (14) unless otherwise specified, all references in the Disclosure Statement to monetary figures shall refer to currency of the United States of America.

## **ARTICLE II OVERVIEW OF THE DEBTOR'S PLAN OF LIQUIDATION**

### **A. General Structure of the Plan – Liquidation of All Property of the Estate**

The Plan generally provides for the liquidation of all property of the estate and assets of the Debtor with distributions in priority as provided in accordance with the terms of the various classes in the Plan, and managed through a Liquidating Trust. Those assets and potential assets are described below.

Ownership Interests are cancelled.

The Plan provides for the creation of a Liquidating Trust to hold the proceeds of the sale of the Debtor's assets (the "Sale Proceeds") and for a Liquidating Trustee to make distributions in accordance with the Plan.

Sergio Garza will serve as Plan Trustee for the Plan Trust. For matters that may arise in which Sergio Garza has a conflict of interest, Pedro Gonzalez, Jr., will serve as Conflicts Trustee. Neither will receive compensation for their time but will be entitled to reimbursement from the Trust for their expenses incurred in pursuit of their duties under the Plan. The Debtor's Liquidation Analysis is as follows:

<b>CH 11 ASSET</b>	<b>ESTIMATED ASSET VALUES</b>	<b>Lien Holders</b>	<b>Chapter 7 Amounts</b>
Cash in bank	118,000	Bank	same
Leased Equipment (per month)	5,000	Bank	same
Sale of Leased equipment	292,500	Bank	same
All other equipment	900,000	Bank	same
Louisiana 5 acres & houses	250,000	IRS	same
Mechanic Shop 10644 I-37	275,000	IRS	same
Fab Shop - 10312 I-37	230,000	Laverne; IRS	same
Fit & Wash (301 E. San Patrico)	70,000	IRS	same
Midland	100,000	none	same
Big Wells Kansas ave	199,000	none	same
Big Wells Franklin St	26,350	none	same
trailer in Big Wells	78,000	IRS	same
<b>TOTAL</b>	<b>2,543,850</b>		

<b>PLAN WATERFALL</b>			
Selling costs estimated at 7%	(178,070)		same
Professionals Admin Claims	(200,000)		Same
Trustee fees	0		(99,565.50)
Bank Secured Claim	(1,223,415)	value of all collateral less selling expenses	Less
Laverne Secured Claim	(115,000)		Less
IRS Secured Claim	(532,641)	per filed POC	Less
Ohio Priority Claim	(142,625.60)	Per filed POC	Less

Comptroller priority claim	(280,000)	per debtor's claim objection	Less
Workforce Commission	30,499.20	Per filed POC	Less
IRS priority claim	(124,649)	POC amount reduced by \$264k to be paid by insiders	Less
<b>AVAILABLE TO GENERAL UNSECURED CREDITORS</b>			<b>0</b>

Holders of Claims and Interests should read this Disclosure Statement carefully because their Claims and Interests are impaired.

## B. Classification of Claims

Pursuant to section 1122 of the Bankruptcy Code, set forth below is the Plan's designation of classes of Claims against and Interests in the Debtor. All Claims and Interests, except Administrative Claims and claims entitled to priority under 11 U.S.C. § 507(a)(8) are placed in the Classes as set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and claims entitled to priority under 11 U.S.C. § 507(a)(8) have not been classified. As set forth in Article II(A) above, the Debtor believes the following entities will hold Allowed Priority Claims under 11 U.S.C. § 507(a)(8): The Ohio Department of Taxation, the Texas Comptroller of Public Accounts, the IRS, and the Texas Workforce Commission.

### 1. Unclassified Claims

Administrative Claims Including US Trustee Fees, Liquidating Trust Fees and Expenses, and claims entitled to priority under 11 U.S.C. § 507(a)(8) are not classified under the Plan.

### 2. Classified Claims and Interests

A Claim or Interest is placed in a particular Class only to the extent the Claim or Interest falls within the description of that Class and classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim or Interest is also placed in a particular Class only for the purpose of voting on, and receiving distributions pursuant to, the Plan to the extent such Claim or Interest is an Allowed Claim or an Allowed Interest in that Class and such Claim or Interest has not been paid, released or otherwise settled prior to the Effective Date. For purposes of the Plan, the Claims and Interests are divided into the following classes:

**Class 1 Priority Claims:** This Class consists of Allowed Priority Claims, except those arising under 11 U.S.C. § 507(a)(8). The Debtor does not believe this class contains any creditors.

**Class 2 Certain Voluntary and Involuntary Secured Claims.** This Class consists of the separately classified Allowed Voluntary and Involuntary Secured Claims.

(a) Class 2-A This Secured Class consists of Allowed Secured Claims held by Texas Champion Bank

(b) Class 2-B This Secured Class consists of Allowed Secured Claims held by the IRS

(c) Class 2-C This Secured Class consists of Allowed Secured Claims held by all Ad Valorem Tax Authorities

(d) Class 2-D This Secured Class consists of Secured Claims held by MOG Resources

(e) Class 2-E This Secured Class consists of Secured Claims held by Houston Chemical

(f) Class 2-F This Secured Class consists of Allowed Secured Claims held by Laverne Properties

(g) Class 2-G This Secured Class consists of Allowed Secured Claim held by Hightide Partnership, Ltd.

(h) Class 2-H This Secured Class consists of Allowed Secured Claim held by Ally Financial.

(i) Class 2-I This Secured Class consists of Secured Claim held by Martinez Oil & Gas.

**Class 3 Unsecured Claims.** This Class consists of all Unsecured Claims.

**Class 4 Subordinated Claims.** This Class consists of all Claims against the Debtor that are subordinated by agreement or by any final Subordination Order of the Bankruptcy Court.

**Class 5 Interests.** This Class consists of all Interests in the Debtor all of which are cancelled by this Plan.

### **C. Impairment of Classified Claims and Interests**

All Classes of claims are impaired. The specific Plan treatment is set out below.

### **D. Liquidation Analysis and “Best Interests” Test**

Even if the Plan is accepted by each class of holders of Claims and Interests, the Bankruptcy Code requires that the Bankruptcy Court find that the Plan is in the “best interests” of all holders of Claims or Interests that are impaired by the Plan and that have not accepted the Plan. The “best interests” test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a Bankruptcy Court to find either that (i) all members of an impaired class of claims or interests have accepted the plan or (ii) the plan will provide a member who has not accepted the plan with property of a value, as of the Effective Date of the plan, that is not less than the amount that such

holder would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

To calculate the probable distribution to members of each impaired class of holders of claims or interests if a debtor were liquidated under chapter 7, a Bankruptcy Court must determine the aggregate dollar amount that would be generated from the Debtor's assets if its chapter 11 case were converted to a case under chapter 7 of the Bankruptcy Code. This "hypothetical liquidation value" would consist primarily of the proceeds from a forced sale of the Debtor's assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by the claims of secured creditors to the extent of the value of their collateral and by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 case and the chapter 11 case. Costs of a liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a chapter 7 trustee, as well as of counsel and other professionals retained by the chapter 7 trustee, asset disposition expenses, all unpaid expenses incurred by the debtor in the chapter 11 case (such as compensation of attorneys, financial advisors, and accountants) that are allowed in the chapter 7 case, litigation costs, and claims arising from the operations of the Debtor during the pendency of the bankruptcy case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution to holders of equity interests. The liquidation would also likely prompt the rejection of all executory contracts and unexpired leases and thereby potentially create a significantly greater amount of unsecured claims.

Once the Bankruptcy Court ascertains the recoveries in liquidation of holders of secured and priority claims, it must then determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such distribution has a value greater than the distributions to be received by creditors and equity security holders under a Debtor's plan, then such plan is not in the best interests of creditors and equity security holders.

As shown in the Liquidation Analysis set out in this Disclosure Statement, the Debtor believes that each member of each Class of Claims and Interests will receive at least as much, if not more, under the Plan as they would receive if the Debtor were liquidated in a chapter 7 case. More specifically, a liquidation of the Debtor would significantly impair recoveries to all stakeholders and clearly is not in the best interests of estate constituencies. Accordingly, it is clear that holders of Claims and Interests will fare much better under the Plan than in a liquidation.

### **ARTICLE III**

#### **DESCRIPTION OF THE DEBTOR'S BUSINESS**

##### **A. Overview of the Debtor's Business**

JPS Completion Fluids, Inc. is a Texas corporation formed in 2008 and headquartered in Mathis, San Patricio County, Texas, but having real estate and project location storage sites in Shreveport

Louisiana, Big Wells, Texas and Midland/Odessa, Texas. The Debtor is no longer operating at any of these locations, however, the substantial real estate assets are not directly pledged to the Bank lien.

The Debtor's primary lender was Texas Champion Bank, Corpus Christi, Texas holding a lien on all titled equipment, all MSO equipment, and a blanket lien on all other equipment and receivables.

JPS Completion Fluids, Inc.'s initial business consisted of "Completion Side" operations that work closely with "coil tubing" contractors by furnishing chemicals through Debtor's mixing plants described below and filtration systems known as filter-pods to recycle the down-hole water for reuse.

As a result of operations, Debtor owned 18 mixing plants and approximately 8 filtration systems. When prices for oil and gas were at their peak, these assets were valued (and appraised by the bank) in excess of \$4 million.

Subsequently the Debtor expanded its operations to include production and completion hydraulic and had adjustable chokes for use controlling flow back from work over or coil tubing operations of operator.

As a result of operations, Debtor owned six (6) choke hydraulic packages and six hand-adjustable packages. When prices for oil and gas were at their peak, these assets were valued (and appraised by the bank) in excess of \$4 million.

In order to conduct these operations the Debtor had approximately 70 leased pick up trucks for employee use financed through Enterprise Leasing and Rental (offices in Houston). All of these vehicles have been returned to Enterprise.

The Debtor's Main accounting office is in Mathis, Texas, in a leased office trailer. The Debtor also purchased two modular buildings (not encumbered by any secured creditor lien). These items are on land leased from an insider. The address was 10380 N. IH 37, Mathis, Texas.

The assets used to operate the business consisted of office furniture, fixtures, and several desk top computers. Several of these computers were sold to ex-employees after all Debtor information was removed, and funds applied to the Bank lien. All other equipment is located within the trailer.

The Debtor also maintained a fabrication shop where the Debtor fabricated its own mixing plants. The Debtor's employees actually built much of the equipment, saving approximately 40% of the costs of purchasing an operating unit. All of this equipment is subject to the Bank's lien. Other than certain stolen or missing equipment described below, the Debtor's shop equipment is stored and protected at the Mathis facility.

## **B. Customers of the Debtor**

JPS Completion Fluids, Inc.'s customers primarily consist of exploration and production operators such as Anadarko, Chesapeake, EOG Resources, Lone Star Energy, Ascent Energy,

and many other smaller operators. Prior to the drastic drop in oil and gas pricing in December 2014, the Debtor grossed from its operations approximately \$2 million per month. In the three (3) months of operations (or the last quarter of operations) gross billings per month had dropped to less than \$450,000.00 reflecting not only the pressure on pricing brought about by the crash in oil prices but the significant drop in available projects.

### C. Termination of Operations

At the termination of operations on Monday, February 28, 2016 the only projects remaining under operations were Anadarko in Colorado. All payroll due (and payroll taxes due on that payroll) was paid in full such that other than the DOL claims discussed below, no wage claims are due. It appears that certain employees and certain insiders (Pedro M. "Pete" Gonzalez, Jr. and wife Belen) have filed unemployment claims that may or may not create a liability for the Debtor.

The last billing of the Debtor on all accounts receivables are dated February 29, 2016 and all costs and expenses from any operations were discontinued on February 28, 2016.

The Anadarko operations were taken over by G5S Energy Services, LLC ("G5") owned by the insiders Sergio and Sonya Garza. Thus far the Debtor has not seen consent to this transaction by the lender Bank, owner of the equipment and the accounts receivables.

This project operations were approved by the Bank and are subject to verification that the equipment used by G5 after the Debtor's termination will be credited to the Bank's loan and debt at least the appraised fair market value of the equipment, inventory, and all other assets assumed by G5. G5 is currently operating 6 mixing plant, 3 filter pods. Additionally G5 will acquire 2 box trailers and 3 other equipment trailers. This equipment will be acquired from the Bank (to reduce the bank loan and at fair market value) as needed to complete the Anadarko project. Other than certain of the terminated employees that were rehired by G5, the only other equipment to be used by G5 consist of trucks personally guaranteed by Sergio Garza, for which G5 has been making payments directly to Ally Financial. These truck debts will be assumed by G5 and will require the continued guaranty of Sergio Garza. G5 has assumed all obligations regarding this equipment, including taxes, if any, and insurance for casualty loss and liability.

The trucks G5 will take over from Ally Financial, are as follows:

					as of 1.17.17	as of 1.17.17		
VIN	Year	Make	Model	Monthly Pymt	Due from	Amount Due	Pre-petition Arrears	P
9 3C7WRTCL2FG690638	N15	RAM	3500	CHASSIS	\$913.31	5.14.16	\$8,311.11	\$1,917.94
8 3C7WRTAL5FG649049	N15	RAM	3500	CHASSIS	\$842.95	5.14.16	\$7,670.83	\$1,770.18
2 1C6RR7LT5FS711760	N15	RAM	1500	RAM 1500	\$703.11	5.19.16	\$5,695.18	\$1,476.52
7 3C7WRTCL6FG672014	N15	RAM	3500	CHASSIS	\$900.89	3.10.16	\$9,999.87	\$2,792.75
0 3C7WRTCLXFG672016	N15	RAM	3500	CHASSIS	\$913.31	5.19.16	\$7,397.80	\$1,917.94
						\$39,074.79	\$9,875.33	

Personal property Assets of the Debtor at termination have been gathered and stored in secure locations pursuant to the instruction of the Bank. Those storage locations are Mathis Texas, secured by fence and cameras, Shreveport Louisiana (assets consisting of a forklift and a BBQ trailer). Both the Big Wells

**D. Competition in the Debtor's Industry and Insider Issues:**

The Debtor's operations were primarily in the Eagle Ford shale area of South Texas with some work on the Permian Basis-Texas, Ohio, Colorado and Shreveport.

There were competitive business in each location. The primary competitors were ETS Energy Services, Yellow Jacket, Exclusive Services.

During 2015 and the quarter leading up to the termination of operations significant reduction in competition occurred because of the lack of work.

Not fully known by the Debtor is the extent of the competition by Iron Man (represented by a prior employee of the Debtor) and LDE (owned by an insider's immediate family member).

Three years before the Petition was filed, Mr. Garza had offered to buy out Mr. Gonzalez for \$12 million or vice versa for \$8 million but Mr. Gonzalez did not agree to either proposal.

JPS had Founders Investment Banking based out of Alabama locate several different investment groups that were interested in JPS at that time the Oil Industry was booming. There were several offers on the table where the owners would have received substantial sums for their shares but no agreement was reached on any transaction.

These potential issues are described below and are actions specifically reserved to the Liquidating Trust.

Additionally, claims regarding G5S have been made involving pre-termination use of JPS credit for purchase of G5S equipment and supplies, and other similar allegations (including JPS payments for those charges). Those issues have not yet been investigated. Additionally, G5S may have charged public relations hunting trips that benefited G5S but was paid for by JPS. Those issues have not yet been investigated.

**E. Banking and Secured Claims.** The original banking relationship of the Debtor was through the Bank of Odem. All banking was later in 2012 transferred to Texas Champion Bank (the "Bank") ultimately resulting in the secured lending generally as follows:

**a. Line of Credit** - \$2 million, with approximately \$1.7 million due at termination. This LOC was secured by accounts receivable of approximately \$400,000.00.

**b. Equipment, fixtures, and personal property:** This line of credit was initially capped at \$2 million. That line is currently at approximately \$2 million.



All equipment and accounts receivables are held as security and collateral for the Bank. As those items are liquidated, in accordance with the Plan and the Liquidating Trust, the Bank's debt will be reduced.

It is anticipated that the Bank will have a substantial unsecured claim.

**F. Department of Labor Suit and Agreed Judgment.** In 2014 the DOL began litigation with most all Eagle Ford Shale operating companies as a result of overtime claims. The industry, in addition to paying higher rates than any other similar business, also paid as a salary and daily day-rate bonus to come to work. DOL argued that this was not appropriate because most employees worked 14 hours per day including travel time to and from the projects. Based on this requirement, and after spending \$ on legal fees to deal with the demands, ultimately agreed upon an amount in excess of \$467,000, of which payments were made of over \$150,000 in the past 5 months, to prevent suit and the threat of a 100% penalty. This contributed significantly to the filing of this Chapter 11.

**G. Internal Revenue Services 940-941:** As a result of the cash drain in paying the DOL demands to avoid double liability, and consistent with the significant drop in cash flow, the Debtor was unable to make the full payroll deposits timely and, according to proofs of claim filed by the IRS, has accrued approximately \$1,100,000 in such taxes.

The two Insiders to the Debtor, in order to reduce the estate's liability for these taxes have granted a voluntary lien in favor of the IRS on the following real property, used by the Debtor but owned by these Insiders

- (i) Shreveport Louisiana – valued at approximately \$350,000
- (ii) Mathis fabrication shop valued at 175,000.00 (subject to the Edward Smith first lien for the advance of \$113,000 cash to pay the DOL); and
- (iii) Mathis mechanic's shop valued at \$130,000.

These voluntary liens to the IRS by the Insiders should reduce the IRS debt by approximately \$500,000.00 and avoids any claims by the Debtor that title to this property should be placed in the Debtor's name.

**H. Sales and Franchise Taxes.** The State of Texas conducted a tax audit resulting in the filing of priority proofs of claim for sales tax of \$679,243, franchise tax of \$214,266, and international fuel tax of \$2,500. Each claim includes a penalty. The Debtor disagrees with the amounts. The Debtor has objected to these claims.

**I. Creditor Suits and Self-Help Actions Reserved for Recoveries as Reserved Liquidation Claims**

- (i) Ohio theft. A creditor, Cyclone, obtained a default judgment in Ohio against the Debtor for \$237,000 and, without execution broke into the secured location of stored equipment and stole \$400,000.00 of equipment subject to the Bank's lien. No police report was

filed because the sheriff in Ohio stated it was a civil matter. This avoidance action is retained by the Bank.

(ii) Colorado chemical theft. A creditor, Empire, falsely represented that it had permission of senior management to take back chemical that had been sold to the Debtor several months prior. This produce was valued at \$15,000.00. The police were contacted but the Debtor did not receive a copy of a police report regarding this event. This avoidance action is transferred to the Liquidating Trust.

(iii) Texas Theft of Equipment – Fab Shop. MIC transport removed, without the consent of the Debtor, and has refused to return certain equipment valued at \$40,000.00. A police report was filed regarding this event. This avoidance action is transferred to the Liquidating Trust.

(iv) Mathis Theft – In February, 2016, an unknown party entered through a locked gate and stole one shop compressor, motor, and two diesel tanks. The investigator that was handling the case was investigator Ramos for San Patricio County. This avoidance action is transferred to the Liquidating Trust.

(v) Martinez Oil and Gas wrongfully filed and recorded liens against certain real property of the Debtor where no lien claim was appropriate. The Debtor has made demand to remove the liens but releases have not yet been obtained. This avoidance action is transferred to the Liquidating Trust.

#### **J. Property Sold – Disposition and Use of Proceed before Termination**

(i) *See*, above, computers sold to employees for retail – proceeds to the bank

(ii) Used tire disposal – the Debtor traded two tire machines (with an estimated value \$500.00) for a net of \$700.00 in exchange for disposal of more than 200 used tires located on the Debtor's premises.

(iii) The Colorado Anadarko equipment sale to G5.

(iv) Four Peterbuilt truck and 2 drop deck equipment trailers – sold to JK Trucking, a non-insider and non-affiliate, with Bank approval and with the Bank receiving the wire payment for \$86,000, and only after a current appraisal ordered by the Bank indicated a lesser value.

(v) Approximately 2 years ago the company released 2 truck titles to Mr. Gonzalez and to Mr. Garza but JPS did not transfer its title of the vehicle Mr. Garza. In February 2016 Mr. Garza sold the truck that he had as his personal vehicle, having carried his own insurance on the vehicle since even though that title was still in JPS name. The vehicle was sold and transferred to Armando Vasquez.

#### **K. Members of the Debtor**

The following individuals served, pre-petition, on JPS Completion Fluids, Inc.'s management team:

Pete Gonzales, President (not full time). Mr. Gonzalez will not be involved in the post-Confirmation sales of assets.

Sergio Garcia, Vice President (full time)

Each member of the management has been instructed to preserve the books, records, and assets of the company for review and inspection by the Liquidating Trustee and creditors.

Pete Gonzalez and Sergio Garcia were paid a salary, although only Sergio Garcia was a full time employee. Pete Gonzalez was not full time, but drew the same salary and Sergio Garcia.

Between 2009 and 2010, the initial investment made by Pete Gonzalez of approximately \$115,000 was repaid, through draws only to him. Once this amount was paid in full, draws between the Managers were equal.

#### **L. The Debtor's Assets**

The Debtor's asset consist of equipment and accounts receivables. To the extent that the Bank has a properly perfected lien on property, that lien will survive confirmation of the Plan and may be liquidated by the Liquidating Trust based upon an agreement for costs, commissions, and the like. Sergio Garcia will remain active in the sale of the Debtor's assets as may be requested by the Bank or by the Liquidating Trust; provided, however, no agent or third party has any authority to sell or take possession of any property of the estate without the express written consent of the Debtor, the Bank, or the Liquidating Trust, as the case may be.

For a complete listing and explanation of the Debtor's assets as of the Petition Date, parties should refer to the Schedules of Assets and Liabilities and any amendments thereto filed in this bankruptcy case.

#### **M. The Debtor's Pre-Petition Unsecured Liabilities:**

The books and records reflect approximately \$3.2 million owed to various unsecured creditors, consisting primarily of suppliers and service company work, insurance. This amount does not include any unsecured claim from Enterprise Leasing.

Utilities are paid current through termination.

Ad Valorem taxes as generally paid but there may remain certain balances due local governments, in particular San Patricio County of approximately \$125,000 (which was paid during the case in accordance with a court approved settlement).

In the Schedules of Assets and Liabilities, as augmented by filed proofs of claims, the Debtor may have liabilities in the aggregate amount of set out therein, listing names addresses and known amounts of claims existing on the Petition Date. The aggregate amount is comprised of the following:

(i) secured claims on equipment and receivables in the amount of \$3.1 million (Texas Champion Bank).

(ii) secured claim on Mechanic's shop of \$139,500 (Laverne Properties)

(iii) Secured claim of IRS on Shreveport Property, the three Mathis properties, and a second lien position (with no value due to the Bank's undersecured lien) on all personal property

(iv) Ad valorem tax claims, the majority of which were paid post petition

(v) priority IRS Tax Claims approximately \$1,100,000.

(vi) priority DOL Claims approximately remaining unpaid \$350,000.00.

(vii) priority sales and franchise taxes of \$890,506 (disputed)

(viii) priority wage claims \$0.

(ix) unsecured non-priority claims in the amount of \$3.2 million includes amounts due related to two lien filings that are invalid).

These totals may change based on the outcome of any objections to proofs of claim in the bankruptcy case, the updating of information received post-filing, and other events.

The claims for executory contract and unexpired lease rejection includes the following rejected contracts, and is estimated as follows:

(i) Ohio real property yard leases;

(ii) Enterprise Leasing vehicle leases (all vehicles have been surrendered)

(iii) Equipment Leases – none remaining on the termination date

#### **N. Efforts to Sell or Monetize the Business pre-Termination of Operations**

The Debtor's management worked to obtain a potential sale or of its operations. Initially, the Debtor's Insiders could not agree to a price at which they would release and cancel their member interest in the Debtor and accordingly, the Debtor was not able to attract a purchaser at or above a set price.

The Debtor's manager Sergio Garza spent the four (4) months working with prospective third party purchasers seeking the assumption of secured debt and payment of DOL and IRS. Notwithstanding substantial due diligence, no offer was obtained. Among the parties signing a non-disclosure agreement include Quicksilver (PA - Dan Coffee); Greenwell (Ron Wagnon), Francis Drilling Fluids, Turnbridge, Quicksilver (LA- Twin Bros); JC Fodale.

#### **O. Taxes**

Sergio Garza and Pete Gonzalez each executed voluntary assessments in favor of the IRS, and

have committed their respective tax refunds and have executed voluntary liens to the IRS on specific real estate for application against the 941 tax obligations of JPS.

## **P. Preference and Other Bankruptcy Litigation**

### **1. Preference Actions**

Under the Bankruptcy Code, a Debtor's bankruptcy estate may recover certain preferential transfers of property, including Cash, made while insolvent during the 90 days immediately prior to the filing of its bankruptcy petition with respect to pre-existing debts, to the extent the transferee received more than it would have in respect of the pre-existing debt had the debtor been liquidated under chapter 7 of the Bankruptcy Code. In the case of "insiders," the Bankruptcy Code provides for a one (1) year preference period.

There are certain defenses to preference recoveries. Transfers made in the ordinary course of the Debtor's and transferee's business according to the ordinary business terms in respect of debts less than 90 days before the filing of a bankruptcy are not recoverable. Additionally, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension of credit may constitute a defense to recovery, to the extent of any new value, against an otherwise recoverable transfer of property. If a transfer is recovered by the estate, the transferee has an Unsecured Claim against the debtor to the extent of the recovery.

The Debtor's Statement of Financial Affairs lists potentially preferential transfers made within the preference period. Creditors should be aware that payments received within the preference period may be recoverable in a subsequent action by the Liquidating Trustee.

These avoidance actions, other than the Ohio Theft, shall be transferred to the Liquidating Trust.

### **2. Insider Preferences – Related Claims Against Insiders**

All claims against Insiders shall be transferred to the Liquidating Trust and shall be specifically retained as litigation or claims post-Confirmation. Those claims include the following:

(i) the right to audit and require reporting by all Insiders regarding the use and possession of property of the estate. In that regard, it is believed that one Insider may have possession of a bull dozer owned by the Debtor, BBQ Trailer, a pickup truck, and possibly other equipment.

(ii) the right to audit and require reporting by G5S to establish that no transfers of assets or improper use of the Debtor's property has occurred and the obligation of Sergio Garza to report and disclose any related business, the same or similar to the Debtor, that was directly or indirectly owned by Sergio Garza, or insiders of or affiliates of Sergio Garza.

(iii) the obligation of Pete Gonzalez to report and disclose all related business, the same or similar to the Debtor, that was directly or indirectly owned by Pete Gonzalez, or insiders of or affiliates of Pete Gonzalez, including but not limited to LDE Energy Services, LLC, Iron Man Services, or any similar business.

(iv) any transactions by any Insider by which the Insider received funds from customers or vendors of the Debtor, including the splitting of the Debtor's check written to Crown Welding, or any other similar transaction.

(v) certain charges on the Debtor's American Express were charged by Insiders for their personal, non-business use. Ultimately the Debtor cancelled all American Express cards so that additional funds would not be taken from the operating account. The last of these transactions was December 22, 2014 for \$11,011.05.

(vi) both Insiders are currently driving each a pickup titled in the name of the Debtor. Navy Army Federal Credit Union has a lien on the Sergio Garcia vehicle and all payments have been made by Sergio Garcia; there appears to be no lien on the vehicle purchased by the Debtor in the possession of Pete Gonzalez. Claims to these vehicles, if any, are transferred to the Liquidating Trust.

### **3. Fraudulent Transfers**

Under the Bankruptcy Code and various state laws, the Debtor may recover certain transfers of property, including the grants of security interests in property, made while insolvent or which rendered the Debtor insolvent. The transactions described above, as well as any complaints for unfair competition, for use of confidential and proprietary information, customers lists, and the like, are transferred to the Liquidating Trust.

### **4. Potential Recoveries of Transfers**

Any and all avoidance actions and rights pursuant to sections 542, 543, 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code and all causes of action under state, federal or other applicable law shall be retained and transferred to the Liquidating Trust and may be prosecuted or settled by the Liquidating Trustee. With respect to any potential avoidance actions, the likelihood of successful recovery must be weighed against the legal fees and other expenses that would likely be incurred in determining whether to pursue legal remedies for the avoidance and recovery of any transfers.

### **Q. Recent Financial Data**

The Financial Statements, Profit and Loss Statements for year end 2014 and 2015 are attached to this Disclosure Statement. These statements were reviewed by the CPA, as well as all Federal Income Tax returns due on the Termination Date were timely filed and reviewed by the CPA.

### **R. Cash On Hand:**

All cash on hand, other than funds held in the IOLTA account of counsel for the Debtor to secure payment of fees as approved by the Court and initially fund the Liquidating Trust, shall be transferred to the Liquidating Trust. All cash on hand after the Termination Date collected from Accounts Receivables shall be the property of the Bank and shall be turned over to the Bank.

## **ARTICLE IV VOTING PROCEDURES AND CONFIRMATION REQUIREMENTS**

**A. Ballots and Voting Deadline**

A ballot for voting to accept or reject the Plan is enclosed with this Disclosure Statement, and has been mailed to holders of Claims entitled to vote. After carefully reviewing the Disclosure Statement and all exhibits, including the Plan, each holder of a Claim entitled to vote should indicate its vote on the enclosed ballot. All holders of Claims entitled to vote must (i) carefully review the ballot and instructions thereon, (ii) execute the ballot, and (iii) return it to the address indicated on the ballot by the Voting Deadline for the ballot to be considered.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received by the Clerk of the United States Bankruptcy Court **no later than July 3, 2017 at 5:00 p.m. Central Standard/Daylight Time**, at the following address:

JORDAN, HYDEN, WOMBLE, CULBRETH, & HOLZER, P.C.  
500 North Shoreline Blvd., Suite 900  
Corpus Christi, Texas 78401-0341  
Fax (361) 888-5555

**ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.**

**B. Holders of Claims Entitled to Vote.**

Except as otherwise provided in the Plan, any holder of a Claim against the Debtor whose claim is impaired under the Plan is entitled to vote, if either (i) the Debtor has scheduled the holder's Claim at a specific amount other than \$0.00 (and such Claim is not scheduled as "disputed," "contingent," or "unliquidated") or (ii) the holder of such Claim has filed a Proof of Claim on or before the deadline set by the Bankruptcy Court for such filings in a liquidated amount. Any holder of a Claim as to which an objection has been filed (and such objection is still pending as of the time of confirmation of the Plan) is not entitled to vote, unless the Bankruptcy Court (on motion by a party whose Claim is subject to an objection), temporarily allows the Claim in an amount that it deems proper for the purpose of accepting or rejecting the Plan. Such motion must be heard and determined by the Bankruptcy Court before the first date set by the Bankruptcy Court for the Confirmation Hearing of the Plan. In addition, the vote of a holder of a Claim may be disregarded if the Bankruptcy Court determines that the holder's acceptance or rejection was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code.

**C. Bar Date for Filing Proofs of Claim**

The Bankruptcy Court established a bar date for filing proofs of claim or interests in these chapter 11 cases of September 12, 2016. The Bankruptcy Court further established a bar date for filing proofs of claim in these chapter 11 cases by governmental units of 180 days after the date of the order for relief. Timeliness or other substantive issues which may affect the ultimately allowability of a particular claim have not been considered in connection with classification. The Plan provides a period of 180 days after the Effective Date for the Liquidating Trustee to object to claims.

#### **D. Classes Impaired Under the Plan – VOTING ELIGIBILITY**

Claims in All Classes are impaired under the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, holders of Claims within Class 7 are conclusively presumed to have rejected the Plan, and therefore **Classes 1 through 6** are entitled to vote to accept or reject the Plan. Class 8 is Impaired but consists entirely of insiders who are deemed to accept the Plan.

#### **E. Vote Required for Class Acceptance**

The Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan; that is, acceptance takes place only if creditors holding claims at least two-thirds (2/3) in amount of the total amount of claims and more than one-half (1/2) in number of the Creditors actually voting cast their ballots in favor of acceptance.

#### **F. Information on Voting and Ballots**

##### **1. Transmission of Ballots to Creditors and Interest Holders**

Ballots are being forwarded to all holders of Claims entitled to vote. Those holders of Administrative Claims whose Claims are unclassified under the Plan are conclusively presumed to have accepted the Plan under Bankruptcy Code section 1126(f), and therefore need not vote with regard to the Plan.

#### **G. Confirmation of Plan**

##### **1. Solicitation of Acceptances**

**No representations or assurances, if any, concerning the plan are authorized by the debtor or any other party, other than as set forth in this disclosure statement. Any representations or inducements made by any person to secure your vote for or against the plan (other than those contained in this disclosure statement) should not be relied on by you in arriving at your decision, and such additional representations or inducements should be reported to counsel for the debtor.**

Under the Bankruptcy Code, a vote for acceptance or rejection of a plan may not be solicited unless the claimant has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by section 1125(b) of the Bankruptcy Code. Violation of section 1125(b) of the Bankruptcy Code may result in sanctions by the Bankruptcy Court, including disallowance of any improperly-solicited vote.

##### **2. Confirmation Hearing**

Pursuant to section 1128(a) of the Bankruptcy Code, the Bankruptcy Court, after notice, may hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.



**The Confirmation Hearing will commence on July 12, 2017 at 10:00 a.m. Central Time** in the United States Bankruptcy Court for the WESTERN District of Texas, San Antonio Division, San Antonio, Texas. The Debtor may continue the confirmation hearing from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the bankruptcy court and served on the Master Service List and the entities who have filed an objection to the Plan, without further notice to any other parties in interest. The Bankruptcy Court, in its discretion and before the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. The Plan may be modified, if necessary, prior to, during, or as a result of the confirmation hearing, without further notice to parties in interest.

**The Plan Objection Deadline is July 3, 2017, at 5:00 p.m. Central Time.** All objections to the Plan must be filed with the Bankruptcy Court and served on the Debtor and certain other parties in interest in accordance with the Disclosure Statement Order so that they are received on or before the Plan Objection Deadline.

If the Plan is rejected by one or more impaired Classes of Claims or Interests, the Bankruptcy Court may still confirm the Plan, or a modification thereof, under Bankruptcy Code section 1129(b) (commonly referred to as a “cramdown”) if it determines, among other things, that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class or Classes of Claims or Interests impaired under the Plan. The procedures and requirements for voting on the Plan are described in more detail below.

### **3. Requirements for Confirmation of the Plan**

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court shall enter an Order confirming the Plan. For the Plan to be confirmed, section 1129 of the Bankruptcy Code requires that:

### **4. Acceptances Necessary to Confirm the Plan**

Voting on the Plan by each holder of an impaired Claim or Interest is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim or Interest vote in favor of the Plan in order for the Court to confirm the Plan. Generally, to be confirmed under the acceptance provisions of Bankruptcy Code section 1126, the Plan must be accepted by each Class of Claims or Interest that is impaired under the Plan by parties holding at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class actually voting in connection with the Plan. Even if all Classes of Claims and Interest accept the Plan, the Bankruptcy Court may refuse to confirm the Plan.

### **5. Cramdown**

In the event that any impaired Class of Claims or Interests does not accept the Plan, under section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may still confirm the Plan at the request of the Debtor if, as to each impaired Class that has not accepted the Plan, the Plan “does not discriminate unfairly” and is “fair and equitable.”

The Debtor believe that the Plan does not discriminate unfairly and is fair and equitable with respect to each impaired Class of Claims and Interests.

## **ARTICLE V EVENTS LEADING TO BANKRUPTCY FILING**

**A. The Global Commodities Crash:** Little needs to be disclosed in this Disclosures Statement regarding the massive drop in oil, gas and commodity prices world wide in 2014 and 2015, through current. As a result, profit margins or work were drastically reduced along with available projects. As a result, gross income for the Debtor was reduced by 70%.

**B. Industry Specific Events:** The sudden crash of commodity pricing and profit margins caused an industry-wide collapse of cash flow. As a result, and wholly unanticipated, many creditors of the Debtor exercised various manner of self-help from stealing property of the Debtor, demanding payments in advance, filing bogus and wrong liens, and otherwise acted to bring almost all cash flow to the Debtor to a halt.

**C. DOL Litigation and Claim:** The DOL Litigation is also well known in the industry because almost all service companies, in order to be competitive, had to pay the industry standard rates, meaning a salary (as if management level) and day rate (or job bonus). This system worked because the salary was paid whether or not there were ongoing projects, and because projects were not always in place. The job bonus was paid while they were actually on the job; that is only when there was a location that could issue a field ticket. As an example salary and bonus would be range from \$100,000 to \$300,000 for the field work and services involved. Comparable rates for the same labor outside the oil field would have been 60% or less of these rates.

However, because labor laws require payment of overtime and this system only included an assumed overtime rate by the high bonus and salary, Plaintiffs lawyers and the DOL began filing suits to recover an additional amount for “overtime” not paid. The initial demands by DOL exceeded \$1.5 million. Ultimately the claims were resolved by an agree contract payment of approximately \$467,000 (paid down to approximately \$350,000).

The settlement with DOL was reached to avoid what DOL characterized as a penalty of 100% which would have doubled the DOL’s claim to more than \$1 million.

DOL did not file a proof of claim asserting any priority so will be treated in the amount scheduled as a general unsecured claim.

### **D. Filing of the Debtor’s Chapter 11 Case**

The Debtor filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code on May 11, 2016 (the “Petition Date”) in the United States Bankruptcy Court for the WESTERN District of Texas, San Antonio Division (the “Bankruptcy Court”).

## **ARTICLE VI POST-BANKRUPTCY OPERATIONS AND SIGNIFICANT EVENTS**

**A. Post-Bankruptcy Operations**

Shortly before the Petition Date, the Debtor had ceased all operations of its business and secured its properties for a liquidation. Debtor-in-possession has worked towards liquidation during the case pursuant to Bankruptcy Code sections 1107 and 1108, and these liquidation activities will be turned over to a Liquidation Trust upon confirmation of the Plan.

**B. Significant Events and Orders Entered Or To Be Entered During the Case**

**1. No Appointment of the Official Committee of Unsecured Creditors**

At the time of filing this Disclosure Statement no Creditors Committee has been named.

**2. Agreed Use of Cash Collateral**

The Court approved a series of interim orders and eventually a final order approving the Debtor's limited use of cash collateral. In connection with those orders, Texas Champion Bank received replacement liens on Debtor's unencumbered properties to adequately protect it for the Debtor's use of the bank's cash collateral.

**3. Personal Property Sales**

With Court approval Debtor sold equipment in a series of private sales. A substantial part of the sales proceeds were used to pay ad valorem taxes and Texas Champion Bank.

**4. Payments of Ad Valorem Tax Liens and Bank Liens**

With Court approval, Debtor paid in full certain ad valorem tax liens at a reduced amount pursuant to a settlement, and made a substantial payment to Texas Champion Bank.

**5. Listing of Real Estate For sale**

The Debtor retained a broker and listed for sale all of its real estate. The Court has approved a sale of the Debtor's Midland property which sale is expected to close shortly.

**6. Schedules and Statements of Financial Affairs**

The Debtor filed its Schedules of Assets and Liabilities ("Schedules") and Statements of Financial Affairs ("SOFAs"). Copies of the Debtor's Schedules and SOFAs may be viewed online any time through the Bankruptcy Court's PACER System at [www.tx.uscourts.gov](http://www.tx.uscourts.gov).

**7. Use of Cash Collateral**

The Debtor's use of cash collateral was subject to claims by Texas Champion Bank. The Debtor's continued use of cash collateral is limited by budgets set forth in the Bankruptcy Court's orders approving the use of cash collateral.

**8. Adamson Surrender of Shares and waiver of Claim.**

To obtain Court approval for Adamson and Co, CPA, to prepare the Debtor's tax returns, Adamson and Co, CPA surrendered its claim, and Austin Adamson has surrendered his equity interest in the Debtor.

**9. Objection to IRS Claim**

On April 26, 2017, the Debtor filed an objection to the proof of claim of the IRS. The Debtor believes the claim has been and also will be satisfied in substantial part through payments by its insiders, and for that reason it is overstated. The objection is pending.

**10. Objection to Comptroller Claim**

On April 26, 2017, the Debtor filed an objection to the proof of claim of the Texas Comptroller. The Debtor believes the claim is overstated. The objection is pending.

**11. Motion to Convert or Dismiss**

The U.S. Trustee filed a motion to convert this Case to Chapter 7 or to Dismiss. The Debtor opposed the motion. The Court conducted a hearing but withheld ruling and reset the motion for further hearing on the same date and time as the hearing on confirmation of the Plan.

**12. Sale of Substantially All of the Debtor's Assets**

This Plan provides for the sale or other disposition (e.g., abandonment) of all Assets for the payment in priority of Allowed Claims.

**C. Professional Fees and Expenses**

**1. Professionals Employed by the Debtor**

Pursuant to orders entered by the Bankruptcy Court, the Debtor has retained and has sought to retain the following professionals to represent it in this chapter 11 case:

<b><u>Name</u></b>	<b><u>Description of Services</u></b>
Jordan, Hyden, Womble, Culbreth & Holzer, P.C.	Counsel to the Debtor
Adamson & Company, CPA	Tax preparer
Armando Avalos Realty Inc.	Realtor

**ARTICLE VII  
DESCRIPTION OF THE PLAN**

**A. Introduction**

A summary of the principal provisions of the Plan and the treatment of Classes of Allowed Claims and Interests is set forth below. This summary is entirely qualified by the Plan attached hereto as Exhibit A. This Disclosure Statement is only a summary of the terms of the Plan. The Plan and not the Disclosure Statement governs the rights and obligations of the parties.

## **B. Designation of Claims and Interests**

The following is a designation of the classes of Claims and Interests under the Plan. In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims have not.

**All classified claims are impaired and all Classes of Claims are impaired.** Claims in Classes 1 through 2 are impaired under the Plan and therefore are entitled to vote to accept or reject the Plan. Pursuant to section 1126(g) of the Bankruptcy Code, holders of Claims within Classes 3 & 4 are also impaired but are conclusively presumed to have rejected the Plan. Therefore, creditors in Classes 3 and 4 will not receive a ballot; however, creditors in these classes may still file objections to the Plan.

## **C. Unclassified Priority Tax Claims**

Except to the extent that a holder of an Allowed Priority Tax Claim and the Debtor agree to a different treatment, each holder of an Allowed Priority Tax Claim will receive in full satisfaction of such Claim, cash payments from the Liquidating Trust of a total value, as of the Effective Date of the Plan, equal to the amount of such creditor's allowed claim over a period not extending past May 11, 2021, which is five (5) years from the date the case was filed. Payments by Reorganized Debtor provided for herein shall be made in monthly installments of not less than \$100 per month per creditor with the first payment due on the tenth Business Day of the first month following the Effective Date. Interest shall accrue on the Priority Tax Claim in accordance with section 511 of the Bankruptcy Code. In the event the Holder of such Claim has Claims arising from different periods or different internal allocations or classifications, each holder of such Claim shall accept and implement the designation by the Plan Trustee of the allocation of any distribution as being on account of any particular period or internal allocation or classification. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due. To the extent the holder of an Allowed Priority Tax Claim has a Lien on the Debtors' property, such Lien shall remain in place until such Allowed Priority Tax Claim has been paid in full.

## **D. Unclassified Administrative Claims**

As provided by section 1123(a)(1) of the Bankruptcy Code, Administrative Claims for Professional Fees against the Debtor or the Bankruptcy Estate shall not be classified for purposes of voting. Except to the extent that a holder of an Allowed Priority Claim has agreed or agrees to a different treatment of such Claim, each holder of an Allowed Priority Claim shall receive, on account of and in full satisfaction of such Claim, payment in full of the Allowed amount of such Claim, without interest, on the later of (i) thirty (30) days after the Effective Date, or (ii) thirty (30) days after such Claim becomes an Allowed Priority Claim.

The United States Trustees fees under 28 U.S.C. § 1930(a)(6) are Allowed claims. The Debtor shall pay all U.S. Trustee fees through the Effective Date upon Confirmation and on the Effective Date. The Liquidating Trust shall pay all U.S. Trustee's fees pursuant to 28 U.S.C. § 1930(a)(6) that accrue post-confirmation. The Liquidating Trustee will file Quarterly Operating Reports until the case is closed by the Liquidating Trust.

**Compensation and Reimbursement.** All Holders of Allowed Administrative Claims for

compensation for fees or reimbursement of expenses by the Bankruptcy Court under sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code shall be paid in Cash in full in such amounts as are allowed by the Bankruptcy Court, upon the later of

- (i) the Effective Date; or
- (ii) the date upon which the Bankruptcy Court enters an order with respect to any Administrative Claim; or
- (iii) upon such other terms as the Holder of the Administrative Claim may accept. Applications for compensation and reimbursement filed by professionals employed under §327 of the Bankruptcy Code or otherwise employed by order of the Bankruptcy Court shall be filed no later than sixty (60) days after the Effective Date.

(c) All other requests for payment of Administrative Claims (or any other means of preserving and obtaining payment of Administrative Claims found to be effective by the Bankruptcy Court) shall be filed by the earlier of

- (i) thirty (30) days after the date of service of notice of the Effective Date, or
- (ii) any applicable deadline established by the Bankruptcy Court and noticed separately by the Debtor or Liquidating Trustee, and if no timely request for payment of an Administrative Claim is received, such claims shall be forever barred and shall not be assertable in any manner against the Debtor or the Estate, provided no request for payment shall be required with respect to Administrative Claims that have been previously paid or with respect to Administrative Claims representing liabilities incurred in the ordinary course of business, unless a dispute exists as to any such liabilities or unless the provisions of the Bankruptcy Code require approval or allowance by the Bankruptcy Court as a precondition to payments being made on any such liability.

All Claims to professional fees arising from an Allowed Secured Claim shall be paid as a part and portion of the Allowed Secured Claim only upon approval and Allowance by the Bankruptcy Court.

## **ARTICLE VIII**

### **TREATMENT OF CLAIMS AND INTERESTS**

#### **CLASS 1 ALLOWED PRIORITY CLAIMS:**

This Class consists of non tax Allowed Priority Claims with respect to the Debtor and shall be paid as follows:

Class 1 Claims consist of the Allowed Amount of all Claims entitled to priority under Section 507(a)(1), (3) (7), (8) & (10) of the Bankruptcy Code, and shall be paid in order of priority as provided under that Section of the Bankruptcy Code. Each Claim of superior priority shall be entitled to receive payment in full, without interest, before any distribution is made to any Claim with lesser priority.

Except to the extent that a holder of an Allowed Priority Claim has agreed or agrees to a different treatment of such Claim, each holder of an Allowed Priority Claim shall receive, on account of and in full satisfaction of such Claim, payment of a pro rata share of all cash distributed by the Plan Trustee on account of such Priority Claims, in order of priority as provided under Section 507(a)(1), (3) – (7), (9) & (10) of the Bankruptcy Code. In the event the

Holder of such Claim has Claims arising from different periods or different internal allocations or classifications, each holder of such Claim shall accept and implement the designation by the Plan Trustee of the allocation of any distribution as being on account of any particular period or internal allocation or classification.

Class 1 is Impaired and is entitled to vote on the Plan.

### **CLASS 2 SECURED CLAIMS.**

The following provisions apply to all Class 2 Allowed Claims:

(i) If the Bankruptcy Court determines that a Secured Claim is unenforceable against the respective Collateral, or any part thereof, under applicable state or federal law, the Secured Claim shall be Discharged to such extent and no distribution shall be made on account of the Discharged Secured Claim. Unless otherwise ordered, disallowance of an Allowed Secured Claim does not result in an Allowed Unsecured Claim.

(ii) Unless otherwise provided in this Plan, if the Bankruptcy Court determines that the Secured Claim is an unexpired lease or Executory Contract, the Debtor may, at their sole discretion, reject pursuant to section 365(a) of the Bankruptcy Code and surrender the property that is the subject of such lease or contract to the Secured Claim Holder in lieu of the Allowed Claim. Any Allowed Claim arising on account of rejection of such lease or return of the collateral securing the Debt shall be treated, if at all, and upon a timely filed proof of Claim for the rejection damages, as an Allowed Unsecured Claim, if any.

(iii) Unless otherwise provided in this Plan, all Allowed Secured Claims shall retain their lien, and shall be paid as provided in this Plan, the present value of its lien in installments bearing a market rate of interest as provided in the Plan and § 1129(b)(2)(A). To the extent that an impaired Secured Creditor votes to reject the Plan treatment, the Debtor invokes the provisions of § 1129(b).

(iv) No Secured Claim shall be entitled to attorneys fees or interest on either the Allowed Secured Claim or the Unsecured Claim portion, if any, except as provided in this Plan and a Final Order of the Bankruptcy Court.

(v) In the event the Holder of such Claim has Claims arising from different periods or different internal allocations or classifications, each holder of such Claim shall accept and implement the designation by the Plan Trustee of the allocation of any distribution as being on account of any particular period or internal allocation or classification.

(vi) Any pending Claims that are Disputed Claims (including any Disputed Scheduled Claim Amount) will be paid only when all such Claims are liquidated and fully settled pursuant to Estimation, ADR, agreement of the parties, Arbitration Proceeding, or Final Order of the Bankruptcy Court.

(vii) Consistent with the above, the Class 2 Secured Claims shall be paid as established by the order of the bankruptcy court as follows:

(a) **Class 2-A Texas Champion Bank**

Class 2-A Claim of Texas Champion Bank consists of the allowed amount of any Allowed Secured claim determined by the bankruptcy court, and paid as follows:

The agreed liquidation of its Collateral by the Liquidating Trust, or by abandonment of its Collateral, in whole or in part, as determined by the Liquidating Trustee and Texas Champion Bank. In the event that the bank determines to liquidate its own Collateral the amount of such liquidation shall (i) be deducted from the Allowed Amount of the bank's secured claim and (ii) be subject to contest or dispute by the Liquidating Trustee, all rights with respect to liquidation of Collateral by a secured party as provided in any documents securing the Allowed Amount of the Class 2-A Secured Claim, or as provided in State and Federal law, as the case may be, are expressly preserved by the Liquidating Trust. Additionally, Texas Champion Bank waives any distributions under the Plan on account of any unsecured deficiency claim.

Texas Champion Bank shall retain its lien(s) and is impaired.

(b) **Class 2-B IRS**

Class 2-B Claim of the Internal Revenue Service consists of the allowed amount of any Allowed Secured claim determined by the bankruptcy court, and paid as follows:

The agreed liquidation of its Collateral by the Liquidating Trust, or by abandonment of its Collateral, in whole or in part, as determined by the Liquidating Trustee and the IRS. In the event that the IRS determines to liquidate its own Collateral the amount of such liquidation shall (i) be deducted from the Allowed Amount of the IRS's secured claim and (ii) be subject to contest or dispute by the Liquidating Trustee, all rights with respect to liquidation of Collateral by a secured party as provided in any documents securing the Allowed Amount of the Class 2-B Secured Claim, or as provided in State and Federal law, as the case may be, are expressly preserved by the Liquidating Trust.

IRS shall retain its lien(s) and is impaired.

(c) **Class 2-C Ad Valorem Tax Authorities**

Class 2-C Claim of the Ad Valorem Tax Authorities consists of the allowed amount of any Allowed Secured claim determined by the bankruptcy court, and paid as follows:

The agreed liquidation of its Collateral by the Liquidating Trust, or by abandonment of its Collateral, in whole or in part, as determined by the Liquidating Trustee and the tax authority. In the event that the tax authority determines to liquidate its own Collateral the amount of such liquidation shall (i) be deducted from the Allowed Amount of the tax authority's secured claim and (ii) be subject to contest or dispute by the Liquidating Trustee, all rights with respect to liquidation of Collateral by a secured party as provided in any documents securing the Allowed Amount of the Class 2-C Secured Claim, or as provided in State and Federal law, as the case may be, are expressly preserved by the Liquidating Trust.

Ad Valorem Tax Authorities shall retain their lien(s) and are impaired.



(d) **Class 2-D MOG Resources**

Class 2-D Claim of the MOG Resources arises from an invalid lien filing. The Order confirming the Plan will permit its filing as evidence that the lien is invalid and released. MOG shall be treated under the Plan as a Class 3 Claim in the amount of \$113,976.20, or if the Plan Trustee deems advisable, he may seek to subordinate MOG as a Class 4 Claim.

MOG Resources is impaired.

(e) **Class 2-E Houston Chemical**

Class 2-E Claim of Houston Chemical arises from an invalid lien filing. The Order confirming the Plan will permit its filing as evidence that the lien is invalid and released. Houston Chemical shall be treated under the Plan as a Class 3 Claim in the amount of \$100,770.00, or if the Plan Trustee deems advisable, he may seek to subordinate Houston Chemical as a Class 4 Claim.

Houston Chemical is impaired.

(f) **Class 2-F Laverne Properties**

Class 2-F Claim of Laverne Properties consists of the allowed amount of any Allowed Secured claim determined by the bankruptcy court, and paid as follows:

The agreed liquidation of its Collateral by the Plan Trust, or by abandonment of its Collateral, in whole or in part, as determined by the Plan Trustee.

Laverne Properties shall retain its lien(s) and is impaired.

(g) **Class 2-G Hightide Partnership, Ltd.**

Hightide Partnership, Ltd. owns a tract on the IH 37 Access Rd. near Mathis which they use for a billboard location. There is a problem with a fence constructed by JPS which the San Patricio County Appraisal District database shows to be the owner of the adjacent property. Hightide had a survey performed which clearly shows the encroachment.

Hightide shall be treated in accordance with the terms of the Boundary Line Agreement attached to the Disclosure Statement as Exhibit C. Exhibit C is the same agreement forwarded by counsel for High Tide via email on 4/14/16. The Boundary Line Agreement shall be recorded in the Public Records of San Patricio County, Texas and shall run with the land.

The Debtor and/or the Plan Trustee shall each have authority to execute and deliver the Boundary Line Agreement to High Tide.

Hightide shall retain its lien(s) and is impaired.

(h) **Class 2-H Ally Financial.**

The Plan includes a sale of the collateral of Ally Financial to Sergio Garza and his company G5S (collectively “Buyers”), not free and clear of liens, but rather explicitly “subject to” existing liens, with the Confirmation Order to provide for all of the following:

1. The Buyers to assume, by consent to the Confirmation Order, the Debtor’s contractual terms and obligations to Ally.
2. Buyers will pay to Ally ½ cure amount of arrears payable upon reaching agreement, rest payable on entry of the Confirmation Order.
3. Buyers (with Debtor’s and Ally’s assistance) responsible for title transfer into name of new owners, with the lien of Ally reflected on the title, within 10 days of entry of the Confirmation Order.
4. Buyers responsible for payment of applicable sales taxes—which estimated amount shall be escrowed in Buyer’s lawyers trust account upon reaching agreement, for immediate payment to the taxing authority upon entry of the Confirmation Order.
5. Buyers to acquire immediately upon entry of the Confirmation Order, and maintain, good and credible insurance coverage on the vehicles, with Ally listed as the loss payee and a copy of coverage provided to Ally’s counsel.
6. Pending this agreement and the Confirmation Order, and effective immediately, Buyers will advance to Debtor by 2-party check payable to Debtor and Ally, which debtor will endorse over to Ally, monthly adequate protection in the amount of the contractual payments..

Ally Financial shall retain its lien(s) and is impaired.

(i) **Class 2-I Martinez Oil and Gas**

Class 2-I Claim of Martinez Oil & Gas arises from invalid lien filings. The Order confirming the Plan will permit its filing as evidence that the lien is invalid and released. Martinez Oil & Gas shall be treated under the Plan at the election of the Plan Trustee as a Class 3 Claim or a Class 4 Claim.

Martinez Oil and Gas is impaired.

**CLASS 3 GENERAL UNSECURED CLAIMS**

All Class 3 Unsecured Claims, including any Under-Secured Deficiency Claim and Executory Contract Rejected Claims, shall be paid up to the full the Face Amount of the Allowed Claim commencing after the later of the Effective Date of the Plan, or the date the Class 3 Claim becomes an Allowed Claim, if, as and when the Liquidating Trust has available funds for distributions, if any.

This Class 3 is made up of all Unsecured Creditors who are not defined in one of the other Classes, and includes, but is not limited to, the Trade Creditors of the Debtor, as well as Claims related to Disputed Claims, but excludes claims of Insiders.

Any pending Claims that are Disputed Claims (including Disputed Scheduled Claim Amount) will be paid only when all such Claims are liquidated pursuant to Estimation, and fully settled pursuant to an Estimation, agreement of the parties, ADR, Arbitration Proceeding, or Final Order of the Bankruptcy Court.

Any pending Class 3 Claims, including any Under-Secured Deficiency Claim and Executory Contract Rejected Claims, that are Disputed Claims (including Disputed Scheduled Claim Amount) Claims will be paid only when all such Claims are liquidated and fully settled pursuant to Estimation, ADR, Arbitration Proceeding, agreement of the parties, or Final Order of the Bankruptcy Court.

The Debtor estimates no recovery for general unsecured creditors due to the large amounts of the filed secured and priority unsecured claims. However, the Debtor also believes that any the alternative to confirmation of the Plan would result in no distribution to creditors with general unsecured claims.

Class 3 is impaired. Class 3 is deemed to reject the Plan.

#### **CLASS 4 SUBORDINATED CLAIMS**

Subordinated Claims, if any, against Debtor shall be subordinate for all purposes and shall not receive any distribution under the Plan.

Class 4 is deemed to reject the Plan.

#### **CLASS 5 OWNERSHIP INTERESTS IN THE DEBTOR.**

Class 5 is comprised of all holders of ownership in the Debtor. On the Effective Date, all existing ownership interests shall, without any further action, be cancelled, annulled and extinguished. Class 5 does not vote on this Plan and shall receive no distribution under this Plan.

Class 5 is deemed to reject the Plan.

### **ARTICLE IX MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN**

The Plan contemplates a sale of the substantially all the Debtor's assets to the Purchaser. This is a liquidating Plan contemplating a Liquidating Trust and Liquidating Trustee to monetize the assets of the Debtor for maximum distributions to the creditors.

#### **A. Sale of Substantially All Assets of the Debtor**

Sales of the Debtor's assets shall be as determined by the Liquidating Trustee (through sale or liquidation of both secured and unsecured assets) or as Ordered by the bankruptcy court in the event that Liquidating Trustee deems such an order necessary and appropriate. The sale of any Allowed Secured Claim collateral will be agreement only, absent an Order of the Bankruptcy Court.

#### **B. Rejection of Executory Contracts and Unexpired Leases**

All Executory Contracts and Unexpired Leases not otherwise assumed or rejected pursuant to a Final Order, entered within thirty (30) days after the Effective Date, shall be deemed rejected as of the Confirmation Date.

Pursuant to Bankruptcy Code section 365(a), the Plan constitutes a motion to reject all executory contracts and unexpired leases not previously assumed or assumed and assigned pursuant to a Final Order entered within 30 days after the Effective Date. Entry of the Confirmation Order shall constitute the approval, pursuant to Bankruptcy Code section 365(a), of the rejection of the Executory Contracts and Unexpired Leases not assumed pursuant to the Plan.

Unless the Bankruptcy Court, the Bankruptcy Code, or the Bankruptcy Rules establish an earlier deadline concerning the rejection of particular Executory Contracts or Unexpired Leases, any Claim arising out of the rejection of Executory Contracts and Unexpired Leases under the Plan, or arising out of the rejection of Executory Contracts or Unexpired Leases after the Bar Date and before the Effective Date, must be filed with the Bankruptcy Court and served on the Debtor and Plan Agent within thirty (30) days after the Effective Date, or if an earlier date has been set by the Court, on the earlier date. Any Claims not filed within that time period will be extinguished and forever barred, and therefore will not receive any Distributions under the Plan. Any Claims arising out of the rejection of an Executory Contract or Unexpired Leases pursuant to a Final Order entered before the Bar Date must have been filed before the Bar Date; otherwise those Claims are extinguished and forever barred, and therefore will not receive Distributions under the Plan. All Claims arising from the rejection of an Executory Contract shall be treated as a Class 6 General Unsecured Claim under the Plan unless they are recharacterized as a Class 7 Subordinated Claim.

To the extent not already rejected pursuant to a Final Order, all employment and retirement practices and policies and all compensation, retirement and employee benefit plans (except as provided below), policies and programs of the Debtor applicable to its current or former directors, officers, or employees (including all savings plans, retirement plans, health care plans, accrued unpaid vacation, sick leave, medical benefits, incentive plans, workers' compensation programs, and life, disability and other insurance plans), to the extent arising from Executory Contracts, shall be rejected as of the Effective Date, and shall not be binding on the Debtor, the Purchaser or the Liquidating Trustee to any extent.

#### **C. Liquidating Trustee**

Following the Effective Date, the Plan Trustee will make distributions to holders of Allowed Claims in accordance with the terms of the Plan and the Plan Trust Agreement..

#### **D. Creation of the Liquidating Trust**

On the Effective Date, all property of the Estate of any kind and nature whatsoever, real, personal, intellectual or otherwise, that remain after the Purchased Assets are transferred to the Purchaser, shall be deemed transferred to the Liquidating Trust, copy attached as **Exhibit B**. The Liquidating Trust shall be established for the sole purpose of receiving the benefit of the ongoing obligations of third parties and liquidating and distributing the remaining assets of the Estate in accordance with the Plan.

Upon creation of the Liquidating Trust, holders of Allowed Administrative Claims and Allowed Class 1 through Class 6 Claims shall be the Beneficiaries of the Liquidating Trust. Upon the liquidation of any remaining assets of the Estate, and after the payment of all costs and expenses

of collection, the Liquidating Trustee will distribute the corpus of the Liquidating Trust to the Beneficiaries of the Liquidating Trust in accordance with their priorities and percentage of interests in the Liquidating Trust.

**E. Enforcement, Compromise or Adjustment of Claims Belonging to the Bankruptcy Estate**

Pursuant to, among other authority, section 1123(b)(3)(B) of the Bankruptcy Code, until unsecured creditors are paid in full, the Liquidating Trustee shall have, for the benefit of the Post-Confirmation Debtor's Estate, the sole and full power, authority, and standing to prosecute, compromise, or otherwise resolve any Avoidance Actions. All proceeds derived from the Avoidance Actions shall become Estate Property and distributed as Available Cash in accordance with the Plan.

With respect to Causes of Action other than Avoidance Actions, the Liquidating Trustee shall have full power, authority, and standing to prosecute, compromise, or otherwise resolve the Causes of Action. The Post-Confirmation Debtor shall not be subject to any counterclaims with respect to the Avoidance Actions and any other claims and causes of actions constituting Estate Property provided, however, that the claims and causes of action constituting Estate Property (other than Avoidance Actions) will be subject to any applicable setoff rights that have been perfected and preserved by the holder of such rights.

**F. Resolution of Objections to Proofs of Claim**

After the Effective Date the Liquidating Trustee will have sole authority to administer, reconcile and settle claims against the Debtor's Estate

The Debtor will, if necessary, object to Claims prior to the Confirmation Date. As set forth in the Plan, Interested Parties may also object to Claims.

Except as otherwise provided herein, the Liquidating Trustee must file any objections to Claims with the Bankruptcy Court and serve a copy of the objection on the holder of such Disputed Claim before the expiration of one-hundred and eighty (180) days after the Effective Date (unless such time period is further extended by subsequent orders of the Bankruptcy Court); otherwise such Claim shall be deemed Allowed in accordance with Bankruptcy Code section 502.

**ARTICLE X**  
**EFFECT OF CONFIRMATION OF THE PLAN, INJUNCTION AGAINST**  
**ENFORCEMENT OF PRE-CONFIRMATION DEBT**

**A. Effect of Confirmation of the Plan**

Upon confirmation, the provisions of the Plan shall bind all holders of Claims and Interests, whether or not they accept the Plan. On and after the Confirmation Date, for as long as the Liquidating Trust exists, all holders of Claims and Interests shall be precluded and enjoined from asserting any Claim against the Debtor or its assets or properties based on any transaction or

other activity of any kind that occurred prior to the Confirmation Date, except as permitted under the Plan.

Subject to the terms of the Plan and the Confirmation Order, on the Confirmation Date, all Estate Assets shall vest in and become the property of the Liquidating Trust, including without limitation all Claims, Causes of Action, alter-ego rights, derivative claims, breach of fiduciary duty claims, veil piercing rights and all other property of the estate as such property is defined by section 541 of the Bankruptcy Code and applicable non-bankruptcy law.

Except as otherwise specifically provided in the Plan or in the Confirmation Order, on the Confirmation Date all Assets vesting in and becoming property of the Liquidating Trust shall be free of all liens, claims and encumbrances.

Following the Effective Date, the Liquidating Trust will include all claims owned by the Debtor before the Confirmation Date, including all claims recoverable under Chapter 5 of the Bankruptcy Code, including all claims assertable under sections 544, 546, 547, 548 and 550 of the Bankruptcy Code, and all claims owned by the Debtor pursuant to section 541 of the Bankruptcy Code or similar state law, including all claims against third parties on account of any indebtedness, and all other claims owed to or in favor of the Debtor to the extent not specifically compromised and released pursuant to the Plan or an agreement referred to or incorporated herein. After the Effective Date, all Causes of Action owned by the Debtor before the Confirmation Date will be preserved and retained for enforcement by the Liquidating Trustee; after the Effective Date; no other party will have the right to assert these claims.

Except as otherwise provided in this Plan or the Confirmation Order, or in any contract, instrument, release, indenture, or other agreement entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Liquidating Trustee will retain and may enforce, sue on, pursue, settle, or compromise (or decline to do any of the foregoing) all Claims, rights or causes, rights or Causes of Action, suits, and proceedings, whether in law or in equity, whether known or unknown, that the Debtor or the Estate may hold against any Person

## **B. Temporary Injunction**

The Confirmation Order shall include a temporary injunction against the commencement or continuation of any action, employment of process, or act to collect, offset, or recover the Claims and Interest treated under the Plan for as long as the Liquidating Trust exists. The temporary injunction shall not apply if expressly provided otherwise in the Plan. The Court may modify the temporary injunction after motion by any affected person upon reasonable notice and opportunity for a hearing.

## **ARTICLE XI CONDITIONS PRECEDENT TO EFFECTIVE DATE**

The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or waived in accordance with the Plan:

1. The Confirmation Order shall have been entered by the Clerk of the Bankruptcy court and no stay of such order shall be in effect;

2. All authorizations, consents, and regulatory approvals required, if any, in connection with the consummation of the Plan shall have been obtained;
3. The Court has named a Liquidating Trustee; and
5. All other actions, documents and agreements necessary to implement the Plan shall have been effected or executed.

## **ARTICLE XII**

### **RECOVERY ANALYSIS, FEASIBILITY, AND RISK FACTORS**

#### **A. Recovery Analysis**

Recoveries to Classes 1 through 3 are derived from cash on hand and cash generated from the Sale of the Debtor's assets to the Purchaser after the distribution of that Cash to pay various claims under the Plan.

Attached as Exhibit D is Debtor's Monthly Operating Report, which does not project operations post-confirmation. The Debtor does not project any significant operating expenses during the Chapter 11. The Liquidating Trust will be responsible for Trust activity expenses.

The Debtor believes it is unlikely that general unsecured creditors will receive a distribution on account of their claims.

#### **B. Feasibility of the Plan**

Section 1129(a)(11) of the Bankruptcy Code requires that the Bankruptcy Court find that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor unless such liquidation is proposed in the Plan.

The Plan expressly provides for the sale of substantially all of the Debtor's assets and liquidation of the Debtor which, as a matter of law, is feasible. The funds which the Debtor expects to be generated by the disposition of the Estate Property, as well as the funds already generated by the collection of accounts is anticipated to be sufficient to fund all distributions under the Plan and to establish a reasonable Reserve, including the costs of administering the Liquidating Trust. The Plan satisfies section 1129(a)(11) of the Bankruptcy Code, because it provides for the sale of substantially all of the Debtor's assets and creates a Liquidating Trust from which all distributions to Allowed Claims can be paid.

#### **C. Risks Associated with the Plan**

Both the confirmation and consummation of the Plan are subject to a number of risks. There are certain risks inherent in the confirmation process under the Bankruptcy Code. If certain standards set forth in the Bankruptcy Code are not met, the Bankruptcy Court will not confirm the Plan even if holders of Allowed Claims and Interest vote to accept the Plan. Although the Debtor believe that the Plan meets such standards, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court were to determine that such requirements were not met, it could require the Debtor to re-solicit acceptances, which could

delay and/or jeopardize confirmation of the Plan. The Debtor believe that the solicitation of votes on the Plan will comply with section 1126(b) and that the Bankruptcy Court will confirm the Plan. The Debtor, however, can provide no assurance that modifications of the Plan will not be required to obtain confirmation of the Plan, or that such modifications will not require a re-solicitation of acceptances.

### **ARTICLE XIII**

#### **ALTERNATIVES TO PLAN AND LIQUIDATION ANALYSIS**

There are three possible consequences if the Plan is rejected or if the Bankruptcy Court refuses to confirm the Plan: (a) the Bankruptcy Court could consider an alternative plan of reorganization proposed by the Debtor (or another party after the Exclusive Period); (b) the Debtor's chapter 11 bankruptcy case could be converted to a liquidation case under chapter 7 of the Bankruptcy Code; or (c) the Bankruptcy Court could dismiss the Debtor's chapter 11 bankruptcy case.

##### **A. Alternative Plans**

The Debtor has the exclusive right to propose a plan of reorganization for the first 120 days of the Chapter 11 Case, which time may be extended by the Court for cause, up to a maximum of (18) eighteen months from the Petition Date.

Once the Debtor's exclusivity period expires, any party in interest may file their own plan and seek its confirmation.

##### **B. Chapter 7 Liquidation**

If the Plan is not confirmed, it is possible that the Debtor's chapter 11 case will be converted to a case under chapter 7 of the Bankruptcy Code, in which case a trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to holders of Claims and Interests in accordance with the priorities established by the Bankruptcy Code. Whether a bankruptcy case is one under chapter 7 or chapter 11, secured creditors, Administrative Claims and Priority Claims are entitled to be paid in cash and in full before unsecured creditors receive any funds.

The Liquidating Trust is not bound by the constraints placed on a Chapter 7 liquidation, which will often yield depressed values because the sale is conducted under more or less "fire sale" conditions. In particular, it is unlikely that a chapter 7 trustee will continue to operate the Debtor's assets. Besides logistical concerns, the chapter 7 trustee would not likely be familiar with the intricacies of Debtor's assets, the Debtor's business nor would the chapter 7 trustee be familiar with various environmental and regulatory laws related thereto. Thus, an additional layer of advisors and experts would need to be retained by the chapter 7 trustee, giving rise to additional administrative expenses that would be entitled to priority.

In contrast to these fire sale conditions, the Plan contemplates a sale of substantially all of the Debtor's assets in the open market under less stressful conditions, through a Liquidating Trust and Liquidating Trustee. Such an orderly sale under commercially reasonable methods designed to maximize the return to all holders of Claims and Interests, will help to ensure that each holder



of a Claim or Interest will receive more under the Plan than under a fire sale chapter 7 liquidation.

Moreover, the Debtor believes that the chapter 7 liquidation value of the Estate Property would not be sufficient to pay existing secured claims and Administrative Expense Claims incurred by the Debtor in this bankruptcy proceeding. If the secured creditors are not paid in full in chapter 7, unsecured creditors would receive nothing. Conversely, under the Plan, Administrative Expense Claims would be paid in full through the proceeds of the sale process. In addition, Allowed General Unsecured Claims will receive distributions funded by the proceeds of the sale of the Debtor's assets. Such payments would not occur under a chapter 7 liquidation. Finally, the Debtor asserts that expenses associated with the Plan will be less than those associated with the administrative priority fees of a chapter 7 liquidation.

The Debtor, therefore, believes that the Distributions under the Plan to holders of Allowed Claims will be greater than any Distributions that such holders would receive in a hypothetical chapter 7 liquidation of the Debtor's estate and, accordingly, the Plan meets the requirements of Section 1129(a)(7) of the Bankruptcy Code.

### **C. Dismissal**

If the Debtor's bankruptcy case is dismissed, the Debtor would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code, including the automatic stay. Without such fundamental protections preventing holders of Claims from taking actions against the Debtor, holders of Claims would be allowed to pursue their Claims against the Debtor outside of the bankruptcy proceeding. In particular, holders of Secured Claims would be allowed to exercise their state law remedies with respect to their collateral, including possible foreclosure. Accordingly, the Debtor believes that dismissal of the Debtor's bankruptcy case, which would likely result in a piecemeal dismemberment of the Debtor, would not serve the best interests of holders of Claims and Interests. Rather, a sale of the Debtor's assets, as contemplated by the Plan, will result in greater certainty and a greater potential recovery to creditors.

## **ARTICLE XIV CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

### **A. Introduction**

The following discussion summarizes certain United States federal income tax consequences of the implementation of the Plan to the Debtor and holders of Claims and Interests.

The following summary is based on the Internal Revenue Code of 1986, Treasury regulations thereunder, judicial decisions and published rulings and pronouncements of the Internal Revenue Service ("IRS") as in effect on the date hereof. Changes in these rules, or new interpretations of these rules, may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and subject to uncertainties. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary does not address foreign, state or local tax consequences of the Plan, and it does not purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker dealers, banks, insurance companies, financial institutions, small business investment corporations, regulated investment companies, tax-exempt organizations or investors in pass through entities).

**Accordingly, the following summary of certain federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to the holder of a claim. All holders of claims and interests are urged to consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the plan.**

## **B. Tax Consequences to the Debtor**

Generally, under the terms of the Plan, all Claims and Interests are to be discharged. Any income corresponding to the satisfaction of Claims at a discount should not constitute taxable income to the Debtor since the debt forgiveness arises in connection with a case under title 11 of the United States Code. The Debtor, however, may be required to reduce certain tax attributes, such as net operating loss (“NOL”) carryovers. Any NOLs remaining may be subject to utilization limitations imposed by Internal Revenue Code section 382, as amended.

## **C. Tax Consequences to Claimants**

### **1. In General**

The federal income tax consequences of the implementation of the Plan to a holder of a Claim or Interests will depend, among other things, on: (a) whether its Claim or Interest constitutes a debt or security for federal income tax purposes, (b) whether the holder of a Claim receives consideration in more than one tax year, (c) whether the holder of a Claim is a resident of the United States, (d) whether all of the consideration by the holder of a Claim is deemed received by that holder as part of an integrated transaction, (e) whether the holder of a Claim or Interest reports income using the accrual or cash method of accounting, and (f) whether the holder of a Claim or Interest has previously taken a bad debt deduction or worthless security deduction with respect to the Claim or Interest.

### **2. Gain or Loss on Exchange**

Generally, a holder of an Allowed Claim will realize a gain or loss on the exchange under the Plan of his Allowed Claim for cash and other property in an amount equal to the difference between: (i) the sum of the amount of any cash and the fair market value on the date of the exchange of any other property received by the holder (other than any consideration attributable to accrued but unpaid interest on the Allowed Claim), and (ii) the adjusted basis of the Allowed Claim exchanged therefore (other than basis attributable to accrued but unpaid interest previously included in the holder’s taxable income). Any gain recognized generally will be a

capital gain (except to the extent the gain is attributable to accrued but unpaid interest or accrued market discount) if the Claim was a capital asset in the hand of an exchanging holder, and such gain would be a long-term capital gain if the holder's holding period for the Claim surrendered exceeded one (1) year at the time of the exchange.

Any loss recognized by a holder of an Allowed Claim generally will be a capital loss if the Claim constitutes a "security" for federal income tax purposes or is otherwise held as a capital asset. For this purpose, a "security" is a debt instrument with interest coupons or in registered form.

Holders of Claims who receive any consideration under the Plan in respect of Allowed Claims for accrued but not previously taxed interest must treat the amount of that consideration as ordinary income. A holder of a Claim whose Allowed Claim for accrued and previously taxed interest is not fully satisfied generally may take an ordinary deduction for the unsatisfied portion of that Allowed Claim, even if the underlying claim is held as a capital asset. Holders of Claims should consult their own tax advisors about the proper allocation of consideration between principal and interest.

#### **D. Tax Consequences to Holders of Interests**

Capital gain or loss will be long-term if the Interest was held by the holder for more than one year and otherwise will be short-term.

Any capital gain realized will generally be taxable. Any capital losses realized generally may be used by a corporate holder only to offset capital gains, and by an individual holder only to the extent of capital gains plus \$3,000 of other income.

#### **E. Preservation of Net Operating Loss and Tax Attributes**

Internal Revenue Code section 382 could substantially limit, or deny in full, the availability of the Debtor's net operating loss and tax credit carry-forwards as a result of the transactions contemplated by the Plan. Moreover, Internal Revenue Code section 108 could result in the reduction of the loss and credit carry-forward based on the amount of debt discharged in the Plan.

#### **F. Information Reporting and Backup Withholding**

Under the backup withholding rules of the Internal Revenue Code, holders of Claims may be subject to backup withholding with respect to payments made pursuant to the Plan unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification number and certifies under penalties of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividends and interest income. Any amount withheld under these rules will be credited against the holder's federal income tax liability. Holders of Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

**ARTICLE XV  
CONCLUSION**

This Disclosure Statement has attempted to provide information regarding the Debtor's bankruptcy estate and the potential benefits that might accrue to holders of Claims against and Interests in the Debtor under the Plan. The Plan is the result of efforts of the Debtor's and their advisors to provide the holders of Allowed Claims and Interests with the highest and best recovery. The Debtor believe that the Plan is feasible and will provide each holder of an Allowed Claim against and Interest in the Debtor with an opportunity to receive greater benefits than those that would be received by termination of the Debtor's business and the liquidation of its assets by a chapter 7 trustee. The Debtor, therefore, urge interested parties to vote in favor of the Plan.

Dated: May 24, 2017.

Respectfully submitted,

**JPS Completion Fluids, Inc.**

By: /s/ Sergio Garza  
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