

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

IN RE: X
X
ADVANCED SOLIDS CONTROL, LLC X CASE NO. 16-52748-RBK
X
DEBTOR X CHAPTER 11

FIRST AMENDED DISCLOSURE STATEMENT TO FIRST AMENDED PLAN OF REORGANIZATION OF ADVANCED SOLIDS CONTROL, LLC

I. INTRODUCTION

On December 2, 2016, Advanced Solids Control, LLC (hereinafter the "Debtor"), filed its voluntary petition under Chapter 11 of the United States Bankruptcy Code. Since that time it has continued to operate as Debtor in Possession pursuant to the provisions of Section 1108 of the Bankruptcy Code.

This First Amended Disclosure Statement To First Amended Plan of Reorganization (hereinafter "Disclosure Statement") has been prepared by the Debtor pursuant to Section 1125 of the Bankruptcy Code, which requires that creditors receive a written Disclosure Statement containing sufficient information about the Debtor to enable creditors to make an informed and intelligent decision regarding the First Amended Plan of Reorganization (hereinafter "Plan"). Prior to the solicitation of your vote on the Plan, and as required by the Bankruptcy Code, the Bankruptcy Court has approved this Disclosure Statement as containing adequate information on the Debtor.

In addition to this Disclosure Statement and accompanying Plan, you will also receive an order of the Court setting the hearing on the confirmation of the Plan and establishing deadlines for casting your vote or filing objections to confirmation. Mailing instructions are included in your Ballot. YOUR VOTE IS IMPORTANT. In order for the Plan to be accepted, at least two-third (2/3's) in amount and one-half (1/2) in number of the voting creditors in each class must affirmatively vote for the Plan. Even if all classes of claims accept the Plan, the Bankruptcy Court may refuse to confirm the Plan. Among other things, Section 1129 requires that the Plan be in the best interests of the creditors and other parties in interest, and generally requires that the holders of the claims not receive less than would otherwise be realized if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

In appropriate circumstances, the Bankruptcy Court may confirm a Plan even though less than all of the classes of claims accept the Plan. The circumstances warranting confirmation

notwithstanding the vote of a dissenting class or classes of creditors are set forth in Section 1129(b) of the Bankruptcy Code. Except as otherwise provided in the Plan, the Order of Confirmation, or Section 1141(d), confirmation of the Plan will discharge the Debtor from all of its debts. Confirmation makes the Plan binding on the Debtor and all of its creditors, regardless of whether or not they have accepted the Plan.

- A. The Debtor. The Debtor is Advanced Solids Control, LLC
- B. The Disclosure Statement.

Pursuant to Section 1125(b) of the Bankruptcy Code (Title 11 of the United States Code, hereinafter referenced as 11 U.S.C. section number), a precondition to solicitation of acceptances and rejections of a Plan of Reorganization from holders of claims or interests in the bankruptcy estate is that the holders be furnished with a copy of the Plan or a summary of the Plan and a written Disclosure Statement which contains "adequate information".

"Adequate information" means

information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor's books and records, that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the Plan, but adequate information need not include such information about any other possible or proposed Plan. 11 U.S.C. 1125(a)(1).

Whether or not a Disclosure Statement contains adequate information is determined by the Court upon notice and hearing. 11 U.S.C. 1125(b). All parties in interest may participate in this determination. After the Disclosure Statement is approved by the Court, a hearing will be set on confirmation of the Plan and a Plan package which includes copies of the Order Approving Disclosure Statement, Plan, Disclosure Statement and Ballot will be sent to the parties entitled to vote on the Plan.

- C. Chapter 11.

Chapter 11 is a portion of the Bankruptcy Code which provides businesses and certain individuals with protection from creditors while it seeks to reorganize its financial affairs, including the repayment of its debts. The terms of the proposed reorganization are embodied in a Plan of Reorganization. While the Bankruptcy Code gives the Debtor many aids in the reorganization of its financial affairs, these aids are balanced with rights and protections afforded to creditors. Confirmation of a Plan of Reorganization is the objective of the Debtor in a Chapter 11 Reorganization Case. Performance of the confirmed Plan is the objective of the Reorganized Debtor. The Plan is the terms by which the claims against and interests of the Debtor is satisfied.

D. The Process of Confirmation.

1. Hearing on Confirmation. Confirmation of a Plan is simply approval by the Court. This approval is sought by the Plan proponent at the hearing on confirmation. In order to obtain approval of the Court, the Plan proponent must show that the Plan meets all requirements for confirmation.

2. Requirements for Confirmation. The requirements for confirmation are listed in 11 U.S.C. Section 1129(a). These requirements are part of the balancing of rights and aids between the Debtor and its creditors. Certain of the requirements for confirmation necessitate the solicitation of ballots from the holders of claims against and interests in the Debtor indicating either the acceptance or rejection of the Plan. Section 1129(a) does not require that each and every holder of a claim against or interest in the Debtor's vote to accept the Plan in order for it to be confirmed by the Court. First, only those holding claims or interests which are in classes which are impaired are entitled to vote. Impairment is defined in 11 U.S.C. 1124.

Impairment basically means an alteration of the legal, equitable or contractual rights of the holder of the claim or interest. The Plan proponents must assert in the Disclosure Statement whether or not each class is deemed by them to be impaired. The proponents' conclusion may be disputed by a creditor and the dispute resolved by the Court. If a Plan impairs or changes the rights of any creditor, it must be accepted by at least one Class of impaired claims. Second, only those ballots that are properly completed and timely delivered are counted. Third, of those voting in each class, only a majority of the claims in number and at least two-thirds (2/3) in amount are needed for the acceptance of the Plan by that class.

Even if all Classes of claims and interests accept the Plan, its confirmation may be denied by the Bankruptcy Court for the failure to meet some other requirement of Section 1129 of the Bankruptcy Code. Among those requirements is one that the Plan be in the best interest of claimholders and interest holders. That generally requires that the value to be distributed to claimholders and interest holders may not be less than such parties would receive if the Debtor were liquidated under Chapter 7 of the Code.

3. Cramdown. The Court may confirm a Plan even though a class of claims or interest holders rejects the Plan. Confirmation of a Plan over the rejection by one or more classes of claims or interests is generally referred to as "cram down". In order for the Plan to be confirmed in spite of the rejection by a class of claims or interests, the proponent of the Plan must show that the Plan does not discriminate unfairly and is fair and equitable with respect to each class of claims or interests that is impaired and has not accepted the Plan.

Section 1129(b)(2) provides that the following standards are among the issues to be considered in determining whether the Plan is "fair and equitable" with respect to a particular class:

Secured Claims. The Plan is fair and equitable with respect to a class of secured claims if it provides that either:

1. The holders are to retain their lien, whether the collateral is retained by the Debtor or transferred to another entity, to the extent of the allowed amount of their secured claim, and are to receive deferred cash payments totaling not less than the allowed amount of their claims and having a present value of not less than the value of the collateral.
2. The collateral is to be sold in a sale permitting the holder to "bid in" free and clear of holder's lien, with such lien to attach to the proceeds of such sale, and the treatment of the lien on such proceeds under either clause (1) or (3) hereof; or
3. The holders are to receive the "indubitable equivalent" of their claims.

Unsecured Claims. The fair and equitable requirement in the context of a class of unsecured claims requires that either:

1. The holders are to receive property with a present value equal to the allowed amount of their claims; or
2. No holders in a class junior to the rejecting class are to receive any property.

II. REPRESENTATIVES

The statements contained in this Disclosure Statement are made as of the date of this Disclosure Statement unless another time is specified. Except as stated herein, no other representations concerning the Debtor, its financial affairs, the value of its property, or the value of any benefits offered to you in the Plan are authorized. ANY REPRESENTATIONS OR INDUCEMENTS WHICH ARE CONTRARY TO THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, and such representations or inducements and their origin should be immediately reported to William R. Davis, Jr., Langley & Banack, Inc., Counsel for the Debtor, 745 E. Mulberry, Suite 900, San Antonio, Texas 78212 Telephone: (210) 736-6600.

THE DEBTOR AND ITS COUNSEL HAVE MADE EVERY EFFORT TO INSURE THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS ACCURATE. WE CANNOT, HOWEVER, WARRANT THAT ALL OF THE DATA IS COMPLETELY ACCURATE, THOUGH WE FEEL IT IS MATERIALLY ACCURATE TO OUR BEST KNOWLEDGE, INFORMATION AND BELIEF. THE INFORMATION IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO AN INDEPENDENT AUDIT, AND FINANCIAL INFORMATION HAS BEEN BASED UPON OUR INTERNAL RECORDS. IF ANY STATEMENTS OF FINANCIAL MATTERS WERE MADE BY THIRD-PARTY ACCOUNTING PROFESSIONALS ACCOMPANY THIS DISCLOSURE

STATEMENT, THEY WILL CONTAIN A DISCLAIMER REQUIRED OF UNAUDITED FINANCIAL INFORMATION. FURTHER, YOU SHOULD NOT CONSTRUE THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT AS AN ENDORSEMENT OF THE PLAN OR A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION PRESENTED HEREIN.

The Debtor has expended considerable time in devising a Plan which it believes to be financially feasible and fair to its creditors. Consequently, the Debtor urges you to vote for acceptance of the Plan.

III. INFORMATION CONCERNING THE DEBTOR

A. History of the Debtor

1. Description of the Debtor's Operations

Advanced Solids Control, LLC is a Texas limited liability company formed in March of 2007 for the purposes of providing solids control services and equipment for land based oil and gas drilling and well completion in Texas and New Mexico. The operations of the Company involved utilizing centrifuges, auger tanks, shale shakers and open top shale bins for the cleaning and handling of drilling fluids and the removal and disposal of solids generated in the oil and gas drilling process. The Company grew substantially from 2007 to 2014, but its business was greatly affected by the down turn in the oil and gas markets in the United States starting at the end of 2014, and by summer of 2016 because of the reduced commodity prices of oil and gas and its effects on the level of oil and gas well drilling in the United States during 2015 and 2016, the Company's operations had basically come to a halt with no ongoing jobs. The Company also suffered from overspending and mismanagement. The Company liquidated assets through auctions during the summer of 2016, and its operations ceased in the fourth quarter of 2016 with the company eventually entering into a Chapter 11 Bankruptcy proceeding in December of 2016. The Company has not operated since the filing of its Chapter 11, but has worked to assembled its assets and make them available to parties who have expressed interest. The Company has generated minimal income during the pendency of its Chapter 11 Bankruptcy by the rental of some of its equipment assets to third parties. The Debtor has been able to sell some equipment to third parties, and has reached out to a number of companies in an effort to sell all/part of its remaining equipment. No parties have appeared or offered to purchase the assets for an amount exceeding the balance owing to the secured lien holder. Two nationally known equipment auction companies have offered to perform auctions of the Company's equipment assets but the estimated auction proceeds to be generated from a liquidation by auction of all of the Company's equipment assets were estimated to be only slightly more than One Million Dollars, an amount far less than the balance owing to the secured lien holder on the Company's equipment assets. As a result, the current lien holder on the Company's assets has proposed a plan for purchase of the Company's assets in satisfaction of the liens outstanding, plus additional consideration as more fully set out in the Plan and Disclosure Statement.

2. Results of Operations as Debtor in Possession

Since the bankruptcy filing, the Debtor has used its best efforts to locate and secure all assets, and determine the value and best use of those assets. Based upon the fact that the Debtor does not have the money to operate the business as it had done pre-petition, compounded by the poor condition of the equipment, most of which had been sitting idle and unprotected from the elements in the Debtor's yard at 4116 Tidwell, Carlsbad, New Mexico, the Debtor has determined that the best use of the remaining equipment is to sell the equipment in bulk. The Debtor's decision to sell the equipment in bulk is based upon several factors. First, the equipment is located at the Debtor's yard in Carlsbad, New Mexico, which is not readily available for review by an average buyer interested in purchasing a small amount of equipment. It would be very expensive to move the equipment piece-meal, or even in bulk, for the purpose of a sale or auction. The Debtor has reached out to several parties who appeared interested in purchasing the equipment in bulk and/or holding an auction to liquidate the equipment. The Debtor negotiated with Reich Brothers, LLC, Perfection Industrial and other potential parties. Both Reich Brothers, LLC and Perfection Industrial traveled to New Mexico and inspected the equipment at the Debtor's yard, and neither made an offer to purchase the equipment; both companies made an offer to auction the equipment, with guarantees to the Debtor of around \$1,000,000.00 each. WTRF had a Restricted Appraisal Report of the Debtor's machinery and equipment performed by Mass Sellers, CMEA, of Equify Asset Services as of July 18, 2017. The Report determined that the market values of the equipment of the Debtor is in the amount of \$5,451,608.00, with an orderly liquidation value of the equipment in the amount of \$2,284,870.00. The Debtor has updated the list of assets/values based upon the deletion of assets for sales made after the appraisal and the additional miscellaneous equipment located by the Debtor during the bankruptcy case (from Darin Harding/Harvey Rodriguez). The new value is in the amount of \$1,563,718.00. This is after the sale to PMS (Order entered on October 23, 2017) closed. Additional sales have been approved by the Court and closed subsequently. The estimated market value of the remaining equipment is substantially less today. One of the biggest factors in the orderly liquidation value of the equipment is the relatively poor condition of the equipment, and the unknown due to the fact that the equipment has not been used for quite some time, and may require a great deal of expenses to bring up to operating condition. Additionally, the Debtor needs to sell the real property (4116 Tidwell, Carlsbad, New Mexico) where the equipment is located, and which has the potential to generate significant equity to help fund the payment of the claims of allowed creditors herein. Additionally, the Debtor believes it is better to sell the equipment sooner rather than later. The market for the equipment has improved, and the Debtor believes that now is an optimum time (under the circumstances) to sell the equipment. Finally, it is hard (and expensive) to continue storing the equipment at its yard, which is remote and hard to secure/monitor.

3. Estimated Future Income and Expenses

A copy of the Debtor's 2015 corporate income tax return (Form 1065) is attached hereto as Exhibit "D". Additionally, attached hereto as Exhibit "E" is a copy of the Debtor's liquidation analysis, which estimates the amounts to be realized from the sale/liquidation of the Company's assets of the Plan of Reorganization as proposed herein.

4. Future Management of the Reorganized Debtor

No management changes are proposed, other than as discussed herein, as part of the sale/liquidation of the Debtor's assets. Leah Schexnayder, who is the party most familiar with the Debtor's assets and this bankruptcy case, will continue performing her services on behalf of the Debtor, including the performance of all obligations required under the Plan of Reorganization, as confirmed. This includes completing the liquidation of the equipment as provided herein, any Plan payments and any post-confirmation reports.

5. Causes of the Bankruptcy Filing

A slowdown in the oil and gas business beginning in late 2014-early 2015, which left the Debtor's equipment idle, and the Debtor unable to pay its creditors. The Debtor began liquidating assets pre-petition to pay down its secured creditors, in an effort to allow the Debtor's survival.

6. Changes to Operations

The Debtor has decided to sell substantially all of the personal property assets to WTF Rentals, LLC, a related entity that holds liens on all the Debtor's equipment, in an effort to pay its creditors in an orderly manner. The Debtor ceased operations pre-petition, and due to lack of funding has been unable to restart operations during this bankruptcy case which would require a substantial cash infusion. WTF Rentals, LLC is proposing to credit bid the amount of its debt (\$2,309,122.15 as of November 30, 2017) for the purchase of the assets of the Debtor as set forth on Exhibit "I". The amount owing to WTF Rentals, LLC has been calculated after deducting the amount received from the sale to PMS (\$570,676.00), which recently closed after being approved by the Bankruptcy Court. Additionally, WTF Rentals, LLC is going to include as a part of its purchase offer another \$150,000.00 cash, which funds will become available to the Debtor's estate to pay allowed claims. Additionally, both WTF Rentals, LLC and Magnum Oil Tools International, LLC have agreed to subordinate their respective administrative claims incurred during this case (Magnum's is \$432,295.00 through August, 2017), if the Plan is confirmed and the proposed plan sale to WTFR closes.

7. Sales of Assets During Bankruptcy

During the course of the bankruptcy case, the Debtor sold all five (5) houses located on Pat Garrett Ct., Carlsbad, New Mexico, which the Debtor previously used to house key parties to its operations. This has allowed the Debtor to pay in full a \$900,000.00 Note to First National Bank of Beeville, as well as pay down a second Note to First National Bank of Beeville by approximately \$310,000.00 (which Note is secured by the real property located at 4116 Tidwell (Debtor's yard) The Debtor also sold a house located at 502 Oak Valley Dr., Midland, TX, which partially paid a mortgage to WTF Rentals, LLC on the property. During the case, the Debtor has also sold most of its vehicles, as well as multiple pieces of equipment, all done pursuant to Orders obtained from the Bankruptcy Court authorizing such sales. The proceeds have been paid to lienholders where applicable, with the unencumbered proceeds being used by the Debtor to partially fund its bankruptcy operations.

IV. ANALYSIS AND VALUATION OF PROPERTY

A. Real Property

On the Petition Date the Debtor owned multiple pieces of real property as set forth on the Schedule A - Real Property filed in its bankruptcy case. The real property located at 502 Oak Valley Dr., Midland, TX was subject to a Deed of Trust Lien to WTF Rentals, LLC and was sold and the proceeds applied to the Real Estate Note, reducing the remaining amount of WTF's secured claims. Proceeds from the sale of other properties paid down the liens of First National Bank of Beeville - 4116 Tidwell Rd., Carlsbad, NM (Debtor's yard) remains as an asset of the Debtor, and is pledged to First National Bank of Beeville. The remaining real property owned by the Debtor is presently listed for sale with a qualified licensed real estate broker (an Application to Employ Century 21 Associated Professionals, Inc as Real Estate Brokers was filed on August 1, 2017 and the Order Approving the Employment of Century 21 Associated Professionals, Inc. As Real Estate Broker For the Estate of Advanced Solids Control, LLC was entered on August 7, 2017) relating to the sale of the Tidwell yard. During the course of the bankruptcy case, the Debtor sold five (5) New Mexico houses (3904, 3906, 3907, 4004 and 4005 Pat Garrett Ct.) and paid off one Note to First National Bank of Beeville. The Debtor believes that significant proceeds will be generated from the sale of 4116 Tidwell Rd., which is anticipated to take between 3-6 months to locate a buyer and consummate a sale, with an anticipated market value of between \$1,050,000.00-\$1,100,000.00. However, the property has not sold and the asking price was recently lowered to the amount of \$990,000.00. The debt owing to First National Bank of Beeville has been paid down to the approximate amount of \$850,000.00. The Debtor believes that in excess of \$100,000.00 net to the Debtor's Estate may be generated from the sale of 4116 Tidwell, Carlsbad, New Mexico for payment to the estate's allowed claims (See Exhibit "E").

B. Personal Property

Attached hereto as Exhibit "B" is the Schedule B - Personal Property filed by the Debtor with the Court. The Debtor's personal property on the Petition Date included accounts receivable (mostly uncollectible), vehicles (mostly sold), equipment and furniture. Based upon the pre-petition liens, no value is projected to be realized for the Estate's creditors in a liquidation scenario (See Exhibit "E"). Post-petition, the Debtor determined that a significant amount of equipment was not in the Debtor's yard and remains missing. The Debtor has and is pursuing any potential recovery from its insurance policies. The Debtor filed an adversary proceeding styled *Advanced Solids Control, Inc. vs. KAT Energy Services, Inc., Darin Harding and Harvey Rodriguez*, Cause No. 17-5022-RBK in this bankruptcy case, seeking the turnover of equipment alleged to be improperly in the possession of the Defendants. A Temporary Restraining Order was entered on March 13, 2017. To date, the Debtor has received about \$22,000.00 in accounts receivable and an account receivable due to K.A.T. Energy Services, Inc. from BHP Billiton in the approximate amount of \$23,000.00 which the Debtor has not been able to collect to date, representing the income from jobs K.A.T. Energy Services, LLC generated while using the Debtor's equipment, as well as various items of equipment (2 Auger tanks and miscellaneous control panels). WTFR's liens attach to these assets, however if the Plan is confirmed and WTFR is the winning bidder, it will release its liens on these specific assets. The K.A.T. lawsuit was ongoing, although a settlement has been negotiated and approved by the Bankruptcy Court.

K.A.T. Energy Services, Inc. and Darin Harding (Harding Parties) have agreed as a part of this Settlement and Release Agreement to do the following:

- (a) The Harding Parties shall assign to WTF Rentals, LLC (hereinafter "WTFR") all claims filed by K.A.T. Energy Services, Inc. and Darin Harding against ASC, including but not limited to Claim No. 27 and Claim No. 28 filed in the Debtor's Bankruptcy Case;
- (b) The Harding Parties shall assign to ASC all accounts receivable and other rights to payment generated in any respect through the property or business opportunities of ASC, including the Harding parties best efforts to assist the ASC parties in recovering the accounts receivable;
- (c) The Harding Parties, and any other responsible party, shall grant to ASC and WTFR, and their assigns, a perpetual, worldwide non-exclusive license to use the Patents and any other right or property controlled by the Harding Parties relating to the assets or business operations of ASC;
- (d) The Harding Parties shall assign all membership interests in ASC to W. Lynn Frazier, which interest shall constitute not less than twenty-five percent (25%);
- (e) The Harding Parties shall purchase from ASC certain equipment through the payment to ASC in good funds the amount of USA \$23,000.00 in six (6) equal installments of

\$3,833.33. The first installment payment shall be due and payable in good funds at ACS's address on the date of execution of this Agreement. An additional payment shall be due and payable in good funds at ASC's same address every thirty (30) days thereafter until paid in full; WTRF's liens attach to these assets, however if the Plan is confirmed and WTRF is the winning bidder, it will release its liens on these specific assets.

(f) The Harding Parties shall release the ASC Parties (as ASC parties is defined in the Plan) of all Claims as set forth in Section (a) above, in addition to any other claims the Harding parties could assert; and

(g) Upon completion by the Harding Parties of covenants (a)-(f) above, the ASC Parties shall release the Harding Parties pursuant to the provisions of Section (a) and (b) above.

The other party to the lawsuit, Harvey C. Rodriguez, failed to answer or otherwise respond to the adversary proceeding. As a result, on April 21, 2017, the Order Granting Motion For Entry of Default Judgment Against Harvey C. Rodriguez, Co-Defendant was entered granting a default judgment against Harvey C. Rodriguez for liability purposes, without the award of a specific amount of damages. On December 13, 2017, the Debtor (Plaintiff in the adversary proceeding) filed its Motion to Establish and Award Damages Pursuant to Order Granting Motion For Entry of Default Judgment Against Harvey C. Rodriguez. A hearing on the Motion to Award Damages is scheduled on January 10, 2018 in the adversary proceeding..

C. Contracts and Leases

Attached hereto as Exhibit "C" is a copy of Schedule G - Executory Contracts and Unexpired Lease, which lists the leases to which the Debtor is a party. On March 3, 2017, the Debtor filed its Motion to Reject Executory Contracts With Frost Bank and on April 5, 2017, the Order Rejecting Executory Contracts With WTF Rentals, LLC (Assignee From Frost Bank) was entered. Subsequent to the filing of the Motion, WTF Rentals, LLC an affiliate of the Debtor, purchased Frost Bank's position on the leases/real estate note/secured claims. Approximately \$2,309,122.15 (as of November 30, 2017) after the sale to PMS approved by the Court on October 23, 2017 closed, is owed to WTF Rentals, LLC under the leases/secured claims, which is secured by all the equipment owned by the Debtor. On July 13, 2017, the Debtor filed its Motion to Reject Executory Contract with LEAF Capital Funding, LLC and on August 8, 2017, the Order Rejecting Executory Contract with LEAF Capital Funding, LLC was entered rejecting the Debtor's agreement with LEAF Capital Funding, LLC.

D. Liquidation Value

The Debtor's analysis of the distribution to creditors in a Chapter 7 liquidation scenario concludes that the estate's administrative and priority creditors will not be paid in full because almost all assets are encumbered by liens. The estate's unsecured creditors will receive nothing should the case be converted to a case under Chapter 7 and the assets liquidated. The secured

claims of the various secured creditors far exceed the value of the Estate’s assets. A liquidation analysis prepared by the Debtor is attached hereto as Exhibit "E".

The Debtor has determined that its best option is to sell its remaining assets (equipment) in bulk - See Exhibit “I” attached hereto. The Debtor has attempted to secure a third party to purchase the assets in bulk without success. The Debtor continues its efforts to locate purchasers for all or part of the remaining assets. The Debtor has agreed to sell the remaining equipment as set forth on Exhibit “I” to WTF Rentals, LLC, the lienholder on the equipment, in full satisfaction of the amount owing to WTF Rentals, LLC - \$2,309,1222.15 (as of November 30, 2017), plus other valuable consideration including a cash payment to the Debtor of \$150,000.00, cash payments for outstanding taxes of approximately \$83,000.00 (personal property taxes), release of WTRFR’s liens on certain cash collateral and receivables, and the agreed subordination of its administrative claim and its affiliate Magnum’s substantial administrative claim. The only other secured claim against the Debtor’s equipment is the tax claims owed to Eddy County for 2016/2017 (pro-rata), which is estimated to be in the approximate amount of \$80,000.00 for tax year 2016, which WTF Rentals, LLC will pay in full at the closing of the sale of the equipment and a small tax claim to Nueces County (\$3,000.00). WTF Rentals, LLC had an appraisal prepared on the equipment performed by Equify Asset Services to confirm that the sales price proposed herein is a reasonable value. The orderly liquidation value of the equipment proposed to be sold to WTF Rentals, LLC herein is in the amount of \$1,563,718.00 (which has been further reduced by sales of additional collateral), which is approximately \$1 million less than the total consideration of WTRFR’s offer. As a part of the sale to WTF Rentals, LLC, WTF Rentals, LLC has agreed to contribute the amount of \$150,000.00 towards administrative and other allowed claims against the Estate. Additionally, if the Plan is confirmed and the sale to WTRFR closes, Magnum Oil Tools International, LLC, a company owned by W. Lynn Frazier, has agreed to subordinate its administrative claims (as approved by the Bankruptcy Court) incurred during this bankruptcy case (post-petition) in the projected amount of \$432,295.00 through August, 2017, to allowed administrative, priority, and general unsecured claims.

V. SUMMARY OF PLAN OF REORGANIZATION

A. Classification and Treatment of Claims

Administrative claims consist of the professionals who have provided services to the Debtor during the pendency of this Chapter 11 case. These claimants and the estimated amount of their claims are as follows:

Langley & Banack, Inc. (Attorneys)	\$250,000.00
Tranbarger & Company, LLP (CPAs)	20,000.00
Magnum Oil Tools International, Ld.	<u>432,295.00</u>
 Total Estimated Professional Claims	 <u>\$702,295.00</u>

The amount of the professional fees disclosed above is an approximate amount. It is unknown at this time exactly how much money will be incurred in professional fees in this Chapter 11 case. A final determination cannot be made until such time as the case is closed as to reasonable professional fees for the provision of whatever services become necessary in this Chapter 11 case. Any other allowed costs and expenses of administration of the Debtor's Chapter 11 bankruptcy case are also included as administrative claims. These claims will be paid in full at confirmation unless otherwise agreed to by each claimant, less any retainers already received, after approval by the Court of said fees. The anticipated administrative expenses of the Debtor is moderate, with the largest estimated administrative expense claim being the legal fees of Langley & Banack, Inc. Pursuant to the proposed sale of the majority of the Debtor's remaining personal property assets, to WTF Rentals, LLC, the allowed administrative claims of Magnum in the projected amount of \$432,295.00 through August, 2017 are to be subordinated in favor of payment of allowed administrative, priority, and general unsecured claims. Should WTF Rentals, LLC not be the successful bidder herein, the allowed administrative claim of Magnum is to be allowed and treated as an administrative claim. Additionally, Sentrimax was granted an allowed administrative claim in the order granting it adequate protection, see Doc. #84, which claim is now owned by WFR. If WFR's secured claim is not paid in full as provided in the Plan, all its rights as an administrative creditor are fully preserved.

Administrative claims are unimpaired under the Plan and not entitled to vote on the Plan.

The Class 1 claim consists of the secured claims of the Eddy County Treasurer. The claim of the Eddy County Treasurer for 2016, including interest and late fees as of 8/3/17, is in the approximate amount of \$82,144.63 for personal property taxes and \$4,902.50 (after reduction for amounts paid from the sale of real properties during the bankruptcy case, and is secured by real/personal property). The claim is for 2016 taxes. The Debtor will also pay 2017 ad valorem taxes (pro-rata) through the sale of the real/personal property. The Debtor estimates that the property securing the claim exceeds the amount owing. Eddy County Treasurer did not file a Proof of Claim. The claim for taxes on the personal property only will be paid by WTF Rentals, LLC (or the successful bidder) at closing of the sale of the Debtor's equipment and other personal property to WTF Rentals, LLC (or the successful bidder). The secured claims of the Eddy County Treasurer will be repaid from the sale/liquidation of the Debtor's assets according to their lien position. To the extent there is a balance remaining owing as of confirmation, the balance owing will be repaid through monthly payments of principal and interest (1% per month) beginning on the 1st day of the month following the Effective Date of the Plan based upon a two (2) year term.

The Class 1 claim is unimpaired under the Debtor's Plan of Reorganization and is not entitled to vote on the Plan.

Class 2 - Secured claims of First National Bank of Beeville which filed a secured proof of claim on February 23, 2017 in the amount of \$902,639.55. The claim was fully secured and has

been paid in full through the sale of the real properties securing the claim. The real properties were listed for sale with Carolyn Cage of Means Real Estate, LLC and First National Bank of Beeville has been paid in full from the sale of the following real properties (3904, 3906, 3907, 4004 and 4005 Pat Garrett Ct.). Additionally, approximately \$310,000.00 in net sale proceeds was paid towards the Class 3 secured claim of First National Bank of Beeville (which is cross-collateralized with the Class 2 secured claim of First National Bank of Beeville). Finally, First National Bank of Beeville has a second secured claim (Class 3) which is secured by the Debtor's New Mexico yard (4116 Tidwell Rd., Carlsbad, NM). The two (2) Notes to First National Bank of Beeville are cross-collateralized, and all excess proceeds from Class 2 have been applied to reduce the amount owing on First National Bank of Beeville Class 3 claims. Both Class 2 and 3 secured claims are personally guaranteed by W. Lynn Frazier, Gary Sweetman and Darin Marle Harding.

Class 2 claim is unimpaired (fully satisfied) under the Debtor's Plan of Reorganization and is not entitled to vote on the Plan.

The Class 3 claim consists of the secured claim of First National Bank of Beeville. The claim of First National Bank of Beeville is secured by real property located at 4116 Tidwell Rd., Carlsbad, NM (the Debtor's yard). The Debtor estimates the real property has a market value of between \$1,050,000.00 to \$1,100,000.00. However, the Debtor recently lowered the asking price to the amount of \$990,000.00. First National Bank of Beeville filed a secured Proof of Claim on February 23, 2017 in the amount of \$1,147,477.81. The claim has been partially satisfied through payments totaling the approximate amount of \$310,000.00 from the sale of real property securing the Class 2 claim listed above reducing the balance owing to the approximate amount of \$850,000.00. The secured claim of First National Bank of Beeville will be repaid in full from the sale of the real property (4116 Tidwell, Carlsbad, New Mexico) securing its claim. Any excess proceeds from the sale of the real property securing Class 3 claims will be used to pay allowed claims pursuant to the bankruptcy payment hierarchy, pursuant to the terms of the Debtor's liquidating Plan contained herein. Both Class 2 and 3 secured claims are personally guaranteed by W. Lynn Frazier, Gary Sweetman and Darin Marle Harding.

In case the Debtor has not completed the sale of the real property prior to confirmation of the Plan of Reorganization, the Debtor will make monthly payments of interest only (6%) in the projected amount of \$4,200.00 beginning on the first day of the month following the Effective Date of the Plan until the real property is sold and First National Bank of Beeville's secured claim paid in full. This Note will automatically mature two (2) years from the Plan's Effective Date. If the Debtor has been unable to sell the Tidwell property in the time proposed herein, or otherwise default under the terms of the Note to First National Bank of Beeville, the First National Bank of Beeville will be allowed to proceed with a non-judicial foreclosure sale.

The Class 3 claim is impaired under the Debtor's Plan of Reorganization and is entitled to vote.

The Class 4 claim consists of the secured claim of WTF Rentals, LLC. WTF Rentals, LLC, which recently acquired the secured claims of Frost Bank and Sentrimax, has a secured claim in the amount of \$2,309,122.15 (as of November 30, 2017) and is secured by UCC liens on all of the Debtor's equipment. WTF Rentals, LLC filed its Proof of Claim on April 4, 2017 in the amount of \$3,263,549.10. WTF Rentals, LLC also acquired the secured claim of Sentrimax Centrifuges, Inc. in the amount of \$243,352.77 filed on April 7, 2017, and all Sentrimax's rights under the Court's order granting adequate protection (See Doc #84) as evidenced by the Transfer of Claim filed by WTF Rentals, LLC on May 10, 2017. WTFR received payments for certain court approved sales of its collateral, and the amount of its claim is \$2,309,122.15 (as of November 30, 2017) and is allowed in full as a secured claim. The secured claims of WTF Rentals, LLC will be repaid in full through the sale of the Debtor's equipment and other personal property securing the claim of WTF Rentals, LLC set forth herein to WTF Rentals, LLC (assuming WTF Rentals, LLC is the successful bidder). A copy of the equipment to be sold to WTF Rentals, LLC is set forth on Exhibit "I" attached to the Disclosure Statement. The additional assets to be sold consist of basically all of the assets of the Debtor as set forth in Exhibit "K" attached to the Disclosure Statement – Asset Purchase Agreement. All three (3) members of the Debtor are guarantors on the WTF Rentals, LLC debt. If the sale to WTFR does not close with WTFR as purchaser, WTFR's liens are fully preserved and allowed as secured claims, and as an administrative claim pursuant to the Order granting adequate protection, see Doc. #84. All proceeds of any sale to any other party will be paid to WTFR at closing, up to the allowed amount of its secured claim, plus interest and attorneys fees.

The Class 4 claim is impaired under the Debtor's Plan of Reorganization and is entitled to vote on the Plan.

The Class 5 claim consists of the secured claims of Midland Central Appraisal District. Midland Central Appraisal District held secured claims in the approximate amount of \$15,000.00 which were secured by the real property located at by 5002 Oak Valley, Midland, Texas. Midland Central Appraisal District filed two (2) Proofs of Claim on January 14, 2017 in the amount of \$7,579.58 for 2016 taxes and \$7,218.63 for 2017 taxes. The secured claims of Midland Central Appraisal District have been repaid (2016 in full and 2017 pro-rata) from the sale of the real property located at 5022 Oak Valley, Midland, TX, which sale closed after the Debtor received Court permission to sell the property.

The Class 5 claim is unimpaired (fully paid) under the Debtor's Plan of Reorganization and is not entitled to vote on the Plan.

The Class 6 claim consists of the secured claim of Midland County. Midland County filed a secured Proof of Claim on January 26, 2017 in the amount of \$628.41 for 2016 ad valorem taxes on real property located at 5002 Oak Valley Dr., Midland, TX. Midland County's secured claim has been paid in full from the sale of the real property located at 5002 Oak Valley Dr., Midland, Texas.

The Class 6 claim is unimpaired (fully paid) under the Debtor's Plan of Reorganization and is not entitled to vote on the Plan.

The Class 7 claim consists of the secured claim of the Nueces County Tax Collector. Nueces County Tax Collector has a secured claim in the approximate amount of \$2,300.00 which claim is secured by personal property, which the Debtor estimates has a market value in excess of the amount of the debt. Nueces County Tax Collector filed a Proof of Claim on December 14, 2016 in the amount of \$2,293.82 for 2016 personal property taxes. The secured claim of Nueces County Tax Collector is to be repaid through monthly payments of principal and interest (1% per month) in the projected amount of \$110.00 based upon a term of two (2) years, with such monthly payments beginning on the first day of the month following the Effective Date of the Plan, or from the sale of the personal property as it is sold (if sooner). The claim will be paid by WTF Rentals, LLC at closing of the sale of the Debtor's equipment to WTF Rentals, LLC.

The Class 7 claim is unimpaired under the Debtor's Plan of Reorganization and is not entitled to vote on the Plan.

The Class 8 claims consist of the claims of pre-petition independent contractors, none of which are entitled to be treated as priority unsecured creditors, and as such, are being included in and treated as Class 10 general unsecured creditors.

There are no Class 8 creditors.

The Class 9 claims consist of the priority unsecured claim of the State of New Mexico. The State of New Mexico did not file a Proof of Claim. The Debtor scheduled two (2) claims to the State of New Mexico - a claim in the amount of \$1,346.32 to the Taxation & Revenue Department and a claim in the amount of \$164.25 to the Worker's Compensation Fee. These claims total the amount of \$1,510.61, and have previously been paid in full.

The Class 9 claims are unimpaired under the Debtor's Plan of Reorganization and are not entitled to vote on the Plan.

The Class 10 claims consist of the claims of allowed general unsecured creditors which existed prior to confirmation. The amount of the general unsecured claims consists of the claims scheduled on the Debtor's Schedules (Schedule F) filed with the Court, and as amended, and the Proofs of Claim timely filed in this case. The Proof of Claim deadline was April 10, 2017. The projected amount of unsecured creditors is in the amount of \$865,446.97. This is the result of the settlement reached between the Debtor and David Moulton on behalf of the Zach Westbrook litigation claimants (Claim Nos. 32-76, 78) which claims as filed total the amount of \$1,964,622.30. The claims were unliquidated and the parties have agreed to allow the unsecured claims in the total amount of \$300,000.00, to be allocated on a pro-rata basis amount. The Zach Westbrook claim agreement has been filed evidencing the agreement - Agreed Objection to the Proofs of Claim of Unsecured Creditors (Claim Nos. 32-76, 78) was filed on October 24, 2017 and uploaded with an Agreed Order Allowing Proofs of Claim of Unsecured Creditors (Claims

Nos. 32-76, 78) signed by counsel for the parties. On October 24, 2017, the Agreed Objection to the Proofs of Claim of Unsecured Creditors (Claim Nos. 32-76, 78) was entered allowing the Zach Westbrook claims in the total amount of \$300,000.00. Attached hereto as Exhibit "L" is an analysis of the Debtor's cash flow and the projected amounts to be available for Class 10 unsecured creditors. There are certain payments to be made under the Plan as proposed herein. The Debtor projects that the distribution to Class 10 creditors will be between 10-20 percent. The amount of the distribution depends on the Debtor's ability to sell its yard (4116 Tidwell Rd., Carlsbad, New Mexico). The initial distribution to Class 10 creditors is to be made within 120 days from the Plan's Effective Date, with an additional distribution to come upon the sale of 4116 Tidwell Rd., Carlsbad, New Mexico if a profit results.

The Class 10 general unsecured claims will be paid from the net available funds in the estate after the full payment of all secured, administrative and priority unsecured claims with allowed claims as provided herein. Payments to Class 10 general unsecured creditors will be made on a pro-rata basis based upon the amount of allowed Class 10 general unsecured creditors.

Significant unsecured claims have been filed by W. Lynn Frazier, Gary Sweetman and Darin Harding, all of which are disputed by the Debtor, other than the unsecured claims of W. Lynn Frazier. In an attempt to resolve this matter without the need for potentially expensive litigation, these claims are being subordinated to non-insider general unsecured claims. The Debtor does not believe that the non-insider general unsecured creditors will be paid in full, and therefore, the need to resolve the insider general unsecured claims will be minimal. However, the Debtor will likely spend some time in attempting to resolve the disputed insider general unsecured claims. Since the Debtor and K.A.T. Energy Services, LLC/Darin Harding were able to resolve the pending adversary proceeding filed by the Debtor against K.A.T. Energy Services, LLC, Darin Harding and Harvey Rodriguez (Advanced Solids Control, LLC v. K.A.T. Energy Services, LLC, Case No. 17-5022), the claims asserted against the Estate by Mr. Harding and K.A.T. Energy Services, LLC have been assigned to WFR. The Debtor has already taken a Default Judgment against Harvey Rodriguez as to liability. A separate action to liquidate the damages against Harvey Rodriguez needs to be initiated by the Debtor. The Debtor is uncertain whether it will be able to recover a judgment against Harvey Rodriguez.

The Class 10 general unsecured claims are deemed to be impaired under the Plan and are entitled to vote on the Plan.

The Class 11 subordinated administrative claim of Magnum and WFR shall be entitled to all funds of the Debtor after the payment of a 100% dividend (without interest) to Class 10 unsecured creditors with allowed claims, up to the allowed amount of its claim (without interest).

The Class 11 creditors are impaired but is not entitled to vote for purposes of confirmation of the Debtor's Chapter 11 Plan of Reorganization.

The Class 12 unsecured claims of insiders, which are being subordinated below Classes 1-11, consists of the unsecured claims of the Debtor's owners - W. Lynn Frazier (Claim No. 77 -

\$2,250,480.60); Gary Sweetman (Claim Nos. 29 and 30 - \$198,237.37) – part of Gary Sweetman’s proof of claims was filed as a priority unsecured claim – it is not entitled to priority status and an Objection to the claim will be filed if necessary and Darin Harding (Claim No. 27 - \$1,708,166.59) and K.A.T. Energy Services, LLC (Claim No. 28 - \$2,700.00),– which claims were assigned to WTRF pursuant to the terms of the settlement between the Debtor and the Harding parties. No payments will be made to Class 12 claims unless and until all allowed Classes 1-11 claims have been paid in full and the Class 12 claims have been allowed by the Court. Should the allowed Classes 1-11 claims be paid in full, the allowed Class 12 unsecured claims are to be paid on a pro-rata basis until paid in full.

Class 12 creditors are impaired but are not entitled to vote for purposes of confirmation of the Debtor’s Chapter 11 Plan of Reorganization.

The Class 13 claim consists of the Debtor’s members - W. Lynn Frazier (45%), Gary Sweetman (30%) and Darin Merle Harding (25%). Pursuant to the terms of the settlement between the Debtor and the Harding parties, Darin Merle Harding’s 25% ownership in the Debtor was assigned to W. Lynn Frazier. This makes the ownership of the Debtor as follows: W. Lynn Frazier – 70% and Gary Sweetman – 30%. The members will continue their ownership interest as they existed pre-petition. Any excess proceeds (if any) after the payment of all allowed creditors in Classes 1-12, are to be returned on a pro-rata basis between the members based on their existing ownership interest.

The Class 13 claims are unimpaired under the Plan and not entitled to vote on the Plan.B.

B. Summary of the Mechanics/Implementation of Debtors’ Plan of Reorganization

Attached to this Disclosure Statement as Exhibit "A" is a complete copy of the Debtor’s Proposed Plan of Reorganization. For the specific details of the Plan of Reorganization, reference should be made to the Plan in its entirety. The summary provided below is merely for the convenience of anyone reading the Disclosure Statement and to the extent that this Disclosure Statement in any way conflicts with the actual Plan, the terms of the Plan will govern.

C. Payment of Administrative Claims

All allowed administrative claims will be paid in full on or before the Plan's Effective Date in accordance with the provisions of 11 U.S.C. §1129(a)(9)(A), unless otherwise agreed to between the particular administrative claimholder and the Debtors.

D. Feasibility of the Plan.

The Plan is feasible as a result of the income being generated through the liquidation of the Debtor's assets for the benefit of its creditors.

E. Claims Allowance Procedure

The Debtor will file any claims objections on or before sixty (60) days from the Plan's Effective Date. At present, the Debtor is attempting to resolve any disputes regarding claims with the particular creditor. The Debtor is hopeful that such negotiations will lead to an amicable resolution of any claims disputes; however, there is no guarantee that the negotiations will lead to a resolution of any disputes.

F. Retention of Jurisdiction

The Court retains jurisdiction as set out in the Plan (See Article IX).

G. Interest Retained by the Debtor

The Debtor is retaining its ownership interests in all its real and personal property until sold pursuant to the terms of this Plan. All of the Debtor's property will be sold and the proceeds distributed to creditors as provided in the Plan.

**VI. SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S OPERATING ASSETS
AND ASSIGNMENT OF CONTRACTS AND LEASES TO WTF RENTALS, LLC, OR
ITS ASSIGNEE**

A. The Auction Sale is in the Best Interests of the Estate

Through its efforts during the bankruptcy case, the Debtor has determined that it is the best interest of the Estate's creditors to sell the Estate's remaining equipment (the majority of the Debtor's personal property as set forth on Exhibit "I" attached hereto) and miscellaneous remaining personal property to WTF Rentals, LLC in full and final satisfaction of WTF Rentals, LLC's secured claim in the amount of \$2,309,122.15 as of November 30, 2017 ("WTFR Credit Bid"). The Debtor has reached out to a number of interested parties in the equipment during the case without success, and believes the sale to WTF Rentals, LLC proposed herein to be the best available option for the equipment in these circumstances. Additionally, WTF Rentals, LLC has agreed to pay the Debtor additional consideration for the equipment and other assets in the amount of \$150,000.00 cash, which the Debtor may use to pay allowed administrative and unsecured creditors based upon existing priorities. Plus the other consideration being offered in WTFR's Stalking Horse Bid. WTF Rentals, LLC may continue to store and keep the Purchased Assets on the Seller owned real estate at 4116 Tidwell without cost or obligation until the date of closing of Debtor's sale of that retained real estate.

B. Auction Procedures

The Sale will be conducted through a competitive bidding process that is designed to generate maximum value for the Purchased Assets. As described more fully in the “Bidding Procedures”, attached as Exhibit “J”, the Debtor will sell the Purchased Assets to a Qualified Bidder that makes the highest or otherwise best offer for the Purchased Assets at the Confirmation hearing. Competing bids for the Purchased Assets are governed by the Bidding Procedures.

As described more fully in the attached “Bidding Procedures”, the Debtor seeks approval to sell the Purchased Assets to a Qualified Bidder that makes the highest or otherwise best offer for the Purchased Assets. Of note, the Debtor is seeking approval of a \$25,000.00 minimum bid increment (the “Minimum Bid Increment”). The Debtor requests that competing bids for the Purchased Assets be governed by the Bidding Procedures, the material terms of which are set forth below:¹

The Debtor proposes the following time line for conducting the Sale Process:

- The Court will approve the Bidding Procedures at the hearing to approve this Disclosure Statement.
- Bid deadline shall be ten (10) days after entry of Bidding Protections and Procedures Order.
- The auction shall occur on the Monday immediately preceding the hearing on confirmation of the Plan.
- The sale shall be approved at the hearing on confirmation of the Plan.

The Debtor submits that the proposed timeline is more than sufficient to complete a fair and open sale process that will maximize the value received for the Purchased Assets. The most likely completing bidders are among those who previously indicated interest and had the opportunity to and/or undertook due diligence. Thus, these parties need a shorter length of time for due diligence to submit competing bids. If new bidders emerge, the proposed timeline will provide them with time to perform due diligence given that the process is well understood at this juncture and the terms and conditions of the proposed APA to consummate the sale as quickly as possible to maximize the value received from the Purchased Assets.

C. Notice of Sale Hearing

The Order approving this Disclosure Statement shall include notice of the Auction Procedures, the Bid Deadline, and the date, time and place of the Auction. In addition to being served on all parties in interest in this case, the Order approving this Disclosure Statement shall be served on all entities known to have expressed an interest in a transaction with respect to the Purchased Assets or that have been identified by the Debtor as a potential purchaser of the Purchased Assets and all local, state and federal authorities and agencies that have issued licenses or permits to the Debtor with respect to the operation and use of the Purchased Assets.

D. Asset Purchase Agreement

The Debtor's proposed APA is attached as Exhibit "K".

E. Sale Order

At the confirmation hearing, pending the outcome of the Auction and as set forth in the Bidding Procedures, the Debtor will seek entry of a Sale Order as part of the Confirmation Order approving the Sale, free and clear of all claims and interests. For purposes of full disclosure, in the Sale Order, the Debtor will seek to sell the Purchased Assets free and clear of all liens, interests, claims and encumbrances to the fullest extent possible pursuant to Bankruptcy Code Sections 1129(b)(2)(A)(2) and 363(f), including without limitation, successor liability or similar theories (except for those assumed liabilities and obligations, expressly assumed pursuant to the APA) and the Purchaser will be protected from liability, and cannot be pursued for, any claims owed by the Debtor. In addition, the Sale Order will have findings that the sale is not fraudulent transfer or conveyance and that WTF Rentals, LLC is a good faith purchaser. The APA continues these and other standard provisions as conditions to the sale. Notice of the Bidding Procedures provide proper and adequate notice for these and the other terms and conditions of the APA.

Should a third party elect to make a bid to purchase the equipment set forth on Exhibit "I" for an amount in excess of the amount of WTRF's Stalking Horse Bid, the Bidding Procedures attached hereto as Exhibit "J" will be controlling. Should WTF Rentals, LLC not be the successful bidder on the purchase of the equipment set out on Exhibit "I", and additional remaining personal property. WTF will not be infusing the \$150,000.00 cash, will not be subordinating its administrative claim and Magnum will not be subordinating its administrative claim in the projected amount of \$432,295.00 through August, 2017.

VII. ALTERNATIVES TO THE DEBTORS' PLAN

The Debtor does not believe that any other Plan other than the one it has proposed herein, is feasible for the payment of the Debtor's creditors. The Debtor believes that a liquidation of its assets will result in the largest payment of the Estate's creditors.

In the event of a Chapter 7 liquidation, the Bankruptcy Code would provide for the priorities of payment. The first priority of payment after satisfaction of secured claims would be administrative claims. Those would consist of the attorneys' fees for the Debtor, along with the other professional fees for the Debtor. The Debtor estimates these will total approximately \$702,295.00 (less respective retainers of the professionals); additionally, the administrative claims of WTFR and Magnum Oil Tools International, Ltd. are being subordinated (as long as WTF is the Successful Bidder on the equipment and other personal property).

Based on the foregoing, the Debtor believes the liquidating Plan proposed herein is far superior to a Chapter 7 liquidation. A Liquidation Analysis prepared by the Debtor is attached hereto as Exhibit "E".

VIII. RISK TO CREDITORS UNDER THE DEBTOR'S PLAN

The principal risk that creditors will incur under the Debtor's Plan is that the Debtor will not be able to liquidate its assets as projected in this Plan of Reorganization.

IX. TAX CONSEQUENCES

The Debtor is not a taxable entity and federal income taxes are payable by the Debtor's owners. It is the Debtor's opinion that minimal adverse tax consequences will occur to the Debtor as a result of the reorganization. The Debtor will not incur any income taxes from the sale of its assets as proposed herein. The Debtor is on a calendar tax year. The Debtor is current on its tax filings at the State and Federal levels.

X. LITIGATION

The Debtor was a party to various lawsuits at the time of its bankruptcy filing. Attached hereto as Exhibit "G" is a list of the Debtor's pre-petition litigation.

After the bankruptcy filing, the Debtor filed Suggestions of Bankruptcy in the State Court lawsuits scheduled on Exhibit "G". No creditor has moved to lift the automatic stay imposed by §362 of the Bankruptcy Code. As a result, there has been no activity in any lawsuit post-petition, other than the lawsuit styled *Stephen Baskin v. Advanced Solids Control, LLC and AIG Claims Services*. The lawsuit is against the Debtor's insurance carrier, AIG, and is proceeding without any claims against the Debtor.

On April 10, 2007, David I. Moulton filed multiple Proofs of Claim on behalf of various Plaintiffs in the Zach Westbrook litigation (Claim Nos. 32-76 and 78) totaling the amount of \$1,964,622.30. The claims are all filed as unliquidated and will need to be liquidated. Counsel

for the Debtor has reached out to counsel for these creditors in an attempt to resolve these claims for a much more reasonable amount without the need for expensive and lengthy litigation. The liquidation of these claims will make it much easier for creditors to estimate their potential recovery under the Debtor's Plan of Reorganization. The Debtor and David Moulton on behalf of the Zach Westbrooks Proofs of Claim (32-76 and 78) have reached an agreement, subject to Bankruptcy Court approval, which allows the Zach Westbrook claims (32-76 and 78) in the total amount of \$300,000.00, to be allocated amongst the total claims filed in the amount of \$1,964,622.30 on a pro-rata basis. The Agreed Objection to the Proofs of Claim of Unsecured Creditors (Claim Nos. 32-76, 78) was filed on October 24, 2017 and uploaded with an Agreed Order Allowing Proofs of Claim of Unsecured Creditors (Claims Nos. 32-76, 78) signed by counsel for the parties. On November 21, 2017, the Agreed Order Allowing Proofs of Claim of Unsecured Creditors (Claim Nos. 32-76, 78) was entered.

Post-petition, the Debtor initiated an adversary proceeding styled Advanced Solids Control, LLC v. K.A.T. Energy Services, Inc., Darin Harding and Harvey Rodriguez, Case No. 17-5022 alleging numerous causes of action. The parties have reached an agreement to settle the lawsuit, subject to some minor tweaking and the approval of this Court. The terms of the settlement are as follows:

K.A.T. Energy Services, Inc. and Darin Harding (Harding Parties) have agreed as a part of this Settlement and Release Agreement to do the following:

(a) The Harding Parties shall assign to WTF Rentals, LLC (hereinafter "WTFR") all claims filed by K.A.T. Energy Services, Inc. and Darin Harding against ASC, including but not limited to Claim No. 27 and Claim No. 28 filed in the Debtor's Bankruptcy Case;

(b) The Harding Parties shall assign to ASC all accounts receivable and other rights to payment generated in any respect through the property or business opportunities of ASC, including the Harding parties best efforts to assist the ASC parties in recovering the accounts receivable;

(c) The Harding Parties, and any other responsible party, shall grant to ASC and WTFR, and their assigns, a perpetual, worldwide non-exclusive license to use the Patents and any other right or property controlled by the Harding Parties relating to the assets or business operations of ASC;

(d) The Harding Parties shall assign all membership interests in ASC to W. Lynn Frazier, which interest shall constitute not less than twenty-five percent (25%);

(e) The Harding Parties shall purchase from ASC the equipment by the payment to ASC in good funds the amount of USA \$23,000.00 in six (6) equal installments of \$3,833.33. The first installment payment shall be due and payable in good funds at ACS's address on the date of execution of this Agreement. An additional payment shall be due and payable in good funds at ASC's same address every thirty (30) days thereafter until paid in full; WTFR's liens attach to these assets, however, if the Plan is confirmed and WTFR is the winning bidder, it will release its

liens on these specific assets.

(f) The Harding Parties shall release the ASC Parties of all Claims as set forth in Section (a) above, in addition to any other claims the Harding parties could assert; and

(g) Upon completion by the Harding Parties of covenants (a)-(f) above, the ASC Parties shall release the Harding Parties pursuant to the provisions of Section (a) and (b) above.

XI. RELATIONSHIP OF DEBTOR WITH AFFILIATES

The Debtor has the following affiliates as the term "affiliate" is defined in Section 101(2) of the Code. W. Lynn Frazier (70% owner of this Debtor; 100% owner of WTF Rentals, LLC and Magnum Oil Tools International, Ltd.).

XII. PREFERENTIAL OR VOIDABLE TRANSFERS

The Debtor is unaware of any preferential or voidable transfers at this time, other than the claims set out in the adversary styled Advanced Solids Control, LLC v. K.A.T. Energy Services, Inc., Darin Harding, Case No. 17-5022. However, Debtor will continue to review and investigate its books, records and financial affairs to determine if a basis exists to pursue such preferential and/or voidable transfers.

XIII. SUMMARY OF SIGNIFICANT ORDERS ENTERED

1. Order Approving the Employment of Langley & Banack, Inc. As Attorneys For the Estate of Advanced Solids Control, LLC - December 7, 2016.
2. Order Granting Motion For Authority to Maintain and Use Pre-Petition Bank Accounts - January 3, 2017.
3. Order Granting Authority to Sell Real Property Free and Clear of All Liens, Claims and Encumbrances - January 5, 2017.
4. Order Granting Authority to Sell Real Property Free and Clear of All Liens, Claims and Encumbrances - January 5, 2017.
5. Order Approving Support Agreement With Magnum Oil Tools International, Ltd. - January 11, 2017.
6. Order Granting Authority to Sell Real Property Free and Clear of All Liens, Claims and Encumbrances - January 13, 2017.

7. Order Approving the Employment of Tranbarger & Company, LLP as Accountants - January 25, 2017.
8. Order Granting Authority to Sell Real Property Free and Clear of All Liens, Claims and Encumbrances - January 30, 2017.
9. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances - February 6, 2017.
10. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances - March 16, 2017.
11. Order on Debtor's Verified Petition Requesting Entry of a Temporary Restraining Order in Adversary No. 17-5022-K) - March 14, 2017
12. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances to Steven Freitag - March 16, 2017.
13. Order Granting Authority to Sell Real Property Free and Clear of All Liens, Claims and Encumbrances - March 27, 2017.
14. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances - April 3, 2017.
15. Order Rejecting Executory Contracts With WTF Rentals, LLC (Assignee From Frost Bank) - April 5, 2017.
16. Order Granting Authority to Sell Real Property Free and Clear of All Liens, Claims and Encumbrances - April 10, 2017.
17. Order Granting Authority to Sell Real Property Free and Clear of All Liens, Claims and Encumbrances - April 17, 2017.
18. Order Granting Motion to Extend Time to File Chapter 11 Plan of Reorganization - April 21, 2017.
19. Order Terminating Listing Agreement With Means Real Estate, LLC - May 3, 2017.
20. Order Granting First Interim Application of Langley & Banack, Inc. For Compensation and Reimbursement of Expenses - May 9, 2017.

21. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances - May 10, 2017.
22. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances at Minimum Prices - May 11, 2017.
23. Order Granting Magnum Oil Tools International, Ltd. Administrative Claim - May 31, 2017.
24. Order Approving the Employment of Pena and Grillo, PLLC as Special Counsel - June 6, 2017.
25. Order Granting Motion to Extend Time to File Chapter 11 Plan of Reorganization - June 12, 2017.
26. Order Granting Authority to Sell Remaining Personal Property Free and Clear of All Liens, Claims and Encumbrances at Reduced Minimum Prices - June 19, 2017.
27. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances to Portable Mud Systems, Inc. - June 26, 2017.
28. Order Granting Authority to Sell Debtor's Interest in Personal Property Free and Clear of All Liens, Claims and Encumbrances to Portable Mud Systems, Inc. - July 13, 2017.
29. Order Approving Authority to Enter Into Premium Finance Agreement, Nunc Pro Tunc - July 24, 2017.
30. Order Granting Authority to Sell Real Property Free and Clear of All Liens, Claims and Encumbrances- July 31, 2017.
31. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances - August 7, 2017.
32. Order Rejecting Executory Contract With Leaf Capital Funding, LLC - August 7, 2017.
33. Order Granting First Interim Application of Tranbarger & Company, LLP For Allowance of Compensation From December 31, 2016 Through June 30, 2017 - August 7, 2017.

34. Order Approving the Employment of Century 21 Associated Professionals, Inc. as Real Estate Broker For the Estate of Advance Solids Control, LLC - August 7, 2017.
35. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances to Closed Loop Specialties – August 14, 2017.
36. Order Approving Compromise of Controversy With K.A.T. Energy Services, Inc. aka KAT Energy Services, LLC and Darin Harding – August 28, 2017.
37. Order Granting Authority to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances to Portable Mud Systems, Inc. – October 23, 2017.

XIV. MISCELLANEOUS DISCLOSURES

A. Modification of the Plan.

The Debtor may propose amendments or modifications to its Plan at any time prior to the date of the entry of the Order Confirming Plan, with leave of the Court, and upon proper notice to parties in interest. After the date of the Order Confirming Plan, Debtor may, with approval of the Court so long as it does not materially or adversely affect the interests of creditors, remedy any defects or omissions or reconcile any inconsistencies in the Plan or in the Order Confirming Plan in such manner as may be necessary to carry out the purpose and effect of this Plan.

B. Effect of Confirmation of the Plan.

The provisions of the Plan once confirmed are binding upon the Debtor and all of its creditors. The confirmation of the Plan vests all property of the estate in the Debtor except as otherwise provided in the Plan. All non-exempt assets will automatically revert in the Debtor's estate in the event that the Debtor's case is converted to Chapter 7 at some point in the future. The Debtor's property is free and clear of all claims and interests except as otherwise provided in the Plan. Upon the Debtor successfully completing the terms of a confirmed Chapter 11 Plan of Reorganization, the Debtor will have no further liability to any creditor of the Debtor, including the Internal Revenue Service, for any and all debts and liabilities included herein.

C. Executory Contracts.

All executory contracts of the Debtor not expressly rejected, in writing on or before the date of the hearing on Confirmation of the Plan shall be deemed assumed. The Debtor has agreed to cure its various lease defaults (if any) by adding them to the end of the lease and remaining current on its lease obligations in the future as they come due. Rejection is accomplished by filing a Notice thereof with the Court, together with a proof of service of said Notice of the Application to Reject upon all parties affected thereby.

All parties to a rejected contract (other than creditors whose lease(s) were previously rejected by Motion and Court Order) shall have thirty (30) days from and after an Order approving rejection becomes a Final Order in which to file a Proof of Claim for damages, if any, resulting from such rejection. Failure to file such Proof of Claim within the period indicated will forever bar the party affected by the rejection from participating in any distribution under the Plan or recovering any payment of any claim on account of such rejection.

D. Default

Upon default by the Reorganized Debtor, creditors (other than the Internal Revenue Service) are required to provide written notice of such Default to the Reorganized Debtor and its counsel, William R. Davis, Jr. of Langley & Banack, Inc., by certified mail, return receipt requested, and by regular first class mail, and the Reorganized Debtor shall have thirty (30) days from the date of the notice to cure the default. Any defect in such default notice shall toll the running of the thirty (30) day cure period. Notice of default shall be given to the Reorganized Debtor and William R. Davis, Jr. If the Reorganized Debtor fails to cure within the thirty (30) day cure period provided herein, creditors shall be allowed to foreclose their liens/pursue collection activity allowed by applicable State law without further notice of hearing before the Court, and/or pursue available collection activities.

The United States (Internal Revenue Service) requests the following default language:

- (i) The debt owed by the Debtor to the Internal Revenue Service is a non-dischargeable debt, except as otherwise provided for in the Bankruptcy Code, and that if the Debtor should default, the Internal Revenue Service is not subject to the provisions of the Bankruptcy Code so that the Internal Revenue Service can take whatever actions are necessary to collect said debt in the event of default; the federal tax liens survive the plan confirmation, a bankruptcy discharge, and dismissal of the case. The liens continue to be enforceable against all of the Debtor's property under federal law.
- (ii) A failure by the Reorganized Debtor to make a payment to the Internal Revenue Service pursuant to the terms of the Plan shall be an event of default, and as to the Internal Revenue Service, there is an event of default if payment is not received by the fifteen (15th) day of each month. If there is a default, the Internal Revenue Service must send written demand for payment, and said payment must be received by the Internal Revenue Service within fifteen (15) days of the date of the demand letter. The Debtor can receive up to six (6) notices of default from the Internal Revenue Service; however, the seventh (7th) notice of default cannot be cured, and the Internal Revenue Service may accelerate its allowed claim(s), past or future, and declare the outstanding amount of such claim(s) to be immediately due and owing, and pursue any and all available state and federal rights and remedies. These default provisions pertain to the entire claim(s) of the Internal

Revenue Service, secured, unsecured priority, unsecured general, administrative priority and post-confirmation accrued tax.

- (iii) The Internal Revenue Service is bound by the provisions of the confirmed Plan and is barred under Section 1141 of the Bankruptcy Code from taking any collection actions against the Reorganized Debtor for pre-petition claims during the duration of the Plan (provided there is no default as to the Internal Revenue Service). The period of limitations on collection remains suspended under 26 U.S.C. Sec. 6503(h) for tax periods being paid under the Plan and terminates on the earlier of (1) all required payments to the Internal Revenue Service have been made; or (2) thirty (30) days after the date of the demand letter (described above) for which the Debtor failed to cure the default.
- (iv) The Internal Revenue Service previously agreed to withhold collections of the trust fund recovery penalty assessment against the responsible officer of Trojan Construction Services, Randy Benavides Balderas. This agreement only encompasses the tax periods involved in the confirmed plan. The forbearance of collection efforts by the Internal Revenue Service does not preclude any action by the Internal Revenue Service to file liens or otherwise to perfect a security interest against the responsible officer as permitted under federal and state law. The period of limitations on collection will be suspended under 26 U.S.C. 603(h) for the trust fund periods and will terminate on the earlier of (1) all required payments to the Internal Revenue Service have been made under the Plan; or (2) thirty (30) days after the date of the demand letter (described above) for which the Debtor failed to cure the default.
- (v) During the term of the Plan, the Debtor is required to stay current on all ongoing tax reporting/tax payments with the Internal Revenue Service. If the Debtor defaults to the IRS (in the timely filing of any future tax returns and/or the payment of any corresponding income tax liability or any confirmed monthly plan payment) from the entry of an Order Confirming the Plan, the IRS may assert the balance of the ongoing tax plus any tax owing by the Debtor included as part of this confirmed Plan which remains unpaid. Once the Debtor completes the repayment terms to the IRS contained herein, the tax, penalties, and interest which are provided to be discharged herein, are discharged as provided in the Plan. Should the Debtor default in the payments provided in the Plan, and not timely cure such plan default or default in its post-petition reporting/payments, the IRS is entitled to pursue the collection of all tax, penalties and interest, less a credit for all payments received. If there is a default, the IRS must send written demand for the Debtor or Reorganized Debtor to remain current on its ongoing tax obligations. If the Debtor or Reorganized Debtor does not cure this default within fifteen (15) days of the date of the demand letter, the IRS may pursue collection activities immediately on all pre and post-confirmation tax, interest and penalty without further order of this Court.

(vi) Internal Revenue Service remedies upon default: Upon any final and non-curable default by the Reorganized Debtor, the Internal Revenue Service may accelerate its allowed pre- and post-petition claims (and any future administrative claims), and declare the outstanding amounts of such claims to be immediately due and owing. The Internal Revenue Service may pursue any and all available state and federal rights and remedies as provided by law without future order of this Court.

(vii) Payments must be mailed to:

Internal Revenue Service
ATTN: Keri Templeton
300 East 8th Street, STOP 5026AUS
Austin, T X 78701

(viii) Agreement with the Internal Revenue Service: The federal tax liens, if any, survive the Plan confirmation, a bankruptcy discharge, and dismissal of the case. The liens continue to be enforceable against the Reorganized Debtor's property to the extent, priority, and validity such liens were entitled to as of the Petition Date and under federal law. All liens will be timely released upon the completion of the payments to the Internal Revenue Service as set forth and required herein.

XV. CONCLUSION

Debtor submits this Disclosure Statement and the information contained herein in good faith, in accordance with the provisions of 11 UCC Section 101, *et. seq.*, for consideration by creditors and other parties in interest, and as the sole source of information furnished by the Debtor, or to be furnished by the Debtor, in solicitation of acceptance of Debtor's Plan of Reorganization.

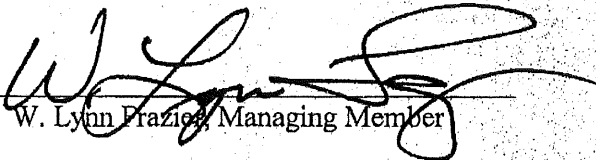
The Debtor recommends that the Plan of Reorganization be approved in light of the alternative of a non-orderly liquidation, which would provide a significant payment only to the Secured Creditors. An operating plan as proposed herein leads the Debtor to conclude that the Plan is in the best interest of all creditors and parties-in-interest; therefore, all Creditors and Interest Holders alike should vote to accept the Plan.

ARTICLE XVI.


ATTACHMENTS AND EXHIBITS

- Exhibit "A" Plan of Reorganization
- Exhibit "B" Schedule of Personal Property
- Exhibit "C" List of Executory Contracts
- Exhibit "D" 2015 Income Tax Return (Form 1065)
- Exhibit "E" Liquidation Analysis
- Exhibit "F" October, 2017 Monthly Operating Report
- Exhibit "G" Pre-Petition Litigation/Status
- Exhibit "H" List of projected general unsecured claims
- Exhibit "I" List of Equipment to be sold to WTF Rentals, LLC (per Equify Asset Service dated July 18, 2017) – Equipment remaining after sale to PMS approved by the Court on October 23, 2017 has closed. Several smaller sales have closed subsequently.
- Exhibit "J" Bidding Procedures
- Exhibit "K" Proposed Asset Purchase Agreement
- Exhibit "L" Projected Cash Position

ADVANCED SOLIDS CONTROL, LLC

BY: 
W. Lynn Frazier, Managing Member

OF COUNSEL:

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