

**THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED UNDER SECTION 1125(B) OF THE BANKRUPTCY CODE BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION FOR USE IN CONNECTION WITH THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT ARE NOT INTENDED AND SHOULD NOT IN ANYWAY 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.**

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

<b>IN RE:</b>	§	
	§	
<b>CROWN SPRING, INC.,</b>	§	
<b>D/B/A RETRONIX INTERNATIONAL,</b>	§	
<b>AND RETRONIX SEMICONDUCTOR,</b>	§	<b>CASE NO. 17-10723-HCM</b>
	§	<b>CHAPTER 11</b>
<b>DEBTOR.</b>	§	
	§	
<b>9101 Wall Street #1030</b>	§	
<b>Austin, TX 78754</b>	§	
	§	
<b>Taxpayer Identification No.:</b>	§	
<b>71-0979065</b>	§	

**DEBTOR'S FIRST AMENDED DISCLOSURE STATEMENT REGARDING ITS CHAPTER 11 PLAN OF REORGANIZATION DATED AUGUST 25, 2017**

**CONFIRMATION HEARING: September 28, 2017 AT 10:00 A.M.**

**CONFIRMATION LOCATION: UNITED STATES BANKRUPTCY COURT  
903 SAN JACINTO BLVD.  
AUSTIN, TEXAS 78701**

**DEADLINE FOR ACCEPTING/REJECTING PLAN: September 26, 2017**

**DEADLINE FOR OBJECTING TO PLAN: September 26, 2017**

## I. INTRODUCTION

Crown Spring, Inc., d/b/a Retronix International and Retronix Semiconductor (the “Debtor”) submits its First Amended Disclosure Statement Regarding its Chapter 11 Plan of Reorganization Dated August 25, 2017 (“Disclosure Statement”) under Section 1125 of the Bankruptcy Code and Rule 3016 of the Federal Rules of Bankruptcy Procedure to all of its known Creditors.

Capitalized terms used herein, if not separately defined, have the meanings assigned to them in the Plan or in the Bankruptcy Code and Bankruptcy Rules.

The Debtor has promulgated the First Amended Chapter 11 Plan of Reorganization Dated August 25, 2017 (“Plan”) consistent with the provisions of the Bankruptcy Code. A copy of the proposed Plan is attached as **Exhibit A**. The purpose of the Plan is to provide an opportunity for payment to each Class of Claims.

The Plan contemplates reorganizing the Debtor through the repayment of all claims in full over, at most, a sixty (60) month period by utilizing the Debtor’s ongoing net income to service such payments. Unless and until all claims are fully satisfied as indicated herein, the equity in the Reorganized Debtor will be held in escrow to either be distributed to all creditors on a pro rata basis upon the failure of this Plan, or, alternatively, distributed to the Debtor’s principal equity holder upon successful completion of this Plan. All claims and causes of action, including any Chapter 5 causes of action, shall be abated until such time as the Plan either fails or is successfully completed. If the Plan fails, all such claims and causes of action will be deemed property of the bankruptcy estate to be prosecuted by Chapter 7 trustee upon conversion of the case to a Chapter 7 bankruptcy. The purpose of the Plan is to provide full payment to each Class of Claims.

**THE ORIGINAL DISCLOSURE STATEMENT AND PLAN SOUGHT AN INJUNCTION AGAINST THE COLLECTION OF DEBT FROM SPECIFIC NON-DEBTORS IF THE DEBTOR IS CO-LIABLE ON SUCH DEBT. AS DESCRIBED IN DETAIL BELOW, THE DEBTOR SETTLED AND RESOLVED ITS DISPUTE WITH SEMISERVE, INC., STUART PROCTOR, AND KIRSTEEN PROCTOR (COLLECTIVELY, THE “PROCTOR PARTIES”), WHICH NEGATED THE NEED FOR AN INJUNCTION IN FAVOR OF THE STAND-STILL PROVISION CONTAINED WITHIN THAT SETTLEMENT.**

The Plan provides for the following payments:

- Allowed Administrative Claims: Full payment, in cash, on the Effective Date, or as otherwise agreed.
- Allowed Case Professional Fee Claims: Full payment, in cash, on the entry of orders approving the final fee applications of such Case Professionals.
- Allowed Priority Tax Claims: Full payment, through equal monthly payments with repayment not to exceed five years and beginning thirty (30) days after the Effective Date of

the Plan, with applicable interest under state law and Bankruptcy Code § 511. The Debtor is unaware of any outstanding Priority Tax Claims.

- Allowed Priority Non-Tax Claims: Full payment, in cash, as required by the Bankruptcy Code. The Debtor is unaware of any Priority Non-Tax Claims. The Debtor is unaware of any outstanding Priority Non-Tax Claims.
- Secured Ad Valorem Claims: Full payment, through equal monthly payments with repayment not to exceed five years and beginning thirty (30) days after the Effective Date of the Plan, with applicable interest under state law and Bankruptcy Code § 511. The Debtor is unaware of any outstanding Secured Ad Valorem Claims.
- Prepetition Judgment Claims: Full payment, through equal monthly payments in the amount of \$50,000, except the first payment under the Plan and the March 2018 payment will be in the amount of \$200,000.00 each, with repayment not to exceed five years, with additional annual net profit payments in an amount equal to Eighty Percent (80%) of the Debtor's annual net profit after tax based on Debtor's prior year's financial performance. Net profit payments are due and payable on February 1 of the year proceeding the Debtor's prior financial year, with the first such payment due February 1 beginning in 2019. Interest to accrue at Ten Percent (10%) per annum beginning on May 4, 2017 until Claim is paid in full. Non-debtors Semicon Services, LLC and Retronix Semiconductor Limited to re-affirm their co-liability on such Claim. Debtor anticipates payment in full by August 2021.
- Prepetition General Unsecured Vendor Claims: Full payment, through equal monthly payment with repayment not to exceed five years, with additional annual net profit after tax payments based on Debtor's prior year's financial performance. Interest to accrue at Six Percent (6%) per annum beginning on the Effective Date of the Plan until Claims are paid in full.
- Prepetition Officer Loan Claims: Such Claims will be entitled to repayment if and only if all other Claims are paid in full under the terms of the Plan. No distribution on Prepetition Office Loan Claims will occur until such time as all other Claims are paid in full.
- Prepetition Holders of Equity of the Debtor: All prepetition equity will be extinguished on the Effective Date of the Plan. Equity in the Reorganized Debtor will be held in escrow to either be distributed to all creditors on a pro rata basis upon the failure of this Plan, or, alternatively, distributed to Anthony Boswell upon successful completion of this Plan.
- Each executory contract and unexpired lease to which the Debtor is a party and that has not been previously assumed or rejected shall be deemed rejected, unless expressly assumed pursuant to the Plan. The Debtor anticipates assuming all executory contracts other than the prepetition settlement agreement with the Proctor Parties.
- All objections to Claims not allowed herein must be filed within ninety (90) days following the Effective Date of the Plan, unless extended by the Bankruptcy Court.

The Effective Date of the Plan will be the first business day after expiration of fourteen (14) days from the entry of an order confirming the Plan; provided, however, that the Confirmation Order is a Final Order; and further provided, however, that the conditions precedent set forth in the Plan have been duly satisfied.

This Disclosure Statement is not intended to replace a careful review and analysis of the Plan, including the specific treatment you will receive under the Plan. It is submitted as an aid and supplement to your review of the Plan in an effort to explain the terms and implications of the Plan. Every effort has been made to explain fully various aspects of the Plan as it affects Creditors. If any questions arise, the Debtor urges you to contact the Debtor's counsel, and every effort will be made to resolve your questions. You may, of course, wish to consult with your own counsel.

A general discussion of the projected assets and distributions under the Plan are set out below in this Disclosure Statement. The following summary is general in nature. Creditors are referred to the full Disclosure Statement and Plan for a full discussion of these matters.

**THERE CAN BE NO ASSURANCE THAT THE VALUES AND AMOUNTS REFLECTED IN THIS ANALYSIS WILL BE REALIZED AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.**

After a plan has been filed with a bankruptcy court, it must be accepted by holders of impaired claims against or interests in a debtor. Section 1125 of the Bankruptcy Code requires that a plan proponent fully disclose sufficient information about a debtor, its assets, and the plan to creditors and interest holders before acceptances of that plan may be solicited. This Disclosure Statement is being provided to the holders of Claims against the Debtor to satisfy the requirements under Section 1125 of the Bankruptcy Code.

The Bankruptcy Code provides that creditors and interest holders are to be grouped into "classes" under a plan and that they are entitled to vote to accept or reject a plan by class. While courts have disagreed on the proper method to be used in classifying creditors and interest holders, a general rule of thumb (which is subject to exceptions) is that creditors with similar legal rights are placed together in the same class and that stockholders with similar legal rights are placed together in the same class. For example, all creditors entitled to priority under the Bankruptcy Code might be placed in one class, while all creditors holding subordinated unsecured claims might be placed in a separate class.

The Bankruptcy Code does not require that each claimant or interest holder vote in favor of a plan for the Court to confirm a plan. Rather, each class of claimants and interest holders must accept a plan (subject to the exception discussed below). A class of claimants accepts a plan if, of the claimants in the class who actually vote on a plan, such claimants holding at least two-thirds in dollar amount and more than one-half in number of allowed claims vote to accept the plan. For example, if a hypothetical class has ten creditors that vote and the total dollar amount of those ten creditors' claims is \$1,000,000.00, then for such class to have accepted the plan, six or more of those creditors must have voted to accept the plan (a simple majority), and the claims of the creditors voting to accept the plan must total at least \$666,667.00 (a two-thirds majority).

The Court may confirm a plan even though fewer than all classes of claims and interests vote to accept the plan. In this instance, the plan must be accepted by at least one “impaired” class of claims, without including any acceptance of the plan by an insider. Section 1124 of the Bankruptcy Code defines “impairment” and generally provides that a claim as to which legal, equitable, or contractual rights are altered under a plan is deemed to be “impaired.”

If all impaired classes of claims and interests under a plan do not vote to accept the plan, the plan proponent is entitled to request that the Court confirm the plan pursuant to the “cram-down” provisions of Section 1129(b) of the Bankruptcy Code. These “cram-down” provisions permit a plan to be confirmed over the dissenting votes of classes of claims and/or interests if at least one impaired class of claims votes to accept a plan (excluding the votes of insiders), and the Court determines that the plan does not discriminate unfairly and is fair and equitable with respect to each impaired, dissenting class of claims and interests. The Bankruptcy Code provides several options for a plan to be “fair and equitable” to a secured creditor. Included among these options are that the secured creditor retains its lien and receives deferred cash payments at a market interest rate totaling either the value of the property securing the claim or the amount of the allowed claim as found by the Court, whichever is less. With respect to a class of unsecured claims, the requirement that a plan be “fair and equitable” requires that the holder of an unsecured claim be paid the allowed amount of its claim or that no junior interest receive or retain any property on account of its prior claim.

Independent of the acceptance of a plan as described above, to confirm a plan, the Court must determine that the requirements under Section 1129(a) of the Bankruptcy Code have been satisfied. THE DEBTOR BELIEVES THAT THE PLAN SATISFIES EACH OF THE CONFIRMATION REQUIREMENTS OF SECTION 1129(a) AND, IF NECESSARY, SECTION 1129(b) OF THE BANKRUPTCY CODE.

The Bankruptcy Code requires that the plan proponent solicit acceptances and rejections of the proposed plan before the plan can be confirmed by the Court. Before the plan proponent can solicit acceptances of the plan, the Court must approve the disclosure statement and determine that the disclosure statement contains information adequate to allow creditors to make informed judgments about the plan. After Court approval of the disclosure statement, the disclosure statement, the proposed plan and a ballot are sent to the holders of claims. The creditors will then have the opportunity to vote on the plan and should consider the approved disclosure statement for such vote.

On August 21, 2017, the Court approved the Debtor’s proposed Disclosure Statement as containing 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 for the Debtor’s books and records to enable a hypothetical, reasonable investor typical of holders of Claims of the relevant Classes to make an informed judgment whether to vote to accept or reject the Plan. The Court’s approval of this Disclosure Statement does not constitute an endorsement of any of the information contained in either the Disclosure Statement or the Plan. Likewise, although the Debtor and its counsel have utilized information believed to be accurate in preparing this Disclosure Statement, neither the Debtor nor any of its counsel warrant the accuracy of the information contained in or relied upon in preparing this Disclosure Statement. Further, nothing contained in this Disclosure Statement may be construed to be a representation or warranty, express, implied or otherwise,

that the Plan is free from risk, that acceptance or confirmation of the Plan will result in a risk-free or assured restructuring of the Debts of the Debtor, or that the projections or plans of the Debtor for payment will be realized. A copy of the Order Approving Disclosure Statement is attached as **Exhibit B**.

At the hearing scheduled by the Court, the Court will consider whether the Plan should be confirmed. The hearing to confirm the Plan is scheduled for September 28, 2017 at 10:00 A.M. in the Court located on the 3rd floor of the Homer Thornberry Federal Building at 903 San Jacinto Blvd., Austin, Texas. Section 1129 of the Bankruptcy Code contains the requirements for confirmation of a Plan. **YOUR VOTE IS IMPORTANT.** In order for the Plan to be accepted, at least two-thirds in amount and more than one-half 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 Court may refuse to confirm the Plan. The Court must find that the Plan complies with the applicable provisions of the Bankruptcy Code and that the Proponent of the Plan has also complied with the Bankruptcy Code. The Court must also find that the Plan has been proposed in good faith and not by any means forbidden by law. The Court must find that the Proponents of the Plan have disclosed the identity and affiliation of the persons who will manage the Debtor after confirmation, that the appointment of such persons is consistent with the interest of Creditors and with public policy, and that the identity and compensation of any insiders that will be employed or retained by the Debtor have been disclosed. The Court must additionally find that each Class of Claims has either accepted the Plan or will receive at least as much as it would under a Chapter 7 liquidation. The Bankruptcy Code also provides for the treatment of certain Priority Claims. If any Classes of Claims are impaired under the Plan, the Court must find that at least one Class of Claims that is impaired has accepted the Plan without counting any votes by insiders. The Court must also find that confirmation of the Plan is not likely to be followed by the liquidation or the need for further liquidation of the Debtor. Additionally, the Plan must provide for payment of certain required fees to the United States Trustee.

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

**EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS, NO REPRESENTATION CONCERNING THE DEBTOR, ITS ASSETS, PAST OR FUTURE OPERATIONS, OR CONCERNING THE PLAN IS AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY REPRESENTATIONS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN**

**OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR.**

**UNLESS ANOTHER TIME IS SPECIFIED, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF.**

**NEITHER DELIVERY OF THE DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE DISCLOSURE STATEMENT AND THE PLAN SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE THE DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THE DISCLOSURE STATEMENT WERE COMPILED.**

**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 THE COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.**

**THIS DISCLOSURE STATEMENT AND THE PLAN ATTACHED HERETO SHOULD BE READ IN THEIR ENTIRETY PRIOR TO VOTING ON THE PLAN. FOR THE CONVENIENCE OF HOLDERS OF CLAIMS, THE TERMS OF THE PLAN ARE SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN, WHICH CONTROLS IN THE EVENT OF ANY INCONSISTENCY.**

## **II. DESCRIPTION OF THE DEBTOR'S BUSINESS EVENTS LEADING TO THE CHAPTER 11 CASE**

On June 9, 2017, the Debtor filed a voluntary bankruptcy petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor filed its petition in the United States Bankruptcy Court for the Western District of Texas, Austin Division. The bankruptcy is styled *In re Crown Spring, Inc.*, Case No. 17-10723-HCM. United States Bankruptcy Judge H. Christopher Mott presides over the Debtor's bankruptcy case.

Established in 1992, Debtor is a New Mexico corporation with its principal place of business at 9101 Wall Street #1030, Austin, Texas 78754. Debtor is a privately owned global engineering services and general contractor company focused on the semiconductor and high-tech manufacturing markets. Debtor also provides equipment relocation and facility management services. Headquartered in Austin, Texas, Debtor's specialties include: engineering service contracts, flexible labor solutions, equipment installation, maintenance and refurbishment, equipment relocation, equipment decontamination, RF modular subassembly and component repair, refurbishment, calibration and tuning, surplus parts sales, Class 1,000 and

Class 10,000 clean room space rental and training. Since 1992, Debtor has achieved recognition and respect for placing high performing engineers and technicians in job sites around the world when and where they are needed. Debtor is also well known for its turnkey equipment relocation and facility management services, ranging from single-tool relocation to full factory de-installation. Because of Debtor's global base, Debtor is capable of moving equipment worldwide and managing the move every step of the way, including fingerprinting the tool in its original location and offering on-site training to technicians in its new location.

On June 15, 2004, the Debtor incorporated in New Mexico under the name Retronix International, Inc. On August 31, 2016, Retronix International, Inc. registered as a foreign for-profit corporation with the Texas Secretary of State. On June 9, 2017, the Debtor changed its name in New Mexico to Crown Springs, Inc. and filed an assumed named certificate in Texas to do business as Retronix International. Bay Spring, Limited, d/b/a Retronix Semiconductor Limited ("Irish Retronix"), is the Debtor's Irish affiliate that conducts substantially similar business in Europe and the Middle East as the Debtor does in the United States. Semicon Services, LLC ("Semicon") is an Illinois Limited Liability Company that owns 100% of the Debtor. The Debtor, Irish Retronix, and Semicon are collectively, the "Retronix Parties") Anthony Boswell is the sole owner and manager of Semicon. Anthony Boswell's wife, Kathleen Boswell, is also the owner of Retronix, Inc., which is a separate entity that provides different services and electronics to different customers than those of the Debtor.

The Debtor's revenue primarily comes from engineering and general contracting services in the semiconductor and high-tech manufacturing industries. Debtor offers flexible labor, equipment and facility support for some of the world's leading Semiconductor Equipment Manufacturers, such as Applied Material and Tokyo Electron Limited, and Semiconductor Device Manufacturing companies, such as Intel and Texas Instruments. In doing so, Debtor utilizes facilities in Austin and Dublin and relies on support offices located in Dallas, Phoenix, Portland, New York, Glasgow, and Kiryat-Gat, Israel.

In January 2007, a shareholders' agreement was entered into by and between Semicon and Semiserve, Inc. setting forth, among other things, ownership percentages and executive positions in the Debtor (the "Shareholders' Agreement"). The Shareholders' Agreement eventually resulted in the filing of a lawsuit on December 17, 2014 in the United States District Court for the Central District of California, Southern Division, styled: *Semiserve, Inc., et al., v. Semicon Services, LLC, et al.*; Case No. 8:14-cv-2009 (the "Litigation"). The Verified Complaint commencing the Litigation is attached as **Exhibit C**.

On or about December 31, 2015, the parties to the Litigation entered into a settlement agreement embodied in the Share Repurchase, Separation and Mutual General Release Agreement (the "Settlement Agreement").<sup>1</sup> The Order entering the Settlement Agreement is attached as **Exhibit D**. Pursuant to the Settlement Agreement, Debtor was required to make certain payments to the Proctor Parties commencing with a payment of \$1.5 million due thirty (30) days following the valuation of the Debtor.

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<sup>1</sup> The Settlement Agreement became effective on December 31, 2015 but appears to have been executed by the parties on or by May 10, 2016.



The Settlement Agreement ultimately precipitated this bankruptcy filing. To its detriment, Debtor made a partial payment on its initial obligation under the Settlement Agreement on March 14, 2017 in the amount of \$900,000.00. The \$900,000.00 payment, along with the demands to pay the remaining balance of \$600,000.00, significantly strained the Debtor's ability to fund its operations and service its outstanding obligations and, eventually, led to the Debtor's filing of this Chapter 11 Case. Prior to filing bankruptcy, Debtor attempted to negotiate and vary the terms of the Settlement Agreement to permit the Debtor to repay its obligations under the Settlement Agreement over an extended period of time outside of bankruptcy, but the Proctor Parties were unwilling to alter the repayment terms. On May 4, 2017, the Litigation ended with entry of a Judgment against Debtor pursuant to the Settlement Agreement in the amount of \$2,155,500.77. The Judgment is attached as **Exhibit E**.

Aside from the adverse Judgment, Debtor also incurred significant legal fees defending the Litigation over a period of approximately one and a half years. Debtor was represented in the Litigation by Silicon Valley Law Group. Due to the Litigation, Debtor incurred approximately \$229,694.00 in legal fees with the Silicon Valley Law Group. These legal fees comprise Debtor's second largest obligation.

As of July 31, 2017, the Debtor had actual sales in 2017 of \$6,699,211, with gross profit of \$1,653,979, equating a gross profit margin of 25%. The Debtor achieved net profit in pre-tax dollars of \$560,760. Anticipated annual profit for 2017 is forecasted at \$996,881.

As of July 31, 2017, the Debtor had total assets of \$2,290,886 and total liabilities of \$2,607,755. Total accounts receivable were \$1,618,926, with \$352 over 90 days old.

The Debtor believes that its current business model is sustainable and will remain profitable well into the future, given the opportunity to restructure its current obligations over, at most, a sixty (60) month plan period. Currently, the Debtor operates a profitable business with no secured debt and, aside from the aforementioned Judgment and the legal fees accumulating because of the Litigation, the Debtor has few unsecured debt obligations. Accordingly, Debtor's bankruptcy filing seeks to restructure the repayment of its debts by paying the Claims in full through Plan payments.

### **III. DEBTOR'S BANKRUPTCY FILING**

#### **The Debtor's Bar Date, Schedules, and Monthly Operating Reports**

On June 21, 2017, the Debtor filed its Schedules and Statement of Financial Affairs, detailing the Debtor's current assets and liabilities as well as its financial performance up to the Petition Date. The creditors should review the Schedules and Statement of Financial Affairs in considering whether to vote for the Debtor's proposed plan of reorganization. Copies of the Schedules and Statement of Financial Affairs are attached as **Exhibit F**. To the extent that any of the financial data contained within the Schedules or Statement of Financial Affairs is amended, those amendments will be served on all creditors.

It is anticipated that the Debtor will generate revenues sufficient to meet all of the Debtor's current expenses, as well as all proposed payments required under the Plan.

Additionally, Irish Retronix will contribute approximately \$33,747 monthly to the payment of Class 4 Claims in exchange for its inclusion in the Proctor Parties' stand-down provision set forth in the treatment of Class 4 Claims. An income statement forecast of the post-confirmation repayment of claims is attached as **Exhibit G**.

The Debtor currently employs approximately 102 employees, comprised of 101 staff members and one executive.

As of the Petition Date, the Debtor began operating its business and managing its property as a Debtor-in-Possession pursuant to Sections 1007 and 1008 of the Bankruptcy Code. The Bar Date in this case is October 10, 2017, for non-governmental entities, and 180 days after the date of the order for relief, for governmental entities. Although the Debtor does not know yet what claims will be filed and ultimately allowed, the Debtor anticipates that the Creditors listed in its Schedules will file claims in the amounts set forth in those Schedules.

### **The Debtor's Assets As of the Petition Date**

As of the Petition Date, the Debtor's scheduled assets totaled \$1,289,025.90 consisting of the following:

- Cash: \$261,665.29;
- Deposits and Prepayments: \$20,647.73;
- Accounts receivable: \$946,145.00;
- Office equipment, furnishings, and supplies: \$6,000.00; and
- Machinery, equipment, and vehicles: \$54,567.88.

### **Post Petition Events**

#### **A. Commencement and Administration of the Case**

The Debtor's Chapter 11 bankruptcy was commenced on June 9, 2017. The Debtor's Chapter 11 bankruptcy case is intended to reorganize and restructure Debtor's liabilities in the context of a chapter 11 reorganization. The following is a description of the more significant matters to have come before the Court.

#### **B. Approval of Husch Blackwell LLP as Debtor's Bankruptcy Counsel**

Husch Blackwell LLP serves as the Debtor's bankruptcy counsel. As a professional under § 327 of the Bankruptcy Code, the firm is entitled to seek interim and final compensation from the Debtor's Bankruptcy Estate upon a duly noticed application and after a hearing before the Court.

**C. Management of the Reorganized Debtor**

Pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code, Debtor is operating its business as a debtor-in-possession.

**D. Adversary Proceeding against the Proctor Parties**

Debtor commenced an adversary proceeding, adversary case no. 17-01069, against the Proctor Parties on June 22, 2017. The adversary proceeding sought to, among other things, recover the allegedly preferential transfer made to the Proctor Parties pursuant to the Settlement Agreement in the amount of \$900,000.00 on March 14, 2017. Following extensive negotiations, the Debtor and the Proctor Parties resolved the issues raised in the adversary proceeding and memorialized the terms in a Plan Settlement Term Sheet, a copy of which is attached as **Exhibit H** and incorporated herein. On August 22, 2017, the Debtor filed an Expedited Motion to Approve Compromise and Settlement Agreement with respect to a proposed settlement with the Proctor Parties in the adversary proceeding. The Expedited Motion to Approve Compromise and Settlement Agreement is set for a hearing on September 9, 2017 at 10:00 A.M. in the Court located at 903 San Jacinto Blvd., Austin, Texas. The terms of the proposed settlement agreement are incorporated in this First Amended Disclosure Statement.

**IV. PLAN OF REORGANIZATION**

**Overview of the Plan**

The Plan contemplates reorganizing the Debtor through the repayment of all claims in full over, at most, a sixty (60) month period by utilizing the Debtor's ongoing net income to service such payments. Unless and until all claims are fully satisfied as indicated herein, the equity in the Reorganized Debtor will be held in escrow to either be distributed to all creditors on a pro rata basis upon the failure of this Plan, or, alternatively, distributed to the Debtor's principal equity holder upon successful completion of this Plan. All claims and causes of action, including any Chapter 5 causes of action, shall be abated until such time as the Plan either fails or is successfully completed. If the Plan fails, all such claims and causes of action will be deemed property of the bankruptcy estate to be prosecuted by Chapter 7 trustee upon conversion of the case to a Chapter 7 bankruptcy. The purpose of the Plan is to provide full payment to each Class of Claims.

**THE ORIGINAL DISCLOSURE STATEMENT AND PLAN SOUGHT AN INJUNCTION AGAINST THE COLLECTION OF DEBT FROM SPECIFIC NON-DEBTORS IF THE DEBTOR IS CO-LIABLE ON SUCH DEBT. THE DEBTOR SETTLED AND RESOLVED ITS DISPUTE WITH THE PROCTOR PARTIES, WHICH NEGATED THE NEED FOR AN INJUNCTION.**

**Anticipated Distribution**

The Plan provides for the following payments:

- Allowed Administrative Claims: Full payment, in cash, on the Effective Date, or as otherwise agreed.
- Allowed Case Professional Fee Claims: Full payment, in cash, on the entry of orders approving the final fee applications of such Case Professionals.
- Allowed Priority Tax Claims: Full payment, through equal monthly payments with repayment not to exceed five years and beginning thirty (30) days after the Effective Date of the Plan, with applicable interest under state law and Bankruptcy Code § 511.
- Allowed Priority Non-Tax Claims: Full payment, in cash, as required by the Bankruptcy Code. The Debtor is unaware of any Priority Non-Tax Claims.
- Secured Ad Valorem Claims: Full payment, through equal monthly payments with repayment not to exceed five years and beginning thirty (30) days after the Effective Date of the Plan, with applicable interest under state law and Bankruptcy Code § 511.
- Prepetition Judgment Claims: Full payment, through equal monthly payments in the amount of \$50,000, except the first payment under the Plan and the March 2018 payment will be in the amount of \$200,000.00 each, with repayment not to exceed five years, with additional annual net profit payments in an amount equal to Eighty Percent (80%) of the Debtor's annual net profit after tax based on Debtor's prior year's financial performance. Net profit payments are due and payable on February 1 of the year proceeding the Debtor's prior financial year, with the first such payment due February 1 beginning in 2019. Interest to accrue at Ten Percent (10%) per annum beginning on May 4, 2017 until Claim is paid in full. Non-debtors Semicon and Irish Retronix to re-affirm their co-liability on such Claim. Debtor anticipates payment in full by February 2021.
- Prepetition General Unsecured Vendor Claims: Full payment, through equal monthly payment with repayment not to exceed five years, with additional annual net profit after tax payments based on Debtor's prior year's financial performance. Interest to accrue at Six Percent (6%) per annum beginning on the Effective Date of the Plan until Claims are paid in full.
- Prepetition Officer Loan Claims: Such Claims will be entitled to repayment if and only if all other Claims are paid in full under the terms of the Plan. No distribution on Prepetition Office Loan Claims will occur until such time as all other Claims are paid in full.
- Prepetition Holders of Equity of the Debtor: All prepetition equity will be extinguished on the Effective Date of the Plan. Equity in the Reorganized Debtor will be held in escrow to either be distributed to all creditors on a pro rata basis upon the failure of this Plan, or, alternatively, distributed to Anthony Boswell upon successful completion of this Plan.
- Each executory contract and unexpired lease to which the Debtor is a party and that has not been previously assumed or rejected shall be deemed rejected, unless expressly assumed pursuant to the Plan.

- All objections to Claims not allowed herein must be filed within ninety (90) days following the Effective Date of the Plan, unless extended by the Bankruptcy Court.
- The Effective Date of the Plan will be the first business day after expiration of fourteen (14) days from the entry of an order confirming the Plan; provided, however, that the Confirmation Order is a Final Order; and further provided, however, that the conditions precedent set forth in the Plan have been duly satisfied.

### **Summary of the Plan**

As provided in Section 1123(a) of the Bankruptcy Code, Administrative Claims shall not be classified for purposes of voting under the Plan. The Allowed Claims against the Debtor are classified as set forth in this Article. A Claim is in a particular Class only to the extent that such Claim fits within the description of such Class, and is in such other and different Class or Classes to the extent that the remainder of such Claim fits within the description of such other Class or Classes. Any dispute with respect to classification of Claims or impairment shall be resolved by the Court upon motion of the holder of such Claim affected thereby, with notice to the Debtor. The Plan shall only provide Distributions to Allowed Claims; except as expressly provided herein nothing within the Plan shall allow any Claim. The Allowed Claims are classified as follows:

- Class 1 - Allowed Priority Tax Claims
- Class 2 - Allowed Priority Non-Tax Claims
- Class 3 - Secured Ad Valorem Claims
- Class 4 - Prepetition Judgment Claims
- Class 5 – Prepetition General Unsecured Vendor Claims
- Class 6 – Prepetition Officer Loan Claims
- Class 7 - Prepetition Holders of Equity In Debtor

Additionally:

- Each executory contract and unexpired lease to which the Debtor is a party and that has not been previously assumed or rejected shall be deemed rejected, unless expressly assumed pursuant to the Plan. The Debtor reserves the right to add executory contracts and unexpired leases until thirty (30) days prior to the Confirmation Hearing. The final list of Assumed Agreements will be included with the Plan Supplement that will be filed on or before ten (10) days prior to the Confirmation Hearing. The Debtor intends on assuming all executory contracts other than the prepetition settlement agreement entered into with the Proctor Parties.
- All objections to Claims not allowed herein must be filed within ninety (90) days following the Effective Date of the Plan, unless extended by the Bankruptcy Court.
- Claims in Classes 2 through 7 are impaired under the Plan, and therefore shall be entitled to vote to accept or reject this Plan. If a controversy arises as to whether any Claim or any Class of Claims is impaired under the Plan, the Court shall, upon notice and a hearing, determine such controversy. Any impaired Class that is not occupied by an Allowed Claim

or a Claim temporarily allowed pursuant to Bankruptcy Rule 3018 as of the date of the Confirmation Hearing shall be deemed deleted from the Plan for purposes of voting on acceptance or rejection of the Plan and determining whether the Plan has been accepted by such class under Section 1129 of the Bankruptcy Code.

- The Effective Date of the Plan will be the first business day after expiration of thirty (30) days from the entry of an order confirming the Plan.
- Alternatively, if the above restructuring is not approved by the Bankruptcy Court, the Debtor may convert the case to a case under Chapter 7, dismiss the case, or attempt to sell the company's assets through a structured auction process approved by the Bankruptcy Court. Distribution of the sale proceeds is anticipated to be governed by Bankruptcy Code § 726.

#### **A. Administrative Claims**

Administrative Claims: Except to the extent that any entity entitled to payment of any Allowed Administrative Claim agrees to different treatment, each holder of an Allowed Administrative Claim shall receive Cash from funds available from the operations of the Debtor in an amount equal to such Allowed Administrative Claim on the later of the Effective Date or the date such Administrative Claim becomes an Allowed Administrative Claim, or as soon thereafter as practicable, but not to exceed the later of (i) five (5) business days from the date such Administrative Claim becomes an Allowed Administrative Claim; or (ii) five (5) business days from the date of the Effective Date; provided, however, those Administrative Claims representing liabilities incurred in the ordinary course of business by the Debtor on or after the Petition Date, or assumed by the Debtor pursuant to the Plan or an order of the Court shall be paid by the Reorganized Debtor in accordance with the terms and conditions of the particular transactions and any agreements relating thereto or any order of the Court.

Administrative Claim Bar Date: The Plan constitutes a motion to fix and establish an administrative bar date of sixty (60) days following the Effective Date. Upon entry of the Confirmation Order, the Debtor shall provide notice of such Administrative Claim Bar Date to all entities on the Debtor's creditor matrix and every Person that may assert an Administrative Claim against the Debtor, according to the Debtor's books and records.

Administrative Claim Objection Deadline: The Plan constitutes a motion to fix and establish a deadline to object to timely filed Administrative Claims, such deadline being sixty (60) days following entry of the Confirmation Order.

Administrative Claim Reserve: On the Effective Date, the Reorganized Debtor will fund the Administrative Claim Reserve in an amount sufficient to pay all Allowed Administrative Claims in full (other than those Administrative Claims to be paid in the ordinary course of business of the Reorganized Debtor). The funds in the Administrative Claim Reserve shall be released and paid over to those holders of Allowed Administrative Claims. Any funds remaining in the Administrative Claim Reserve following payment of All Allowed Administrative Claims shall be released to the Reorganized Debtor.

## **B. Professionals Claims**

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

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

Claims of Case Professionals Objection Deadline: The Plan constitutes a motion to fix and establish a deadline to object to timely filed Claims of Case Professionals, such deadline being sixty (60) days following the Effective Date.

Professionals Account: On the Effective Date, the Reorganized Debtor will fund the Case Professionals Account in an amount sufficient to pay all Allowed Claims of Case Professionals in full, except to the extent that any Case Professional agrees otherwise.

United States Trustee Fees: All fees owing to the United States Trustee under 28 U.S.C. § 1930 shall be paid by the Reorganized Debtor in Cash as such fees become due.

## **C. Classified Claims**

**Class 1: Allowed Priority Tax Claims.** This Class shall consist of Allowed Priority Tax Claims, and the provisions of this section govern the repayment of the indebtedness owing on Allowed Priority Tax Claims, notwithstanding anything else in this Plan to the contrary. The Debtor shall pay priority principal and interest of all Allowed Priority Tax Claims in equal monthly installments beginning thirty (30) days after the Effective Date of the Plan, with interest accruing on such amounts as of the Effective Date of the Plan as required by 11 U.S.C. §§ 511 and 1129(a)(9)(C).

Estimated Class Claim Amount: \$0.00. The Debtor does not anticipate any class members for Class 1 Allowed Priority Tax Claims.

Funding: The Reorganized Debtor shall pay the Allowed Class 1 Claims with Cash, from funds available from operations of the Reorganized Debtor.

Impairment and Voting: Class 1 is impaired. Acceptance of the Plan from holders of Class 1 Claims will be solicited.

**Class 2: Allowed Priority Non-Tax Claims.** This Class shall consist of the Allowed Priority Non-Tax Claims allowable under 11 U.S.C. § 507, except such Claims allowable under 11 U.S.C. §§ 507(a)(2) or 507(a)(8). Such claims will be paid on the Effective Date of the Plan as required by 11 U.S.C. § 1129 or under terms and conditions otherwise agreed to by the Holder of such Claim.

Estimated Class Claim Amount: \$0.00. The Debtor does not anticipate any class members for Class 2 Allowed Priority Non-Tax Claims.

Funding: The Reorganized Debtor shall pay the Allowed Class 2 Claims with Cash, from funds available from operations of the Reorganized Debtor.

Impairment and Voting: Class 2 is impaired. Acceptance of the Plan from holders of Class 2 Claims will be solicited.

**Class 3: Secured Ad Valorem Tax Claims.** The Secured Ad Valorem Tax Claims shall be paid by the Debtor, pursuant to the provisions of 11 USC §1129(a)(9)(C), in equal monthly installments, commencing thirty days from the Plan's Effective Date and ending sixty months from the petition date. The Claims shall bear interest at the statutory rate of 12% per annum from the date of filing of this case until said taxes are paid in full. Holders of Class 3 Claims shall retain all liens until such taxes are paid in full.

Default shall occur if one monthly installment due to Holders of this Class under the confirmed Plan is not paid by Debtor or if post-confirmation taxes (including 2018 taxes) are not paid timely pursuant to state law. In the event of default, the Holders of this Class shall send written notice of default to Debtor's attorney and Debtor. If the default is not cured within twenty (20) days after notice of the default is mailed, the Holders of this Class may proceed with state law remedies for collection of all amounts due under state law pursuant to the Texas Property Tax Code. The Debtor has the opportunity to cure two (2) times over the life of the Plan. In the event of a third default, the Holders of this Class may proceed with the state law remedies for collection of all amounts due under state law pursuant to the Texas Property Tax Code.

Estimated Class Claim Amount: \$0.00. The Debtor does not anticipate any class members for Class 3 Secured Ad Valorem Tax Claims.

Funding: The Reorganized Debtor shall pay the Allowed Class 3 Claims with Cash, from funds available from operations of the Reorganized Debtor.

Impairment and Voting: Class 3 is impaired. Acceptance of the Plan from holders of Class 3 Claims will be solicited.

**Class 4: Prepetition Judgment Claims.** This Class shall consist of the Judgment Claim held by the Proctor Parties in the principal amount of \$2,155,500.77, plus accrued attorneys' fees in the amount of \$35,000.00, and the provisions of this section govern the repayment of the indebtedness owing on the Allowed Prepetition Judgment Claims, notwithstanding anything else in this Plan to the contrary. The Debtor shall pay in full principal and accrued interest of all Allowed Prepetition Judgment Claims in equal monthly installments in the amount of \$50,000.00



beginning thirty (30) days after the Effective Date of the Plan, except the first payment under the Plan and the March 2018 payment will be in the amount of \$200,000.00 each, with repayment not to exceed five years, and with additional annual net profit payments in an amount equal to Eighty Percent (80%) of the Debtor's annual net profit after taxes based on Debtor's prior year's financial performance. Net profit payments are due and payable on February 1 of the year proceeding the Debtor's prior financial year, with the first such payment due February 1 beginning in 2019. Interest is to accrue on the unpaid principal of the Prepetition Judgment Claim at Ten Percent (10%) per annum beginning on May 4, 2017 until the Claim is paid in full. Non-debtors Semicon and Irish Retronix will re-affirm their co-liability on such Claim. Debtor anticipates payment in full of the Prepetition Judgment Claim by February 2021. As specified in Paragraph 12.3 below, holders of Class 4 Claims are temporarily enjoined from attempting or taking any actions to collect debts against Semicon and/or Irish Retronix as to any claim that Semicon and Irish Retronix are co-liable with the Debtor.

For purposes of clarity, the terms of the Debtor's proposed Plan Settlement Term Sheet with Proctor Parties, attached as Exhibit H, are incorporated in this Plan and restated as follows:

1. The payment schedule for the Proctor Parties in Class 4 will be amended to reflect the following:
  - a. The first payment for Class 4 (contemplated to be in September 2017<sup>2</sup>) and the March 2018 payment will be in the amount of \$200,000.00 each.
  - b. The regular monthly payment for Class 4 will be increased to \$50,000.00 per month, except for the first payment and the March 2018 payment.
  - c. The claim amount for Class 4 will be increased by \$35,000.00 to reflect accrued attorneys' fees incurred by the Proctor Parties.
  - d. Interest on the Class 4 Claim will begin to accrue on the date of the entry of the Proctor judgment of May 4, 2017.
  - e. For purposes of clarification, the Allowed Class 4 Claim will comprise of the Prepetition Judgment amount of \$2,155,500.77, interest accruing beginning May 4, 2017 at 10% per annum on the unpaid principal amount of the Prepetition Judgment, and the agreed-upon attorney fee amount of \$35,000.00.
2. Debtor and Retronix Semiconductor Limited, the Debtor's Irish affiliate, will provide the Proctor Parties with monthly financial reports<sup>3</sup>, and will certify that the reports are true and correct to the best of the parties' knowledge. The signatories for the

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<sup>2</sup> The Effective Date, which will be the first day of the month after the expiration of the 15<sup>th</sup> calendar day after entry of the order confirming the chapter 11 plan, barring any appeal or motion for reconsideration.

<sup>3</sup> The monthly financial reports shall be the Retronix Parties' balance sheet, profit and loss statement, expense report, the income statement, the accrual report, the payroll summaries and the bank statements. The Retronix Parties will provide to the Proctor Parties the federal and state tax returns filed in the United States and the equivalent filings filed in Ireland for 2017 and continuing until the Proctor Parties are paid in full under the terms of the plan.

Retronix Parties will be Anthony Boswell, Dennis Rooney, Matt Sheridan and Kathryn Moran. Debtor and Retronix Parties shall deliver the monthly financial reports to the Proctor Parties by the last business calendar day of the month for the previous month. Failure to provide timely monthly financial reports will constitute a default under the plan.

3. The answer date for the Proctor Parties to answer Adversary Proceeding No. 17-1069 is extended until such time as the Debtor's proposed plan is confirmed and the plan's effective date has occurred. Should the Debtor's proposed plan not be confirmed, the Proctor Parties will have 30 days from the date of the conversion of the Debtor's case to Chapter 7 to file an answer.

4. The Proctor Parties will be released from any and all liability arising from Adversary Proceeding No. 17-1069 upon the Effective Date of the confirmed Chapter 11 Plan. Upon plan confirmation, the Proctor Parties receive a general release, effective upon conversion or dismissal.

5. The proposed plan's discharge of the Debtor will occur on the effective date of the Plan.

6. The Proctor Parties agree to forbear any action against the Retronix Parties as a result of the May 4, 2017 judgment entered in Case No. 8:14-cv-02009-JLS, including any action, including collection or insolvency proceedings, in Ireland or elsewhere, as long as the Proctor Parties are receiving the payments as proposed by the Debtor's plan.

7. The Retronix Parties will cause the withdrawal of the Form 1099 filed by the Retronix Parties regarding Stuart Proctor on the effective date of the Debtor's plan.

8. Upon the signing of an appropriate Nondisclosure Agreement, the Retronix Parties will provide the management compensation information to the Proctor Parties as well as the current year-to-date financial information of the Debtor and Retronix Semiconductor Limited.

9. The Proctor Parties agree that any financial information provided to the Proctor Parties that is not filed of record shall not be disclosed to any third parties without consent of the Retronix Parties. To the extent the parties do not reach agreements, the Proctor Parties are not prohibited from obtaining the financial information received from the Debtor and Retronix Parties through alternative discovery means. The Retronix Parties reserve their rights to seek the appropriate court orders restricting the use of any information obtained by alternative discovery means.

10. Anthony Boswell and other directors and officers of the Debtor and Retronix Parties will not take additional compensation other than their normal compensation as disclosed to the Proctor Parties pursuant to #8 above, or any distributions or extraordinary withdrawals from the Debtor or Retronix Parties, until such time as all proposed plan payments are paid in full.

11. The Proctor Parties agree to the expedited consideration of the Debtor's proposed plan and disclosure statement.

12. During the Debtor's bankruptcy and until such time as all plan payments are fully made, the Retronix Parties will continue to operate in the ordinary course of business and will not dissipate, transfer or conceal any assets.

13. If the business or assets of the Retronix Parties are sold at any point prior to all plan payments being full made, a court order approving the sale is required, while any proceeds of such sale must be in an amount sufficient to satisfy and pay in full the remaining Class 4 Claims upon closing of the sale. No distributions to equity will be made from the sale proceeds until all payments are paid in full.

14. Audit Right by Proctor Parties. The Proctor Parties have the right, on a semi-annual basis, to (i) conduct a forensic and/or fraud examination (the "Examination") of the Debtor and Retronix Parties; and/or, (ii) examine, review or audit the books and records of the Debtor and Retronix Parties until such time their claim is paid in full, with such examination, review or audit only being conducted by an independent certified public accountant and under the applicable standards under generally accepted accounting principles (GAAP) and the International Standard on Auditing (ISA) ("Audit"). The Examination and/or Audit will be performed at the Debtor's offices in Austin, Texas, with the Debtor's working papers to remain onsite and Retronix Parties books and records to be made available at Debtor's offices in Austin, Texas. If the Debtor and/or Retronix Parties books and records are maintained in the cloud or electronic means, the Debtor and/or Retronix Parties will provide an accounting or other usable copy of information in its native format, which data will not be modifiable in the data room but will have the capability of being extracted in its original format by the Proctor Parties' accountant for analysis. Parties agree that such electronic access may potentially avoid the Examination and/or Audit being conducted at the Debtor's offices, at the Proctor Parties' discretion. The purpose of this Examination and/or Audit is to insure that (1) the Debtor and Retronix Parties are making the required payments under the confirmed plan of reorganization; (2) there is no fraud or gross negligence in the conduct of the Debtor's business as it relates to the Debtor's obligations under the confirmed plan of reorganization, including the obligations contained within this Term Sheet; and (3) the Debtor is abiding by the provisions in paragraph 10 above regarding officer and director compensation. If the Proctor Parties' certified public accountant has questions regarding the books and records during the Examination and/or Audit, such questions will be directed to Matt Sheridan at [matt.sheridan@retronix.com](mailto:matt.sheridan@retronix.com) or the designated person(s) responsible for preparing and maintaining the books and records for Debtor and the Retronix Parties. If the Examination and/or Audit discovers fraud or gross negligence by Debtor and/or its principals, the Proctor Parties will provide the results of the Examination and/or Audit to the Retronix Parties for review. If the Retronix Parties agree to the finding of fraud or gross negligence, or if the Bankruptcy Court finds that fraud and/or gross negligence has occurred, the cost of Examination and/or Audit (auditors, examiners and Proctor Parties' counsel) is borne by the Debtor. Moreover, a finding by the auditor of fraud or gross negligence shall constitute a default under the plan and grounds for dismissal or conversion by the Proctor Parties. If there is

no finding of fraud or gross negligence, the cost of the Proctor Parties' auditors shall be borne by the Proctor Parties. However, if the Retronix Parties dispute any finding regarding the examination, review or audit, such dispute will be resolved by the Bankruptcy Court. The examination, review or audit will be subject to the non-disclosure provisions in Paragraph 9 above.

15. Default. Upon default under the Plan, the Proctor Parties claims shall be allowed pursuant to applicable law and nothing herein shall be construed as a novation of those rights or remedies.

Estimated Class Claim Amount: \$2,190,500.77.

Funding: The Reorganized Debtor shall pay the Allowed Class 5 Claims with Cash, from funds available from operations of the Reorganized Debtor.

Impairment and Voting: Class 5 is impaired. Acceptance of the Plan from holders of Class 5 Claims will be solicited.

**Class 5: Prepetition General Unsecured Vendor Claims.** This Class shall consist of the Prepetition General Unsecured Vendor Claims. Based upon the Debtor's Schedules and the filed proofs of claims, the Debtor believes the following creditors are members of this Class:

Basic  
City of Austin Utilities  
City of Mesa Utilities  
Federal Express  
JSN Janitorial Services  
Prologis Texas III, LLC  
Redirect Healthcare Capital Administrators  
Retronix Ireland  
Silicon Valley Law Group  
Uline  
Wells Fargo Financial Leasing

The Debtor shall pay in full principal and accrued interest of all Allowed Prepetition General Unsecured Vendor Claims in equal monthly installments beginning thirty (30) days after the Effective Date of the Plan, with repayment not to exceed five years, and with additional annual net profit payments in an amount equal to Twenty Percent (20%) of the Debtor's annual net profit after taxes based on Debtor's prior year's financial performance. Net profit payments are due and payable on February 1 of the year proceeding the Debtor's prior financial year, with the first such payment due February 1 beginning in 2019. Interest is to accrue on the unpaid principal of the Prepetition General Unsecured Vendor Claims at Six Percent (6%) per annum beginning on the Effective Date of the Plan until such Claims are paid in full. Debtor anticipates payment in full of the Prepetition General Unsecured Vendor Claims by February 2021.

Estimated Class Claim Amount: \$242,768.66.

Funding: The Reorganized Debtor shall pay the Allowed Class 5 Claims with Cash, from funds

available from operations of the Reorganized Debtor.

Impairment and Voting: Class 5 is impaired. Acceptance of the Plan from holders of Class 5 Claims will be solicited.

**Class 6: Prepetition Officer Loan Claims.** This Class shall consist of the Prepetition Officer Loan Claims. The Debtor believes the only holder of such Claims is the claim of Anthony Boswell in the amount of \$734,684.40. The Prepetition Officer Loan Claims will be entitled to repayment if and only if all other Allowed Claims are paid in full under the terms of the Plan. No distribution on Prepetition Officer Loan Claims will occur until such time as all other Allowed Claims are paid in full.

Estimated Class Claim Amount: \$734,684.40.

Funding: The Reorganized Debtor shall pay the Allowed Class 6 Claims with Cash, from funds available from operations of the Reorganized Debtor.

Impairment and Voting: Class 6 is impaired. Acceptance of the Plan from holders of Class 6 Claims will be solicited.

**Class 7: Prepetition Holders of Equity in the Debtor.** This Class shall consist of the Prepetition Holders of Equity in the Debtor. The prepetition equity interests in the Debtor will be extinguished on the Effective Date of the Plan. Equity in the Reorganized Debtor will be held in escrow to either be distributed to all creditors with allowed claims in Classes 1-5 on a pro rata basis upon the failure of this Plan, or, alternatively, distributed to Anthony Boswell or his designee upon successful completion of this Plan in exchange for his agreement to voluntarily subordinate his Officer Loan Claims.

Upon the Effective Date, the Reorganized Debtor will establish an appropriate escrow relationship with an unrelated, disinterested escrow agent under terms and conditions approved by the Bankruptcy Court and cause all equity interests in the Reorganized Debtor to be placed into escrow pending either the successful completion of all payments due under the Plan or the failure of the Plan after an uncured Material Default. The escrow agent will be Kell C. Mercer, KELL C. MERCER, P.C., 1602 E. Cesar Chavez Street, Austin, TX 78702 (the "Escrow Agent"). The Reorganized Debtor shall pay the Escrow Agent a total fee of \$5,000.00 within 30 days of the Effective Date, and such fee shall be the Escrow Agent's total allowed fee for serving as the Escrow Agent for the full term of the Plan. Upon an uncured default under Section IV(M) of the Plan, the Reorganized Debtor shall provide the Escrow Agent with a full accounting of all payments made under the Plan and all remaining amounts owed on allowed claims, and the Escrow Agent shall distribute the equity interests and voting rights on a pro rata basis to all creditors with allowed claims in Classes 1-5 based on the remaining amounts owed to such creditors under the Plan. If the Reorganized Debtor successfully completes the Plan, the Escrow agent shall distribute the equity interests and voting rights to Anthony Boswell or his designee. During the time period between the Effective Date and the full payment of all claims under the Plan, the Reorganized Debtor's management may manage and operate the Debtor in the ordinary course of business and in their best business judgment, notwithstanding the escrow of the

Reorganized Debtor's equity. Prior to the Confirmation Hearing, the Debtor will file a proposed escrow agreement in the court docket.

### **Provisions Relating to Payments**

Distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the schedules filed by the Debtor with the Court unless superseded by the address as set forth on the proofs of Claim filed by such holders or other writing notifying the Debtor of a change of address. If any holder's Distribution is returned as undeliverable, unless otherwise provided by applicable law or local rule, no further Distributions to such holder shall be made unless and until the Reorganized Debtor are notified of such holder's then current address, at which time all missed Distributions shall be made to such holder, without interest. Unless otherwise provided by applicable law or the Bankruptcy Rules, all claims for undeliverable Distributions shall be made within sixty (60) days after the date such undeliverable Distribution was initially made. After such date (as applicable), all unclaimed property shall be remitted to the Reorganized Debtor; the holder of any such Claim shall not be entitled to any other or further Distribution under the Plan on account of such Claim and such Claim shall be deemed disallowed for purposes of any such Distribution.

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

So long as the Reorganized Debtor remains current on all other Plan payments, the Reorganized Debtor reserves the right to prepay or settle Allowed Claims except as otherwise provided in the Plan.

If the Effective Date or any other date on which a transaction may occur under the Plan shall occur on a day that is not a Business Day, the transactions contemplated by the Plan to occur on such day shall instead occur on the next succeeding Business Day.

#### **I. Objections to Proofs of Claim, Prosecution of Causes of Action, including Avoidance Actions**

**Objections to Claims:** Except as otherwise provided in the Plan in connection with Administrative Claims and Claims of Case Professionals, objections to Claims must be filed with

the Court and served in accordance with the Bankruptcy Rules by the later of (i) ninety (90) days following the Effective Date or (ii) thirty (30) days following the date such proof of Claim was timely filed; otherwise, such Claims shall be deemed Allowed in accordance with Section 502 of the Bankruptcy Code, unless an extension of such time period is sought by the Reorganized Debtor. Any Claims that are objected to are Disputed Claims until a final order on the objection is entered by the Court. Otherwise, such Claims shall be deemed Allowed in accordance with Section 502 of the Bankruptcy Code, unless an extension of such time period is sought by the Reorganized Debtor.

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

**Retention of Causes of Action:** In accordance with Section 1123(b)(3) of the Bankruptcy Code and under the Plan, the Reorganized Debtor shall be vested with the right to prosecute, compromise, or otherwise resolve any and all Causes of Action. Except as released, settled, or compromised herein, the Reorganized Debtor will be vested with the right to prosecute, compromise, or otherwise resolve Avoidance Actions. The retained Causes of Action include any and all claims arising from lawsuit styled *Semiserve, Inc., et al., vs. Semicon Services, et al.*, Case No. 8:14-cv-02009-JLS, filed in the United States District Court for the Central District of California, Judge Josephine L. Staton presiding, including any claims, if any exist, against the Debtor's professionals therein. The retained Causes of Action also include any and all potential claims against the Debtor's former accountant, Greg Tolleson, based on payment of personal bills out of the Debtor's funds. The Debtor specifically retains the right to seek avoidance of any avoidable preferential payment made by the Debtor under 11 U.S.C. § 547, including the claims arising in Adversary No. 17-01069-hcm, filed in the United States Bankruptcy Court for the Western District of Texas.

To the extent that Adversary No. 17-01069-hcm has not been fully adjudicated by the entry of the Confirmation Order, such adversary proceeding will be abated pending the successful completion of all payments under this Plan. If this Plan fails, as determined by the Bankruptcy Court, the abatement will cease and Adversary 17-01069 will be fully prosecuted by either the Debtor or a subsequent Chapter 7 trustee for the benefit of the Debtor's creditors.

Additionally, in accordance with Section 1123(b)(3) of the Bankruptcy Code and under the Plan, the Reorganized Debtor will be vested with the right to object to proofs of Claim. The Reorganized Debtor shall have the right and power to object to proofs of Claim or Claims including those deemed allowed under Section 1111(a) of the Bankruptcy Code on any ground, including those set forth in Section 502 of the Bankruptcy Code.

**THE RIGHT TO OBJECT TO ANY CREDITOR'S CLAIM IS RESERVED IN FAVOR OF THE REORGANIZED DEBTOR REGARDLESS OF WHETHER THE CREDITOR HAS VOTED IN FAVOR OF OR AGAINST THE PLAN.**

**AT THIS TIME, THE DEBTOR DOES NOT ANTICIPATE OBJECTING TO ANY CREDITOR'S CLAIM.**

**Prosecution of Causes of Action:** After the Effective Date, the Reorganized Debtor, in its sole discretion, shall evaluate the potential Causes of Action, including Avoidance Actions, and determine whether to pursue any such Causes of Action for the benefit of the holders of Allowed Claims. The Debtor's Statement of Financial Affairs identifies the parties who received payments and transfers from the Debtor within ninety (90) days of its petition date and insiders who received payments and transfers from the Debtor within one year of the petition date.

Additionally, the Reorganized Debtor will continue to litigate, compromise, or otherwise resolve any Causes of Action, including Avoidance Actions, commenced by the Debtor prior to the Effective Date. The Reorganized Debtor shall retain counsel on an appropriate basis to prosecute these Causes of Action. The Bankruptcy Court shall retain jurisdiction to adjudicate any and all Causes of Action, including Avoidance Actions, and approve any settlement thereof. The Net Proceeds of the Causes of Action, including Avoidance Actions, shall be distributed, first, in payment of the litigation fees and expenses incurred in the litigation, and, second, to the Creditors in the Classes 1 through 6 above as set forth in Article 4.

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

**J. Provisions for Treatment of Disputed Claims/Executory Contracts and Leases**

**Distributions on Allowed Claims Only:** Distributions under the Plan shall be made only to the holders of Allowed Claims. Until a Disputed Claim becomes an Allowed Claim, the holder of that Disputed Claim shall not receive the consideration otherwise provided to holders of Claims in the same Class as such Claim under the Plan. The Claim of any holder of an Allowed Claim that has received notice that the Reorganized Debtor may seek to bring an Avoidance Action against such holder under Section 547 of the Bankruptcy Code shall be deemed disallowed pursuant to Section 502(d) of the Bankruptcy Code until such time as the avoidable transfers are returned to the Debtor's estate or the Avoidance Action is otherwise resolved. Disallowance shall include any Assumed Agreement that has any outstanding balance owed to the Debtor. No Distribution shall be made to any holder of an Assumed Agreement unless and until such holder pays any outstanding amount due to the Debtor.

**Establishment of Disputed Claims Reserve:** On the occasion of each payment required under the Plan, the Reorganized Debtor, shall deposit Cash in a segregated, interest bearing account in such amount necessary to pay all Disputed Claims in accordance with the terms of the Plan if such Claims were to become Allowed Claims. This account shall be called the Disputed Claim Reserve. The Reorganized Debtor shall hold the Disputed Claim Reserve in trust for the benefit of the holders of Allowed Claims whose Distributions are unclaimed and the holders of Disputed Claims pending determination of their entitlement thereto under the terms of the Plan.



When a Disputed Claim becomes an Allowed Claim, the Reorganized Debtor shall release and deliver the Distributions reserved for such Allowed Claims (net of distribution costs) from the Disputed Claim Reserve. To the extent that any funds exist in the Disputed Claim Reserve after resolution of all Disputed Claims and distribution to all Allowed Claims, such funds shall be released to the Reorganized Debtor.

**Assumption of Executory Contracts and Leases:** The contracts and leases listed in the Plan (the “Assumed Agreements”) shall be assumed on the Effective Date and shall vest in the Reorganized Debtor. The Debtor reserves the right to *add* contracts and leases until the filing of its Plan Supplement. The final list of Assumed Agreements will be included with the Plan Supplement that will be filed on or before tenth (10<sup>th</sup>) day prior to the Confirmation Hearing. Additionally, the Debtor reserves the right to *remove* contracts until entry of the Confirmation Order. Notice of any additions or deletions shall be sent immediately to all non-debtors affected by the additions or deletions. Entry of the Confirmation Order shall constitute approval of such assumptions pursuant to Section 365(a) of the Bankruptcy Code and a finding by the Court that each such assumption is in the best interests of the Debtor, its Estate, and all parties in interest in this Case. In addition, the Confirmation Order shall constitute a finding of fact and conclusion of law that (i) each Assumed Agreement is an executory contract or lease which may be assumed by the Debtor, (ii) there are no defaults of the Debtor, no cure payments owing, no compensation due for any actual pecuniary loss and there is adequate assurance of future performance with respect to of each Assumed Agreement, (iii) upon the Effective Date, each Assumed Agreement constitutes legal, valid, binding and enforceable contracts in accordance with the terms thereof, and (iv) the counter party to each Assumed Agreement is required to and ordered to perform under and honor the terms of such Assumed Agreement.

The Debtor will assume the following contracts:

- |                                |   |
|--------------------------------|---|
| Prologis Texas III, LLC:       | Rental space at 9101 Wall Street, Suite 1030, Austin, TX 78754; and |
| Wells Fargo Financial Leasing: | Copier Rental Agreement.  |

The Debtor is specifically rejecting the prepetition settlement agreement with the Proctor Parties in relation to the judgment entered in *Semiserve, Inc., et al., vs. Semicon Services, et al.*, Case No. 8:14-cv-02009-JLS, filed in the United States District Court for the Central District of California, Judge Josephine L. Staton presiding.

**Contested Assumption:** With respect to an Assumed Agreement to which a timely objection to assumption on the terms and with the findings and conclusions of law specified above has been filed (each a “Contested Assumed Agreement”), the Debtor shall have five (5) business days after the date of entry of an order by the Court with respect to any such timely objection regarding (i) the nature, extent and amount of any default, if any, by the Debtor, (ii) the method of cure thereof, (iii) the method of providing compensation for any actual pecuniary damage as a result of any default, if any, and the method of providing adequate assurance of future performance, and (iv) all other matters pertaining to assumption of such Assumed Agreement, to assume any such Contested Assumed Agreement on the terms and conditions so specified in the order of the Court (or on such other terms and conditions as may be agreed to by

the counter party to the Contested Assumed Agreement and the Debtor) by filing a written notice of assumption of such Contested Assumed Agreement (the “Notice of Assumption”) in the record of this Case. Any Contested Assumed Agreement which the Debtor elect to assume on the conditions agreed upon by the parties or specified in the order of the Court shall be assumed by filing a Notice of Assumption by the Debtor as of the Effective Date, and the Reorganized Debtor shall satisfy the conditions specified in the order of the Court (or such other terms and conditions as may be agreed to by the counter party to the Contested Assumed Agreement and the Reorganized Debtor), in connection with said Contested Assumed Agreement.

**Notice:** To the Debtor’s knowledge, except as set forth in the Plan, none of the Assumed Agreements have any cure amount due and owing. Therefore, the Plan and its Disclosure Statement shall serve as notice to any counterparty to the Assumed Agreements, except as set forth in the Plan, that no cure amount is due and owing. Failure by such counterparty to object to the assumption and allocation of such Assumed Agreement shall be deemed to waive any claim arising under such agreement prior to the Effective Date.

**Agreements Not Assumed:** As of the Effective Date, except for the Assumed Agreements, the Debtor shall be deemed to have rejected any and all unexpired leases and executory contracts to which it is a party and that the Debtor has not previously rejected or assumed pursuant to Section 365 of the Bankruptcy Code. The Confirmation Order shall constitute approval of rejection of such contracts and leases. Such contracts shall be deemed rejected as of the day before the Petition Date.

**Claims Relating to Rejection:** Any Claim arising from a rejected executory contract or unexpired lease shall be a Rejection Claim. A Rejection Claim shall be treated as a General Unsecured Claim under the Plan if, but only if, a proof of Claim is filed within thirty (30) days after entry of the Confirmation Order.

#### **K. Method of Distribution Under the Plan**

The Reorganized Debtor shall make all Distributions required under and in accordance with the Plan. The funding available for such Distributions will be made from funds available from operations of the Reorganized Debtor and as set forth in the Plan. In addition to the regular, equal monthly payments set forth in Article 4 of the Plan, the Debtor will pay out One Hundred Percent (100%) of its annual net profits over \$800,000.00, payable on February 1 of the year proceeding the Debtor’s prior financial year. The net profit payments will be distributed Eighty Percent (80%) to Holders of Class 4 Claims and Twenty Percent (20%) to Holders of Class 5 Claims, until such time as such Classes are paid in full under the terms of this Plan. If necessary, a revised draft of the Plan Projections will be included in the Plan Supplement to be filed on or before tenth (10<sup>th</sup>) day prior to the Confirmation Hearing.

**L. Effect of Confirmation**

**Confirmation Order:** The Bankruptcy Court shall not enter a Confirmation Order unless and until the Confirmation Order shall be reasonably acceptable in form and substance to the Debtor. Until the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Debtor, as well as the Debtor's assets and properties. Thereafter, the Bankruptcy Court shall continue to maintain jurisdiction including, but not limited to:

1. To determine any and all objections and proceedings involving the allowance, estimation, classification and subordination of Claim, including any counterclaim;
2. To determine any and all applications for allowance of compensation and reimbursement of expenses and any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan;
3. To determine any applications pending on the Effective Date for the rejection or assumption of executory contracts or unexpired leases or for the assumption and assignment, as the case may be, of executory contracts or unexpired leases to which one of the Debtor is a party or with respect to which one of the Debtor may be liable, and to hear and determine, and if need be to liquidate, any and all Claims arising therefrom;
4. To determine any and all applications, adversary proceedings, and contested or litigated matters that may be pending on the Effective Date;
5. To consider any modifications of this Plan, remedy any defect or omission or reconcile any inconsistency in any order of the Court, including the Confirmation Order, to the extent authorized by the Bankruptcy Code;
6. To determine all controversies, suits, disputes and proceedings that may arise in connection with the interpretation, enforcement, consummation or performance of the Plan or any Person's obligations hereunder;
7. To determine all controversies, suits, disputes and proceedings that may arise in connection with this Plan;
8. To hear and determine any Claim belonging to the Debtor, and to consider and act on the compromise and settlement of any other Claim against, or cause of action asserted by, the Debtor;
9. To recover all assets of the Debtor and property of the Debtor's Estate, wherever located;
10. To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable

periods ending after the Petition Date through, and including, the date that any final distribution is made);

11. To enter a Final Decree closing the Case;
12. To issue orders in aid of execution of this Plan to the extent authorized by section 1142 of the Bankruptcy Code; and
13. To determine such other matters as may be set forth in the Confirmation Order or which may arise in connection with this Plan or the Confirmation Order.

**Discharge:** To the fullest extent allowed by the Bankruptcy Code, on the Confirmation Date, and subject to the terms of the Plan, the Debtor shall be discharged from, and the Plan shall constitute an extinguishment and novation of, any Claim or debt of whatever character that arose before the date of such confirmation, and any Claim or debt of a kind specified in Sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, whether or not—

- (a) a proof of Claim based on such debt is filed or deemed filed under Section 501 of the Code;
- (b) such Claim is allowed under Section 502 of the Bankruptcy Code; or
- (c) the holder of such Claim has accepted the Plan.

On the Confirmation Date, all Liens against any assets and property, except for Liens as explicitly provided in the Plan, shall be deemed extinguished and discharged. Any litigation, including counterclaims, pending against the Debtor as of the Petition Date or that could have been brought against the Debtor prior to the Petition Date, shall be deemed resolved and restructured by the provisions of the Plan, and the Debtor shall move to dismiss such litigation with prejudice immediately after the Effective Date.

**Injunction.** All Creditors who have held, hold, or may hold claims or interests that have been discharged by the Confirmation Order shall be deemed to be permanently enjoined, on and after the Effective Date, from taking any of the following actions against, as applicable, the Debtor: (1) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such discharged claim or interest; (2) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against the Debtor on account of or in connection with or with respect to any such discharged claims or interests; (3) creating, perfecting, or enforcing any encumbrance of any kind against the Debtor or the property or the estate of the Debtor on account of or in connection with or with respect to any such discharged claims or interests; (4) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from the Debtor or against the property of the Debtor on account of or in connection with or with respect to any such discharged claims or interests unless such entity has timely filed a proof of claim with the Bankruptcy Court preserving such right of setoff, subrogation, or recoupment; and (5) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such discharged claims or interests.

**Binding Effect:** Except as otherwise provided in Section 1141(d)(3) of the Bankruptcy Code, on and after the Effective Date, the provisions of the Plan shall bind any holder of a Claim against the Debtor and its respective successors and assigns, whether or not the Claim of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

After the Effective Date, the Reorganized Debtor shall prosecute, compromise, or otherwise resolve any and all Causes of Action, including Avoidance Actions, that the Reorganized Debtor determines should be pursued. The Reorganized Debtor shall retain counsel on an appropriate basis to prosecute these Causes of Action. The Bankruptcy Court shall retain jurisdiction to adjudicate any and all Causes of Action, including Avoidance Actions, and approve any settlement thereof. The Net Proceeds of the Causes of Action, including Avoidance Actions, shall be distributed, first, in the payment of the litigation fees and expenses of the Reorganized Debtor, and, second, to the creditors as set forth in Article 4 of the Plan.

**Effective Date of the Plan:** The Effective Date shall be the first business day after expiration of fourteen (14) days from the entry of an order confirming the Plan; provided, however, that the Confirmation Order is a Final Order; and further provided, however, that the conditions precedent set forth in the Plan have been duly satisfied. For administrative convenience, the Debtor may commence payments under the confirmed Plan beginning on the first business day of the month subsequent to the Effective Date.

#### **M. Summary of Other Provisions of the Plan**

**Classes and Subclasses:** Any impaired Class that is not occupied as of the date of the Confirmation Hearing by an Allowed Claim or a Claim temporarily allowed pursuant to Bankruptcy Rule 3018 shall be deemed deleted from the Plan for purposes of voting on acceptance or rejection of the Plan and determining whether the Plan has been accepted by such class pursuant to 11 U.S.C. § 1129.

**Modification of the Plan:** Modifications of the Plan may be proposed in writing by the Debtor at any time before Confirmation, provided that the Plan, as modified, meets the requirements of Sections 1122 and 1123 of the Bankruptcy Code, and the Debtor shall have complied with Section 1125 of the Bankruptcy Code. The Plan may be modified at any time after Confirmation and before its substantial Consummation, provide that the Plan, as modified, meets the requirements of Sections 1122 and 1123 of the Bankruptcy Code, and the Court after notice and hearing, confirms the Plan, as modified, under Section 1129 of the Bankruptcy Code, and the circumstances warrant such modification. At any time after the Confirmation Date, the Reorganized Debtor, without the approval of the Court, may modify the Plan to remedy any defect or omission, or reconcile any such inconsistencies in the Plan or in the Confirmation Order, as such matters may be necessary to carry out the purposes, intent and effect of the Plan, provided that such modification does not materially or adversely affect the interest of Creditors.

**Deemed Acceptance to Modifications:** A holder of a Claim that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or rejection.

**Revocation of Plan:** The Debtor reserves the right to revoke and withdraw the Plan before the entry of the Confirmation Order. If the Debtor revokes or withdraws the Plan, or if confirmation of the Plan does not occur, then the Plan shall be deemed null and void and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

**Exemption from Transfer Taxes:** Pursuant to Section 1146(c) of the Bankruptcy Code, the assignment or surrender of any lease or sublease, or the delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including any deeds, bills of sale or assignments executed in connection with any disposition of assets contemplated by the Plan shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax.

**Payment of Statutory Fees:** All fees payable pursuant to Chapter 123 of title 28, United States Code, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on the Effective Date. Any statutory fees accruing after the Confirmation Date shall be paid when due.

**Conditions Precedent to the Effectiveness of the Plan:** The effectiveness of the Plan is subject, in addition to the requirements provided in Section 1129 of the Bankruptcy Code, to satisfaction of the following conditions precedent:

- a. All actions, documents and agreements necessary to implement the Plan shall have been effected or executed;
- b. The Debtor shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents that are determined by the Debtor to be necessary to implement the Plan; and
- c. The Confirmation Order in form and substance acceptable to the Debtor shall have been entered by the Bankruptcy Court.

**Material Default Provisions:** A failure to timely make a payment to a holder of an Allowed Claim pursuant to the terms of the Plan shall be an "Event of Default." Following an Event of Default, each holder of an Allowed Claim shall have the right to enforce their rights under the Plan by sending a written "Notice of Default" to the Reorganized Debtor and the Escrow Agent at the following addresses by mail, fax or email:

To the Reorganized Debtor:

CROWN SPRING  
c/o Matt Sheridan  
9101 Wall Street, #1030  
Austin, TX 78754  
(512) 808-5659  
Matt.Sheridan@retronix.com

with a copy to:

Lynn Hamilton Butler  
Husch Blackwell LLP  
111 Congress Avenue, Suite 1400  
Austin, Texas 78701  
Fax: (512)226-7318  
[lynn.butler@huschblackwell.com](mailto:lynn.butler@huschblackwell.com)

To the Escrow Agent:

Kell C. Mercer  
KELL C. MERCER, P.C.  
1602 E. Cesar Chavez Street  
Austin, TX 78702  
Fax: (512) 597-0767  
[kell.mercer@mercerc-law-pc.com](mailto:kell.mercer@mercerc-law-pc.com)

With respect to each holder of an Allowed Claim, if the Event of Default is not cured within fourteen (14) days after service of a written Notice of Default then a “Material Default” shall have occurred and any holder of an Allowed Claim may (a) enforce the entire amount of its claim; (b) exercise its rights under the Plan; and (c) seek such relief as may be appropriate in any court of competent jurisdiction. In any event, if an Event of Default occurs with respect to any payment to holders of Allowed Claims, should a payment under the Plan become due prior to a Material Default, the Reorganized Debtor shall not be authorized to and may not make payments to some but not all holders of Allowed Claims. Instead, in such circumstance, at the time a payment comes due under the Plan, the Reorganized Debtor must make Pro Rata distributions to all holders of Allowed Claims with funds then available for distribution to holders of Allowed Claims.

## **V. TAX CONSIDERATIONS**

Because the tax consequences of the Plan may vary based on individual circumstances, each holder of an Allowed Claim is urged to consult with its own tax advisor as to the consequences of the Plan to it under federal and applicable state, local and foreign tax laws.

## **VI. ACCEPTANCE AND CONFIRMATION OF THE PLAN**

**Voting Requirements for Confirmation:** The Bankruptcy Code provides that any class of creditors or stockholders whose rights are “impaired” (in general terms, not fully honored) under a proposed plan has the right to vote, as a class, to accept or reject the plan. A class of creditors accepts a plan if more than one-half of the ballots that are timely received from members of the class, representing at least two-thirds of the dollar amount of claims for such ballots that are timely received, are cast in favor of the plan. If a plan impairs any class of claims, then at least one class of impaired claims must vote to accept the plan in order for it to be confirmed.

## **Voting Procedures**

### **A. Submission of Ballots:**

Each Creditor whose Class of Claim is impaired will receive, with this Disclosure Statement, a form of ballots entitled "BALLOT FOR ACCEPTING OR REJECTING DEBTOR'S PLAN" to be used in voting whether to accept or reject the Plan. A pre-addressed envelope for returning the ballots is enclosed for your convenience. Holders of unimpaired Claims and Claims that are not required to be classified are NOT entitled to vote under the Bankruptcy Code and votes by holders of such unimpaired and unclassified Claims are not being solicited.

Each holder of an Impaired Claim should first review this Disclosure Statement and the Plan and then complete the ballots. Each such holder of an Impaired Claim shall be entitled to cast one (1) ballot for accepting or rejecting the Plan. All votes to accept or reject the Plan must be cast by using the ballot provided, or a copy of such ballots. The ballots must be signed by the Creditor, or an officer, partner or authorized agent of the Creditor. If a ballot is signed by a trustee, executor, administrator, guardian attorney-in-fact, corporate officer or other acting in a fiduciary or representative capacity, such Person should indicate such capacity when signing and submit proper evidence satisfactory to the Debtor of his authority to so act when the ballot is returned.

Completed and signed ballots must be returned to the Debtor's attorney via electronic transmission or United States first-class mail to the following address:

Husch Blackwell LLP  
c/o Penny Keller  
111 Congress Ave., Ste. 1400  
Austin, Texas 78701  
(512) 472-5456  
Fax (512) 226-7326  
[penny.keller@huschblackwell.com](mailto:penny.keller@huschblackwell.com)

Ballots should be returned as soon as possible, and in any event must be returned so that they are actually received by 5:00 p.m., central time, on September 26, 2017. Ballots received thereafter, or ballots not conforming to the requirements set forth above, may not be accepted and counted.

Except as provided below, unless the ballot being furnished is timely submitted on or prior to the voting deadline together with any other documents required by such ballot, the Debtor may, in its discretion, reject such ballot as invalid and therefore decline to count it in connection with seeking Confirmation of the Plan by the Bankruptcy Court.

Any vote cast to accept or reject the Plan with respect to any Claim to which an objection has been filed will not be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise. A Creditor's vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the Creditor's



acceptance or rejection of the Plan was not in good faith or was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

**B. Claim Amounts on Ballots:**

On each ballot there is a space in which each Creditor may write the amount of such Creditor's Claim. If the Claim amount submitted differs from the amount of the Claim as allowed by Final Order of the Bankruptcy Court or as shown in the Debtor's Schedules, then the dollar amount of such Claim, for voting and Distribution purposes, shall be determined first, by reference to the Final Order allowing such Claim, or if no such order has been entered, then by the lesser of (i) the amount specified in the proof of Claim, and (ii) the amount of such Claim set forth in the Debtor's schedules; provided, however, that if the Claim is not listed on the Debtor's schedules, such Claim shall be deemed to be listed on the schedules in the amount of the proof of Claim solely for voting purposes unless otherwise object to by the Debtor. THE AMOUNT OF THE CLAIM SPECIFIED ON THE BALLOT WILL NOT SUPERSEDE THE ALLOWED AMOUNT OF A CLAIM FOR VOTING PURPOSES AS DETERMINED IN ACCORDANCE WITH THE PRECEDING SENTENCE. THE DEBTOR RESERVES ALL RIGHTS TO OBJECT TO ANY CLAIM OR TO THE VOTING OF ANY CLAIM.

**C. Incomplete Ballots:**

Any ballot received which does not indicate either an acceptance or rejection of the Plan shall be deemed to constitute an invalid ballot.

**D. Waiver of Defects, Irregularities, etc.:**

Unless otherwise provided herein or directed by the Court, all questions as to the validity, form, eligibility (including time of receipt), acceptances and revocations or withdrawal of ballots will be determined by the Debtor. The Debtor reserves the right to: (i) contest the validity of any revocation or withdrawal of any vote on the Plan, (ii) reject any and all ballots not in proper form, and (iii) waive any defects or irregularities or conditions of delivery as to any particular ballot. The interpretation of the applicable requirements (including those with respect to the ballot and the instructions thereto) by the Debtor, unless otherwise directed by the Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with the deliveries of ballots must be cured within such time as the Debtor (or the Court) determines. Neither the Debtor nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Court, delivery of such ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished as to which any irregularities have not theretofore been cured or waived will be invalid.

**Confirmation of the Plan**

**A. Confirmation Hearing:**

The Court must hold a Confirmation Hearing before deciding whether to confirm the Plan. The Plan will not be valid until the Court has entered a Final Order confirming the Plan.

Once confirmed and to the extent the other conditions under the Plan are met, the Plan will become effective on the Effective Date.

A hearing on Confirmation of the Plan, and on any objections to the Plan, will be held on September 28, 2017 at 10:00 A.M. in Austin, Texas. Any Creditor, or other party in interest desiring to object to Confirmation of the Plan must file a written objection with the Bankruptcy Court, and serve a copy of the objection on the Debtor and the Office of the United States Trustee, so as to be received no later than September 26, 2017. In order to preserve an objection, anyone filing an objection to Confirmation must also attend the hearing on Confirmation, either in person or through counsel. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement made at the Confirmation Hearing or any adjournment of that hearing. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE COURT.**

**B. Requirements for Confirmation of the Plan:**

At the Confirmation Hearing, the Court will determine whether the Plan satisfies the requirements for Confirmation listed in Section 1129 of the Bankruptcy Code. One of the requirements for Confirmation is that the Plan must be accepted by at least one of the Classes and by at least two-thirds (2/3) in amount and a majority in number of such Allowed Claims whose holders actually cast ballots for acceptance or rejection of the Plan. If the Court determines that all Confirmation requirements are satisfied, it will enter an order confirming the Plan.

The Debtor shall utilize the provisions of Section 1129(b) of the Bankruptcy Code to satisfy the requirements for Confirmation of the Plan over the potential rejection by any Class.

**VII. ALTERNATIVES TO THE DEBTOR'S PLAN OF REORGANIZATION**

If the Plan is not confirmed, the alternatives include: (i) preparation and presentation of an alternative plan of liquidation; (ii) a sale of all or substantially all of Debtor's Assets through a Section 363 sale; or (iii) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

The Debtor believes that failure to confirm the Plan will inevitably result in additional administrative expenses being incurred, thus reducing and delaying Distributions to General Unsecured Creditors. The Debtor believes that the Plan, as described herein, fairly adjusts the rights of various Classes of Creditors consistent with the distribution scheme embodied in the Bankruptcy Code and enables Creditors to realize the most, given the circumstances.

**A. Alternative Plans of Reorganization:**

Currently, there are no alternative plans of reorganization.

**B. Section 363 Sale:**

One alternative, if a plan of reorganization cannot be confirmed, is that the Debtor will accept offers for the sale of all or substantially all of the Debtor's Assets and sell such Assets

pursuant to a Section 363 sale. Debtor will make all reasonable efforts to effectively market and sell its assets through such process. Such efforts shall be funded by the Debtor's continued operations. Given the nature of Section 363 sales, the proceeds from the sale of all or substantially all of Debtor's Assets is not expected to bring funds sufficient to cover the entirety of the Allowed Claims. The Debtor cannot at this time estimate what recovery, if any would be achieved given that the Debtor's core business is service-oriented.

**C. Liquidation Under Chapter 7:**

One of the requirements to confirm a Chapter 11 plan is that creditors receive at least as much as they would under a Chapter 7 liquidation. In a Chapter 7 liquidation, a Trustee would be appointed to liquidate the Debtor's property and pay the Allowed Claims of Creditors. Property subject to Liens would either be sold for enough to pay the Liens or foreclosed upon by the applicable Secured Creditor. Once the property was liquidated and subject to prior orders of the Court, the Allowed Claims would be paid in the following order:

1. The Chapter 7 Trustee's expenses;
2. Expenses incurred during the Chapter 11 case and allowed by the Court, including Administrative Claims from the Chapter 11 period of the case;
3. Priority Claims; and
4. A Pro Rata distribution of any remaining funds to the Unsecured Creditors.

The Debtor believes that a liquidation under Chapter 7 would result in a greatly reduced recovery, if any, to holders of Unsecured Claims because of the lack of substantial marketable assets available in a hypothetical Chapter 7 liquidation sale, as well as the additional administrative expenses involved in the appointment of a Chapter 7 Trustee for the Debtor and the additional administrative expenses involved in the employment of attorneys and other professionals to assist the Chapter 7 Trustee. Accordingly, the Debtor believes that holders of Unsecured Claims would receive a significantly smaller distribution than under the Plan.

To determine what holders of Claims in each impaired Class would receive if the Debtor were liquidated, the Court must determine what funds could be generated from the liquidation of the Debtor's assets and property in the context of a Chapter 7 liquidation case, which would consist of the proceeds resulting from the disposition of the assets of the Debtor. Such asset amounts would be reduced by post-petition Chapter 11 administrative costs, and costs incurred by the Chapter 7 trustee, including those related to professionals retained by the Chapter 7 trustee. In order to determine if the Plan is in the best interest of each impaired Class, the present value of the distributions from the net proceeds of a Chapter 7 liquidation are compared to the present value offered to such Classes of Claims under the Plan.

Given the total dollar amount of the Unsecured Claims, expected post-petition Chapter 11 administrative costs, the costs that would be incurred by the Chapter 7 trustee in liquidating the Bankruptcy Estate, and assuming that all of the asset value as listed in the Debtor's Schedules was accumulated, such amount would not pay in full all of the Unsecured Claims and, thus, there would be a significantly reduced distribution to the Debtor's Unsecured Creditors in

the event of a conversion of the case to Chapter 7. However, in a Chapter 7 liquidation, the Debtor anticipates that the realizable value of the above assets will be significantly less than the stated book amounts. The Debtor's Plan therefore provides a greater recovery on the Unsecured Claims when compared to a Chapter 7 liquidation.

**VIII. CONCLUSION AND RECOMMENDATION**

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

Dated: August 25, 2017

Respectfully submitted by:

**HUSCH BLACKWELL LLP**

*/s/ Lynn Hamilton Butler*

\_\_\_\_\_  
Lynn Hamilton Butler

Texas Bar No. 03527350

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