

**UNITED STATES BANKRUPTCY COURT  
Northern District of Florida  
Pensacola Division**

IN RE:

WATERPROOFING UNLIMITED, INC.,

Debtor.

Bankruptcy Case No. 16-30441-JCO

Judge: Jerry C. Oldshue

**DISCLOSURE STATEMENT IN SUPPORT OF PLAN OF REORGANIZATION OF  
WATERPROOFING UNLIMITED, INC.**

PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY. THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN OF REORGANIZATION. THE PLAN PROPONENT BELIEVES THAT THE PLAN OF REORGANIZATION IS IN THE BEST INTEREST OF THE CREDITORS AND THAT THE PLAN IS FAIR AND EQUITABLE. THE PLAN PROPONENT URGES THE VOTERS TO ACCEPT THE PLAN.

Dated: November 7, 2016

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## I. INTRODUCTION

Waterproofing Unlimited, Inc. (the “Debtor” or the “Plan Proponent”) provides this Disclosure Statement (the “Disclosure Statement”) to creditors of the Debtor in order to disclose the information deemed to be material, important, and necessary for the creditors to arrive at a reasonably informed decision in exercising their right to abstain from voting or to vote for acceptance or rejection of the Plan of Reorganization (the “Plan”) proposed by the Proponent. A copy of the Plan is included in the package you received along with this Disclosure Statement.

Capitalized terms used herein have the meanings assigned to them in the Definitions section in the Plan. Whenever the words “include,” “includes” or “including” are used in this Disclosure Statement, they are deemed to be followed by the words “without limitation.”

This Disclosure Statement is presented to certain holders of Claims against and Interests in the Debtor in accordance with the requirements of Bankruptcy Code § 1125. Bankruptcy Code § 1125 requires that a disclosure statement provide information sufficient to enable a hypothetical and reasonable investor, typical of the debtor’s creditors and interest holders, to make an informed judgment whether to accept or reject a plan. This Disclosure Statement may not be relied upon for any purpose other than that described above. The Effective Date of the proposed Plan is estimated to be on or before December 31, 2016 but may be later based upon the conditions precedent for the Effective Date as described in this Disclosure Statement.

**This Disclosure Statement and the Plan are an integral package, and they must be considered together for the reader to be adequately informed. This introduction is qualified in its entirety by the remaining portions of this Disclosure Statement (including its Exhibits or Schedules), and this Disclosure Statement in turn is qualified in its entirety by the Plan. This Disclosure Statement contains only a summary of the Plan. You are strongly urged to review the Plan, a copy of which is provided herewith, before casting a Ballot.**

**If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.**

**No representations concerning the Debtor (particularly as to the values of its property) are authorized other than as set forth in this Disclosure Statement. You should not rely upon any representations or inducements made to secure your acceptance or rejection of the Plan other than as contained in this Disclosure Statement.**

**The information contained in this Disclosure Statement, including any exhibits concerning the financial condition of the Debtor, has not been subjected to an audit or independent review except as expressly set forth herein. The Plan Proponent has endeavored in good faith to be accurate in this Disclosure Statement.**

**The statements contained in this Disclosure Statement are made as of the date of this Disclosure Statement unless another time is specified. There is no guaranty that facts will not change after this Disclosure Statement was filed; and it must be assumed that some facts will indeed change from that time until the hearing on the approval of the Disclosure**

Statement (discussed below), and thereafter during the periods in which the Reorganized Debtor makes payments under the Plan.

This Disclosure Statement was prepared in accordance with Bankruptcy Code § 1125 and not in accordance with federal or state securities laws or other applicable non-bankruptcy law. Entities holding or trading in or otherwise purchasing, selling or transferring claims against, interests in or securities of, the Debtor should evaluate this Disclosure Statement only in light of the purpose for which it was prepared. This Disclosure Statement has not been approved or disapproved by the Securities and Exchange Commission and the Securities and Exchange Commission has not passed upon the accuracy or adequacy of the statements contained herein. Nor may this Disclosure Statement be construed to be advice on the tax, securities or other legal effects of the Plan. You should, therefore, consult with your own legal, business, financial and tax advisors as to any such matters concerning the solicitation, the Plan or the transactions contemplated thereby.

**A. Overview of Chapter 11**

Chapter 11 comprises the chapter of the Bankruptcy Code primarily used for business reorganization. Formulating a plan to restructure a debtor's finances forms a fundamental purpose of a case under Chapter 11 of the Bankruptcy Code. Businesses also sometimes use Chapter 11 as a means to conduct asset sales and other forms of liquidation. Whether the Debtor seeks to reorganize or liquidate, a Chapter 11 plan sets forth and governs the treatment and rights creditors and interest holders will receive with respect to their claims against and equity interests in a debtor's bankruptcy estate.

The Bankruptcy Code entitles only holders of impaired claims or equity interests who will receive some distribution under a proposed plan to vote to accept or reject the plan. The Bankruptcy Code conclusively presumes that holders of unimpaired claims or equity interests under a proposed plan have accepted the plan and need not vote on it. The Claims in Classes 1, 2, and 3 of this Plan are Impaired and thus may vote either to accept or reject the Plan. The Plan Proponent has enclosed a Ballot with this Disclosure Statement to solicit the votes of the Creditors in Classes 1, 2, and 3. Those Creditors may vote on the Plan by completing the enclosed Ballot and mailing it to the following address:

ZALKIN REVELL, PLLC  
ATTENTION: NATASHA REVELL, ESQUIRE  
WATERSIDE BUSINESS CENTER  
2441 US HIGHWAY 98W, STE 109  
SANTA ROSA BEACH, FL 32459

You should use the Ballot sent to you with this Disclosure Statement to cast your vote for or against the Plan. You may not cast Ballots or vote orally or by facsimile. **For your Ballot to be considered by the Bankruptcy Court, it must be received at the above address by 5:00 p.m. (prevailing Central time) by the date fixed by the Bankruptcy Court on the accompanying scheduling order (the "Voting Deadline").** If you are a Creditor in Class 1, 2 or 3 and you did not receive a Ballot with this Disclosure Statement, please contact:

ZALKIN REVELL, PLLC  
ATTENTION: NATASHA REVELL, ESQUIRE  
WATERSIDE BUSINESS CENTER  
2441 US HIGHWAY 98W, STE 109  
SANTA ROSA BEACH, FL 32459  
TEL: (850) 267-2111

A ballot that does not indicate acceptance or rejection of a plan will not be considered. An impaired class of claims accepts a plan if at least 2/3 in amount and more than 1/2 in number of the allowed claims in the class that actually vote are cast in favor of the plan. A class of interests accepts a plan if at least 2/3 in amount of the allowed interests of such class that actually vote are cast in favor of the plan. Whether or not you vote, you will be bound by the terms and treatment set forth in the Plan if the Bankruptcy Court confirms the Plan. The Bankruptcy Court may disallow any vote accepting or rejecting the Plan if the vote is not cast in good faith.

Once it is determined which impaired classes have accepted a plan, the Bankruptcy Court will determine whether the plan may be confirmed. For a plan to be confirmed, the Bankruptcy Code requires, among other things, that the plan be proposed in good faith and comply with the other applicable provisions of Chapter 11 of the Bankruptcy Code, including a requirement that at least one class of impaired claims accept the plan, and that confirmation of the plan is not likely to be followed by the need for further financial reorganization. The Bankruptcy Court will confirm a plan only if it finds that all of the requirements enumerated in Bankruptcy Code § 1129 have been met. The Plan Proponent believes that the Plan satisfies all of the requirements for confirmation.

One requirement for confirmation of a plan is called the “best interests test.” Notwithstanding acceptance of the plan by each impaired class of claims, in order to confirm a plan, if even one member of an impaired class votes to reject the plan, the Bankruptcy Court must determine that the plan is in the best interests of each holder of a claim or interest in such class. The best interests test requires that the Bankruptcy Court find that the plan provides to each member of such impaired class a recovery on account of the class member’s claim or interest that has a value, as of the Effective Date of the Plan, at least equal to the value of the distribution that each such class member would have received if the Debtor’s assets were liquidated under Chapter 7 of the Bankruptcy Code on such date.

The Bankruptcy Code also requires that, in order to confirm a plan, the Bankruptcy Court must find that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor (“financial feasibility test”). For a plan to meet this test, the Bankruptcy Court must find that the Debtor’s estate and the Reorganized Debtor possess the capital and should generate the other resources to meet their respective obligations under the Plan. The Plan Proponent believes that following confirmation of the Plan, the Reorganized Debtor will be able to fully perform all obligations under the Plan without any need for liquidation or further financial reorganization.

The Bankruptcy Court may confirm a plan notwithstanding the plan’s rejection by some impaired classes, if the Bankruptcy Court finds that at least one impaired class of claims (not including any acceptances by “insiders” as defined in Bankruptcy Code § 101(31)) has accepted

the plan and that the plan satisfies certain additional conditions. This provision, found in Bankruptcy Code § 1129(b), is generally referred to as the “cram down” provision. Pursuant thereto, the Bankruptcy Court may confirm a plan over the rejection by a class of secured claims if the plan is fair and equitable and satisfies one of the alternative requirements of Bankruptcy Code § 1129(b)(2)(A) (otherwise known as “cram down”). Likewise, the Bankruptcy Court may confirm a plan over the rejection by a class of unsecured claims if the plan is fair and equitable and if the non-accepting claimants will receive the full value of their claims, or (even if the non-accepting claimants receive less than full value), if no class of junior priority will receive or retain anything on account of its pre-petition claims or interests.

THESE ARE COMPLEX STATUTORY PROVISIONS, AND THE PRECEDING PARAGRAPHS ARE NOT INTENDED TO BE A COMPLETE SUMMARY OF THE LAW. IF YOU DO NOT UNDERSTAND THESE PROVISIONS, PLEASE CONSULT WITH YOUR ATTORNEY. THE PLAN PROPONENT EXPECTS THAT IT MAY HAVE TO RELY UPON THE “CRAMDOWN” PROVISION OF BANKRUPTCY CODE § 1129(b) IN ORDER TO CONFIRM THE PLAN.

The Debtor has requested that the Court conditionally approve this Disclosure Statement, which was granted on \_\_\_\_\_, 2016.

The Bankruptcy Court has set a hearing on confirmation of the Plan and on final approval of this Disclosure Statement for \_\_\_\_\_ at \_\_\_\_\_, United States Bankruptcy Court, 100 N. Palafox Street, Pensacola, FL 32502, Courtroom \_\_\_\_\_. Creditors may vote on the Plan by filling out and mailing the accompanying ballot form to the Plan Proponent at the address shown below.

If you are entitled to vote, it is in your best interest to timely mark your vote on the enclosed ballot and return the ballot in the enclosed envelope to:

ZALKIN REVELL, PLLC  
ATTENTION: NATASHA REVELL, ESQUIRE  
WATERSIDE BUSINESS CENTER  
2441 US HIGHWAY 98W, STE 109  
SANTA ROSA BEACH, FL 32459

Your ballot must be received by \_\_\_\_\_, 2016 at close of business or it will not be counted.

Any party in interest may object to the confirmation of the Plan, but as explained herein not everyone is entitled to vote to accept or reject the Plan.

Objections to the confirmation of the Plan must be filed with the Bankruptcy Court on or before 5:00 p.m. CST on \_\_\_\_\_, 2016 with the Bankruptcy Court and served upon Plan Proponent’s counsel at the following addresses:

ZALKIN REVELL, PLLC  
ATTENTION: NATASHA REVELL, ESQUIRE  
WATERSIDE BUSINESS CENTER

2441 US HIGHWAY 98W, STE 109  
SANTA ROSA BEACH, FL 32459  
TEL: (850) 267-2111

Any interested party desiring further information about the Plan should contact the Plan Proponent's counsel at the above address.

## **II. PRELIMINARY STATEMENT, HISTORY AND FINANCIAL CONDITION OF DEBTOR**

### **A. Description and History of the Debtor's Business**

The Debtor is a Florida S Corporation organized under the laws of the State of Florida. The Debtor was established in 1998 as a waterproofing contracting company. It provides construction-related and remedial waterproofing services in connection with residential buildings. The Debtor serves customers in Santa Rosa, Okaloosa, Walton and Bay Counties in Florida.

### **B. Summary of Reasons for Filing Petition**

The Debtor's business has weathered many ups and downs in the economy since its founding in 1998; however, the 2008 real estate collapse affected the Debtor significantly as home building declined to almost nothing and renovations of existing homes decreased. The BP Oil Spill in 2010 also adversely affected the construction industry including the Debtor's business. Since 2011, however, the Debtor's business has been slowly improving, with the Debtor showing a steady increase in revenues through 2014. In 2015, there was a slight drop in revenues. Based upon the Debtor's gross revenues in 2016 to date, the Debtor has shown a slight improvement over 2015.

In 2015, the Debtor's business loan with Summit Bank (which is secured by the Debtor's real property) came due requiring the Debtor repay the loan in full in a lump sum, which was not financially possible for the Debtor. The Debtor and Summit Bank were not able to work out a renewal of the loan in a timely manner and on or about March 9, 2016, Summit Bank filed a Complaint in the Circuit Court In and For Okaloosa County at Case No. 2016 CA 859, seeking, *inter alia*, to foreclose on the Debtor's real property and recover under the promissory note. The loss of the Debtor's business location would likely cause the demise of the business and the loss of all jobs provided thereby.

The Debtor has been designation a "small business debtor" pursuant to Bankruptcy Code §101(51D) and is subject to the provisions contained in Bankruptcy Code §1116.

Boonchun Sweeney, the Debtor's President and sole shareholder is an individual Debtor in a Chapter 7 proceeding filed on August 16, 2016 at Case No. 16-30785-KKS.

### **C. Significant Events during the Bankruptcy**

#### **1. Brief History of Key Motions Filed.**

The Debtor filed for Bankruptcy Protection on May 11, 2016. The Debtor sought and received approval to pay pre-Petition wages (which constituted three (3) days' wages). The

Debtor also sought and received approval of Mr. Sweeney's Salary. Finally the Debtor retained Zalkin Revell as its bankruptcy counsel and Timothy Craft as its financial advisor and accountant.

## **2. Actions Taken to Resolve the Debtor's Financial Problems**

The most important action that the Debtor has taken to resolve its financial problems has been to reach a resolution with Summit Bank regarding the primary business loan. Commensurate with this agreement, the Debtor has commenced making adequate protection payments and has also reached agreement with Summit Bank regarding treatment of Summit's secured claim in the Plan.

In addition, the Debtor has successfully sought out new customers and additional business from existing customers and continues its efforts to grow and maintain its business.

## **3. Source of Financial Information**

The source of financial information for this Disclosure Statement and Plan is from reports from the Debtor, the Debtor's management, and the Debtor's court approved accountant. The financial information contained herein, including the exhibits annexed to this Disclosure Statement, have not been audited.

### **III. DEBTOR'S OPERATION AND STRUCTURE**

#### **A. Brief Summary of the Plan of Reorganization**

The Plan provides, generally, for the following:

(i) The payment in full of all Allowed Administrative Expense Claims and Allowed Priority Claims on the Effective Date or upon such other terms as the Debtor and the holder of each Allowed Administrative Expense Claim and Allowed Priority Claim shall agree. These Claims are estimated to be approximately \$29,500.00.

(ii) The unsecured Allowed Claims of governmental units for unpaid taxes, interest and assessments, if any, entitled to priority under Bankruptcy Code § 507(a)(8) shall be paid in full in cash on the Effective Date or over time as provided for in the Bankruptcy Code. The Internal Revenue Service has filed a Priority Unsecured Claim in the amount of \$583.87.

(iii) Class 1 consists of the Secured Claim of Summit Bank asserted in the amount of \$81,948.32 and secured by a first Mortgage Lien on the Bass Avenue Property owned by the Debtor as well as an additional secured amount for attorneys fees and costs.<sup>1</sup> The Debtor and Summit Bank have reached an agreement regarding the treatment of Summit Bank's Secured Claim which is set forth in that certain Settlement Agreement Dated September 12, 2016 (the "Summit Bank Settlement Agreement"). The treatment provided for the Class 1 Secured Claim

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<sup>1</sup> As of the date of the Summit Bank Settlement Agreement, the accrued fees and costs was stipulated to be \$3,120.00. There may be additional fees that accrue between the date of the Summit Bank Settlement Agreement and the date of confirmation of the plan.

of Summit Bank is in full and complete settlement, satisfaction and discharge of such Secured Claim.

(iv) Class 2 consists of Claims of Unsecured Creditors Holding Allowed Claims in excess of \$1,000.00. Each Holder of an Allowed Class 4 Claim shall receive pro rata payments for five years from the Unsecured Creditors' Fund. No Class 4 Unsecured Claim shall be allowed to the extent that it is for interest or other similar charges other than as specifically and expressly provided for herein.

(v) Class 3 Convenience Claims consists of Holders of Allowed Unsecured Claims of less than \$1,000. Each Holder of an Allowed Class 3 Convenience Claim shall receive a distribution on or before April 31, 2017, as described in paragraph vii, below.

(vi) Class 4 consists of the Allowed Equity Interests of the Debtor. Boonchun Sweeney shall retain his Interest in the Debtor. Each Holder of an Allowed Class 4 Interest shall receive nothing under the Plan.

(vii) Funding of the Unsecured Creditors' Fund shall come from the Net Operating Revenue generated by the operations of the Reorganized Debtor. Pro rata payments shall be made on an annual basis beginning on January 31, 2018, and then on January 31<sup>st</sup> each year for four (4) additional years. The Debtor estimates that the Unsecured Claims to be paid are in the aggregate of \$39,406.91. The Debtor anticipates that the payments made to the unsecured creditors will be in the range of 75% to 100%. The Plan also provides that to the extent that Net Operating Revenue exceeds \$14,000.00 in any calendar year, the amount by which the Net Operating Revenue exceeds \$14,000.00 shall be added to the Unsecured Creditors' Fund and shall be distributed, pro rata the Holders of Class 2 Claims in which case the distribution percentage would exceed the 75% estimate, or the Claims may be paid in full sooner than five years. Each holder of a Class 3 convenience claim shall receive a payment equal to one hundred percent (100%) of its allowed claim, without interest on or before April 31, 2017.

## **B. Executory Contracts**

Pursuant to the Plan, any lease or executory contract not assumed or otherwise rejected by order of the Bankruptcy Court or by the terms of the Plan and Confirmation Order are assumed. The Debtor does not believe there are any leases or executory contracts to be assumed.

## **C. Objections to Claims**

Pursuant to the Plan, the Debtor may object to any scheduled Claim or Proof of Claim filed against the Debtor within 90 days from the date of Confirmation. Such an objection shall preclude the consideration of any claims as "allowed" for the purposes of timely distribution in accordance with the Plan.

## **D. Preservation of Actions and Causes of Actions**

From and after the Effective Date, to the extent not otherwise adjudicated or settled prior to or as a part of the Plan, all rights pursuant to Bankruptcy Code §§ 502, 510, 541, 544, 545 and 546; all preference claims pursuant to Bankruptcy Code § 547; all fraudulent transfer claims

pursuant to Bankruptcy Code §§ 544 or 548; all claims relating to post-petition transactions under Bankruptcy Code § 549; all claims recoverable under Bankruptcy Code § 550; and, all claims (including claims arising at common law or equity) against any person, entity, etc., on account of any debt, other claim or right in favor of the Debtor, are hereby preserved, retained and assumed for enforcement by the Reorganized Debtor, who shall, at its election, have the right to prosecute or settle, to execute and enforce any judgment or settlement agreement therein and to exercise all such avoidance powers. Any and all Avoidance Actions accruing to the Debtor and/or Debtor in Possession are expressly reserved and the Reorganized Debtor shall have the right to commence any Avoidance Actions.

**E. Modification of the Plan**

The Plan sets forth the manner in which the Plan may be modified before and after it has been confirmed by the Bankruptcy Court. Bankruptcy Code §1127 allows a debtor to amend its plan at any time prior to its confirmation. If the Debtor files a modification of a plan with the Bankruptcy Court, the plan as modified would become the plan. If circumstances so warrant, a Debtor may modify the Plan after confirmation but prior to substantial consummation of the plan. However, the Bankruptcy Court, after notice and a hearing, would then have to confirm the plan as modified. The Plan Proponent reserves the right to modify the terms of the Plan in accordance with the provisions of the Bankruptcy Code, if and to the extent the Plan Proponent determines that such amendments or modifications are necessary or desirable to accomplish the objectives of reorganization. Under the Bankruptcy Rules, any amendments or modifications of the Plan may be approved by the Bankruptcy Court at the Confirmation Hearing without re-solicitation of votes of the members of any Class whose treatment is not adversely affected by such modification.

The Plan Proponent also reserves the right to withdraw the Plan at any time before the entry of the Confirmation Order, in which event the Plan shall be deemed null and void.

**IV. MEANS OF EFFECTUATING THE PLAN**

**A. Funding for the Plan**

**1. Cash on Hand as of the Effective Date**

The Debtor had approximately \$8,000 in cash on hand as of the date of filing of the Plan. These funds shall be used for ongoing operations of the Debtor and this amount may not be on hand as of the Effective Date. Any Cash on Hand as of the Effective Date will be used to satisfy any Confirmation Payments, including any Allowed Administrative Claims, to the extent any exist.

**2. Funding of Unsecured Creditors' Fund from Post-Confirmation Operations**

The Projections set forth in Exhibit A demonstrate Net Available Revenue in the approximate amount of \$7,000.00 annually. The Plan proposes to fund the Unsecured Creditors' Fund in the amount of the Net Available Revenue (determined as of December 31<sup>st</sup> of each year following the Confirmation of the Plan). The Net Available Revenue shall be transferred to the Unsecured Creditors' Fund no later than January 20<sup>th</sup> of each year, commencing in 2018 and

continuing until January 20, 2022. To the extent the Net Available Revenue for any calendar year is less than \$7,000.00, 100% of the Net Available Revenue shall be transferred to the Unsecured Creditors' Fund and distributed as set forth in the Plan. To the extent the Net Available Revenue exceeds \$7,000.00, the amount that exceeds \$7,000.00 but is less than \$14,000.00 shall be retained by the Debtor and used for capital improvements and the replacement of vehicles, equipment and/or tools. To the extent the Net Available Revenue exceeds \$14,000.00, the amount that exceeds \$14,000.00 shall be transferred to the Unsecured Creditors' Fund and distributed as set forth in the Plan.

It is important for Creditors to understand that the projections regarding the Net Operating Revenue set forth herein are based upon the Debtor's estimates of its revenue and expenses and are in part, based upon its pre- and post-petition actual operations. The Net Operating Revenue is based upon the Debtor's estimates, however the Debtor cannot guarantee that the estimated Net Operating Revenue will be realized each year. The final determination of the Net Operating Revenue will be determined on January 20th of each year and then distributed, *pro rata*, to the Holders of Allowed Unsecured Claims.

#### V. ANALYSIS OF THE PLAN VS. LIQUIDATION ANALYSIS

All payments as provided for the in the Debtor's Plan shall be funded by the Debtor's cash on hand, ongoing post-Confirmation Operations of the Reorganized Debtor and the Unsecured Creditors' Fund.

As with any Plan, an alternative would be a conversion of the Chapter 11 Case to a Chapter 7 case and subsequent liquidation of the Debtor by a duly appointed or elected trustee. In the event of liquidation under Chapter 7, the following is likely to occur:

- (a) An additional tier of administrative expenses entitled to priority over general unsecured claims under Bankruptcy Code § 507(a)(1) would be incurred. Such administrative expenses would include trustee's commissions and fees to the trustee's accountants, attorneys and other professionals likely to be retained by said trustee for the purposes of liquidating the assets of the Debtor.
- (b) Further claims would be asserted against the Debtor with respect to such matters as income and other taxes associated with the sale of the assets, and the inability of the Debtor to fulfill outstanding, contractual commitments and other related claims. It is estimated that an expedited shut down and liquidation, as in Chapter 7, would give rise to substantial breach of contract and other claims by customers against the Debtor due to uncompleted contract work which would .
- (c) If the Chapter 11 Case were converted to Chapter 7, Summit Bank would likely proceed with a foreclosure against the Bass Ave. Property and the Chapter 7 trustee may abandon the property, resulting in no yield to the estate from the Debtor's real property.
- (d) The Plan Proponent further believes that if the Chapter 11 Case were converted, a Chapter 7 trustee may not seek to liquidate the Other Assets of the Debtor, based upon the valuation and age of the equipment. Thus, may will be no funds available for distribution to Holders of Unsecured Claims.

All indebtedness scheduled by the Debtor as not disputed, contingent or unliquidated or any indebtedness set forth in a properly executed and filed Proof of Claim shall be deemed an Allowed Claim unless the same is objected to, and the objection thereto is sustained by the Court.

The Debtor has attached to this Disclosure Statement as Exhibit B a Liquidation Analysis which shows that in the event of liquidation of the Debtor, no funds would be available for distribution to the Unsecured Creditors.

Based upon the foregoing, the Plan Proponent respectfully submits that the Creditors will fare far better under the proposed Plan than under a Chapter 7 liquidation and urges all Creditors to vote to accept the Plan.

## **VI. FEASIBILITY**

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Reorganized Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on such date. Based upon a review of the expenses incurred to date, the Plan Proponent believes that there will be sufficient funds as of the Effective Date to make all required payments.

The second aspect considers whether the Reorganized Debtor will have enough cash over the life of the Plan to make the required Plan payments.

In determining whether the Plan meets these requirements, the Plan Proponent believes that the post-Confirmation operations of the Debtor will be sufficient to make payments on the Allowed Secured Claim of Summit Bank and allow for Net Operating Revenues sufficient to fund the Unsecured Creditors' Fund and make distributions between 75% and 100% to Holders of Allowed Unsecured Claims.

In conclusion, the Plan Proponent believes that the sources of funding described, herein, will be sufficient to make all payments and distributions required under the Plan and all payments necessary to meet the ongoing obligations of the business and that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization. Therefore, the Plan Proponent believes that the Plan complies with the financial feasibility standard of Bankruptcy Code §1129(a)(11).

The attached Projections are based upon certain assumptions that the Plan Proponent believes to be reasonable under the circumstances; however, the Plan Proponent makes no representation as to the achievability of the projections set forth therein. Actual results may vary from the projected results and the variations may be material and adverse. Although presented with numerical specificity, the Projections are based on a variety of assumptions, some of which may not be realized. Moreover, the Reorganized Debtor's future performance is subject to

significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Reorganized Debtor. Consequently, the Projections should not be regarded as a representation or guaranty by the Plan Proponent or any other Person that the Projections will be realized.

## **VII. CONFIRMATION BY CRAM DOWN**

The Debtor reserves the right, in the event that impaired classes reject the Plan, to seek confirmation of the Plan if the Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to each dissenting class.

The Plan is deemed fair and equitable if it provides (i) that each holder of a Secured Claim retains its lien and receives deferred cash payments totaling at least the allowed amount of its claim, of a value, as of the effective date of the Plan, of at least the value of its secured interest in the property subject to his lien, and (ii) that each holder of an Unsecured Claim receives property of a value equal to the allowed amount of its claim, or no holder of a junior claim receives or retains any property.

## **VIII. EFFECT OF CONFIRMATION OF THE PLAN**

### **A. Discharge and Injunction**

On the Effective Date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the Effective Date to the extent specified in Bankruptcy Code §1141(d)(1)(A), except that Debtor will not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in Bankruptcy Code §1141(d)(6)(A) if a timely complaint was filed in accordance with Fed. R. Bankr. P. 4007(C), or (iii) of a kind specified in Bankruptcy Code §1141 (d)(6)(B). After the Effective Date of the Plan, your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

### **B. Exculpation**

The Plan contains an exculpation provision. Under the Plan, neither the Debtor, the Reorganized Debtor, the Debtor's officers, nor their attorneys in the bankruptcy case (the "Releasees") shall have or incur any liability to any Holder of a Claim against the Debtor, or any other party-in-interest, or any of their Representatives, or any of their successors or assigns, for any act, omission, transaction or other occurrence in connection with, relating to, or arising out of the Chapter 11 Case, the pursuit of confirmation of this Plan, or the consummation of this Plan, except and solely to the extent such liability is based on fraud, gross negligence or willful misconduct.

### **C. Revesting of Assets**

Except as otherwise provided for in the Plan or the Confirmation Order, on Confirmation Date, the property of the Estate of the Debtor, wherever situate, including but not limited to, any

tax benefits available to the Debtor to the extent they are assignable by law shall vest in the Reorganized Debtor.

## **IX. RISK FACTORS**

The Plan Proponent believes there is minimal risk to creditors if the Plan is confirmed. However, in deciding how to cast your vote, you should consider the following risk factors:

The following discussion is intended to be a non-exclusive summary of certain risks attendant upon the consummation of the Plan. You are encouraged to supplement this summary with your own analysis and evaluation of the Plan and Disclosure Statement, in their entirety, and in consultation with your own advisors. Based on the analysis of the risks summarized below, the Plan Proponent believes that the Plan is viable and will meet all requirements of confirmation.

### **A. Business Risks**

The business risks that could occur are as follows:

1. The post-Confirmation operations fail to generate sufficient Net Operating Revenues to Fund the Unsecured Creditors' Fund which are the source of payments to Holders of Allowed Unsecured Claims.
2. One or more of the Reorganized Debtor's principal employees leaves the Debtor for another employer and the Reorganized Debtor is unable to replace such employee.

### **B. Bankruptcy Risks**

If Administrative Expense Claims, Priority Tax or Priority Non-Tax Claims are determined to be Allowed Claims in amounts greatly exceeding the Plan Proponent's estimates, or if Holders of Allowed Administrative Expense Claims do not consent to the payment in accordance with the Plan terms, there may be insufficient Cash on the Effective Date to pay such Claims, and the Plan may not become effective.

Additionally, the distributions and recoveries estimated in this Disclosure Statement are based on the Plan Proponent's estimates of Allowed Claims. The Plan Proponent projects that the Claims asserted against the Debtor will be resolved and reduced to an amount that approximates its estimates and has sought, or will seek, an order or orders from the Bankruptcy Court estimating the dollar amount of certain Allowed and Disputed Claims. There can be no assurance that such assumptions will prove accurate. Moreover, if and to the extent that the Plan Proponent has underestimated the amount of Allowed Claims or reserves for Disputed Claims, the Reorganized Debtor could be required to redirect Cash to such Disputed Cash reserves, resulting in a potential dilution of available Cash. The Plan Proponent reserves the right to object to the amount or classification of any Claim. As the majority of the scheduled and/or filed Claims are based upon the Debtor's books and records, the Debtor does not anticipate any objections to Claims will be necessary.

### **C. Tax Risks**

The Plan Proponent has not undertaken an analysis of the U.S. Federal income tax consequences on the Holders of Claims as set forth in the Plan. No analysis has been taken regarding foreign, state or local tax consequences of the Plan, Estate and Gift Tax issues are not addressed, nor are any consequences relating to the Alternative Minimum Tax.

**NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.**

**CIRCULAR 230 DISCLAIMER: The IRS now requires written advice regarding one or more (i.e., United States) tax issues to meet certain standards. Those standards involve a detailed and careful analysis of the facts and applicable law which the Plan Proponent expects would be time consuming and costly. The Plan Proponent has not made and has not been asked to make that type of analysis in connection with any advice given this Disclosure Statement or Plan. As a result, the Plan Proponent is required to advise you that any Federal tax advice rendered in this Disclosure Statement or the Plan is not intended or written to be used and cannot be used for the purpose of avoiding penalties that may be imposed by the IRS.**

### **X. POST-CONFIRMATION STRUCTURE**

Upon the Confirmation Date, Boonchun Sweeney shall continue to be the day-to-day management of the Debtor and shall receive the same salary as approved by the Bankruptcy Court during the Chapter 11 Case. The projections do not provide for any distribution to shareholder on account of his retained shares, nor will any distributions be made to Mr. Sweeney. However, since this is a subchapter "S" corporation, it is anticipated that monies will be distributed to Mr. Sweeney to enable him to pay taxes on any net income attributable to his equity interest, to the extent there are such tax liabilities.

To the extent that Net Operating Revenues exceed \$7,000.00 in any calendar year, the amount that exceeds \$7,000.00 shall be retained by the Reorganized Debtor for capital improvements and replacement of trucks, equipment and tools. To the extent that Net Operating Revenues exceed \$14,000.00 in any calendar year, the amount that exceeds \$14,000.00 shall be distributed as set forth in the Plan and this Disclosure Statement.

### **XI. MISCELLANEOUS PROVISIONS**

1. Notwithstanding any other provisions of the Plan, any Claim which is scheduled as disputed, contingent, or unliquidated or which is objected to in whole or in part on or before the date for distribution on account of such claim, shall not be paid in accordance with the provisions of the Plan until such claim has become an Allowed Claim by a final Order. If allowed, the Claim shall be paid on the same terms as if there had been no dispute.

2. At any time before the Confirmation Date, the Debtor may modify the Plan, but may not modify the Plan so that the Plan, as modified, fails to meet the requirements of Bankruptcy Code § 1122 and § 1123. After the Debtor files a modification with the Bankruptcy Court, the Plan, as modified, shall become the Plan.

3. At any time after the Confirmation Date, and before Substantial Consummation of the Plan, the Debtor may modify the Plan with permission of the Court so that the Plan, as modified, meets the requirements of § 1122 and §1123 of the Bankruptcy Code. The Plan, as modified under this paragraph, shall become the Plan.

4. After the Confirmation Date, the Debtor may, with approval of the Bankruptcy Court, and so long as it does not materially and adversely affect the interest of creditors, remedy any defect or omission, or reconcile any inconsistencies in the Plan or in the Order of Confirmation, in such manner as may be necessary to carry out the purposes and effect of the Plan.

## CONCLUSION

It is extremely important for you to exercise your right to vote on the Plan. A Ballot is being provided to you simultaneously herewith for voting purposes, together with a copy of the Order establishing the hearing date to consider confirmation of the Plan.

The Plan provides a distribution to Administrative Expense, Secured, Priority, and General Unsecured Creditors in excess of what could possibly be expected in the event of a Chapter 7 liquidation. **AS SUCH, THE PLAN PROPONENT SUBMITS THAT THE PLAN IS FAIR AND EQUITABLE AND IN THE BEST INTEREST OF ALL HOLDERS OF CLAIMS AND URGES ALL SUCH HOLDERS THAT ARE ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT THE PLAN.**

Dated: November 7, 2016

Waterproofing Unlimited, Inc.

By /s/ Boonchun Sweeney  
Boonchun Sweeney, President  
Waterproofing Unlimited, Inc.  
Plan Proponent

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