

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	
SOUTHERN SANDBLASTING & COATINGS, INC.,	§	Case No. 17-30823-H4-11
	§	
Debtor	§	Chapter 11
	§	

**DEBTOR’S FIRST AMENDED DISCLOSURE STATEMENT AND PLAN OF
REORGANIZATION**

COMES NOW Southern Sandblasting & Coatings, Inc. (“Southern Sandblasting” or the “Debtor”) and proposes this First Amended Disclosure Statement and Plan of Reorganization (the “Plan”) pursuant to §§ 1121 and 1125 of the Bankruptcy Code.

I. INFORMATION REGARDING THE DEBTOR

A. The Debtor

The Debtor is a Texas corporation with its principal place of business at 17527 Salt River Valley Circle, Humble, Texas 77346. Where appropriate, references to the Debtor shall mean the reorganized debtor.

B. Brief History of the Debtor and Cause of the Debtor’s Chapter 11 Filing

The Debtor was formed in 1993 and performed sandblasting and painting of offshore vessels in the oil and gas industry. In the years prior to the Debtor’s bankruptcy filing, business slowed and the Debtor was unable to stay current on its debt obligations. Certain of the Debtor’s creditors pursued collection activities against the Debtor that threatened to liquidate the Debtor’s assets. The Debtor filed this bankruptcy case in order to effectuate an orderly and maximally remunerative liquidation of its assets.

C. Assets of the Debtor

Subject to the environmental issues, the Debtor's principal asset is approximately 35 acres of improved real property worth approximately \$1,200,000 located at 8458 FM 1960 E, Dayton, Texas 77535 (the "8458 Property"). The 8458 Property served as the Debtor's operating location. In addition, the Debtor has a \$200,000 receivable (the "Receivable") and a \$10,000 2012 New Holland tractor. The Debtor had \$8,250 in cash or cash equivalents at the time of filing the bankruptcy case. The Debtor's remaining, miscellaneous assets are of inconsequential value and are disclosed in its bankruptcy schedules filed with the Court. For more detailed information regarding the Debtor's assets, please see the Debtor's bankruptcy schedules and monthly reports.

The Debtor recently discovered that the 8458 Property has environmental problems. The Debtor has had Phase I and Phase II environmental reports on the 8458 Property. The reports have disclosed the presence of environmental substances that may need to be removed. The substances discovered were not used by the Debtor and the reasons for the presence of the substances is not known at this time. The Debtor had a pending sale of the 8458 Property however, the buyer has postponed the purchase pending further environment testing. The contract for the proposed sale has been amended to allow the purchaser until January 31, 2018 to terminate the contract due to any reason. The status of the proposed contract is currently not certain due to the environmental issues. The Debtor is currently moving forward with additional environmental testing on the 8458 Property.

D. Source of the Information Contained in This Disclosure Statement

All information in this Plan and Disclosure Statement has been submitted by the Debtor unless otherwise indicated.

E. Present Condition and Post-Petition Operations of the Debtor

Since filing the bankruptcy case, the Debtor has ceased all operations. The Debtor's only activity has been to collect the Receivable and to proceed to market and attempt to sell the 8458 Property. The post-petition financial operations of the Debtor are set forth in the monthly operating reports filed with the Bankruptcy Court. Attached as Exhibit A are the two most recent of the Debtor's monthly operating reports, which set forth the Debtor's post-petition operations.

The Debtor obtained an offer to purchase the 8458 Property but the buyer has retracted the offer pending the environmental issues and further review of the environmental problems. The current buyer may proceed forward at a later time after further review of the environmental issues. This Plan provides for the sale of the 8458 Property by the Debtor at the highest and best price that the Debtor is able to achieve. The sale will be free and clear of liens and encumbrances. The terms for the sale are set forth below.

F. Anticipated Future of the Debtor, Management of the Reorganized Debtor, and Feasibility

Ernest Watson, Jr. is the president and sole owner of the Debtor. Nicole Watson, the spouse of Ernest Watson, Jr. has been managing the operations of the Debtor during the chapter 11 case. The Debtor is not currently operating and does not expect to resume business operations. The purpose of the Debtor's proposed plan is to collect the Receivable and sell the 8458 Property at a more favorable price than could be obtained in a chapter 7 liquidation. The Debtor believes that both these objectives are feasible. Watson will manage the Debtor until these objectives are achieved.

G. Claims Summary

The Debtor's schedules reflect claims against the Debtor and their respective priorities.

The bar date for filing claims against the Debtor was June 19, 2017 for non-governmental creditors and August 14, 2017 for governmental creditors. Both of these bar dates have passed. The following table summarizes the claims currently filed against the Debtor:

Claim #	Creditor	Amount	Status	Collateral
1	Texas Workforce Commission	\$13,897.94	Secured	Real and personal property located in Liberty County, TX
2	CNH Industrial Capital America, LLC	\$8,847.33	Secured	NH T1520 Tractor; NH 110TL Loader; Modern RT5 Disk Mower; Modern Competitor 5 Mower
3	Mississippi Department of Revenue	\$52,804.66	Priority and General Unsecured	-
4	UnitedHealthcare	\$16,115.63	General Unsecured	-
5	United Rentals (North America), Inc.	\$55,669.98	Secured	Real property located in Liberty County, TX
6	Herc Rentals, Inc.	\$55,290.26	General Unsecured	-
7	Mississippi Department of Employment Security	\$72,331.19	Secured and priority	Real and personal property located in Hinds County, MS
8	Louisiana Department of Revenue	\$15,622.98	Priority and general unsecured	-
9	Coastal Welding Supply, Inc.	\$2,007.80	General Unsecured	-
10	Internal Revenue Service	\$2,546,282.07	Secured, Priority, and General Unsecured	Real and personal property located in Liberty County, TX
11	Jack Doheny Companies	\$3,413.54	General Unsecured	-
12	State of Alabama Department of Revenue	\$906.24	Secured and Priority	Real and personal property located in Montgomery County, AL

13	State of Alabama Department of Revenue	\$4,627.94	Priority	-
14	Crenshaw Enterprises	\$322,811.71	Secured	Real property located in Jefferson County, TX
15	State Farm Mutual Automobile Insurance Company	\$14,047.11	General Unsecured	-
16	Texas Farm Bureau Insurance Company	\$7,286.52	General Unsecured	-
17	Alabama Department of Labor	\$280.68	Secured and Priority	Real and personal property located in Tuscaloosa County, AL
18	Avaya, Inc.	\$1,247.57	General Unsecured	-
19	Texas State Comptroller	\$82,791.11	Priority and General Unsecured	-
20	Texas State Comptroller	\$1,000.00	Priority	-
21	Pawnee Leasing Corporation	\$10,405.75	General Unsecured	-
22	Manufacturers Alliance Insurance Company	\$34,855.00	General Unsecured	-
23	Alabama Longshore Mutual Association	\$112,796.00	Secured	Workers' compensation claims

If a claim is classified by the Debtor as disputed, unliquidated, or contingent, then the creditor must file a proof of claim. If a claim was classified as disputed, unliquidated, or contingent on Schedule F by the Debtor and no proof of claim has been timely filed by the applicable bar date, then no payment will be made to such creditor.

The following table sets forth the secured and priority claims listed by the Debtor in its schedules as undisputed for which proofs of claim have not been filed. The Debtor has also scheduled undisputed general unsecured claims which can be viewed on Schedules E/F.

Creditor	Amount	Status	Collateral
AramSCO, Inc.	\$12,821.76	Secured	Real property located in

			Liberty County, TX
Dayton I.S.D.	\$56,940.00	Secured	Real property located in Liberty County, TX
Liberty County	\$32,522.29	Secured	Real property located in Liberty County, TX

Copies of Schedules D (secured creditors) and E/F (priority and general unsecured creditors) are available from the Clerk of the Court or counsel for the Debtor.

H. Chapter 7 Liquidation as an Alternative to the Proposed Plan

The Debtor is proposing a Chapter 11 Plan to repay its debts. The proposed Plan is essentially a plan for liquidation of the Debtor's assets. If the Plan is not approved by the creditors and confirmed by the Court, the primary alternative for the Debtor is liquidation under chapter 7 or dismissal of the case.

Although both the proposed Plan and a chapter 7 bankruptcy would result in the liquidation of the Debtor's assets for the benefit of creditors, a liquidation under the proposed Plan is likely to result in greater revenue from the Debtor's assets than if the Debtor were forced to liquidate in a chapter 7 bankruptcy. This is because the proposed Plan will enable the Debtor to use normal channels and procedures for selling its assets, specifically the 8458 Property, whereas a chapter 7 liquidation would result in a quick, forced sale.

Because the Debtor's debts far exceed its assets, the Debtor's unsecured creditors are unlikely to receive a large dividend on their claims regardless of whether the Debtor liquidates under the proposed Plan or through a chapter 7 bankruptcy. However, the Debtor hopes to maximize revenue from the sale of the 8458 Property by selling it through the proposed Plan rather than through a chapter 7 bankruptcy, in which case the creditors are likely to receive a greater dividend under the proposed Plan than through a chapter 7 bankruptcy.

See Exhibit B for a detailed liquidation analysis.

I. Estimated Administrative Expenses

The Debtor estimates administrative expenses, including professional fees and expenses and pre-confirmation U.S. Trustee quarterly fees, for this case to be approximately \$30,000. The administrative expenses are composed of attorney fees, U.S. Trustee quarterly fees, and a reserve for other possible administrative expenses.

J. Avoidance and Contested Claims

At this time, the Debtor has not identified any preferential transfers or claims that should be disputed.

K. Summary of Litigation.

The Debtor is, or was, involved in the following recent litigation:

- *Pawnee Leasing Corporation vs. Southern Sandblasting & Coatings, Inc., Ernest Watson, Sr., Ernest Watson, Jr., and Carolyn Watson*, Case No. 2016-007428-2 in the County Court at Law No. 2 in Tarrant County, Texas, currently pending.
- *Progressive County Mutual Ins. Co. v. Southern Sandblasting & Coatings, Inc.*, Case No. CAL-12112 in Liberty County, Texas, concluded.
- *AramSCO, Inc. v. Southern Sandblasting & Coatings, Inc. and Ernest Watson*, Case No. CAL-12098 in Liberty County, Texas, concluded.
- *Crenshaw Enterprises, Ltd. d/b/a Tiger Industrial Rentals v. Southern Sandblasting & Coatings, Inc.*, Case No. CV-1408553 in Liberty County, Texas, concluded.
- *B.W. Shoemaker v. Southern Sandblasting & Coatings, Inc.*, Case No. CAL-11962 in Liberty County, Texas, concluded.
- *State Farm Mutual Automobile Insurance Company v. Southern Sandblasting & Coating, Inc.*, Case No. 0127685 in Liberty County, Texas, concluded.
- *United Rentals (North America), Inc. v. Southern Sandblasting & Coatings, Inc.*, Case No. CV-1610365 in Liberty County, Texas, concluded.

- *Frederic R. Escobedo v. Southern Sandblasting & Coatings, Inc.*, Case No. 1206060 in Liberty County, Texas, concluded.
- *Liberty County et al v. Southern Sandblasting & Coatings, Inc.*, Case. No. TX12101413 in Liberty County, Texas, concluded.
- *Hertz Equipment Rental Corporation v. Southern Sandblasting & Coatings, Inc.*, Case No. CV-1510037 in Liberty County, Texas, concluded.
- *Dayton Independent School District v. Southern Sandblasting & Coatings, Inc.*, Case No. TX15102805 in Liberty County, Texas, concluded.

L. Risks Posed to Creditors

The proposed Plan does not pose significant risks to creditors over a chapter 7 liquidation. The primary risks are the environment problems on the 5458 Property that have recently been discovered, a decline in the market value of the 8458 Property before it is sold (for the environmental issues and other issues) and the possibility that the 8458 Property will be destroyed in whole or in part prior to the closing of any sale. Although these risks would also be present for a chapter 7 liquidation, they are slightly greater under the proposed Plan because the Plan proposes to take a longer time to sell the 8458 Property in order to obtain a better price.

M. Tax Ramifications

An analysis of the federal income tax consequences of the Plan to creditors requires a review of the Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder, judicial authority, and current and administrative rulings and practice. The federal income tax consequences to any particular creditor may be affected by the nature of the taxable entity. There may also be state, local, or foreign tax considerations applicable to each creditor. Each creditor is urged to consult its accountant or tax lawyer to determine the effect of this Plan upon its claim.

N. Affiliate Relationships

The Debtor is owned 100% by Ernest Watson, Jr. Otherwise, the Debtor has no known affiliate relationships.

O. Absolute Priority Rule

The Bankruptcy Code provides that with respect to each class of creditors, such class must accept the plan or such class is not impaired under the plan. If a class does not accept the plan, then the bankruptcy court may confirm a plan over the failure of a class to vote for the plan, provided that for a class of unsecured claims, the plan must provide that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of the claim of the creditor, or the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

P. Definitions

“Effective Date” shall be the date that is fifteen (15) days after a final and non-appealed order is entered confirming the Debtor’s chapter 11 plan.

II. PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS

Plan Concept. The Debtors’ Plan is liquidating in nature. It divides the claims into seventeen (17) classes. The Debtor will sell make its best efforts to sell the 8458 Property. This plan allows the 8458 Property to be sold by the Debtor and the proceeds from the sale of the 8458 Property net of the sales expenses (the “Net Property Proceeds”) will be distributed to creditors in the manners and methods described below. The Debtor will also distribute the Receivable and any remaining assets (collectively, including the Receivable, the “Other Assets”), net of any costs to

liquidate such assets, to creditors in the manners and methods described below.

Class 1. Administrative Claims as of the Effective Date

Class 1 consists of the Allowed Claims entitled to priority under § 507(a)(2) of the Bankruptcy Code, including fees for services rendered and expenses incurred through the Effective Date by the Debtor's counsel and other professionals appointed by the Court for the Debtor, the U.S. Trustee's pre-confirmation quarterly fees, and any other administrative expenses.

The estimated amount of claims in Class 1, including professional fees and U.S. Trustee fees is approximately \$45,000. Except as provided below, each creditor in Class 1 shall be paid in cash on the earlier of (1) the Effective Date if the creditor's claim has matured or been approved or allowed by the Court, if such approval or allowance is required, or (2) upon approval of such fees and expenses by the Bankruptcy Court.

Quarterly fees owed to the U.S. Trustee pre-confirmation will be paid on the Effective Date of the Plan. After confirmation and until this case is closed by the Court, the Debtor will pay quarterly fees to the U.S. Trustee as they accrue and serve on the U.S. Trustee a quarterly financial statement or affidavit of quarterly disbursements.

All payments to Class 1 will be paid out of the Other Assets.

Classes 2 - 4. Claims Secured by the 8458 Property

The claims in the following table are secured by perfected liens on the 8458 Property. Each such claim is hereby designated to be in a class by itself and will be treated in the manner described below:

Class	Impairment	Treatment
Class 2 – Secured Claim of Dayton I.S.D. (“Dayton”)	Impaired	Classes 2 and 3 will collectively be paid either (i) the full amount of the Net Property Proceeds or (ii) the full amount of the combined claims in the two

Class 3 – Secured Claim of Liberty County (“Liberty”)	Impaired	classes, whichever is less. The amount paid to Classes 2 and 3 will be divided between them pro rata, in proportion to amount of the claims. The secured claim of Dayton is \$56,940.00 and the secured claim of Liberty is \$32,522.29, plus allowable interest.
Class 4 – Secured Claim of the Internal Revenue Service (the “IRS”)	Impaired	Class 4 will be paid either (i) the full amount of any Net Property Proceeds remaining after payment to Classes 2 and 3 or (ii) the full amount of the IRS’s secured claim of \$719,756.41 plus allowable interest, whichever is less.
Class 5 – Secured Claim of the Texas Workforce Commission (the “TWC”)	Impaired	Class 5 will be paid either (i) the full amount of any Net Property Proceeds remaining after payment to Classes 2-4 or (ii) the full amount of the TWC’s secured claim of \$13,897.94 plus allowable interest, whichever is less.
Class 6 – Secured Claim of United Rentals (North America), Inc. (“United Rentals”)	Impaired	Class 6 will be paid either (i) the full amount of any Net Property Proceeds remaining after payment to Classes 2-5 or (ii) the full amount of United Rentals’ secured claim of \$55,669.98 plus allowable interest, whichever is less.
Class 7 – Secured Claim of Aramsco, Inc. (“AramSCO”)	Impaired	Class 7 will be paid either (i) the full amount of any Net Property Proceeds remaining after payment to Classes 2-6 or (ii) the full amount of Aramsco’s secured claim of \$12,821.76 plus allowable interest, whichever is less.
Class 7A – Secured Claim of Crenshaw Enterprises, Ltd (“Crenshaw”)	Impaired	Class 7A will be paid either (i) the full amount of any Net Property Proceeds remaining after payment to Classes 2-7 or (ii) the full amount of Crenshaw’s secured claim of \$322,811.71 plus allowable interest, whichever is less.

The total amount of claims in Classes 2-7A is \$1,214,420.09. If any claim in Classes 2-7A is not paid in full, treatment of the claim as described in the above table will be considered to satisfy the claim in full.

Payments to Classes 2-7A will be paid within 30 days after the Debtor receives the Net Property Proceeds.

Class 8. Claim Secured by 2012 New Holland Tractor

Class 8 consists of the secured claim of CNH Industrial Capital America, LLC (“CNH”), which is secured by the Debtor’s 2012 New Holland Tractor. CNH has filed a proof of claim in the amount of \$8,847.33. The Debtor estimates that the value of the 2012 New Holland Tractor is \$10,000. The Debtor had previously proposed to sell the 2012 New Holland Tractor; however, the New Holland Tractor has been stolen. Any recoverable insurance proceeds for the loss of the tractor will be paid to Class 8 up to the amount owed. Such payment will be considered to satisfy the claim of CNH in full even if the net proceeds are less than the amount owed. To the extent that any insurance proceeds remain after payment to Class 8, such remainder will be contributed to Other Assets.

Payment to Class 8 will be paid within 30 days after the Debtor receives any insurance proceeds for the tractor.

Class 8 is impaired.

Classes 9-16. Priority Claims Under 11 U.S.C. § 507(a)(8)

The claims in the following table are priority claims under 11 U.S.C § 507(a)(8). Each such claim is hereby designated to be in a class by itself and will be treated in the manner described below:

Class	Creditor	Impairment	Amount of Priority Claim
9	Mississippi Department of Revenue	Impaired	\$46,755.66
10	Mississippi Department of Employment Security	Impaired	\$72,331.19
11	Louisiana Department of Revenue	Impaired	\$10,950.67
12	Internal Revenue Service	Impaired	\$470,276.68
13	State of Alabama Department of Revenue	Impaired	\$4,693.45 ¹

¹ The Amount of Priority Claim is calculated as follows: \$3,866.64 (Priority Amount on Proof of Claim No. 13) + \$794.28 (Tax Balance on Proof of Claim No. 12) + \$32.53 (Interest Balance on Proof of Claim No. 12) = \$4,693.45.

14	Alabama Department of Labor	Impaired	\$280.68
15	Texas State Comptroller (sales and use taxes)	Impaired	\$70,454.72
16	Texas State Comptroller (franchise tax)	Impaired	\$1,000.00
		Total	\$676,743.05

Classes 9-16 will be paid either (i) the full amount of any Net Property Proceeds remaining after all payments to Classes 1-7, if any, or (ii) the total amount of \$676,743.05, whichever is less. Payments to Classes 9-16 will be divided among the classes pro rata, in proportion to the Amount of Priority Claim as described in the above table.

At this time the Debtor estimates that there may not be any funds remaining from the Net Property Proceeds after all payments to Classes 1-7A. Therefore, the Debtor estimates that Classes 9-16 may not receive any distributions at this time except for amounts from the Other Assets.

To the extent that any claim in Classes 9-16 is not paid in full from the Net Property Proceeds, the remainder of the claim will be treated as if it were a separate claim in Class 17 for general unsecured claims.

If the claims in Classes 9-16 are paid in full from the Net Property Proceeds, any remaining amount of the Net Property Proceeds will be contributed to Other Assets.

Payments to Classes 9-16 will be paid within 30 days after the Debtor receives the Net Property Proceeds.

Class 17. General Unsecured Claims

Class 17 consists of all unpaid, pre-petition, allowed, unsecured, non-priority claims against the Debtor. Based on the Debtor's schedules and the proofs of claim currently filed with the Bankruptcy Court, the Debtor estimates that the total amount of claims in this class is \$2,325,419.19. In addition, the Debtor estimates that there may be unpaid priority claims from

Classes 9-16 that will be treated as if they were claims in Class 17 (the “Unpaid Priority Claims”).

The Debtor will pay to Class 17 (including the Unpaid Priority Claims) all of the Other Assets remaining after payment to Class 1. The payment to Class 17 (including the Unpaid Priority Claims) will be divided among the claims pro rata, in proportion to the amount of the claim.

Payments to creditors in Class 17 (including creditors holding Unpaid Priority Claims) will be paid within 30 days after all payments to Classes 1-16 have been made.

Class 17 is impaired.

Additional Provisions Relating to IRS Claims

The IRS will apply any amounts that it receives under this Plan (whether received as payments to Class 4, 12, or 17) in the following order, regardless of whether the following amounts are designated as secured, priority, or general unsecured: (1) first to any tax due for tax periods in 2014 through 2016 that was required to be withheld under the Federal Insurance Contributions Act (FICA), not including any interest or penalties thereon; (2) then to any tax due for tax periods in 2012 that was required to be withheld under FICA, not including any interest or penalties thereon; (3) then to any tax due for any other tax period that was required to be withheld under FICA, not including any interest or penalties thereon; (4) then to any other tax due, not including any interest or penalties thereon; (5) then to pre-petition interest; and (6) finally, to penalties.

ENVIRONMENTAL ISSUES AND CLEAN UP

The Debtor will review the environmental issues affecting the 8458 Property. The Debtor is authorized under this Plan to take such reasonable steps to remediate the environmental matters adversely affecting the 8458 Property and to spend amounts up to \$25,000 for further testing and to remediate the 8458 Property without further approval from this Court or the creditors. On

request, the Debtor will provide information available to the Debtor on the environmental issues affecting the 8458 Property.

**SALE OF 8458 PROPERTY BY THE DEBTOR FREE AND CLEAR OF LIENS
AND ENCUMBRANCES**

Pursuant to the terms of this Plan, the Debtor will market and attempt to sell the 8458 Property. **This plan authorizes the Debtor to sell the 8458 Property free and clear of all liens, claims and encumbrances with the proceeds of such sale being distributed as provided in this plan.** Subject to the terms of provisions of this Plan, the liens, claims and encumbrances on the 8458 Property will attach to the proceeds from the sale of the 8458 Property in the same order and priority as such liens, claims and encumbrances exist against the 8458 Property. Payments to creditors for the liens, claims and encumbrances on the 8458 Property shall be made and shall be subject to the terms and provisions of this Plan and payments shall be made to the creditors based on the terms and provisions of this Plan. To the extent of any conflict in the priority of payments, the terms and provisions of this Plan will control for determination of priority of liens, claims and encumbrances and payments to creditors.

The Debtor had a contract to purchase the 8458 Property. Upon discovery of environmental issues, the potential buyer elected to extend the purchase date to January 31, 2018. The buyer has until such date to elect to proceed with the purchase.

The amounts of the recorded liens and security interests against the 8458 Property are in excess of the possible sales price. Notwithstanding the fact that the recorded liens and encumbrances may exceed the possible sales price, this plan proposes the sale of the 8458 Property free and clear of liens and encumbrances in order to maximize the returns to all creditors, including the secured creditors. If the 8458 Property is sold by a chapter 7 trustee, the Debtor believes that

the sales price will be less and result in lower proceeds to the creditors.

A title company is entitled to rely on this confirmed plan for issuing a title policy to a buyer of the 8458 Property, whether such sale is an unopposed sale or a sale by auction.

Upon receiving an offer to purchase the 8458 Property that the Debtor has determined to accept, the Debtor will submit the offer it proposes to accept to the creditors of the Debtor. The Debtor will file a copy of the offer with this court and also mail a copy of the offer to (1) the creditors in classes 1-16, (2) to any other creditors that have filed with this court a request for a copy of the offer and (3) to all creditors requesting notices in this case. Creditors will have ten (10) days from the date of the mailing of the notice to object to such proposed sale by filing with the Bankruptcy Court an objection and notifying the Debtor of an objection.

If no creditor files with the Bankruptcy Court a timely objection to the proposed sale, then the Debtor may sell the 8458 Property free and clear of liens, claims and encumbrances based on the offer that the Debtor has filed with the Bankruptcy Court and provided to the creditors. A title company shall be authorized to close such sale to the buyer free and clear of liens, claims and encumbrances with the net proceeds to be paid to the Debtor for distribution subject to the terms of this Plan.

If any creditor objects to the proposed sale, then the Debtor may submit a request for an auction sale of the 8458 Property at the Bankruptcy Court. The Debtor may request an emergency auction sale at the Bankruptcy Court as soon as possible with the proposed offeror being allowed to bid the proposed offer at the auction. Any other person or entity may also bid at the auction sale; provided that any proposed bidder must qualify as a potential purchaser. Any proposed offer to be accepted at an auction sale at the Bankruptcy Court must pay a deposit upon being the

successful bidder in a minimum amount of \$20,000. The auction sale will be subject to the terms and conditions in the proposed offer submitted by the Debtor for the potential sale of the 8458 Property and any other terms and conditions required by the Debtor or the Bankruptcy Court. The second highest bidder will be requested to also submit a minimum deposit of \$10,000 which will be held pending the sale of the 8458 Property. If the highest bidder does not close, the second highest bidder will be accepted as the purchaser.

The Bankruptcy Court will retain jurisdiction (1) to approve any fees or expenses for remediation of the 8458 Property and (2), if necessary, to conduct an auction sale of the 8458 Property on the terms and conditions as proposed by the Debtor and approved by the Bankruptcy Court after notice and a hearing. All creditors shall be entitled to notice of any proposed auction sale. An auction sale of the 8458 Property shall also be free and clear of liens, claims and encumbrances. **This plan specifically approves an unopposed sale by the Debtor, or an auction sale by the Bankruptcy Court, of the 8458 Property free and clear of liens, claims and encumbrances.**

The Debtor proposes to either sell or request an auction sale of the 8458 Property within 180 days of the Effective Date.

Creditors are urged to accept this plan even though they may not receive full payments under this plan. The liquidation by the sale of the Property as proposed in this plan should result in a higher return to the secured and priority creditors than a liquidation under chapter 7.

The owners of the Debtor will not receive any amounts under this plan and waive any rights to payments as equity owners of the Debtor.

ACCEPTANCE OR REJECTION OF PLAN

Each impaired class of Claims shall be entitled to vote separately to accept or reject this Plan unless that class receives no distribution under the Plan. Any class receiving no distribution is deemed to have rejected the Plan. Any unimpaired class of Claims shall not be entitled to vote either to accept or to reject this Plan and is deemed to have accepted the Plan. Each creditor should read this Plan and Disclosure Statement, then complete and return the attached ballot.

Your acceptance of the Plan is important. In order for the Plan to be deemed “accepted” by Creditors and holders of interests, at least sixty-six and two-thirds percent (66-2/3%) in amount of Allowed Claims voting and fifty-one percent (51%) in number of Allowed Claims voting in each Class of Claims must accept the Plan. Whether or not you expect to be present at the hearing, you are urged to fill in, date, sign, and properly mail the Ballot for Accepting or Rejecting Plan of Reorganization to Mr. Reese W. Baker, Attorney for Debtor, 950 Echo Lane, Ste 200, Houston, Texas 77024.

IF ANY CLASS REJECTS THE PLAN, THE DEBTOR MAY SEEK TO “CRAMDOWN” THE CONFIRMATION OF THE PLAN PURSUANT TO 11 U.S.C. §1129(b). THE BANKRUPTCY CODE ALLOWS THE DEBTOR TO REQUEST THE COURT TO CONFIRM THE PLAN NOTWITHSTANDING THE REJECTION OF ANY CLASS OR CLASSES OF CREDITORS IF THE DEBTOR CAN DEMONSTRATE THAT (i) THE PLAN DOES NOT DISCRIMINATE UNFAIRLY AND (ii) THE PLAN IS FAIR AND EQUITABLE WITH RESPECT TO EACH CLASS OF CLAIMS OR INTERESTS THAT IS IMPAIRED AND HAS NOT ACCEPTED THE PLAN. IN ORDER TO “CRAMDOWN” THE PLAN, THE DEBTOR WILL HAVE TO DEMONSTRATE TO THE BANKRUPTCY COURT AT A HEARING THAT THESE TWO STANDARDS HAVE BEEN SATISFIED. SUCH HEARING WOULD BE PART OF THE CONFIRMATION HEARING ON THE PLAN AND ALL CREDITORS MAY BE

PRESENT AND WOULD HAVE AN OPPORTUNITY TO PARTICIPATE IN SUCH HEARING.

EXECUTORY CONTRACTS

Upon confirmation of this Plan, the Debtor shall be deemed to have rejected all of its executory contracts and leases as of the Effective Date.

JURISDICTION OF THE BANKRUPTCY COURT

The Bankruptcy Court shall retain exclusive jurisdiction of the case after the Confirmation Date with respect to the parties to, and the subject matter of, this Plan and the Claims, applications, orders, damages, and other events as described in the Plan.

Further, the Bankruptcy Court will also retain jurisdiction to conduct the auction sale of the 8458 Property if an auction sale is needed or requested by the Debtor or any creditor.

CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§1129(a) or (b) of the Code. These include the following requirements: the Plan must be proposed in good faith; at least one impaired class of claims must accept the Plan, without counting the votes of insiders; the Plan must distribute to each creditor at least as much as the creditor would receive in a chapter 7 liquidation case, unless the creditor votes to accept the Plan; and the Plan must be feasible. These requirements are *not* the only requirements listed in §1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A

creditor has a right to vote for or against the Plan only if that creditor has a claim that is both (1) allowed or allowed for voting purposes; and (2) impaired.

In this case, the Debtor believes that Classes 2 through 17 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

1. What Is an Allowed Claim?

Only a creditor with an allowed claim has the right to vote on the Plan. Generally, a claim is allowed if either (1) the debtor has scheduled the claim on the debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim, unless an objection has been filed to such proof of claim. When a claim is not allowed, the creditor holding the claim cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim against the Debtor was June 19, 2017 for non-government claims and August 14, 2017 for government claims.

2. What Is an Impaired Claim?

As noted above, the holder of an allowed secured claim has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in §1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

*3. Who is **Not** Entitled to Vote?*

The holders of the following types of claims are *not* entitled to vote:

- holders of claims that have been disallowed by an order of the Court;
- holders of other claims that are not "allowed claims" (as discussed above), unless they have been "allowed" for voting purposes;
- holders of claims in unimpaired classes;

- holders of claims entitled to priority pursuant to §§507(a)(2), (a)(3), and (a)(8) of the Code;
- holders of claims in classes that do not receive or retain any value under the Plan; and
- administrative expenses.

Even if you are not entitled to vote on the Plan, you may have a right to object to the confirmation of the Plan.

4. Who Can Vote in More Than One Class?

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise holds claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes.

1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by §1129(b) of the Code,

including the “absolute priority rule.” Under the absolute priority rule, the Court may confirm the Plan over the failure of a class to vote for the Plan provided that for a class of unsecured claims, the Plan must provide that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the Effective Date of the Plan, equal to the allowed amount of the claim of the creditor, or the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or interest any property. The Debtor believes that the Plan complies with the absolute priority rule in the Code.

A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of §1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a “cram down” confirmation will affect your claim, as the variations on this general rule are numerous and complex.

EFFECT OF CONFIRMATION

As provided for in Section 1141 of the Bankruptcy Code, the provisions of the Debtor’s Plan shall bind the Debtor and any creditor under the Plan, whether or not the claim of the creditor is impaired under the Plan and whether or not the creditor has accepted the Plan. As provided for in Section 1141(b) of the Bankruptcy Code, confirmation of the Debtor’s Plan vests all of the property of the estate in the Debtors. After confirmation of the Debtor’s Plan, all property of the Debtor dealt with by the Plan (which includes all property of the Debtor) is free and clear of all liens, claims, and interests of creditors and equity security holders, except to the extent provided

in this Plan.

This plan is a liquidating plan. As such, the Debtor will not receive a discharge and is not seeking a discharge. The Debtor will continue to remain obligated for any unpaid amounts after this plan has been completed.

DISPUTED CLAIMS; OBJECTIONS TO CLAIMS

The Debtor may file an objection to any disputed Claim within sixty (60) days from the Effective Date of the Plan. Objections not filed within the foregoing time period shall be deemed waived, except to the extent that the grounds for the objection could not have been discovered prior to the expiration of the sixty (60) day time period. If an objection is filed to any claim, payments on the claim will not begin until after an Order of the Court allowing the claim has become final.

FEASIBILITY TO PERFORM

The Debtor believes that the proposed plan is feasible. It requires only that the Debtor liquidate its assets and distribute the proceeds as described. The Debtor has already employed a real estate broker to sell the 8458 Property.

FINANCIAL INFORMATION FILED WITH THE COURT

- A. Statement of Financial Affairs
- B. Schedules A through H, and Summary of Schedules
- C. Monthly Operating Reports

PLEASE BE ADVISED THAT THE FINANCIAL INFORMATION ENUMERATED IN SUBPARAGRAPHS A THROUGH C ABOVE IS AVAILABLE IN THE CLERK'S OFFICE OF THE UNITED STATES BANKRUPTCY COURT, 515 RUSK, HOUSTON, TEXAS.

EXHIBITS

- A. Monthly Operating Reports for the two months prior to the date of this Plan**
- B. Liquidation analysis under Chapter 7**

Dated: December 29, 2017

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Southern Sandblasting & Coatings, Inc.

/s/ Ernest Watson, Jr.

By: _____
Ernest Watson, Jr.,
President

ATTORNEY FOR THE DEBTORS:

/s/ Reese Baker

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Counsel for the Debtor has made no independent investigation of the information contained herein.