

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

IN RE: § CASE NO. 17-32431-H4-11
SOUTHWEST SILK SCREENING, § CHAPTER 11
INC.

DEBTOR'S FIRST AMENDED DISCLOSURE STATEMENT

I. INTRODUCTION

This is the First Amended Disclosure Statement (the "Disclosure Statement") in the chapter 11 case of Southwest Silk Screening, Inc. (the Debtor). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization (the "Plan") filed by the Debtor. A full copy of the Plan is attached to this Disclosure Statement as Exhibit "A". *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

The proposed distributions under the Plan are discussed in this Disclosure Statement.

A. Purpose of This Document

This Disclosure Statement describes:

- . The Debtor and significant events during the bankruptcy case,
- . How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- . Who can vote on or object to the Plan,
- . What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- . Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- . The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan*

A hearing at which the Court will determine whether to approve this Disclosure Statement has not yet been set. You will receive subsequent notice of this hearing date.

2. *Deadline for Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot by mail to counsel for the Debtor, Mitchell J. Buchman, 1900 St. James Place, Suite 500, Houston, 77056 or by email to counsel, mitchelb@bdfgroup.com by facsimile to counsel, (713) 693-2011.

Your ballot must be received by _____, 2017 or it will not be counted.

3. *Deadline for Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the Debtor and its counsel by _____, 2017

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact Mitchell Buchman, 1900 St. James Pl, Suite 500, Houston, Tx 77056.

C. Disclaimer

The Court has not yet approved this Disclosure Statement or determined whether the Plan meets the legal requirements for confirmation.

II. BACKGROUND

A. Description and History of the Debtor's Business

Debtor is in the custom silk screening and embroidery business. Debtor was incorporated and started operations on January 31, 1991.

B. Management of the Debtor before and During the Bankruptcy

The Debtor is a corporation. The sole shareholder is Marcus Stalarow and has always been the sole shareholder. Mr. Stalarow is the President of Southwest Silk Screening, Inc. There are no other officers of the company.

C. Events Leading to Chapter 11 Filing and Significant Events during the Bankruptcy Case

In 2013 and 2014, Debtor's client included many companies in the oil and gas business. Oil and gas related customers comprised, at times, between 30% and 50% of the Debtor's revenues. Beginning in early 2014, worldwide oil process declined from over \$100.00 per barrel to approximately \$30.00 per barrel in 2016. As the price of oil and gas declined, Debtor's revenues from customers in the oil and gas business declined as the Debtor lost more and more business in the oil patch. From revenues of over \$700,000.00 per year prior to the oil price decline, Debtor's income declined to \$563,243.00 in 2015 and \$435,890.00 in 2016. Debtor did not reduce costs as quickly as revenues declined, thereby causing losses. Further, in 2015 and 2016, Debtor's President, Marcus Stalarow, suffered from a medical condition that impacted his ability to oversee the management of the company on a day to day basis.

D. Post-Petition Events.

Shortly after the filing of the original Plan and Disclosure Statement, Hurricane Harvey hit Houston and the surrounding Gulf Coast of Texas. Debtor's office located at 7351 Ashcroft, Houston, Texas was flooded by the Hurricane flood waters. As a result of the Hurricane and the subsequent flooding, Debtor had to temporarily cease operations. Once Debtor's employees were able to return to the offices, Debtor's office had to undergo a process of removal of the flood waters from the premises and then the Debtor had to allow the machinery and equipment to dry out before Debtor could resume use of the machinery and equipment. Further, many of Debtor's customers were also impacted by the storm and had to place a hold on certain orders until the storms aftermath abated. Debtor lost ten (10) days of operations due to the Hurricane. Lost income and expenses associated with the clean up and restoration has impacted the Debtor's operations, but Debtor believes that it will recover and restore the business to the full extent anticipated in the projections attached to the Disclosure Statement.

Debtor has not filed its Employer's Quarterly Federal Tax Return for tax periods 03/2017 and 06/2017. Debtor shall file such returns at least seven (7) days before the date set for the hearing on confirmation of the chapter 11 plan. Hereafter, Debtor shall file all future Employer's Quarterly Federal Tax Return on a timely basis.

E. Absolute Priority Rule

The “absolute priority rule” is the rule that states that the holder of any claim or interest that is junior to the claims of an impaired unsecured class of creditors will not receive or retain under the plan on account of their junior claim or interest any property unless the allowed claims in the impaired unsecured class of creditors support the Plan. This Plan is paying the unsecured class a percentage of their claims. The Debtor believes that the unsecured class will support the plan and the absolute priority plan will not apply.

F. Projected Recovery of Avoidable Transfers and Lawsuits

The Debtor does not believe there are any preference actions or fraudulent transfer actions.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in the Plan. If necessary, objections to claims will be filed within 60 days after the Effective Date of the Plan.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code.

Class 1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor’s chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment. The following chart lists the Debtor’s estimated administrative expenses, and their proposed treatment under the Plan:

U.S. Trustee – fees will stay current until this case is closed.

Claim of Texas Workforce Commission. The Texas Workforce commission has filed a claim for an administrative expense of \$193.76. This Claim is to be paid in full with 4% interest in one payment to be made ten (10) days after the Effective Date of the Plan.

This Claim is impaired.

Class 2. *Secured Claim of Internal Revenue Service*

Internal Revenue Service: \$103,249.62. The Internal Revenue Service (IRS) has filed an amended proof of claim for withholding taxes owed. The IRS asserts a lien on all assets of the estate. This claim is to be paid in full with interest at the rate of 4% interest per annum over a term of five years from the date of the filing of the petition for relief on April 5, 2022, payable in 52 equal monthly installments, with the first such installment due on the 1st day of December, 2017, and a like payment due on the 1st day of each succeeding month for a period of 51 additional months. Debtor estimates the monthly payment to be \$2,128.49 per month. The IRS shall retain a lien on all assets of the estate to secure payment of this Claim.

This claim is impaired

Class 3. *Secured Claim of Ashcroft Industrial Park*

Ashcroft Industrial Park. Ashcroft Industrial Park is the Debtor's landlord for the Debtor's primary office location at 7351 Ashcroft. This creditor asserts a landlord's lien for the delinquent monthly rental payments in the amount of \$34,653.00 on the Debtor's equipment and property located at 7351 Ashcroft. This claim is to be paid in full with in 60 equal monthly installments, with the first monthly payment being due and payable on the 15th day of the 1st month following the Effective Date of the Plan. The estimated monthly payment is \$577.55.

This claim is impaired

Class 4. *Secured Claim of Harris County*

Harris County asserts a lien for ad valorem property taxes on the business assets of the Debtor. This claim is to be paid in full with 12% interest in 60 equal monthly installments, with the first monthly payment being due and payable on the 15th day of the 1st month following the Effective Date of the Plan. The estimated monthly payment is \$125.00.

This claim is impaired

Class 5. *Secured Claim of Texas Workforce Commission*

Texas Workforce Commission – This claim is \$338.73. It is to be paid in full with 4% interest in One payment to be made ten (10 days after the Effective Date of the Plan.

This claim is impaired

6. *Priority Unsecured Claims and General Claim of the Internal Revenue Service*

Priority Unsecured Claims are not secured by property of the estate but are entitled to priority under § 507(a) of the Code.

Unsecured Priority claim of Internal Revenue Service – This claim is \$60,239.15. This claim is to be paid in full with interest at the rate of 4% interest per annum over a term of five years from the date of the filing of the petition for relief on April 5, 2022, payable in 52 equal monthly installments, with the first such installment due on the 1st day of December, 2017, and a like payment due on the 1st day of each succeeding month for a period of 51 additional months. The estimated monthly payment is \$1,241.83 per month.

Unsecured General claim of the Internal Revenue Service – This claim is \$12,584.61. This claim is to be paid in full with interest at the rate of 4% interest per annum over a term of five years from the date of the filing of the petition for relief on April 5, 2022, payable in 52 equal monthly installments, with the first such installment due on the 1st day of December, 2017, and a like payment due on the 1st day of each succeeding month for a period of 51 additional months. The estimated monthly payment is \$259.43 per month.

These Claims are impaired

7. *General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. The general unsecured creditors consist of the following claims:

<u>Name</u>	<u>Amount</u>	<u>Proof of Claim Filed</u>
Britton & Associates, PLLC	\$1,400.00	No
Coastal Athletic Supply, Inc.	\$192,700.00	Yes
Liberty Power	\$3,738.40	Yes
Uniline	\$381.44	Yes
Quill	\$478.68	No

The General Unsecured Creditors will be paid 100% of their claims with no interest. Payments will begin on the 15th day of the 61st month following Effective Date of the Plan. Each claimant will be paid in equal monthly installment of 1/48th of their total Allowed Claim, payable over a term of 48 month.

8. *Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (i.e., stock) in the Debtor. Marcus Stalarow is the only equity interest holder in this case at this time. Mr. Stalarow will retain his equity interest in the reorganized debtor

A. **Means of Implementing the Plan**

1. *Source of Payments*

Payments and distributions under the Plan will be funded by ordinary business income. – As to a default under the plan, any creditor remedies allowed by 11 U.S.C. § 1112(b)(4)(N) shall be preserved to the extent otherwise available at law. In addition to any rights specifically provided to a claimant treated pursuant to this Plan, a failure by the Reorganized Debtor to make a payment to a creditor pursuant to the terms of this Plan shall be an event of default as to such payments if the payment is not cured within thirty (30) days after service of a written notice of default from such creditor, then such creditor may exercise any and all rights and remedies under applicable non-bankruptcy law to collect such claims or seek such relief as may be appropriate in the United States Bankruptcy Court.

Attached hereto marked Exhibit A is 12 months projections for calendar year 2018 setting forth the projected income and expenses for the operation of the business. Debtor projects sufficient cash flow from operations to fund the plan payments. Debtor projects that this 12 month projection is indicative of the operations that the Debtor can expect during the term of the Plan.

2. *Post-confirmation Management*

The Post-Confirmation Management of the Debtor will be the same as before and during the bankruptcy proceeding. Mr. Marcus Stalarow will remain as President of the Debtor. Mr. Stalarow will receive monthly compensation of \$5000.00 per month for his employment.

3. *Disbursing Agent*

The Reorganized Debtor will be the disbursing agent under the plan.

B. Executory Contracts and Unexpired Leases

The only executory contract is the current office lease with Ashcroft Industrial Park. This executory contract is hereby assumed.

All other executory contracts and unexpired leases that are not listed will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is 60 days after the contract or lease is (or was by operation of law) rejected.

Any claim based on the rejection of a contract or lease will be disallowed or discharged if the proof of claim is (or was) not timely filed, unless the Court orders otherwise.

C. Tax Consequences of Plan

Creditors Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors. The Debtor believes that there will be no tax consequences of the Plan that will impact the Debtor.

IV. 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 requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder 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. Any insider's vote will not be counted.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Debtor believes that classes 1, 2, 3, 4, 5 and 6 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 or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest 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 or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was September 18, 2017.

The deadline for filing objections to claims is 60 days after confirmation of the Plan.

The Debtor did not have a good address for Coastal Athletic Supply, Inc. at the time of the filing of the bankruptcy. As a result, Coastal Athletic Supply, Inc. did not receive prompt notice of the filing of this bankruptcy and Debtor does not intend to enforce the proof of claim bar date against such creditor.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest 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 six types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- holders of administrative claims.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

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 the 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 a cram down on non-accepting classes, as discussed later in Section B.2.

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.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Non-Accepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a cram down plan. The Code allows the Plan to bind non-accepting 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 or equity interest, as the variations on this general rule are numerous and complex.

C. **Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. The liquidation analysis is set out as Exhibit "B" hereto.

D. **Feasibility**

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

E. **Plan Default** - In the event of any failure of the Reorganized Debtor to timely make its required plan payments to one or more of these creditors, they shall send notice of such default to the Reorganized Debtor. If the default is not cured within thirty (30) days of the date of such notice, the creditors may proceed to collect all amounts owed pursuant to state law without further recourse to the Bankruptcy Court

V. **EFFECT OF CONFIRMATION OF PLAN**

A. **Discharge of Debtor**

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 § 1141(d)(1)(A) of the Code. However, the Debtor shall not be discharged from any debt imposed by the Plan. After the effective date of the Plan your claims against the Debtor will be limited to the debts imposed by the Plan.

B. **Vesting of Property in the Reorganized Debtor.** On the Effective Date, title to all assets and properties dealt with by the Plan shall vest in the Reorganized Debtor, free and clear of all Claims and Interests other than any contractual secured claims granted under any lending agreement, on the condition that the Reorganized Debtor complies with the terms of the Plan, including the making of all payments to creditors provided for in such Plan. If the Reorganized Debtor defaults in

performing under the provisions of the Plan and this case is converted to a case under chapter 7, all property vested in the Reorganized Debtor and all subsequently acquired property owned as of or after the conversion date shall re-vest and constitute property of the bankruptcy estate in the converted case.

C. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or re-voting on the Plan. The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

D. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

Dated: October 10, 2017.

Respectfully submitted,

/s/ MITCHELL J. BUCHMAN
MITCHELL J. BUCHMAN
TBA# 03290750
1900 St. James Place
Suite 500
Houston, Texas 77056
Phone: (713) 693-2014
Fax: (713) 693-2011
Email: SDECF@BBWCDF.COM
ATTORNEYS FOR DEBTOR

CERTIFICATE OF SERVICE

I hereby certify that on October 10, 2017 a true and correct copy of the foregoing First Amended disclosure Statement was served via electronic means as listed on the Court's ECF noticing system or by regular first class mail to the following parties:.

BY ELECTRONIC NOTICE OR REGULAR FIRST CLASS MAIL:

Debtor:
Southwest Silk Screening, Inc.
7351 Ashcroft
Houston, Texas 77081

Parties requesting notice:

John P. Dillman
Linebarger Goggan Blair & Sampson, LLP
PO Box 3064
Houston, Texas 77253-3064

Christine A. Marsh
Office of U.S. Attorney
515 Rusk St.
Suite 3516
Houston, Texas 77002

Jose Vela, Jr.
United States Attorney's Office
1000 Louisiana Street, Suite 2300
Houston, Texas 77002

Ann Harris Bennett
Tax Assessor/collector Harris County Texas
P.O. Box 3547
Houston, TX 77253

William G. Harris
4771 Sweetwater Blvd., Suite 294
Sugar Land, Texas 77479

Creditors:

Aschcroft Industrial Park
8011 Beverlyhill
Houston, TX 77063

Britton & Associates, PLLC
9660 Hillcroft, suite 253
Houston, Texas 77090

Coastal Marketing
c/o Caroline Murphy
4606 Grand Cayman Dr.
Sugar Land, Tx 77479

Internal Revenue Service
P.O. Box 7346
Philadelphia, PA 19101

Internal Revenue Service – U.S. Attorney
1000 Louisiana Street, Suite 2300
Houston, TX 77002

IRS-Special Procedures, Insolvency II (7, 11)
1919 Smith Street, Stop 5022HOU
Houston, TX 77002
Attention: Clarice Randolph

Liberty Power
2100 W Cypress Creek Rd, Suite 130
Ft. Lauderdale, FL 33309

Quill
P.O. Box 37600
Philadelphia, PA 19101

Uline Shipping Supplies
1275 Uline Drive
Pleasant Prairie, WI 53158

Texas Workforce Commission
Office of the Attorney General Bankruptcy & Co.
P.O. Box 12548, MC-008
Austin, Texas 78711

BARRETT DAFFIN FRAPPIER TURNER & ENGEL, LLP

BY: /s/ MITCHELL BUCHMAN
MITCHELL BUCHMAN
TX NO. 03290750

Exhibit A

12 Month Operating Projection
January 2018 through December 2018

1. The months of December and January are the traditional slow months for the business due to the holiday season. This accounts for the projected revenues in December and January of \$30,000.00 compared with average projected revenues of \$45,000.00 for all; other months.
2. Debtor is currently having its compressor repaired. Debtor estimates that both printers will be available for production before the end of this year. When fully repaired, Debtor will be able to resume operation on the two automatic screen printers that it owns,. This will increase weekly revenue by between \$1,000.00 and \$2,000.00 per week, without increasing labor costs.
3. Projections are based upon annual average costs.

	October 2018	November 2018	December 2018
Sales:	\$45,000.00	\$45,000.00	\$30,000.00
Cost of Goods sold:	\$6,000.00	\$6,000.00	\$3,000.00
Gross Profit:	\$39,000.00	\$39,000.00	\$27,000.00
Operating Expenses:			
Mgmt payroll	\$5,000.00	\$5,000.00	\$5,000.00
Other Payroll	\$14,500.00	\$14,500.00	\$14,000.00
Clerical Wages	\$2,000.00	\$2,000.00	\$2,000.00
Payroll taxes	\$4,000.00	\$4,000.00	\$4,000.00
Rent – Office space	\$3,782.00	\$3,782.00	\$3,782.00
Repairs -Maintenance	\$150.00	\$150.00	\$150.00
Insurance	\$450.73	\$450.73	\$450.73
Telephone and Utilities	\$1,873.35	\$1,873.35	\$1,873.35
Bank service charges	\$38.00	\$38.00	\$38.00
Office supplies	\$100.00	\$100.00	\$100.00
Stamps	\$45.00	\$45.00	\$45.00
freight	\$125.00	\$125.00	\$125.00
Sales tax	\$389.00		
Accounting Fees	\$300.00	\$300.00	\$300.00
Total operating expenses	\$33,364.08	\$33,364.08	\$29,864.18
Estimated Net Monthly Gain/Loss and cash flow from operations	+\$5,635.92	+\$5,635.92	-2,864.12
Running Total of Cash Flow from Operations	\$47,589.10	+\$53,225.02	+\$50,360.84
Year end property taxes			-\$1,430.31
Final year end cash flow			\$48,930.53
Avg monthly cash flow			\$4,077.54

EXHIBIT B
LIQUIDATION ANALYSIS

On the date of the filing of this bankruptcy proceeding, the debtor listed the following assets:

<u>Description of property</u>	<u>Value</u>
1. Cash	\$1,400.00
2. Account receivable: \$27,247.49 – uncollectible \$1,200.00 =	\$26,047.49
3. Inventory	\$1,000.00
4. Office equipment:	\$905.00
5. <u>Screen printing and Embroidery Equipment:</u>	<u>\$95,000.00**</u>
Total Estimated Value of Assets:	\$124,352.49

**The value of the screen printing and Embroidery Equipment are listed at what the debtor perceives as the fair market value if it were compelled to replace that equipment. In a liquidating scenario, the actual amount that the debtor would be paid could be significantly less.

The following are the claims that have been filed or are listed as holding security interest in the assets of the Debtor:

<u>Secured Creditor</u>	<u>Amount of Claim</u>
1. Internal Revenue Service: All assets:	\$103,249.62
2. Harris County:	\$5,612.78
3. Texas Work Force:	\$338.73
4. <u>Ashcroft Industrial Park (landlord's lien")</u>	<u>\$34,653.00</u>
Total:	\$143,854.13

The total projected claims that are secured by the assets of the estate exceed the fair market value of the property of the estate. Based upon the foregoing, if the debtor were to attempt to liquidate the company, the Debtor opines that the value of the assets to be liquidated would be less than the claims secured by that property, resulting in no distribution to unsecured creditors.