

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Greenbelt Division)

In re:)	
)	
STEPHEN HO LEE,)	
EUN SOO LEE,)	Case No. 15-21473-WIL
)	Chapter 11
Debtors.)	
_____)	

**SECOND AMENDED DISCLOSURE STATEMENT IN SUPPORT OF PLAN OF
REORGANIZATION PROPOSED BY THE DEBTORS-IN-POSSESSION**

Pursuant to Section 1125 of the Bankruptcy Code, Stephen Ho Lee and Eun Soo Lee (the “Debtors”) provide this Second Amended Disclosure Statement (the “Disclosure Statement”) to all known holders of Claims and Interests, as defined in Debtors’ Second Amended Chapter 11 Plan of Reorganization (the “Plan”)¹, in order to supply you with the information needed to exercise your right to vote upon the Plan. The Plan has been filed with the United States Bankruptcy Court for the District of Maryland, and a copy of the Plan is attached to this Disclosure Statement as Exhibit “A.”

DISCLOSURE STATEMENT

I. INTRODUCTION

Except where specifically stated otherwise, the information contained in this Disclosure Statement has been obtained from the following sources: (i) financial records maintained by the Debtors; and (ii) best estimates made by the Debtors or counsel in the preparation of the Plan. You should be aware that the financial information contained in this Disclosure Statement has not been the subject of a certified audit. The purpose of this Disclosure Statement is to provide

¹ Unless otherwise defined in this Disclosure Statement, capitalized terms used herein have the meanings ascribed to them in the Plan.

parties asserting Claims against the Debtors with information regarding the treatment of their Claims under the Plan. More particularly, this Disclosure Statement should provide parties whose Claims or Interests are impaired under the Plan with adequate information to make an informed and prudent judgment when voting on the Plan. A summary of the Plan is made a part of this Disclosure Statement. A copy of the Plan is also attached hereto as Exhibit "A."

This Disclosure Statement contains information regarding the Debtors' pre-petition history, describes the alternatives to the Plan, the effects of confirmation of the Plan and distributions made under the Plan. It also discusses the confirmation process and the voting procedures that holders of Claims and Interests in Impaired Classes must follow for their votes to be counted.

THIS DISCLOSURE STATEMENT IS NOT MEANT TO TAKE THE PLACE OF THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. IT IS RECOMMENDED THAT YOU REVIEW THE PLAN ITSELF IN DETAIL. NO REPRESENTATIONS CONCERNING THE DEBTORS ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. CREDITORS SHOULD READ THE PLAN CAREFULLY AND CONSULT WITH INDEPENDENT LEGAL COUNSEL REGARDING THE PLAN.

II. BACKGROUND AND OPERATIONAL INFORMATION

A. General Description of the Debtors.

The Debtors are individuals residing in Montgomery County, Maryland. They own and operate an accounting business in Rockville, Maryland, at which Mr. Lee, a certified public accountant, provides accounting and tax preparation services and Ms. Lee acts as office manager. Together, they own their residence at 10616 Rivers Bend Lane, Potomac, MD 20854 (the

“Residence”) as well as an office condominium unit located at 6117 Executive Boulevard, Rockville, MD 20852 (the “Office Condominium”), from which they operate the business. The Debtors also own three motor vehicles, a 2005 Jeep Grand Cherokee, a 2004 Lexus RX330, and a 1995 Jeep Grand Cherokee, as well as miscellaneous household goods and furnishings and clothing items.

B. Events that Led to the Filing of the Chapter 11 Case.

The Debtors’ financial difficulties arose during the economic downturn which began in 2008. The Debtors suffered severe cash flow shortages relating to their accounting business, and as a result they became unable to make payments on the first mortgage against their Residence, which is held by U.S. Bank, N.A. as Successor in Interest by Merger to LaSalle Bank N.A. (“USB”) and is serviced by Select Portfolio Servicing, LLC (“SPS”). As a result of their financial difficulties, the Debtors began efforts to modify their mortgage against the Residence in 2010, an experience which continued over several years, involving multiple document requests, more than ten modification packages, and innumerable hours spent on telephone and written correspondence with SPS. Ultimately, SPS did not agree to the Debtors’ modification requests.

During their mortgage modification efforts, the performance of the Debtors’ business began to improve, but they became severely in arrears on payments due under the mortgage and on real property taxes. While continuing their modification efforts, the Debtors began making payments of real property taxes again in 2014, and they have paid taxes current since that time. In addition, the Debtors put into savings approximately \$70,000.00 in order to fund a “down payment” on any potential mortgage modification. They retain approximately this amount in a savings account, and intend to devote such funds to payments under this Plan.

The Debtor's efforts to modify the mortgage were ultimately unsuccessful, and as a result, USB began foreclosure proceedings in 2014. In order to block a foreclosure sale, Ms. Lee filed a Chapter 7 bankruptcy case, but that case was subsequently dismissed. Further mortgage modification efforts were unsuccessful, and USB again commenced a foreclosure action against the Property on June 15, 2015. The Debtors filed the present case in order to stop the foreclosure sale and to propose reasonable means to cure the mortgage arrearage and address their other debts.

C. Operations and Activities During the Chapter 11 Case.

Following the Petition Date, the Debtors have continued to operate their accounting practice while seeking to secure sufficient cash resources to fund payments proposed under the Plan. Their efforts have been successful, resulting in an offer of a contribution from family members of \$70,000.00 which, combined with approximately \$70,000.00 already in the Debtors' possession, will be used to fund payments under the Plan.

During the case, the Debtors have maintained post-petition payments due on the first mortgage. At the time they filed the case, the Debtors payment was \$3,020.83 per month. However, nearly two months after the case was filed, SPS forwarded a notice to the Debtors that it was unilaterally adding \$2,989.46 to the monthly mortgage payment to "recover" the amount of \$107,620.50, which USB claimed it advanced prior to the case to pay pre-petition real property taxes. SPS suggested that it would "require" the Debtors to repay these pre-petition taxes over a twelve-month period, although the monthly payment change would mean the prepetition tax advance was actually being repaid over 36 months (\$107,620.50 divided by 36 = \$2,989.46).

USB later filed a motion for relief from the automatic stay, at first claiming that the Debtors failed to make contractually due payments of \$3,020.83 for the post-petition months of September, October and November, 2015. Later, after the Debtors responded to the motion and attached copies of their monthly payments in this amount, SPS acknowledged receipt of the payments, but then suggested that the monthly payments should have been \$7,401.04.

The Debtors thereafter notified USB that its effort to collect pre-petition advances violated the automatic stay. Moreover, the Debtors reviewed USB's filed proof of claim and became aware that USB had also included the same advances as part of its claimed arrearage (\$107,620.50). The Debtors again notified USB that it was improper for the mortgagee to include such payments in the prepetition arrearage while at the same time (in violation of the automatic stay) seeking to recover such amounts by adding them to the monthly post-petition mortgage payment.

Ultimately, at a hearing on the motion, USB agreed to enter into a consent order in which USB agreed it would no longer seek to recover such arrearage through raising the Debtors' post-petition payments, but would add such amount to the principal balance due on the Debtors' mortgage. The parties further agreed that the stay would be conditioned upon the Debtors agreeing to propose a reorganization plan which called for cure of the remaining mortgage arrears within five (5) years. The Court entered the consent order on April 12, 2016.

Since April, the Debtors have made post-petition adequate protection payments as required in the consent order. They have continued to operate their business, and they have again filed a request with SPS seeking to modify the mortgage. While they are seeking modification, they are filing the present Plan in order to address the treatment of claims through the bankruptcy case.

D. Anticipated Post-Confirmation Activities.

The Plan proposes that the Debtors will continue to seek mortgage modification through the Effective Date. If this attempt is unsuccessful, the Debtors shall cure the mortgage arrearage as follows: As indicated above, USB has added \$107,620.50 of the arrearage to the principal balance of the mortgage loan. The Debtors shall cure the remaining arrearage, \$394,223.54, by making a single payment of \$120,000.00 on the Effective Date and thereafter amortizing the remaining arrearage using a hypothetical thirty (30) year amortization at an interest rate of 3.0% *per annum*, with monthly payments beginning on the Effective Date. The Debtors shall conclude payments by making a balloon payment of remaining principal and interest no more than five (5) years after the Effective Date. The Debtors anticipate that they shall provide such payment by refinancing the entire USB mortgage claim at or prior to the conclusion of the five year period described herein.

In addition to curing the arrearage due to USB, the Debtors shall pay a compromise balance of \$15,000.00 on their second mortgage in favor of Educational Systems Federal Credit Union on the Effective Date. The Debtors shall also make quarterly distributions to holders of Allowed Unsecured Claims for eight Calendar Quarters after the Effective Date, paying all allowed Unsecured Claims in full.

Thus, the Plan provides that the Debtors will distribute approximately \$148,000.00 in available cash on the Effective Date, and thereafter shall distribute an additional approximate amount of \$348,000.00 over the remaining term of the Plan.

E. Assets of the Estate.

The Debtors' assets include the following:

1. *The Residence.* The Debtors estimate the Residence has a value of \$1,700,000.00. It is encumbered by a first deed of trust in favor of USB securing a Claim of \$1,953,532.39 on the Petition Date and second priority claim in favor of Educational Systems securing a claim of \$60,130.54 on the Petition Date.

2. *The Office Condominium.* The Debtors own an office condominium unit located at 6117 Executive Boulevard, Rockville, MD 20852. The Debtors estimate the value of the unit to be \$240,000.00. The unit is unencumbered by a mortgage lien.

3. *The Cash Reserves.* The Debtors currently hold approximately \$70,000.00 in available cash to devote to the Plan.

4. *Vehicles:* The Debtors own three jointly titled vehicles, a 2005 Jeep Grand Cherokee, a 2004 Lexus RX330, and a 1995 Jeep Grand Cherokee. The vehicles are unencumbered.

5. *Other Property.* The Debtors estimate the value of their other assets, including clothing, household goods and furniture, to be approximately \$4,000.00.

F. Disclaimer.

Certain information contained in this Disclosure Statement is, by its very nature, forward looking and contains estimates, assumptions, and projections. Except as otherwise specifically and expressly stated herein, the Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in the Disclosure Statement.

All creditors are advised and encouraged to read the Disclosure Statement and Plan in their entirety before voting to accept or reject the Plan. The Plan summaries and statements made

in the Disclosure Statement are qualified in their entirety by reference to the Plan and other exhibits attached hereto.

The Disclosure Statement has been prepared in accordance with Section 1125 of the Bankruptcy Code, the Bankruptcy Rules, and cases interpreting the Bankruptcy Code and Bankruptcy Rules. The Disclosure Statement is not necessarily in accordance with Federal or state securities law or other applicable law. The Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, documents related to the Plan, events in the Debtors' chapter 11 case and financial information. Although the Debtors believe that the Plan and related document summaries are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents or statutory provisions.

III. **SUMMARY OF THE PLAN OF REORGANIZATION**

A. **Summary of the Plan.**

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN. THIS SUMMARY SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. CREDITORS ARE URGED TO READ THE ENTIRE PLAN AND CONSULT WITH COUNSEL OR EACH OTHER IN ORDER TO UNDERSTAND THE PLAN FULLY. THE PLAN HAS BEEN FILED WITH THE CLERK, UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF MARYLAND, 6500 CHERRYWOOD LANE, GREENBELT, MD 20770 AND IS AVAILABLE FOR INSPECTION AND REVIEW. A COPY OF THE PLAN IS ATTACHED.

THE PLAN IS COMPLEX AND REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BY THE DEBTORS. AN INFORMED JUDGMENT CONCERNING THE PLAN, THEREFORE, CANNOT BE MADE WITHOUT UNDERSTANDING IT.

B. **Classification of Claims under the Plan.**

The Plan provides for the creation of the following Classes of Claims and Interests to be paid in the following manner:

Class I: Administrative Claims.

Under the Plan, Administrative Claims under Section 507(a)(1) of the Bankruptcy Code will be paid in full on the Effective Date. The Administrative Claims consist of Claims for (1) professionals' fees as allowed by the Court and (2) fees due to the United States Trustee's Office. The Debtors' professionals' fees include fees and expenses of Cohen, Baldinger & Greenfeld, LLC (the Debtors' counsel). The Debtors estimate that unpaid professionals' fees shall be less than \$20,000.00 on the Confirmation Date. Such professionals' fees are to be paid only upon an appropriate application for payment of professionals' fees and reimbursement for expenses, and upon Court approval of such application pursuant to Section 330 of the Bankruptcy Code. The Debtors are current on fees due to the United States Trustee, and all further fees due to the United States Trustee, as well as any court costs, will be paid when they are due.

Class I is not impaired.

Class II: Secured Claim of U.S. Bank, N.A. (as Successor in Interest by Merger to LaSalle Bank NA) – Select Portfolio Servicing, Servicer (First Mortgage on Debtors' Residence)

This Class consists of the Secured Claim of U.S. Bank, N.A. ("USB") against the Debtors' Residence. USB has filed a Proof of Claim asserting a Secured Claim of \$1,953,532.39, secured by a 1st priority deed of trust against the Residence. USB asserts a total prepetition arrearage of \$501,844.04 against the Residence.

The Debtors are currently attempting to modify the mortgage, and they have submitted a modification application to the mortgage servicer, SPS. The Debtors shall continue to seek a

modification agreement through the Effective Date. In the event the Debtors are unsuccessful in modifying the mortgage, they shall treat the USB Claim as follows: USB has added \$107,620.50 of the arrearage to the principal balance of the loan by agreement with the Debtors. The Debtors shall cure the remaining arrearage, \$394,223.54, by making a payment of \$120,000.00 on the Effective Date, and by amortizing the remaining balance as a hypothetical thirty (30) year loan at an interest rate of 3.0% per annum, with monthly payments beginning on the Effective Date, with all remaining principal and interest to be satisfied in a single balloon payment no more than five (5) years after the Effective Date. The Debtors anticipate that they shall refinance the mortgage within the five (5) year term described herein, satisfying thereby the balance of the arrearage due under the Plan.

USB shall retain its lien against the Residence until its claim is paid in full.

Class II is impaired.

**Class III: Secured Claim of Educational Systems Federal Credit Union,
(Second Mortgage on Debtors' Residence)**

This Class consists of the Secured Claim of Educational Systems Federal Credit Union ("Educational Systems") against the Residence. Educational Systems filed a Proof of Claim indicating it holds a Secured Claim in the amount of \$60,130.54 secured by a second priority deed of trust against the Residence.

The Debtors shall treat the Educational Systems Claim by making a single payment of \$15,000.00 in full satisfaction of the Claim on the Effective Date. Educational Systems shall retain its lien against the Residence until its Claim is paid as provided under the Plan.

Class III is impaired.

Class IV: Allowed Unsecured Claims

This Class consists of creditors holding Unsecured Claims which are Allowed Claims (hereinafter “Allowed Unsecured Claims”). The Debtors estimate their Allowed Unsecured Claims shall be approximately \$16,000.00.

The Debtors shall pay holders of Allowed Unsecured Claims in full the amount of their Allowed Claims in quarterly payments over a term of two years, beginning on the first day of the first Calendar Quarter after the Effective Date and continuing for eight (8) Calendar Quarters in total.

Class IV is impaired.

Class V: Interests of the Debtors.

At all times since the Petition Date, the Debtors have remained in control of their affairs and in possession of their assets as debtors-in-possession. The Debtors have remained current on post-petition obligations. Upon the entry of a Confirmation Order which becomes a Final Order, all the Interests of the bankruptcy estate in property, any remaining funds held by the Debtors and any reserves required to be held under the Plan, shall revert to the Debtors, subject to the liens and obligations required by the Plan.

The absolute priority rule of Section 1129(b) of the Bankruptcy Code states that this Class is not entitled to retain its Interest in property of the bankruptcy estate unless unsecured creditors receive payment in full or consent to the Plan, or unless there is a contribution of new capital (“New Value”) by the Debtors under the Plan. As all Class IV Allowed Unsecured Claims are being paid in full, the absolute priority rule is satisfied.

Class V is not impaired.

C. Implementation of the Plan.

(1) *Effect of Confirmation:* The provisions of the Plan, once confirmed, are binding on the Debtors and on all creditors and parties-in-interest. Confirmation vests all of the Debtors' property in the Debtors free and clear of liens other than as is set forth in the Plan. Confirmation will also constitute Court approval of the Debtors' assumption or rejection of executory contracts as enumerated in the Plan and approval of any settlements disclosed in the Plan or Disclosure Statement. In the event the Court denies confirmation of the Plan, the Debtors may amend the Plan or the case may be converted to Chapter 7 or dismissed.

(2) *Funding of the Plan:* The term of the Plan will be sixty (60) months beginning on the Effective Date. The Debtors shall fund payments under the Plan from personal savings, a contribution from family members, and from income from operation of the family business.

(a) Cash Reserves and Family Contributions

The Debtors have an estimated \$70,000.00 in cash available for contribution to the Plan. In addition, the Debtors are able to secure a contribution of \$70,000.00 from their adult daughter, Iris H. Lee, to fund payments to creditors under the Plan. The Debtors' cash reserves are sufficient to make, on the Effective Date of the Plan, lump sum payments on the Class II Secured Claim of USB (\$120,000.00) and the Class III Secured Claim of Educational Systems (\$15,000.00).

(b) Periodic Payments

In addition to distributing the cash reserves as described above, the Debtors shall make the periodic payments described in the Plan. As described regarding the Class II Claim of USB, the Debtor will pay an estimated \$1,156 per month over a period of five (5) years after the Debtors make the initial \$120,000.00 payment. At the conclusion of this five (5) year period (or

sooner), the Debtors shall refinance the mortgage, satisfying thereby the balance of the arrearage due under the Plan.

The Debtors shall also make periodic (quarterly) payments totaling \$2,000.00 per Calendar Quarter to holders of Allowed Unsecured Claims (Class IV).

The Debtors believe that their employment income will be sufficient to meet the periodic payment obligations provided for in the Plan. They have submitted as Exhibit “B” hereto a Cash Flow Budget showing the Debtors’ estimate of average monthly income and expenses, as well as an estimate of amounts to be paid to holders of Claims under the Plan. As shown in the Cash Flow Budget, the Debtors believe that they will be able to make the payments required under the Plan, and that the Plan is feasible.

The Debtors’ income from their accounting practice fluctuates during the year. In autumn and winter months it declines; however, in spring and summer months, the Debtors believe they will show disposable income well over the amount necessary to pay the monthly payments prescribed in the Plan. The Debtors typically conserve funds during the spring and summer months in order to supplement their income in the autumn and winter months, and they are confident they will be able to generate sufficient income to fund year round payments under the Plan.

(3) Pending Lawsuits: The Debtors are not party to any lawsuits at this time. The Debtors are considering taking legal action against USB relating to what they believe is a willful violation of the automatic bankruptcy stay. With this exception, the Debtors do not contemplate any future litigation.

(4) Executory Contracts: All pre-petition leases and contracts not previously assumed or rejected by order of the Court, shall be rejected by the Debtors as of the Effective Date. Any

Claim for damages arising from the rejection of an executory contract or unexpired lease, upon allowance, shall be an Unsecured Claim provided that Proof of such Claim is timely filed within thirty (30) days from the Effective Date or the holder will be forever barred from asserting such Claim.

The Debtors do not believe there are any leases or executory contracts to be assumed or rejected in this case. To the extent any leases or executory contracts exist, such will be rejected upon confirmation of the Plan.

(5) *Objection To Claims:* The Plan sets forth the terms for parties in interest to make objections to Claims filed by creditors in the bankruptcy case. As set forth in Section 4.6 of the Plan, each Claim for which a Proof of Claim is filed by the Bar Date, or which is listed in the Debtors' schedules of liabilities (and *not* as contingent, unliquidated, or disputed), shall be allowed unless an objection thereto is filed in accordance with Bankruptcy Rule 3007 within thirty (30) days after the Effective Date. Notwithstanding any term contained in the Plan requiring payment on account of any particular Claim on any particular date, such payment shall not be made: (a) in the case of a Claim for professionals' fees, unless and until an application seeking payment of professionals fees and reimbursement of expenses is filed and approved by the Court after proper notice to all parties in interest in this Case; and (b) in the case of any other Claim, if an objection thereto has been timely filed, unless and until an order of the Court allowing such Claim in whole or in part becomes a Final Order.

(7) *Voting for the Plan.* The Plan sets forth certain matters concerning creditors' rights to vote regarding the Plan. As stated therein, only those claimants whose Claims are "impaired" as defined in the Bankruptcy Code are entitled to vote either to accept or reject the Plan. Under the Bankruptcy Code, a Class of creditors accepts the Plan if more than one-half of the ballots that

are timely received from members of the Class, representing at least two-thirds of the dollar amount of the Claims for which ballots are timely received, are voted in favor of the Plan. If a claimant is listed as impaired under the Plan, that claimant is entitled to cast a vote on the Ballot provided with the Plan.

(8) *Nonconsensual Confirmation*: The Plan provides that, if any Impaired Class fails to accept the Plan by the requisite majorities, the Debtors may seek to confirm the Plan pursuant to Section 1129(b) of the Bankruptcy Code.

D. Feasibility of the Plan.

The Court must determine the feasibility of the Plan upon acceptance of the Plan by the claimants. The Debtors project that the Plan is feasible because the available cash, as well as the Debtors' business income will provide sufficient funding for payments under the Plan.

E. The Plan's Chapter 7 Liquidation Analysis.

The Debtors believe that neither they nor any other party will be able to propose a Chapter 11 plan of reorganization that is more favorable to creditors than the Plan. No alternative plan has been proposed. Therefore, as a practical matter, the only alternative to the Plan is a liquidation of the Debtors' assets in a case under Chapter 7 of the Bankruptcy Code. Under the proposed Plan, the Debtors will pay holders of Allowed Unsecured Claims in full. Accordingly, unsecured creditors will receive no less than they would receive in a chapter 7 case, and the Debtor submits that creditors should vote in favor of the Plan.

F. Requirements for Confirmation of the Plan.

Before confirming the Plan, the Court must determine that this Disclosure Statement provides adequate information concerning all payments made or promised by the Debtors in connection with the Plan. It must also determine that the Plan is proposed in good faith and not

by any means forbidden by law, and that the Plan complies with the technical requirements of Chapter 11 of the Bankruptcy Code. In particular, the Court must find, among other things, that:

(1) the Plan has been accepted by the requisite votes of all Impaired Classes (i.e., two-thirds in dollar amount of Allowed Claims and greater than one-half in number of those voting the Allowed Claims) unless approval will be sought under Section 1129(b) of the Bankruptcy Code in spite of the dissent of one or more such Classes;

(2) the Plan is feasible, which means that after confirmation, the Debtors will be able to perform their obligations under the Plan and continue to operate without further financial reorganization or liquidation;

(3) the Plan is in the best interests of the holders of all Claims or Interests, which means that such holders will receive at least as much under the Plan as they would in a liquidation under Chapter 7 of the Bankruptcy Code; and

(4) all conditions mentioned above are met before the confirmation of the Plan.

Thus, even if all Impaired Classes vote for the Plan, the Court must make an independent finding that the Plan conforms to the Bankruptcy Code.

G. The Confirmation Hearing: If the Court approves this Disclosure Statement, then it will set a hearing on confirmation of the Plan at a time and date set forth in an order approving the Disclosure Statement. Such hearing will take place at the United States Bankruptcy Court for the District of Maryland. You will be notified of the time and place of the hearing as well as the deadline to object to confirmation. At that hearing, the Court will consider whether the Plan satisfies the requirements of the Bankruptcy Code, including whether the Plan is feasible and whether it is in the best interests of the creditors. The Court will also receive and consider a ballot report prepared by the Debtors concerning the votes for acceptance or rejection of the Plan

by the parties entitled to vote. The confirmation hearing may be adjourned from time to time by the Court without further notice except for any announcement made at the hearing to those in attendance. If no objection is timely filed, the Court may confirm the Plan under Bankruptcy Rule 3020(b) without receiving evidence.

Under Section 1129(b) of the Bankruptcy Code, the Court may confirm the Plan despite not receiving the necessary acceptance of every Impaired Class if: (1) at least one Impaired Class has accepted the Plan; and (2) the Court finds that the Plan does not discriminate unfairly and is fair and equitable to the rejecting Classes. In addition, the Debtors reserve the right, pursuant to Section 1126(e) of the Bankruptcy Code, to request the Court to strike any acceptance or rejection of the Plan by any claimant as not being in good faith.

H. Voting on the Plan: After approval of the Disclosure Statement, copies of the Plan and Disclosure Statement will be mailed to persons entitled to vote. A Ballot to be used for voting to accept or reject the Plan will be enclosed with the Plan and Disclosure Statement only to those holders of Claims in Classes of Claims which are adversely affected by the Plan. The ballot will contain instructions regarding the voting deadline and procedure.

ANY BALLOTS RECEIVED AFTER THE DEADLINE WILL NOT BE COUNTED.
ANY BALLOT WHICH IS EXECUTED BY THE HOLDER OF AN ALLOWED CLAIM BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE DEEMED TO BE AN ACCEPTANCE. THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

I. Events After Confirmation.

(A) *Disbursing Agent:* The Debtors shall act as their own disbursing agents for the purpose of making any distribution required under the Plan. Distribution shall be within the first

ten days of each month (or the date on which any quarterly payment comes due) for the duration of the Plan from the “debtor-in-possession” bank account.

(B) *Events Of Default* As stated in the Plan, the Debtors shall be in default under the Plan when the Debtors fail to make the scheduled payments when due. If a default is not cured within 30 days after notice to the Debtors, the creditors have whatever rights such creditors had prior to the Petition Date.

As to any taxing authority, upon default of any payment due in the Plan there will be a full reinstatement of the IRS’ administrative collection powers. The rights of any taxing authority as they existed prior to Petition Date, including but not limited to the filing of the tax liens and the powers of levy, seizure and sale will be reinstated. If the Debtors fail to make any deposits of currently accruing employment tax liabilities and/or fail to make any payment of any tax to the taxing authority within ten (10) days of the due date of such deposit or payment, if the Debtors fail to file any required federal tax return by the due date of such return, or if the Debtors fail to make any payments due to the taxing authority under the Plan, then the taxing authority may declare that the Debtors are in default. Notice of default shall be given in writing and/or by fax to the Debtors at their home address with a copy to counsel. If the taxing authority declares the Debtors to be in default, then the entire imposed tax liability to be paid under the Plan, together with any unpaid current liabilities, shall become due and payable immediately upon written demand to the Debtors. The Debtors may cure the default by paying the amount due within 15 days of notice of default.

The discharge granted by Section 1141(d) of the Bankruptcy Code is modified as to the tax debt provided for in the Plan, and the discharge of any tax debt under the Plan shall not be effective until all taxes provided for under the Plan have been paid in full.

(C) Modification of the Plan

Debtors may modify the Plan at any time prior to the Confirmation Date as permitted by Section 1127(a) of the Bankruptcy Code. After the Debtors file the modification with the Court, the modified plan becomes the Plan. Before or after the Confirmation Date or in the Confirmation Order, the Debtors or the Court may remedy any defect or omission, or reconcile any inconsistencies in the Plan or Plan as modified, in such manner as may be necessary to carry out the provisions, purposes, and effect of the Plan, as modified.

(D) Retention of Jurisdiction.

The Plan provides that the Court retains jurisdiction over the parties and the subject matter of the Plan and all matters related thereto until the Plan has been fully consummated and the case closed, or until the case is dismissed or converted to another chapter.

(E) Discharge and Closing of the Case

Pursuant to Section 1141(b)(5)(A) of the Bankruptcy Code, an individual reorganizing under Chapter 11 shall not receive a discharge until the completion of payments due under the Plan. Accordingly, upon completion of payments, the Debtors will move for entry of a discharge order, and thereafter will seek to have the case closed by the Court. To close the case, the Debtors will file an application for final decree showing that the case has been administered and that the Plan has been substantially consummated.

The Debtors may seek to have the case closed earlier than substantial consummation, and may seek to reopen the case at a later time in order to request a discharge and a final decree.

J. Tax Consequences of the Plan.

The Plan sets forth certain tax consequences which could flow to parties in interest upon confirmation of the Plan. The Plan is intended only to highlight certain Federal income tax

aspects of the Plan involving the Debtors, and it does not purport to be an analysis of or advice regarding tax matters relevant to a decision to accept the Plan.

THE FOREGOING CONSTITUTES ONLY A SUMMARY OF THE ESSENTIAL PROVISIONS OF THE PLAN. HOLDERS OF CLAIMS ARE ADVISED TO REVIEW THE PLAN CAREFULLY. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE PLAN. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION ABOUT THE CONSIDERATIONS PERTINENT TO ACCEPTANCE OR REJECTION OF THE PLAN AND DEVELOPMENTS CONCERNING THE CHAPTER 11 CASE. THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN.

NO SOLICITATIONS OF VOTES MAY BE MADE EXCEPT AFTER DISTRIBUTION OF THIS DISCLOSURE STATEMENT AND NO PERSON HAS BEEN AUTHORIZED TO DISTRIBUTE ANY INFORMATION CONCERNING THE DEBTORS OR THIS PLAN, OTHER THAN THE INFORMATION CONTAINED HEREIN.

IV. CONCLUSION

For the foregoing reasons, the Debtors believe the Plan is in the best interest of all parties-in-interest, and they urge you to vote in favor of the Plan.

Respectfully submitted, this 31st day of August, 2016.

COHEN, BALDINGER & GREENFELD, LLC

_____/s/ Augustus T. Curtis_____

Augustus T. Curtis

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