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HarMac Corp., Mary Street Housing, LLC, 111 Cherry Street, Inc.,
137 West 5th Associates, LLC, and 301 3rd Street LLC*

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY**

In re: HARMAC CORP., Debtor.	Chapter 11 Case No. 16-29568 (____) <i>*Motion for Joint Administration Pending</i>
In re: MARY STREET HOUSING, LLC, Debtor.	Chapter 11 Case No. 16-29573 (____)
In re: 111 CHERRY STREET, INC., Debtor.	Chapter 11 Case No. 16-29576 (____)
In re: 137 WEST 5 TH ASSOCIATES, LLC, Debtor.	Chapter 11 Case No. 16-29578 (____)

In re:

301 3RD STREET LLC,

Debtor.

Chapter 11

Case No. 16-29580 (____)

**DECLARATION OF JOSEPH F. SINISI, JR.
IN SUPPORT OF FIRST DAY MATTERS**

JOSEPH F. SINISI, JR., being of full age, hereby declares as follows, pursuant to 28 U.S.C. § 1746:

1. I am the president of HarMac Corp. (“HarMac”) and 111 Cherry Street, Inc. (“111 Cherry”) and the managing member of Mary Street Housing, LLC (“MSH”), 137 West 5th Associates, LLC (“137 West”) and 301 3rd Street LLC (“301 3rd”), the debtors and debtors-in-possession (collectively, the “Debtors”) in the above-captioned chapter 11 bankruptcy cases. I am authorized as the managing member or president of each of the Debtors to submit this Declaration. I am fully familiar with the business and affairs of the Debtors, including the facts and circumstances set forth herein.

2. I submit this declaration (the “Declaration”) in support of the Debtors’ voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) and the relief that the Debtors have requested from the Court in various motions and applications filed contemporaneously herewith (the “First-Day Pleadings”). The relief sought in each of the First-Day Pleadings (1) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption to their operations without loss of value and (2) best serves the interests of the Debtors’ estates and creditors.

3. Except as otherwise indicated, the facts set forth in this Declaration are based on my personal knowledge, information supplied to me by other members of the Debtors’

management or its professionals, information learned from my review of relevant documents, or my opinion based upon my experience and knowledge of the Debtor's operations and financial condition. This Declaration is intended to provide a brief background of the Debtors, a description of the Debtors and their services, the reasons for the Debtors' chapter 11 filings, the Debtors' objectives in the chapter 11 process, and a summary of the relief sought in each of the First-Day Pleadings. If called as a witness in the Debtors' bankruptcy proceedings, I could and would testify competently to the facts set forth in this Declaration. Unless otherwise indicated, all financial information set forth in this Declaration is presented on an unaudited basis.

OVERVIEW OF THE DEBTORS

4. The Debtors are owners of four residential rooming houses with a total of approximately 69 units and a commercial office building located in Union County (hereinafter, collectively referred to as the "Properties"). The rooming houses provide critical housing for low income individuals. Various social service agencies regularly refer clients to occupy the units. These agencies include Catholic Charities, Temporary Rental Assistance/Union County Social Services, YMCA, Salvation Army, Bridgeway, Trenton State Hospital, Trinitas Hospital, City of Elizabeth, St. Joseph Charities, Elizabeth Coalition, and Emergency Assistance of Elizabeth. The units consist of studios and shared living spaces, and most rents are subsidized.

5. HarMac is a corporation formed under the laws of the State of New Jersey. I am the president and own 100% of the shares of HarMac. HarMac owns an office building consisting of approximately 4,600 square feet with four units, three of which are rented, located at 1429 US-22, Mountainside, NJ 07092 (the "HarMac Property"). The units are rented to State Farm Insurance and Green Energy Improvements. Better Homes Mountainside ("Better Homes"), an entity that I work with, also occupies the HarMac Property (approximately 400

square feet). Better Homes Mountainside is managed by R. Sinisi, my spouse. Commencing November 1, 2016, Better Homes will pay rent at a rate consistent with that charged to the other HarMac tenants. A recent appraisal of the HarMac Property evidences a value of \$765,000.¹

6. MSH is a limited liability company formed under the laws of the State of New Jersey. I am the managing member and own 99% of the interests in MSH. The remaining 1% interest is held by R. Sinisi. MSH owns a rooming house located at 1163-1165 Mary Street, Elizabeth, New Jersey, which has 14 rental units that are fully occupied (the “MSH Property”). A recent appraisal of the property owned by MSH evidences a value of \$720,000. MSH has an approximate potential gross income of \$117,600 annually.

7. 111 Cherry is a corporation formed under the laws of the State of New Jersey. I am the president and own 100% of the outstanding shares of 111 Cherry. 111 Cherry owns a rooming house located at 111-113 Cherry Street, Elizabeth, New Jersey, which has 14 rental units (the “111 Cherry Property”). A recent appraisal of the property owned by 111 Cherry evidences a value of \$625,000. 111 Cherry has an approximate potential gross income of \$100,800 annually.

8. 137 West is a limited liability company formed under the laws of the State of New Jersey. I am the managing member and own 100% of the interests in 137 West. 137 West owns a rooming house located at 137 West 5th Avenue, Roselle, New Jersey, which has 20 rental units² that are fully occupied (the “137 West Property”). A recent appraisal of the property owned by 137 West evidences a value of \$1,125,000. 137 West has an approximate potential gross income of \$182,400 annually.

¹ All appraisals were completed in November 2015 and were ordered by Financial Resources Federal Credit Union.

² Approval is pending with the New Jersey Room and Boarding Division to extend the number of approved units to 24. Final inspections are anticipated shortly.

9. 301 3rd is a limited liability company formed under the laws of the State of New Jersey. I am the managing member and own 100% of the interests in 301 3rd. 301 3rd owns a rooming house located at 301 3rd Street, Elizabeth, New Jersey, which has 17 rental units that are fully occupied (the “301 3rd Property”). A recent appraisal of the property owned by 301 3rd evidences a value of \$550,000. 301 3rd has an approximate potential gross income of \$128,100 annually.

THE DEBTORS’ MANAGEMENT

10. I am the president or managing member of each of the Debtors. I have approximately 40 years of experience in the real estate industry. Currently, in addition to being the owner of the Debtors, I am also the owner of Better Homes Mountainside, a management company which oversees the operation of the properties owned by my wife and me. In approximately 1978, during my early 20’s, I began my career as a mortgage loan officer. I currently possess a loan originator license, a broker associate license for real estate and a real estate instructor’s license, which were issued by the Department of Banking and Insurance. Moreover, I am currently affiliated with Inter-County Mortgage Network Corp., located in Mountainside, New Jersey.

11. I currently have an ownership interest in entities owning approximately fifteen properties, including the properties owned by the Debtors. These properties consist of single-family residences, multi-family residences, commercial units and parcels of land.

12. I am also active in community organizations. I have been a member of the Rotary Club of Mountainside, New Jersey for approximately 10 years. In 2011, I received the Paul Harris Award for Distinction in the Rotary Club as an exemplary Rotarian.

CIRCUMSTANCES LEADING TO BANKRUPTCY

A. The FRFCU Loans and Mortgages

13. On June 18, 2009, HarMac entered into a note (the “HarMac Note”) in the principal amount of \$600,000 with Financial Resources Federal Credit Union (“FRFCU”). In connection with the HarMac Note, HarMac granted FRFCU a mortgage lien on the HarMac Property (the “HarMac Mortgage”). Further, HarMac executed an Assignment of Rents and Landlord’s Interests in Leases (the “HarMac Assignment of Rents”).

14. On September 20, 2010, HarMac, 111 Cherry, 137 West and 19 Edgar St., LLC entered into a Line of Credit Note in the principal amount of \$1.5 million with FRFCU (the “LOC”). In connection with the LOC, HarMac, 111 Cherry and 137 West granted FRFCU mortgage liens on their respective properties (each, the “HarMac LOC Mortgage,” the “111 Cherry LOC Mortgage,” and the “137 West LOC Mortgage”). HarMac, 111 Cherry and 137 West also entered into assignments of leases and rents.

15. On September 20, 2011, MSH entered into a note (the “MSH Note”) in the principal amount of \$550,000 with FRFCU. In connection with the MSH Note, MSH granted FRFCU a mortgage lien on the MSH Property (the “MSH Mortgage”). Further, MSH executed an Assignment of Rent’s and Landlord’s Interests in Leases (the “MSH Assignment of Rents”).

16. On June 22, 2012, 301 3rd entered into a note (the “301 3rd Note”) in the principal amount of \$187,500 with FRFCU. On November 8, 2012, 301 3rd executed a Restated and Modified Note wherein the principal balance of the 301 3rd Note was increased to \$468,750. In connection with the 301 3rd Note, 301 3rd granted FRFCU a mortgage lien on the 301 3rd Property (the “301 3rd Mortgage”). Further, 301 3rd executed an Assignment of Rent’s and Landlord’s Interests in Leases (the “301 3rd Assignment of Rents”).

17. On June 1, 2015, each of the Debtors defaulted on their obligations to FRFCU under their respective note(s) and mortgage(s) by failing to make payment when due.

18. On September 4, 2015, FRFCU commenced an action in the Superior Court of New Jersey, Mercer Vicinage, Law Division captioned Financial Resources Federal Credit Union v. Mary Street Housing LLC, et al., Docket No. L-2034-15 (the “Law Division Action”). The Law Division Action sought a judgment on the MSH Note, 301 3rd Note, HarMac Note and the LOC.

19. On September 15, 2015, FRFCU commenced foreclosure actions in the Superior Court of New Jersey, Union Vicinage, Chancery Division captioned Financial Resources Federal Credit Union v. 301 Third Street LLC, Docket No. F-31473-15 (the “301 Foreclosure Action”) and Financial Resources Federal Credit Union v. Mary Street Housing LLC, Docket No. F-31476-15 (the “MSH Foreclosure Action”). Through these actions, FRFCU seeks to foreclose on the MSH Mortgage and 301 3rd Mortgage.

20. On December 8, 2015, FRFCU commenced a foreclosure action in the Superior Court of New Jersey, Union Vicinage, Chancery Division captioned Financial Resources Federal Credit Union v. HarMac Corp., et al., Docket No. F-31687-15 (the “HarMac Foreclosure Action”). Through this action, FRFCU seeks to foreclose on the HarMac Mortgage, the HarMac LOC Mortgage, the 137 LOC Mortgage and the 111 LOC Cherry Mortgage.

21. On June 10, 2016, an Order Granting Summary Judgment (the “Judgment”) was entered in the Law Division Action. Judgment was entered against the Debtors in the following amounts:

Debtor	Amount
MSH	\$576,078.22
HarMac	\$555,216.42
	\$1,599,150.75*

Debtor	Amount
301 3 rd	\$496,296.76
111 Cherry	\$1,599,150.75*
137 West	\$1,599,150.75*

*This is one indebtedness under the LOC. On or about June 23, 2016 a closing occurred whereby 19 Edgar Street, LLC was sold to RIBKIB, LLC, a third party buyer. At the closing approximately \$277,000 was paid to satisfy part of the \$1,599,150.75 debt.

22. The Judgment was also entered against me, personally, in the total amount of \$3,518,424.99.

23. On July 22, 2016, the Honorable Joseph P. Perfilio, J.S.C. entered identical orders in the HarMac Foreclosure Action, 301 3rd Foreclosure Action and MSH Foreclosure Action directing the Debtors and tenants of each respective property to turnover all rents to FRFCU (collectively, the “Rent Turnover Orders”). The Rent Turnover Orders also required Debtors to provide FRFCU with copies of all leases and rent rolls for the Properties. Further, the Rent Turnover Orders restrained and prohibited the Debtors and their principals from interfering with FRFCU’s right to collect rents. Finally, the Rent Turnover Orders permitted FRFCU to file the appropriate dispossession actions in the event a tenant at any of the Properties failed to pay rental payments to FRFCU. Significantly, FRFCU was not required to pay any of the necessary operating expenses for the Properties in order to preserve the health and well-being of the tenants pursuant the Rent Turnover Orders.

24. After obtaining the Rent Turnover Orders, FRFCU posted notices at the Properties advising the tenants to pay all rents directly to FRFCU. In addition, the Debtors have paid to FRFCU any rents paid directly to them. FRFCU, however, has not been paying certain costs necessary to maintain the Properties, including the utilities. As a result, to ensure that the tenants were not left without any water, gas and electricity, I personally lent money to the

Debtors, through payment of the utility bills, to ensure that the tenants are protected. The monies advanced include the following:

PAYEE	PROPERTY	AMOUNT
PSE&G	301 3 rd Street	\$ 186.90
PSE&G	301 3 rd Street	\$ 126.75
NJ American Water	137 W. 5 th Avenue	\$1,000.00
Elizabethtown Gas	137 W. 5 th Avenue	\$4,128.70

25. Thereafter, on or about September 13, 2016, FRFCU filed a Motion for Order Appointing Receiver, Compelling Turnover of All Rents, Profits, Security and Proceeds and Authorizing Receiver to Offer for Sale the Mortgaged Real Property Pursuant to N.J.S.A. 2A:50-31 (the “Receivership Motions”) in the HarMac Foreclosure Action, the MSH Foreclosure Action and the 301 3rd Foreclosure Action.

26. The Receivership Motions are scheduled to be heard on October 14, 2016.

B. Events Leading to Debtors’ Bankruptcy Filings

27. Debtors, like many owners of large rental properties, have been severely affected by the weak economy, and more specifically, the failure of their tenants to make continuing payments on their monthly rent.

28. While the properties owned by the Debtors are fully occupied, Debtors have had severe issues with collectability of rent and subsequent evictions of tenants. The combination of lack of rent collection and inability to evict has left Debtors unable to cover the debt service on their respective mortgages.

29. As set forth above, after straining for months to make payments, the Debtors failed to make regular payments due on the various notes with FRFCU.

30. Through this bankruptcy, Debtors wish to explore the possibility of a financial and operational plan with its secured and unsecured creditors in order to preserve the company’s

assets, maximize Debtors' value, restructure debt and streamline operations, while continuing its business as a going-concern for the benefit of all stakeholders.

THE DEBTORS' CHAPTER 11 FILING

31. Debtors filed their voluntary Chapter 11 petitions on October 13, 2016 (the "Petition Date"). Debtors intend to continue operating their businesses. Debtors propose to use its cash and future revenues in accordance with the debtor-in-possession operating budget, which is annexed to the cash collateral motion as Exhibit A.

FIRST-DAY MOTIONS

32. Concurrently with the filing of its chapter 11 petition, Debtors have filed certain motions and proposed Orders (collectively, the "First-Day Orders"). Debtors request that each of the First-Day Orders described below be entered, as each constitutes a critical element in achieving a successful result in the Debtors' chapter 11 case for the benefit of all parties in interest.

A. Motion for an Order Authorizing the Interim and Final Use of Cash Collateral

33. Debtors seek entry of an order authorizing the interim and final use of Cash Collateral in the ordinary course of its business, because FRFCU is adequately protected by the excess equity in the value of the Properties as a whole. The Cash Collateral would be used solely in accordance with the budget annexed to the Motion. The Debtors seek to use the cash collateral only to pay the expenses necessary to protect the health, welfare and safety of their tenants. No payments will be made to Better Homes or the Debtors' principals. The Debtor must make these payments because FRFCU has refused to do so.

B. Debtors' Motion for a Bridge Order and a Final Order (i) Prohibiting Utility Companies From Discontinuing, Altering, or Refusing Service; (ii) Deeming Utility Companies to Have Adequate Assurance of Payment; and (iii) Establishing Procedures for Resolving Requests for Additional Assurance Pursuant to 11 U.S.C. §§ 105(a) and 366

34. Debtors seek entry of (i) a Bridge Order, and (ii) a Final Order, pursuant to Sections 105(a) and 366 of the Bankruptcy Code, (a) prohibiting the Utility Companies from discontinuing, altering or refusing service to the Debtors, except as set forth herein, (b) deeming the Utility Companies adequately assured of future performance on the basis of payment of a two-week security deposit (the "Utility Deposit"), and (c) establishing procedures for resolving requests for additional assurance of payment.

35. Uninterrupted utility services are essential to the Debtors' ongoing operations and, therefore, to the success of the Debtors' Chapter 11 efforts. Indeed, any disruption to the Debtors' businesses by virtue of the cessation of utility services by the Utility Companies will bring the Debtors' operations to a halt.

36. In accordance with Bankruptcy Code section 366(c)(1)(A), Debtors propose to provide additional assurance of payment to each utility company. Specifically, Debtors propose to issue a security deposit equal to approximately two weeks' estimated average utility consumption to each utility company.

C. Debtors' Motion for Authority to Continue to Use Existing Bank Accounts and Business Forms Pursuant to 11 U.S.C. §§ 105(a) and 363(c)

37. Currently, Debtors have five (5) bank accounts (collectively, the "Bank Accounts"). In the ordinary course of its operations, Debtors receive deposits and issue checks, wire transfers and ACH transfers into and out of its Bank Accounts.

38. The Debtors will work closely with the banks to ensure that appropriate procedures are in place so that checks issued prior to the Petition Date, but presented after the

Petition Date, will not be honored absent approval from the Court. No prepetition checks, drafts, wire transfers, or other forms of tender that have not yet cleared the relevant drawee bank as of the Petition Date will be honored unless authorized by separate Order of this Court.

39. The Debtors also seek authority to continue to use their prepetition business forms including, but not limited to, letterhead, invoices, checks, *et cetera* (collectively, the “Business Forms”), without reference to their status as debtors-in-possession. Requiring the Debtors to immediately print new Business Forms would be burdensome, expensive, and disruptive. The Debtors will, however, either print or stamp “Debtor-in-Possession” on their checks, and when they replace stock, will obtain checks marked “Debtor-in-Possession.”

D. Insurance Premium Financing

40. The Debtors also seek approval of property insurance premium financing. R. Sinisi advanced \$15,262.02 to ADP/Statewide Insurance to bind commercial general liability insurance and property coverage with Evanston Insurance Co. for MSH, 301 3rd, 111 Cherry and 137 West.

I certify the foregoing statements made by me are true. I am aware if any of the foregoing statements are willfully false, I am subject to punishment.

/s/ Joseph F. Sinisi, Jr.

JOSEPH F. SINISI, JR.

Dated: October 13, 2016