

UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

IN RE:)	
)	Case No.: 16-04214-dd
Dean Young Enterprises, LLC)	Chapter: 11
)	
<u>DEBTOR.</u>)	

FIRST ADDENDUM TO DISCLOSURE STATEMENT

**Filed by the Debtor in Possession
On December 8, 2016**

Dean Young Enterprises, LLC (“Debtor”) by and through his undersigned counsel hereby files this First Addendum to Disclosure Statement pursuant to an informal objection raised by the Office of the United States Trustee for the benefit of clarification to creditors. Debtor amends its Disclosure Statement to clarify the following:

Debtor’s current budget proposes to pay creditors as follows:

<u>Income</u>		
Rent	\$	5,720.00
<u>Projected Expenses</u>		
UST Fees (\$650 quarterly)	\$	(216.67)
Class 2: Wells Fargo	\$	(2,582.89)
Class 3: CDC	\$	(510.27)
Class 4: BDC	\$	(1,962.88)
Class 6: Unsecured	\$	(100.00)
Total Payout:	\$	(5,372.71)
Net Income	\$	347.29

Debtor projects approximately \$347.29 per month remaining after payment to its creditors. Debtor’s counsel has billed more than is being held in retainer, and the \$347.29 shall be used toward paying attorney’s fees in the event all cannot be paid upon confirmation. In the event the Debtor is able to pay all attorney’s fees at confirmation, the additional \$347.29 will be saved to create a surplus fund so Debtor can continue to pay Class 6 after the real property sells. The UST fees will stop being paid upon

the closing of the case and added to payment of attorney's fees or the surplus pot to pay Class 6 in the event the real estate sells prior to the payout to this class in 3 years or sooner.

As stated in the plan, secured creditors will be paid over a period of ten to twenty years as set forth in the individual class treatment in the event the property does not sell. Should the property sell but sell for less than necessary to pay entire secured claims of Wells Fargo, Certified Development Corp., and Business Development Corporation, Debtor will allow creditors to amend their claims thirty days following conclusion of the sale and will pay these undersecured creditors an additional total of \$100 per month to be distributed *pro rata* on December 31st of each year for three years.

Upon sale of the property, Debtor anticipates renting another smaller building for Alpha Manufacturing Company, Inc. ("Alpha") to sublease. It anticipates receiving at least \$1,000 per month in rent from Alpha which it will in turn pay out to rent a building. Debtor does not know if \$1,000 is possible or if rent will be higher. Obviously, Alpha will have moving costs initially, but should be able to afford at least \$1,000 in monthly rent. Debtor's *pro forma* represents this change in expected rent. With the change in rent, Alpha should be able to begin making a/r payments to the Debtor in an amount that at least will cover the possible \$200 per month potentially necessary for Debtor to fund payment to class 6 upon the sale of the real property, but will not be able to pay all of the past due rent it owes.

Debtor believes the majority of the outstanding a/r in the amount of \$193,976 from Alpha is potentially uncollectible and does not anticipate receiving it in full from the company. Page 5 of the originally filed Disclosure Statement said the money was collectible, but this was a typographical error and should have read "uncollectible". Alpha was unable to pay rent due to the October 2015 flooding, which caused Debtor to fall behind on its secured debt and lead to the bankruptcy filing but resumed paying rent in December 2016. Debtor does not believe that Alpha will be able to pay the past due rent owed in addition to future rent because it has only begun to be able to afford paying current rent. The only way Debtor would be able to receive past rent from Alpha is if it moves to a smaller facility upon the sale of the real estate, is profitable and stable in its earnings. Debtor projects a disruption in business in

the months surrounding the move in location but does not know what month that will be as it depends upon the ultimate purchaser's schedule.

Alpha's other expenses set forth in the Disclosure Statement include an expense for labor for its employees who manufacture the parts and equipment. In that budget, Alpha represented that its labor expense may increase incrementally each year due to inflation, such as from \$98,420.73 in 2017 to \$113,259.54 for 2018. One reason for additional labor is Alpha needs to hire a cleaning person. In the event labor costs do not increase to this extent, Alpha will use the savings to rent a better location, potentially spending up to \$2,000 per month instead of \$1,000 per month, which could be more realistic of rent prices. Dean Young will continue to receive \$8,000 per month from Alpha as his salary, which he will use toward paying new value.

Debtor believes Alpha has no current value due to the joint liabilities with Debtor. Because the majority of the collateral is being surrendered to the BDC under the plan terms belong to Alpha, the value of the company is essentially its continued ability to operate and has no present tangible value.

Debtor would clarify that the reference on page 8 of the originally filed Disclosure Statement pertaining unpaid 2014 and 2015 taxes were real estate taxes. These were paid by Wells Fargo and added in the proof of claim to be paid under the terms of the plan. Currently, 2016 real estate taxes are due.

In order to satisfy the absolute priority rule the plan must be "fair and equitable" toward a dissenting class of unsecured claims if the plan provides that each holder of a claim in the class effectively is paid in full, or failing that, no holder of any claim or interest that is junior to the dissenting class will retain any property under the plan. Debtor believes it will satisfy the absolute priority rule by having its Vice President, Dean Young contribute the funds necessary to pay this year's real estate property taxes and the potential capital gains taxes upon the sale of real estate. Debtor's real estate is filed on the personal returns Mr. Young files. Mr. Young will pay the capital gains of approximately \$30,000 assuming the property sells for \$750,000 on his personal returns to satisfy the absolute priority rule. This amount is calculated insofar as if the property sells for \$750,000 and costs of the sale are at

least the \$52,500 or 7% of the sales price, there could be taxes on the net \$697,500. Dean Young believes he then could subtract \$168,000 of depreciation taken from the \$697,500, net sales price, leaving \$482,000. The difference in the original \$650,000 sales price to the Debtor and \$168,000. Dean Young believes he could realize a gain of \$215,500 as the difference in the original purchase price of \$650,000 and \$482,000, such that taxes could be 15% of the \$215,500 gain or approximately \$30,000. Such contribution is crucial to the viability of the company as no one else other than the lienholders are in a position to save the real estate from a tax sale by paying the taxes, and having the real estate is critical to the reorganization of the Debtor. Otherwise, this case would be a no asset chapter 7 case upon conversion.

Debtor does not anticipate any creditors filing claims which have not already appeared or been provided for in the Plan. The bar date for the filing of claims is December 27, 2016 for ordinary creditors and February 15, 2017 for governmental entities. Should any unanticipated undisputed unsecured creditors appear, Debtor will file an objection because it believes no other claims are warranted. If a valid claim is filed, Debtor will amend the plan.

WHEREIN, Debtor requests the court approve the Disclosure Statement including this Addendum, and for such further relief as is equitable.

/s/ Dean Young
Dean Young, as Vice President of
Dean Young Enterprises, LLC
Debtor in Possession

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