

**UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF LOUISIANA**

**IN RE: Mid City Tower, LLC
DEBTOR**

**CASE NO. 16-10877
CHAPTER 11**

**AMENDED CHAPTER 11 DISCLOSURE STATEMENT
Filed by Mid City Tower LLC
Dated: March 28, 2016**

Mid City Tower, LLC, the captioned chapter 11 debtor in possession, respectfully submits to this Honorable Court and purposes to its creditors the following Amended Chapter 11 Disclosure Statement.

INTRODUCTION

Mid City Tower, LLC purchased this 14-story 86,000 sf building with almost 3 acres of parking for \$1.2 million in June 2013 back when it was a distressed property with a consistent rent roll collection of only around \$10,000 per month generated with spaces leased at around 34 cents per square foot. The reputation of the building was that of an abandoned space when purchased. Over the past three years, Mid City Tower, LLC made considerable improvements and attracted a solid community of tenants. Capital expenditure was limited to repairs and maintenance spent slowly, most management concerns concentrated on measures to manage costs, understand the building's systems and build support in the community through events based around the designation of Mid City as a Cultural Arts District of Louisiana. Currently, the building has solid tenants such as the local transit authority's management offices, Mid City College, Job Corps, long standing law offices and service providers that have been here for years. In addition, CATS (Capital Area Transit System) is currently renting about 9,000 sf (about one and half floors) and we are in negotiations in creating a permanent lease that will extend its commitment with two year increments (by virtue of their chartering document). The building is poised to be a very attractive asset for this community with a plan for its redevelopment as a mixed used property. The property has now appraised for \$2.7 million in 2017.

This chapter 11 debtor in possession has formulated a Plan of Reorganization through a combination of debt refinance and future development. This Disclosure Statement is designed to describe the status of the bankruptcy estate in sufficient detail to enable the creditors to make an informed decision when it is time to vote on the proposed plan. This Disclosure Statement will have obtained the approval of the Bankruptcy Judge as being sufficiently informative before it is sent out to you, the creditors, for solicitation of votes in favor of the Plan.

It is important that each of you read this Disclosure Statement and participate in the cases by completing the enclosed ballot and returning that ballot to the following address for electronic filing by undersigned counsel on your behalf *OR* filing it yourself *in person* at the U.S. Bankruptcy Court located at 707 Florida Street, Baton Rouge no later than the deadline of _____.

File your ballots at the Clerk of Court’s office or forward it to counsel to be filed electronically for you at your choice:

**Attorney Pamela Magee, LLC
P O Box 59
Baton Rouge LA 70821**

Failure to return the ballot could result in an insufficient number of votes to get the Plan accepted, so please take the time to cast your vote.

II. TABLE OF CONTENTS

I. INTRODUCTION Page 1
II. TABLE OF CONTENTS Page 2
III. ACTIVITY PRE AND POST PETITION Page 3
IV. LIQUIDATION ANALYSIS; SUMMARY OF ASSETS & DEBTS. . Page 4
V. HISTORICAL DATA AND OWNERSHIP
CONDITION Page 7
VI. CURRENT FINANCIAL INFORMATION. Page 8
VII. FINANCIAL PROJECTION Page 8
VIII. MANAGEMENTPage 10
IX. TAXATION.Page 10
X. ANTICIPATED LITIGATION Page 11
XI. ADMINISTRATIVE EXPENSES. Page 11
XII. SUMMARY OF THE PLANPage 12
XIII. CONCLUSION Page 12

III. SUMMARY OF ACTIVITY

PRE PETITION ACTIVITY:

The debtor acquired immovable property that was purchased in June 2013 for \$1.2 million and during the past three years Mid City Tower, LLC, the captioned chapter 11 debtor in possession in this case, has taken actions prior to the filing of this case as follows in order to improve and develop its primary asset:

Some improvements since purchased in 2013 including the following:

- a. Started on-site management and developed a procedure manual for the buildings systems
- b. Cleaned the exterior and repainting interiors and exterior.
- c. Landscaping
- e. Installing proper lighting for the parking lot
- f. Painted the exterior aggregate on the building
- g. Remediated \$400,000 in Deferred Maintenance from Previous Ownership
- h. Created an NFC based access control system (this is the same technology that ApplePay uses) for the front doors and elevator. Every floor can be locked or unlocked with a text message from an approved manager. The managers can add and remove employee access without our intervention.
- i. Implemented a network of sensors, in the building, which gives us live real-time data on equipment failures (heat and humidity sensors in the equipment rooms, audio and IR sensors in the mechanical rooms to detect broken belts and failing compressors,, sensor on the building roof chiller to see if the heat exchange system is operational, flood detectors in the basement to check for failing sump-pumps.
- j. Upgraded the network wiring infrastructure in the entire building
- k. Installed a digital interactive tenant directory for the front lobby.

POST PETITION ACTIVITY:

The chapter 11 petition was filed July 27, 2016. In October 2016 the debtor in possession obtained approval to employ undersigned legal counsel to assist in the chapter 11 reorganization process. The law firm that was initially hired by the debtor, Stewart Robbins & Brown withdrew and the debtor hired Attorney Pamela Magee LLC to proceed with a chapter 11 reorganization.

Ann Simmers and Mathew S. Thomas are two of the owners of the company who have served as managing members and who have worked in all aspects of the business on a daily basis since the initial formation in 2013, and they have continued their commitment to the development of the business throughout the bankruptcy restructure by handling operations,

management, and business development for the chapter 11 debtor in possession. In October 2016 the debtor and its managing members placed Ms. Ann Simmers as the Managing Member to continue with the chapter 11 reorganization.

In the initial stages of the chapter 11 case the debtor also addressed overstated billing issues with Entergy and resolved the abnormally high utility service billing that was occurring in error. The debtor and its management had developed systems prior to the filing of the bankruptcy case to improve the comfort and security for its tenants and that in part enabled the issues with Entergy to be resolved quickly. The chapter 11 case has also enabled the debtor to resolve issues that had commenced prior to the filing of the petition with minority shareholders through court approval of a redemption or buy-out of these interests.

IV. LIQUIDATION ANALYSIS; SUMMARY OF ASSETS AND LIABILITIES

The primary asset of this business is a 14-story commercial office rental building tower. The value of the immovable property far exceeds the amount of the allowed claims and therefore the chapter 11 plan appropriately proposes to pay all debt in full. The debtor has obtained a recent appraisal of the property indicating a current value of approximately \$2.7 million, attached as **Exhibit C** to this disclosure statement. However, in the event of a conversion to a chapter 7 liquidation chapter the ability of the debtor to repay its creditors would be lost because (1) the debtor would no longer have control over the management and marketing of the property for new tenants, (2) the secured lender on the building could obtain relief from the stay if the property was not sold quickly enough in a “chapter 7 liquidation sale” and thereby losing all equity after the delays of a sale or foreclosure, instead of having all creditors paid in full through the debtor’s proposed plan, and (3) the expense of using multiple contract services for hire that are currently provided by the debtor would be excessive, would not provide the quality and personalized services to the tenants that current management provides for all of the maintenance and management, and (4) would preclude the development of new tenant spaces and future income growth (5) and a quick chapter 7 liquidation sale would likely not yield any amount above the balance of the mortgage as is typical. A summary of the assets and debts follows:

SUMMARY OF ASSETS:

(1) Immovable property located at 5700 Florida Blvd valued at \$2.2 million *in 2016*:
A 14-story Class B plus a single-level basement, suburban office building built in 1968 containing a total of 77,500 SF of Net Rentable Area situated on a 2.586-acre site in Mid City, Baton Rouge, East Baton Rouge Parish, Louisiana. Total Square Feet: 86,000; *and recently appraised as of 2017 for approximately \$2.7 million with its increasing tenant rent roll.*

(2) Tenant leases:

As of July 2016: number of tenants 34, square footage occupied 23,845, monthly rent \$30,130;

As of March 2017: number of tenants 44, square footage occupied 30,886, monthly rent \$35,703; plus adding the following signed tenants

	Occupancy date:	Square footage:	Monthly rent:
WFG	May 2017	1232	\$1,100
MHA	May 2017	570 expansion	\$ 700
GRS	April 2017	619 expansion	\$ 900
DTC	April 2017	364	<u>\$ 530</u>
			\$3,230

(3) Parking Spaces: 272

(4) Improvements since purchased in 2013:

- a. Started on-site management and developed a procedure manual for the buildings systems
- b. Cleaned the exterior and repainting interiors and exterior.
- c. Landscaping
- e. Installing proper lighting for the parking lot
- f. Painted the exterior aggregate on the building
- g. Remediated \$400,000 in Deferred Maintenance from Previous Ownership
- h. Created an NFC based access control system (this is the same technology that ApplePay uses) for the front doors and elevator. Every floor can be locked or unlocked with a text message from an approved manager. The managers can add and remove employee access without our intervention.
- i. Implemented a network of sensors, in the building, which gives us live real-time data on equipment failures (heat and humidity sensors in the equipment rooms, audio and IR sensors in the mechanical rooms to detect broken belts and failing compressors,, sensor on the building roof chiller to see if the heat exchange system is operational, flood detectors in the basement to check for failing sump-pumps.
- j. Upgraded the network wiring infrastructure in the entire building
- k. Installed a digital interactive tenant directory for the front lobby.
- l. Obtained service contracts and warranties for daily cleaning, HVAC maintenance, roof maintenance, elevator maintenance, emergency electrical system maintenance

SUMMARY OF DEBTS:

MidSouth Bank	\$895,187.20 (Jan 2017)
secured by office tower	
Unsecured, non- insider claims	\$28,406.34
Insider claims	\$65,000.00
Allowed Adm claims	\$38,947.56
Equity interests	undetermined

The liquidation value of the assets of this estate depends on the status of operations and the personal contact with the tenants. In the event of a chapter 7 conversion, the ongoing development would be devastated without the hands-on 24 hour a day attention that has been provided by management of Ms. Ann Simmers and Mr. Mathew Thomas for the past three years building this business without personal compensation. They have provided, and continue to provide the attention to the tenants' needs that brought a distressed property to a profitable operation. The rental income has tripled during this time, because of the services management provides and the improvements to the facility and operations by current management described above, all of which require continuous attention. In the event of a liquidation in chapter 7 all of this value would be lost due to a chapter 7 trustee's having to hire out all of these services on a temporary basis pending advertisement for a sale within the short time frame that the secured lender would push to obtain, while losing all of the personal attention to tenants that current management provides at no expense because the individuals have been building a business with value for their future. Liquidation would therefore result in decreased rental collections and loss of tenants, such that the value in chapter 7 would be just a building subject to a mortgage with no community presence.

A liquidation value for the debtor's business is based on the physical building alone and therefore is estimated in the range of \$1 million to \$1.7 million by management, depending on the length of time for continuation of services being provided. If current management were removed, as may occur in a chapter 7, the tenant base would be immediately jeopardized. So much of what current management provides is done without compensation, yet has resulted in increased monthly rental, improved technical operations of the facility, and created a community environment that did not exist when they acquired this property. Therefore, in a chapter 7 liquidation the lower value range would be expected and therefore result in no value to any creditors other than the building mortgage holder. Further, the lender will push to complete a

state court foreclosure upon stay relief by its pending motion, and at a sheriff sale there would be a credit bid by the bank for less than its debt. That also exposes the equity interest to deficiency judgments on their guarantees. The bank has already filed suit against all of the individual guarantors. So a liquidation would not enable any value to be obtained to pay the creditors, other than the bank's secured claim, and to the detriment of all creditors and of all shareholders as well. The chapter 11 plan proposed to this court provides that all creditors (except current management) be paid in full, and even the dissenting prior minority member, Dr Bobby Joseph has already been paid the full value of his investment plus a 40% return by a payment of \$250,000.00. The plan proposes no distribution or investment return being paid the current management, whose goal is to build the business, to preserve the value of the ongoing operation, and to build their future investment value. The amount paid to settle and remove the dissenting minority shareholder in this chapter 11 plan was based on the proposed value of the operating business at a minimum value of \$2 million. That yields a calculated 40.46% return on a total original investment of \$284,777.58 by the minority owner, resulting in the proposed \$400,000 to be paid the three minority owners as a result of the debtor's chapter 11 reorganization. A conversion to chapter 7, destroys all investment value and is not in the best interests of all creditors of the estate, including the remaining equity owners, Ann and Michael Simmers, Mathew Thomas, and the new investors' interests. The goal of current management reflects a best interest of creditors approach, and that includes the interest of all creditors, and all shareholders.

V. HISTORICAL DATA AND FUTURE OWNERSHIP

Mid City Tower, LLC is a Louisiana entity formed in 2013 by its three initial members, Ann Simmers, Mathew S. Thomas, and Bobby Z. Joseph, M.D. The entity has always been operated from its business location at 5700 Florida Boulevard, Rouge Rouge, Louisiana.

The most recently monthly report data for February 2017 reflects the growth in rental receipts from tenants and is attached as **Exhibit A** that includes the most recent balance sheet and profit and loss data.

As a result of this anticipated reorganization two new members have provided funding to buy into the business and buy out the former dissenting member and reduce the debt of Mid South bank by a \$100,000.00 payment. The debtor has structured the redemption and buy-out of

the prior minority equity interest by funding contribution and secured debt reduction totaling \$350,000 to date. There are two new investors, Saby Joseph has contributed \$250,000 and Shajimon Thomas have contributed \$150,000 on account of their interests. The equity interest owners upon approval of the restructure of this entity are anticipated to include the following individuals directly and/or through the existing LLC owned member: Mathew Thomas, Ann Simmers, Saby Joseph, Shajimon Thomas, and Michael Simmers. The debtor has also obtained court approval to seek a loan in order refinance the current mortgage to MidSouth Bank, the only secured creditor and pay off the small unsecured debt in the case. Pending approval of a loan to refinance this obligation the debtor's chapter 11 plan provides for the payment in full in equal monthly installments with the prior contract interest rate for the secured lender and payment with interest over a short term for the unsecured claims.

VI. CURRENT FINANCIAL INFORMATION

Copies of the most recent monthly operating report from February, 2017 reflects post-petition financial information and is attached as **Exhibit A**. The most recent income tax returns are attached as **Exhibit B (2015 and 2016)**. Since late July 2016 when this reorganization case was commenced the business has continued to add tenants. Based on the current rent rolls, the debtor continues to increase its monthly income. The debtor's plan proposes to assume the tenant leases and the list of tenant leases to be assumed are attached as **Exhibit B-1** to this disclosure statement and as exhibit B to the plan. It is anticipated that the list of leases will be updated as of plan confirmation as new tenants are in the process of being added.

VII. FINANCIAL PROJECTIONS

The business has prepared a summary of its most recent monthly operations that is attached in section VI and that includes an income projection. The debtor's chapter 11 plan is expected to be approved and allow for the debtor to pay the Allowed claims of this estate with interest over a commercial reasonable term in full in equal monthly installments commencing 30 day of confirmation. Alternatively, the debtor is also seeking to obtain loan funding to enable the payment of debts in a lump sum.

In addition the debtor has planned development for the top four floors to be converted into high-end luxury condominiums or apartments. See **Exhibit D** for Renderings of these

projected high-end residential units. Meanwhile the debtor has prospective tenants currently in development including the following:

First Floor Retail Eatery Development: A lease has been signed for the Florida Boulevard-facing retail space to develop the first floor of the building with an eatery.

Establishing the first floor eatery is an integral step to revitalizing the property's demand as it provides an amenity to existing office tenants as well a necessary convenience for the proposed residential addition. Tower Café is scheduled to open in June. Tower Cafe is renting 1800 square feet for \$2,500 with additional access to common space on the first floor and the outdoor door portico. They will be responsible for the remodeling expenses.

Once the coffee and sandwich space is established Tower Café, plans on developing the rest of the first floor into a full restaurant with an entrance facing the inside parking on Cloud Drive.

Eighth & Eleventh Floors, *Two Possibilities:*

1. *Prospective Call Center Tenant.* We are working with real estate agents to promote leasing the 8th and 11th floors as a call center. Since this floor was recently utilized as a call center, the required tenant build-out will be minimal as all network or power wiring work is already complete. There are three providers of Fiber Internet Communication to the building and each of those floors have an active access control system. The expectation is that these floors will be rented in their entirety at a minimum of \$6000 per month.

OR

2. *Existing Technical School Tenant.* Mid City College wants to utilize the 11th floor by September of 2017 for \$6000 per month as they expand with more within the umbrella of Administrative and Business Office programs. Mid City College has, as of January 2017, received final approval for its Medical Coding and Billing Program.

Second Floor:

An urban Aquaponics farming startup with the proposed name of Cloud Farm Aquaponics. A few nature and science-loving entrepreneurs including Brandon Taylor (mushrooms), John Gray (system's engineer), Chris Martin (aquaponics), Stuart Rogers (fish farming) with Mathew Thomas are working to start an indoor commercial urban farm, renting the second floor of the property as well as utilizing roof space and outdoor space to grow organic high quality greens and mushrooms.

VIII. MANAGEMENT

Ms. Ann Simmers is the managing member of the debtor and is a co-owner and the President of the Mid City College. She has over 18 years of experience in education and

compliance management. She with her husband, Michael Simmers, have considerable experience with residential real estate in Louisiana. Mr. Mathew Thomas holds a Masters in Economics and Finance from Brandeis University and is ABD from a Ph.D. program in Economics at the New School for Social Research in New York City. He is a co-owner in the Mid City College, LA with Ms. Simmers; handling compliance issues and curriculum development for the school. He has owned and has experience managing commercial real estate in his hometown of Philadelphia. Together Ms. Simmers and Mr. Thomas have managed the building for the past three years.

Ms. Simmers and Mr. Thomas have not been receiving compensation for the full-time services they provide the debtor entity. They will continue to provide management post confirmation. In anticipation of continued growth of the rental rolls they expect to receive future compensation in the form of a fixed salary, but until the plan is consummated and the Reorganized Entity has obtained its target cash flow, they do not plan to draw any salaries during the months immediately following confirmation, and then only to the extent it is feasible for the company to commence a fixed salary for each, and that to be increased slightly each year commencing two years from confirmation of the chapter 11 plan. No lump sum awards, bonus, or other benefits will be paid unless and until the debtor entity has accumulated sufficient surplus cash flow over the next two years. Therefore, post confirmation during 2017 is the target time for commencement of compensation for existing management to be added in the maximum gross annual amount of \$30,000 each, but only when that is feasible.

IX. TAXATION

The debtor is an LLC and the tax consequences are attributed to its members. The debtor in possession does not have tax delinquencies. There is no amount of debt forgiveness created by this reorganization because the plan pays all creditors in full. Therefore, the tax consequence of confirmation of the debtor's chapter 11 plan will not be adverse to the financial future of the reorganized entity. A copy of the most recent federal tax return is attached. The prior tax years reflected net rental real estate losses for the first two years of operations during which significant improvements were being made to the property. There are no priority tax claims owed by the debtor.

X. ANTICIPATED LITIGATION

As of commencement of the chapter 11 case the only legal action to which the debtor was a party was the foreclosure that was stayed by the bankruptcy filing, and that will be moot as a result of the confirmation of the debtor's plan and/or refinance of the subject mortgage loan. Confirmation of this chapter 11 plan will enable the debtor to re-structure its debt and pay all secured and unsecured claims 100%. Therefore, the debtor anticipates no necessity for evaluation or commencement of litigation against or between its current and prior equity owners, its creditors, nor any other parties. As all allowed claims will be paid in this 100% repayment plan there is no necessity to pursue further evaluation of any transactions.

XI. ADMINISTRATIVE EXPENSES

The post-petition administrative expenses of this estate include legal fees. There has been accrual of professional fees for prior and current legal counsel for the debtor in possession, but no financially burdensome obligations have been incurred during the chapter 11 case. A final fee application for the Stewart Robbins Brown firm, prior counsel for the debtor, has been approved by the court, the remaining balance of fees and costs after pre-petition retainer utilization and offset of the remaining pre-petition retain held, results in a remaining claim of \$32,462.06 for costs and expenses. Undersigned counsel for the debtor who replaced the Stewart Robbins Brown firm did not receive a retainer, and has not yet filed an application for approval of attorney fees. Current counsel has worked to move the focus of this case from disputes with the minority shareholders to a reorganization plan that pays 100% of the creditors of the case. Further, the approval of the redemption or buy-out of the former minority equity interest and the addition of new equity owners has enabled the debtor to proposed a plan to pay all creditors in full and create a profitable business. A fee application shall be submitted but counsel will agree to monthly payments to the extent necessary to consummate the debtor's plan of reorganization immediately following plan confirmation. Anticipated account's fees are expected in the range of \$2,500. The debtor has sufficient funding to pay all professional services incurred with relation to this reorganization.

XII. SUMMARY OF PLAN OF REORGANIZATION

The chapter 11 plan proposed on behalf of the captioned debtor in possession proposes to pay its debts in full. A copy of the proposed plan is attached as **Exhibit E** and made a part of this Disclosure Statement. The plan provides for the payment in full of unsecured claims by equal monthly installments over 12 months, or less, and the payment in full of the bank's debt in equal monthly installments at its contract rate of interest as well. The debtor has been working to close on a loan to re-finance the secured debt to MidSouth Bank and pay all other allowed creditor claims all at once, and it still pursuing that course of action simultaneously with the proposed chapter 11 plan that provides for monthly installments unless and until such a loan occurs.

XIII. CONCLUSION

The debtor in possession believes that this disclosure statement enables the creditors to gain an understanding of the issues faced by the business and its owner as well as the causes for the actions in connection with this Chapter 11 reorganization. The captioned debtor in possession believes that the Plan of Reorganization filed is confirmable under the provisions of Chapter 11 and will provide a prompt and full payment of debt.

**THE FORGOING CHAPTER 11 DISCLOSURE STATEMENT IS SUBMITTED
BY MID CITY TOWER, LLC
MANAGING MEMBER, MS. ANN SIMMERS
THIS 28th DAY OF MARCH, 2017.**

RESPECTFULLY SUBMITTED,

s/ Pamela Magee
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